RHODES UNIVERSITY
Where leaders learn

Annual Eastern Cape Labour Market Review 2014

Michael Rogan and John Reynolds

Neil Aggett Labour Studies Unit Research Report 2

Institute of Social and Economic Research

Annual Eastern Cape Labour Market Review 2014

Michael Rogan and John Reynolds

RHODES UNIVERSITY
Where leaders learn

in partnership with

Province of the
EASTERN CAPE
ECONOMIC DEVELOPMENT, ENVIRONMENTAL AFFAIRS AND TOURISM

Acknowledgements

The Neil Aggett Labour Studies Unit (NALSU) was established in the Institute of Social and Economic Research at Rhodes University in partnership with the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) of the Eastern Cape Provincial Government. NALSU produces a number of different kinds of publications, including research reports, information sheets, policy briefs, working papers and journal articles. This particular report is the second NALSU research report. The working paper series will be launched in 2015.

Although this report is based mainly on survey data provided by Statistics South Africa[1], we also used administrative data provided by the Department of Labour and the Expanded Public Works Programme in the Department of Public Works. We would like to thank those departments for providing us with access to their data.

The views expressed in this report are those of the authors and do not necessarily reflect the views of our partner or supporting institutions.

[1] Some of the findings presented in this report can also be found in the *Eastern Cape Economic Review 2014: Quarters 1&2*. The ECER is a report compiled by a number of different stakeholders (including NALSU) and is coordinated by the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism.

Contents

Tables and Figures

1 Introduction

This is the first *Annual Eastern Cape Labour Market Review* to be prepared by the Neil Aggett Labour Studies Unit (NALSU) at Rhodes University, and, like the *Foundational overview of the Eastern Cape labour market*[2] that it follows, is focused on the Eastern Cape Province of South Africa. This province is not only the physical home of NALSU, but is also home to two of the largest former Bantustans in South Africa (the former Transkei and Ciskei) where unemployment and poverty remain most concentrated. In this and other respects, the Eastern Cape continues to reflect the consequences of South African economic and social policy, both past and present, and the significant challenges that remain if we are to secure a decent life for all.

The *Foundational overview of the Eastern Cape labour market* – hereafter referred to as the foundational overview report – showed that the Eastern Cape had the highest unemployment rate of all of the provinces of South Africa, based on Statistics South Africa's 2011 Census data. Not only was the unemployment rate high; those who were classified as employed were not necessarily well off. All that was needed for a person to be classified as employed in Census 2011 was that s/he had to have performed at least one hour of work for pay, profit or family gain in the seven days prior to the Census interview or to have been absent from work during those seven days, but with some form of paid work to return to[3]. Activities regarded as work for purposes of classification as employed included paid work, work in exchange for benefits such as groceries or housing, and work in spaza shops, renting rooms, fetching water or wood for sale, informal roadside trading, etc. for pay or without pay if in support of a business run by a member of a respondent's usual household – many of these activities are very marginal in income terms.

The foundational overview report also showed that although almost three-quarters of people in the Eastern Cape who were classified as employed worked in the formal sector[4], many of those people did not earn high incomes and some earned no income at all. More than a fifth of those employed in the formal sector indicated that they earned R800 or less per month, and more than a third indicated that they earned R1600 or less per month – the latter is lower than the Sectoral Determination Level for Domestic Workers[5].

Looking at both the formally and informally employed, the foundational overview report showed that just more than a quarter of employed people in the Eastern Cape in 2011 earned R800 or less per month, which is less than half of the sectoral determination wage level for domestic workers and less than a third of the sectoral determination wage level for a security guard working in the wholesale and retail

[2] Reynolds, J. (2013). *Foundational overview of the Eastern Cape labour market*. NALSU Research Report 1. Grahamstown: Neil Aggett Labour Studies Unit, Rhodes University.

[3] Statistics South Africa. (2012). *Census 2011 Metadata*. Report No. 03-01-47. Pretoria: Statistics South Africa.

[4] In Statistics South Africa's (2012:77) definition, one was classified as employed in the formal sector if one's employer was one of the following: "government, parastatals, registered non-governmental organisations and private businesses that are registered for either income tax or VAT".

[5] Department of Labour. (2011). Basic Conditions of Employment Act (75/1997): Amendment of Sectoral Determination 7: Domestic Worker Sector, South Africa. *Government Notice No. R.986 of 28 November 2011*. Government of the Republic of South Africa.

sector[6]. If one considered people living in areas classified as tribal or traditional only – i.e. the hinterlands of the former Bantustans - almost half of the people who were employed earned R800 or less per month, and almost a quarter earned no income at all.

