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FREE STATE PROVINCE QUARTERLY LABOUR MARKET REVIEW (QLMR)

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The QLMR is an online quarterly publication authored by officials within the Economic Analysis Directorate of the Free State Provincial Treasury. It provides an analysis of the Quarterly Labour Force Survey (QLFS) conducted by Statistics South Africa (StatsSA) with special focus on the Free State province.

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Definitions of Labour Market Terms and Indicators

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** has two components, namely:
 - 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** refers to persons 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** refers to persons aged 15–64 years who are neither employed nor unemployed in the reference week.
12. **Underemployment** (time-related) includes 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

- Unemployment rate in South Africa surged from 26.7% in 2018: Q1 to 27.2% in 2018:Q2. However, it is 0.5 percentage point lower compared to the same period last year.
- Employment in South Africa declined by 90 000 or 0.5% in 2018:Q2. Jobs were shed in the formal sector (35 000), informal sector (73 000) and agricultural sector (4 000) whilst the private households sector created 21 000 jobs.
- *The number of employed persons decreased in six of the nine provinces between 2018:Q1 and 2018:Q2.* The largest employment decreases were recorded in Western Cape (50 000), Free State (26 000) and North West (15 000) while Mpumalanga, Eastern Cape and KwaZulu-Natal recorded employment gains of 15 000, 5 000 and 3 000 respectively, in the same period.
- The Free State official unemployment rate increased by 1.6 percentage points (from 32.8% to 34.4%) in 2018:Q2 compared to 2018:Q1. The rate of unemployment amongst women increased by 1.5 percentage points, from 36.7% in 2018:Q1 to 38.2% in 2018:Q2, while it increased 1.4 percentage points from 29.6% to 31.0% amongst men.
- Total employment in the Free State contracted by 3.2% in 2018:Q2 as compared to 2018:Q1. This contraction was exclusively due to the jobs shed in the formal sector and agricultural sector with 17 000 and 20 000 jobs respectively. However, roughly 4 000 and 7 000 jobs were gained in the informal and private households sectors respectively.
- *Five of the ten industries in Free State reported employment growth quarter-to-quarter.* Private household, transport, mining, utilities and community and social services expanded jobs while agriculture trade, construction and finance shed jobs in 2018:Q2 as compared to 2018:Q1. Employment in manufacturing industry remained unchanged during this period.
- On employment by industry and gender in the Free State, more men (438 000) are employed relative to women (350 000) across major sectors. In 2018:Q2, female employment has increased by 4 000 as compared to the previous quarter, while male employment decreased by 30 000. Year-on-year, the number of women in employment increased by 37 000, while the number of men in employment decreased by 25 000.
- The youth aged 15 to 34 years are vulnerable in the province's labour market with an official unemployment rate of 46.8% in 2018:Q2, which is 12.4 percentage points above the provincial average. Adult unemployment rate has also increased within the 35 to 44 years category, by approximately 3.8 percentage points. Conversely, the unemployment rate among adults between 45 to 54 years is the only category that decreased by 2.1 percentage points.

