Monitoring the Performance of the South African Labour Market

An overview of the South African labour market for the Year Ending 2016 Quarter 3

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Contents

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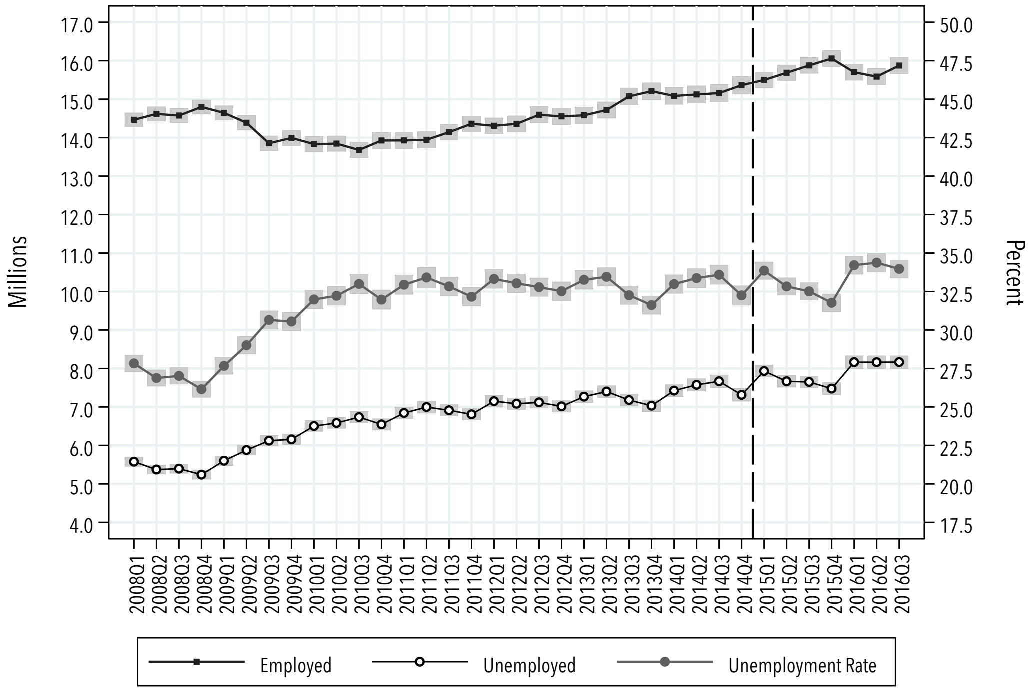
Employment Promotion Programme

Recent Labour Market Trends

Figure 1: Quarterly Estimates of Labour Market Aggregates



Source: Own calculations, Statistics South Africa (various years).

Notes:
1. *The expanded definition of unemployment is utilised here.*
2. *Shaded bands represent the 95 percent confidence intervals around the estimates.*
3. *The dotted vertical line represents the introduction of the 2013 Master Sample.*
4. *See appendix for further details of estimates.*

After the devastating global financial crisis, which triggered the collapse of world markets and a recession locally, South Africa struggled to return to sustained economic growth. Indeed, the year-on-year GDP growth has been below one percent in each quarter since 2015Q3, and dipped to -0.1 percent in 2016Q1, the lowest since the 2009 global recession (Statistics South Africa, 2017). The picture is even gloomier when population growth is factored in: per capita GDP has been stagnant since 2013, growing only marginally in 2014 and falling marginally in 2015. In this weak economic environment, the labour force face significant difficulties to retain or find employment, particularly at lower skill levels.

South African employment and unemployment trends are illustrated in Figure 1, using data from the Quarterly Labour Force Surveys (QLFS) from 2008Q1 to 2016Q3. The South African economy saw a decline in employment of 944 000 or 6.4 percent from 2008 to 2009 sparked by the local effects of the global financial crisis. Subsequently, employment increased steadily, peaking at 16.0 million jobs in 2015Q4, although it has subsequently fallen below that level.

Using the broad definition of unemployment—which includes discouraged workerseekers—unemployment has followed an upward trend over the period. In 2008, unemployment was at its lowest, averaging around 5.5 million. For the next six years, the level of unemployment increased continuously, surpassing 8.0 million in 2016. The unemployment rate too has risen continually since the 2009 global recession, reaching a high of 34.4 percent in 2016Q2. Despite government's various efforts to tackle this problem, unemployment remains one of the greatest challenges faced by a significant number of South Africans, particularly the youth (Statistics South Africa, 2015).

Table 1 gives a broad view of the South African labour market for the third quarters of 2014, 2015 and 2016. In 2016Q3, there were 37.0 million individuals in the working age population, having increased by 1.6 percent from a year earlier. However, employment levels remained virtually unchanged (15.9 million). In 2016Q3, close to a quarter (5.9 million) of the narrow labour force was unemployed, as were about one-third (8.2 million) of the expanded labour force. Narrow unemployment increased by a statistically significant 8.4 percent (455 000) from a year earlier. Likewise, broad unemployment increased by a statistically significant 6.7 percent (516 000). This increase in broad unemployment is primarily driven by growth in the number of searching unemployed rather than by the non-searching unemployed. During the same quarter, there were 2.3 million discouraged workseekers, 2.8 percent more than in 2015Q3, although the increase is not statistically significant.

In 2016Q3, the labour force participation rate (LFPR) remained virtually unchanged under both definitions over the 12-month period. Of the working age population, nearly three-fifths (58.8 percent) were part of the narrow labour force, while about two-thirds (64.9 percent) were part of the broad labour force.

With the labour force growing at just over two percent under both definitions and employment virtually unchanged from the previous year, unemployment rates have experienced substantial upward pressure. In 2016Q3, the narrow unemployment rate stood at 27.0 percent (an increase of 1.6 percentage points from the previous year), whilst the expanded unemployment rate rose by 1.5 percentage points to 34.0 percent.

