

LABOUR MARKET

DEVELOPMENTS

QUARTER 4: 2019



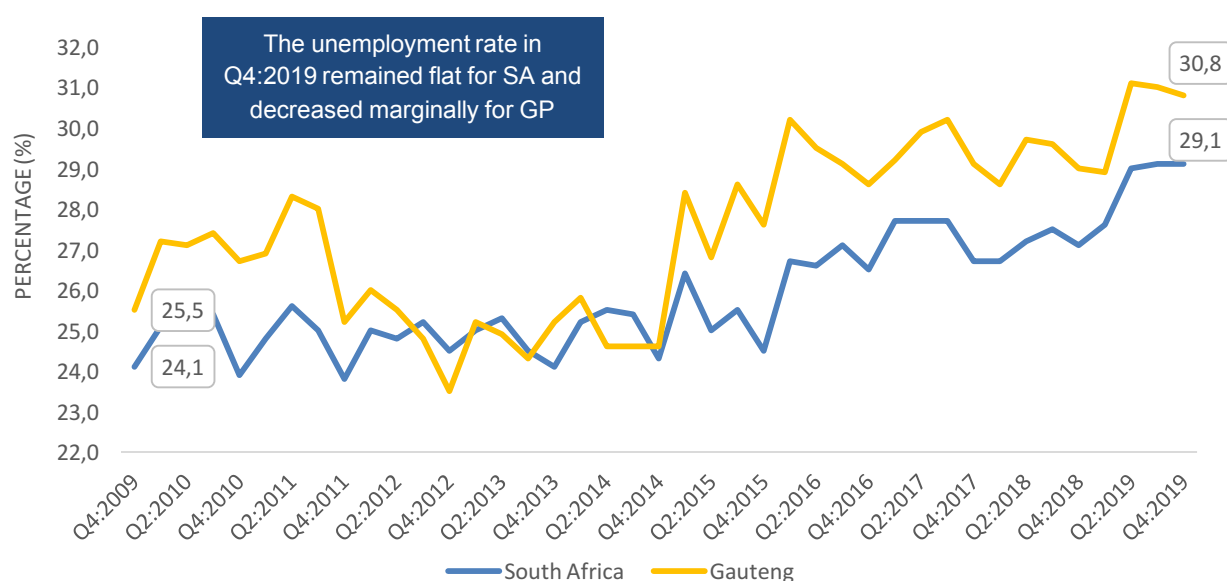
GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

SA'S UNEMPLOYMENT HOLDS STEADY AT 29.1% IN FOURTH QUARTER OF 2019

The latest unemployment figures released by Statistics South Africa (StatsSA) show that the country continues to grapple with high levels of joblessness. During the fourth quarter of 2019 (Q4:2019), the national unemployment rate remained flat compared to the third quarter of 2019. The national unemployment rate remains unchanged at 29.1% from the previous quarter (Q3:2019) reading. This marks the first time, since 2008, that the rate has not decreased in the fourth quarter, which is a telling sign of a struggling economy as the last quarter of the year is typically characterised by higher employment numbers as businesses prepare for the holiday season. On the other hand, the unemployment rate for Gauteng declined slightly by 0.2 percentage points to 30.8% from 31% in Q3:2019.

Figure 1. South Africa and Gauteng unemployment rates, Q1:2008 – Q4:2019



Data Source: Statistics South Africa, 2020

Quarterly, the unemployment rate at the national level remained unchanged despite the increase in the number of employed people. Total employment increased by 45 000 to 16.4 million. Meanwhile, the aggregate labour force rose by 38 000 to 23.1 million and the number of unemployed persons decreased by 8 000 (to 6.7 million) compared to Q3 2019. The employment number was mainly underpinned by higher job numbers in the Community and social services (113 000), followed by Finance (76 000) and Transport (36 000) sectors. Meanwhile, declines in employment were recorded in Trade (-159 000), Manufacturing (-39 000) and Utilities (-14 000) during the same period.

Furthermore, compared to the same period last year, the number of employed individuals decreased by 108 000 from 16.53 million in Q4:2018 to 16.42 million in Q4:2019. This decline is largely attributed to a decline in the number of people employed in Construction (-131 000) which continues to suffer major job losses in the wake of declining public sector investment spending and overall negative sentiment in the sector. Trade (-70 000), Private Households and Manufacturing (which both declined by 46 000), and Finance (-43 000) industries also recorded job losses. Nonetheless, employment gains were recorded in the Community and Social Services (168 000), Transport (46 000) and Agriculture (36 000) sectors during the same period.