1.1 Economic growth outlook in South Africa

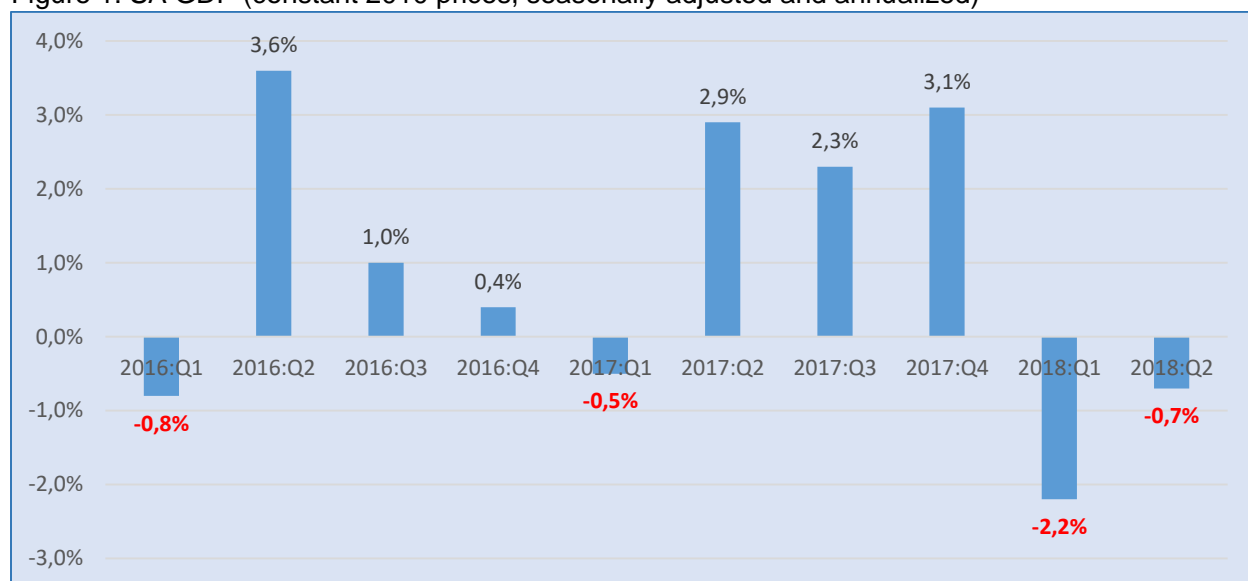
The latest World Economic Outlook (WEO) report by the International Monetary Fund (July 2018) projects the global economic growth rate to increase from 3.7% in 2017 and reach 3.9% in 2018 and 2019, in line with the forecast of the April 2018. The rate of expansion appears to have peaked in some major economies but growth has become less synchronized. The growth of advanced economies is expected to remain above trend at 2.4% in 2018—similar to 2017—before easing to 2.2% in 2019. The forecast for 2018 is lower by 0.1 percentage point compared to the April WEO, largely reflecting greater-than-expected growth moderations in the euro area and Japan after several quarters of above-potential growth. Emerging market and developing economies have experienced strong crosswinds in recent months, including rising oil prices, higher yields in the United States, dollar appreciation, trade tensions, and geopolitical conflict. Overall, 2018 and 2019 growth forecasts remain unchanged from the April WEO at 4.9% and 5.1%, respectively.

After growing by 3.1% in the fourth quarter of 2017, the South Africa economy shrank by 2.2% in 2018:Q1 (Statistics South Africa, 2018). The 2.2% fall is the largest quarter-on-quarter decline since 2009:Q1, when the economy contracted by 6.1%. At sectoral level, agriculture, mining and manufacturing were the main contributors to the dismal performance of the national economy in 2018:Q1, with the electricity, construction and trade industries also recording negative growth.

After recording four consecutive quarters of robust growth in 2017, the agricultural industry declined in 2018:Q1, contracting by 24.2%, the largest quarter-on-quarter fall since 2006:Q2. Agricultural industry's relatively strong performance in 2017 is one of the positive factors that helped keep the economy afloat in 2017. However, this momentum failed to carry through to 2018, with decreased production in field crops and horticultural products contributing to the decline in the first quarter. Mining industry experienced a recession in 2018:Q1 with its second consecutive quarter of economic decline. Data from Statistics SA (2018) points to a decreased production of the industry by 9.9% in 2018:Q1, following a decrease of 4.4% in 2017:Q4. The lower production in gold, platinum group metals and iron ore were the main contributors to falling performance. Manufacturing also failed to make a positive contribution to economic growth, falling by 6.4% in 2018:Q1. The industry's decline was driven largely by a fall in production of petroleum and chemical products, as well as basic iron and steel.

South Africa officially entered a technical recession in the 2nd quarter of 2018, when the country's real gross domestic product (GDP) slipped further by 0.7%, following a contraction of 2.2% in 2018:Q1. The largest negative contributor to GDP growth in 2018:Q2 was the agriculture industry, which decreased by 29.2% and stripped 0.8 of a percentage point from the GDP. The decrease in agriculture was largely driven by a decline in the production of field crops and horticultural products. Other large industry declines were experienced in transport (-4.9%) as well as trade (-1.9%). On the other hand, the main positive contributors were mining, up 4.9% and the finance industry, which increased by 1.9%.

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



Source: Statistics South Africa, Gross Domestic Product, 2018:Q2

The South African government has signed several agreements, including memorandums of understanding (MOUs) on investments, amounting to \$14.7 billion with China. President Xi indicated that China is ready to invest, and to work with South Africa (SA) in various sectors such as infrastructure, ocean economy, green economy, science and technology, agriculture, environment, as well as finance. The financial injection is expected to stimulate national economic growth. Furthermore, strengthening partnership with world's leading economy and reliable trade partner had afforded SA with opportunities to increase exports, accelerate infrastructure, economic recovery and job creation.

