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FREE STATE PROVINCE

# **FREE STATE PROVINCE QUARTERLY LABOUR MARKET REVIEW (QLMR)**

## **SECOND 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 remain unchanged at 29.1% in 2019:Q4, its highest level since the quarterly labour force survey began in 2008. Notably, for the first time in 11 years, the unemployment rate has not decreased in the fourth quarter. Compared to same period last year, unemployment rate is about 2.0 percentage points higher (year-on-year basis).
- Employment in South Africa increased by 45 000 (or 0.3%) in 2019:Q4. Formal sector and agricultural sector created 117 000 and 5 000 jobs respectively, while the informal sector shed 77 000 jobs and private households remained stable.
- The number of employed persons increased in five provinces between 2019:Q3 and 2019:Q4. The largest employment increases were recorded in North West (32 000), Gauteng (32 000) and Western Cape (24 000), while Limpopo (-35 000), Eastern Cape (-18 000), Free State (-10 000) and KwaZulu-Natal (-10 000) shed the most jobs in the same period.
- The Free State official unemployment rate increased by 0.5 percentage points from 34.5% in 2019:Q3 to 35.0% in 2019:Q4. The rate of unemployment amongst women increased by 0.2 percentage points, from 34.0% in 2019:Q3 to 34.2% in 2019:Q4, while unemployment among men also increased from 34.9% to 35.7%, which represent a 0.8 percentage point increase.
- Total employment in the Free State contracted by 1.2% between in 2019:Q3 and 2019:Q4. This contraction was due to the 21 000 jobs shed in the formal sector and 3 000 jobs in private households sector. However, agricultural and informal sectors created about 10 000 and 4 000 jobs, respectively.
- Seven of the ten industries in the Free State reported employment decline on quarter-to-quarter. Manufacturing, utilities, trade, transport, finance, community and social services and private households shed jobs, while agriculture, mining and construction created jobs in 2019:Q4.
- On employment by industry and gender in the Free State, more men (430 000) were employed relative to women (355 000) across major sectors. In 2019:Q4, female employment remained unchanged, while male employment decreased by 9 000 compared to the previous quarter. Year-on-year, the number of women in employment increased by 3 000, whereas the number of men in employment decreased by 24 000.
- The youth aged 15 to 34 years are the most vulnerable in the province's labour market with an official unemployment rate of 49.0% in 2019:Q4, which is 14 percentage points above the provincial rate (35.0%). The unemployment rate increased across all age categories except for the 35 to 44 and 45 to 54 years categories. The biggest increase was recorded among adults between 55 to 64 years age category with 4.6 percentage points.

## 1.1 Economic growth outlook in South Africa

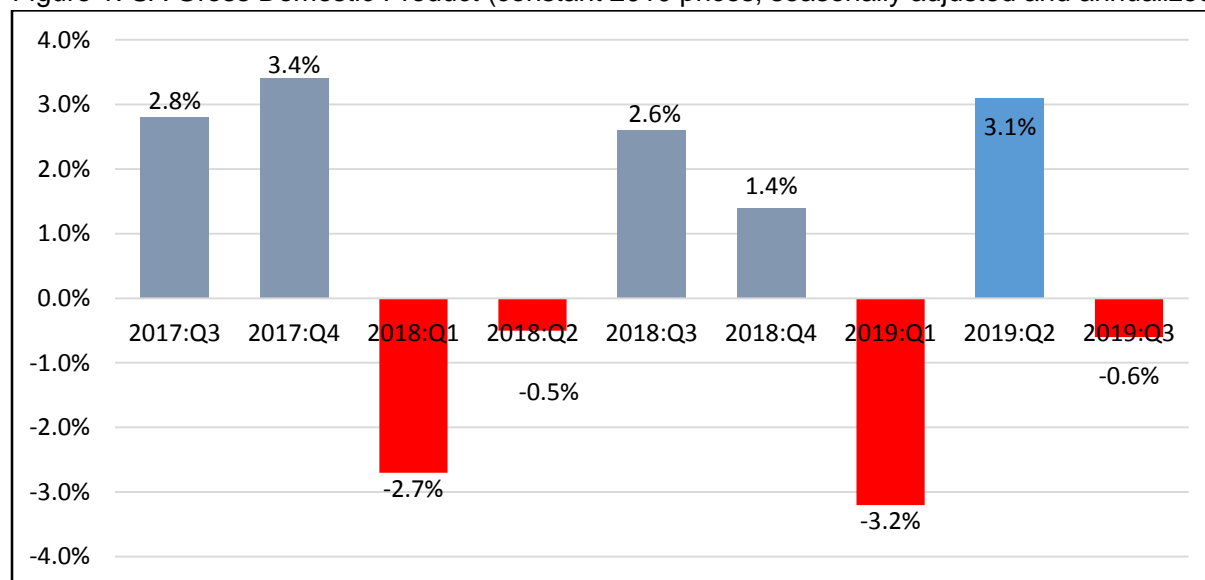
Trade policy uncertainty, geopolitical tensions, and distinctive stress in key emerging market economies continued to weigh on global economic activity, especially manufacturing and trade, in the second half of 2019. These tensions have led to downward revision of global growth to an estimated 2.9% in 2019, 3.3% in 2020 and 3.4% for 2021. Compared to the October 2019 WEO forecast, the estimate for 2019 and the projection for 2020 represent 0.1 and 0.2 percentage point reductions, respectively.

