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[Labour Force
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[This issue of the Economic Intelligence Report looks at South African and Free State Labour Force dynamics for 2018. The report aims to give a better understanding of these labour force indicators and trends on a national and regional level as well as interventions currently in place to tackle unemployment. This in an effort to assist policymakers to have accurate information for well-informed decision making to steer economic growth and to counter unemployment.]

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The issue of the *Economic Intelligence Report* focuses mainly on the three quarters ending *December 2018*.

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INTRODUCTION

It is often stated that the South African economy faces the triple challenge; poverty, inequality and unemployment. Although the three concepts differ in terms of how they are defined and measured, all three are inter-related and have a negative effect on economic growth and development. The National Development Plan states that “To eliminate poverty and reduce inequality, South Africa has to raise levels of employment and, through productivity growth, the earnings of working people”.¹

South Africa has one of the highest unemployment rates in the world, currently recorded at 27.5%.² When workers are unemployed, their families do not have an income, and the country as a whole loses their contribution to the economy in terms of the goods or services that could have been produced. Furthermore, the unemployed lose their purchasing power, which can lead to unemployment for even more workers, creating a cascading effect that ripples through the economy.

Aware of this challenge, the South African government has engaged in a number of initiatives in collaboration with the private sector such as the Jobs Summit held in October 2018. The Summit resulted in over 70 outcomes all aimed at the creation of employment opportunities to help South Africa reach its’ goal of a 14% unemployment rate by 2020 and further down to 6% in 2030.³ The Free State Growth and Development Strategy designed in line with national policy documents shares similar ambitions with regards to the reduction of unemployment within the Province.

South Africa relies on information published by Statistics South Africa on a quarterly basis to assess current employment and unemployment figures. The Quarterly Labour Force Survey (QLFS) collates data on the number of people in the labour market. This report includes the number people that are employed, unemployed and not economically active. The data is broken down by industry, province, sex, age and sector. It covers both the formal and informal sectors.

This issue of the Economic Intelligence Report looks at South African and Free State Labour Force dynamics for 2018. The report aims to give a better understanding of

¹ Department of the Presidency. 2012. National Development Plan

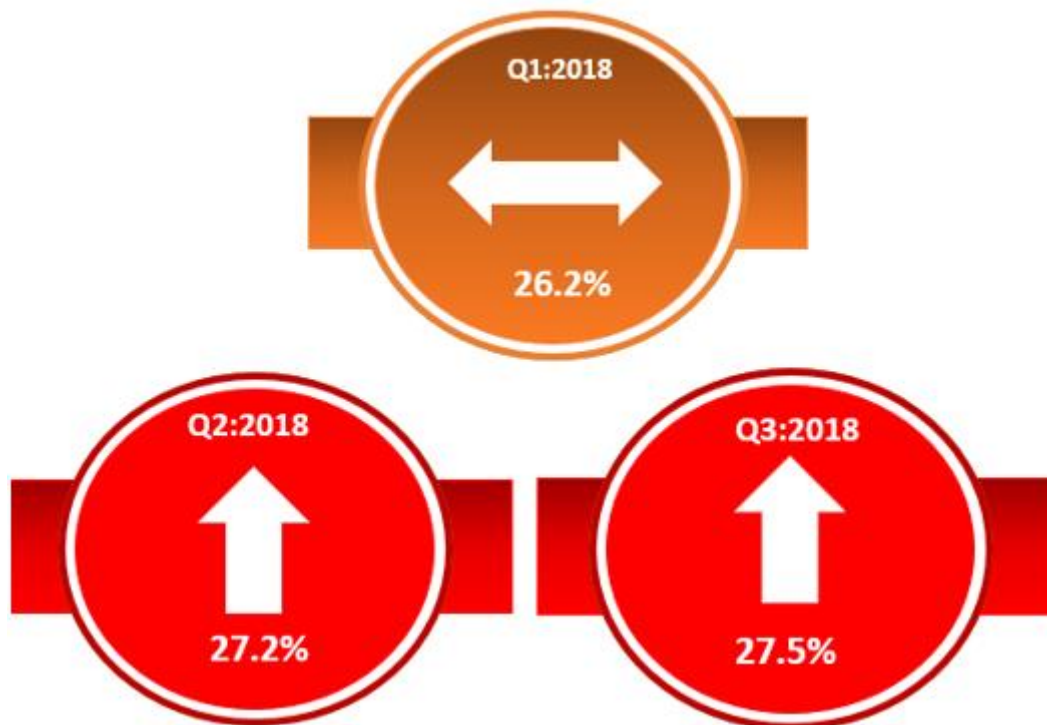
² Statistics South Africa. 2018. Quarterly Labour Force Survey Q3:2018