On 21 September 2018, President Ramaphosa announced an economic stimulus and recovery plan after its adoption by Cabinet. This stimulus and recovery plan consists of a range of measures, both financial and non-financial, that will be implemented immediately to firstly ignite economic activity, secondly restore investor confidence, thirdly prevent further job losses and create new jobs, and fourthly to address some urgent challenges that affect the conditions faced by vulnerable groups. It has five broad parts, namely:

- implementation of growth enhancing economic reforms;
- reprioritisation of public spending to support job creation;
- the establishment of an Infrastructure Fund;
- addressing urgent and pressing matters in education and health; and
- investing in municipal social infrastructure improvement

1.2 South Africa's Labour Market Overview

In 2018, employment in South Africa is experiencing downside risks, as shown in table 1 below. The survey results show that employment declined by 90 000 in 2018:Q2, and this was compounded by an additional 103 000 job-seekers during the same period, resulting in an increased unemployment

rate of 27.2%. The loss in employment was mainly driven by formal, informal and agricultural sectors which declined by 35 000, 73 000 and 4 000 respectively. Conversely, the private household sector experienced a job growth of 21 000 in 2018:Q2 compared to the previous quarter.

Table 1: South Africa labour market at a glance

	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Population 15-64 yrs	37 217	37 678	37 832	154	615	0.4	1.7
Labour Force	22 277	22 358	22 370	12	93	0.1	0.4
Employed	16 100	16 378	16 288	-90	188	-0.5	1.2
Formal sector (Non-agricultural)	11 193	11 355	11 320	-35	127	-0.3	1.1
Informal sector (Non-agricultural)	2 761	2 901	2 828	-73	67	-2.5	2.4
Agriculture	835	847	843	-4	8	-0.5	1.0
Private households	1 311	1 275	1 296	21	-15	1.6	-1.1
Unemployed	6 177	5 980	6 083	103	-94	1.7	-1.5
Not economically active	14 941	15 320	15 462	142	521	0.9	3.5
Discouraged work-seekers	2 361	2 787	2 864	77	503	2.8	21.3
Other(not economically active)	12 580	12 533	12 598	65	18	0.5	0.1
Rates (%)							
Unemployment rate	27.7	26.7	27.2	0.5	-0.5		
Employed / population ratio (Absorption)	43.3	43.5	43.1	-0.4	-0.2		
Labour force participation rate	59.9	59.3	59.1	-0.2	-0.8		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

Furthermore, table 1 above reveals that the working-age population was 37.8 million in 2018:Q2, with 16.3 million employed, 6.1 million unemployed and 15.5 million not economically active. This translates to an absorption rate of 43.1% and labour force participation rate of 59.1%. The overall decline of employment in 2018:Q2 was likely dragged down by the technical recession, which resulted from the decline of the national economy by 2.2% and 0.7% in 2018:Q1 and 2018:Q2 respectively.

The number of the *not economically active (NEA)* population increased by 142 000 in 2018:Q2 on a quarterly basis, mainly due to the increase of students (82 000), discouraged work-seekers (77 000) and homemakers (54 000).

1.3 Cross-Provincial Labour Market Performance

Free State's employment is dominated by semi-skilled workers and limited skilled workers in trade as well as community and social services industries. Meanwhile both output and employment of the labour intensive sectors, namely agriculture and mining, have been negatively affected by weather volatility and decreasing returns to scale in gold mining respectively. A 10-year review of these industries shows that the contribution of agriculture to the regional GVA has declined from 8.6% in 1996 to 5.5% in 2017, whilst the mining sector's share has also decreased from 15.3% to 10.4% in

the same period. As a result, the industries with the greatest ability to absorb unskilled or semi-skilled workers (which are in the majority) are declining in the province.

The structural changes in the sectoral composition of the Free State provincial economy have resulted in the province's increased dependency mainly on services sectors, and the government services in particular, for employment. One of the biggest challenges of the non-government services sector is the problem of casual labour and the shortcomings related thereto.

1.3.1. Employment Levels

Table 2 below depicts that employment decreased in six of the nine provinces between 2018:Q1 and 2018:Q2. The largest quarterly employment loss was observed in Western Cape (50 000), followed by Free State (26 000) and North West (15 000). Mpumalanga recorded the most employment gain of 15 000, followed by Eastern Cape (5 000) and KwaZulu-Natal (3 000). Free State was among the 6 provinces that shed jobs, with the largest percentage decline in 2018:Q2 (3.2%).

Compared to the same quarter last year (2017:Q2), employment increased in six of the nine provinces. The highest employment gains were recorded in Western Cape, Limpopo, and KwaZulu-Natal with 77 000, 46 000 and 37 000 jobs respectively. Free State created 11 000 jobs during the same period. Conversely, only two provinces shed jobs, namely; Eastern Cape (14 000), and North West (1 000). Mpumalanga job creation remained stable over the reference period.

