

FREE STATE PROVINCE QUARTERLY LABOUR MARKET REVIEW (QLMR)

Fourth Quarter, 2017



Compiled by:

Mmaphuti Thobane
Economic Analysis Directorate

Edited by:

Itumeleng Moses
Economic Analysis Directorate



treasury

Department of
Treasury
FREE STATE PROVINCE

www.fs.gov.za

TABLE OF CONTENTS

1.1 Economic growth outlook in South Africa	2
1.2 South Africa's Labour Market Overview	3
1.3 Cross-Provincial Labour Market Performance: Free State vs. Other Provinces	4
1.3.1. <i>Employment Levels</i>	4
1.3.2. <i>Unemployment Rate</i>	4
1.4 Decomposition of the Free State Labour Market	5
1.4.1. <i>Employment in the Free State Province</i>	6
1.4.2. <i>Unemployment in the Free State Province</i>	8
1.4.3. <i>Not in Education and not in Employment (NEET)</i>	9
1.4.4. <i>Not Economically Active (NEA) in the Free State Province</i>	10
1.5 Conclusion	11

LIST OF TABLES

Table 1: South Africa labour market at a glance.....	3
Table 2: Employment by province	4
Table 3: Unemployment rates by province	5
Table 4: Free State labour force characteristics	6
Table 5: Free State employment by industry	7
Table 6: Free State characteristics of the unemployed	8
Table 7: Free State official unemployment rate by age group	8
Table 8: Free State profile of economically active group not in education and not in employment (NEET)	10
Table 9: Free State characteristics of the not economically active (NEA) population	11

LIST OF FIGURES

Figure 1: SA Gross Domestic Product (GDP)	2
Figure 2: Free State employment by occupation and gender	7

APPENDIX

Diagram 1: Summary of Free State's Labour Market – 2017:Q4	12
Diagram 2: Summary of Free State's Women Labour Market – 2017:Q4	13
Diagram 3: Summary of Free State's Men Labour Market – 2017:Q4	14

Definitions

1. Discouraged work-seeker is a person who was not employed during the reference period, wanted to work, was available to work/start a business but did not take active steps to find work during the last four weeks, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work.
2. Economic activities are those that contribute to the production of goods and services in the country. There are two types of economic activities, namely: (1) Market production activities (work done for others and usually associated with pay or profit); and (2) Non-market production activities (work done for the benefit of the household, e.g. subsistence farming).
3. Employed persons are those aged 15–64 years who, during the reference week, did any work for at least one hour, or had a job or business but were not at work (temporarily absent).
4. Employment-to-population ratio (labour absorption rate) is the proportion of the working-age population that is employed.
5. Informal employment identifies persons who are in precarious employment situations irrespective of whether or not the entity for which they work is in the formal or informal sector. Persons in informal employment therefore comprise all persons in the informal sector, employees in the formal sector, and persons working in private households who are not entitled to basic benefits such as pension or medical aid contributions from their employer, and who do not have a written contract of employment.
6. Informal sector: The informal sector has the following two components:
 - a) Employees working in establishments that employ fewer than five employees, who do not deduct income tax from their salaries/wages; and
 - b) Employers, own-account workers and persons who are helping and getting unpaid in their household business and are not registered for either income tax or value-added tax.
7. The labour force comprises all persons who are employed plus all persons who are unemployed.
8. Labour force participation rate is the proportion of the working-age population that is either employed or unemployed.
9. Long-term unemployment: Persons in long-term unemployment are those individuals among the unemployed who were without work and trying to find a job or start a business for one year or more.
10. Not in education and not in employment (NEET) comprises of persons who are not in any form of education or training and not in employment.
11. Not economically active: Persons aged 15–64 years who are neither employed nor unemployed in the reference week.
12. Persons in underemployment (time-related) are employed persons who were willing and available to work additional hours, whose total number of hours actually worked during the reference period were below 35 hours per week.
13. Underutilized labour comprises three groups that are defined as follows: persons who are underemployed, persons who are unemployed, and persons who are discouraged.
14. Unemployed persons are those (aged 15–64 years) who:
 - a) Were not employed in the reference week; and
 - b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview; and
 - c) Were available for work, i.e. would have been able to start work or a business in the reference week; or
 - d) Had not actively looked for work in the past four weeks but had a job or business to start at a definite date in the future and were available.
15. Unemployment rate is the proportion of the labour force that is unemployed.
 - a) Official unemployment rate includes only the unemployed who are actively searching for work, thus excluding the discouraged.
 - b) Expanded unemployment rate includes the unemployed who are actively searching for work and those who are not actively searching.
16. The working-age population comprises all persons aged 15–64 years.

Source: Statistics South Africa

Quick Hard facts

- South African unemployment rate decline to 26.7% in the fourth quarter of 2017. However, the official unemployment rate is 0.2 of a percentage point higher compared to the same period last year. The absorption rate and labour force participation rate declined year on year by 0.4% individually.
- Employment in South Africa fell by 21 000 in 2017:Q4, a setback of which a high number of job loss was recorded in the formal sector. Thus, jobs were created in the informal sector and agricultural sector, while formal and private households sector shed jobs.
- Seven of the nine provinces had recorded a decrease in the official unemployment rate between 2017:Q4 and 2017:Q3. The largest decline of 2.8 percentage points was recorded in Northern Cape, and 2.4 percentage points in Western Cape. Only Free State and Limpopo has recorded an increase in the official unemployment rate.
- Free State's total employment contracted by 1.9 percentage points in 2017:Q4 as compared to 2017:Q3. This contraction was due to the number of jobs shed in almost all sectors, except in the agricultural sector. About 2 000 jobs were created in the agricultural sector, the smallest sector amongst the four sectors.
- Most industries in Free State reported employment decline on quarter on quarter except for agriculture, manufacturing, construction, finance and community and social services. Trade shed most jobs (14 000 jobs), while finance created most jobs (11 000 jobs) in 2017:Q4 as compared to 2017:Q3.
- On employment by industry and gender in the Free State, more men are employed relative to women across major sectors. Male employment has decreased by 21 000 as compared to the previous quarter, while female employment increased by 6 000. Year on year, the number of women in employment increased by 17 000, while the number of men in employment increased by 31 000.
- The youth aged 15 to 34 years remained vulnerable in labour market with unemployment rate of 45.5%, which is 12.9 percentage points above the provincial average of 32.6%. Exacerbating the situation, the unemployment rate of youth between 15 to 24 years increased by 4.3 percentage points while 25 to 34 year olds rate increased by 3.0 percentage points.
- Women unemployment rate has decreased by 0.3 of a percentage point, from 38.4% in 2017:Q3 to 38.1% in 2017:Q4, while men unemployment rate increased by 1.4 percentage points from 26.7% to 28.1%.