In the Eastern Cape as a whole, more than 70% of employed people earned R6400 or less per month. Employed people classified as black dominated the lower earning categories, and the proportional difference between male and female earnings increased in favour of the former with increases in the upper thresholds of earnings.

The foundational overview report also examined household income (including all sources of income) – it is by looking at the latter that the extent of income poverty in the Eastern Cape becomes stark, particularly when one considers the increasing cost of basic and social services and food. In 2011, more than half of the households in the Eastern Cape had a monthly household income that was less than the minimum living level (referring only to basic food items) calculated for a household of four by both the National Planning Commission[7] and National Labour and Economic Development Institute (NALEDI)[8] at 2010 prices, and almost three quarters of Eastern Cape households had a monthly income below the supplemented living level (including basic non-food items) for a family of four calculated by NALEDI at 2010 prices. The situation was worst in district municipalities that included parts of the former Bantustans – district municipalities such as Amathole, Chris Hani, Joe Gqabi, OR Tambo and Alfred Nzo.

This *Annual Eastern Cape Labour Market Review 2014* builds on the analysis in the foundational overview report by examining trends revealed by survey and administrative data. In this report, we analyse labour market trends up the end of the first quarter of 2014, using Statistics South Africa's Quarterly Labour Force Survey (QLFS) data and administrative data obtained from the Department of Labour and the Expanded Public Works Programme (EPWP). We focus particularly on employment and unemployment, and will explore income trends in forthcoming reports and publications.

Analysis of QLFS data for the period starting in the first quarter of 2012 and ending in the first quarter of 2014 shows that although there has been an increase in the number of people employed during this period, this increase has not been large enough to compensate in any significant way for the increase in the size of the labour force during the same period. Our analysis shows the persistence of a high rate of unemployment, continued fragmentation of the labour market in spatial, racial and gender terms, and persistence of vulnerable employment in the Eastern Cape.

This *Annual Eastern Cape Labour Market Review 2014* pays particular attention to the issue of informal work. It unpacks what is meant by informal work, explores the patterns observable in the Eastern Cape and elsewhere, and considers the implications for our understanding of the labour market, worker rights and socio-economic transformation. Future editions of the Annual Eastern Cape Labour Market Review

[6] Department of Labour. (2013). Basic Conditions of Employment Act (75/1997): Amendment of Sectoral Determination 9: Wholesale and Retail Sector, South Africa. *Government Notice No. R. 27 of 17 January 2013*. Government of the Republic of South Africa.

[7] See National Planning Commission. (2011). *Diagnostic Overview*. Pretoria: The Presidency, Government of the Republic of South Africa.

[8] See NALEDI. (2011). *Towards a COSATU Living Wage Conference: A NALEDI Research Report*. Johannesburg: Congress of South African Trade Unions.

and other NALSU publications will explore other themes, including wages and working poverty.

2 Employment

In this section, an analysis of employment patterns is undertaken, drawing on QLFS and EPWP data. The section ends with a particular focus on informal sector employment.

Analysis of QLFS data shows that job growth for South Africa as a whole increased between the first quarter of 2012 and the first quarter of 2014. Over this period, almost 828 000 more employed South Africans were recorded by Statistics South Africa (Table 1). This rate of job growth was about six percent for the country as a whole, but net gains in employment as well as the rate of growth (or job loss) varied across the provinces. The Free State, for example, recorded a net loss in the number of employed people while job growth was highest in Mpumalanga (at about 12%). In the Eastern Cape, the relative increase in the number of employed people was almost eight percent.

Table 1: Employment by province, 2012(Q1)-2014(Q1)

Provinces	**Number of employed**			**Net gain/loss (2012-Q1/ 2014-Q1)**	**% change (2012-Q1/ 2014-Q1)**
	2012(Q1)	2013(Q1)	2014(Q1)		
WC	2122169	2111125	2270202	148033	7.0
EC	1249408	1281725	1345326	95918	7.7
NC	295322	297002	312199	16877	5.7
FS	738349	757803	730780	-7569	-1.0
KZN	2442920	2443752	2550991	108071	4.4
NW	789703	832143	875105	85402	10.8
GP	4698174	4793280	4848211	150037	3.2
MP	1021279	1088758	1139149	117870	11.5
LP	1038062	1097073	1151385	113323	10.9
RSA	**14395387**	**14702662**	**15223349**	**827962**	**5.8**

Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)[9]

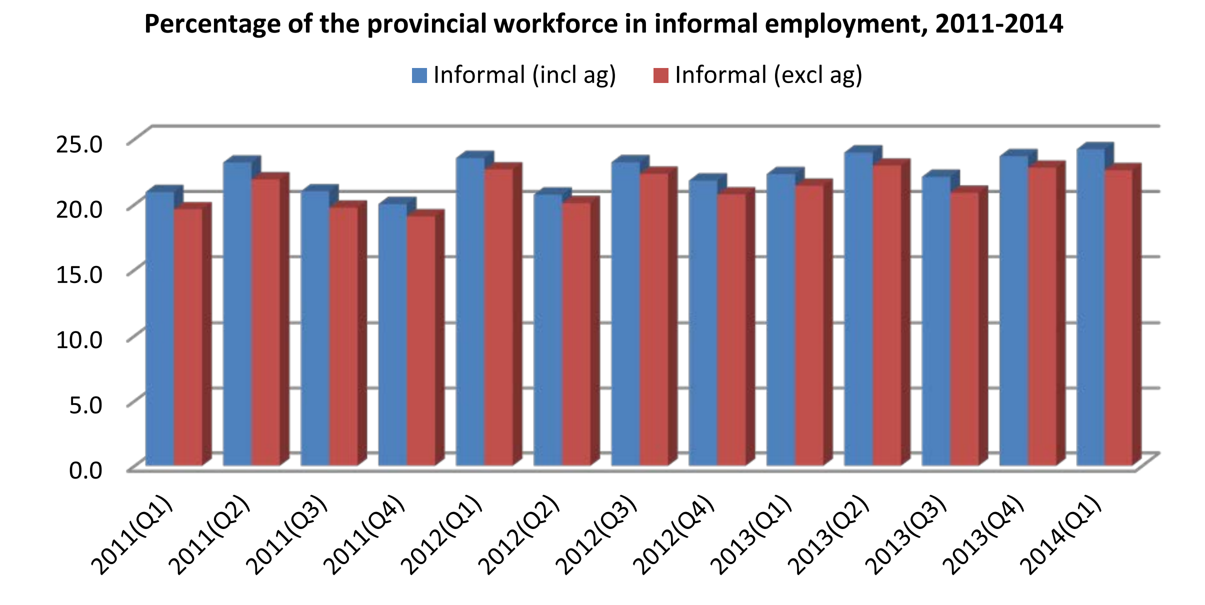
[9]The data have been reweighted based on population estimates from the 2011 Census.

2.1 Provincial employment shares by sector, industry and occupation

Figure 1 suggests that the provincial workforce[10] has been increasingly characterised by informal types of work between 2011 and 2014. Even without considering the contribution of agricultural activities, informal work has generally made up more than a fifth of all types of employment in the province. While there is some variation in the quarter-on-quarter growth of informal work, the general trend during the period under review has been towards an increase in the contribution of informal work in the province such that by the first quarter of 2014, almost a quarter (23%) of the provincial non-agricultural workforce was informal. When agriculture is included, the quarterly variations appear to be more cyclical (possibly in line with growing seasons) but the trend of a high and increasing contribution of informal work to total provincial employment is also evident.

This suggests that, in addition to the generally steady increase in unemployment in the province from the first quarter of 2011 to the first quarter of 2014, an increasing proportion of people fortunate enough to be in employment have operated outside formal employment relationships. Further consideration of the income distribution within this informally employed group, as well as conditions of employment, would be required to assess the extent to which this signals a more generally increasing vulnerability in employment.

Figure 1



Source: Own calculations from Statisics South Africa's Quarterly Labour Force Surveys (QLFSs)

[10] The term "workforce" refers to those people who are in employment, whereas the term "labour force" refers to all those who are either employed or unemployed. The narrow definition of the labour force considers only the employed (the workforce) and the searching unemployed, whereas the broad definition of the labour force considers the employed (the workforce), the searching unemployed and the non-searching unemployed.

