



LABOUR MARKET SNAPSHOT

FOURTH QUARTER 2020 (Q4:2020)

SA employment numbers record some recovery in Q4:2020 but unemployment rate reaches a record high of 32.5%

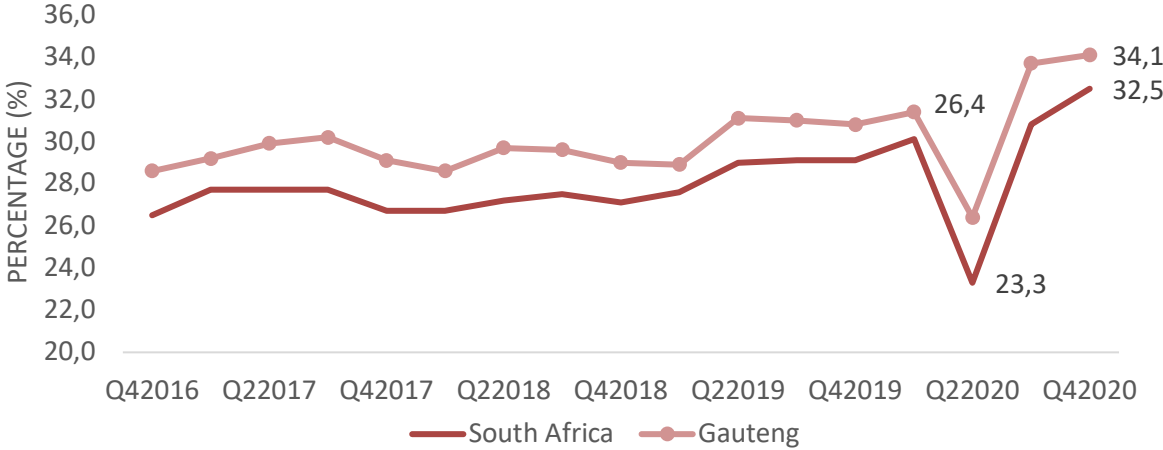


GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

As anticipated, the official national unemployment rate reached a record high of 32.5% in the fourth quarter of 2020 (Q4:2020), following an increase of 1.7 percentage points from the previous quarter. On the other hand, the expanded national unemployment rate measured at 42.6%, down from 43.1% in the previous quarter. The official unemployment rate was mainly driven by an increase of 701 000 in the number of unemployed individuals, to 7.23 million in Q4:2020; alongside an increase of 1.03 million to 22.25 million in the number of individuals actively participating in the labour market. Correspondingly, net employment continued on a positive path, increasing by 333 000 to 15.02 million. Quarterly, employment staged a firm recovery, albeit much slower than in the previous quarter, in line with the slowdown in economic recovery. However, the after effects of the COVID-19 pandemic remain detrimental as the employment level has fallen back to levels last seen in 2013. Even more telling, is that for the year 2020, employment levels contracted by 1.4 million (-8.5%), the largest full year decline ever recorded since the start of the Quarterly Labour Force (QLFS) survey.

Annually, the number of unemployed individuals nationwide increased at a relatively slower pace (507 000) compared to quarterly, on the back of a notable annual decline of 889 000 in the number of individuals actively participating in the labour market. The number of not-economically active individuals increased by 1.4 million compared to the previous year whilst that of discouraged work-seekers increased by only 75 000.

South Africa and Gauteng Unemployment Rate (Q4:2016 – Q4:2020)



Data Source: Statistics South Africa

Similarly, Gauteng’s official unemployment rate reached its highest levels at 34.1% in Q4:2020 (an increase of 0.4 percentage points relative to the previous quarter) while the expanded unemployment rate remained unchanged at 41%. The rise in the unemployment rate is attributable to an increase in the number of unemployed individuals by 75 000 to 2.4 million. Meanwhile, the number of employed individuals increased by 64 000, almost twice as much as the increase in the previous quarter, reaching 4.6 million. Correspondingly, the provincial labour force increased by 139 000 to 6.9 million. Despite the stellar quarterly employment growth in the

final quarter of the year, Gauteng's overall employment level has declined to levels last witnessed as far back as the fourth quarter of 2011.

As expected, an annual view reflects the effect of the COVID-19 pandemic and the subsequent lockdown. The provincial employment declined by 528 000 (-10.4%), the largest ever recorded full-year decline. The number of unemployed individuals only rose by 95 000 mainly due to the decrease (-434 000) in the number of people actively participating in the labour market.

INDUSTRY PERFORMANCE | Finance sector suffers a major employment blow

As industries gradually recovered from months of economic inactivity, net national employment gains were recorded across eight (8) of the ten (10) industries, led by Community and social services (170 000), Construction (89 000) and Private households (76 000). Subsequent to displaying resilience in the previous years, the Finance industry shed the most jobs (123 000 job losses) despite the sector recording the largest quarterly job gains in the previous quarter. Annually, employment failed to return to pre-COVID levels as all sectors recorded notable job losses, with major losses recorded in Finance (256 000), Community services (241 000) and Manufacturing (230 000) industries.

In Gauteng, relative to the previous quarter, employment increased in five (5) of the ten (10) industries, mainly driven by Private households (47 000), Transport (39 000) and Construction (24 000). For the year, employment declined across eight (8) of the ten (10) industries, led by Finance (132 000), Community and social services (131 000) and Trade (103 000).

OUTLOOK | Slow recovery expected, boosted by job rebound in the second half of 2021

In the short term, the labour market has shown strong signs of recovery in terms of job numbers for the second consecutive quarter, despite at a slower pace. Notwithstanding, the increase in jobs is more likely due to the recovery of jobs previously held after many individuals were furloughed rather than new jobs created. However, considering the current economic climate, any number of recovered jobs should be welcomed. On the downside, annually, the recovery in jobs was not fast enough as employment levels remains well below pre-COVID levels, declining at unprecedented levels.

In the new year, as economic activity is expected to "stabilise" and businesses strive to survive without any assistance from the government, many enterprises are likely to experience renewed pressures as their costs escalate in the face of financial and overall economic uncertainty. Key to this is the reduced aggregate demand stemming from a myriad of factors which include, lower employment levels and or tighter disposable household incomes. As such, in the first half of 2021, a deceleration in the growth in employment should be expected as many businesses fail to

survive and cut down on labour to reduce costs or shut down completely. This has already been evidenced across several industries and examples include:

Putco, with over 200 retrenchments confirmed	The collapse of Greyhound bus services, leaving thousands of workers jobless.	Ster-Kinekor Theatres entering into a business rescue.
---	--	---

On the upside, as the economy rebounds in line with expectations, which are largely dependent upon the successful implementation of the COVID-19 immunisation program and full resumption of economic and industrial activity (globally and domestically), the second half of 2021 is likely to see an improvement in the labour market - with employment levels closely returning to pre-COVID levels. However, to make an even bigger dent on employment, several longstanding structural factors will need to be reformed in the economy for economic activity and employment to reach higher levels.