1.1 Economic growth outlook in South Africa

World Bank forecasted that the global economy would expand by about 3.1% in 2018, with faster growth among emerging markets than developed markets. Growth in advanced economies is expected to moderate slightly to 2.2% in 2018, as central banks gradually remove their post-crisis accommodation and as an upturn in investment levels off. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.5% in 2018, as activity in commodity exporters continues to recover. Commodity-exporting developing economies, a designation that includes South Africa, should be able to benefit from firming commodity prices. Sub-Saharan Africa's growth would likely average around 3.2% in 2018, about 0.1% higher than the world average of 3.1%

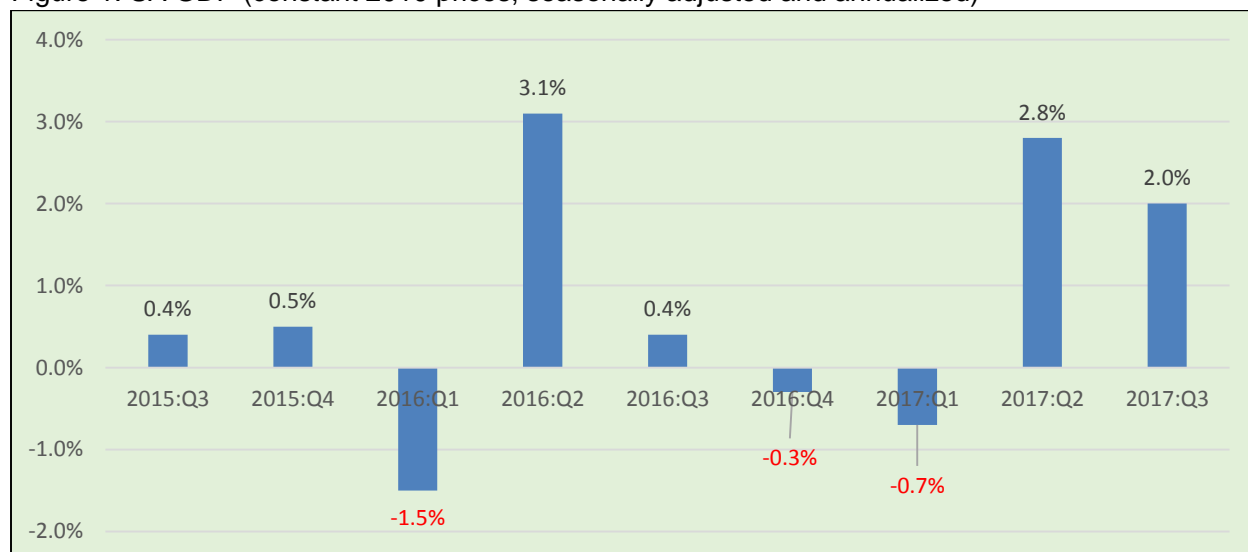
SA economy has been growing at a slow pace as a result of low business confidence and falling private investment. However, it has performed slightly faster than expected, with economic growth now expected to be 1% in 2017, 1.5% in 2018 and 2.1% in 2019. The pace of this growth make it difficult for government to achieve its targets for public finances.

The South African economy rose by 2.0% on 2017:Q3, from an upwardly revised 2.8% expansion in the previous quarter. Agriculture, mining and manufacturing were the main drivers of the growth, while there was a contraction in general government services resulting from low employment numbers in the public sector in 2017:Q3, however, that number rose in 2017:Q4.

The largest contributor to growth in GDP in the third quarter was the agriculture industry, which increased by 44.2% and contributed 0.9 of a percentage point to GDP growth. Mining increased by 6.6% and contributed 0.5 of a percentage point to GDP growth. Manufacturing increased by 4.3%, which contributed a further 0.5 of a percentage point.

Emerging from the 2017 recession, South African growth has been growing positively but slowly in short of the government's 5% target that economists say is needed to curb unemployment.

Figure 1: SA GDP (constant 2010 prices, seasonally adjusted and annualized)



Source: Statistics South Africa, Gross Domestic Product, 2017:Q3

SA policy uncertainty was likely to remain, and could slow needed structural reforms.

1.2 South Africa's Labour Market Overview

Government is working collaboratively with different stakeholders on number of initiatives to spur growth and boost employment.

Meanwhile, the unemployment rate declined to 26.7% in 2017:Q4. This comprises 5.9 million people, based on the official definition of unemployment which includes those who are not employed but actively looking for jobs. The unemployment rate is 12.7 percentage points away from the 14% targeted in the National Development Plan for 2020.

Employment fell by 21 000 quarter on quarter. The decline in employment was mainly driven by formal sector which recorded a significant 135 000 job loss in 2017:Q4. Among the four sectors, formal sector accounts for the most jobs in the country. Therefore, shedding of jobs in this sector is worrying and could led to more discouraged work seekers in the country.

