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FREE STATE PROVINCE

# FREE STATE PROVINCE QUARTERLY LABOUR MARKET REVIEW (QLMR)

## FIRST QUARTER 2019

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 increased by 0.5 percentage point, from 27.1% in 2018:Q4 to 27.6% in 2019:Q1. Compared to same period last year, unemployment rate is about 0.9 percentage point higher (year-on-year basis).
- Employment in South Africa decreased significantly by 238 000 (or 1.4%) in 2019:Q1. Jobs were shed in all sectors; whereas 126 000 jobs were shed in the formal sector; 68 000 jobs in the informal sector; 31 000 jobs in private households and 12 000 jobs in the agricultural sectors.
- *The number of employed persons decreased in all provinces between 2018:Q4 and 2019:Q1, except in the Western Cape, where it remained unchanged. The largest employment decrease were recorded in Limpopo (76 000), Eastern Cape (67 000) and Mpumalanga (36 000) while Free State shed only 3 000 jobs in the same period.*
- The Free State official unemployment rate grew by 2.0 percentage points from 32.9% in 2018:Q4 to 34.9% in 2019:Q1. The rate of unemployment amongst women increased by 1.4 percentage points, from 36.5% in 2018:Q4 to 37.9% in 2019:Q1, while unemployment among men increased from 29.9% to 32.5%, which represent 2.6 percentage points.
- Total employment in the Free State contracted by 0.4% between in 2018:Q4 and 2019:Q1. This contraction was entirely due to the 32 000 jobs shed in the formal sector. However, private households, informal and agricultural sector created 16 000, 9 000 and 3 000 jobs respectively.
- *Five of the ten industries in Free State reported employment growth quarter-to-quarter. Agriculture, manufacturing, trade, transport and private household expanded jobs opportunities while mining, utilities, construction, finance and community and social services shed jobs in 2019:Q1.*
- On employment by industry and gender in the Free State, more men (456 000) were employed relative to women (347 000) across major sectors. In 2019:Q1, female employment decreased by 5 000 while male employment increased by 2 000 compared to the previous quarter. Year-on-year, the number of women in employment increased slightly by 1 000, while the number of men in employment decreased by 12 000.
- The youth aged 15 to 34 years are the most vulnerable in the province's labour market with an official unemployment rate of 48.1% in 2019:Q1, which is 13.2 percentage point above the provincial average. The unemployment rate increased across all age categories except for the 55 to 64 years category. The biggest growth rate was recorded among youth between 15 to 24 years age category with 5.5 percentage points.

### 1.1 Economic growth outlook in South Africa

Economic growth is expected to decelerate in most of the world economies in 2019 when compared to 2018 (IMF, 2019). Trade tensions increasingly took a toll on business confidence which led financial market sentiment to worsened, with financial conditions tightening for vulnerable emerging markets and then in advanced economies, weighing on global demand.

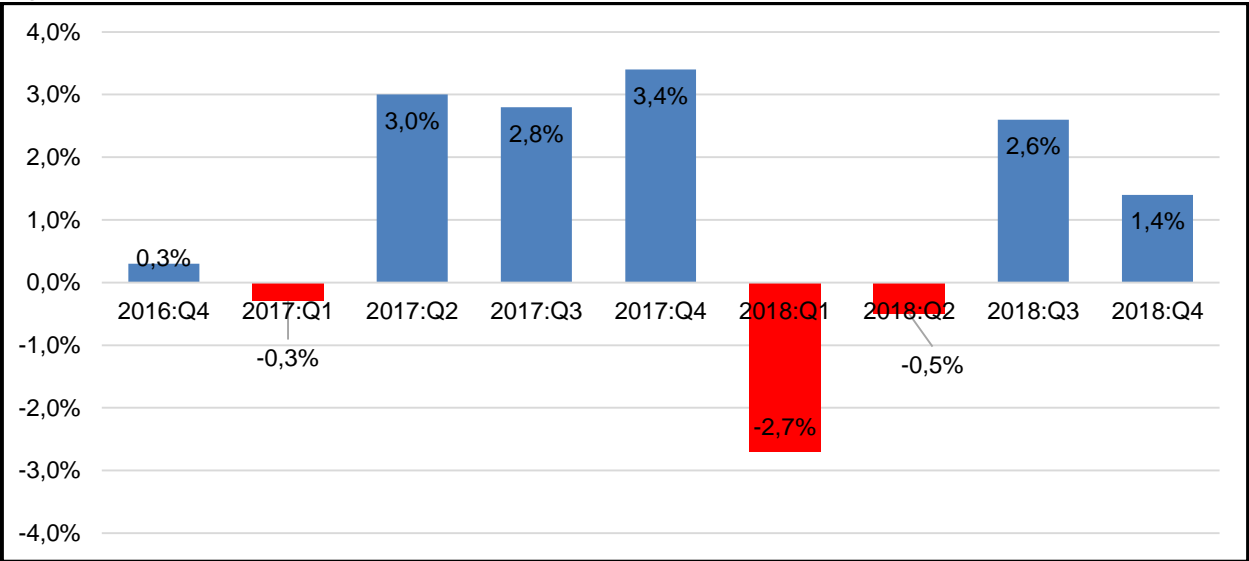
Recent global growth is projected to slowdown from 3.6% (in 2018) to 3.3% in 2019, before rising to 3.6% in 2020. In advanced economies, growth rates are anticipated to weaken from 2.2% in 2018 to about 1.8% in 2019, and 1.7% in 2020 due to economic recovery that has been uneven across regions. Among the emerging markets and developing economies, economic growth is expected to fall marginally from 4.5% in 2018 to 4.4% in 2019, before picking up again to about 4.8% in 2020.

