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The Eastern Cape labour market at a glance: 2014 (Quarter 2) Fact Sheet

Key Terms

Official unemployment: the unemployed are defined as working-age individuals who wanted work and looked for employment. Those that wanted work but did not take any steps to look for employment (sometimes referred to as 'discouraged workers') are classified as economically inactive according to this definition.

$$\text{Official unemployment rate} = \frac{\text{searching unemployed}}{\text{employed} + \text{searching unemployed}}$$

Expanded unemployment: the unemployed under the expanded definition includes all of the officially unemployed as well as those who wanted work but did not look for it. This is the preferred measure of unemployment given the available evidence that the non-searching unemployed are likely to be involuntarily unemployed.

$$\text{Expanded unemployment rate} = \frac{\text{searching unemployed} + \text{nonsearching unemployed}}{\text{employed} + \text{searching unemployed} + \text{nonsearching unemployed}}$$

Labour force participation rate: the percentage of the total working age population (or the specified age group) that is economically active (i.e. employed or unemployed).

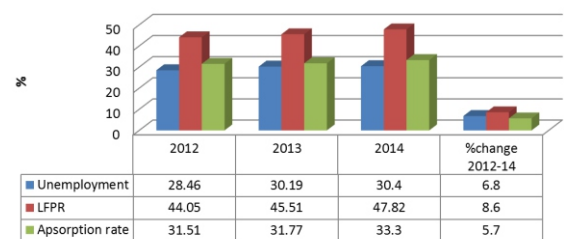
Absorption rate: the percentage of the total working age population (or the specified age group) that is employed.

QLFSs: Quarterly Labour Force Surveys undertaken every three months by Statistics South Africa

Trends in unemployment, labour force participation and employment

Between the 2nd quarter of 2012 and the 2nd quarter of 2014, the official unemployment rate in the province increased from 28.5% to 30.4%. In other words, unemployment increased by about 7% over this short period. At the same time, the percentage of the province's total working age population that was employed (the absorption rate) also increased. Overall, however, the growth (8.6%) in the number and percentage of the population that was looking for work was even higher.

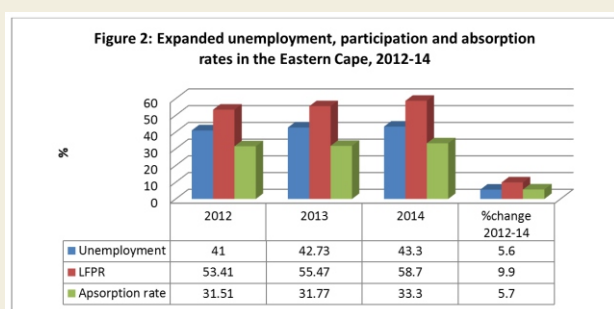
Figure 1: Official unemployment, participation and absorption rates in the Eastern Cape, 2012-2014



Source: QLFS 2012(2), QLFS 2013(2), QLFS 2014(2)

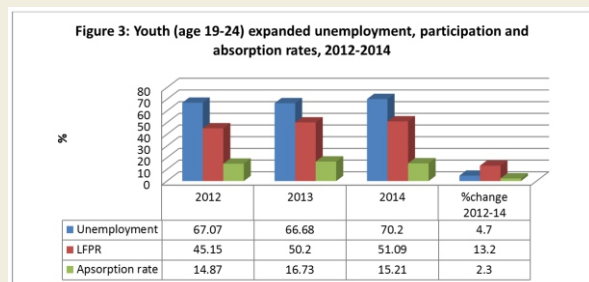
Perhaps a more appropriate way to assess the labour market is through the expanded definition of unemployment, which also includes those who wanted work but didn't necessarily look for a job. A

number of South African studies have now shown that there is not a clear distinction between the searching and non-searching unemployed, that the non-searching unemployed are likely to be involuntarily unemployed and that the non-searching unemployed are no less likely to find employment than the officially unemployed. In terms of labour market statistics, this expanded unemployment rate suggests a higher level of unemployment for the province. Under the broader definition of the labour force, unemployment increased from 41 % to 43.3% between 2012 and 2014. While the increase in expanded unemployment (5.6%) was smaller than for the official unemployment rate, the main problem is still that the growth in the labour force was driven mostly by the increase in unemployment.



