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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 27.2% in 2018:Q2 to 27.5% in 2018:Q3. However, it is 0.2 percentage point lower compared to the same period last year.
- Employment in South Africa increased by 92 000 or 0.6% in 2018:Q3 in comparison to the preceding quarter, mainly due to the informal sector (189 000). However, jobs were shed in the formal sector (65 000), private households (29 000) and agricultural sector (1 000) over the same period.
- *The number of employed persons increased in seven of the nine provinces between 2018:Q2 and 2018:Q3.* The largest employment increases were recorded in Limpopo (42 000), Gauteng (22 000) and Mpumalanga (19 000) whilst only Free State and Eastern Cape recorded employment losses of 14 000 and 12 000 respectively in the same period.
- The Free State official unemployment rate increased by 1.9 percentage points (from 34.4% to 36.3%) in 2018:Q3 compared to 2018:Q2. The rate of unemployment amongst women increased by 1.0 percentage point, from 38.2% in 2018:Q2 to 39.2% in 2018:Q3, while it increased by 2.8 percentage points from 31.0% to 33.8% amongst men.
- Total employment in the Free State contracted by 1.8% in 2018:Q3 compared to 2018:Q2. This contraction was exclusively due to the jobs shed in the formal and informal sector with 9 000 and 17 000 jobs respectively. However, roughly 3 000 and 9 000 jobs were gained in the agriculture and private households sectors respectively.
- *Four of the ten industries in Free State reported employment growth quarter-to-quarter.* Construction, private household, manufacturing and agriculture expanded jobs while trade, finance, transport as well as community and social services shed jobs in 2018:Q3 as compared to 2018:Q2. Employment in mining and utilities industry remained unchanged during this period.
- On employment by industry and gender in the Free State, more men (430 000) are employed relative to women (343 000) across major sectors. In 2018:Q3, both female and male employment decreased by 7 000 compared to the previous quarter. Year-on-year, the number of women in employment increased by 16 000, while the number of men in employment decreased by 63 000.
- The youth aged 15 to 34 years are vulnerable in the province's labour market with an official unemployment rate of 48.6% in 2018:Q3, which is 12.3 percentage points above the provincial average. Adult unemployment rate has also increased within the 35 to 44 and 45 to 54 years categories, by approximately 1.4 and 2.1 percentage points respectively on a quarter-to-quarter basis. Conversely, the unemployment rate among adults between 55 to 64 years decreased by 0.6 percentage points on a quarterly basis.

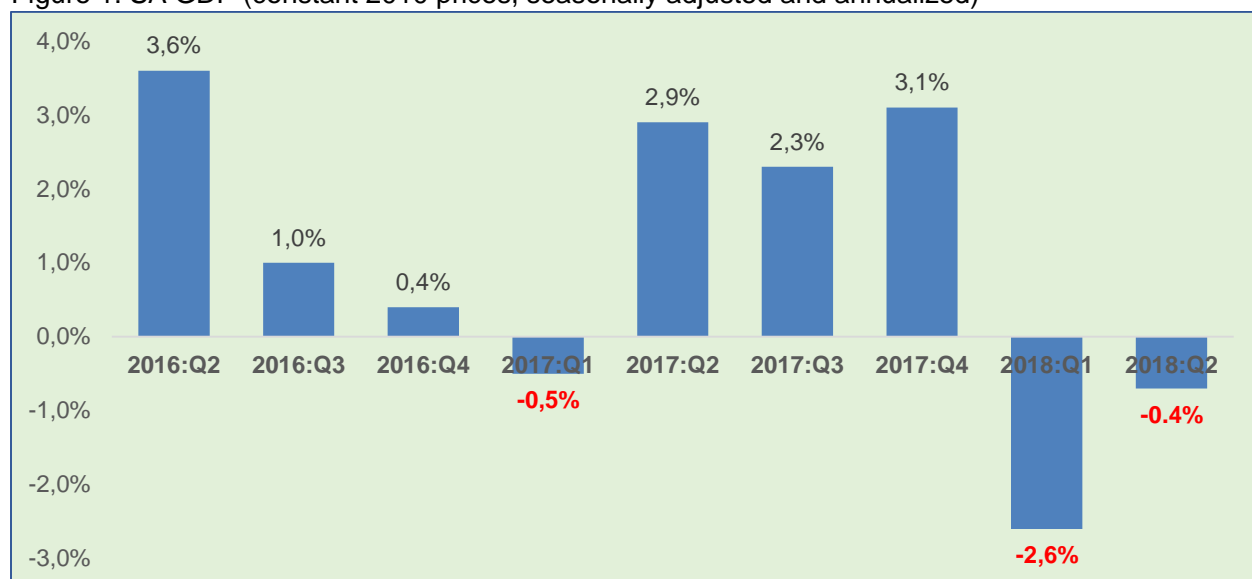
1.1 Economic growth outlook in South Africa