Interestingly, Sub-Saharan Africa growth is expected to increase from 3.0% (in 2018) to 3.5% in 2019, and 3.7% in 2020. Growth in South Africa (SA) is expected to marginally improve from 0.8% (in 2018) to 1.2% in 2019 and 1.5% in 2020, a 0.2 percentage point downward revision for both years relative to the October 2018 WEO projections. The projected recovery reflects modestly reduced but continued policy uncertainty in the South Africa after the 2019 election (IMF, 2019).

On the other hand, Statistics SA's economic data showed that the South Africa's economy is gradually on the mend since last year after experiencing a short-lived technical recession, but a number of potential setbacks threaten its further recovery. The Gross Domestic Product (GDP) has increased by 1.4% in 2018:Q4 following an increase of 2.6% in 2018:Q3.

The largest positive contributors to growth in GDP in 2018:Q4 were transport, manufacturing and finance industries. The transport industry rose by 7.7% contributing about 0.7 of a percentage point to GDP growth. The manufacturing industry increased by 4.5% contributing around 0.6 of a percentage point growth. The finance industry grew by 2.7% contributing about 0.5 of a percentage point growth rate.

Figure 1: SA Gross Domestic Product (constant 2010 prices, seasonally adjusted and annualized)



Source: Statistics South Africa, Gross Domestic Product, 2018:Q4

## 1.2 South Africa's Labour Market Overview

In comparison to 2018:Q4, South Africa's unemployment rate increased by 0.5 percentage point in 2019:Q1 due to seasonal trends, where many sectors laid off the temporary staff hired to work during the busy festive period.

New job opportunities should be created, as the government has a number of interventions implemented to revive and stimulate economic growth, including the Youth Employment Service, jobs summits, the president's 2018 economic stimulus recovery plan, and investment conferences.

As can be seen in Table 1, the working-age population increased by 149 000 (or 0.4%) in 2019:Q1 compared to 2018:Q4. The number of employed persons decreased by 238 000 (or -1.4%), while the number of unemployed persons increased by 62 000 (or 1.0%), resulting in a decrease of 176 000 (-0.8%) in the number of people in the labour force under the period review. This led to the absorption rate to decrease by 0.7 of a percentage point to 42.6% and the unemployment rate increased by 0.5 of a percentage point to 27.6% compared to 2018:Q4.

Table 1: South Africa labour market at a glance

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
<b>Population 15-64 yrs</b>	<b>37 678</b>	<b>38 134</b>	<b>38 283</b>	<b>149</b>	<b>605</b>	<b>0.4</b>	<b>1.6</b>
<b>Labour Force</b>	<b>22 358</b>	<b>22 668</b>	<b>22 492</b>	<b>-176</b>	<b>134</b>	<b>-0.8</b>	<b>0.6</b>
<b>Employed</b>	<b>16 378</b>	<b>16 529</b>	<b>16 291</b>	<b>-238</b>	<b>-87</b>	<b>-1.4</b>	<b>-0.5</b>
Formal sector (Non-agricultural)	11 355	11 346	11 220	-126	-135	-1.1	-1.2
Informal sector (Non-agricultural)	2 901	3 001	2 933	-68	32	-2.3	1.1
Agriculture	847	849	837	-12	-10	-1.4	-1.2
Private households	1 275	1 332	1 301	-31	26	-2.3	2.0
<b>Unemployed</b>	<b>5 980</b>	<b>6 139</b>	<b>6 201</b>	<b>62</b>	<b>221</b>	<b>1.0</b>	<b>3.7</b>
<b>Not economically active</b>	<b>15 320</b>	<b>15 466</b>	<b>15 791</b>	<b>325</b>	<b>471</b>	<b>2.1</b>	<b>3.1</b>
Discouraged work-seekers	2 787	2 841	2 997	156	210	5.5	7.5
Other(not economically active)	12 533	12 625	12 793	168	260	1.3	2.1
<b>Rates (%)</b>							
Unemployment rate	26.7	27.1	27.6	0.5	0.9		
Employed / population ratio (Absorption)	43.5	43.3	42.6	-0.7	-0.9		
Labour force participation rate	59.3	59.4	58.8	-0.6	-0.5		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

Considering SA's labour force participation rate (LFPR) on quarterly basis (quarter-to-quarter), labour force declined by 0.8 percentage point (a reduction of roughly 176 000 workers) in 2019:Q1 contraction was driven by a vast amount of employment decline in some sectors previously creating jobs. Number of unemployed increased by 62 000 causing instability in the LFPR growth rate. On contrary, the *not economically active* population has increased significantly by 325 000, whereby discouraged work-seekers had increased by 156 000 in the period under review.