Across advanced economies, growth is projected to stabilize at 1.6% in 2020 and 2021. Amongst other reasons, the growth forecast assumes an orderly exit from the European Union at the end of January 2020, followed by a gradual transition to a new economic relationship in the UK. For the emerging market and developing economy, growth is expected to increase to 4.4% in 2020 and 4.6% in 2021 from an estimated 3.7% in 2019. This is due to a combination of projected recovery from deep downturns for stressed and underperforming emerging market economies and an ongoing structural slowdown in China.

In Sub-Saharan Africa, growth is expected to strengthen to 3.5% in 2020 to 2021 (from 3.3% in 2019). This reflects downward revisions for South Africa (where structural constraints and deteriorating public finances are holding back business confidence and private investment) and for Ethiopia (where public sector consolidation, needed to contain debt vulnerabilities, is expected to weigh on growth).

Meanwhile, South African gross domestic product (GDP) decreased by 0.6% in 2019:Q3, following an increase of 3.1% in 2019:Q2. This setback was followed by weak manufacturing and mining production, unfavourable retail turnovers, insufficient new vehicle sales as well as continued low business confidence (Statistics SA, 2019). These trends suggest that SA will struggle to even reach the previously revised forecasts of 0.5% growth for 2019.

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



Source: Statistics South Africa, Gross Domestic Product, 2019:Q3

This negative growth is underpinned by massive decline of productive sectors such as mining (6.1%), transport (5.4%) and manufacturing (3.9%). Growth at these low levels is widely recognised as completely inadequate, if SA is to successfully meet the overarching challenge of unemployment, hence the high unemployment rate of 29.1% still persists.

On the contrary, trade, finance, and general government contributed positively to GDP growth in 2019:Q3. Trade and general government individually contributed 0.4 of a percentage point, while finance industry contributed 0.3 of a percentage point.

With the present and future impact of the renewed Eskom load-shedding, economic growth forecasts are being reduced all round. Indeed, some economists even believe that the SA economy may well again would have swung into a technical recession.

## 1.2 South Africa's Labour Market Overview

In comparison to 2019:Q3, South Africa's unemployment rate remained stable at 29.1% in 2019:Q4, its highest level since comparable data began in 2008:Q1. For the first time since 2008, the QLFS also did not see a decline in the unemployment rate in the fourth quarter; a quarter historically associated with an increase in temporary jobs in the trade sector. In the past this sector has provided a temporary boost to jobs during the fourth quarter as it gears up for the festive season.

Table 1: South Africa labour market at a glance

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 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>38134</b>	<b>38 582</b>	<b>38 727</b>	<b>145</b>	<b>594</b>	<b>0.4</b>	<b>1.6</b>
<b>Labour Force</b>	<b>22 668</b>	<b>23 109</b>	<b>23 146</b>	<b>38</b>	<b>478</b>	<b>0.2</b>	<b>2.1</b>
<b>Employed</b>	<b>16 529</b>	<b>16 375</b>	<b>16 420</b>	<b>45</b>	<b>-108</b>	<b>0.3</b>	<b>-0.7</b>
Formal sector (Non-agricultural)	11 346	11 214	11 331	117	-15	1.0	-0.1
Informal sector (Non-agricultural)	3 001	2 995	2 918	-77	-83	-2.6	-2.8
Agriculture	849	880	885	5	36	0.6	4.2
Private households	1 332	1 286	1 286	0	-46	0.0	-3.5
<b>Unemployed</b>	<b>6 139</b>	<b>6 734</b>	<b>6 726</b>	<b>-8</b>	<b>587</b>	<b>-0.1</b>	<b>9.6</b>
<b>Not economically active</b>	<b>15 466</b>	<b>15 474</b>	<b>15 581</b>	<b>107</b>	<b>115</b>	<b>0.7</b>	<b>0.7</b>
Discouraged work-seekers	2 841	2 793	2 855	62	14	2.2	0.5
Other(not economically active)	12 625	12 681	12 726	45	101	0.4	0.8
<b>Rates (%)</b>							
Unemployment rate	27.1	29.1	29.1	0.0	2.0		
Employed / population ratio (Absorption)	43.3	42.4	42.4	0.0	-0.9		
Labour force participation rate	59.4	59.9	59.8	-0.1	0.4		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

As can be seen in Table 1, the working-age population increased by 145 000 (or 0.4%) in 2019:Q4 compared to 2019:Q3. The number of employed persons increased by 45 000 (or 0.3%), while the number of unemployed persons decreased by 8 000 (or 0.1%), resulting in an increase of 38 000

(0.2%) in the number of people in the labour force under the review period. This led to both the unemployment rate and employment (absorption) rate to remain unchanged, while the labour force participation rate declined by 0.1% compared to 2019:Q3.

