

PROVINCIAL LABOUR MARKET

QUARTERLY DATA SERIES

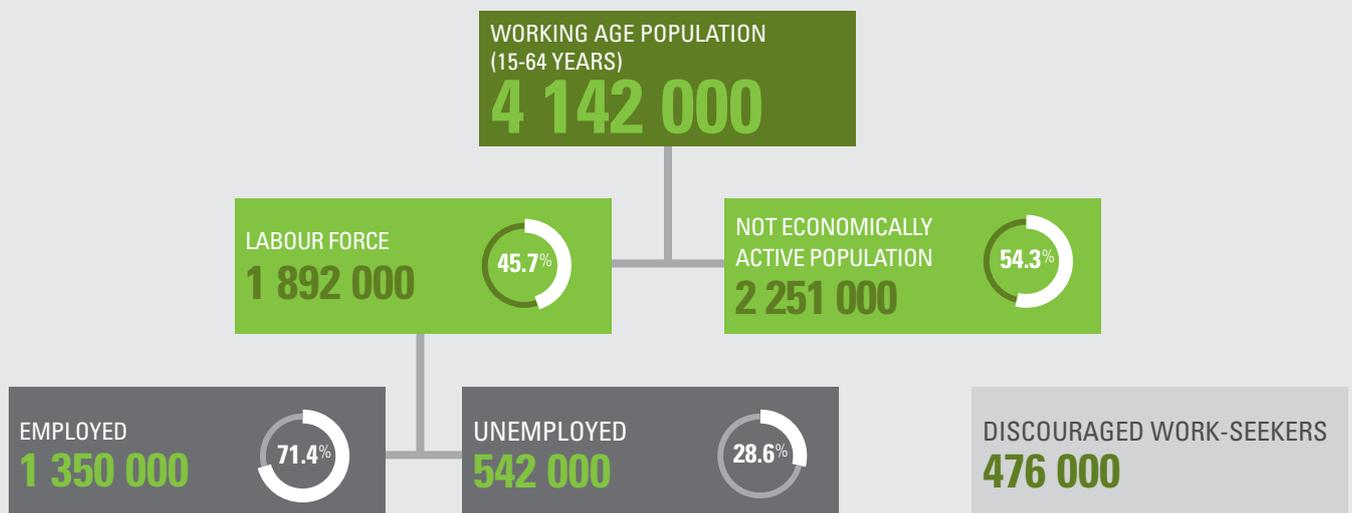
INTRODUCTION

The "Eastern Cape Quarterly Review of Labour Markets" is a statistical release compiled by the Eastern Cape Socio Economic Consultative Council (ECSECC). The aim of the publication is to analyse the latest developments in the Eastern Cape labour market. The analysis is extended to include employment and unemployment dynamics for the two metropolitan cities in the province. The data used in the report is drawn from Statistics South Africa's Quarterly Labour Force Survey (QLFS). This issue covers the second quarter of 2016 (2Q2016).