The global economic growth for 2018/19 is projected to remain steady at its 2017 level, but its pace is less vigorous than projected in April and it has become less balanced. The growth is projected at 3.7% for 2018/19, which is 0.2 percentage point lower than forecast in April. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded. Downside risks to the global economy include 1) increased trade barriers between the USA and other countries, 2) risk aversion by investors from EMDEs with weaker fundamentals and higher political risk as well as 3) the impact of interest rate hiking of the USA on other markets, which could trigger disruptive portfolio adjustments, sharp exchange rate movements, and further reductions in capital inflows to emerging markets. However, oil exporters have benefitted from rising crude oil prices, as growth of MENAP is projected to increase from 2.2 per cent in 2017 to 2.4 per cent in 2018, and economic growth of SSA is projected to surge from 2.7 per cent to 3.1 per cent over the same period.

South Africa's economy has shrank since the beginning of 2018, first shrinking by 2.6% in the 1st quarter and thereafter shrinking by 0.4% in the succeeding quarter. The two uninterrupted quarters of economic contraction resulted South Africa's current technical recession. The national Gross Domestic Product (GDP) for the second quarter of 2018 shrank mainly due to agriculture (-31.9%), transport (-4.9%) and trade (-1.4%), which subtracted 0.9 percentage point, 0.4 percentage point and 0.2 percentage point respectively from the GDP.

The economy needs a faster and inclusive economic growth if it is to reduce high unemployment (currently at 27.5%), alleviate poverty and reduce inequality which stoke instability. Through the 2018 Job Summit held on the 4th and 5th of October 2018, a framework was developed to tackle joblessness in the country. This framework agreement was signed to create 275 000 direct jobs annually, above the 300 000 jobs that would be created without the intervention. President Ramaphosa urged companies doing business in South Africa, government entities and the general populace to prioritise purchasing locally-manufactured goods and products in a bid to create and retain jobs. He has emphasized that, for the economy to grow and for jobs to be created, it is essential that there is a substantial increase in domestic demand.

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



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

1.2 South Africa's Labour Market Overview

The 17th South African Employment Report (2018) shows that SA's unemployment rate of 27.5% is five times the international average of 5.5%. The report suggests that government has to aim for a fixed investment target of 8% of GDP to reduce SA's high unemployment rate towards the international average. President Ramaphosa is pursuing a \$100 billion investment into the South African economy over the next 5 years. Through the South African Investment Summit held in October 2018, investments to the value of R290 billion have been attracted thus far in the following industries: mining, forestry, manufacturing, telecommunications, transport, energy, agro-processing, consumer goods, pharmaceuticals, infrastructure, financial services, energy, ICT and water (The Presidency, 2018). Furthermore, President Ramaphosa announced the South African Economic Stimulus and Recovery Plan on the 21st of September 2018 to reinvigorate the economy and prevent or reverse a recession by boosting employment and spending. Amongst the key economic reforms, a new R400 billion Infrastructure Fund was announced.

Table 1 below depicts South Africa's labour market and shows that the working-age population was 38.0 million in 2018:Q3, with 16.4 million employed, 6.2 million unemployed and 15.4 million not economically active. This translates to a labour force participation rate of 59.5% and an unemployment rate of 27.5% and an absorption rate remain unchanged at 43.1%.

Quarter-to-quarter, the South African unemployment rate has surged from 27.2% in 2018:Q2 to 27.5% in 2018:Q3. The number of unemployed people has surged by 126 000, in comparison to the 92 000 increase in employment levels over the same period. The formal, private household and agricultural sectors shed 65 000, 29 000 and 1 000 jobs respectively, whilst the expansion of employment was mainly driven by the 189 000 job creation in the informal sector. Furthermore, table 1 reveals that the number of the not economically active (NEA) population decreased by 67 000 in 2018:Q3 on a quarterly basis, mainly due to the decrease of discouraged work-seekers (131 000), as well as those who are too old or young to work (49 000), and homemakers (16 000).