### 1.3 Cross-Provincial Labour Market Performance

Provinces are expected to become innovative in creating job opportunities after the recent 6<sup>th</sup> democratic elections in the country. In reality, the fundamental role of government in the economy, is to create an enabling environment for the private sector to play its important employment-generating role as the engine of the economy. If government continue to play the role of the largest (or main) employer, while having a limited understanding of the private sector's requirements would lead a significant disconnection between the public and private sectors to create sustainable and productive jobs.

#### 1.3.1. Employment Levels

Between 2018:Q4 and 2019:Q1, employment growth declined across all provinces (see Table 2), except in the Western Cape. South Africa shed a total of 238 000 jobs in the last quarter. Limpopo recorded the biggest unemployment (76 000) decline, followed by Eastern Cape (67 000) and KwaZulu-Natal (50 000). Employment level in the Western Cape remained virtually unchanged during the period under review.

Compared to 2018:Q1, employment rate declined in six out of the nine provinces. The highest employment losses were recorded in Eastern Cape, Limpopo, and North West with 89 000, 40 000 and 22 000 jobs respectively. Conversely, only two provinces had employment gains, namely; Gauteng (93 000), and Mpumalanga (12 000), while Northern Cape employment remain unchanged during the same period. Free State shed 11 000 jobs during the same period.

Table 2: Employment by province

Province	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
<b>South Africa</b>	<b>16 378</b>	<b>16 529</b>	<b>16 291</b>	<b>-238</b>	<b>-87</b>	<b>-1.4</b>	<b>-0.5</b>
Western Cape	2 530	2 520	2 520	0	-10	0.0	-0.4
Eastern Cape	1 397	1 375	1 308	-67	-89	-4.9	-6.4
Northern Cape	321	322	321	-1	0	-0.3	0.0
<b>Free State</b>	<b>814</b>	<b>806</b>	<b>803</b>	<b>-3</b>	<b>-11</b>	<b>-0.4</b>	<b>-1.4</b>
KwaZulu-Natal	2 617	2 648	2 598	-50	-19	-1.9	-0.7
North West	992	973	970	-3	-22	-0.3	-2.2
Gauteng	5 069	5 163	5 162	-1	93	0.0	1.8
Mpumalanga	1 197	1 245	1 209	-36	12	-2.9	1.0
Limpopo	1 441	1 477	1 401	-76	-40	-5.1	-2.8

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019: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 increased from 27.1% (in 2018:Q4) to 27.6% in 2019:Q1. The quarterly increases in the official unemployment rate were observed in six out of the nine provinces, with Mpumalanga having the largest decline of 2.2 percentage points, followed by both Free State and Limpopo with a growth rate of 2.0 percentage points respectively. A reduction

in the official unemployment rate among provinces was in KwaZulu-Natal, North West and Gauteng with 0.5, 0.2 and 0.1 percentage points respectively. Eastern Cape has the highest official unemployment rate in the country at 37.4%, followed by Free State at 34.9% as well as Mpumalanga at 34.2%.

In comparison to the same period last year, the national official unemployment rate increased by 0.9 percentage point. During this period, the official unemployment rate also rose in six provinces but fell in the remaining three provinces. Official unemployment rate of KwaZulu-Natal increased the most over this period, by 2.8 percentage points followed by Free State (2.1 percentage points) and Mpumalanga with 1.8 percentage point. Contrariwise, Northern Cape recorded the highest decline of 3.5 percentage points in 2019:Q1, followed by Limpopo (1.4 percentage point) and Western Cape (0.2 percentage point).

By including discouraged work seekers in the reported unemployment rate, the national expanded unemployment rate increased by 1.0 of a percentage point from 37.0% to 38.0% between 2018:Q4 and 2019:Q1. During the same period, the expanded unemployment rate increased in seven provinces, with a largest increase of 4.3 percentage points recorded in Limpopo, followed by Northern Cape (2.9 percentage points) and Mpumalanga with 1.9 percentage point. Contrariwise, Western Cape is the only province that recorded a decline, while Gauteng remained unchanged during the same period.

On a year-on-year basis, the expanded unemployment rate surged nationally by 1.3 percentage point, due to the persistent rise in unemployment growth rate recorded in eight provinces while Gauteng remained unchanged again during this period.