LABOUR MARKET OVERVIEW 2Q2016

FIGURE 1: Status of the Eastern Cape labour market, 2Q2016



LABOUR MARKET OVERVIEW 2Q2016 *CONTD.*

TABLE 1: Labour market dynamics in the Eastern Cape, 1Q2016 - 2Q2016

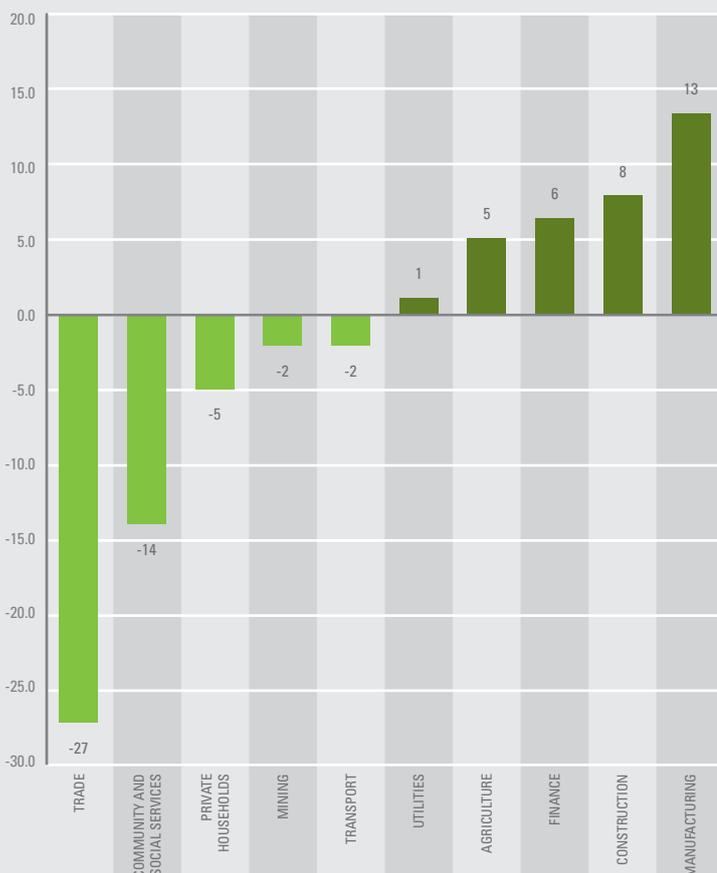
| Eastern Cape labour market | Numbers (000) | | | | Percentage (%) | |
|------------------------------------|---------------|--------|------------|------------|----------------|------------|
| | 1Q2016 | 2Q2016 | QoQ change | YoY change | QoQ change | YoY change |
| Formal (non-agricultural) | 861 | 856 | -5 | 5 | -0,6 | 0,6 |
| Informal (non-agricultural) | 288 | 277 | -11 | -53 | -3,9 | -16,0 |
| Agriculture | 95 | 99 | 5 | 16 | 5,2 | 19,1 |
| Total employment | 1 366 | 1 350 | -16 | -16 | -1,2 | -1,2 |
| Unemployment | 548 | 542 | -6 | -19 | -1,1 | -3,4 |
| Labour force / EAP | 1 914 | 1 892 | -22 | -35 | -1,2 | -1,8 |
| Discouraged work-seekers | 510 | 476 | -35 | 57 | -6,8 | 13,6 |
| Not economically active | 2 219 | 2 251 | 32 | 71 | 1,4 | 3,3 |
| Population working age (15-64 yrs) | 4 133 | 4 142 | 9 | 36 | 0,2 | 0,9 |
| | Rates (%) | | | | | |
| Unemployment rate | 28,6 | 28,6 | - | -0,5 | | |
| Labour absorption rate | 33,1 | 32,6 | -0,5 | -0,7 | | |
| Labour force participation rate | 46,3 | 45,7 | -0,6 | -1,2 | | |

Source: Statistics SA - QLFS, 2016

The Quarterly Labour Force Survey (QLFS) is a household-based sample survey conducted by Statistic South Africa. It collects data on the labour market activities of individuals aged 15 years and above in the country. A brief analysis of the QLFS for the Eastern Cape (2Q2016) is presented below.

FORMAL AND INFORMAL EMPLOYMENT IN THE EASTERN CAPE

FIGURE 2: Employment changes by sector in the Eastern Cape ('000), 2Q2016



During the second quarter of 2016, there were 4.1 million people in the working age group (15 to 64 years), of which 1.9 million (45.7%) people were in the labour force and 2.3 million (54.3%) people were not economically active. Of the 1.9 million people in the labour force, 1.4 million (71.4%) people were employed and 0.5 million (28.6%) people were unemployed (See Figure 1).

Of the total 1.4 million people employed in the Eastern Cape, 856 000 (or 63.4%) were employed in the formal sector, 277 000 (or 20.5%) in the informal sector, 99 000 (or 7.3%) in agricultural sector, and 122 000 (7.3%) in private households. Almost a third of total employment fall under the “not formal or less regulated sector” that includes vendors in the informal sector, and domestic workers.

In 2Q2016, a total of 16 000 jobs were lost in the province. 5 000 jobs were lost in the formal sector and 11 000 jobs were lost in the informal sector. The informal sector serves as an entry point to the formal sector, however it does not provide stable and secure employment.