³ Ibid

these labour force indicators and trends on a national and regional level as well as the interventions currently in place to tackle unemployment. This in an effort to assist policymakers to have accurate information for well-informed decision making to steer economic growth and to counter unemployment.

SOUTH AFRICA LABOUR FORCE DYNAMICS 2018

Figure 1: South Africa’s Official Unemployment Rate, Q1:2018 to Q2:2018



After a stable start to the year, South Africa’s unemployment rate has steadily increased throughout 2018. The official unemployment rate remained unchanged at 26.7 percent over the first quarter of 2018 compared to the fourth quarter of 2017. According to Statistics South Africa, the South African working-age population increased by 153 000 or 0.4 percent in the first quarter of 2018 compared to the fourth quarter of 2017. Due to the rise of in both employment (up by 206 000) and unemployment (up by 100 000) over the quarter, there was a subsequent increase in labour force participation rate (from 58.8 percent to 59.3 percent).⁴

⁴ Statistics South Africa. 2018. Quarterly Labour Force Survey (QLFS) Quarter 1:2018

In the second quarter of 2018 South Africa's official unemployment rate increased by 0.5 of a percentage point to 27.2 percent as compared to the first quarter. The increase in the unemployment rate was due to a decline of 90 000 in the number of employed people and an increase of 102 000 in the number of people who became unemployed during this period. Adding to this, the number of discourage worker-seekers increased to 2.9 million between the first and the second quarters of 2018. The national working-age population increased by 154 000 (1.4 percent) in quarter 2 when compared to the first quarter.⁵

Employment losses were mainly driven by the manufacturing, services and trade industries. Losses in the manufacturing sector were predominantly as a result of losses in manufacturing of basic metal, food products, beverages and tobacco products. Employment gains were influenced by increases in the transport, construction and mining industries.

Labour Dynamics Quarter 3 2018

The third quarter saw an additional marginal increase in the unemployment rate of 0.3 of a percentage point to 27.5 percent as compared to the first quarter. The increase in the unemployment rate was due to increases in both the number of employed and unemployed population by 92 000 and 127 000 respectively. As a result, the total number of unemployed people recorded in the country stood at 6, 2 million in Q3:2018. The expanded unemployment rate, which includes people who have stopped seeking work, rose by 0.1 of a percentage point to 37.3 percent. This is the worst level since the survey commenced in January 2008. In addition, the report revealed that the national working-age population increased by 153 000 or 0.4% in the third quarter as compared to the second quarter. Elize Kruger, an economist at NKC African Economics explained that the South African economy is unable to absorb new entrants to the job market. For this reason she highlighted that the stubbornly high unemployment rate increased the urgency of recently announced government-led initiatives set to "focus the attention of all stakeholders on policies to foster economic growth that would lead to more job creation".⁶

⁵ Statistics South Africa. 2018. Quarterly Labour Force Survey (QLFS) Quarter 2: 2018

⁶ Business Day. 2018. What economists say about SA's shock jobless data Retrieved from: <https://www.businesslive.co.za/bd/economy/2018-10-30-south-african-economy-unable-to-absorb-new-entrants/>

In the course of the third quarter, employment gains of up to 1 880 000 were reported for the informal sector whereas the formal sector, private households and agriculture recorded declines in employment. The number of discouraged work-seekers declined by 131 000 while the number of other not economically active persons rose by 65 000. This resulted in a decrease of 66 000 (down by 0.4%) in the number of people not in the labour force between the two quarters.