The 12-month period has, therefore, seen significant deterioration within the national labour market.

A LABOUR MARKET OVERVIEW

Table 1: Labour Market Overview

	2014 Quarter 3	2015 Quarter 3	2016 Quarter 3	Change ('15-'16) Absolute	Relative	
Labour Market Aggregates (Thousands)						
Working Age Population	35 729	36 416	37 016	600	1.6	
Employment	15 157	15 876	15 872	-4	0.0	
Narrow Unemployment	5 152	5 420	5 874	455	8.4	*
Narrow Labour Force	20 308	21 296	21 747	451	2.1	*
Expanded Unemployment	7 667	7 649	8 165	516	6.7	*
Expanded Labour Force	22 824	23 525	24 038	512	2.2	*
Discouraged Workseekers	2 515	2 229	2 291	62	2.8	
Labour Force Participation Rate (Percent)						
Narrow LFPR	56.8	58.5	58.8	0.3	0.5	
Expanded LFPR	63.9	64.6	64.9	0.3	0.5	
Unemployment Rate (Percent)						
Narrow Unemployment Rate	25.4	25.5	27.0	1.6	6.1	*
Expanded Unemployment Rate	33.6	32.5	34.0	1.5	4.5	*

Source: Own calculations, Statistics South Africa (2014, 2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

2. The working age population consists of those aged 15 years to 65 years inclusive.

"With the labour force growing … under both definitions and employment virtually unchanged … unemployment rates have experienced substantial upward pressure"

Table 2: Labour Market Overview by Geography

	2014 Quarter 3	2015 Quarter 3	2016 Quarter 3	Change ('15-'16) *Absolute*	Change ('15-'16) *Relative*	
Urban Areas (Thousands)						
Working Age Population	24 215	24 021	24 590	569	2.4	*
Employment	11 754	11 933	11 981	48	0.4	
Expanded Unemployment	4 970	4 937	5 277	340	6.9	*
Expanded Labour Force	16 723	16 871	17 259	388	2.3	*
Discouraged Workseekers	1041	900	939	40	4.4	
Participation Rate (Percent)	69.1	70.2	70.2	0.0	-0.1	
Unemployment Rate (Percent)	29.7	29.3	30.6	1.3	4.5	*
Rural Areas (Thousands)						
Working Age Population	11 514	12 394	12 426	32	0.3	
Employment	3 403	3 943	3 891	-52	-1.3	
Expanded Unemployment	2 697	2 712	2 888	176	6.5	†
Expanded Labour Force	6 100	6 655	6 779	124	1.9	
Discouraged Workseekers	1 474	1 329	1 351	22	1.7	
Participation Rate (Percent)	53.0	53.7	54.6	0.9	1.6	
Unemployment Rate (Percent)	44.2	40.8	42.6	1.8	4.5	†

Source: *Own calculations, Statistics South Africa (2014, 2015, 2016b).*

Notes:
1. *An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.*
2. *The expanded definition of unemployment is utilised here. Unemployment and participation rates are calculated using this definition.*
3. *The 2014Q3 designation for "urban areas" includes geographical categories "Urban formal" and "Urban informal". The designation for "non-urban areas" includes "Tribal areas" and "Rural formal" by Statistics South Africa definition.*
4. *The 2015Q3 and 2016Q3 designation for "rural areas" includes Statistics South Africa's current geographical categories of "Traditional" rural areas, "Farms", and "Mining" areas.*

Table 2 provides a disaggregation of the national labour market overview by location. In 2016Q3, the urban population accounted for almost two-thirds (63.5 percent) of the national population of 55.3 million, and a similar share of the working age population. Thus, the working age population in urban areas (24.6 million) was twice that of the non-urban areas (12.4 million).

The urban labour force was more than twice (17.3 million) the non-urban labour force (6.8 million), while urban areas were home to three times as many jobs as non-urban areas (12.0 million compared to 3.9 million). In contrast, urban unemployment was less than twice (5.3 million) non-urban unemployment (2.9 million): urban unemployment increased by 6.9 percent and non-urban unemployment by 6.5 percent from a year earlier. These increases were primarily driven by growth in the number of searching unemployed. The majority of discouraged workseekers were located in non-urban areas (59.0 percent), the only one of the presented aggregates for which this is the case. This is consistent with the relative scarcity of job opportunities, along with the greater degree of disconnectedness from the labour market more broadly, in rural areas.

The data indicates great disparities in the labour market conditions between urban and non-urban areas. Participation rates were substantially higher in urban areas (70.2 percent) than in non-urban areas (54.6 percent) in 2016Q3. During the same period, unemployment rates were 12.0 percentage points higher in non-urban areas than in urban areas and increased by a larger margin in rural areas. Such differences point to, amongst other things, the relative lack of economic opportunities in non-urban areas, as well as potential differences in human capital and skills.

LABOUR FORCE PARTICIPATION

Table 3: Labour Force Participation Rates

Percent/Percentage Points	2014 Quarter 3	2015 Quarter 3	2016 Quarter 3	Change ('15-'16) *Absolute*	*Relative*
Overall LFPR	63.9	64.6	64.9	0.3	0.5
By Race					
African	63.1	64.1	64.6	0.5	0.7
Coloured	67.5	66.1	65.7	-0.4	-0.6
Asian	61.2	60.1	63.3	3.3	5.4
White	68.3	68.8	68.0	-0.8	-1.2
By Gender					
Male	70.3	70.7	71.2	0.5	0.6
Female	57.6	58.7	58.9	0.2	0.3
By Age Group					
15 to 24 year olds	32.3	32.9	32.7	-0.2	-0.6
25 to 34 year olds	83.0	83.8	83.4	-0.4	-0.4
35 to 44 year olds	84.3	85.5	85.8	0.3	0.4
45 to 54 year olds	76.0	76.7	78.4	1.7	2.2
55 to 65 year olds	45.3	44.0	44.0	0.0	0.1
By Educational Attainment					
Primary or less	52.2	52.6	53.3	0.7	1.4
Incomplete secondary	55.4	56.1	56.5	0.4	0.8
Complete secondary	74.5	76.1	76.3	0.3	0.4
Diploma/Certificate	89.3	88.2	88.1	-0.2	-0.2
Degree	85.3	86.1	88.3	2.3	2.6

