



FREE STATE PROVINCE QUARTERLY LABOUR MARKET REVIEW (QLMR)

FIRST QUARTER, 2018



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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>	5
1.3.2. <i>Unemployment Rate</i>	5
1.4 Decomposition of the Free State Labour Market	6
1.4.1. <i>Employment in the Free State Province</i>	7
1.4.2. <i>Unemployment in the Free State Province</i>	9
1.4.3. <i>Not in Education and not in Employment (NEET)</i>	11
1.4.4. <i>Not Economically Active (NEA) in the Free State Province</i>	12
1.5 Conclusion	13

LIST OF TABLES

Table 1: South Africa labour market at a glance.....	4
Table 2: Employment by province	5
Table 3: Unemployment rates by province	6
Table 4: Free State labour force characteristics	7
Table 5: Free State employment by industry	8
Table 6: Free State characteristics of the unemployed	9
Table 7: Free State official unemployment rate by age group	10
Table 8: Free State profile of economically active group not in education and not in employment (NEET)	11
Table 9: Free State characteristics of the not economically active (NEA) population	12

LIST OF FIGURES

Figure 1: SA Gross Domestic Product (GDP)	3
Figure 2: Free State employment by occupation and gender	9

APPENDIX

Diagram 1: Summary of Free State's Labour Market – 2018:Q1	14
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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

- South African unemployment rate remained unchanged at 26.7% in 2018:Q1 compared to 2017:Q4. However, it is 1.0 percentage point lower compared to the same period last year.
- Employment in South Africa grew by 207 000 or 1.3% in 2018:Q1. Jobs were created in the formal sector (111 000), informal sector (93 000) and private households sector (5 000) whereas the agricultural sector shed 2 000 jobs.
- The number of employed persons increased in six of the nine provinces between 2017:Q4 and 2018:Q1. The largest employment increases were recorded in KwaZulu-Natal (104 000), Gauteng (78 000) and Western Cape (38 000) while Mpumalanga and North West recorded employment losses of 45 000 and 7 000 respectively, in the same period. Northern Cape experienced no changes in employment level between 2017:Q1 and 2018:Q1.
- Free State's total employment expanded by 1.0% in 2018:Q1 as compared to 2017:Q4. This expansion was exclusively due to the jobs generated in the formal sector and agricultural sector with 12 000 and 15 000 jobs respectively. However, roughly 11 000 and 7 000 jobs were shed in the informal and private households sectors respectively.
- Five of the ten industries in Free State reported employment growth quarter-to-quarter. Agriculture, mining, manufacturing, trade and finance expanded jobs while utilities, construction, transport and private household shed jobs in 2018:Q1 as compared to 2017:Q4. Employment in community and social services remained unchanged during this period.
- On employment by industry and gender in the Free State, more men are employed relative to women across major sectors. In 2018:Q1, female employment has increased by 13 000 as compared to the previous quarter, while male employment decreased by 5 000. Year-on-year, the number of women in employment increased by 23 000, while the number of men in employment increased by 24 000.
- The youth aged 15 to 34 years remained vulnerable in labour market with unemployment rate of 43.9% in 2018:Q1, which is 11.1 percentage points above the provincial average. Whilst the unemployment rate of youth between 15 to 24 years decreased by 1.1 percentage points, the same indicator for 25 to 34 year olds increased by 0.2 of a percentage point.
- Free State official unemployment rate increased by 0.2 percentage point (from 32.6% to 32.8%) in 2018:Q1 compared to 2017:Q4. Women unemployment rate declined by 1.4 percentage points, from 38.1% in 2017:Q4 to 36.7% in 2018:Q1, while men unemployment rate increased by 1.5 percentage points from 28.1% to 29.6%.