Table 1: South Africa labour market at a glance

	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Population 15-64 yrs	37 373	37 832	37 985	153	612	0.4	1.6
Labour Force	22 402	22 370	22 589	219	187	1.0	0.8
Employed	16 192	16 288	16 380	92	188	0.6	1.2
Formal sector (Non-agricultural)	11 379	11 320	11 255	-65	-124	-0.6	-1.1
Informal sector (Non-agricultural)	2 689	2 828	3 017	189	328	6.7	12.2
Agriculture	810	843	842	-1	32	-0.1	4.0
Private households	1 313	1 296	1 267	-29	-46	-2.2	-3.5
Unemployed	6 210	6 083	6 209	126	-1	2.1	0.0
Not economically active	14 971	15 462	15 395	-67	424	-0.4	2.8
Discouraged work-seekers	2 436	2 864	2 733	-131	297	-4.6	12.2
Other(not economically active)	12 536	12 598	12 662	64	126	0.5	1.0
Rates (%)							
Unemployment rate	27.7	27.2	27.5	0.3	-0.2		
Employed / population ratio (Absorption)	43.3	43.1	43.1	0.0	-0.2		
Labour force participation rate	59.9	59.1	59.5	0.4	-0.4		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

1.3 Cross-Provincial Labour Market Performance

Provinces have been directed by the National Planning Commission (NPC) to integrate the National Development Plan 2030 (NDP) proposals and priorities within provincial government programmes by reflecting them in the planning framework, resource allocation and performance monitoring processes.

Free State Vision 2030 stipulated in the Free State Growth and Development Strategy (FSGDS), provides a provincial expression of the key priorities, objectives and targets enumerated in the NDP and expressed within the manifesto. The targets of FSGDS have been developed with due consideration given to the specific pillars (6) and drivers (15) to respond to the current socio-economic outlook and key economic factors for the Free State. These economic drivers must be pursued rigorously to create employment and better the lives of Free State citizens. The drivers give focus to five sector employment namely: agriculture, mining, manufacturing, transport and tourism.

1.3.1. Employment Levels

Table 2 below depicts that employment increased in seven of the nine provinces between 2018:Q2 and 2018:Q3. The largest quarterly employment gain was observed in Limpopo (42 000), followed by Gauteng (22 000) and Mpumalanga (19 000). Free State recorded the most employment loss of 14 000, followed by Eastern Cape (12 000).

Compared to the same quarter last year (2017:Q3), employment increased in six of the nine provinces. The highest employment gains were recorded in KwaZulu-Natal, Western Cape and Mpumalanga,

with 99 000, 97 000 and 27 000 jobs respectively. Conversely, only three provinces shed jobs, namely; Free State (47 000), Eastern Cape (31 000), and North West (4 000).

Table 2: Employment by province

Province	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
South Africa	16 192	16 288	16 380	92	188	0.6	1.2
Western Cape	2 399	2 480	2 494	14	95	0.6	4.0
Eastern Cape	1 421	1 402	1 390	-12	-31	-0.9	-2.2
Northern Cape	307	317	323	6	16	1.9	5.2
Free State	821	788	774	-14	-47	-1.8	-5.7
KwaZulu-Natal	2 536	2 620	2 635	15	99	0.6	3.9
North West	983	977	979	2	-4	0.2	-0.4
Gauteng	5 068	5 055	5 077	22	9	0.4	0.2
Mpumalanga	1 204	1 212	1 231	19	27	1.6	2.2
Limpopo	1 452	1 436	1 478	42	26	2.9	1.8

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

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 27.2% in 2018:Q2 to 27.5% in 2018:Q3. Free State has the highest official unemployment rate in the country of 36.3%, followed by Eastern Cape (35.6%) and Mpumalanga (32.5%). Conversely, Limpopo has the lowest official unemployment rate of 18.9%, followed by Western Cape (20.4%) and KwaZulu-Natal (23.0%). The highest increase in the official unemployment rate amongst provinces was observed in Free State and North West with 1.9 percentage points each, followed by Eastern Cape (1.4 percentage points). However the highest quarterly decreases in the official unemployment rate were observed in Northern Cape (1.9 percentage points), followed by Mpumalanga (0.7 percentage point) and Limpopo (0.4 percentage point).

In comparison to the same period last year, the national official unemployment rate decreased by 0.2 percentage point. During this period, the official unemployment rate recorded a decrease in five provinces and the increase in the remaining four provinces. Again, the official unemployment rate of Free State increased the most over this period, by 4.5 percentage points.