Table 3: Unemployment rates by province

Province	Official Unemployment Rate					Expanded Unemployment Rate				
	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change
	Per cent			Percentage points		Per cent			Percentage points	
<b>South Africa</b>	<b>26.7</b>	<b>27.1</b>	<b>27.6</b>	<b>0.5</b>	<b>0.9</b>	<b>36.7</b>	<b>37.0</b>	<b>38.0</b>	<b>1.0</b>	<b>1.3</b>
Western Cape	19.7	19.3	19.5	0.2	-0.2	22.5	23.1	22.7	-0.4	0.2
Eastern Cape	35.6	36.1	37.4	1.3	1.8	46.0	46.8	48.3	1.5	2.3
Northern Cape	29.5	25.0	26.0	1.0	-3.5	41.0	38.6	41.5	2.9	0.5
<b>Free State</b>	<b>32.8</b>	<b>32.9</b>	<b>34.9</b>	<b>2.0</b>	<b>2.1</b>	<b>38.4</b>	<b>39.3</b>	<b>40.1</b>	<b>0.8</b>	<b>1.7</b>
KwaZulu-Natal	22.3	25.6	25.1	-0.5	2.8	40.6	41.3	42.4	1.1	1.8
North West	25.8	26.6	26.4	-0.2	0.6	41.8	42.9	44.4	1.5	2.6
Gauteng	28.6	29.0	28.9	-0.1	0.3	33.6	33.6	33.6	0.0	0.0
Mpumalanga	32.4	32.0	34.2	2.2	1.8	42.5	41.1	43.0	1.9	0.5
Limpopo	19.9	16.5	18.5	2.0	-1.4	37.6	38.8	43.1	4.3	5.5

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

#### 1.4 Decomposition of the Free State Labour Market

The Free State labour force is currently at 1.2 million, and represents an increase of 31 000 people between 2018:Q4 and 2019:Q1. Within the labour force, the number of the unemployed increased by

35 000 people whilst the number of the employed decreased by 3 000 in 2019:Q1. Consequently, in 2019:Q1, the number of the unemployed increased to 431 000, while the number of the employed decreased to 803 000. This translates into an official unemployment rate of 34.9%, 42.2% employment rate (absorption rate) and 64.8% labour force participation rate for the Free State.

As illustrated in Table 4, the *not economically active population* in Free State fell by 4.2% in 2019:Q1, which translates to 29 000 less inactive population in the province. This reduction in the inactive population was prompted by a significant decline in the number of discouraged work seekers (14 000 or -15.5%) and the *other (not economically active)* which decreased by 15 000 (or -2.5%) in 2019:Q1 compared to 2018:Q4.

Compared to 2018:Q1, the provincial labour force grew by 22 000 workers. At the same time, the province's unemployment level increased substantially by 34 000 (or 8.5%) while the number of the employed decreased by 11 000 workers (or -1.4%).

Table 4: Free State labour force characteristics

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
<b>Population 15-64 yrs</b>	<b>1 895</b>	<b>1 902</b>	<b>1 904</b>	<b>2</b>	<b>9</b>	<b>0.1</b>	<b>0.5</b>
<b>Labour Force</b>	<b>1 211</b>	<b>1 202</b>	<b>1 233</b>	<b>31</b>	<b>22</b>	<b>2.6</b>	<b>1.8</b>
<b>Employed</b>	814	806	803	-3	-11	-0.4	-1.4
Formal sector (Non-agricultural)	500	519	488	-31	-12	-6.1	-2.4
Informal sector (Non-agricultural)	146	134	143	9	-3	7.0	-2.0
Agriculture	92	57	60	3	-32	4.9	-35.0
Private households	77	96	112	16	35	16.4	46.0
<b>Unemployed</b>	<b>397</b>	<b>396</b>	<b>431</b>	<b>35</b>	<b>34</b>	<b>8.7</b>	<b>8.5</b>
<b>Not economically active</b>	<b>684</b>	<b>699</b>	<b>670</b>	<b>-29</b>	<b>-13</b>	<b>-4.2</b>	<b>-1.9</b>
Discouraged work-seekers	67	91	77	-14	9	-15.5	13.6
Other(not economically active)	616	609	594	-15	-22	-2.5	-3.6
<b>Rates (%)</b>							
Unemployment rate	32.8	32.9	34.9	2.0	2.1		
Employed / population ratio (Absorption)	43.0	42.4	42.2	-0.2	-0.8		
Labour force participation rate	63.9	63.2	64.8	1.6	0.9		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

#### 1.4.1. Employment in the Free State Province

Free State Province has 803 000 people employed in 2019:Q1. However, the total number of employed persons decreased by 3 000 in 2019:Q1 compared to 2018:Q4. As a result, the absorption rate shrunk by 0.2 percentage point. Significant number of jobs amounting to 31 000, were shed in the formal sector. Although informal, agricultural and private household sectors expand their employment opportunities, but this gain is insufficient to enough to boost of employment growth rate in the province.

On year-on-year basis, roughly 11 000 jobs were shed in the Free State, where the main contributors of the job loss are agriculture, formal, and informal sectors that shed about 32 000, 12 000 and 3 000 jobs respectively.

The biggest employer in the province in the first quarter of 2019 was still the community and social services with 198 000 jobs, followed by trade industry (155 000) as well as private households (112 000). The utilities (water, gas and electricity) industry remain the smallest employer which has employed 8 000 people in the province, followed by mining (17 000) and transport (42 000).