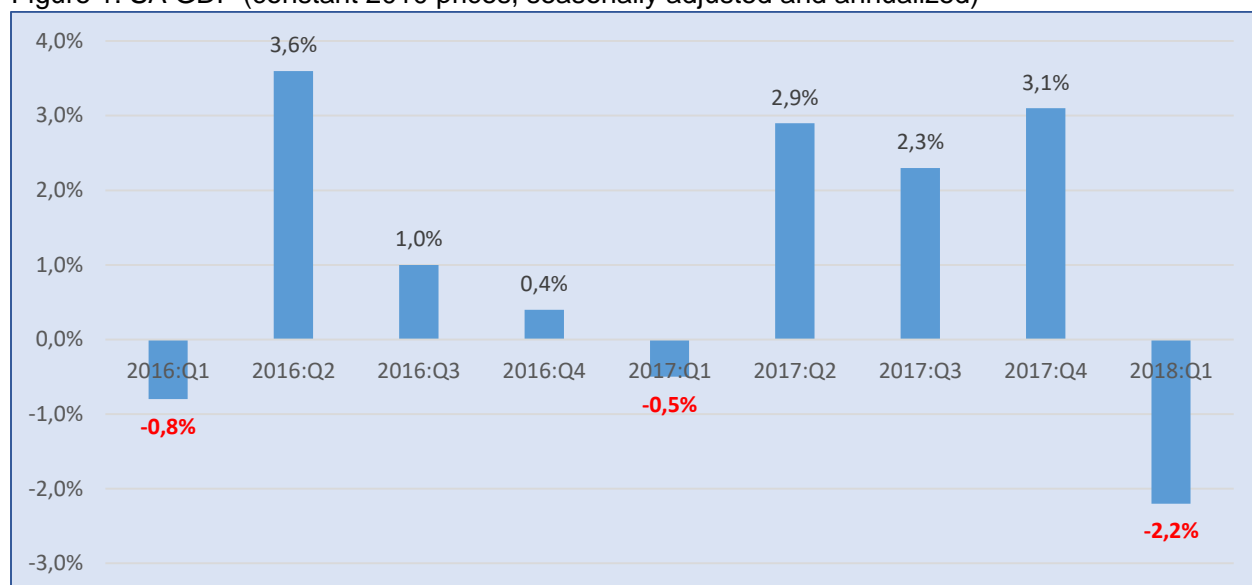
1.1 Economic growth outlook in South Africa

The global economic upswing that began around mid-2016 has become broader and stronger. The latest World Economic Outlook report (April 2018), projects that global growth will rise from 3.8% in 2017 to 3.9% in 2018 and 2019, supported by strong momentum and favourable market sentiment. Prospects of advanced economies remained subdued, given their sluggish increase in growth of 0.2 percentage point (from 2.3% in 2017 to 2.5% in 2018), with a decline of 0.3 percentage point to 2.2% in 2019. In emerging markets and developing economies, marginal increase in growth is expected from 4.8% in 2017 to 4.9% in 2018 and 5.1% in 2019, as gradual recovery in commodity exporters and a projected increase in India's growth provide some off-set to China's gradual slowdown.

South Africa ended 2017 on a great note, with Statistics South Africa (2017:Q4) pointing to more positive momentum in the economy than previously thought. The country grew by 1.3% in 2017 (3.1% in 2017:Q4), beating the consensus estimate of economists, and the revised numbers no longer record a technical recession early in the same year. The largest positive contributor to growth in Gross Domestic Product (GDP) in the fourth quarter was the agriculture industry, which increased by 37.5% and contributed 0.8 of a percentage point to GDP growth. The trade industry increased by 4.8% and contributed 0.6 of a percentage point to GDP growth. On the other hand, the mining decreased by 4.4% and contributed -0.3 of a percentage point to GDP growth.

In 2018, business confidence in the country is projected to increase, primarily because of political stability and the recovering business confidence. However, the increase has not translated into the South African economy yet, as the economy declined by 2.2% in 2018:Q1. This notwithstanding, the South African economy is projected to accelerate between 2017 and 2018, fueled by the expected confidence boost, and much more gentle inflation. As a result many economists, including those at the World Bank, have revised their growth forecasts upwards. In its latest publication, the 11th edition of the South Africa Economic Update, the South African Reserve Bank (SARB) predicts growth of 1.4% in 2018 and 1.8% in 2019 (previous estimates were 1.1% and 1.7% respectively).

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



Source: Statistics South Africa, Gross Domestic Product, 2018:Q1

1.2 South Africa's Labour Market Overview

The quarterly labour force survey reflects the growth in employment numbers across various sectors. South Africa's stubbornly high unemployment rate, especially among the youth, is one of the major challenges facing the government. President Cyril Ramaphosa announced a plan in April 2018 to attract \$100bn investment to the country over the next five years. An increase in Foreign Direct Investment (FDI) in this case is expected to boost economic growth and address joblessness.

The President also unveiled a 10-point plan designed to accelerate the recovery of the country's economy. In light of the extraordinarily high levels of youth unemployment in South Africa, one of the goals the 10-point plan seeks to achieve is the creation of the Youth Employment Service (YES), a partnership between government and business aimed at alleviating youth unemployment through internships. Launched in March 2018, YES seeks to create 1 million paid internships in the next three years.

In 2018, employment in South Africa may be benefitting from increased confidence, as shown in table 1 below. The survey results show that employment grew by 207 000 in 2018:Q1, however this was offset by an additional 100 000 job-seekers during the same period, resulting in a stable unemployment rate of 26.7%. The growth in employment was mainly driven by formal, informal and private household sectors which grew by 111 000, 93 000 and 5 000 respectively. Only the agricultural sector experienced a job loss of 2 000 when compared to the previous quarter.