Employment per Sector

Employment losses were mainly driven by the Private households, Mining and Manufacturing. Private households reported 30 000 job loses quarter on quarter. Nedbank's Isaac Matshego contributed the drop in private household employment, both quarterly and annually, to continued financial pressures faced by households as a result of higher fuel prices which have elevated the pressure on household income.⁷

Mining was one of the sectors hardest hit by declines in employment, with 29 000 less people employed between July and September. According to the Statistics South Africa Mining: Production and Sales report released in June, the first part of the year saw the mining sector enter into a recession. At the same time, production declined by approximately 10 percent in the first quarter of 2018, following on from a 4.4 percent decrease in the last quarter of 2017. Statistics South Africa attributed the sector's falling performance to decreased production in gold, platinum group metals and iron ore.⁸

Due to the sector's deteriorating performance, in the last year major mining companies operating in South Africa have since announced plans to embark on mass retrenchments. In May the world's third-largest gold producer AngloGold Ashanti announced plans to retrench 2 000 South African workers. This was followed by an announcement in August by Impala Platinum to lay off 13 000 employees as a result of financial difficulties leading to operational instability.⁹ It is unlikely that sector will recover in the final quarter of the year. This as the country's gold output has

⁷ Ibid

⁸ Statistics South Africa. 2018. Mining: Production and sales, April 2018

⁹ Mail & Guardian. 2018. SA unemployment on the rise Retrieved from: <https://mg.co.za/article/2018-10-30-sa-unemployment-on-the-rise-stats-sa>

continued to contract for 13 months in a row, experiencing the longest streak of declines in six years.¹⁰

Employment gains were influenced by increases in the Finance, Construction and Trade industries as illustrated below.

Figure 2: National Industry Employment Gains and Loses Q3:2018



Stakeholders participating in the Jobs Summit held in October 2018 agreed to assist in creating 275 000 jobs a year. The Summit produced an 80 page framework agreement containing detailed interventions on how to achieve this mammoth goal. Interventions that form part of the agreement include: “a commitment by large corporations and government to buy local products; a more aggressive approach to increasing exports; interventions in agricultural value chains, especially fruit, grain and livestock; and support for small and medium enterprises.”¹¹

The 80 page agreement also includes a number of pre-existing sectoral interventions in sectors such as the automotive, furniture, and metals and machinery, in addition to

¹⁰ Fin24. 2018. South African gold output drops thirteenth straight month in October Retrieved from: <https://www.fin24.com/Companies/Mining/watch-south-african-gold-output-drops-thirteenth-straight-month-in-october-20181211-2>

¹¹ Business Day. 2018. Summit deal to create 275,000 jobs a year Retrieved from: <https://www.businesslive.co.za/bd/national/labour/2018-10-04-jobs-summit-to-create-275000-jobs-a-year-cyril-ramaphosa-says/>

the already announced financing initiatives for black industrialists and farmers and agribusiness. The national government continues to commit itself to support the distressed firm fund through the Industrial Development Corporation. Furthermore the government is set to review the training lay-off scheme, which will allow retrenched workers to access funds for retraining.¹²

Youth Unemployment

The NEET rate is a measure of a young people who are no longer in the education system and who are also not working or being trained for work. Statistic South Africa reports the NEET rate for two age ranges in the QLFS, namely; for person aged between 15-24 years and for person aged between 15-34 years.