Source: *Own calculations, Statistics South Africa (2014, 2015, 2016b).*

Notes: 1. *The expanded definition of unemployment is utilised here in defining the labour force.*
2. *An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.*

Table 3 presents the expanded labour force participation rate by demographic characteristics. In 2016Q3, almost two-thirds (64.9 percent) of the working age population were active in the labour force. Labour force participation rates are estimated at 63.3 percent for Asians, 64.6 percent for Africans, 65.7 percent for Coloureds, and 68.0 percent for Whites. With participation rates of 71.2 percent and 58.9 percent respectively, men were substantially more likely to be economically active than women. Participation rates were lowest for the 15-24 years and 55-65 years age cohorts at 32.7 percent and 44.0 percent respectively. This is linked to members of the youngest cohort being more likely to be enrolled in education and those in the oldest cohort increasingly likely to exit the labour force. Participation rates for 25-44 year olds were highest, with more than four-fifths of individuals participating in the labour market.

There is a positive correlation between educational attainment and labour force participation observed in Table 3. In 2016Q3, the participation rate for those with primary or less education was 53.3 percent and only slightly higher (56.5 percent) for those with incomplete secondary education. Completing secondary education was associated with a large increase in participation rates (to 76.3 percent), while nearly 9 out of 10 individuals with post-secondary education report participating in the expanded labour force. In other words, there is a nearly 20 percentage points jump in participation from incomplete secondary to matric, and a further almost 10 percentage point increase for post-secondary education. While participation rates generally appeared to have increased over the 12-month period, with the exception for those with diploma/certificate, none of these changes are statistically significant.

Employment trends with respect to race, gender, age group and education level are presented in Table 4. In 2016Q3, employment stood at 15.9 million and was virtually unchanged from a year earlier.

Africans account for nearly three-quarters of total employment (11.8 million or 74.2 percent). They are followed by Whites (1.9 million or 12.1 percent), Coloureds (1.6 million or 10.4 percent), and Asians (0.5 million or 3.2 percent). Estimates of employment amongst Africans, Coloured and Asians were marginally up year-on-year, although none of these changes were statistically significant.

More than half of the employed were male (9.0 million or 56.6 percent) in 2016Q3, with women making up 43.3 percent (6.9 million) of the total. Women's share of employment was marginally lower than a year earlier, but changes in employment by gender were not found to be statistically significant.

Cohorts aged between 25 and 54 years of age are considered the prime working age population, and this group accounted for 82.8 percent of total employment in 2016Q3. The two cohorts aged 25-34 years and 35-44 years each number 4.9 million. While changes in employment for all five cohorts were not statistically significant, it appears that employment amongst younger cohorts may have come under pressure during the period. This pattern of higher rates of employment growth amongst older cohorts is consistent with current demographic trends, and the gradual ageing of the population.

Employment Trends

Table 4: Employment Trends

	2014 Quarter 3 *('000s)*	2015 Quarter 3 *('000s)*	2016 Quarter 3 *('000s)*	Change ('15-'16) *Absolute ('000s)*	*Relative (Percent)*	
Overall Employment	15 157	15 876	15 872	-4	0.0	
By Race						
African	11 052	11 731	11 782	51	0.4	
Coloured	1 641	1 638	1 644	6	0.4	
Asian	508	506	524	18	3.5	
White	1 956	2 002	1 923	-79	-3.9	
By Gender						
Male	8 566	8 942	8 980	38	0.4	
Female	6 591	6 935	6 892	-42	-0.6	
By Age Group						
15 to 24 year olds	1 252	1 383	1 265	-117	-8.5	
25 to 34 year olds	4 725	4 969	4 896	-73	-1.5	
35 to 44 year olds	4 676	4 897	4 923	25	0.5	
45 to 54 year olds	3 070	3 186	3 323	137	4.3	
55 to 65 year olds	1 434	1 441	1 465	24	1.7	
By Educational Attainment						
Primary or less	2 045	2 322	2 157	-164	-7.1	†
Incomplete secondary	4 994	5 174	5 263	90	1.7	
Complete secondary	4 780	4 943	5 056	113	2.3	
Diploma/Certificate	1 998	1 870	1 714	-156	-8.3	†
Degree	1 221	1 455	1 546	91	6.2	

Source: Own calculations, Statistics South Africa (2014, 2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

2. Education category numbers do not add up to total employmentt due to unspecified or no responses.

There is an inverted U-shape relationship between the level of education attainment and employment. In 2016Q3, 5.3 million employed had incomplete secondary education (equivalent to 33.2 percent of total employment), and a further 5.1 million (31.9 percent) had matric certificates. The total number of jobs was, though, smaller for those with lower or higher levels of education. Amongst those with primary education or less, 2.2 million were employed in 2016Q3 (13.6 percent of the the total), while those with diplomas/certificates accounted for 10.8 percent of employment, and those with degrees 9.7 percent. Although past data and analysis has indicated a long-term skills-bias in employment growth, the 12-month period under review does not conform to this pattern. Instead, employment contracted for both those with primary or less education (-7.1 percent) and those with diploma/certificate (-8.3 percent), and while other categories of employment appeared to have grown, these latter changes were not statistically significant.

Table 5 disaggregates the overall change in employment over the year to 2016Q3 by race, gender, age and education. However, the tiny and statistically insignificant change renders the estimates presented almost meaningless as it results in very large shares for all categories. Nevertheless, we present the results for purposes of comparison. Amongst the four race groups, Whites were the only group to see a decline in employment over the period. Similarly, employment of men and women moved in opposite directions, with women experiencing a marginal decline.