Based on a quarter to quarter analysis, the largest gains in employment was recorded in private households (16 000), trade (15 000) as well as manufacturing (7 000). Conversely, the community and social services shed 21 000 jobs, followed by finance (14 000) as well as mining (7 000). Overall, there was the decline in employment level in the province, which resulted in the contraction of total employment by 3 000 (or -0.4 %) on a quarter to quarter basis.

Looking at year-on-year, some 11 000 jobs were shed in the province in 2019:Q1 with a sizeable job loss in six sectors. The highest employment losses were recorded in agriculture (32 000), trade (21 000) and finance (14 000). Meanwhile, jobs were created in the other four sectors, with the largest job gains recorded in private households (35 000), manufacturing (19 000) and transport (7 000).

Table 5: Free State employment by industry/sector

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
<b>Industry</b>	<b>814</b>	<b>806</b>	<b>803</b>	<b>-3</b>	<b>-11</b>	<b>-0.4</b>	<b>-1.4</b>
Agriculture	92	57	60	3	-32	4.9	-35.0
Mining	18	24	17	-7	-1	-29.2	-4.7
Manufacturing	58	71	77	7	19	9.4	32.4
Utilities	7	10	8	-2	1	-21.2	10.1
Construction	59	58	56	-2	-3	-2.8	-5.2
Trade	176	140	155	15	-21	10.6	-12.0
Transport	35	40	42	2	7	4.6	19.7
Finance	91	91	77	-14	-14	-15.4	-15.8
Community and social services	200	219	198	-21	-2	-9.4	-0.9
Private households	77	96	112	16	35	16.4	46.0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

As can be seen in Figure 2 employment by gender and occupation in 2019:Q1. Women are dominant in four occupations (professional, clerical, sales & services and domestic), while men lead the six occupations (manager, technician, skilled agriculture, craft & related trade, plant & machine operator and elementary) in the province. Public and private sectors are committed to gender diversity which is yet to translate into meaningful progress.

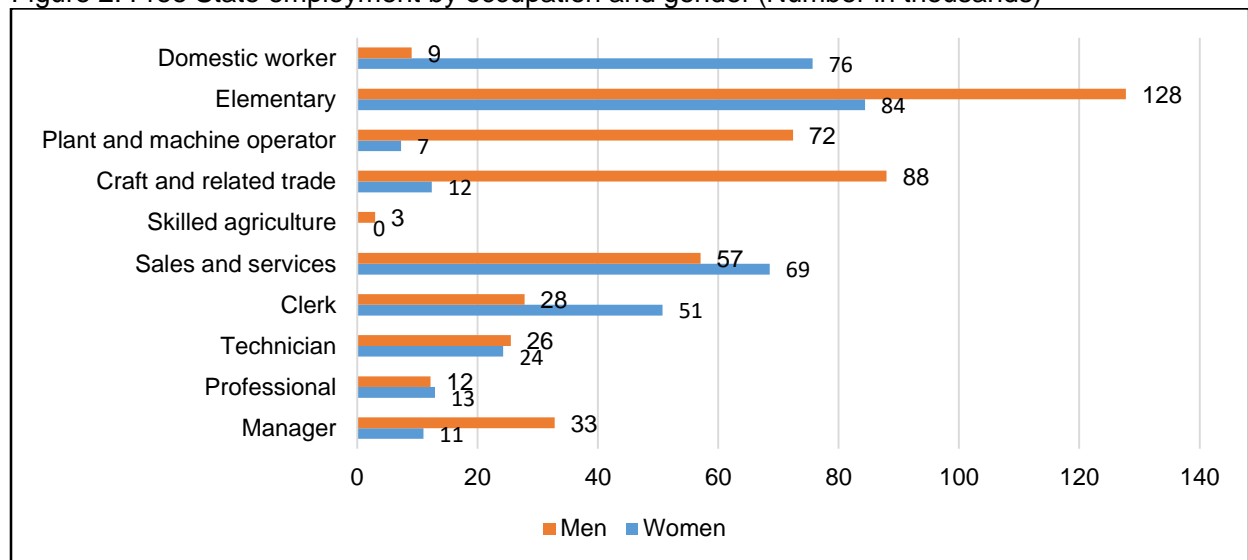
Women tend to be overrepresented in unskilled employment, relative to skilled and semi-skilled. About 160 000 women were employed in the domestic and elementary occupations relative to 137 000 men who were employed in the same occupation. As unskilled employment is associated with low wages/salaries, and this could have a negative impact on their families.

Notably, less women are employed in the province than men. In 2019:Q1, the employment of women declined by about 5 000 while men employment increased by about 2 000 people in comparison to 2018:Q4. Currently, employment amongst women stands at 347 000 whereas employment amongst men is at 456 000. Thus, gender equality should be emphasized to avoid discrimination in women, which would often resulted in women obtaining low-wage jobs and being disproportionately affected by poverty and exploitation.