Regrettably, the employment growth is now dropping in the (non-agricultural) informal sector, which employed 2.8% fewer people than a year before. For the past three years, informal employment growth outpaced job growth in the formal sector. It is also disconcerting that the traditional increase in temporary employment during December did not materialise.

### 1.3 Cross-Provincial Labour Market Performance

The low growth rate of employment in South Africa is recognized across all provinces, as among the most serious issues facing the country. The overall goal of the country is to create opportunities for people to obtain decent and productive work. On the other hand, stability and security of work have become an ever more important concern in the light of retrenchments and closing down of institutions, together with the impact of the economic situation.

#### 1.3.1. Employment Levels

Between 2019:Q3 and 2019:Q4, employment growth increased in five of the nine provinces (see Table 2). South Africa created a total of 45 000 jobs in the last quarter. The highest employment gains were recorded in North West (32 000), Gauteng (32 000) and Western Cape with 24 000 jobs. Conversely, four provinces shed jobs, namely; Limpopo (35 000), Eastern Cape (18 000) and Free State and KwaZulu-Natal with 10 000 jobs each, during the same period.

Compared to 2018:Q4, employment was shed in five out of the nine provinces to a total of 109 000. The highest employment declines were recorded in Limpopo (77 000), Gauteng (65 000) and Free State (21 000). Conversely, four provinces had created employment, namely; North West (19 000), KwaZulu-Natal (16 000) and Northern Cape with 13 000 jobs.

Table 2: Employment by province

Province	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
<b>South Africa</b>	<b>16 529</b>	<b>16 375</b>	<b>16 420</b>	<b>45</b>	<b>-109</b>	<b>0.3</b>	<b>-0.7</b>
Western Cape	2 520	2 494	2 518	24	-2	1.0	-0.1
Eastern Cape	1 375	1 402	1 384	-18	9	-1.3	0.7
Northern Cape	322	322	335	13	13	4.0	4.0
<b>Free State</b>	<b>806</b>	<b>795</b>	<b>785</b>	<b>-10</b>	<b>-21</b>	<b>-1.3</b>	<b>-2.6</b>
KwaZulu-Natal	2 648	2 674	2 664	-10	16	-0.4	0.6
North West	973	960	992	32	19	3.3	2.0
Gauteng	5 163	5 066	5 098	32	-65	0.6	-1.3
Mpumalanga	1 245	1 233	1 244	11	-1	0.9	-0.1
Limpopo	1 477	1 435	1 400	-35	-77	-2.4	-5.2

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

### 1.3.2. Unemployment Rate

During 2019:Q4, South Africa's sputtering economy failed to produce any meaningful employment opportunities, with the unemployment rate remaining the same at 29.1%. The quarterly increases in the official unemployment rate were observed in three out of the nine provinces; namely, Eastern Cape Limpopo and Free State, increasing by 3.0, 1.7 and 0.5 percentage points, respectively. The highest reduction in the official unemployment rate among provinces was experienced in Northern Cape, Mpumalanga and North West with -2.9, -1.7 and -1.6 percentage points respectively. Eastern Cape has the highest official unemployment rate in the country nearing 40%, followed by Free State at 35.0%.

In comparison to the same period last year, the national official unemployment rate increased by 2.0 percentage point. During this period, the official unemployment rate rose in all provinces, except in KwaZulu-Natal. Official unemployment rate of Limpopo increased the most over this period, by 6.6 percentage points, followed by Eastern Cape (3.4 percentage points) and North West (2.2 percentage point). Contrariwise, only KwaZulu-Natal recorded a decline of 0.6 percentage points in 2019:Q4.

By including discouraged work seekers in the reported unemployment rate, the national expanded unemployment rate increased by 0.2 percentage point to 38.7% between 2019:Q3 and 2019:Q4. During the same period, the expanded unemployment rate increased in four provinces, with a largest increase of 2.1 percentage point recorded in Limpopo, followed by Eastern Cape (1.2 percentage points) and KwaZulu-Natal (0.5 of a percentage point). Contrariwise, Northern Cape, North West and Western Cape recorded declines of 3.8, 2.1 and 0.4 percentage points respectively.

On a year-on-year basis, the expanded unemployment rate surged nationally by 1.7 percentage point, due to the persistent rise in unemployment growth rate recorded in all provinces.