Table 1: South Africa labour market at a glance

	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Population 15-64 yrs	37 061	37 525	37 678	153	617	0.4	1.7
Labour Force	22 426	22 051	22 358	307	-68	1.4	-0.3
Employed	16 212	16 171	16 378	207	166	1.3	1.0
Formal sector (Non-agricultural)	11 337	11 244	11 355	111	18	1.0	0.2
Informal sector (Non-agricultural)	2 681	2 808	2 901	93	220	3.3	8.2
Agriculture	875	849	847	-2	-28	-0.2	-3.2
Private households	1 319	1 270	1 275	5	-44	0.4	-3.3
Unemployed	6 214	5 880	5 980	100	-234	1.7	-3.8
Not economically active	14 634	15 474	15 320	-154	686	-1.0	4.7
Discouraged work-seekers	2 277	2 538	2 787	249	510	9.8	22.4
Other(not economically active)	12 357	12 936	12 533	-403	176	-3.1	1.4
Rates (%)							
Unemployment rate	27.7	26.7	26.7	0.0	-1.0		
Employed / population ratio (Absorption)	43.7	43.1	43.5	0.4	-0.2		
Labour force participation rate	60.5	58.8	59.3	0.5	-1.2		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

Furthermore, table 1 above reveals that in 2018:Q1 the working-age population was 37.7 million, with 16.4 million employed, 6.0 million unemployed and 15.3 million not economically active. This translates to an absorption rate of 43.5% and labour force participation rate of 59.3%. As previously stated, employment rose largely only in the formal sector by 111 000, resulting in the rise of those employment in the formal sector to 11.4 million in the country. Conversely, jobs were shed in the agricultural sector by 0.2% in 2018:Q1, which coincides with the decline of the agricultural industry by 24.2% in 2018:Q1. The overall rise of employment in 2018:Q1 might have been boosted by improved confidence, as well as improved economic conditions in the preceding quarter and year and their possible impact on hiring decisions in the economy.

The number of the *not economically active (NEA)* population declined by 154 000 in 2018:Q1 on a quarterly basis, mainly due to the decline of students (204 000), home-makers (149 000) and those seeking employment being too young or too old to work (16 000). However, the decline of the NEA was counteracted by the rise of 249 000 in the number of discouraged work seekers during 2018:Q1 compared to 2017:Q4.

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

The Free State's employment is dominated by semi-skilled workers and limited skilled workers in trade as well as community and social services industries. The labour intensive sectors, namely agriculture and mining, are not performing very well. The province has battled with the large decline in gold mining and agriculture which have dampened growth in both output and employment. A 10-year review of these industries reveals 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 make the province depend 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 two of the nine provinces between 2017:Q4 and 2018:Q1. The largest quarterly employment loss was observed in Mpumalanga (45 000), followed by North West (7 000). KwaZulu-Natal recorded the most employment gain of 104 000, followed by Gauteng (78 000) and Western Cape (38 000). Free State was among the 7 provinces that managed to expand employment opportunities by creating 8 000 jobs in 2018:Q1.

Compared to the same quarter last year (2017:Q1), employment increased in six of the nine provinces. The highest employment gains were recorded in Western Cape, Limpopo, and KwaZulu-Natal with 124 000, 83 000 and 62 000 jobs respectively. Free State created 47 000 jobs during the same period. Conversely, Gauteng shed most jobs (124 000), followed by Eastern Cape (45 000) and Mpumalanga (20 000).

Table 2: Employment by province

Province	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
South Africa	16 212	16 171	16 378	207	166	1.3	1.0
Western Cape	2 406	2 492	2 530	38	124	1.5	5.2
Eastern Cape	1 442	1 391	1 397	6	-45	0.4	-3.1
Northern Cape	299	321	321	0	22	0.0	7.4
Free State	767	806	814	8	47	1.0	6.1
KwaZulu-Natal	2 555	2 513	2 617	104	62	4.1	2.4
North West	976	999	992	-7	16	-0.7	1.6
Gauteng	5 193	4 991	5 069	78	-124	1.6	-2.4
Mpumalanga	1 217	1 242	1 197	-45	-20	-3.6	-1.6
Limpopo	1 358	1 417	1 441	24	83	1.7	6.1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

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 remained constant in 2018:Q1 compared to 2017:Q4. However, quarterly decreases in the official unemployment rate were observed in KwaZulu-Natal and Gauteng, with KwaZulu-Natal decreasing the most by 1.8 percentage points and Gauteng decreasing by 0.5 percentage point. Over the same period, the highest official unemployment rate increase was observed in Mpumalanga with 3.5 percentage point, followed by Northern Cape (2.4 percentage points) and North West (1.9 percentage points). The official unemployment rate of the Free State increased by 0.2 of a percentage point to 32.8% between 2017:Q4 and 2018:Q1.