Approximately 3.2 million (31 percent) out of 10.3 million young people aged 15-24 years were not in employment, education or training (NEET). The overall NEET rate increased by 0.8 of a percentage point in Q3:2018 compared to Q3:2017. Although the Northern Cape recorded the highest rate of young people aged between 15 to 24 years not in employment, education or training, this figure is 5 percentage points lower than the Province's NEET rate in the previous year. The Free State Province reported the lowest NEET rate for persons aged between 15 and 24 at 29.0 percent for Q3 2018. An estimated 7.9 million out of 20.3 million young people (39.0%) aged between 15 and 34 years were not in employment, education or training. The Eastern Cape Province had the highest rate of young people aged between 15 and 34 years not in employment, education or training at 45.2 percent. The provincial rate increased by 2.4 percentage points year on year. Amongst the same age group, the Free State Province recorded a 1.5 percentage point increase in the number of young people not in employment, education or training at 38.1 percent for the third quarter.

¹² Ibid

Figure 3: Free State NEET rate Year on Year Change (Q3:2017-Q3:2018)

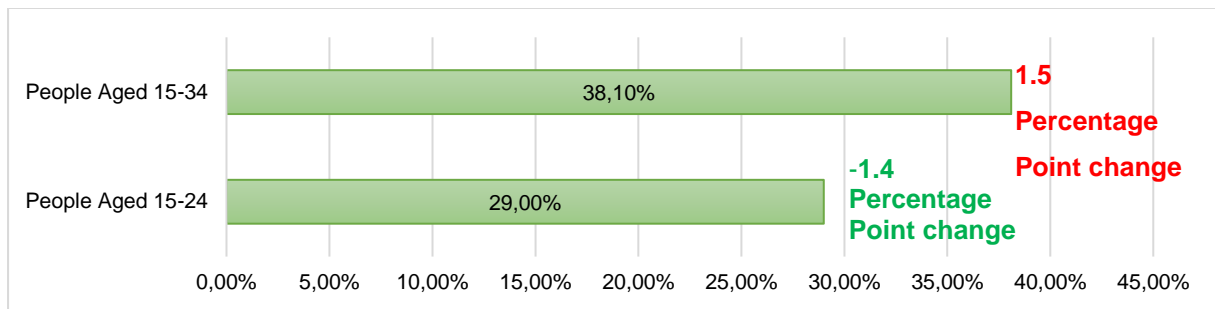


Figure adapted from: Statistics South Africa. 2018. QLFS Q2:2018 Media Presentation

Youth unemployment remains a major challenge. The South African government is currently making attempts to tackle this issue. One of the interventions in place is the Employment Tax Incentive scheme. This scheme which has been extended for an additional 10 years provides employers with tax breaks for hiring first-time, low-paid youth.¹³ The national government has also announced plans to change public-service regulations as of April 2019 in order to allow for recruitment in all entry-level posts in the public service without prior experience. This in its effort to address the high youth unemployment.¹⁴

The MEC of Sport, Arts, Culture and Recreation in the Free State, Mathabo Leeto announced the 7th edition of the provincial youth camp which took place at the De Brug Military Base of the SANDF outside Bloemfontein. The ground breaking camp is in collaboration with the National Department of Sport and Recreation, the Free State Department of Education and Love Life. MEC Leeto expressed her belief the 2018 provincial youth camp would help to tackle the scourge of youth unemployment in the Province. The camp aims to inspire and instil a sense of national patriotism, discipline and national identity into the province’s youth population while also nurturing their unique talents.¹⁵

¹³ Business Day, 2018. Jobs summit produced over 70 strategies to deal with unemployment crisis, Cyril Ramaphosa says Retrieved from: <https://www.businesslive.co.za/bd/national/labour/2018-10-05-jobs-summit-produced-over-70-strategies-to-deal-with-unemployment-crisis-cyril-ramaphosa-says/>

¹⁴ Business Day. 2018. No experience needed for entry-level government jobs, says Ayanda Dlodlo Retrieved from: <https://www.businesslive.co.za/bd/national/education/2018-11-19-no-experience-needed-for-entry-level-government-jobs-says-ayanda-dlodlo/>

¹⁵ OFM. 2018. Youth unemployment 'still a great concern' Retrieved from: <https://www.ofm.co.za/article/local-news/268924/youth-unemployment-still-a-great-concern>

Employment per Province

Employment gains were noted in seven of the nine Provinces in the third quarter. Most notably, high employment increases were recorded in Limpopo (41 000), Gauteng (22 000) and Mpumalanga (20 000). In contrast, the Free State (14 000) and Eastern Cape (13 000) were the only Provinces that recorded employment losses during this period.