When discouraged work seekers are included, the national expanded unemployment rate increased by 0.1 of a percentage point to 37.3% between 2018:Q2 and 2018:Q3. Over the same period, the expanded unemployment rate increased in six provinces, with the largest increase of 1.4 percentage points recorded in Free State, followed by Limpopo (0.7 percentage points) as well as Western Cape and North West (0.5 percentage point each). Contrariwise, Northern Cape recorded the highest quarterly decline of the expanded unemployment rate of 2.3 percentage point in 2018:Q3, followed by Mpumalanga (0.4 percentage point) and Gauteng (0.1 percentage point).

On a year-on-year basis, the expanded unemployment rate surged nationally by 0.5 percentage point, mainly due to the Free State (3.0 percentage points), Limpopo (2.3 percentage points) and North West

(1.4 percentage points). On the contrary, Northern Cape had the highest decline in the expanded unemployment rate of 3.0 percentage points, followed by Western Cape (1.5 percentage points) and Mpumalanga (0.2 percentage points). Free State had an expanded unemployment rate of 41.5% in 2018:Q3, which is the third highest in the country.

Table 3: Unemployment rates by province

Province	Official unemployment rate					Expanded unemployment rate				
	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change
	Per cent			Percentage points		Per cent			Percentage points	
South Africa	27.7	27.2	27.5	0.3	-0.2	36.8	37.2	37.3	0.1	0.5
Western Cape	21.9	20.7	20.4	-0.3	-1.5	25.2	23.2	23.7	0.5	-1.5
Eastern Cape	35.5	34.2	35.6	1.4	0.1	45.3	45.8	46.0	0.2	0.7
Northern Cape	29.9	28.9	27.0	-1.9	-2.9	43.1	42.4	40.1	-2.3	-3.0
Free State	31.8	34.4	36.3	1.9	4.5	38.5	40.1	41.5	1.4	3.0
KwaZulu-Natal	24.6	21.8	23.0	1.2	-1.6	41.0	40.9	41.2	0.3	0.2
North West	26.2	26.1	28.0	1.9	1.8	42.5	43.4	43.9	0.5	1.4
Gauteng	30.2	29.7	29.6	-0.1	-0.6	33.3	34.4	34.3	-0.1	1.0
Mpumalanga	30.7	33.2	32.5	-0.7	1.8	41.5	41.7	41.3	-0.4	-0.2
Limpopo	19.1	19.3	18.9	-0.4	-0.2	35.8	37.4	38.1	0.7	2.3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

1.4 Decomposition of the Free State Labour Market

The labour force of the Free State is currently 1215 000, and represents an increase by 13 000 between 2018:Q2 and 2018:Q3. Within the labour force, the number of unemployed individuals increased by 27 000 people in 2018:Q3 whilst the number of employed individuals lessened by 14 000 in 2018:Q3. Consequently, in 2018:Q3, the number of unemployed persons enlarged to 441 000, while the number of employed people reduced to 774 000. This translates to an official unemployment rate of 36.3%, a 40.7% employment rate (absorption rate) and a 63.9% labour force participation rate in Free State in 2018:Q3.

As illustrated in Table 4 below, the *not economically active population* in Free State fell by 1.6% in 2018:Q3, which translates to 11 000 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 (12 000) in 2018:Q3 compared to 2018:Q2.

Compared to 2017:Q3, the labour force of the Free State increased by 10 000 people. The number of employed individuals decreased drastically by 48 000 (or 5.8%) whilst the number of unemployed people increased severely by 57 000 (or 14.9%). However, the inactive population in 2018:Q3 remained unchanged with 685 000 population in comparison to 2017:Q3.

Table 4: Free State labour force characteristics

	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Population 15-64 yrs	1 890	1 897	1 900	2	10	0.1	0.5
Labour Force	1 205	1 202	1 215	13	10	1.1	0.8
Employed	821	788	774	-14	-48	-1.8	-5.8
Formal sector (Non-agricultural)	497	483	474	-9	-23	-1.9	-4.6
Informal sector (Non-agricultural)	161	150	133	-17	-28	-11.2	-17.2
Agriculture	75	71	74	3	-1	4.2	-1.3
Private households	88	84	92	9	4	10.5	4.8
Unemployed	384	414	441	27	57	6.6	14.9
Not economically active	685	696	685	-11	0	-1.6	0.0
Discouraged work-seekers	81	82	70	-12	-11	-14.9	-13.6
Other(not economically active)	604	614	615	1	11	0.2	1.9
Rates (%)							
Unemployment rate	31.8	34.4	36.3	1.9	4.5		
Employed / population ratio (Absorption)	43.5	41.5	40.7	-0.8	-2.8		
Labour force participation rate	63.8	63.3	63.9	0.6	0.1		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