In comparison to the same period last year, the national official unemployment rate decreased by 1.0 percentage points. During this period, the official unemployment rate recorded a decrease in all provinces, except for Eastern Cape and Mpumalanga; the unemployment rate of these provinces increased by 3.4 percentage points and 0.9 percentage point. The expanded unemployment rate of the Free State declined by 2.7 percentage over the same period.

When discouraged work seekers are included, the national expanded unemployment rate increased by 0.4 of a percentage point to 36.7% between 2017:Q4 and 2018:Q1. Over the same period, the expanded unemployment rate increased in five provinces, with a largest increase of 2.8 percentage points recorded in Mpumalanga, followed by Eastern Cape and North West (1.2 percentage points each). Conversely, Free State recorded the highest quarterly decline of the expanded unemployment rate of 0.6 percentage point in 2018:Q1, followed by Western Cape (0.5 percentage point) and KwaZulu-Natal (0.4 percentage point). On a year-on-year basis, the expanded unemployment rate surged nationally by 0.3 percentage point, mainly due to the increase of the same rate in Eastern Cape (2.4 percentage points), Gauteng (1.6 percentage points) and Mpumalanga (1.3 percentage points). On the contrary, Free State had the highest decline in the expanded unemployment rate by 3.3 percentage points, followed by Northern Cape (2.9 percentage points) and Western Cape (2.2 percentage points).

Table 3: Unemployment rates by province

Province	Official unemployment rate					Expanded unemployment rate				
	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 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	26.7	0.0	-1.0	36.4	36.3	36.7	0.4	0.3
Western Cape	21.5	19.5	19.7	0.2	-1.8	24.7	23.0	22.5	-0.5	-2.2
Eastern Cape	32.2	35.1	35.6	0.5	3.4	43.6	44.8	46	1.2	2.4
Northern Cape	30.7	27.1	29.5	2.4	-1.2	43.9	40.5	41	0.5	-2.9
Free State	35.5	32.6	32.8	0.2	-2.7	41.7	39.0	38.4	-0.6	-3.3
KwaZulu-Natal	25.8	24.1	22.3	-1.8	-3.5	41.0	41.0	40.6	-0.4	-0.4
North West	26.5	23.9	25.8	1.9	-0.7	41.7	40.6	41.8	1.2	0.1
Gauteng	29.2	29.1	28.6	-0.5	-0.6	32.0	33.7	33.6	-0.1	1.6
Mpumalanga	31.5	28.9	32.4	3.5	0.9	41.2	39.7	42.5	2.8	1.3
Limpopo	21.6	19.6	19.9	0.3	-1.7	38.2	36.8	37.6	0.8	-0.6

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

1.4 Decomposition of the Free State Labour Market

The Free State labour force has increased by 16 000 citizenry between 2017:Q4 and 2018:Q1. Within the labour force, the number of the employed increased by 8 000 people in 2018:Q1 whilst the number of unemployed individuals enlarged by 7 000 in 2018:Q1. Therefore in 2018:Q1, the number of unemployed persons was 397 000, while the province contained 814 000 employed people. This translates to an official unemployment rate of 32.8%, a 43.0% of employment rate (absorption rate) and a 63.9% of labour force participation rate in Free State.

As illustrated below in Table 4, the *not economically active population* in Free State fell by 1.9% in 2018:Q1, which translates to 13 000 less inactive population in the province. The decrease of the inactive population was prompted by the huge decline in the number of discouraged work seekers (22 000) in 2018:Q1 as compared to 2017:Q4.

Compared to 2017:Q1, the labour force of the Free State increased by 23 000 people between 2017:Q1 and 2018:Q1. Whilst the number of employment individuals increased by 47 000 (or 6.1%), the number of unemployed people fell by 24 000 (or 5.7%). This led to a decrease in the unemployment rate by 2.7 percentage points from 35.5% to 32.8% in the period under review. The inactive population in 2018:Q1 decreased by 15 000 or 2.1% compared to 2017:Q1. This decrease was yet triggered by the 21 000 discouraged work seekers who were now actively looking and available to work.