Table 3: Unemployment rates by province

Province	Official unemployment rate					Expanded unemployment rate				
	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change
	Per cent		Percentage points			Per cent		Percentage points		
<b>South Africa</b>	<b>27.1</b>	<b>29.1</b>	<b>29.1</b>	<b>0.0</b>	<b>2.0</b>	<b>37.0</b>	<b>38.5</b>	<b>38.7</b>	<b>0.2</b>	<b>1.7</b>
Western Cape	19.3	21.5	20.9	-0.6	1.6	23.1	24.5	24.1	-0.4	1.0
Eastern Cape	36.1	36.5	39.5	3.0	3.4	46.8	46.5	47.7	1.2	0.9
Northern Cape	25.0	29.8	26.9	-2.9	1.9	38.6	43.0	39.2	-3.8	0.6
<b>Free State</b>	<b>32.9</b>	<b>34.5</b>	<b>35.0</b>	<b>0.5</b>	<b>2.1</b>	<b>39.3</b>	<b>42.5</b>	<b>42.3</b>	<b>-0.2</b>	<b>3.0</b>
KwaZulu-Natal	25.6	25.9	25.0	-0.9	-0.6	41.3	41.4	41.9	0.5	0.6
North West	26.6	30.4	28.8	-1.6	2.2	42.9	45.1	43.0	-2.1	0.1
Gauteng	29.0	31.0	30.8	-0.2	1.8	33.6	35.1	35.3	0.2	1.7
Mpumalanga	32.0	35.3	33.6	-1.7	1.6	41.1	43.9	43.8	-0.1	2.7
Limpopo	16.5	21.4	23.1	1.7	6.6	38.8	41.9	44.0	2.1	5.2

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4



## 1.4 Decomposition of the Free State Labour Market

Employment opportunities in Free State, like other provinces, have been affected by the national economic challenges. This is clearly seen in many of the employment opportunity-related sectors. These sectors show overall a worsening situation in terms of employment creation despite the booming festive season.

The Free State labour force is currently at 1.2 million, and represents a decrease of 5 000 people between 2019:Q3 and 2019:Q4. Within the labour force, the number of the unemployed increased by 4 000 people (from 419 000 to 423 000), whilst the number of the employed decreased by 10 000 (from 795 000 to 785 000) in 2019:Q4. This translates into an official unemployment rate of 35.0%, 41.1% employment rate (absorption rate) and 63.2% labour force participation rate for the Free State.

As illustrated in Table 4, the *not economically active population (NEA)* in Free State grew by 1.2% in 2019:Q4, which translates to 8 000 more inactive population in the province. This addition in the inactive population was prompted by an increase in the *other* activities, which increased by 27 000 (or 4.8%) in 2019:Q4 compared to 2019:Q3.

Compared to 2018:Q4, the provincial labour force increased by about 6 000 workers. At the same time, the province's unemployment level increased by 27 000 (or 6.8%), while the number of the employed decreased by 21 000 workers (or 2.6%).

Table 4: Free State labour force characteristics

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 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>1 902</b>	<b>1 908</b>	<b>1 910</b>	<b>2</b>	<b>8</b>	<b>0.1</b>	<b>0.4</b>
<b>Labour Force</b>	<b>1 202</b>	<b>1 213</b>	<b>1 208</b>	<b>-5</b>	<b>6</b>	<b>-0.4</b>	<b>0.5</b>
<b>Employed</b>	806	795	785	<b>-10</b>	<b>-21</b>	<b>-1.3</b>	<b>-2.6</b>
Formal sector (Non-agricultural)	519	511	490	-21	-29	-4.0	-5.7
Informal sector (Non-agricultural)	134	128	132	4	-2	3.1	-1.3
Agriculture	57	56	66	10	9	17.9	16.3
Private households	96	100	97	-3	1	-3.0	0.6
<b>Unemployed</b>	<b>396</b>	<b>419</b>	<b>423</b>	<b>4</b>	<b>27</b>	<b>1.0</b>	<b>6.8</b>
<b>Not economically active</b>	699	694	702	<b>8</b>	<b>3</b>	<b>1.2</b>	<b>0.4</b>
Discouraged work-seekers	91	132	112	-20	21	-15.2	23.7
Other(not economically active)	609	563	590	27	-19	4.8	-3.1
<b>Rates (%)</b>							
Unemployment rate	32.9	34.5	35.0	0.5	2.1		
Employed / population ratio (Absorption)	42.4	41.7	41.1	-0.6	-1.3		
Labour force participation rate	63.2	63.6	63.2	-0.4	0.0		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

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

Free State Province had about 785 000 people employed in 2019:Q4. The total number of employed persons decreased by 10 000 in 2019:Q4 compared to 2019:Q3. As a result, the absorption rate fell by 0.6 percentage point. A significant number of jobs amounting to 21 000, were shed in the formal sector, while only 3 000 jobs were shed in the private households sector. However, about 10 000 plus 4 000 jobs were created in the agricultural and informal sectors, respectively.

On year-on-year basis, roughly 21 000 jobs were shed in the Free State, where the main contributor of the job loss was the formal sector that shed about 29 000 jobs, whilst the informal sector shed 2 000 jobs.

The biggest employer in the province in the fourth quarter of 2019 was still the community and social services with 201 000 jobs, followed by trade industry (161 000) as well as private households (97 000). The utilities (water, gas and electricity) industry remain the smallest employer which employed 9 000 people in the province, followed by mining (17 000) and transport (34 000).