Table 2 disaggregates the provincial workforce by Standard Industrial Classification (SIC) industry sectors. The two fastest growing sectors in terms of the share of the Eastern Cape workforce were agriculture (albeit from a low base) and construction. The construction sector, in particular, grew to an extent that, by the end of 2013, it was the fourth largest employer in the province – it is not clear what role employment on Expanded Public Works Programme (EPWP) infrastructure projects played (see below for a discussion of EPWP trends). The largest employer, the public sector (community and social services), increased its share of the workforce by about 10% – it is not clear what drove this increase. Somewhat worryingly, two of the traditionally larger employers in the province - wholesale and retail trade, and manufacturing – both decreased their share of employment by 15% and 9.8%, respectively. Employment in these sectors is generally more vulnerable to fluctuations in consumer spending and, consequently, could be regarded as more vulnerable to change. In general, the Eastern Cape workforce became increasingly concentrated in the public sector and construction between 2011 and 2014.

Table 2: Industry employment share in the Eastern Cape (2012-2014)

Industry sectors	**2012**				**2013**				**2014**	**% change**
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Agriculture	3.7	4.6	4.6	4.8	6.9	6.7	5.6	5.1	5	**35.1**
Mining	0	0.2	0.1	0.1	0.1	0.1	0	0.1	0.1	**0.0**
Manufacture	12.3	12	11.9	13.3	13.1	12.8	12.1	11	11.1	**-9.8**
Utilities	0.6	0.5	0.4	0.2	0.1	0.6	0.8	0.9	0.4	**-33.3**
Construction	8.3	8.3	10.7	10.6	9.9	10.5	11.5	11.4	9.2	**10.8**
Trade	25.4	24.7	22.9	22	20.5	21	21.7	19.8	21.6	**-15.0**
Transport	5.8	5.2	5.1	5.1	4.8	5.4	4.9	6.6	6.4	**10.3**
Finance	9.8	7.8	9.1	8.5	8.5	7.9	9.2	8.1	8.6	**-12.2**
Community	26.5	28.1	26.6	25.8	25.7	26.2	25.1	28.4	29.1	**9.8**
Private households	7.8	8.6	8.6	9.6	10.4	8.9	9.1	8.8	8.5	**9.0**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**---**

Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)

Table 3 illustrates the gender differences in employment sectors between the first quarter of 2012 and the first quarter of 2014. Over this slightly shorter period, the greatest growth in employment shares, for the male workforce, was in agriculture, transport, and the public sector. For the female workforce, the greatest increases were in construction, agriculture and the public sector. The relative changes in the shares of construction and agriculture, however, were from a very low base (the female workforce also saw a doubling in the contribution of utilities but the base was only 0.1%). Overall, female employment in the Eastern Cape continues to be dominated by the public sector, wholesale and retail trade and by work in private households (domestic work). Of these sectors, only the share of the public sector increased appreciably over the period – again, it is not clear what drove this change.

Table 3: Industry employment share in the Eastern Cape (2012-2014), by gender

Industry sectors	2012(Q1)		2014(Q1)		% change	
	Men	Women	Men	Women	Men	Women
Agriculture	5.3	1.9	7.56	2.3	42.6	21.1
Mining	0.0	0.0	0.2	0.0	0.0	0.0
Manufacturing	14.4	9.9	14.59	7.56	1.3	-23.6
Utilities	1.0	0.1	0.58	0.2	-42.0	100.0
Construction	14.0	2.0	14.1	4.16	0.7	108.0
Trade	23.35	27.55	19.5	23.65	-16.5	-14.2
Transport	8.76	2.6	11.36	1.3	29.7	-50.0
Finance	10.0	9.6	9.75	7.4	-2.5	-22.9
Community	17.9	35.9	19.39	39.08	8.3	8.9
Private households	3.62	14.21	3.63	14.43	0.3	1.6
Total	**100**	**100**	**100**	**100**	---	---

Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)

Finally, Table 4 shows changes in the types of jobs (occupations) that Eastern Cape workers have. The occupational categories with the largest increase in their shares of the employed/workforce (not counting skilled agriculture which increased by half but from a very low base) were elementary occupations, domestic work and plant and machine operators. These are generally low-skill and low-pay occupation types, but, based on an analysis of skills levels of unemployed people in 2011 in the foundational overview report[11], these are exactly the kinds of jobs most immediately suited to the skills levels of the bulk of the unemployed in the province – in 2011, 75% of discouraged work-seekers and 70% of the unemployed (expanded definition) had a highest education level of Grade 11 or less.