By age, employment shifts saw 15-34 year olds experiencing net job losses, while those aged 35 years and older gained. In terms of educational attainment, as already noted, there is no clear pattern of net employment gains or losses. However, net declines in employment for those with primary education or less and for those with diplomas/certificates were rougly one-third to one-half larger in absolute terms than net changes for any of the other three educational groupings.

Table 5: Composition of Employment Change, 2015Q3-2016Q3

Absolute Change	*Thousands*	
Total Employment	-4	
Share of Change	Percent	
By Race		
African	-1 347.6	
Coloured	-159.2	
Asian	-469.3	
White	2 076.1	
By Gender		
Male	-1 011.2	
Female	1 111.2	
By Age Group		
15 to 24 year olds	3 091.9	
25 to 34 year olds	1 913.5	
35 to 44 year olds	-666.0	
45 to 54 year olds	-3 606.8	
55 to 65 year olds	-632.6	
By Educational Attainment		
Primary or less	4 326.7	†
Incomplete secondary	-2 357.7	
Complete secondary	-2 975.0	
Diploma/Certificate	4 092.5	†
Degree	-2 384.2	

Source: Own calculations, Statistics South Africa (2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes in employment levels at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

Disaggregating employment by economic sector reveals that recent growth in employment in the tertiary sector, underpinned by the good performance of the financial and business services, was negated by contractions in employment in the primary and secondary sectors (Table 6). The tertiary sector provides the bulk of employment in South Africa: in 2016Q3, 11.2 million individuals were employed in this sector in total, representing 70.8 percent of total employment. The tertiary sector is followed by the secondary sector, which accounts for 3.3 million jobs (20.8 percent), while the primary sector employed 1.3 million individuals (8.3 percent). Over the 12 months to 2016Q3, the primary and secondary sectors shed jobs at rates of 2.0 percent and 2.1 percent respectively, while employment in the tertiary sector increased marginally from a year earlier. None of these changes, though, are statistically significant.

Four industries each account for at least ten percent of South African employment. These are community, social and personal (CSP) services (22.1 percent of total employment, or 3.5 million jobs); wholesale and retail trade (20.2 percent, 3.2 million jobs); financial and business services (14.7 percent, 2.3 million jobs) and manufacturing (10.6 percent, 1.7 million jobs). Together, these four industries accounted for 67.6 percent of total employment in 2016Q3, virtually unchanged from a year earlier. These industries are followed by construction (9.4 percent of employment) and private households (8.1 percent), the latter consisting primarily of domestic workers. The largest year-on-year gain in employment is

SECTORAL EMPLOYMENT TRENDS

Table 6: Employment Trends by Industry

	2014 Quarter 3 ('000s)	2015 Quarter 3 ('000s)	2016 Quarter 3		Change ('15-'16)		
			Total ('000s)	*Share (Percent)*	*Absolute ('000s)*	*Relative (Percent)*	
Overall Employment	15 157	15 876	15 872	100.0	-4	0.0	
Agriculture, forestry and fishing	686	900	882	5.6	-17	-1.9	
Mining and quarrying	441	447	438	2.8	-9	-2.0	
Primary Sector	1 127	1 347	1 320	8.3	-27	-2.0	
Manufacturing	1 744	1 786	1 685	10.6	-100	-5.6	
Electricity, gas and water	118	127	120	0.8	-7	-5.5	
Construction	1 283	1 461	1 497	9.4	37	2.5	
Secondary Sector	3 146	3 374	3 303	20.8	-71	-2.1	
Wholesale and retail trade	3 203	3 209	3 203	20.2	-7	-0.2	
Transport, storage and communication	933	901	917	5.8	16	1.8	
Financial and business services	2 039	2 167	2 327	14.7	160	7.4	†
Community, social and personal (CSP) services	3 521	3 591	3 512	22.1	-79	-2.2	
Private households	1 184	1 284	1 286	8.1	2	0.1	
Tertiary Sector	10 880	11 152	11 245	70.8	93	0.8	

Source: Own calculations, Statistics South Africa (various years).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

observed in financial and business services, which grew by a statistically significant 7.4 percent (160 000).

In 2016Q3, employment in CSP services was 3.5 million, 2.2 percent lower than a year earlier. Since this industry is dominated by the public sector, this decline may be linked to cost-cutting measures within the civil service as government attempts to rein in the public sector wage bill.

The secondary sector performed poorly during the 12-month period and remains unable to generate net increases in employment. Manufacturing, in particular, performed poorly and experienced the largest and most rapid decrease in employment of all sectors; employment contracted by 5.6 percent or 100 000 jobs, although it remains the largest contributor to employment in the secondary sector. Continued weakness in employment in agriculture over the period is the outcome of the prolonged severe drought conditions experienced throughout the country.

Table 7 provides an alternative disaggregation of employment, focusing on the distinction between formal and informal sector employment. The South African labour market is predominantly a formal labour market: in 2016Q3, the formal sector accounted for nearly three-quarters (74.5 percent) of total employment. Employment in formal agriculture is estimated at 774 000 (4.9 percent of total employment), with 11.1 million (69.6 percent) workers employed in the formal non-agricultural sector. In contrast, the informal sector accounted for 2.8 million jobs, virtually all of which were non-agricultural.