Table 2: Employment by province

Province	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
South Africa	16 100	16 378	16 288	-90	188	-0.5	1.2
Western Cape	2 403	2 530	2 480	-50	77	-2.0	3.2
Eastern Cape	1 416	1 397	1 402	5	-14	0.4	-1.0
Northern Cape	292	321	317	-4	25	-1.2	8.6
Free State	777	814	788	-26	11	-3.2	1.4
KwaZulu-Natal	2 583	2 617	2 620	3	37	0.1	1.4
North West	978	992	977	-15	-1	-1.5	-0.1
Gauteng	5 050	5 069	5 055	-14	5	-0.3	0.1
Mpumalanga	1 212	1 197	1 212	15	0	1.3	0.0
Limpopo	1 390	1 441	1 436	-5	46	-0.3	3.3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

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 increased from 26.7% in 2018:Q1 to 27.2% in 2018:Q2. The highest increase in the official unemployment rate amongst provinces was observed in Free State with 1.6 percentage points, followed by Gauteng (1.1 percentage points) and Western Cape (1.0 percentage point). Free State has the highest official unemployment rate in the country of 34.4%. Quarterly decreases in the official unemployment rate were observed in Eastern

Cape, decreasing the most by 1.4 percentage points. This decline was followed by Northern Cape and Limpopo, both decreasing by 0.6 percentage point.

In comparison to the same period last year, the national official unemployment rate decreased by 0.5 percentage points. During this period, the official unemployment rate recorded a decrease in all provinces except for Mpumalanga, which increased by 0.9 percentage points. The official unemployment rate of Free State and Western Cape remained constant over the annual period.

When discouraged work seekers are included, the national expanded unemployment rate increased by 0.5 of a percentage point to 37.2% between 2018:Q1 and 2018:Q2. Over the same period, the expanded unemployment rate increased in six provinces, with a largest increase of 1.7 percentage points recorded in Free State, followed by North West (1.6 percentage points) and Northern Cape (1.4 percentage point). Contrariwise, Mpumalanga recorded the highest quarterly decline of the expanded unemployment rate of 0.8 percentage point in 2018:Q2, followed by Eastern Cape (0.2 percentage point) and Limpopo (0.2 percentage point). On a year-on-year basis, the expanded unemployment rate surged nationally by 0.6 percentage point, mainly due to the increased rate in Gauteng (1.5 percentage points), North West (1.4 percentage points) and Eastern Cape (1.3 percentage points). On the contrary, Northern Cape had the highest decline in the expanded unemployment rate of 2.9 percentage points, followed by Western Cape (1.4 percentage points) and Free State (0.4 percentage points).

Table 3: Unemployment rates by province

Province	Official unemployment rate					Expanded unemployment rate				
	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change
	Per cent			Percentage points		Per cent			Percentage points	
South Africa	27.7	26.7	27.2	0.5	-0.5	36.6	36.7	37.2	0.5	0.6
Western Cape	20.7	19.7	20.7	1.0	0.0	24.6	22.5	23.2	0.7	-1.4
Eastern Cape	34.4	35.6	34.2	-1.4	-0.2	44.5	46.0	45.8	-0.2	1.3
Northern Cape	30.5	29.5	28.9	-0.6	-1.6	45.3	41.0	42.4	1.4	-2.9
Free State	34.4	32.8	34.4	1.6	0.0	40.5	38.4	40.1	1.7	-0.4
KwaZulu-Natal	24.0	22.3	21.8	-0.5	-2.2	40.4	40.6	40.9	0.3	0.5
North West	27.2	25.8	26.1	0.3	-1.1	42.0	41.8	43.4	1.6	1.4
Gauteng	29.9	28.6	29.7	1.1	-0.2	32.9	33.6	34.4	0.8	1.5
Mpumalanga	32.3	32.4	33.2	0.8	0.9	41.4	42.5	41.7	-0.8	0.3
Limpopo	20.8	19.9	19.3	-0.6	-1.5	37.1	37.6	37.4	-0.2	0.3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

1.4 Decomposition of the Free State Labour Market

The Free State labour force has decreased by 10 000 citizenry between 2018:Q1 and 2018:Q2. Within the labour force, the number of unemployed individuals increased by 17 000 people in 2018:Q2 whilst the number of employed individuals lessened by 26 000 in 2018:Q2. Consequently, in 2018:Q2, the number of unemployed persons was 414 000, while the number of employed people reduced to 788 000. This translates to an official unemployment rate of 34.4%, a 41.5% employment rate (absorption rate) and a 63.3% labour force participation rate in Free State.

As illustrated in Table 4 below, the *not economically active population* in Free State grew by 1.8% in 2018:Q2, which translates to 12 000 more inactive population in the province. The increase of the inactive population was prompted by the huge upsurge in the number of discouraged work seekers (14 000) in 2018:Q2 as compared to 2018:Q1.