1.4.1. Employment in the Free State Province

As previously mentioned, Free State had 774 000 people employed in 2018:Q3. In the same quarter, the biggest employer in the province was the community and social services with 197 000 jobs, followed by the trade industry (141 000) as well as private households (92 000). In contrast, the utilities (water, gas and electricity) industry remains the smallest employer which has employed 11 000 individuals in the province, followed by mining (24 000) and transport (35 000).

Quarter-to-quarter, 14 000 jobs were lost in the province in 2018:Q3, and among the four industries which shed jobs, the highest reduction in employment was in trade (21 000), finance (13 000) and transport (7 000). Conversely, jobs were also gained in four industries, with the highest job gains recorded in construction (13 000), private households (9 000) and manufacturing (7 000).

The total number of employed persons decreased by 48 000 in 2018:Q3 compared to 2017:Q3, and as a result, the absorption rate contracted by 2.8 percentage points (see Table 4). The 48 000 jobs shed were mostly from the formal and informal sectors. Trade lost 37 000 jobs, followed by transport (16 000) as well as construction (9 000). Conversely, employment increased in manufacturing (11 000), mining (6000) as well as private households (4 000) over the reference period. Overall, more jobs were shed than gained in the province, which resulted in the contraction of total employment in the province by 5.8% on a yearly basis.

Table 5: Free State employment by industry

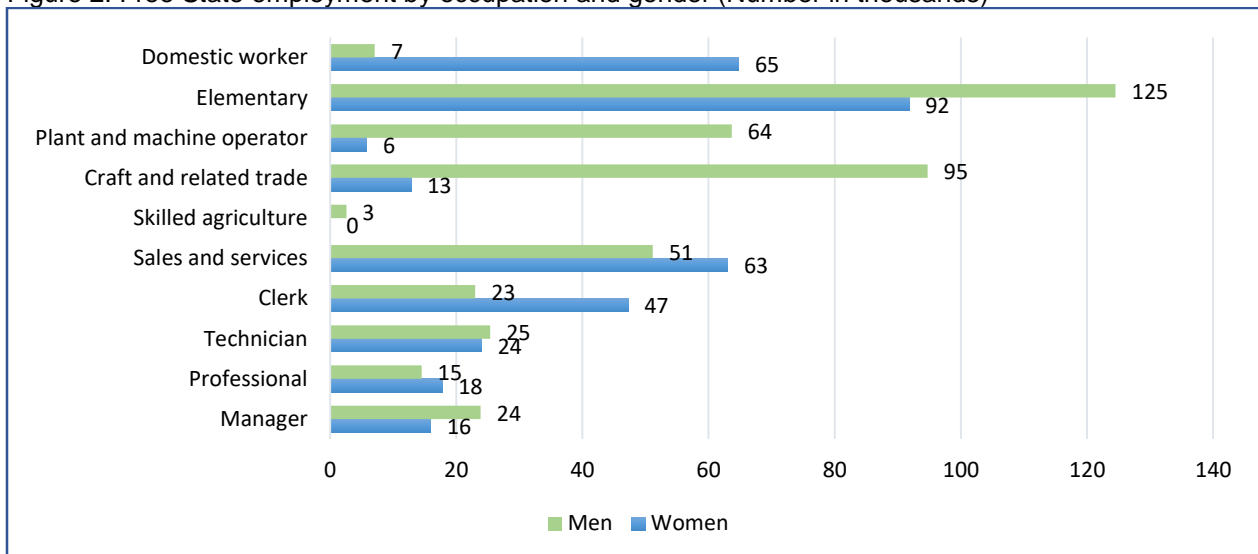
	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Industry	821	788	774	-14	-48	-1.8	-5.8
Agriculture	75	71	74	3	-1	4.2	-1.3
Mining	17	23	24	0	6	0.7	34.9
Manufacturing	55	58	65	7	11	12.3	20.0
Utilities	11	10	11	0	0	2.3	-2.1
Construction	73	51	64	13	-9	25.3	-12.5
Trade	178	162	141	-21	-37	-13.2	-20.7
Transport	51	41	35	-7	-16	-16.2	-31.7
Finance	75	84	71	-13	-4	-15.7	-5.7
Community and social services	198	202	197	-5	-1	-2.6	-0.6
Private households	88	84	92	9	4	10.5	4.8

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

Considering employment by occupation and 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 accessible in community and social services, trade and private households.