An annual comparison shows that employment increased in six of the nine Provinces, with KwaZulu-Natal recording the largest employment increase of 98 000 persons, followed by Western Cape with 95 000. However, during the same period, employment losses were recorded in Free State (48 000), Eastern Cape (31 000) and North West (4 000).

Between Q2:2018 and Q3:2018 the official unemployment rate decreased in five of the nine Provinces annually, with the largest declines in the unemployment rate recorded in Northern Cape (down by 1.9 percentage points), Mpumalanga (down by 0.7 of a percentage point), and Limpopo (down by 0.4 of a percentage point). These declines were however offset by increases in the unemployment rate in four Provinces with the Free State recording the highest increase in unemployment (4.5 percentage points) year-on year.

Compared to the previous quarter, the national expanded unemployment rate increased by 0.1 of a percentage point in Q3: 2018 to 37.3 percent. The largest increases were recorded in Free State (1.4 percentage points), followed by Limpopo (0.7 of a percentage point). Compared to Q3: 2017, the expanded unemployment rate also increased by 0.5 of a percentage point, with the Free State again recording the largest increase of 3.0 percentage points.

Figure 4 below depicts Provincial unemployment rates both official and expanded for the third quarter of 2018.

Figure 4: Provincial Unemployment Rate, Official vs Expanded Q2: 2018

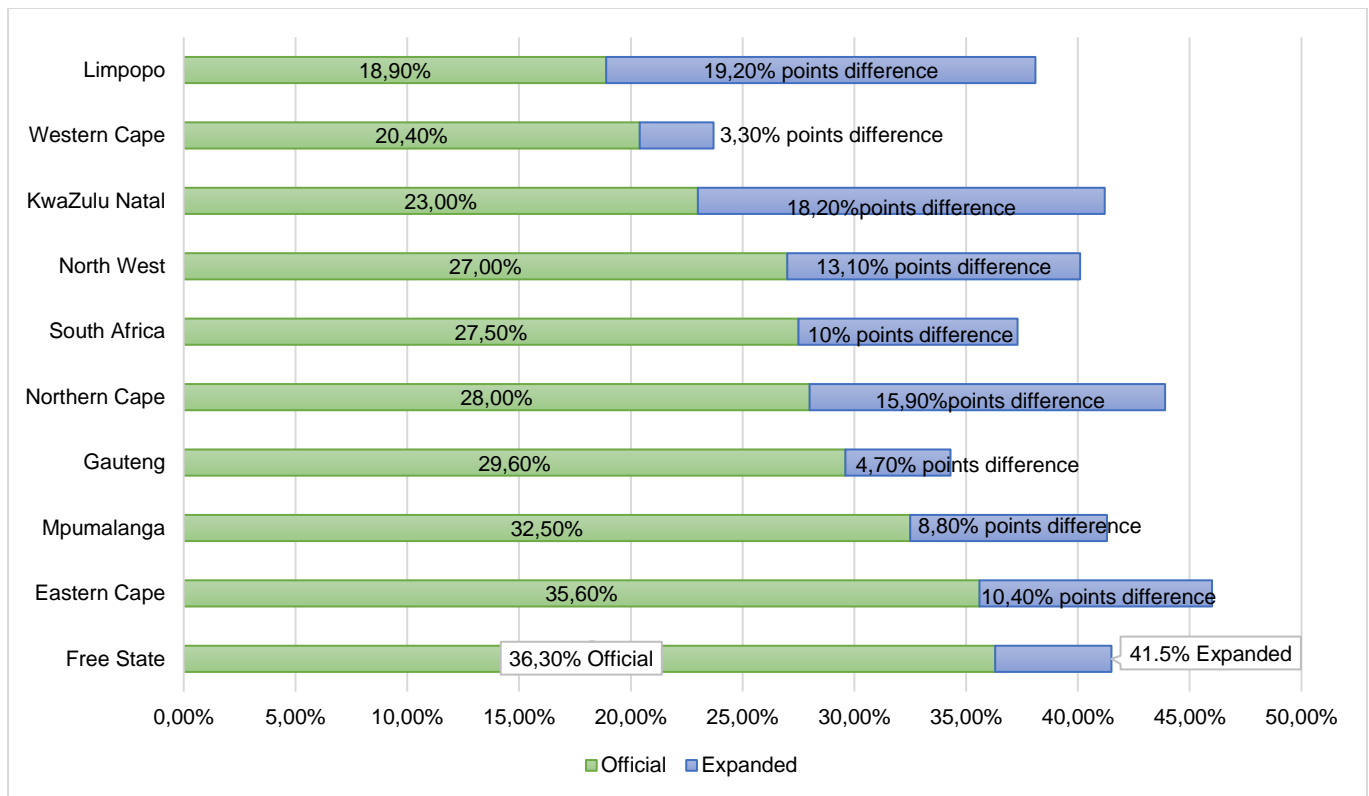


Figure adapted from: Statistics South Africa. 2018. QLFS Q3:2018 Media Presentation

FREE STATE LABOUR FORCE

Figure 5: Summary of Free State Labour Market Measures at a Glance, Q1:2018 to Q3:2018