Table 1: South Africa labour market at a glance

	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Population 15-64 yrs	36 905	37 373	37 525	152	620	0.4	1.7
Labour Force	21 849	22 402	22 051	-351	202	-1.6	0.9
Employed	16 069	16 192	16 171	-21	102	-0.1	0.6
Formal sector (Non-agricultural)	11 156	11 379	11 244	-135	88	-1.2	0.8
Informal sector (Non-agricultural)	2 695	2 689	2 808	119	113	4.4	4.2
Agriculture	919	810	849	39	-70	4.8	-7.6
Private households	1 299	1 313	1 270	-43	-29	-3.2	-2.2
Unemployed	5 781	6 210	5 880	-330	99	-5.3	1.7
Not economically active	15 055	14 971	15 474	503	419	3.4	2.8
Discouraged work-seekers	2 292	2 436	2 538	102	246	4.2	10.7
Other(not economically active)	12 763	12 536	12 936	400	173	3.2	1.4
Rates (%)							
Unemployment rate	26.5	27.7	26.7	-1.0	0.2		
Employed / population ratio (Absorption)	43.5	43.3	43.1	-0.2	-0.4		
Labour force participation rate	59.2	59.9	58.8	-1.1	-0.4		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

The recent national labour data in Table 1, reveal that in 2017:Q4 the working-age population was 37.5 million, with 16.2 million employed, 5.9 million unemployed and 15.5 million not economically active. This translates to an absorption rate of 43.1% and labour force participation rate of 58.8%. Moreover, employment rose largely in the informal sector. Employment in the informal sector increased by 119 000, to a total of 2.8 million informal jobs in the country. However, on the other hand, jobs were shed in the formal and private household sectors. The drop of employment was triggered by the weak economy and instability in political stance among other things.

The number of the *not economically active (NEA)* population increased by 503 000 and the number of discouraged work seekers also increased by 102 000 people during 2017:Q4 compared to 2017:Q3.

1.3 Cross-Provincial Labour Market Performance: Free State vs. Other Provinces

Just as the structure of economy of the Free State is tracking that of the national economy, the labour market in the province moves away from the shadows of the national labour market. This is indicated by the province's increased unemployment rate, while national unemployment rate declined.

The Free State economy has moved from dependence on primary sectors such as mining and agriculture to an economy increasingly oriented towards manufacturing and trade. FS is unique as compared to other provinces because some 14% of the province's manufacturing is classified as being in high-technology industries – the highest of all provincial economies (FDC, 2016).

1.3.1. Employment Levels

From Table 2 below, employment decreased in five of the nine provinces between 2017:Q4 and 2017:Q3. The largest quarterly employment loss was observed in Gauteng (77 000), followed by Limpopo (35 000) and Eastern Cape (30 000). Free State was among this five provinces that shed jobs in 2017:Q4 by 15 000 jobs.

Compared to the same quarter last year (2016:Q4) employment increased in six of the nine provinces. The highest employment gains were recorded in Western Cape, Mpumalanga and Free State, with 106 000, 87 000 and 49 000 jobs respectively. During this period, Gauteng shed most jobs (120 000).

Table 2: Employment by province

Province	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
South Africa	16 069	16 192	16 171	-21	102	-0.1	0.6
Western Cape	2 386	2 399	2 492	93	106	3.9	4.4
Eastern Cape	1 447	1 421	1 391	-30	-56	-2.1	-3.9
Northern Cape	298	307	321	14	23	4.6	7.7
Free State	757	821	806	-15	49	-1.8	6.5
KwaZulu-Natal	2 541	2 536	2 513	-23	-28	-0.9	-1.1
North West	959	983	999	16	40	1.6	4.2
Gauteng	5 111	5 068	4 991	-77	-120	-1.5	-2.3
Mpumalanga	1 155	1 204	1 242	38	87	3.2	7.5
Limpopo	1 414	1 452	1 417	-35	3	-2.4	0.2

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

1.3.2. Unemployment Rate

The prominent unemployment rate indicator in South Africa is the official unemployment rate. As illustrated in Table 3, the national official unemployment rate decreased in 2017:Q4 compared to 2017:Q3. Quarterly decreases in the official unemployment rate were observed in seven provinces, with Northern Cape decreasing the most by 2.8 percentage points. Over the same period, the highest official unemployment rate increase was observed in Free State (0.8 percentage point).

In comparison to the same period last year, the national official unemployment rate increased by 0.2 percentage points. During this period, the official unemployment rate recorded an increase in four provinces.

Similarly, between 2017:Q3 and 2017:Q4, the national expanded unemployment rate decreased by 0.5 of a percentage point to 36.3%. The decrease was observed in five provinces, with a largest decrease of 2.6 percentage points recorded in Northern Cape.

Table 3: Unemployment rates by province

Province	Official unemployment rate					Expanded unemployment rate				
	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change
	Per cent			Percentage points		Per cent			Percentage points	
South Africa	26.5	27.7	26.7	-1.0	0.2	35.6	36.8	36.3	-0.5	0.7
Western Cape	20.5	21.9	19.5	-2.4	-1.0	23.6	25.2	23	-2.2	-0.6
Eastern Cape	28.4	35.5	35.1	-0.4	6.7	41.3	45.3	44.8	-0.5	3.5
Northern Cape	32.0	29.9	27.1	-2.8	-4.9	43.3	43.1	40.5	-2.6	-2.8
Free State	34.7	31.8	32.6	0.8	-2.1	40.9	38.5	39.0	0.5	-1.9
KwaZulu-Natal	23.9	24.6	24.1	-0.5	0.2	40.7	41.0	41.0	0.0	0.3
North West	26.5	26.2	23.9	-2.3	-2.6	40.9	42.5	40.6	-1.9	-0.3
Gauteng	28.6	30.2	29.1	-1.1	0.5	32.1	33.3	33.7	0.4	1.6
Mpumalanga	31.0	30.7	28.9	-1.8	-2.1	42.1	41.5	39.7	-1.8	-2.4
Limpopo	19.3	19.1	19.6	0.5	0.3	34.1	35.8	36.8	1.0	2.7

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

1.4 Decomposition of the Free State Labour Market

The Free State labour force (economically active population) has decreased by 10 000 people in 2017:Q4 due to the increased number of not economically active population. Employment decreased by 16 000, while unemployment increased by 6 000. During this period, the number of unemployed persons was 390 000, with 806 000 employed people. This translates to 32.6% of official unemployment rate, 42.6% of employment rate (absorption rate) and 63.2% of labour force participation rate in Free State during the review period.