Source: QLFS 2012(2), QLFS 2013(2), QLFS 2014(2)

Unemployment among the youth (defined here as those aged 19 to 24, inclusive) is far higher than for the labour force as a whole. Among this group, many of whom are likely looking for employment for the first time, 70.2% are unemployed according to the expanded definition. Along with these very high levels of unemployment among young people in the province, the data for the most recent period show that youth unemployment increased further (by about 5%). The labour force participation rate also increased (by 13.2%) which means that the increase in the rate of labour market participation was largely associated with an increase in unemployment.

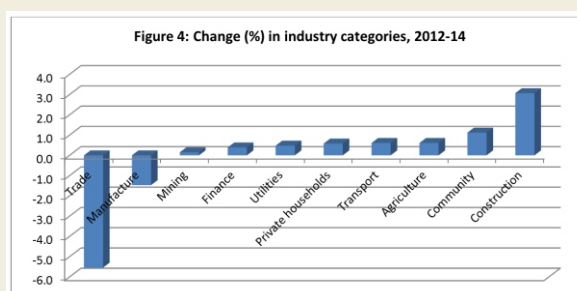


Source: QLFS 2012(2), QLFS 2013(2), QLFS 2014(2)

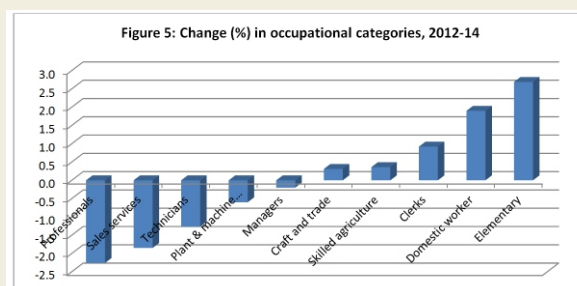
Sectoral trends in employment

In addition to an increase in overall rates of unemployment, a defining characteristic of provincial labour market trends between 2012 and 2014 has been a shift away from several traditional sectors towards transport, construction, agriculture and community and social services. Most notably, the percentage of the provincial workforce that is employed in construction increased by three percentage points over the period. By comparison, the other sectors that saw an increase in their share of the workforce had increases of one percentage point or less.

At the same time, manufacturing and wholesale and retail trade experienced decreases in their share of the workforce in the range of two to six percentage points. Taken all together, the results from the QLFSs suggest that, in addition to the increases in unemployment, those who were employed were more likely to be working either in the public sector or in relatively low paying sectors with limited job security or social protection. This is confirmed by the findings in Figure 5 which show that the provincial workforce was, again, increasingly likely to be found in elementary occupations or in domestic work. The percentage of the workforce in the most basic occupational category (elementary) increased the most (by 2.7 percentage points). The Eastern Cape workforce therefore became relatively more concentrated in low-skill employment at the same time that unemployment increased steadily.

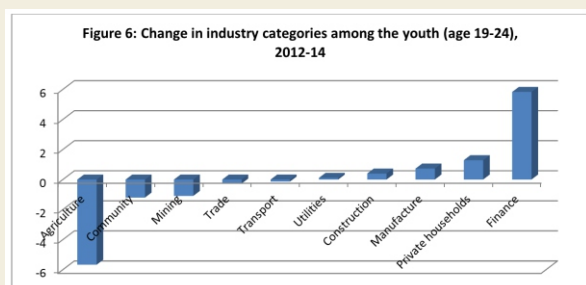


Source: QLFS 2012(2), QLFS 2013(2), QLFS 2014(2)



Source: QLFS 2012(2), QLFS 2013(2), QLFS 2014(2)

In examining the provincial youth workforce, Figure 6 shows that young people were increasingly absorbed by finance and work in private households. The increase in the percentage of young workers employed in these two sectors was 5.8 and 1.3 percentage points, respectively. The most recent quarterly trends thus show a departure from the longer term trend of concentration in construction and wholesale and retail trade among the youth. Manufacturing and construction did see growth in their percentage shares of the youth workforce but the increase was very modest at less than one percentage point each. At the same time agriculture, experienced the largest (nearly six percentage points) reduction in its share of the 19-24 year old workforce between the 2nd quarter of 2012 and the 2nd quarter of 2014.



Source: QLFS 2012(2), QLFS 2013(2), QLFS 2014(2)

ⁱ Lloyd, N. and Leibbrandt, M. (2014) New evidence on subjective well-being and the definition of unemployment in South Africa. *Development Southern Africa* 31 (1):85-105.

Posel, D., Casale, D. and Vermaak, C. (2014) Job search and the measure of unemployment. *South African Journal of Economics* 82(1):66 - 80.