[11] Reynolds, J. (2013). *Foundational overview of the Eastern Cape labour market.* NALSU Research Report 1. Grahamstown: Neil Aggett Labour Studies Unit, Rhodes University.

Overall, the the Eastern Cape workforce seems to have shifted somewhat towards low-skill employment over the period and this may have been driven by an increase in the share of construction jobs, subsistence agriculture and domestic work, but, as argued elsewhere in this report, not at the level required to reduce unemployment.

Table 4: Occupational employment share in the Eastern Cape (2012-2014)

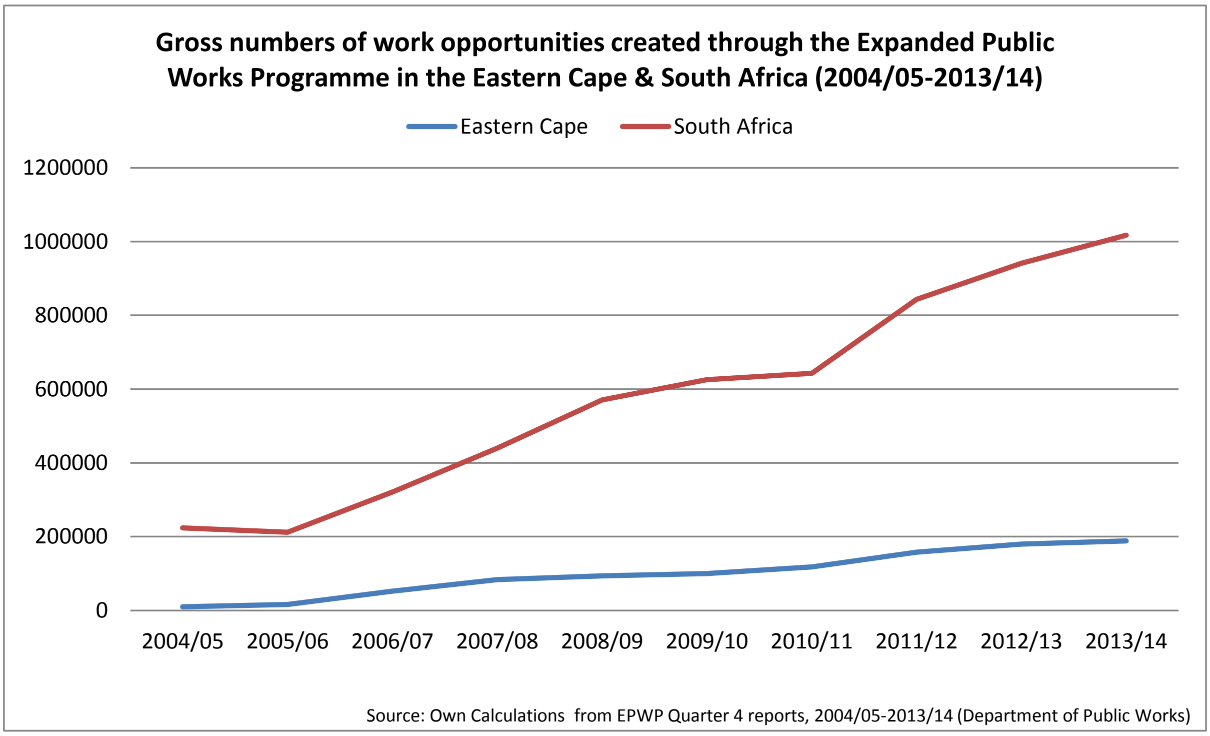
Occupations	**2012**				**2013**				**2014**	**% change**
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Managers	6.5	6.2	6.2	5.8	6.3	6.9	5.8	6.7	6.8	4.6
Professionals	4.8	5.8	4.9	5.0	4.1	4.3	4.2	3.7	4.0	-16.7
Technicians	11.8	13.1	12.3	13.2	12.2	12.8	11.5	11.0	10.9	-7.6
Clerks	9.2	9.1	8.6	8.1	7.9	8.8	9.2	9.7	9.26	0.7
Sales services	18.4	16.6	15.0	15.5	15.7	14.0	15.6	16.1	16.17	-12.1
Skilled agriculture	0.4	0.2	0.2	0.5	0.4	0.4	0.8	0.8	0.6	50.0
Craft and trade	11.8	11.0	11.7	11.3	12.7	10.9	10.0	10.2	9.56	-19.0
Plant & machine operators	6.8	7.5	7.6	6.9	7.4	6.7	6.4	6.6	7.97	17.2
Elementary	24.8	24.5	27.5	26.3	25.3	28.0	29.0	28.0	27.36	10.3
Domestic worker	5.5	6.0	6.2	7.4	8.0	7.4	7.5	7.2	7.28	32.4
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**---**

Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)

2.2 Employment creation through the EPWP

The Expanded Public Works Programme (EPWP) is government's flagship job creation programme, creating a total of 5 838 441 gross work opportunities[12] and 5 780 969 net work opportunities[13] – translating into 1 698 615 person years of work (incl. training)[14] – since its inception in 2004/05 to 2013/14. Almost a million of the gross and net work opportunities – amounting to almost 300 000 person years of work (incl. training) – were created in the Eastern Cape during that time period. Figure 2 below shows the steady increase in the numbers of work opportunities in the Eastern Cape and the larger South Africa for the period 2004/05 to 2013/14, with Figure 3 showing the changes in the numbers of work opportunities (the numbers of gross and net work opportunities were identical during this period) and the person years of work (incl. training) in the Eastern Cape only.

Figure 2

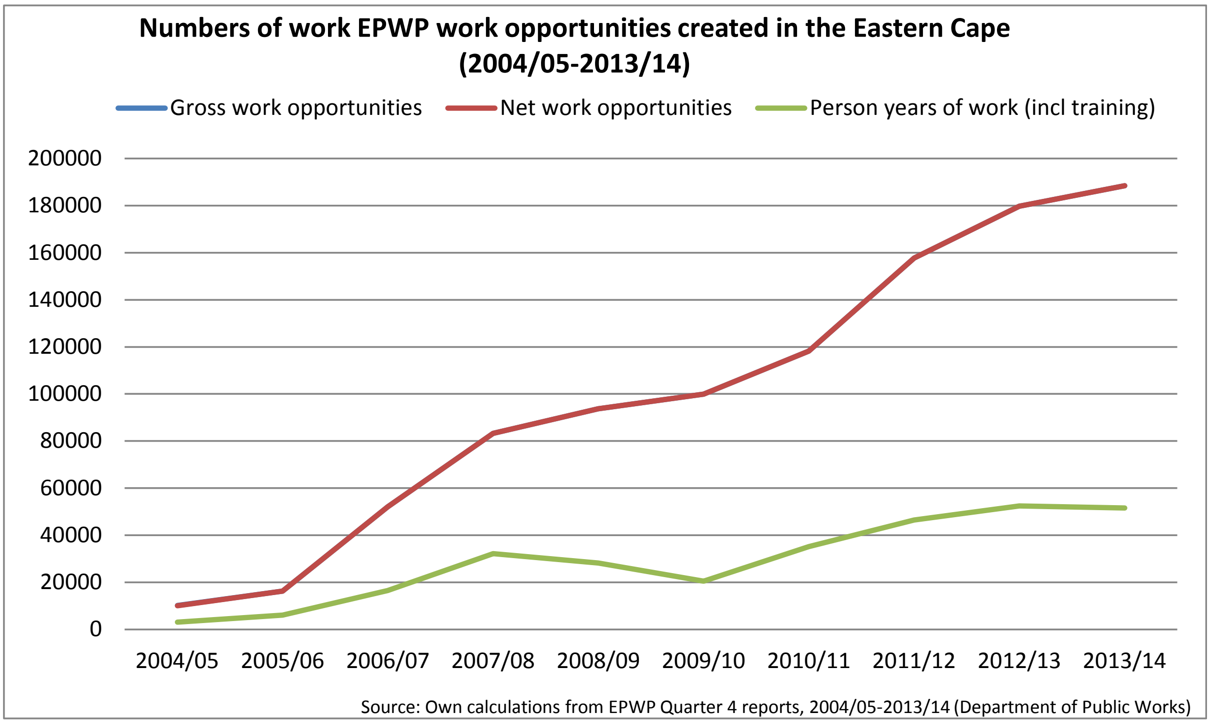


[12] Gross work opportunities are the number of work opportunities that have been reported by a reporting body participating in the EPWP. A work opportunity is paid work created for an individual for any period of time – the same individual can be employed on different projects, in which case each period of employment will be counted as a work opportunity. A work opportunity in the infrastructure sector has an average duration of four months, whereas a work opportunity in the environment and culture sector has an average duration of six months.