Based on a quarter to quarter analysis, the largest losses in employment were recorded in trade (18 000), transport (6 000), as well as community and social services (5 000). Conversely, construction created about 20 000 jobs, followed by agriculture (10 000) as well as mining (2 000).

Looking at year-on-year, the highest employment losses were recorded in community and social services, manufacturing and finance with 18 000, 15 000 and 12 000 jobs respectively. Meanwhile, most jobs were gained in trade (21 000), construction as well as agriculture (with 9 000 jobs, individually).

Table 5: Free State employment by industry/sector

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
<b>Industry</b>	<b>806</b>	<b>795</b>	<b>785</b>	<b>-10</b>	<b>-21</b>	<b>-1.3</b>	<b>-2.6</b>
Agriculture	57	56	66	10	9	17.5	16.0
Mining	24	15	17	2	-8	11.6	-31.1
Manufacturing	71	59	55	-4	-15	-6.1	-21.5
Utilities	10	10	9	-1	-2	-12.3	-16.2
Construction	58	46	66	20	9	44.1	15.2
Trade	140	179	161	-18	21	-10.1	14.8
Transport	40	40	34	-6	-6	-15.3	-15.9
Finance	91	83	79	-4	-12	-4.7	-13.0
Community and social services	219	206	201	-5	-18	-2.7	-8.4
Private households	96	100	97	-3	1	-2.5	1.1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

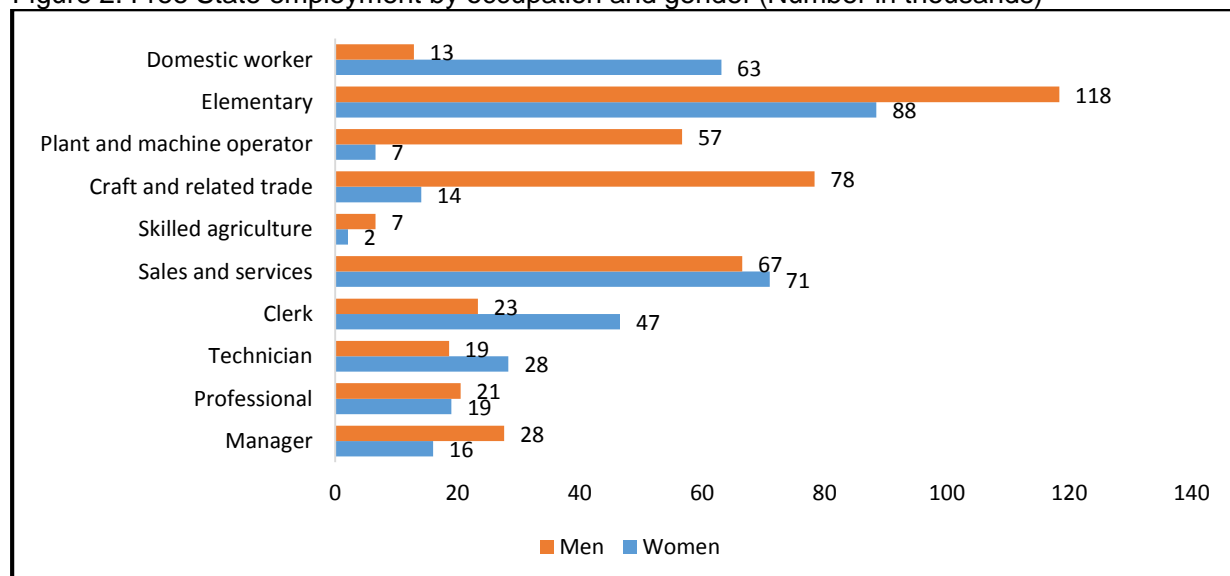
Figure 2 represents employment by gender and occupation in 2019:Q4. Women are dominant in four occupations (technical, clerical, sales & services and domestic), while men lead the five occupations (manager, professional, skilled agriculture, craft & related trade, plant & machine operator and elementary) in the province.

About 151 000 women were employed in the domestic and elementary occupations relative to 131 000 men who were employed in the same occupations. Women are more likely than men to work in low-paid sectors, but even in roles dominated by women such as education, health and social work, they often earn less. The gender wage gap can be attributed to the fact that women work different jobs than men do. Women are likely to be at the low end level whilst men are at high end level. Gender inequality is a major hurdle, but the country is making all the efforts to move in the right direction.

Notably, less women are employed in the province than men. In 2019:Q4, the employment of women remained unchanged, while men employment declined by about 10 000 people in comparison to 2019:Q3. Currently, employment amongst women stands at 355 000, whereas employment amongst men is at 430 000. For both women and men, the provincial unemployment rate is increasing. However, women are, on average, less likely to participate in the labor force than men. Despite an increase of women pursuing higher education, there is a gender gap in employment rates. Another factor could be that, unpaid caregiving responsibilities can prevent paid employment opportunities, and this disproportionally falls to women. Also, informal employment, lower levels of labor force participation, gender pay gaps, and interrupted careers contributes to women's lack of access to social protections like pensions, which leads to higher rates of poverty among older women as compared to older men.