As illustrated below in Table 4, in 2017:Q4, the *not economically active population* in Free State grew by 1.8 percentage points, which translates to 13 000 more inactive population in the province. The increase of the inactive population was prompted by the growth in the number of disabled persons (14 000) in 2017:Q4 as compared to 2017:Q3.

Compared to 2016:Q4, employment increased by 48 000 (or 6.4 percentage points) while unemployment fell by 13 000 (or 3.2 percentage points). This led to a decrease in the unemployment rate by 2.1 percentage points from 34.7% to 32.6% in the period under review. The inactive population in 2017:Q4 decreased by 29 000 or 3.9 percentage points compared to 2016:Q4. This decrease was mainly triggered by the 18 000 disabled persons.

Table 4: Free State labour force characteristics

	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Population 15-64 yrs	1 885	1 890	1 892	3	7	0.1	0.4
Labour Force Employed	1 160	1 205	1 195	-10	35	-0.8	3.1
Employed	757	821	806	-16	48	-1.9	6.4
Formal sector (Non-agricultural)	460	497	488	-9	28	-1.8	6.0
Informal sector (Non-agricultural)	143	161	157	-5	13	-2.9	9.3
Agriculture	65	75	77	2	13	3.0	19.7
Private households	89	88	84	-4	-5	-4.8	-5.9
Unemployed	403	384	390	6	-13	1.5	-3.2
Not economically active	726	685	697	13	-29	1.8	-3.9
Discouraged work-seekers	82	81	89	8	7	10.3	8.6
Other(not economically active)	644	604	608	4	-36	0.7	-5.5
Rates (%)							
Unemployment rate	34.7	31.8	32.6	0.8	-2.1		
Employed / population ratio (Absorption)	40.2	43.5	42.6	-0.9	2.4		
Labour force participation rate	61.5	63.8	63.2	-0.6	1.7		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

1.4.1. Employment in the Free State Province

In the fourth quarter, the absorption rate contracted by 0.9 percentage points (see Table 4), meaning that less people were without jobs. As a result, the total number of employed persons decreased by 16 000 in 2017:Q4 compared to 2017:Q3. The 16 000 jobs shed were mainly from the formal and informal sectors. Only agricultural sector created jobs during this period.

At industrial level, on a quarterly basis, five industries generated jobs while four shed jobs in 2017:Q4. The biggest employer in the fourth quarter of 2017 was the community and social services with 200 000 jobs, followed by trade industry with 163 000 jobs. The utilities (water, gas and electricity) industry remains the smallest employer that supplies 9 000 jobs in the province.

Relative to the same period last year, the trade industry has lost 30 000 jobs, while private households was the second biggest with 5 000 jobs lost. All other industries created jobs amounting to 89 000 collectively. Due to this factors, total employment in the province grew by 6.4 percentage points.

Table 5: Free State employment by industry

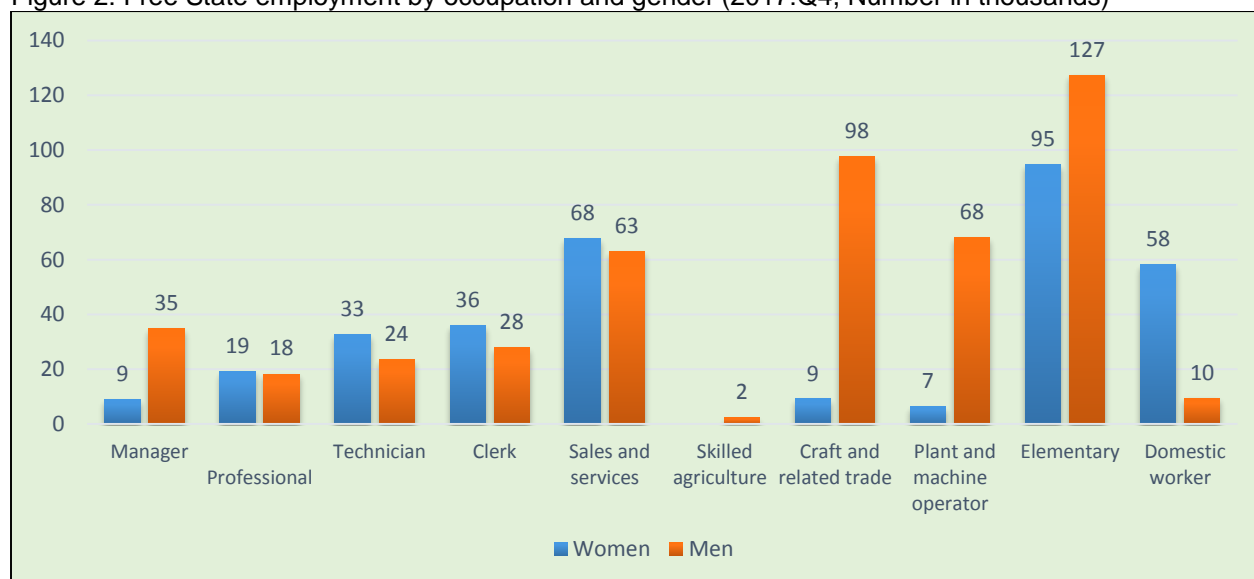
	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Industry	757	821	806	-16	48	-1.9	6.4
Agriculture	65	75	77	2	13	3.0	19.7
Mining	17	17	16	-1	-1	-6.5	-5.8
Manufacturing	59	55	55	1	-4	0.9	-6.1
Utilities	10	11	9	-2	-1	-18.9	-13.6
Construction	54	73	75	2	21	2.6	39.8
Trade	193	178	163	-14	-30	-8.1	-15.4
Transport	36	51	39	-12	3	-22.8	8.1
Finance	53	75	86	11	33	14.3	61.3
Community and social services	181	198	200	2	20	1.2	10.9
Private households	89	88	84	-4	-5	-4.8	-5.9