Table 4: Free State labour force characteristics

	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Population 15-64 yrs	1 887	1 892	1 895	3	8	0.2	0.4
Labour Force Employed	1 188	1 195	1 211	16	23	1.3	1.9
Formal sector (Non-agricultural)	458	488	500	12	42	2.5	9.2
Informal sector (Non-agricultural)	156	157	146	-11	-10	-7.0	-6.4
Agriculture	70	77	92	15	22	19.5	31.4
Private households	82	84	77	-7	-5	-8.3	-6.1
Unemployed	421	390	397	7	-24	1.8	-5.7
Not economically active	699	697	684	-13	-15	-1.9	-2.1
Discouraged work-seekers	88	89	67	-22	-21	-24.7	-23.9
Other(not economically active)	611	608	616	8	5	1.3	0.8
Rates (%)							
Unemployment rate	35.5	32.6	32.8	0.2	-2.7		
Employed / population ratio (Absorption)	40.6	42.6	43.0	0.4	2.4		
Labour force participation rate	63.0	63.2	63.9	0.7	0.9		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

1.4.1. Employment in the Free State Province

The biggest employer in the province in the first quarter of 2018 was the community and social services with 200 000 jobs, followed by trade industry (176 000) and agriculture (92 000). The utilities (water, gas and electricity) industry remains the smallest employer which has employed 7 000 individuals in the province, followed by mining (18 000) and transport (35 000).

The total number of employed persons increased by 47 000 in 2018:Q1 compared to 2017:Q1, as a result, the absorption rate expanded by 2.4 percentage points (see Table 4), which means that slightly more people were able to find jobs. The 47 000 jobs created were mainly from the formal and agricultural sectors. Informal and private households sectors shed jobs during this period. Over the same period, the largest gains in employment occurred in finance (37 000), followed by agriculture (22 000) as well as community and social services (10 000). Conversely, the manufacturing industry lost 10 000 jobs, followed by transport (8 000) as well as utilities and private households (5 000 each). Overall, more jobs were created than lost in the province, which resulted in the growth of total employment in the province by 6.1% in 2018:Q1.

On a quarterly basis, 8 000 jobs were created in the province in 2018:Q1, and among the 5 industries which created jobs, the highest employment gains were in agriculture (15 000), trade (13 000) and finance (5 000). Conversely, jobs were shed in four industries, and the highest job losses were recorded in construction (16 000), private households (7 000) and transport (4 000).

Table 5: Free State employment by industry

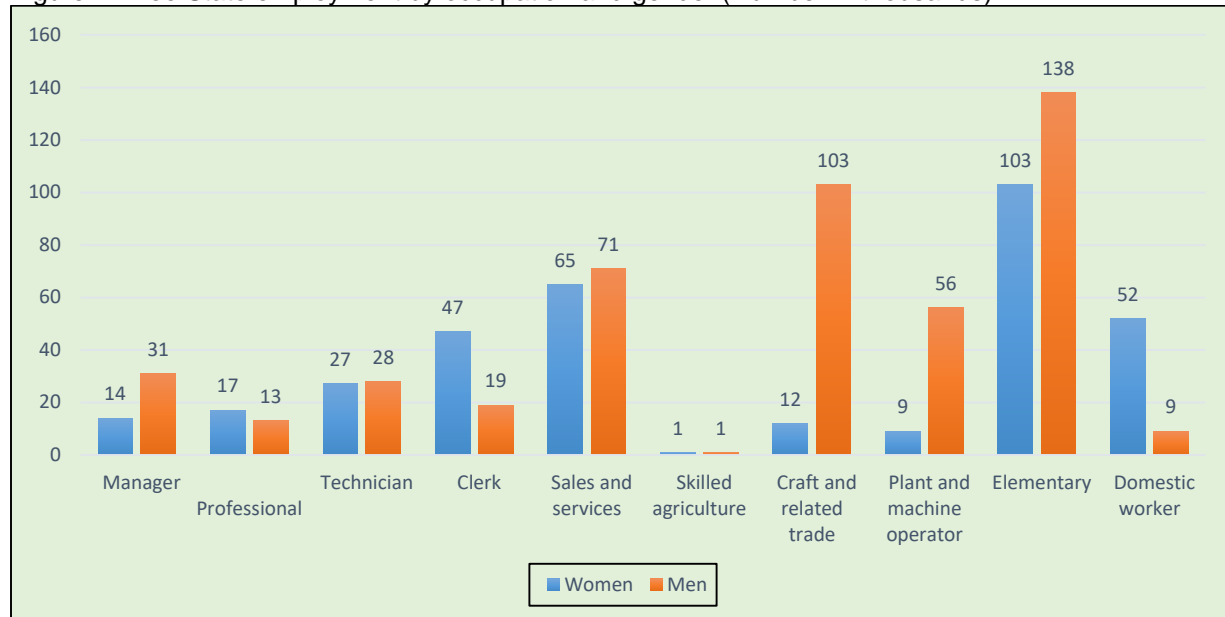
	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Industry	767	806	814	8	47	1.0	6.1
Agriculture	70	77	92	15	22	19.5	31.4
Mining	17	16	18	2	1	12.5	5.9
Manufacturing	68	55	58	3	-10	5.5	-14.7
Utilities	12	9	7	-2	-5	-22.2	-41.7
Construction	56	75	59	-16	3	-21.3	5.4
Trade	175	163	176	13	1	8.0	0.6
Transport	43	39	35	-4	-8	-10.3	-18.6
Finance	54	86	91	5	37	5.8	68.5
Community and social services	190	200	200	0	10	0.0	5.3
Private households	82	84	77	-7	-5	-8.3	-6.1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