[13] Net work opportunities are calculated by subtracting from the number of gross work opportunities reported the possible work opportunities that would have been created had the projects been implemented machine intensively. In practice, this calculation is not always undertaken – in the Eastern Cape, the numbers of gross and net work opportunities have been identical every year since the EPWP's inception in 2004/05.

[14] One person year of work (incl. training) is equal to 230 paid working days including paid training days.

Figure 3[15]



In 2012/13, a total of 179 708 work opportunities (gross and net) were created through the EPWP in the Eastern Cape, with a total of 188 499 work opportunities created in 2013/14. When compared to the numbers of people employed according to QLFS data (see Table 1 above), this amounts to around 14% of the total number of employed people in the Eastern Cape at the end of the first quarters of 2013 and 2014, respectively. Given that one person can have more than one EPWP work opportunity in a reporting year, and that a work opportunity might not be counted when QLFS data are gathered, one has to be cautious about direct comparisons between employment numbers captured through the QLFS and work opportunities captured through the EPWP reporting system – at best, one could view 14% as the upper limit of the contribution of the EPWP to jobs held in the Eastern Cape in 2013 and 2014.

EPWP work opportunities are created through EPWP projects that are organised in a number of sectors and within the three spheres of government and the non-state sector[16]. Figure 4 below shows changes in the numbers of EPWP projects in the Eastern Cape and the larger South Africa since the inception of the EPWP in 2004/05 until 2013/14. The largest number of EPWP projects in the Eastern Cape was recorded in 2007/08, after which the number decreased to a relatively constant level until 2013/14.

[15] The trend lines for gross and net work opportunities coincide in this figure, as there were no differences between the numbers of gross and net work opportunities recorded for the Eastern Cape in the years under review.

[16] The non-state sector was introduced into the EPWP following the review of Phase 1 of the EPWP, which ended in 2008/09. From 2009/10 onwards, targets and achievements were reported for the three spheres of government and the non-state sector. Non-state sector projects were projects managed by non-state actors such as non-governmental organisations and community-based organisations (institution-based projects), and local communities (area-based projects).

In contrast, a clear spike can be observed in the number of EPWP projects created in the larger South Africa in 2008/09 – at the onset of the recession – followed by a dip in the following year before increasing again. The 2008/09 spike was driven by increases in the numbers of EPWP projects in all provinces except for the Eastern Cape and Northwest provinces, with the Eastern Cape – where the number of projects dropped by half – showing the largest decline. Overall, a decline in the numbers of EPWP projects nationally is observable from 2011/12 onwards.