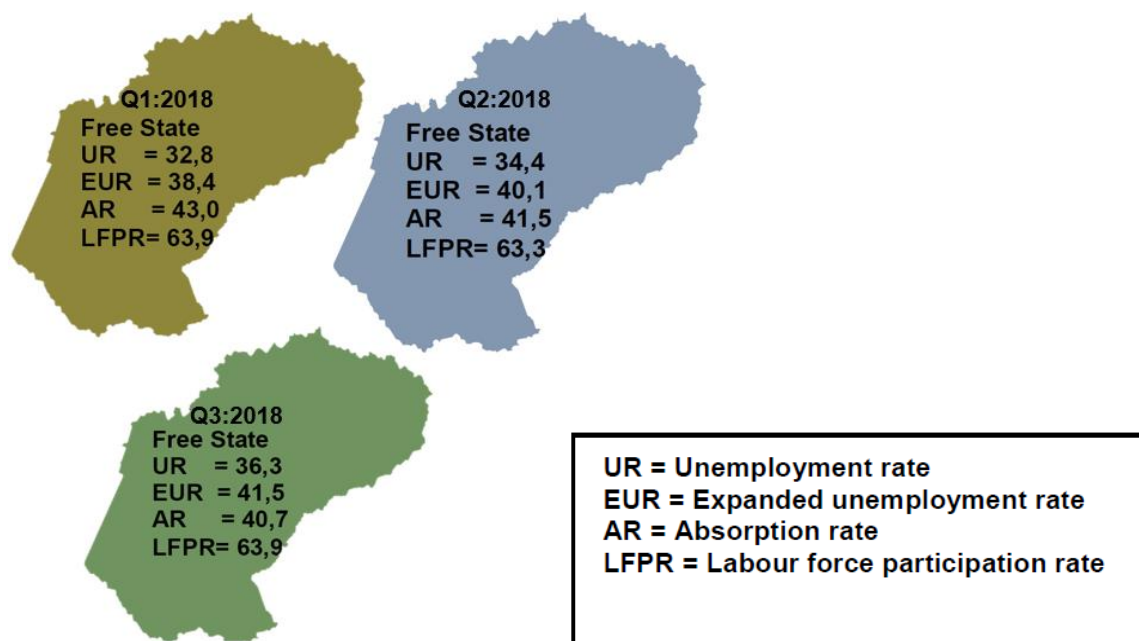


Image adapted from Statistics South Africa QLFS Q1:2018, Q2:2018 & Q3:2018

The Province's official unemployment rate has continuously increased throughout the course of 2018. Between the final quarter of 2017 and the first quarter of 2018, official unemployment increased only slightly by 0.2 of a of percentage point. During this period, major employment losses were recording in the construction sector which shed 16 000 jobs. The Free State province performed poorly in the third quarter of 2018. For the second consecutive quarter, the Province recorded the highest official unemployment rate amongst all other Provinces. The Province's working age population increased by 2000 up to 1 900 000 from Q2:2018 to Q3:2018. Additionally, the Province recorded an increase in its official unemployment rate of 1.9 percentage points (up to 36.3 percent) and an increase of 1.4 percentage points in its expanded unemployment rate (up to 41.5%). The number of employed people in the Province decreased in this time by 14 000, while the number of unemployed people increased by 27 000. Discourage work seekers decreased by 12 000 between the two quarters from 82 000 to 70 000. This change represents a 14.9% decrease during this period.

The table below shows that 6 of the 10 industries in the Free State experienced increased in employment quarter to quarter, while 4 declined between the second quarter and third quarters of 2018. Increases in employment were recorded in Agriculture, Mining, Utilities, Manufacturing, Construction and Private Households. Trade, Transport, Community Services and Finance recorded job loses between the first quarter and second quarters of 2018.

The Trade sector in particular recorded the highest decline in employment quarter to quarter (21 000) and year-on-year (37 000). This could be as a result of a combination of related factors. As the Province continues to shed more and more jobs quarter-to-quarter, consumer purchasing power decreases. This together with an increase in VAT and rising fuel prices reduces the population's ability to partake in retail related activities therefore affecting the number of people employed by the sector.