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

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



Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

Notably, less women are employed in the province than men. In 2018:Q3, the employment of both women and men reduced by 7 000 people in comparison to 2018:Q2. However more men (63 000) lost their jobs as compared to the same period last year while 16 000 women found employment over the same period. The increase in employment for women was mainly due to the upsurge in the number of domestic workers, clerks and elementary workers in the province. Meanwhile, the decline in men employment was mainly due to the contracted number of craft & related trade, plant & machine operator as well as sales & services occupations in 2018:Q3 compared to 2017:Q3.

1.4.2. Unemployment in the Free State Province

Table 6 illustrates the characteristics of the unemployed in the Free State province. The unemployed in the Free State rose on a year-on-year basis by 57 000 (or 14.9%) as well as on quarter-to-quarter basis by 27 000 (or 6.6%). On year-on-year basis, the increase was mainly driven by the addition of job losers (19 000) while on the quarter-to-quarter basis, the increase was mainly driven by the number of job leavers and new entrants (13 000 each). These job leavers include individuals who chose to follow spouses or partners across the country, stay home with children, change careers and go back to school.

What is important to note is that there are 441 000 unemployed people in the Free State in 2018:Q3. New Entrants and re-entrants collectively account for 177 000 or 40.1% of all unemployed people and are collectively in the majority. Job losers account for 142 000 or 32.2% whilst job leavers account for 30 000 or 6.8% of all unemployed people in the province. Therefore, the majority of unemployed individuals are people that need the economy and economic growth to accommodate them as entrants into the market. Also, much more needs to be done to also prevent job losses in the province, as stated by President Ramaphosa.

Table 6: Free State characteristics of the unemployed

	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Unemployed	384	414	441	27	57	6.6	14.9
Job losers	123	139	142	3	19	2.0	15.2
Job leavers	20	16	30	13	9	81.8	46.1
New entrants	152	157	169	13	17	8.1	11.1
Re-entrants	8	7	8	1	0	12.4	-0.8
Other	80	95	93	-2	12	-2.4	15.4

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

Table 7 depicts the *unemployment rate by age group* in the Free State, and suggests a high youth unemployment rate in the province. 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/ or 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 of the province is 36.3% in 2018:Q3, it is a daunting 66.4% among the youth aged 15 to 24 years and 43.0% among individuals aged 25 to 34 years.

Compared to 2018:Q2, the largest unemployment rate increase was documented amongst the 25 to 34 age cohort (3.1 percentage points), followed by the 15 to 24 age group (2.5 percentage points).

Table 7: Free State official unemployment rate by age group

Age categories	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change
	Per cent			Percentage change	
15-64 years	31.8	34.4	36.3	1.9	4.5
15-24 years	57.9	63.9	66.4	2.5	8.5
25-34 years	35.4	39.9	43.0	3.1	7.6
35-44 years	26.2	30.1	31.5	1.4	5.3
45-54 years	21.9	21.1	23.2	2.1	1.3
55-64 years	14.1	11.4	10.8	-0.6	-3.3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

Of the 441 000 unemployed people in the province, 274 000 are under the age of 35 which is equivalent to 62.1% of total unemployed people in the province. A worrying side-effect of youth unemployment is work experience. Some people who have never worked at all, or who have not worked for a long period of time have slight opportunities of getting a job, and some eventually give up. Several initiatives have been introduced to combat unemployment in the province.

To curb this challenge, Free State province has a training initiative which commenced in August 2018 and provides skills development to 1 500 unemployed individuals within three sectors; namely welding, mixed farming and building and civil construction. Furthermore, the Office of the Premier, through the Skills Development Unit, has implemented 7 programmes through the Services SETA, CathsSETA (*Culture, Arts, Tourism, Hospitality and Sport SETA*), merSETA (*Manufacturing, Engineering and Related Services SETA*), TETA (*Transport Education Training Authority*) and Construction SETA amounting to R41.169 million, focusing on work-integrated learning, internships and apprenticeships. 742 young people are beneficiaries of these programmes.