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

Considering employment by gender, Figure 1 shows that the *elementary occupation*, which requires knowledge and experience of simple and routine tasks which involve the use of hand-held tools and in some cases physical effort, dominate employment in the Free State, followed by *sales and services occupation*. However, according to table 5 above, most jobs obtainable in the Free State were in trade and community and social services.

Women are dominant in five occupations which mostly have less number of jobs in the province, while men dominate the five occupations with large number of employees in the province.

Figure 2: Free State employment by occupation and gender (2017:Q4, Number in thousands)



Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

Notably, the number of women in employment (333 000) is less than that of men (473 000), even if it has increased by 6 000. The number of men in employment decreased by 21 000 on a quarterly basis. The increase in women employment was due to the increase in the number of women in elementary as well as domestic workers. Meanwhile, the knock in men's employment was due to the contracted number of craft and related trade occupation in 2017:Q4 as compared to 2017:Q3.

1.4.2. Unemployment in the Free State Province

Six out of ten Free State residents aged 15 to 34 years are unemployed. While the overall unemployment rate is 32.6%, among youth (15 to 24 years) it is a daunting 62.2%, and among the 15 to 34 years, the rate is 45.5%. Persistently high youth unemployment is not only one of the country's most pressing socioeconomic problems, but it is also a ticking time bomb.

The increase growth of unemployment rate in the Free State in 2017:Q4, was driven by the increase of job losers. Even so, on a yearly basis, all categories fell, except for only new entrants, who enters the labour market for the first time.

The unemployed grew by 1.5 percentage points on quarter to quarter and fell by 3.2 percentage points on year on year.

Table 6: Free State characteristics of the unemployed

	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Unemployed	403	384	390	6	-13	1.5	-3.2
Job losers	136	123	135	12	-1	9.9	-0.5
Job leavers	26	20	22	1	-4	6.9	-16.0
New entrants	139	152	146	-6	7	-4.1	5.4
Re-entrants	8	8	6	-2	-2	-27.5	-25.6
Other	95	80	81	1	-14	0.7	-14.5

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

A further analysis on the unemployment data depicted in Table 7 of the *unemployment rate by age group* in the province, re-affirms a high youth unemployment rate in the Free State. Age group of 15 to 24 years old has the highest unemployment rate because about 70% of this age do not have qualifications and desired work experience required by employers. Furthermore, they lack resources to start up their own small business enterprises. Unemployment is much higher amongst youth relative to adults.

Table 7: Free State official unemployment rate by age group

	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change
	Per cent			Percentage change	
15-64 years	34.7	31.8	32.6	0.8	-2.1
15-24 years	62.1	57.9	62.2	4.3	0.1
25-34 years	40.1	35.4	38.4	3.0	-1.7
35-44 years	29.4	26.2	26.2	0.0	-3.2
45-54 years	22.2	21.9	21.0	-0.9	-1.2
55-64 years	15.2	14.1	7.2	-6.9	-8.0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

According to the expanded definition of unemployment, which includes discouraged workers, the FS unemployment rate was 39.0%, up from 38.5% in the third quarter of 2017 (table 3).

Overall, South Africa's labour market has failed to gain any meaningful traction over the past years with the unemployment rate, especially for the youth, remaining exceedingly high by global standards.

Increasing employment in South Africa has to be the number one economic, political and social objective, and can only be resolved meaningfully through a concerted and sustained effort to improve skills development as well as encourage private sector fixed investment spending, business development and entrepreneurship.

Fee-free higher education and training for students from poor and working class families was announced in December 2017 by former President Jacob Zuma. Supplemental to that, during the budget speech in February 2018, Minister of Finance allocated an additional amount of R57 billion to fund the system over the medium term. This will enable students from vulnerable household to acquire education and training to empower themselves to find jobs and improve their skills development.

Compared to the previous quarter, an unemployment rate decreases were seen at the 55 to 64 age group by 6.9 percentage points, and the 45 to 54 age group which decreased by 0.9 of a percentage point in 2017:Q4.

The number of unemployed increased by 1.5 percentage points in 2017:Q4 (see table 6), while the official unemployment rate grew by 0.8 percentage point and the expanded unemployment rate also increased by 0.5 percentage point.

On average every employed worker supports 7 dependents. So 6 000 lost jobs means that around 42 000 people will suffer financial loss and fall into the growing pool of those living in absolute poverty.

1.4.3. Not in Education and not in Employment (NEET)

Compared to 2017:Q3, the number of people not in employment or education and training (NEET) in the Free State increased by 9 000 (from 740 000 to 749 000). This constitutes 40% of the province's working age population, of which 60% is female, 91% African and 51% were between the ages of 15 and 34 years.

The NEETs have increased by 1.1 percentage points as compared to the previous quarter. This increase was attributed to all age group categories, except for adults aged between 55 to 64 years and youth aged between 15 to 24 years in 2017:Q4. In other words, 12 000 more adults and 1 000 more youth entered the NEET group.

Young people without work who are no longer attending any school or training program spend on average more than three years searching before finding a job. A NEET can be an unemployed graduate, drop-out¹ learner or an illiterate person.