The current provincial labour force participation rate for women is about 56.5%, whereas the same indicator for men is roughly 70.0%, even though, the working population of women (955 000) and men (954 000) are almost the same. However, the province also has a higher number of women who are NEA and consisting of discouraged work seekers relative to men. In this regard, women should be empowered and encouraged to be economically active. Empowered women will lead to more efficient use of the province's human talent endowment, and reducing gender inequality which will enhance productivity and economic growth.

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



Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

### 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 4 000 (or 0.9%). Year-on-year, unemployment increased by 27 000 (6.7%), which was mainly driven by job losers. Losing the job and entering the labour market for the first time, are the main reasons of unemployment challenges in the country, and Free State as well.

Table 6: Free State characteristics of the unemployed

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
<b>Unemployed</b>	<b>396</b>	<b>419</b>	<b>423</b>	<b>4</b>	<b>27</b>	<b>0.9</b>	<b>6.7</b>
Job losers	119	142	151	9	32	6.1	27.1
Job leavers	23	30	22	-8	-1	-26.5	-5.0
New entrants	159	142	140	-2	-19	-1.4	-11.8
Re-entrants	3	13	8	-5	5	-42.2	150.8
Other	92	92	102	10	10	11.3	10.8

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

Table 7 depict the *unemployment rate by age group* in the Free State. Out of the 423 000 unemployed people in the province, 281 000 are under the age of 35 years, which is equivalent to 66.5% (majority) of the unemployed population. This labour data shows that the province is facing the undesirable problem of a stubbornly high youth unemployment rate due to the lack of required qualifications and desired work experience required by employers. Additionally, this high youth unemployment rate could lead to social exclusion and unrest. Investing in decent job creation however, as well as in education and training opportunities for the youth, will assist them find their place and contribute to economic growth and more prosperous and stable societies.

While the overall unemployment rate in the province is 35.0%, unemployment among the youth (15-24 years) remain the highest at about 61.9%. This is followed by 45.2% of population in the 25-34 years age category who are unemployed. Thus, it is probable to conclude that 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).

Some of the initiatives by government to uplift the youth include the implementation of the Presidential Youth Employment Intervention. This initiative has six priority actions over the next five years to reduce youth unemployment. (1) Creating pathways for young people into the economy. (2) Providing shorter, more flexible courses in specific skills that employers in fast-growing sectors need. (3) Developing new and innovative ways to support youth entrepreneurship and self-employment. (4) Scaling up the Youth Employment Service and working with TVET colleges and the private sector to ensure that more learners receive practical experience in the workplace to complete their training. (5) Establishing the first cohort of a Presidential Youth Service Programme that will contributing to nation building. (6) Lead a youth employment initiative which will be funded by setting aside 1% of the budget to deal with the high levels of youth unemployment (SONA 2020). This will address the national crisis of youth unemployment and improve the situation.

Compared to the previous quarter, official unemployment rate increased marginally by 0.5 of a percentage point in the Free State province. The rate increased across all age categories, except for the 35-44 and 45-54 year olds. The largest increase was observed in the age cohort 55-64 years, which recorded a 4.6 percentage points in 2019:Q4, followed by the cohort 15-24 years (2.6 percentage point) and 25-34 years (2.1 percentage point). The rate significantly declined in the age co-cohort of 45-54 years by 3.1 percentage points indicating that this group has either found the employment or are now not economically active.

Table 7: Free State official unemployment rate by age group

Age categories	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change
	Per cent			Percentage change	
15-64 years	32.9	34.5	35.0	0.5	2.1
15-24 years	64.5	59.3	61.9	2.6	-2.6
25-34 years	39.6	43.1	45.2	2.1	5.6
35-44 years	27.7	27.0	25.9	-1.1	-1.8
45-54 years	19.7	24.1	21.0	-3.1	1.3
55-64 years	12.3	10.0	14.6	4.6	2.3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

Equally important, lower education attainment has a substantial impact on unemployment in the Free State province. About 61.9% of the unemployed population has lower than secondary education. Out of 423 000 unemployed population in 2019:Q4, about 4 000 had *no schooling*, 23 000 had *less than primary completed*, 22 000 had *primary completed*, and 213 000 had *secondary not completed*. Those with post-secondary (*tertiary* education) amounted to 25 000 in 2019:Q4.