Considering employment by gender, Figure 2 shows that the *elementary occupation*, which requires knowledge and experience of simple and routine tasks employs the most individuals in the Free State. This occupation involves the use of hand-held tools and in some cases physical effort. Other industries which also dominate in employment are *sales & services occupation* as well as *craft & related trade*. Linking figure 2 below and table 5 above, most jobs might be obtainable in community and social services, trade and agriculture.

Figure 2 below also shows that women are dominant in only three occupations (domestic, clerical and professional work) which mostly have less number of jobs in the province, while men dominate the six occupations (manager, technician, 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:Q1

Notably, less women are employed in the province than men, even if they have increased by 13 000. The number of men in employment decreased by 5 000 on a quarterly basis. The increase in women employment was due to the increase in the number of clerks in the province. Meanwhile, the decline in men's employment was due to the contracted number of plant and machine operator occupation in 2018:Q1 as compared to 2017:Q4.

1.4.2. Unemployment in the Free State Province

Table 6 below illustrate the characteristics of the unemployed. On a year-on-year change, the unemployed in Free State declined by 24 000 (5.7%). The decrease was driven by the reduction of new entrants (12.0%), job losers (4.9%) and 'other' category (those who are not mentioned in the characteristics of the unemployed) of the unemployed. Conversely, the unemployed rose by 1.8% on quarter to quarter in 2018:Q1.

Table 6: Free State characteristics of the unemployed

	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Unemployed	421	390	397	7	-24	1.8	-5.7
Job losers	143	135	136	1	-7	0.7	-4.9
Job leavers	18	22	21	-1	3	-4.5	16.7
New entrants	158	146	139	-7	-19	-4.8	-12.0
Re-entrants	6	6	7	1	1	16.7	16.7
Other	96	81	93	12	-3	14.8	-3.1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

Table 7 below depicts the *unemployment rate by age group* in the province, and suggests a high youth unemployment rate in the Free State. Age group of 15 to 24 years old has the highest unemployment

rate, which might be reflecting that approximately 70% within this age cohort do not have qualifications and desired work experience required by employers. Furthermore, they 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 32.8%, among youth (15 to 24 years) it is a daunting 61.1%, and among the 15 to 34 years it is 43.9%. Persistently high youth unemployment is not only one of the country's most pressing socioeconomic problems, but it is also a ticking time bomb.

Table 7: Free State official unemployment rate by age group

Age categories	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change
	Per cent			Percentage change	
15-64 years	35.5	32.6	32.8	0.2	-2.7
15-24 years	60.8	62.2	61.1	-1.1	0.3
25-34 years	42.6	38.4	38.6	0.2	-4.0
35-44 years	30.9	26.2	26.3	0.1	-4.6
45-54 years	19.8	21.0	23.2	2.2	3.4
55-64 years	11.9	7.2	10.4	3.2	-1.5

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

Analytical results of official unemployment rate in Free State depicted in Table 7 affirmed the high rate of youth (15 to 34 years) unemployment. Unemployment is much higher amongst youth relative to adults. The social (high rate of pregnancy among unemployed youth) and economic (service delivery protests) impact of youth unemployment cannot be denied.

Youth are the country's greatest asset. South African youth population is rapidly growing and expected to double to over 30 million by 2050. If properly harnessed, this increase in the working age population could support increased productivity and stronger, more inclusive economic growth across the country/continent. But today, the majority of youth in South Africa do not have stable economic opportunities.

The consequences of youth unemployment in South Africa are pervasive and severe. Above all, youth unemployment constitutes a failure to capitalize on one of the country's greatest assets for growth: its large and growing population of talented young people. The majority of youth that are employed are engaged in the informal sector, which presents its own challenges. The lack of wage jobs (employer-employee type) pushes youth into the informal sector, estimated to account for nearly 18% of jobs in the country. Youth and women are even more likely than other groups to be employed in the informal sector.

The increase of the expanded unemployment rate in the Free State could be attributed to the increased number of the discouraged work seekers. This is an achievement given that the number of discouraged work seekers have declined, among others. What the province does not need, is the high level of youth unemployment that could lead to social (crime) and economic (after effects of crime) costs alluded to above.