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 who lack the skills to improve their economic situation.

Compared to 2018:Q2, the number of people who are not in employment or education and training (NEET) in the Free State increased by 14 000 (from 765 000 to 779 000) in 2018:Q3. The 779 000 of NEET constitutes 41.0% of the province's working age population. Furthermore, 59.1% of the NEET are female, 94.2% are African and 50.2% are between the ages of 15 and 34 years.

The NEETs have increased by 1.9% in 2018:Q3 as compared to the previous quarter. This increase was mainly attributed to adults in comparison to the youth. In other words, 15 000 net adults became NEET together with 8 000 net youth.

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

	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand				Percent		
Both sexes	740	765	779	14	39	1.9	5.3
Women	456	451	462	11	6	2.4	1.3
Men	284	314	317	3	33	1.1	11.7
Age group	740	765	779	14	39	1.9	5.3
15-24 yrs	162	148	150	1	-12	1.0	-7.4
25-34 yrs	215	234	241	7	26	2.9	12.0
35-44 yrs	141	153	158	6	17	3.7	12.0
45-54 yrs	98	112	122	9	24	8.5	24.6
55-64 yrs	125	118	109	-9	-16	-7.8	-12.6
Population groups	740	765	779	14	39	1.9	5.3
Black/African	661	700	734	34	73	4.9	11.0
Coloured	27	25	18	-8	-10	-30.9	-35.5
Indian/Asian	6	5	0	-5	-6	-95.7	-96.8
White	45	35	27	-7	-18	-21.5	-39.6

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

There were approximately 391 000 young people aged between 15 and 34 years in the Free State who were NEET in 2018:Q3, compared to 389 000 adults. Therefore, the number of people who are NEET in the province are split roughly 50/50 between the youth and adults. However, young people are at a greater risk of falling into 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 which would them a better chance of finding a job as well as progressing up the career ladder.

Speaking during a Parliamentary session in August 2018, President Ramaphosa revealed that he wants to do away with certain job requirements that exclude young workers from the market due to “lack of experience” concerns. He alluded that bright young minds across South Africa are finishing matric or even walking away from university with degrees, only to be frozen out of employment due to these constraints. The President does not support these barriers and he has vowed to do something to allow youth the chance to work. Realistically, there are many graduates who are still unemployed and 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).

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

There are many reasons why an individual may be economically inactive, for example, they might be studying, looking after a family or due to disability; among other reasons. Roughly 36.1% 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 make up the top three reasons for economic inactivity in the province. In 2018:Q3, students accounted for 48.8% of the inactive population, while illness/disability and the home-makers accounted for 14.0% and 11.2% of the inactive population.

The NEA population of the province reduced by 11 000 (or 1.6%) between 2018:Q2 and 2018:Q3, mainly due to the declined of discouraged work seekers (12 000). However those not economically active remained constant between 2017:Q3 and 2018:Q3.

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

	Jul-Sep 2017	Apr-Jun 2018	Jul-Sep 2018	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Not economically active	685	696	685	-11	0	-1.6	0.0
Student	329	331	334	3	5	0.9	1.5
Home-maker	63	68	77	9	14	13.7	22.8
Illness/disability	99	99	96	-3	-3	-3.3	-3.5
Too old/young to work	78	74	69	-5	-9	-7.0	-11.5
Discouraged work seekers	81	82	70	-12	-11	-14.9	-13.6
Other	35	42	40	-2	5	-5.5	12.8