Table 8: Highest level of education of the unemployed

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
Highest level of education of the unemployed	396	419	423	4	27	1.0	6.7
No schooling	7	2	4	2	-4	80.2	-48.8
Less than primary completed	28	25	23	-2	-5	-8.3	-17.9
Primary completed	18	22	22	1	4	2.4	23.8
Secondary not completed	192	226	213	-14	21	-6.0	10.7
Secondary completed	134	123	137	13	3	10.6	2.1
Tertiary	15	18	25	6	9	35.7	61.9
Other	2	2		-2	-2		0.0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

Educational attainment is frequently used as a measure of the skills available in the population and the labour force. The gap between the two categories of pre-secondary and post-secondary is significant. About 61.9% of the unemployed in the province have pre-secondary education, while about 38.1% have post-secondary education. Due to the technological advances and economic paradigm that have been transforming the needs of the labour market, people with higher or specific skills are in strong demand.

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

There are many challenges associated with being NEET. There is a lack of employment opportunities across the country and some cannot afford university or failure to succeed in education system (drop-outs).

In comparison to 2019:Q3, the number of people “*not in employment or education and training*” (NEET) in the Free State declined by 4 000 (from 809 000 to 805 000) in 2019:Q4. The 805 000 of the NEET cohort constituted 42.1% of the province’s working age population, of which 54.2% of them were female, 92.7% were African and 51.5% were between the ages of 15 and 34 years.

There were approximately 415 000 young people aged between 15 and 34 years in the Free State considered as NEET in 2019:Q4, with 153 000 aged 15 to 24 years and 262 000 aged 25 to 34 years.

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

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 2019	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent	
<b>Both sexes</b>	<b>760</b>	<b>809</b>	<b>805</b>	<b>-4</b>	<b>44</b>	<b>-0.5</b>	<b>5.9</b>
Women	449	450	436	-14	-13	-3.1	-2.9
Men	311	359	369	10	58	2.7	18.5
<b>Age group</b>	<b>760</b>	<b>809</b>	<b>805</b>	<b>-4</b>	<b>44</b>	<b>-0.5</b>	<b>5.9</b>
15-24 years	144	144	153	9	9	6.3	6.2
25-34 years	245	275	262	-13	16	-4.8	6.7
35-44 years	145	157	148	-9	3	-5.8	2.4
45-54 years	114	117	119	2	5	1.9	4.1
55-64 years	112	116	123	7	11	6.1	9.9
<b>Population groups</b>	<b>760</b>	<b>809</b>	<b>805</b>	<b>-4</b>	<b>44</b>	<b>-0.5</b>	<b>5.9</b>
Black/African	727	769	746	-23	20	-2.9	2.7
Coloured	10	18	25	7	15	39.4	151.1
Indian/Asian	0	0	0		0		0.0
White	24	22	33	11	9	50.1	37.6

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

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

Roughly 36.7% of the working age population in the province are economically inactive. Students, the ill/disabled and discouraged job-seekers made up the top three reasons for economic inactivity in the province. In 2019:Q4, students accounted for 44.7% of the inactive population, while illness/disability and discouraged work seekers accounted for 14.7% and 15.9% of the inactive population.

The NEA population of the province increased by 8 000 (or 1.1%) between 2019:Q4 and 2019:Q3, mainly due to the increase of students and *other* (not economically active). On a year-on-year basis, the NEA population increased by 2 000 (or 0.3%), mainly due to the discouraged workers, who increased by 21 000 (or 23.4%).

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

	Oct-Dec 2018	Jul-Sep 2019	Oct-Dec 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>699</b>	<b>694</b>	<b>702</b>	<b>8</b>	<b>2</b>	<b>1.1</b>	<b>0.3</b>
Student	332	299	314	15	-18	5.0	-5.4
Home-maker	75	64	65	1	-11	0.9	-14.0
Illness/disability	101	103	103	0	2	0.1	1.6
Too old/young to work	70	67	69	2	-1	2.9	-1.0
Discouraged work seekers	91	132	112	-20	21	-15.4	23.4
Other	31	29	40	11	9	36.7	28.7

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4

## 1.5 Concluding Remarks

The rate of unemployment in South Africa remained unchanged at 29.1% in 2019:Q4. Across the nine provinces, Western Cape recorded the lowest unemployment rate of about 20.9%, followed by Limpopo at 23.1% and KwaZulu-Natal at 25.0%. The Eastern Cape had the highest provincial unemployment rate at 39.5% in 2019:Q4, followed by Free State at 35.0% and Mpumalanga at 33.6%.

Notably, in the Free State province, youth unemployment is at an undesirable level, as unemployment rate between the ages of 15 and 24 stands at 61.9% and 45.2% for the age group between the ages of 25 and 34. The number of the unemployed increased by 4 000 (from 419 000 to 423 000) and the number of the employed in Free State decreased by 10 000 (from 795 000 to 785 000) in 2019:Q4. Jobs were shed mostly in the formal sector by -4.0%, from 511 000 to 490 000.