Compared to the previous quarter, the largest unemployment rate increase were seen at the 55 to 64 age group by 3.2 percentage points, and the 45 to 54 age group which increased by 2.2 percentage points in 2018:Q1.

The number of unemployed decreased by 5.7% in 2018:Q1 (see table 6), while the official unemployment rate fell by 2.7 percentage point and the expanded unemployment rate also decreased by 3.3 percentage point on a yearly basis.

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

Compared to 2017:Q4, the number of people not in employment or education and training (NEET) in the Free State decreased by 6 000 (from 749 000 to 743 000) in 2018:Q1. The 743 000 of NEET constitutes 39% of the province's working age population, of which 62% of them are female, 89% are African and 51% are between the ages of 15 and 34 years.

The NEETs have decreased by 0.7% in 2018:Q1 as compared to the previous quarter. This decrease was attributed to youth as compared to adults. In other words, 5 000 net youth became NEET together with 1 000 net adults.

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

	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Both sexes	807	749	743	-6	-64	-0.7	-7.9
Women	469	449	434	-15	-35	-3.4	-7.5
Men	338	299	309	10	-29	3.3	-8.5
Age group	807	749	743	-6	-64	-0.7	-7.9
15-24 years	157	154	144	-10	-13	-6.6	-8.2
25-34 years	266	228	233	5	-34	2.1	-12.6
35-44 years	163	143	141	-2	-22	-1.5	-13.7
45-54 years	111	109	107	-2	-4	-1.4	-3.8
55-64 years	109	115	118	4	9	3.1	8.3
Population groups	807	749	743	-6	-64	-0.7	-7.9
Black/African	744	685	679	-6	-65	-0.9	-8.8
Coloured	31	19	30	11	0	58.3	-1.4
Indian/Asian	1	5	6	1	5	12.2	
White	31	40	28	-11	-3	-28.5	-9.7

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

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

There were approximately 377 000 young people aged between 15 and 34 years in the Free State who were NEET in 2018:Q1, out of which about 144 000 are aged 15 to 24 years and about 233 000 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 both a better chance of finding a job as well as progressing up the career ladder.

The Youth Employment Service (YES) is the manifestation of a groundswell of goodwill from the business community to change the direction of South Africa's future. Announced by President Cyril Ramaphosa in March 2018, it's anticipated that the programme will generate more than 300 000 work experiences annually for South African youth over the next three years.

Over 6 million young people are unemployed and not working, and there is a desperate need for jobs, but considering that more than half of those trying to enter the workforce each year do not have matric, there is also a desperate need for vocational training and skills development.

The idea behind YES is that; incentivise corporates and small, medium and micro enterprises (SMMEs) to create one-year employment opportunities for unemployed black youth and then match willing, unemployed young people with those opportunities. We know that the longer a person is unemployed, the less likely they are to enter the workforce, so creating opportunities for school-leavers is essential. For those who have never had a job and are not "plugged into" the formal economy, the chances of breaking into the workforce are very small. This is where the YES programme steps in.

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 36% 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 49.5% of the inactive population, while illness/disability accounted for 15.2% and the discouraged made 9.9% of the inactive population.

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

	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Not economically active	699	697	684	-13	-15	-1.9	-2.1
Student	314	327	338	11	24	3.4	7.6
Home-maker	79	62	63	1	-16	1.6	-20.3
Illness/disability	102	112	104	-8	2	-7.1	2.0
Too old/young to work	65	66	69	3	4	4.5	6.2
Discouraged work seekers	88	89	67	-22	-21	-24.7	-23.9
Other	50	41	41	0	-9	0.0	-18.0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

Further analysis taking year-on-year figures into account indicate a significant decline in the number of discouraged work seekers and home makers. However, the number of students and the ones who are too young/old to work, rose by 7.6 and 6.2% respectively.

1.5 Conclusion

The country's unemployment rate remained unchanged at 26.7% over the first quarter of 2018 compared to the fourth quarter of 2017. In the first quarter, gains were recorded in the formal sector, with an increase of 111 000 jobs, while the informal sector added 93 000. Private households added 5 000 jobs. The agricultural sector recorded 3 000 job losses.

Free State on the other hand, has gained employment of about 8 000 jobs in the 2018:Q1 as compared to 2017:Q4. Unlike nationally, the Free State created jobs in the formal and agricultural sectors. On that note, unemployment increased and the official unemployment rate rose to 32.8% in 2018:Q1. Despite that, the number of the discouraged work seekers has declined by 22 000.