Table 1: Employment by industry in the Free State Province

	July- Sep 2017 (Thousand)	Oct- Dec 2017 (Thousand)	Jan- Mar 2018 (Thousand)	Apr- Jun 2018 (Thousand)	July- Sep 2018 (Thousand)	Qrt-to-Qrt Change (Thousand)	Year-on- Year Change (Thousand)	Qrt-to- Qrt Change (Percent)	Year-on- Year Change (Percent)
Agriculture	75	77	92	71	74	3	-1	4,2	-1,3
Mining	17	16	18	23	24	1	6	0,7	34,9
Manufacturing	55	55	58	58	65	7	11	12,3	20,0
Utilities	11	9	7	10	11	1	0	2,3	-2,1
Construction	73	75	59	51	64	13	-9	25,3	-12,5
Trade	178	163	176	162	141	-21	-37	-13,2	-20,7
Transport	51	39	35	41	35	-7	-16	-16,2	-31,7
Finance	75	86	91	84	71	-13	-4	-15,7	-5,7
Community and Social Services	198	200	200	202	197	-5	-1	-2,6	-0,6
Private Households	88	84	77	84	92	9	4	10,5	4,8

Table adapted from: Statistics South Africa. QLFS Q3:2018 Table 3.2

CONCLUSION AND RECOMMENDATIONS

South African youth continue to be the most affected by high unemployment, translating to increases in skill shortages and low productivity. The Free State province is seemingly making positive strides to address this with the provincial NEET rate showing signs of contraction. Interventions such as the Employment Tax Scheme as well as the scrapping of prior experience for entry level government jobs may assist the current situation.

The mining sector's performance continues to suffer as gold reserves drop and major mining companies embark on mass retrenchments.

Outcomes of the Jobs Summit 2018 include a commitment by both the government and the private sector to create 275 000 jobs over a period of a year.

The Free State Province is greatly affected by its surrounding environment and currently records the highest official unemployment rate amongst all other South African provinces.

The province's trade sector reported the highest employment losses (21 000) in the third quarter of 2018. This is likely an indirect result of reduced consumer spending due to continued financial pressures linked to higher fuel prices.

It remains vital that interventions focused on economic growth and job creation such as the recently announced economic stimulus plan be prioritise and implemented.