Compared to 2017:Q2, the labour force of the Free State increased by 18 000 people between 2018:Q1 and 2018:Q2. Whilst the number of employed individuals increased by 11 000 (or 1.5%), the number of unemployed people grew by 7 000 (or 1.6%). This led to a stable unemployment rate of 34.4% in the period under review. However, the inactive population in 2018:Q2 decreased by 9 000 or 1.2% compared to 2017:Q2. This decrease was triggered by the 5 000 home makers who could be actively looking for- and available to work.

Table 4: Free State labour force characteristics

	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Population 15-64 yrs	1 888	1 895	1 897	3	10	0.1	0.5
Labour Force	1 184	1 211	1 202	-10	18	-0.8	1.5
Employed	777	814	788	-26	11	-3.2	1.5
Formal sector (Non-agricultural)	463	500	483	-17	20	-3.4	4.4
Informal sector (Non-agricultural)	138	146	150	4	12	2.9	9.0
Agriculture	80	92	71	-20	-8	-22.3	-10.5
Private households	96	77	84	7	-13	8.6	-13.2
Unemployed	407	397	414	17	7	4.2	1.6
Not economically active	704	684	696	12	-9	1.8	-1.2
Discouraged work-seekers	84	67	82	14	-2	21.5	-2.6
Other(not economically active)	620	616	614	-2	-6	-0.4	-1.0
Rates (%)							
Unemployment rate	34.4	32.8	34.4	1.6	0.0		
Employed / population ratio (Absorption)	41.1	43.0	41.5	-1.5	0.4		
Labour force participation rate	62.7	63.9	63.3	-0.6	0.6		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

1.4.1. Employment in the Free State Province

The biggest employer in the province in the second quarter of 2018 was the community and social services with 202 000 jobs, followed by trade industry (162 000) as well as private households together with finance (84 000 each). The utilities (water, gas and electricity) industry remains the smallest employer which has employed 10 000 individuals in the province, followed by mining (23 000) and transport (41 000).

The total number of employed persons increased by 11 000 in 2018:Q2 compared to 2017:Q2, as a result, the absorption rate expanded by 0.4 percentage points (see Table 4). The 11 000 jobs created were mainly from the formal and informal sectors. Agricultural and private households sectors shed

jobs during this period. Over the same period, the largest gains in employment occurred in community and social services (26 000), finance (25 000) as well as mining (8 000). Conversely, the private households lost 13 000 jobs, followed by manufacturing (11 000) as well as construction (10 000). Overall, more jobs were gained than lost in the province, which resulted in the growth of total employment in the province by 1.5% in 2018:Q2.

On a quarterly basis, 26 000 jobs were lost in the province in 2018:Q2, and among the four industries which shed jobs, the highest employment were lost in agriculture (20 000), trade (14 000) and construction (8 000). Conversely, jobs were gained in five industries, and the highest job gains were recorded in private households (7 000), transport (6 000) and mining (5 000).

Table 5: Free State employment by industry

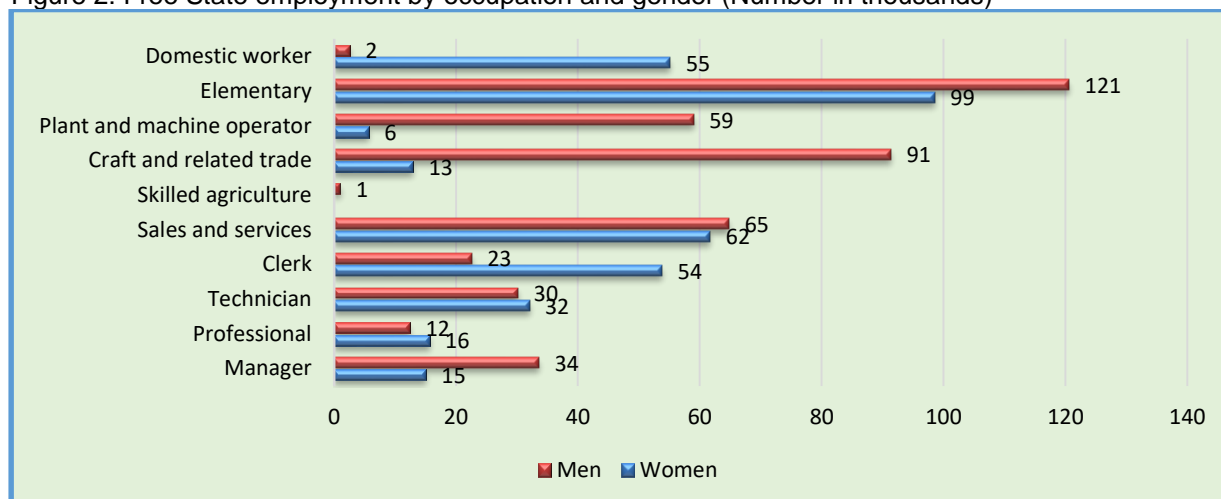
	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Industry	777	814	788	-26	11	-3.2	1.5
Agriculture	80	92	71	-20	-8	-22.3	-10.5
Mining	15	18	23	5	8	29.9	56.6
Manufacturing	69	58	58	0	-11	0.0	-15.6
Utilities	11	7	10	3	-1	39.5	-7.9
Construction	61	59	51	-8	-10	-13.4	-16.2
Trade	165	176	162	-14	-2	-7.8	-1.4
Transport	44	35	41	6	-2	17.7	-5.3
Finance	59	91	84	-7	25	-7.9	41.8
Community and social services	176	200	202	2	26	0.8	14.5
Private households	96	77	84	7	-13	8.6	-13.2