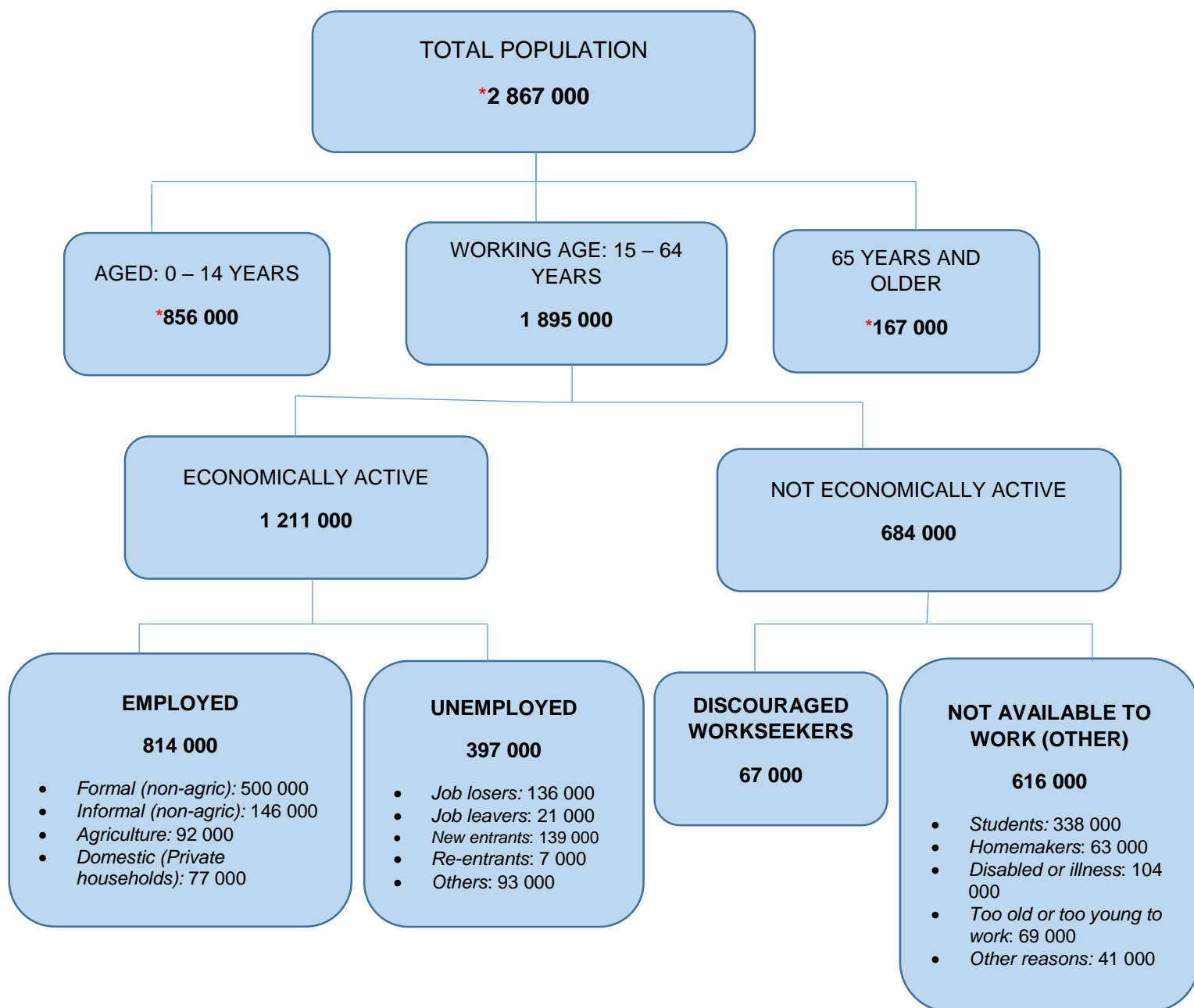
On the same note, the NEETs have decreased by 0.7% in 2018:Q1 as compared to the previous quarter. It is anticipated to decline further as the YES program start to kick in.

Youth unemployment in the Free State is equivalent to 43.9% in 2018:Q1, far greater than the overall provincial unemployment rate of 32.8%. A research study on “Youth Unemployment in the Free State: *Causes, Consequences and Solutions*” (Mosala S, 2018) provides key recommendations in order to reduce youth unemployment in the province. These recommendations include:

- 1) job creation through economic growth,
- 2) improving educational attainment,
- 3) skills development,
- 4) targeting the most disadvantaged of the youth and,
- 5) improving opportunities for youth entrepreneurship.

APPENDIX

Diagram 1: Summary of the Free State's labour market - 2018:Q1



Absorption rate = 43.0%

Official unemployment rate = 32.8%

Expanded unemployment rate = 38.4%

Labour force participation rate = 63.9%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q1

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