Employment in the agricultural sector, however, grew by 5.2% in the same quarter.

FORMAL AND INFORMAL EMPLOYMENT IN THE EASTERN CAPE *CONTD.*

In 2Q2016, employment declined by 16 000 to 1.4 million. The quarterly decline in total employment was driven by job losses in the following sectors: trade (-27 000), community and social services (-14 000), private households (-5 000), mining (-2 000) and transport (-2 000) (see figure 2). In contrast, jobs were added in the following sectors: manufacturing (13 000), construction (8 000), finance (6 000), agriculture (5 000) and utilities (1 000).

In 2Q2016, the labour force in the Eastern Cape decreased by 22 000 individuals to 1.9 million. The labour force participation rate (proportion of the working age population that is either employed or unemployed) decreased by 0.6 of a percentage point QoQ. Moreover, the labour absorption rate (proportion of people of working age that is employed) in the province decreased by 0.5 of a percentage point QoQ.

EXPANDED UNEMPLOYMENT DECREASED

EXPANDED DEFINITION



UNEMPLOYMENT RATE DECREASED BY 0.8 PERCENTAGE POINTS

OFFICIAL DEFINITION



UNEMPLOYMENT RATE REMAINED THE SAME AT 28.6% IN THE EC

TABLE 2: Employment by industry in the Eastern Cape, 1Q2016-2Q2016

| SECTOR | 1Q2016 | | 2Q2016 | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|------------|------------|-------------|-------------|
| | 000s | Share% | 000s | Share% | QoQ change | YoY change | QoQ % | YoY % |
| EASTERN CAPE | 1 366 | 100,0 | 1 350 | 100,0 | -16 | -16 | -1,2 | -1,2 |
| Agriculture | 95 | 7,0 | 99 | 7,3 | 5 | 16 | 5,2 | 19,1 |
| Mining | 4 | 0,3 | 2 | 0,1 | -2 | 2 | -49,2 | 704,8 |
| PRIMARY SECTOR | 99 | 7,2 | 101 | 7,5 | 2 | 2 | 2,0 | 20,2 |
| Manufacturing | 121 | 8,9 | 134 | 9,9 | 13 | -4 | 11,0 | -3,0 |
| Utilities | 7 | 0,5 | 8 | 0,6 | 1 | 5 | 15,8 | 142,7 |
| Construction | 142 | 10,4 | 150 | 11,1 | 8 | -20 | 5,4 | -11,9 |
| SECONDARY SECTOR | 270 | 19,8 | 292 | 21,6 | 22 | -19 | 8,1 | -6,1 |
| Trade | 292 | 21,4 | 265 | 19,6 | -27 | -33 | -9,3 | -11,0 |
| Transport | 70 | 5,1 | 68 | 5,0 | -2 | 6 | -2,5 | 9,4 |
| Finance | 111 | 8,1 | 117 | 8,7 | 6 | -6 | 5,7 | -5,1 |
| Community and Social Services | 403 | 29,5 | 389 | 28,8 | -14 | 3 | -3,4 | 0,9 |
| Private Households | 122 | 8,9 | 117 | 8,7 | -5 | 16 | -4,0 | 15,6 |
| TERTIARY SECTOR | 998 | 73,1 | 956 | 70,8 | -42 | -14 | -4,2 | -1,4 |

Source: Statistics SA - QLFS, 2016

EMPLOYMENT

EMPLOYMENT BY SECTOR

WHERE ARE PEOPLE WORKING?

SECTORS CONTRIBUTING TO EMPLOYMENT



63.1%
FORMAL SECTOR

21.1%
INFORMAL SECTOR

6.9%

AGRICULTURAL SECTOR

8.9%

PRIVATE HOUSEHOLDS

The primary sector accounts for 7.5% of total employment in the province, the secondary sector 21.6%, and the tertiary sector 70.8%. The largest employer in the Eastern Cape in 2Q2016 was community and social services accounting 28.8%, followed by trade (19.6%), construction (11.1%) and manufacturing (9.9%). The tertiary sector in the Eastern Cape is the largest contributor to employment.