## 1.6 Policy imperatives

These are some of the broad recommendations on which better economic prospects and employment creation might be built in 2020:

- A greater sense of urgency is generally required in official decision-making, especially about Eskom. Although several reform policies and new projects have been announced, a much greater sense of urgency is generally required in official decision-making. Pro-growth reforms must be expedited for SA to break out of its current low growth trap. The possibility of more Eskom load shedding in particular continues to pose a serious threat to SA's economic performance. Security of electricity supply remains an urgent and immediate priority for the economy and business confidence. If national challenges are taken care of, automatically the provincial constraints will be overcome.
- The dependency of state-owned enterprises (SOEs) on government funding and bailouts must be drastically curbed. The mounting levels of overall public debt need to be steadily wound down.
- An intensive collaborative effort between the public and private sectors continues to be required to help overcome entrenched constraints on growth and reform. Not government, nor business, or labour can tackle this on their own.

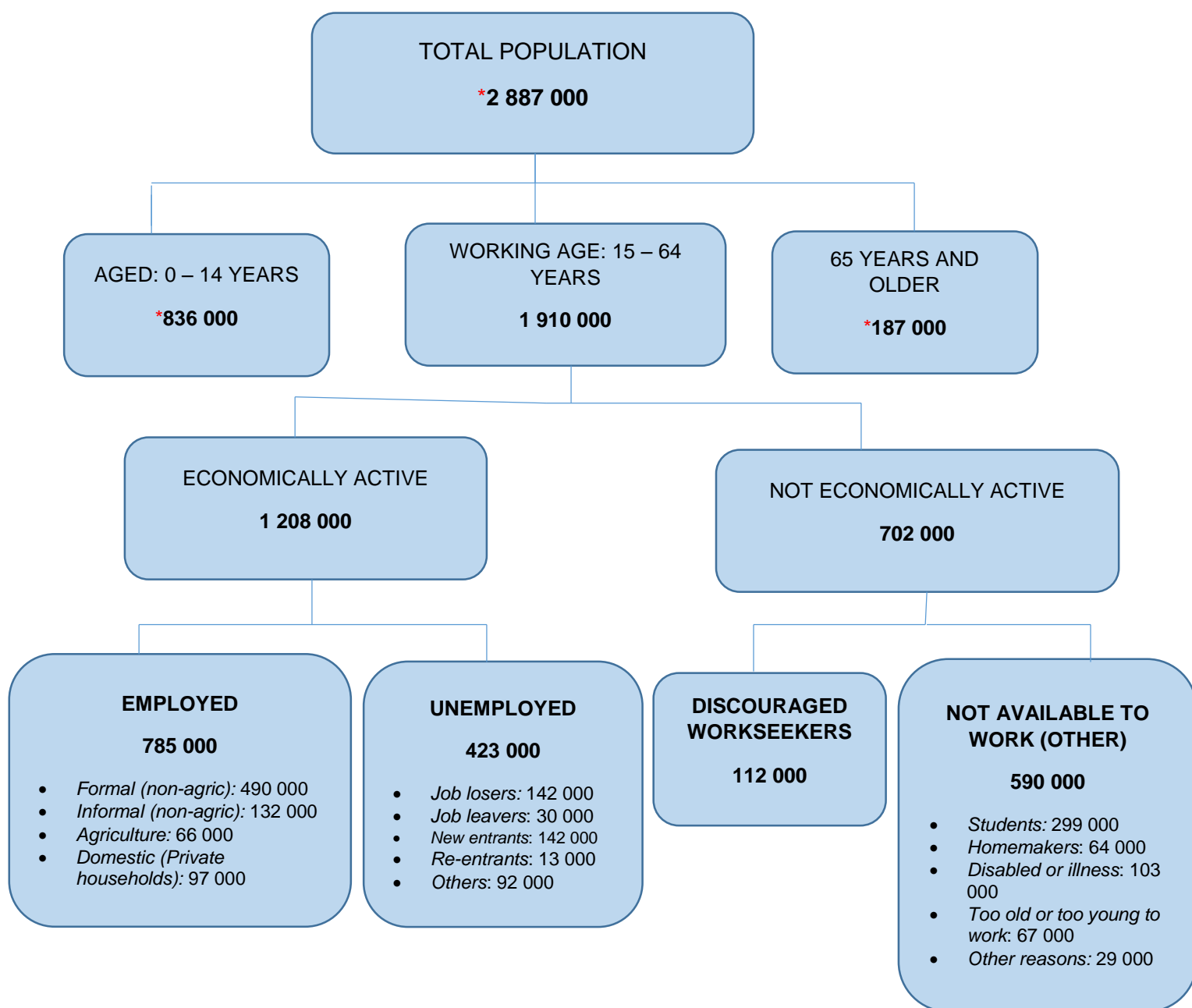
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## APPENDIX

**Diagram 1: Summary of the Free State's labour market - 2019:Q4**



Labour force participation rate = 63.2%

Absorption rate = 41.1%

Official unemployment rate = 35.0%

Expanded unemployment rate = 42.3%

*Source: Statistics South Africa, Quarterly Labour Force Survey, 2019:Q4*

*Note: (\*) Mid-year population estimates, July 2019 (Note: Mid-year population estimates figures do not correspond to QLFS figures (Working age population))*