GAUTENG UNEMPLOYMENT RATE LOWER | AS UNEMPLOYED INDIVIDUALS REMAINS FLAT

With regards to Gauteng, the province's unemployment rate dipped slightly by 0.2 percentage point from 31% in Q3:2019 to 30.8% in Q4:2019. Employment numbers in the province increased by 38 000 quarter-on-quarter (q/q) to 5.1 million – the largest employment increase by province in the country. Meanwhile, the number of unemployed individuals remained flat at 2.27 million. In addition, the number of discouraged work-seekers increased by 29 000 over the quarter, further highlighting the challenges faced by those seeking and struggling to secure jobs. The job losses in the province over the quarter were largely driven by decreases in Trade and Construction, which both shed 16 000 jobs as well as Utilities (-13 000) and Agriculture (-11 000). Manufacturing was also among the job losers, shedding 3 000 jobs. On the other hand, job gaining sectors include Finance (41 000), Transport (19 000) and Mining (8 000). Compared to last year, Gauteng jobs lost were mainly due to job losses in Construction (-62 000), Finance (-35 000) and once more, Manufacturing (-13 000).

Table 1. South African and Gauteng industry employment and change in employment, Q4:2019

	Total employment in Q4:2019	Quarterly change	Year-to-date change
	Thousands ('000)		
Agriculture	885 [30]	6 [-11]	36 [-1]
Mining	430 [73]	11 [8]	-8 [8]
Manufacturing	1 720 [624]	-39 [-3]	-46 [-13]
Utilities	120 [31]	-14 [-13]	-14 [-6]
Construction	1 350 [367]	12 [-16]	-131 [-62]
Trade	3 249 [1 008]	-159 [-16]	-70 [-35]
Transport	1 011 [377]	-36 [19]	46 [19]
Finance	2 568 [1 145]	76 [41]	-43 [6]
Community & social services	3 792 [1 038]	113 [-5]	168 [9]
Private households	1 286 [395]	0 [29]	-46 [8]
Total	16 420 [5 060]	62 [38]	-108 [-65]

Data Source: Statistics South Africa, 2020. Values in [] represent Gauteng.

INDUSTRY LEVEL EMPLOYMENT IMPROVES IN Q4 | DESPITE CONSTRAINTS IN TRADE SECTOR

Declines in employment were recorded in the broader manufacturing sector, including its diverse metals and engineering (M&E) sector, representing a 2.2% year-on-year (y/y) deterioration. Other key industrial sectors with increased interdependencies with the M&E cluster of industries registered job gains. These included the mining sector, which recorded q/q gains of 11 000 jobs, or 2.5%, and the construction sector, which also recorded q/q gains of 12 000 jobs, or 0.9%, this was mainly driven by gains in building of complete construction (general construction – includes new work, alterations and civil engineering projects) and building completion (activities to finishing of construction projects – glazing, painting decorations, wall tiling, etc.).

There are however concerns around the 159 000 jobs lost in the wholesale and retail trade sector, which usually sees an increase in jobs in the fourth quarter each year. The retail sector is considered a useful yardstick for the GDP figures, the poor results should be of concern for South Africa's economic prospects. On the other hand, the services sector was mainly driven by gains in sewage and refuse disposal and sporting and other recreation. The finance sector was mainly driven by gains in business activities and monetary intermediation, while the transport industry was mainly driven by gains in other land transport, postal and courier activities and telecommunications.

WHAT'S AHEAD IN 2020? | GP EMPLOYMENT FORECAST TO INCREASE BY 2%

In the previous update, the Gauteng Department of Economic Development's Economic Modelling and Forecasting team had forecast the Province's employment numbers to reach 5.06 million in 2019:Q4 and the full year forecast for 2019 was estimated at 5.087 million. The actual employment figure for this quarter reached 5.098 million (or 5.1 million) and the full year employment amounted to 5.097 million (or 5.1 million). That is a forecasting error of -0,7% and -0,2%, respectively. When final 2019 employment figures were released, there was a year-on-year (y-o-y) decrease in employment of -1,3%.

Looking ahead, aggregate employment in the Province is forecast to increase by 2% to reach 5.197 million in 2020. On a year-on-year basis, employment is expected to increase by a marginal 0.11% in the first quarter of 2020. The Construction, Manufacturing and Electricity sectors are forecast to continue their job loss trend into 2020 while Finance, Transport and the Social sector are all expected to register job gains over the year ahead (see Figure 2 below).

Figure 2: Gauteng sectoral employment forecasts for 2020 (year-on-year)



Source: GDED Economic Modelling and Forecasting

LABOUR MARKET OUTLOOK | PRESSURES LIKELY TO REMAIN FOR 2020

After a tough 2019, characterized by with minimal economic growth and job creation, 2020 is expected to start on shaky ground. This has been compounded by the return of load shedding in early January. Load shedding is expected to be a feature for the next 18 months; therefore, economic growth is expected to post only a slight improvement in 2020. South African labour environment is generally associated with rising costs and rigidity. A struggling economy and extensive labour regulations, mean that businesses will battle to absorb the increasing size of their labour force. On the other hand, South Africa benefits from having a large and diversified labour pool with a larger proportion of skilled labour compared to its regional peers and other emerging markets. However, with dwindling domestic and global economic demand, South Africa's labour market situation is unlikely to make a significant turn-around this year.