Table 7: Employment Trends by Sector

	2014 Quarter 3 ('000s)	2015 Quarter 3 ('000s)	2016 Quarter 3		Change ('15-'16)	
			Total ('000s)	*Share (Percent)*	*Absolute ('000s)*	*Relative (Percent)*
Overall Employment	15 157	15 876	15 872	100.0	-4	-0.0
Agriculture	686	900	882	5.6	-17	-1.9
- Formal agriculture	583	779	774	4.9	-5	-0.6
- Informal agriculture	104	121	108	0.7	-13	-10.5
Non-agricultural employment	13 287	13 692	13 704	86.3	12	0.1
- Formal non-agricultural	10 874	10 962	11 055	69.6	93	0.8
- Informal non-agricultural	2 413	2 731	2 649	16.7	-81	-3.0
Private households	1 184	1 284	1 286	8.1	2	0.1

Source: Own calculations, Statistics South Africa (2014, 2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

Importantly, the data suggests that the formal and informal sectors are currently moving in opposite directions in terms of employment, with the contraction in the informal sector counteracting expansion within the formal sector. None of these employment shifts are, though, found to be statistically significant.

While the informal sector employs more than twice as many individuals as are employed in private households, it remains small when compared with other countries at comparable levels of development and may partly explain South Africa's unusually high unemployment rates.

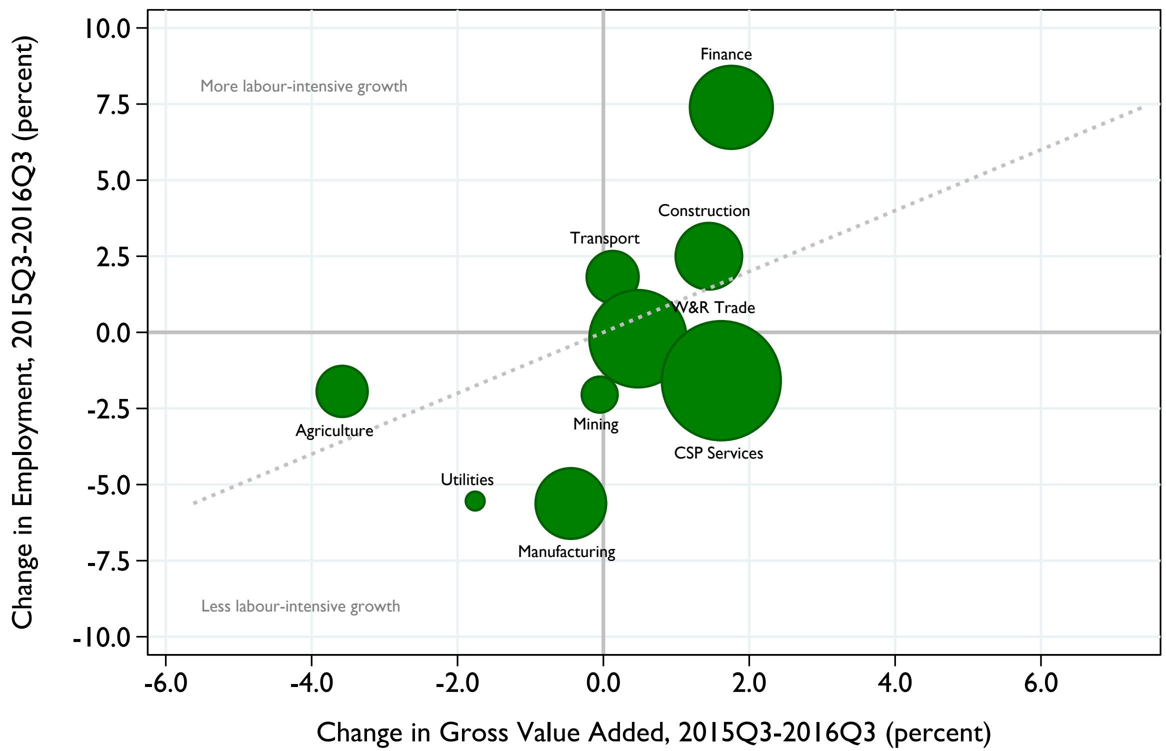
"The secondary sector performed poorly during the 12-month period and remains unable to generate net increases in employment."

The relationship between employment growth and gross value added (real output) by industry on a year-on-year basis is depicted in Figure 2. The region above the dotted 45 degree line indicates situations where employment growth is more rapid than output growth; such sectors are thus characterised by more labour intensive growth. Conversely, the region below the 45 degree line indicates situations where output growth is more rapid than employment growth; in this instance, growth has been less labour intensive.

All but three industries—finance, transport and construction—saw employment contract over the period. At the same time, all industries experienced output expansion except for agriculture, utilities and manufacturing. As a result, four industries saw contractions in both employment and growth; these are agriculture, utilities, mining and manufacturing. Utilities (-5.5 percent) and manufacturing (-5.6 percent) shed jobs most rapidly, whilst agriculture (-3.6 percent) saw more rapid contractions in output.

It is clear from the figure that for most industries, growth has been relatively capital intensive with more industries—utilities, mining, manufacturing, CSP services and W&R trade—lying below the 45 degree line. Agriculture, transport, construction and finance, though, have seen increases in the levels of labour intensity of production. As depicted from the figure, employment contractions in utilities, manufacturing and mining have outpaced output contractions, while the opposite is true for agriculture in which jobs were maintained in the face of falling production.

Figure 2: Employment Trends by Sectors



Source: *Own calculations, Statistics South Africa (2015, 2016b).*

Occupational Employment Trends

Table 8: Employment Trends by Occupation

	2014 Quarter 3 ('000s)	2015 Quarter 3 ('000s)	2016 Quarter 3		Change ('15-'16)	
			Total ('000s)	*Share (Percent)*	*Absolute ('000s)*	*Relative (Percent)*
Overall Employment	15 157	15 876	15 872	100.0	-4	-0.0
Managers	1 365	1 294	1 359	8.6	65	5.0
Professionals	921	802	838	5.3	35	4.4
High Skilled	2 286	2 096	2 197	13.8	100	4.8
Technicians	1 574	1 477	1 474	9.3	-3	-0.2
Clerks	1 609	1 676	1 655	10.4	-21	-1.2
Service and sales workers	2 297	2 413	2 476	15.6	63	2.6
Skilled agricultural workers	86	100	73	0.5	-27	-27.1
Craft and related trades	1 820	2 004	1 949	12.3	-55	-2.7
Operators and assemblers	1 271	1 281	1 314	8.3	33	2.6
Skilled	8 657	8 951	8 942	56.3	-9	-0.1
Elementary occupations	3 250	3 800	3 705	23.3	-95	-2.5
Domestic workers	964	1 029	1 030	6.5	1	0.1
Low Skilled	4 214	4 829	4 734	29.8	-94	-2.0