EMPLOYMENT *CONTD.*INVOLVEMENT IN
NON-MARKET
ACTIVITIES

There are two types of economic activities: market production activities (work done for others and usually associated with pay or profit) and non-market production activities (work done for the benefit of the household, e.g. subsistence farming).

TABLE 3: Involvement in non-market activities in the Eastern Cape, 1Q2016-2Q2016

Source: Statistics SA - QLFS, 2016

| Non-market activities | 1Q2016 | 2Q2016 | QoQ change | YoY change | QoQ change | YoY change |
|---|--------|--------|------------|------------|------------|------------|
| | 000s | 000s | 000s | 000s | (%) | (%) |
| Subsistence farming | 424 | 363 | -60 | -124 | -14,2 | -25,4 |
| Fetching water or collecting wood/dung | 989 | 1 136 | 148 | -9 | 14,9 | -0,8 |
| Producing other goods for household use | 5 | 8 | 3 | 0 | 54,9 | 6,1 |
| Construction or major repairs to own or household | 77 | 89 | 11 | -15 | 14,9 | -14,9 |

Table 3 shows the number of people involved in non-market activities in 2Q2016. The number of people involved in subsistence farming in 2Q2016 decreased by -60 000 to 363 000 when compared to 424 000 previous quarter. The number has decreased by 14.2% QoQ, and also declined by 25.4% YoY in the same quarter. It is anticipated that this is as a result of the continued drought.

The number of people in the Eastern Cape who fetched water or collected wood/dung increased by 148 000 to 1.1 million. The number increased by 14.9% QoQ (or by 148 000 people) and declined by 0.8% YoY (or -9 000 people).

LABOUR MARKET ANALYSIS FOR EASTERN
CAPE METROPOLITAN MUNICIPALITIES

EMPLOYMENT IN THE EASTERN CAPE METROS

TABLE 4: Labour force profile for Buffalo City Metro (BCM) and Nelson Mandela Bay Metro (NMBM): 2Q2016

| Eastern Cape labour market | Numbers (000) | | | | QoQ change (000) | | | | QoQ Percentage (%) | | | |
|------------------------------------|--------------------|--------|--------------------------|--------|--------------------|------|--------------------------|------|--------------------|-------|--------------------------|-------|
| | Buffalo City Metro | | Nelson Mandela Bay Metro | | Buffalo City Metro | | Nelson Mandela Bay Metro | | Buffalo City Metro | | Nelson Mandela Bay Metro | |
| | 1Q2015 | 2Q2015 | 1Q2016 | 2Q2016 | QoQ | YoY | QoQ | YoY | QoQ | YoY | QoQ | YoY |
| Formal (non-agricultural) | 178 | 177 | 270 | 241 | -1 | 16 | -29 | -32 | -0,6 | 10,2 | -10,8 | -11,7 |
| Informal (non-agricultural) | 27 | 26 | 34 | 46 | 0 | -22 | 12 | -2 | -1,5 | -45,7 | 34,7 | -3,6 |
| Agriculture | 4 | 8 | 2 | 6 | 4 | 1 | 3 | 5 | 85,6 | 15,6 | 144,4 | 902,7 |
| Total employment | 232 | 230 | 347 | 326 | -2 | -3 | -21 | -23 | -0,9 | -1,4 | -6,1 | -6,6 |
| Unemployment | 74 | 98 | 173 | 154 | 24 | 3 | -19 | -20 | 32,4 | 3,7 | -11,2 | -11,4 |
| Labour force/ EAP | 305 | 327 | 520 | 480 | 22 | 0 | -41 | -43 | 7,2 | 0,1 | -7,8 | -8,2 |
| Discouraged work-seekers | 31 | 5 | - | 6 | -26 | -6 | 6 | 6 | -83,2 | -54,1 | - | - |
| Not economically active | 196 | 175 | 296 | 311 | -21 | 3 | 42 | 50 | -10,8 | 1,5 | 15,7 | 19,0 |
| Population working age (15-64 yrs) | 501 | 502 | 789 | 791 | 1 | 3 | 2 | 7 | 0,1 | 0,5 | 0,2 | 0,9 |
| | Rates (%) | | | | | | | | | | | |
| Unemployment rate | 24,1 | 29,8 | 33,3 | 32,0 | 5,7 | 1,0 | -1,3 | -1,2 | | | | |
| Labour absorption rate | 46,2 | 45,7 | 44,0 | 41,2 | -0,5 | -0,9 | -2,8 | -3,3 | | | | |
| Labour force participation rate | 60,9 | 65,2 | 65,9 | 60,7 | 4,3 | -0,3 | -5,2 | -6,0 | | | | |