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

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

1.5 Conclusion

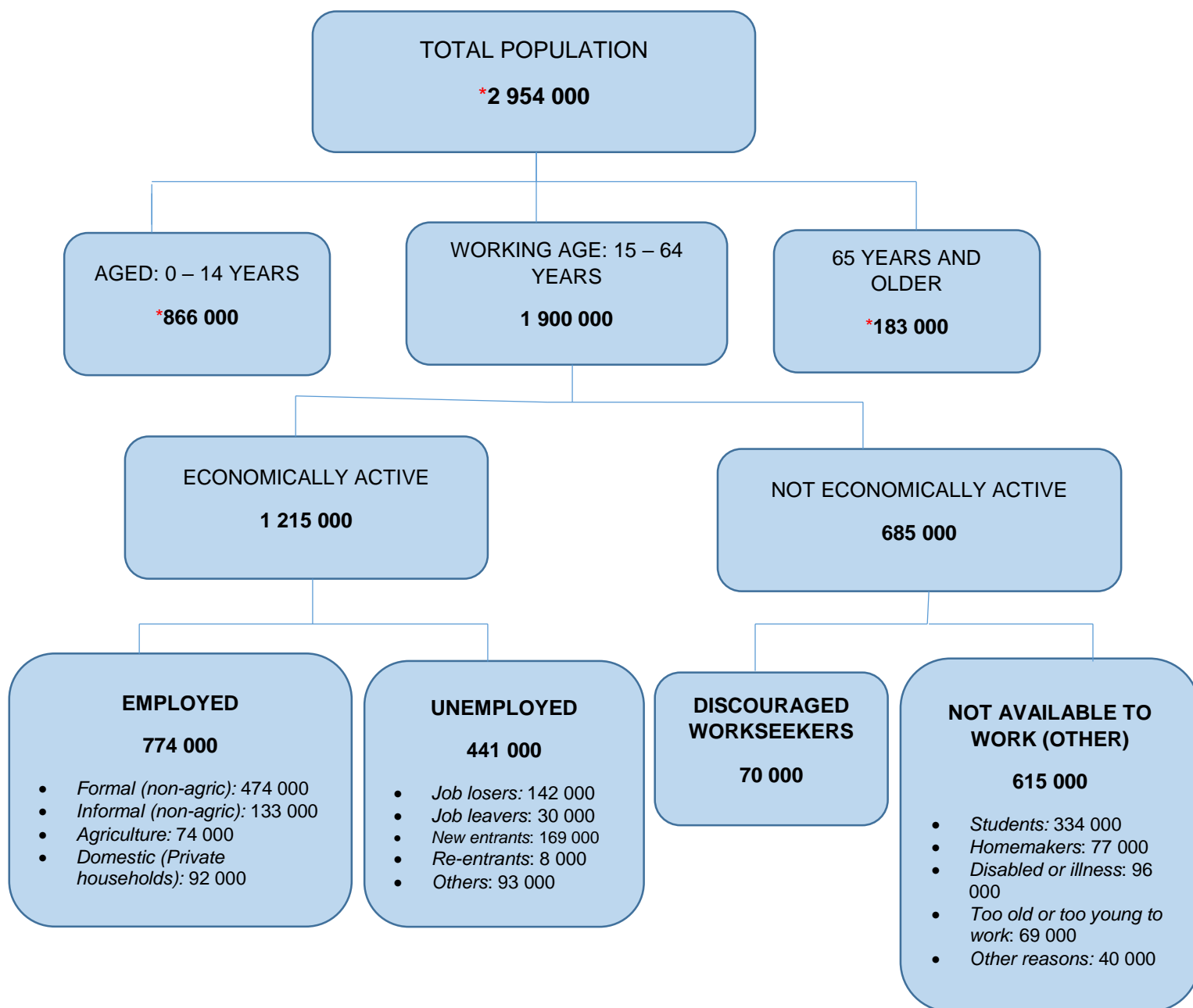
South Africa's official unemployment rate has increased from 27.2% in 2018:Q2 to 27.5% in 2018:Q3. Both the country's official and expanded unemployment rate increased over the same period, by 0.3 and 0.1 percentage point respectively. The creation of employment was realised only in the informal sector, with an increase of 189 000 jobs, while other sectors shed jobs. Informal sector is currently providing 3.0 million jobs to the South Africans.

The official unemployment rate of the Free State province has ballooned from 34.4% in 2018:Q2 to 36.3% in 2018:Q3. Similar to the national rates, both official and expanded unemployment rates rose by 1.9 and 1.4 percentage points respectively on a quarter-to-quarter basis. The province lost most jobs in trade (21 000), finance (13 000) and transport (7 000). Regrettably, the number of the unemployed people has been on the rise for the past five consecutive quarters. Collectively, entrants and re-entrants constitute the majority of the unemployed, followed by job losers. Therefore, President Ramaphosa's view of job creation and job retention are relevant for the province.

The creation of skills development in the province to support youth has come as an opportunity for some youth who had been afforded the chance in the training initiatives. At the end of the contract, these youth will have developed and refined their skills, and had gained valuable work experience, which increases their chances of obtaining a permanent job in the economy.

APPENDIX

Diagram 1: Summary of the Free State's labour market - 2018:Q3



Labour force participation rate = 63.9%

Absorption rate = 40.7%

Official unemployment rate = 36.3%

Expanded unemployment rate = 41.5%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018:Q3

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