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

Considering employment by gender, Figure 2 shows that *the elementary occupation dominates the province*. The five key skills for elementary occupations are teamwork, problem solving, communication, learning and job-specific skills. Other types of occupation which are dominate in terms of employment are *sales & services occupation* as well as *craft & related trade*. Linking figure 2 and table 5 above, most jobs might be obtainable in community and social services, trade and agriculture.

Figure 2 also shows that women are dominant in four occupations (domestic, clerical, professional and technician work) which mostly have less number of jobs in the province, while men lead the five occupations (manager, sales & services, craft & related trade, plant & machine operator and elementary) with large number of employees in the province.

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



Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

Notably, less women are employed in the province than men, although women employment has increased (4 000) and men employment has decreased by 30 000 on a quarterly basis. The increase in women employment was due to the upsurge in the number of clerks, technicians and domestic workers in the province. Meanwhile, the decline in men employment was due to the contracted number of elementary, plant and machine operator and sales and services occupation in 2018:Q2 as compared to 2018:Q1.

1.4.2. Unemployment in the Free State Province

Table 6 illustrates the characteristics of the unemployed in the Free State province. The unemployed rose on a year-on-year change and on quarter-to-quarter in Free State by 7 000 (1.6%) and 17 000 (4.2%) respectively. On year-on-year basis, the increase was driven by the addition of job losers (7.4%), while on the quarter-to-quarter basis, the increase was due to new entrants (1.1%), entering the job market for the first time.

Table 6: Free State characteristics of the unemployed

	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Unemployed	407	397	414	17	7	4.2	1.6
Job losers	129	136	139	2	10	1.8	7.4
Job leavers	25	21	16	-5	-9	-24.3	-34.5
New entrants	155	139	157	17	2	12.5	1.1
Re-entrants	12	7	7	0	-5	-6.2	-40.3
Other	86	93	95	2	9	2.6	10.1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

Table 7 depicts the *unemployment rate by age group* in the province, and suggests a high youth unemployment rate in the Free State. The age group of 15 to 24 years old has the highest unemployment rate, which might be reflecting that approximately 70% within this age cohort lack the required qualifications and desired work experience required by employers. Furthermore, they might lack resources to start up their own small business enterprises.

Six out of ten Free State residents aged 15 to 24 years are unemployed. While the overall unemployment rate is 34.4%, it is a daunting 63.9% among the youth (15 to 24 years) and 39.9% among the 25 to 34 years individuals. New and greater efforts are required to reduce youth unemployment in the province.

Compared to the previous quarter, the largest unemployment rate increase were seen at the 35 to 44 age group by 3.8 percentage points, which was followed by the 15 to 24 age group which increased by 2.8 percentage points in 2018:Q2.

Table 7: Free State official unemployment rate by age group

Age categories	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change
	Per cent			Percentage change	
15-64 years	34.4	32.8	34.4	1.6	0.0
15-24 years	64.3	61.1	63.9	2.8	-0.4
25-34 years	39.4	38.6	39.9	1.3	0.5
35-44 years	27.0	26.3	30.1	3.8	3.1
45-54 years	20.9	23.2	21.1	-2.1	0.2
55-64 years	14.4	10.4	11.4	1.0	-3.0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

The official unemployment rate in Free State depicted in Table 7 affirmed the high rate of youth (15 to 34 years) unemployment. Of the 414 000 unemployed people in the province, 257 000 are under the age of 35 and young people show far higher rates of unemployment than older people. A worrying side-effect of youth unemployment is chronic unemployment. Some people who have never worked at all, or who have not worked for so long have slight opportunities of getting a job, and some eventually give up. Several initiatives have been introduced to combat unemployment. The most recent one being the Youth Employment Service (YES).