The current provincial labour force participation rate for women is about 58.4% whereas the same indicator for men is roughly 71.2%, even though, there are more women (957 000) than men (947 000) that make up the working population. However, the province also has a higher number of women who are NEA and consisting of discouraged work seekers relative to men. More details are required to determine the gender aspects of the NEA.

To alleviate unemployment rate and inequality in FS, it is vital for policy makers to promote gender-sensitive employment. Since gender gaps in the labour force participation rate can be associated with socio-economic constraints and pressure to conform to traditional gender roles. Closing gender gaps in the labour force is not just beneficial for women and their households, but for the national economy as a whole.

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



Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

#### 1.4.2. Unemployment in the Free State Province

Table 6 present the characteristics of the unemployed in the Free State province. The number of the unemployed in Free State increased on a quarter-to-quarter basis by 35 000 (or 8.7%). Year-on-year, unemployment again increased by 34 000 (8.5%), which is mainly driven by new entrants. The new entrants constitute of mostly the unemployed population that is, equivalent to 164 000 (or 38.1%) of all unemployed people in the province. Currently, the provincial economy is incapable of creating sufficient jobs for new entrants in the labour market.

Table 6: Free State characteristics of the unemployed

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
<b>Unemployed</b>	<b>397</b>	<b>396</b>	<b>431</b>	<b>35</b>	<b>34</b>	<b>8.7</b>	<b>8.5</b>
Job losers	136	119	127	9	-9	7.5	-6.5
Job leavers	21	23	30	7	8	28.9	39.2
New entrants	139	159	164	5	25	3.2	17.7
Re-entrants	7	3	9	6	1	191.3	17.3
Other	93	92	101	8	8	8.8	8.7

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

Table 7 depict the *unemployment rate by age group* in the Free State. Out of the 431 000 unemployed people in the province, 272 000 are under the age of 35, which is equivalent to 63.1% of the unemployed population. From the labour data, the province is facing the undesirable problem of a stubbornly high youth unemployment rate. For instance, the highest unemployment rate found within the age group of 15-24 years, which may suggest that approximately 70% youth in this cohort lack the required qualifications and desired work experience required by employers.

While the overall unemployment rate in the province is 34.9%, unemployment among the youth (15-24 years) remain the highest, about 70%. This is followed by 41.5% of population in the 25-34 years age category who are unemployed. Thus, it is probable to conclude that the one of the biggest challenge and urgent policy aim of the province is the reduction of persistently high youth unemployment (i.e. those aged between 15-34 years).

Compared to the previous quarter, official unemployment rate increased by 2.0 percentage points in the Free State province. The rate increased across all age categories, except for the 55-64 year olds. The largest growth was observed in the age cohort 15-24 years, which recorded a 5.5 percentage points in 2019:Q1, followed by the cohort 25-34 years (1.9 percentage point) and 45-54 years (1.8 percentage point).

Table 7: Free State official unemployment rate by age group

Age categories	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change
	Per cent			Percentage change	
<b>15-64 years</b>	<b>32.8</b>	<b>32.9</b>	<b>34.9</b>	<b>2.0</b>	<b>2.1</b>
15-24 years	61.1	64.5	70.0	5.5	8.9
25-34 years	38.6	39.6	41.5	1.9	2.9
35-44 years	26.3	27.7	29.4	1.7	3.1
45-54 years	23.2	19.7	21.5	1.8	-1.7
55-64 years	10.4	12.3	10.2	-2.1	-0.2

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

Equally important, lower education has a substantial impact on unemployment in the Free State province. About 60.5% of the unemployed population has lower secondary education. Out of 431 000 unemployed population in 2019:Q1, about 5 000 had *no schooling*, 23 000 had *less than primary completed*, 29 000 had *primary completed*, and 203 000 had *secondary not completed*. Those with post-secondary (*tertiary* education) were 25 000 in 2019:Q1.

Table 8: Highest level of education of the unemployed

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	<b>Thousand</b>				<b>Percent</b>		
<b>Highest level of education of the unemployed</b>	<b>397</b>	<b>396</b>	<b>431</b>	<b>35</b>	<b>34</b>	<b>8.8</b>	<b>8.6</b>
No schooling	7	7	5	-2	-1	-24.9	-20.5
Less than primary completed	26	28	23	-4	-2	-14.7	-9.4
Primary completed	20	18	29	11	9	60.4	45.8
Secondary not completed	193	192	203	10	9	5.4	4.8
Secondary completed	128	134	143	9	15	6.6	11.4
Tertiary	23	15	25	10	2	63.7	8.3
Other	0	2	2	1	2	26.7	0.0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

Clearly, low education among the largest proportion of the provincial workforce and the relatively high cost of employing low-skilled workers can be considered as key factors underpinning the province's high unemployment rate, in the labour market that is rapidly becoming capital- and high skilled-intensive.