Source: Own calculations, Statistics South Africa (2014, 2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

> *"Slow economic growth rates have manifested in stagnant employment growth, and occupations that accounted for the largest employment shares bore the brunt of employment losses"*

More than half (56.1 percent, or 8.9 million) of the employed in 2016Q3 were skilled workers (Table 8). This is almost double the number of low skilled workers (4.7 million or 29.8 percent) and nearly four times the number of high skilled workers (2.2 million or 13.8 percent). Although total employment was unchanged over the 12-month period, the structure of employment has shifted slightly towards high skilled occupations, as high skilled employment has grown relatively rapidly. Combined with stagnant skilled employment and falling low skilled employment, this pattern is consistent with historical trends of employment growth that has been biased towards higher skilled occupations.

Elementary occupations account for the largest share of employment at 23.3 percent (3.7 million). This is followed by services and sales workers (15.6 percent), craft and related trades (12.3 percent) and clerks (10.4 percent).

Slow economic growth rates have manifested in stagnant employment, and occupations that accounted for the largest employment shares bore the brunt of employment losses in the 12-month period. The rate of employment growth was highest in high skilled occupations, with managerial and professional employment increasing by 5.0 percent and 4.4 percent. On the other hand, employment in elementary occupations contracted by 2.5 percent, while employment of craft and related trades workers fell by 2.7 percent.

Table 9 profiles employees by various employment features (duration, contract type, benefits and hours worked). In 2016Q3, close to four-fifths (13.6 million) of the total employed were employees.

About three-fifths of employees (60.1 percent) had permanent contracts; in contrast, 24.4 percent had contracts of unspecified duration, while 14.2 percent had limited duration contracts. Most employees (79.6 percent) have written contracts, 0.6 percent higher than a year earlier. Despite the number falling by 5.1 percent over the period, 2.7 million employees still have only verbal contracts, leaving them in a vulnerable position. Most of these employees are either elementary (815 000) or domestic workers (794 000). The decline in verbal and limited duration contracts may also be a symptom of pressure on agricultural employment; Pretorius et al. (2003) note, for example, that seasonal or contractual workers on farms bear the brunt of drought as these group of labourers become redundant in this situation.

Despite overall declines in the number of employees over the period, the numbers with access to various benefits increased. Access to paid leave and maternity/paternity leave increased relatively rapidly by 3.5 percent and 4.3 percent.

While the mean number of hours worked per week did not change over the period, growth was concentrated amongst those working fewer than 40 hours per week or 50 plus hours per week

Employment Characteristics

Table 9: Employment Characteristics

	2014 Quarter 3 ('000s)	2015 Quarter 3 ('000s)	2016 Quarter 3 ('000s)	Change ('15-'16)		
				Absolute ('000s)	*Relative (Percent)*	
Total Employees	13 116	13 693	13 609	-84	-0.6	
Contract Duration						
Limited	2 028	1 965	1 930	-35	-1.8	
Permanent	8 191	8 222	8 293	71	0.9	
Unspecified duration	2 802	3 434	3 318	-115	-3.4	
Contract Type						
Written	10 568	10 764	10 830	67	0.6	
Verbal	2 453	2 857	2 710	-146	-5.1	
Benefits						
Medical Aid	4 144	4 055	3 962	-93	-2.3	
Pension	6 357	6 219	6 327	108	1.7	
UIF	7 914	8 123	8 218	95	1.2	
Paid Leave	8 454	8 532	8 829	297	3.5	*
Sick Leave	9 016	9 337	9 426	89	1.0	
Maternity/Paternity Leave	7 056	7 207	7 515	308	4.3	*
Union Membership	3 873	3 675	3 784	109	3.0	
Usual Hours Per Week (All employed)						
1-19 hours	630	720	740	20	2.7	
20-39 hours	1 631	1 726	1 767	41	2.4	
40-44 hours	5 960	6 216	6 128	-89	-1.4	
45-49 hours	3 674	3 773	3 721	-52	-1.4	
50+ hours	3 200	3 371	3 446	75	2.2	
Mean hours per week	43.2	43.3	43.2	-0.1	-0.3	

Source: Own calculations, Statistics South Africa (2014, 2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

Unemployment Trends

Table 10: Expanded Unemployment Rate Trends

	2014 Quarter 3 (Percent)	2015 Quarter 3 (Percent)	2016 Quarter 3 (Percent)	Change ('15-'16) Absolute (P.points)	Change ('15-'16) Relative (Percent)	
Overall Unemployment Rate	33.6	32.5	34.0	1.5	4.5	*
By Race						
African	38.0	36.8	38.2	1.4	3.9	*
Coloured	26.8	26.2	26.3	0.1	0.5	
Asian	14.8	15.1	17.2	2.2	14.4	
White	9.3	7.0	8.6	1.7	23.9	
By Gender						
Male	30.7	29.4	30.9	1.4	4.8	†
Female	37.0	36.1	37.6	1.5	4.2	†
By Age Group						
15 to 24 year olds	62.2	59.2	62.5	3.3	5.6	*
25 to 34 year olds	39.1	37.6	39.3	1.7	4.4	
35 to 44 year olds	25.6	25.1	26.7	1.6	6.4	
45 to 54 year olds	19.8	19.6	20.5	0.8	4.3	
55 to 65 year olds	12.8	13.9	14.4	0.5	3.6	
By Educational Attainment						
Primary or less	36.1	32.1	35.1	3.0	9.3	†
Secondary not completed	42.6	41.2	42.5	1.4	3.4	
Secondary completed	32.3	32.5	32.7	0.2	0.6	
Diploma or Certificate	17.4	18.7	20.5	1.8	9.7	
Degree	6.3	5.9	9.4	3.6	60.5	*

Source: Own calculations, Statistics South Africa (2014, 2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

2. Education category numbers do not add up to 100 due to unspecified or no responses.

Table 10 presents expanded unemployment rates by individual characteristics. In 2016Q3, the unemployment rate stood at 34.0 percent, this is 1.5 percentage points higher than the previous year.