South Africa's unemployment rate has been rising steadily for the past ten years. The rate has risen despite policies being adopted that promised to cut joblessness. These included the New Growth Path which was adopted in 2011 and promised to create 5-million jobs and reduce unemployment to 15% by the end of 2020. However in the past six-plus years, employment increased by roughly 2.0 million, bringing up the number of unemployed to 6.08 million. What is even more concerning is that the annualised unemployment growth rate of 4.8% is double that of employment growth (2.4%). If these trends persist, the country's ability to achieve the even more ambitious goal set out in the National Development Plan of reducing the unemployment rate to 6% by 2030 will be in serious question.

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

Young people who are neither in employment nor in education or training are at risk of becoming socially excluded. These people might include individuals with income below the poverty-line and lack the skills to improve their economic situation.

Compared to 2018:Q1, the number of people not in employment or education and training (NEET) in the Free State increased by 22 000 (from 743 000 to 765 000) in 2018:Q2. The 765 000 of NEET constitutes 39% of the province's working age population, of which 59% of them are female, 92% are African and 50% are between the ages of 15 and 34 years.

The NEETs have increased by 3.0% in 2018:Q2 as compared to the previous quarter. This increase was attributed to adults as compared to youth. In other words, 17 000 net adults became NEET together with 5 000 net youth.

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

	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Both sexes	779	743	765	22	-14	3.0	-1.8
Women	471	434	451	17	-20	4.0	-4.2
Men	308	309	314	5	6	1.5	1.8
Age group	779	743	765	22	-14	3.0	-1.8
15-24 years	174	144	148	4	-26	2.8	-14.8
25-34 years	228	233	234	1	6	0.5	2.5
35-44 years	156	141	153	12	-3	8.5	-2.2
45-54 years	107	107	112	5	5	4.6	4.5
55-64 years	114	118	118	0	5	-0.1	4.0
Population groups	779	743	765	22	-14	3.0	-1.8
Black/African	715	679	700	22	-15	3.2	-2.0
Coloured	30	30	25	-5	-4	-16.8	-14.3
Indian/Asian	2	6	5	-1	3	-13.7	155.8
White	33	28	35	6	2	22.5	5.3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

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

There were approximately 382 000 young people aged between 15 and 34 years in the Free State who were NEET in 2018:Q2, out of which about 148 000 are aged 15 to 24 years and about 234 000 aged 25 to 34 years. By implication, young people are at a greater risk of being in the NEET category than adults, bearing in mind that youth could be under-educated and under-skilled. This is a worrying factor as it decreases their prospects of meaningful economic participation because they are not in school and thus not acquiring skills that may give them a better chance of finding a job as well as progressing up the career ladder.

President Ramaphosa has called on both private and public sector companies to employ young graduates despite their lack of work experience. He stated that the requirement of work experience

had become a barrier for employment among the youth, and suggested that this requirement should be put aside and that companies should employ young graduates regardless of what experience they possess. It is commonly known that the challenge for unemployed youth is not only one of skills. There are many graduates who are still unemployed. There is a vast pool of skills and knowledge that is being wasted as these graduates ended up being NEET (not education and not in employment).

The President further highlighted need for employers to understand that for the country to succeed, for their businesses to thrive, they must take responsibility for providing young people with the work experience they need. They must realise that the only way to get work experience is to get work. This idea could change the country if employers can embrace it.

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. Roughly 37% of the working age population in the Free State are economically inactive, 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 47.6% of the inactive population, while illness/disability accounted for 14.2% and the discouraged made 11.8% of the inactive population.

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

	Apr-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Not economically active	704	684	696	12	-9	1.8	-1.2
Student	332	338	331	-7	-1	-2.0	-0.2
Home-maker	73	63	68	4	-5	6.7	-7.5
Illness/disability	102	104	99	-5	-3	-5.2	-3.0
Too old/young to work	74	69	74	5	1	7.1	0.9
Discouraged work seekers	84	67	82	14	-2	21.5	-2.6
Other	40	41	42	1	2	2.2	5.1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

The not economically active population do not currently contribute to production in the economy as they are not providing a good or service (for financial gain or not). However, looking for work or being fit to work does not guarantee a job, but will have a positive effect on the labour force.

1.5 Conclusion

The country's unemployment rate increased by 0.5 percentage point from 26.7% in 2018:Q1 to 27.2% in 2018:Q2, reflecting the recession the country entered into in the 2nd quarter of 2018. In the second quarter, creation of employment was seen in the private household sector, with an increase of 21 000 jobs, while other sectors shed jobs. Private households is currently providing 1.2 million jobs to the South Africans.