One of the challenges the country and the province faces is that, inexperienced youth workers is made precarious by the fact that, in most industries, minimum wages are almost as high as the wages paid to the median worker. Therefore, most of the companies could have no incentive to risk employing someone who is young and has no experience. And why should they when employing an experienced worker costs about the same. Consequently, in most cases, companies opted to hire experienced workers who are already in employment than reducing unemployment growth rate (hiring new entrants).

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

There are many challenges associated with being NEET. Some of the challenges can be ascribed to lack of / inadequate working experience, lack of higher education, lack of funding for studies, information on available opportunities, limited exposure to work opportunities, limited networking skills, limited access to information and resources, loss of motivation and limited support structures, amongst others.

In comparison to 2018:Q4, the number of people “not in employment or education and training” (NEET) in the Free State grew by 13 000 (from 760 000 to 773 000) in 2019:Q1. The 773 000 of the NEET cohort constitutes 40.6% of the province's working age population, of which 57.5% of them were female, 94.7% were African and 51.9% were between the ages of 15 and 34 years. The NEETs have increased by 1.6% in 2019:Q1 compared to the previous quarter.

There are approximately 400 000 young people aged between 15 and 34 years in the Free State considered as NEET in 2019:Q1, with 151 000 aged 15 to 24 years and 249 000 aged 25 to 34 years.

Table 9: Free State profile of economically active group not in education and not in employment (NEET)

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
<b>Both sexes</b>	<b>743</b>	<b>760</b>	<b>773</b>	<b>13</b>	<b>29</b>	<b>1.6</b>	<b>4.0</b>
Women	434	449	444	-5	11	-1.1	2.4
Men	309	311	328	17	19	5.5	6.1
<b>Age group</b>	<b>743</b>	<b>760</b>	<b>773</b>	<b>13</b>	<b>29</b>	<b>1.6</b>	<b>4.0</b>
15-24 years	144	144	151	7	7	4.9	4.9
25-34 years	233	245	249	4	17	1.7	7.1
35-44 years	141	145	151	6	10	4.1	6.9
45-54 years	107	114	118	4	11	3.1	10.2
55-64 years	118	112	103	-9	-15	-7.8	-12.6
<b>Population groups</b>	<b>743</b>	<b>760</b>	<b>773</b>	<b>13</b>	<b>29</b>	<b>1.6</b>	<b>4.0</b>
Black/African	679	727	732	5	53	0.7	7.8
Coloured	30	10	14	4	-16	44.0	-52.8
Indian/Asian	6	*	2	*	-4	*	-65.4
White	28	24	25	1	-4	2.1	-13.5

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

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

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

Roughly 35.2% of the working age population in the province are economically inactive. Intuitively, the NEA group do not contribute to the production in the economy by providing good or service, for financial gain or not. Students, the ill/disabled and discouraged job-seekers made up the top three reasons for economic inactivity in the province. In 2019:Q1, students accounted for 49.4% of the inactive population, while illness/disability and discouraged work seekers accounted for 14.9% and 11.4% of the inactive population.

The NEA population of the province declined by 29 000 (or -4.2%) between 2018:Q4 and 2019:Q1, mainly due to the decreased of discouraged work seekers and those who were too old or young to work. On a year-on-year basis, the NEA population declined by 13 000 (or -1.9%), mainly due to those who are too old or young to work, who decreased by 14 000 (or -20.6%).

Table 10: Free State characteristics of the not economically active (NEA) population

	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
<b>Not economically active</b>	<b>684</b>	<b>699</b>	<b>670</b>	<b>-29</b>	<b>-13</b>	<b>-4.2</b>	<b>-1.9</b>
Student	338	332	331	0	-7	-0.1	-2.0
Home-maker	63	75	74	-1	11	-0.9	17.7
Illness/disability	104	101	100	-2	-4	-1.6	-4.1
Too old/young to work	69	70	55	-14	-14	-20.8	-20.6
Discouraged work seekers	67	91	77	-14	9	-15.5	13.6
Other	41	31	33	2	-8	7.1	-19.9

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1

## 1.5 Concluding Remarks.

The rate of unemployment continue to rise South Africa, as unemployment growth increased by 0.5 percentage point, from 27.1% in 2018:Q4 to 27.6% in 2019:Q1. Across the nine provinces, Limpopo recorded the lowest unemployment rate of about 18.5%, followed by the Western Cape at 19.5% and KwaZulu-Natal at 25.1%. The Eastern Cape has the highest provincial unemployment rate at 37.4% in 2019:Q1, followed by Free State at 34.9% and Mpumalanga at 34.2%.

Notably, in the Free State province, youth unemployment is reaching an undesirable level, as unemployment rate between the ages of 15 and 24 stands at 70.0% and 41.5% for the age group between the ages of 25 and 34. While, the number of the employed in Free State decreased by 3 000 to 803 000 and the number of the unemployed increased by 35 000 to 431 000 in 2019:Q1. Jobs were shed mostly in the formal sector by 6.1%, from 519 000 to 488 000.