Source: Statistics SA - QLFS, 2016

Table 4 gives an overview of selected key labour market indicators for Buffalo City Metro (BCM) and Nelson Mandela Bay Metro (NMBM) for the period 1Q2016 to 2Q2016.

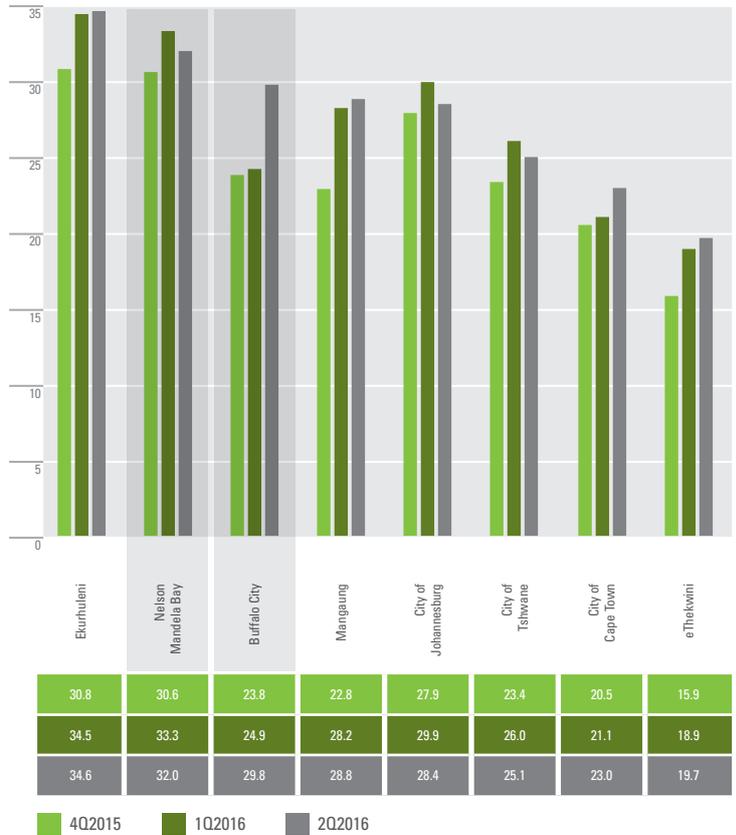
EMPLOYMENT IN THE EASTERN CAPE METROS *CONTD.*

Unemployment challenges are uneven in the two metros. The number of people unemployed in NMBM (154 000) was almost double the number of those unemployed in the BCM (98 000). As a result, NMBM has a slightly higher unemployment rate (32.0%) than the BCM (29.8%), the Eastern Cape (28.6%), and of South Africa (26.6%). The formal sector in both the BCM and NMBM employs more people than the informal sector. In 2Q2016, BCM employed 177 000 people in the formal sector and 26 000 people in the informal sector. NMBM employed 241 000 people in the formal sector and 46 000 people in the informal sector. In NMBM there has been a significant decline in the number of people in the formal sector (29 000 QoQ). However the informal sector saw an increase in the number of people employed of about 12 000. This is a worrying trend as the informal sector does not provide stable and secure jobs.

While NMBM has a larger economy, BCM has a higher labour absorption capacity than the NMBM. The labour absorption capacity of BCM and NMBM is 45.7% and 41.2% respectively.

Figure 3 presents a short trend analysis of unemployment using the official definition for all South African Metros. It shows Ekurhuleni Metro with the highest unemployment rate (34.6%), followed by Nelson Mandela Bay Metro (32.0%) and Buffalo City Metro (29.8%). The lowest rate of unemployment was experienced by eThekwi Metro (19.7%).