System wide nepotism, together with disparities in the labour market, have convinced many potential job seekers without the benefit of bribery, family connections, or certain affiliations that seeking employment is an exercise in futility.

There were about 383 000 young people aged between 15 and 34 years in the Free State who were NEET, out of which, about 154 000 aged 15 to 24 years and about 228 000 aged 25 to 34 years.

¹ School or College/University drop-out

Table 8: Free State profile of economically active group not in education and not in employment (NEET)

	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Both sexes	791	740	749	9	-43	1.1	-5.4
Women	468	456	449	-7	-19	-1.5	-4.0
Men	324	284	299	15	-24	5.4	-7.5
Age group	791	740	749	9	-43	1.1	-5.4
15-24 yrs	153	162	154	-7	1	-4.5	0.8
25-34 yrs	247	215	228	13	-19	6.1	-7.7
35-44 yrs	167	141	143	1	-24	1.1	-14.5
45-54 yrs	117	98	109	11	-9	11.3	-7.5
55-64 yrs	107	125	115	-10	8	-8.0	7.5
Population groups	791	740	749	9	-43	1.1	-5.4
Black/African	726	661	685	23	-41	3.5	-5.6
Coloured	24	27	19	-8	-4	-29.1	-18.2
Indian/Asian	2	6	5	-1	3	-23.0	
White	40	45	40	-5	0	-12.1	-0.6

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

*Indian/Asian figures are very small (less than a thousand)

Furthermore, graduates may prefer to hold out for offers of employment that are either equal with their level of education or professional qualifications or that provide some potential for long-term job security and financial stability. In addition to being intellectually stimulating and personally fulfilling, a position that directly corresponds with a graduate's educational background and/or substantive professional experience ensures that whatever unique skill sets and subject matter expertise that he or she has acquired improves rather than weakens, as would be the case for example with a "temporary" position in the service industry. Many unemployed young women and men see little chance of ever finding work and starting their careers.

Formal employment grows ever more distant for the long-term jobless without connections; few young South Africans are able to find employment. The economic loss caused by this lack of productive activity is enormous. Equally important, however, is the social exclusion that millions of young South Africans experience as they are forced to squander their skills, creativity, and potential.

Conversely, a position that does not correspond with one's educational background or substantive professional experience but that would provide a graduate with some form of long-term job security and financial stability, provides male graduates with the social respectability, financial resources, and professional prospects critical to a successful courtship and family formation with his partner.

1.4.4. Not Economically Active (NEA) in the Free State Province

There are many reasons why an individual may be inactive, for example, they might be studying, looking after a family or due to disability; among other reasons. About 37% of the working age population in the Free State are not economically active, and most of these inactive population are students. Students, the ill/disabled and discouraged job-seekers made up the top three reasons for economic inactivity in the province. Students accounted for 46.9% of the inactive population, while illness/disability accounted for 16.1% and the discouraged made 12.7% of the inactive population.

Table 9: Free State characteristics of the not economically active (NEA) population

	Oct-Dec 2016	Jul-Sep 2017	Oct-Dec 2017	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Not economically active	726	685	697	13	-29	1.8	-3.9
Student	326	329	327	-2	1	-0.7	0.2
Home-maker	80	63	62	0	-18	-0.5	-22.4
Illness/disability	122	99	112	14	-10	13.7	-7.9
Too old/young to work	56	78	66	-12	10	-15.5	18.6
Discouraged work seekers	82	81	89	8	7	10.3	8.6
Other	60	35	41	6	-19	15.8	-31.8

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

Further analysis based on year on year figures indicate a significant decline in home makers and the number of people living with disability or illness. However, the number of discouraged work seekers and the ones who are too young/old to work, rose by a significant 18.6 and 8.6 percentage points respectively.