Africans have the highest unemployment rate amongst all racial groups, estimated at 38.2 percent or 4.2 percentage points above the national average, and this has increased by a statistically significant 1.4 percentage points from a year earlier. In the same quarter, the unemployment rate for Coloureds stood at 26.3 percent, at 17.2 percent for Asians and 8.6 percent for Whites. Africans and Coloureds are therefore substantially more likely to be unemployed than Asians and Whites.

Women tend to be at a disadvantage in the labour market as indicated by the unemployment trends. In 2016Q3, the unemployment rate for women (37.6 percent) was substantially higher than for men (30.9 percent), with this gap unchanged compared with 2015Q3. The unemployment rate increased for both women (1.5 percentage points) and men (1.4 percentage points), both being statistically significant.

The unemployment situation is particularly severe amongst young people. In 2016Q3, the unemployment rate amongst 15-24 year olds was 62.5 percent, which is more than 28 percentage points above the national average. Of concern is that this is 3.3 percentage points higher than in 2015Q3, a statistically significant increase. The >>>

unemployment rate for 25-34 year olds was 39.3 percent; this is similar to the national average, but is substantially higher than for older cohorts. The unemployment rate was 26.7 percent amongst 35-44 year olds, 20.5 percent amongst 45-54 year olds, and 14.4 percent amongst 55-65 year olds. The 35-44 year cohort experienced the most rapid increase in unemployment rates (by 6.4 percent), although the change is not statistically significant.

Table 10 further highlights the relationship between unemployment rates and educational attainment. What the table makes clear is that it is only really post-secondary education that is able to shield individuals from extreme unemployment rates. In 2016Q3, those with incomplete secondary education had an unemployment rate of 42.5 percent, followed by those with primary or less education (35.1 percent). Amongst those with complete secondary education, 32.7 percent were unemployed, as were 20.5 percent of those with diploma/certificates. While those with degrees were least likely to be unemployed (9.4 percent), this rate is 3.6 percentage points higher than a year earlier. Given current skills shortages within the South African economy, this is a concerning development.

A breakdown of changes in expanded unemployment by demographic characteristics is presented in Table 11. In 2016Q3; unemployment was estimated at 8.2 million, this is 516 000 or 6.7 percent higher than a year earlier. Africans accounted for the largest share of the increase in unemployment (88.8 percent). Males accounted for the majority of the increase (53.7 percent) in unemployment, while women accounted for 46.3 percent. Both of these changes are statistically significant.

The increase in unemployment was concentrated amongst the 25-44 year olds: one-third (33.1 percent) of the increase is accounted for by 25-34 year olds, with 35 to 44 year olds accounting for 29.5 percent. Importantly, though, 15-24 year olds accounted for 19.8 percent of the increase in unemployment, much higher than their share of employment, for example, which was around eight percent. This again points to the difficulties faced by young people when entering the labour force, and the need for interventions that smooth and facilitate the education-to-work transition.

In terms of educational attainment, the majority (53.8 percent) of the increase in unemployment was accounted for by those with incomplete secondary education. Those with degrees also accounted for a disproportionately large share of the increase (13.6 percent), although this proportion is similar to those for primary education or less (13.2 percent) and for complete secondary education (14.9 percent).

Table 11: Composition of Unemployment Change, 2015Q3-2016Q3

Absolute Change	*Thousands*	
Total Unemployment	*516*	*
Share of Change	Percent	
By Race		
African	88.8	*
Coloured	1.3	
Asian	3.7	
White	6.2	
By Gender		
Male	53.7	*
Female	46.3	*
By Age Group		
15 to 24 year olds	19.8	
25 to 34 year olds	33.1	
35 to 44 year olds	29.5	†
45 to 54 year olds	15.0	
55 to 65 year olds	2.7	
By Educational Attainment		
Primary or less	13.2	
Secondary not completed	53.8	*
Secondary completed	14.9	
Diploma or Certificate	2.4	
Degree	13.6	*

Source: Own calculations, Statistics South Africa (2015, 2016b).

Notes: 1. An asterisk denotes statistically significant changes at the 95 percent confidence level, while a dagger (†) denotes statistically significant changes at the 90 percent confidence level.

CONCLUSION

The South African economy has struggled to keep pace along with the growing labour force as economic growth continues to weaken. While employment has been increasing gradually, the level of unemployment and rate of unemployment has continued to rise under both definitions.

Urban and rural areas differ from each other in terms of broad labour market trends. The data shows that, while two-thirds of the total working age population was situated in urban areas; these areas accounted for just under three-quarters of the total labour force and almost three-quarters of employment. In contrast, more than half of discouraged workseekers in South Africa are located in non-urban areas.

The working age population continues to grow and, accompanied by a stable labour force participation rate, this has put upward pressure on unemployment rates. The labour force participation rate for Whites is highest amongst the four race groups, and is followed by Africans. Men are more likely to be economically active than women and the prime working-age groups (i.e. 25-54 year olds) have the highest participation rates.

The tertiary sector employed 11.2 million individuals, while employment marginally increased from a year earlier. The largest year-on-year gain in employment is observed in financial and business services. Job creation in the secondary sector remains extremely weak, as the sector continues to see net job losses. Indeed, manufacturing employment contracted more rapidly than any other sector during the 12-month period.