FIGURE 3: Unemployment rate (official definition) by metro municipalities in South Africa, 4Q2015-2Q2016

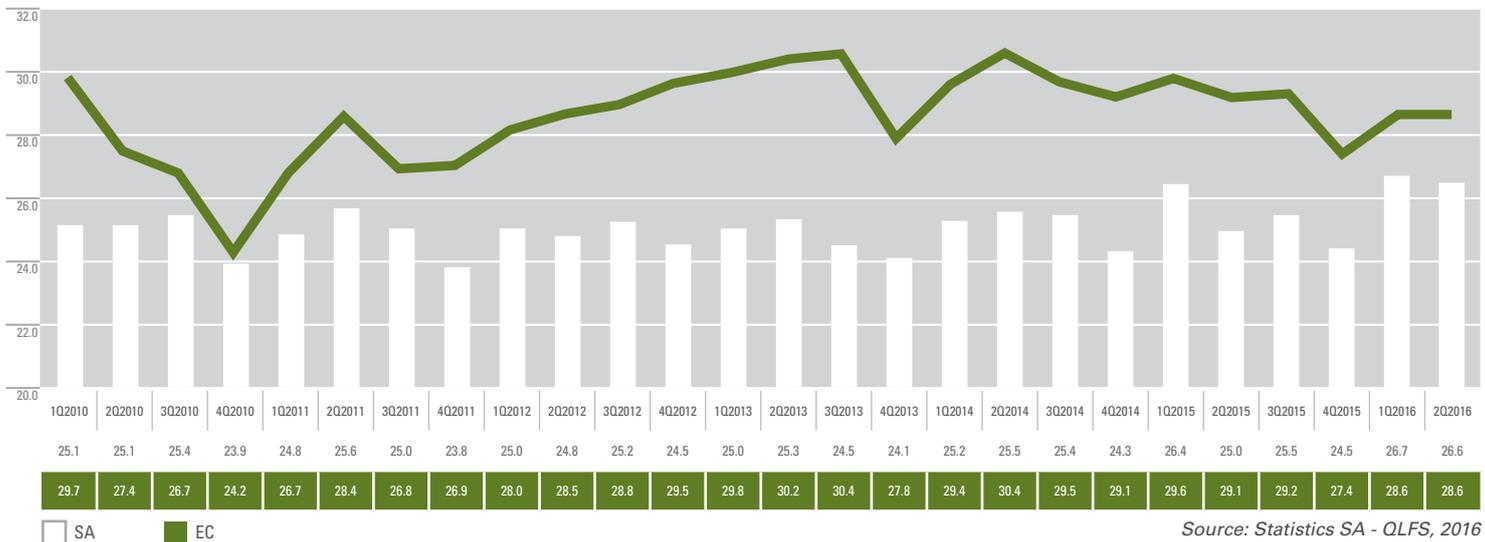


Source: Statistics SA - QLFS, 2016

THE UNEMPLOYMENT RATE REMAINS STUBBORNLY HIGH

UNEMPLOYMENT TRENDS USING THE OFFICIAL DEFINITION

FIGURE 4: Unemployment rate (official definition) trends in SA and EC, 1Q2010-2Q2016