1.5 Conclusion

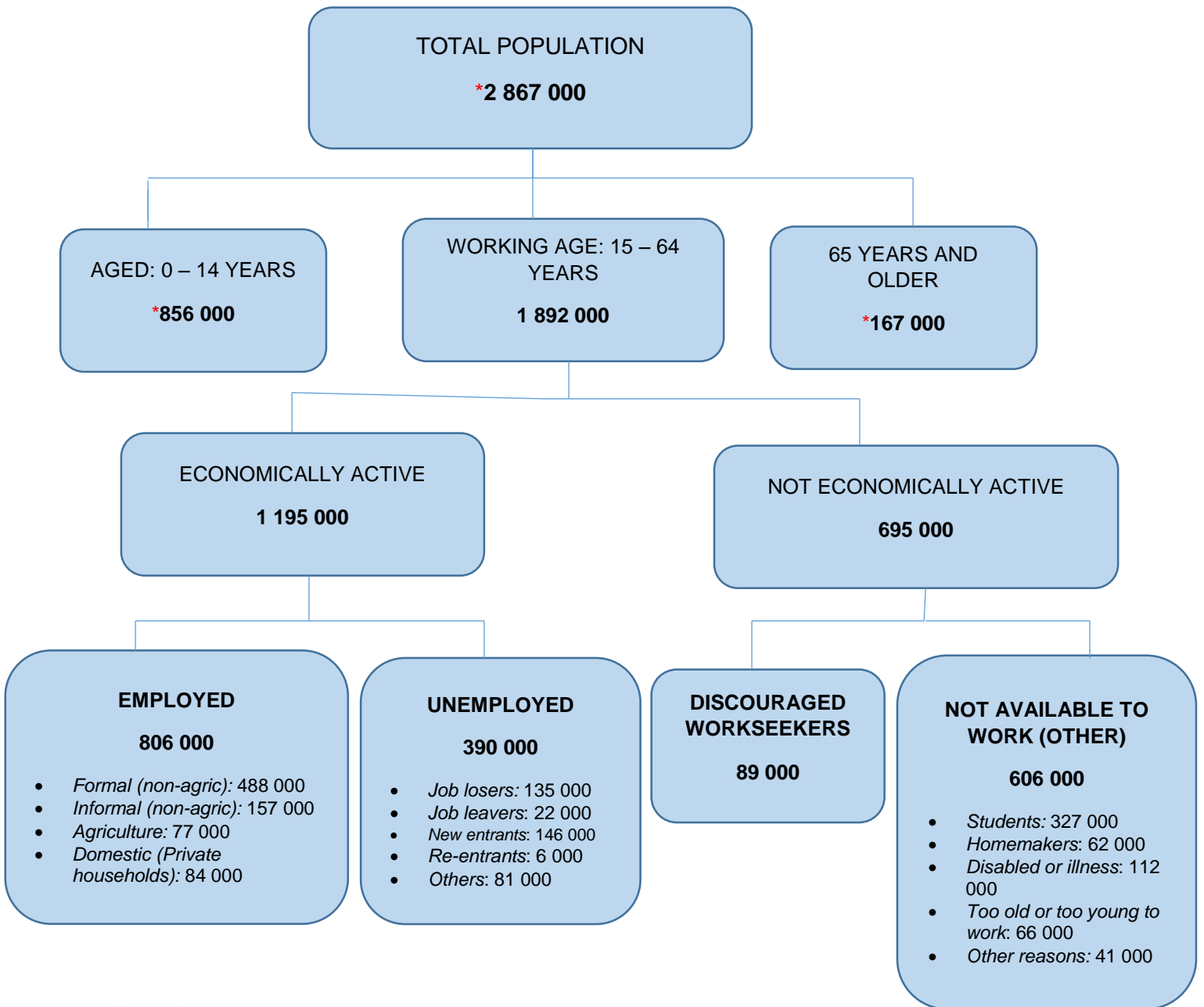
National employment decreased by 21 000 to approximately 16.2 million jobs due to slow recovery of economic conditions in the country. Only the informal sector created significant number of 119 000 jobs in 2017:Q4. Unemployment decreased by 330 000 to 5.9 million. This resulted in unemployment rate marginally declining by 1.0 percentage point to 26.7%. Over the same period, the absorption rate (employment to population ratio) and labour force participation rate fell to 43.1% and 58.8% respectively.

Free State on the other hand, has lost employment of about 16 000 jobs in the 2017:Q4 as compared to 2017:Q3. Unlike nationally, the Free State official unemployment rate increase by 0.8 of a percentage point from 31.8% to 32.6%. On that note, the absorption rate and labour participation rate fell to 42.6% and 63.2% respectively. Furthermore, the number of the discouraged work seekers has rose by 8 000 to 89 000 persons.

On the same note, the NEETs have increased by 1.1 percentage points as compared to the previous quarter. This increase was attributed by men rather than women.