Most industries saw employment contractions, the exceptions being finance, transport and construction. However, output expanded in all industries except for agriculture, utilities and manufacturing. The recent experiences in most sectors has been falling labour-intensity of production, although sectors such as agriculture (where output contracted significantly more rapidly than employment), transport, construction and finance saw greater labour intensity.

The average number of weekly hours worked has been constant since 2014 at 43 hours a week with most employees working 40-44 hours per week (45.0 percent) in 2016Q3. At the same time, access to various benefits has increased amongst employees, even while the number of employees fell.

Unemployment rates are highest amongst Africans, women, young people and those without post-secondary education, and have been found to have increased amongst Africans , 35-44 year olds, for those with incomplete secondary education and for those with degrees.

The analysis paints a relatively bleak picture of recent trends in the South African labour market, with the central concern being the inability of the economy to create employment on a sustained basis. Without more rapid economic growth, the jobs required to achieve the country's various social and economic objectives are extremely unlikely to materialise.

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APPENDIX

Table 12: Labour Market Aggregates

Period	Employed Estimate ('000s)		Unemployed Estimate ('000s)		Unemployment Rate Estimate (percent)	
2008Q1	14.463	[14.284; 14.642]	5.576	[5.456; 5.696]	27.8	[27.293; 28.358]
2008Q2	14.616	[14.433; 14.800]	5.372	[5.255; 5.489]	26.9	[26.352; 27.403]
2008Q3	14.574	[14.391; 14.757]	5.395	[5.275; 5.515]	27.0	[26.484; 27.551]
2008Q4	14.797	[14.614; 14.981]	5.240	[5.122; 5.357]	26.1	[25.624; 26.675]
2009Q1	14.644	[14.461; 14.827]	5.600	[5.476; 5.725]	27.7	[27.123; 28.204]
2009Q2	14.386	[14.199; 14.574]	5.878	[5.748; 6.008]	29.0	[28.445; 29.569]
2009Q3	13.853	[13.661; 14.044]	6.123	[5.989; 6.258]	30.7	[30.065; 31.242]
2009Q4	13.994	[13.798; 14.189]	6.156	[6.022; 6.291]	30.6	[29.965; 31.139]
2010Q1	13.831	[13.635; 14.027]	6.504	[6.365; 6.643]	32.0	[31.389; 32.579]
2010Q2	13.844	[13.645; 14.044]	6.582	[6.442; 6.723]	32.2	[31.622; 32.827]
2010Q3	13.679	[13.478; 13.880]	6.735	[6.587; 6.883]	33.0	[32.368; 33.616]
2010Q4	13.926	[13.718; 14.134]	6.546	[6.399; 6.693]	32.0	[31.351; 32.599]
2011Q1	13.927	[13.719; 14.136]	6.842	[6.692; 6.992]	32.9	[32.316; 33.570]
2011Q2	13.943	[13.732; 14.154]	6.996	[6.839; 7.153]	33.4	[32.769; 34.054]
2011Q3	14.142	[13.941; 14.342]	6.912	[6.766; 7.059]	32.8	[32.231; 33.433]
2011Q4	14.360	[14.160; 14.560]	6.808	[6.661; 6.955]	32.2	[31.564; 32.759]
2012Q1	14.308	[14.104; 14.512]	7.149	[6.998; 7.300]	33.3	[32.714; 33.922]
2012Q2	14.359	[14.151; 14.566]	7.083	[6.934; 7.232]	33.0	[32.433; 33.637]
2012Q3	14.594	[14.383; 14.805]	7.118	[6.970; 7.267]	32.8	[32.189; 33.380]
2012Q4	14.552	[14.338; 14.766]	7.014	[6.866; 7.162]	32.5	[31.923; 33.124]
2013Q1	14.580	[14.368; 14.793]	7.266	[7.112; 7.419]	33.3	[32.650; 33.867]
2013Q2	14.718	[14.508; 14.927]	7.399	[7.248; 7.551]	33.5	[32.861; 34.050]
2013Q3	15.073	[14.856; 15.290]	7.178	[7.027; 7.330]	32.3	[31.665; 32.857]
2013Q4	15.206	[14.989; 15.424]	7.031	[6.881; 7.181]	31.6	[31.027; 32.209]
2014Q1	15.084	[14.865; 15.303]	7.424	[7.271; 7.577]	33.0	[32.388; 33.579]
2014Q2	15.122	[14.898; 15.346]	7.574	[7.413; 7.734]	33.4	[32.757; 33.984]

Period	Employed Estimate ('000s)		Unemployed Estimate ('000s)		Unemployment Rate Estimate (percent)	
2014Q3	15.157	[14.934; 15.379]	7.667	[7.504; 7.830]	33.6	[32.976; 34.209]
2014Q4	15.363	[15.138; 15.589]	7.313	[7.149; 7.476]	32.2	[31.624; 32.873]
2015Q1	15.498	[15.299; 15.697]	7.933	[7.779; 8.087]	33.9	[33.293; 34.420]
2015Q2	15.685	[15.485; 15.886]	7.666	[7.513; 7.819]	32.8	[32.266; 33.391]
2015Q3	15.876	[15.673; 16.080]	7.649	[7.496; 7.802]	32.5	[31.953; 33.075]
2015Q4	16.056	[15.849; 16.262]	7.475	[7.319; 7.631]	31.8	[31.197; 32.340]
2016Q1	15.700	[15.492; 15.908]	8.164	[7.999; 8.329]	34.2	[33.626; 34.797]
2016Q2	15.585	[15.374; 15.796]	8.163	[7.997; 8.329]	34.4	[33.780; 34.966]
2016Q3	15.872	[15.663; 16.082]	8.165	[8.003; 8.328]	34.0	[33.388; 34.548]

Source: Own calculations, Statistics South Africa (various years).

Notes: 1.Figures in square brackets are the 95 percent confidence intervals.