Palpably, as the labour market continue to change, it's important to understand the demand for skilled, semi-skilled, unskilled and labour. Specialized skills are becoming more and more required in our increasingly technical and technological world, while the demand for unskilled labour becomes less demanded by prospective employers in the high skilled and capital intensive labour market.

Deductively, from our analysis, the province is in a precarious position, given the high level of youth unemployment this is reinforced by prevailing severely weak economic growth, low labour force participation rate and absorption ratio. Also, given the prevalent women-headed household or single-parent syndrome, the women are facing serious socioeconomic challenge as they are susceptible to income and employment inequality.

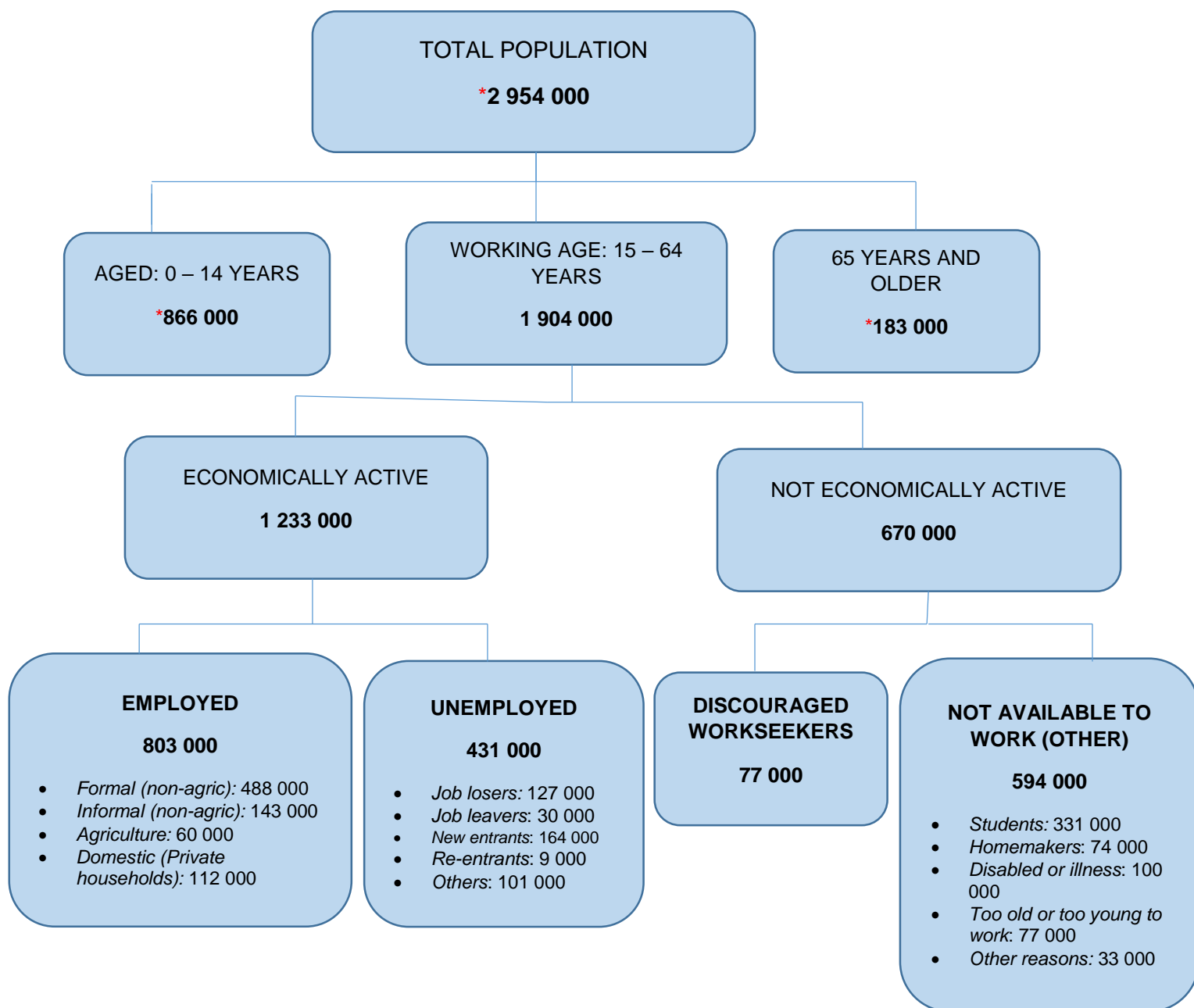
Therefore, it is of an utmost importance, that policy makers and the provincial government pay closer attention to the rising youth unemployment and labour market barrier facing women by implementing social-inclusive and employment generating strategies exclusively targeting these two groups.

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- [1] IMF (2019). "World Economic Outlook: Growth Slowdown, Precarious Recovery", International Monetary Fund: Washington DC. April.
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## APPENDIX

**Diagram 1: Summary of the Free State's labour market - 2019:Q1**



Labour force participation rate = 64.8%

Absorption rate = 42.2%

Official unemployment rate = 34.9%

Expanded unemployment rate = 40.1%

*Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q1*

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