APPENDIX

Diagram 1: Summary of the Free State's labour market - 2017:Q4



Absorption rate = 42.6%

Official unemployment rate = 32.6%

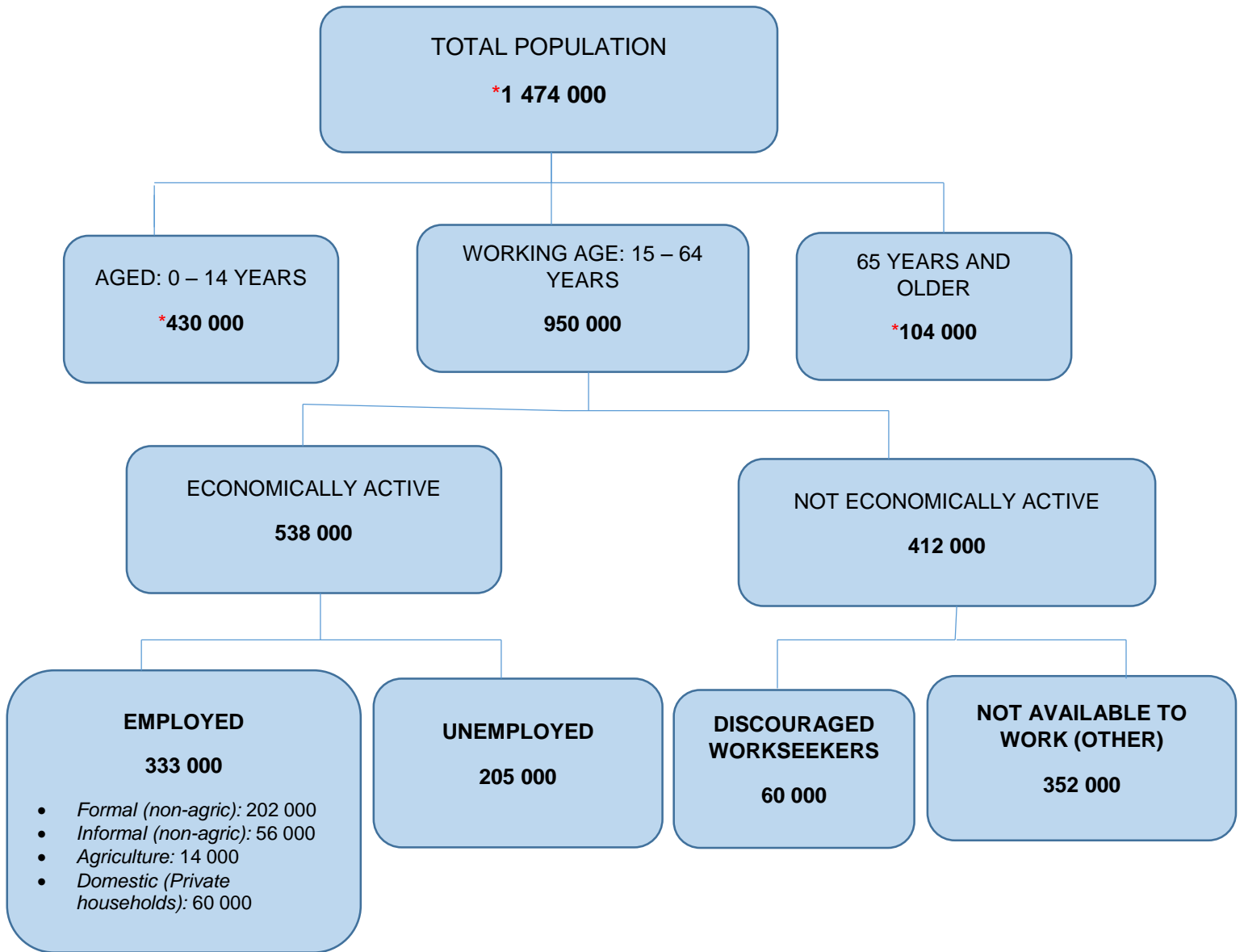
Expanded unemployment rate = 39.0%

Labour force participation rate = 63.2%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

Note: () Mid-year population estimates, July 2017 (Note: Mid-year population estimates figures do not correspond to QLFS figures (Working age population))*

Diagram 2: Summary of the Free State's Women labour market - 2017:Q4



Absorption rate = 35.1%

Official unemployment rate = 38.1%

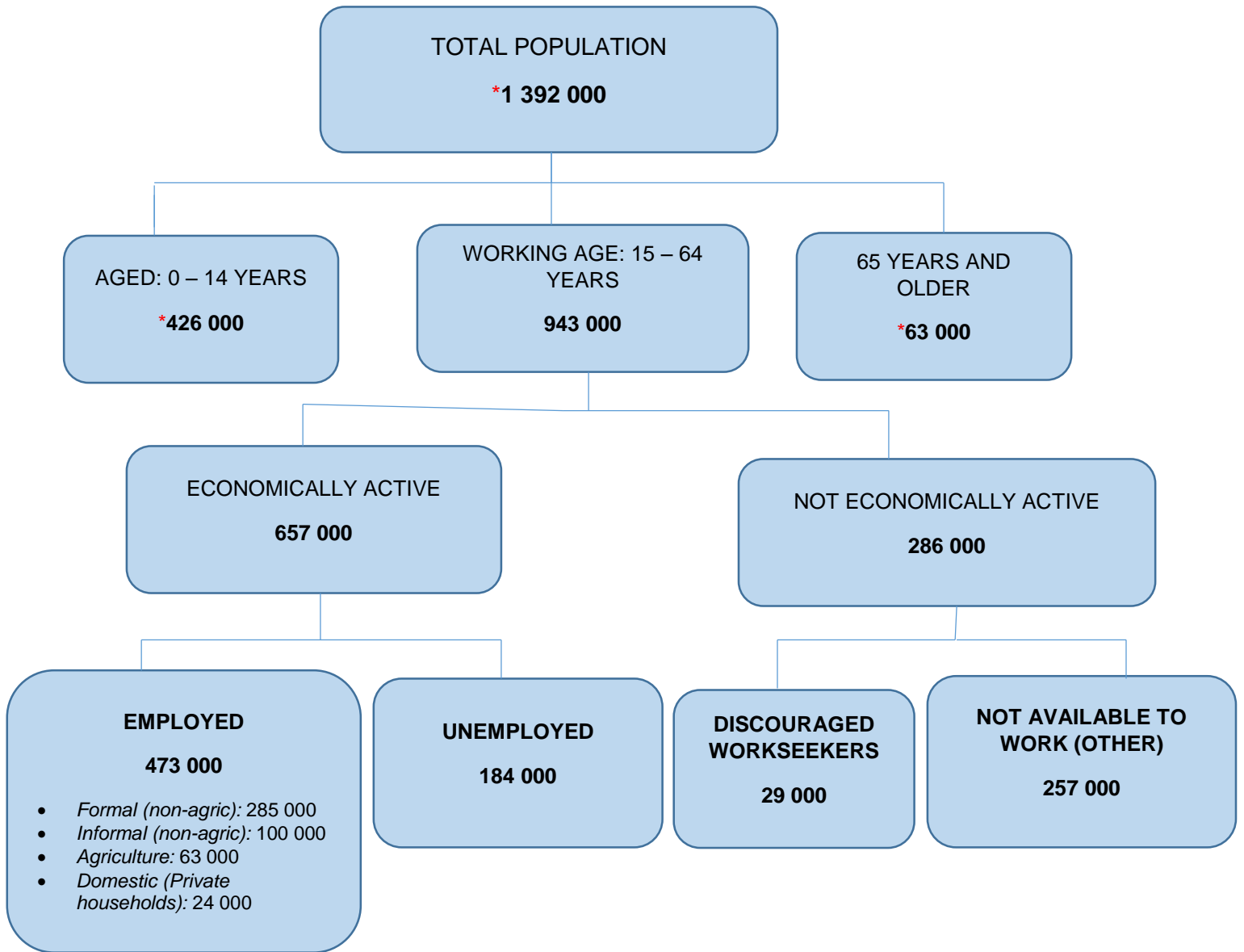
Expanded unemployment rate = 46.6%

Labour force participation rate = 56.7%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

Note: () Mid-year population estimates, July 2017 (Note: Mid-year population estimates figures do not correspond to QLFS figures (Working age population))*

Diagram 3: Summary of the Free State's Men labour market - 2017:Q4



Absorption rate = 50.1%

Official unemployment rate = 28.1%

Expanded unemployment rate = 32.3%

Labour force participation rate = 74.0%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017:Q4

Note: () Mid-year population estimates, July 2017 (Note: Mid-year population estimates figures do not correspond to QLFS figures (Working age population))*