Source: Statistics SA - QLFS, 2016

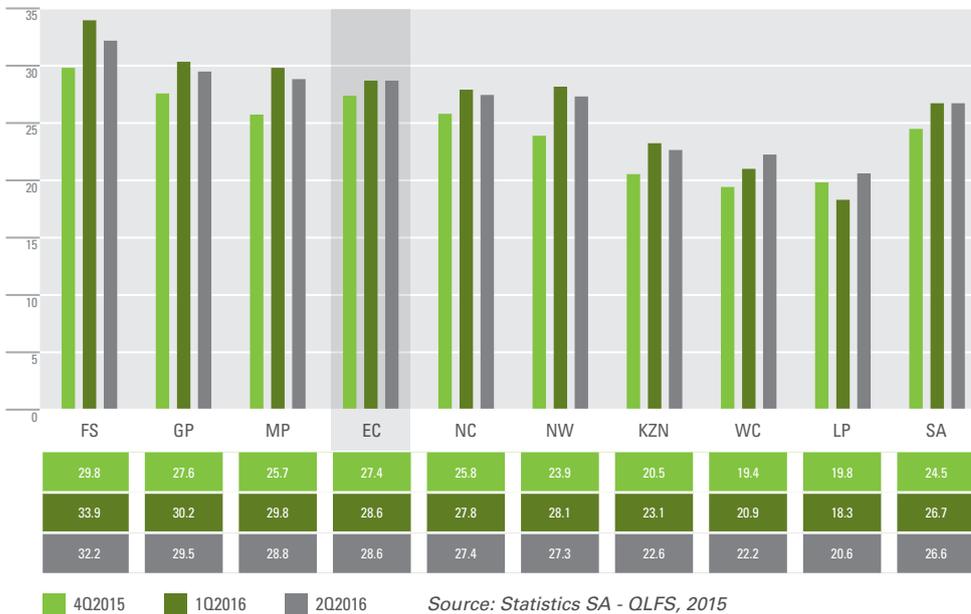
UNEMPLOYMENT TRENDS USING THE OFFICIAL DEFINITION *CONTD.*

In 2Q2016, unemployment declined by 6 000 QOQ which led to no change in the quarterly unemployment rate of 28.6%. However during the same period the number of non-economically active people increased by 32 000. This implies that those who lost jobs moved into inactivity rather than into unemployment, or that those who were previously looking for work stopped doing so. The number of discouraged work-seekers declined by 35 000 people on a quarterly basis. Consequently, the unemployment rate in the province (using the official definition) remained the same as the previous quarter at 28.6% in 2Q2016, whereas South Africa's unemployment rate declined by 0.1 of a percentage point to 26.6% in 2Q2016 from 26.7% in 1Q2016.



The provincial unemployment rate was higher than the national average of 26.6%. Free State and Gauteng reported the highest unemployment rate at 32.2% and 29.5% respectively. The Eastern Cape recorded the fourth highest unemployment rate among the nine provinces, Limpopo recording the lowest unemployment rate at 20.6%.

FIGURE 5: Unemployment rate (official definition) by province, 4Q2015-2Q2016



Quarterly decreases in the official unemployment rate were observed in six provinces, with the largest decreases in Free State (1.7 percentage points) and Mpumalanga (1.0 percentage point). In comparison to the same period last year, the unemployment rate increased by 1.6 percentage points. During this period, the official unemployment rate recorded large increases in Gauteng (2.7 percentage points), KwaZulu-Natal (2.2 percentage points) and in North West (2.1 percentage points). The Eastern Cape unemployment rate experienced no change.