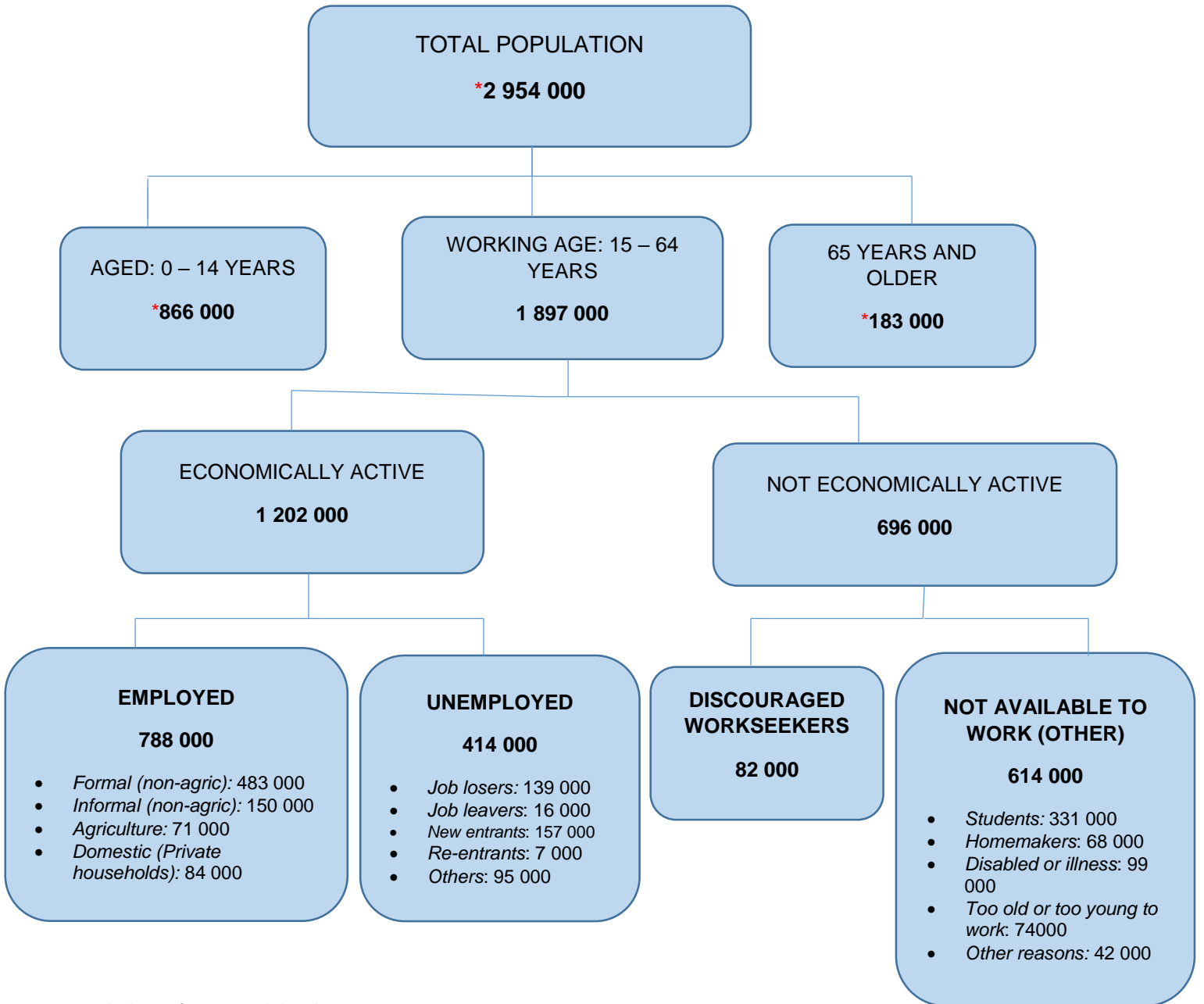
Free State on the other hand, has gained fewer jobs only in the informal sector (4 000) and private households sector (7 000) in the 2018:Q2 as compared to 2018:Q1. Unemployment increased and

the official unemployment rate rose from 32.8% in 2018:Q1 to 34.4% in 2018:Q2. In addition, the number of the discouraged work seekers increased by 14 000.

In light of the scourge of youth unemployment which continues to plague the province, it is both vital and urgent that bold and decisive decisions and actions be taken by all the stakeholders in the provincial economy. Unemployment in general, and youth unemployment in particular, is not a problem only of government and thus requires a multidimensional and multiple stakeholder approach. Failure to recognise this as a ticking time bomb hampers both the resolve and speed of finding a lasting, sustainable solution.

APPENDIX

Diagram 1: Summary of the Free State's labour market - 2018:Q2



Labour force participation rate = 63.3%
 Absorption rate = 41.5%
 Official unemployment rate = 34.4%
 Expanded unemployment rate = 40.1%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q2

Note: () Mid-year population estimates, July 2018 (Note: Mid-year population estimates figures do not correspond to QLFS figures (Working age population))*