UNEMPLOYMENT TRENDS USING EXPANDED DEFINITION

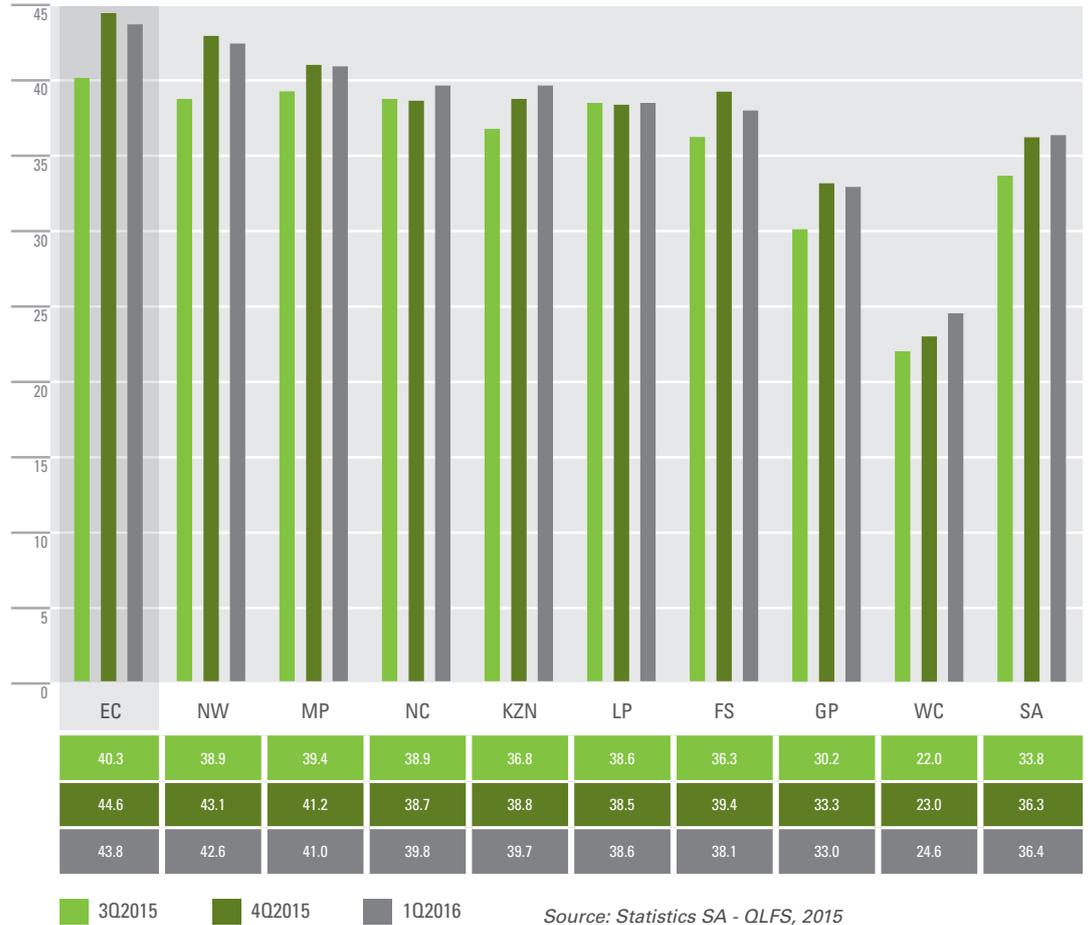
The expanded definition of unemployment rate takes into account everybody who is available for work even if they did not search for work. It does not, however, only include the discouraged work-seekers, but in essence it includes all persons who are unemployed according to the official definition plus the part of the inactive population (according to official definition) who indicated that they were available, regardless of the reason they gave up looking for work.

UNEMPLOYMENT TRENDS USING EXPANDED DEFINITION *CONTD.*

The QLFS analysis (2Q2016) for the Eastern Cape reveals that the Eastern Cape has the highest unemployment rate of 43.8% (expanded definition, QLFS: 2Q2016). Unemployment, calculated using the expanded definition, has decreased by 0.8 of a percentage point from 44.6% in 1Q2016.

In South Africa, the unemployment rate for 2Q2016 (using the expanded definition) increased by 0.1 of a percentage point to 36.4% in 2Q2016 from 36.3% in 1Q2016. The lowest unemployment rate, according to the expanded definition, amongst the provinces was experienced by the Western Cape (24.6%).

FIGURE 6: Expanded rate of unemployment by province, 4Q2015-2Q2016



CONCLUSION

In this report, we have taken a closer look at the Eastern Cape labour market and the labour dynamics in the two Eastern Cape Metropolitan Municipalities. According to Stats SA (QLFS, 2016), in 2Q2016, the Eastern Cape recorded a loss of 16 000 jobs QoQ. Most of these jobs were lost in the informal sector, which shed 11 000 while the formal sector shed 5 000 jobs. The largest sectors, such as community and social services and trade, shed jobs to the tune of 14 000 and 27 000 respectively. This is worrying as the key industries in the province continue to shed jobs.

The Eastern Cape still suffers from high unemployment, recording 28.6% unemployment in 2Q2016. The rate remains unchanged from the previous quarter. The challenge is to create decent and sustainable jobs for the 547 000 unemployed people of the Eastern Cape. The Eastern Cape unemployment rate according to the expanded definition was higher in the Eastern Cape than any other province. The expanded rate in Q22016 was 43.8%.