Figure 4

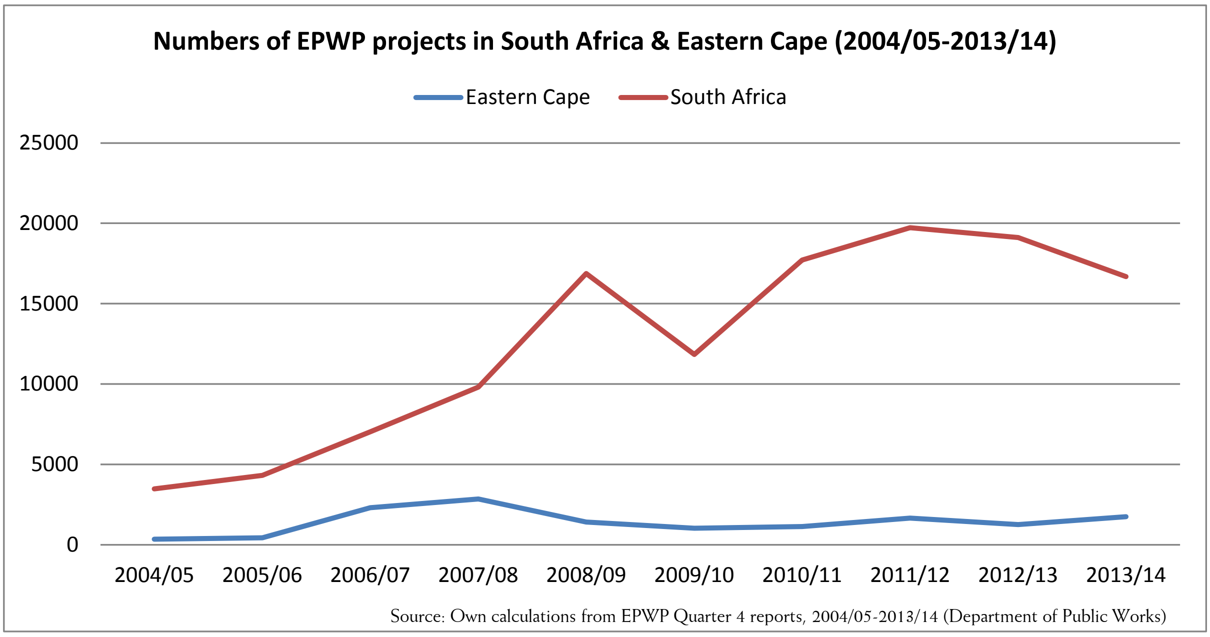
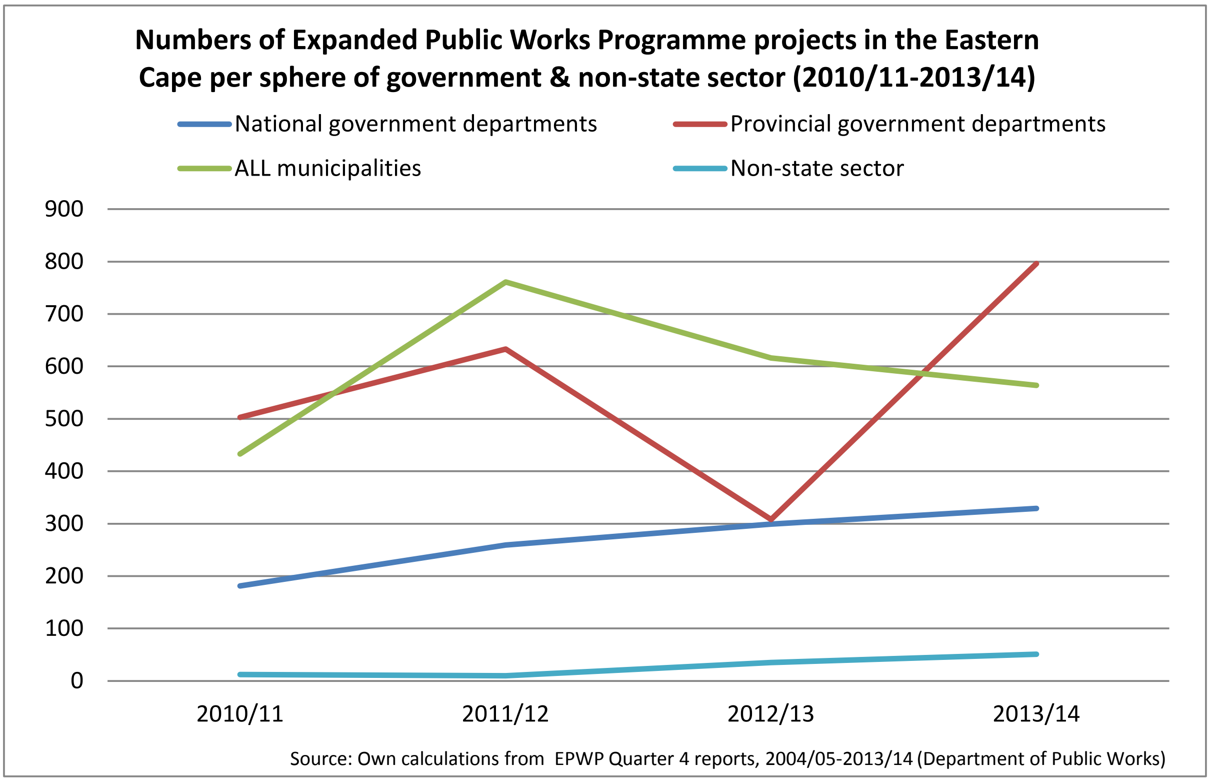


Figure 5 below shows the changes in the numbers of EPWP projects created in the three spheres of government and the non-state sector for the period 2010/11 onwards, i.e. starting one year before the start of the decline in the total number of EPWP projects for South Africa as a whole. That figure shows that the overall decline was driven by drops in the numbers of EPWP projects created by the provincial and local spheres of government, with the sharp increase in the numbers of EPWP projects in 2013/14 being insufficient to reverse the emerging downward trend in the total for South Africa as a whole. The steady decline in the numbers of EPWP projects managed by municipalities over the last two years has still not brought the number down to the level recorded in 2010/11.

Figure 5



Examination of expenditure on EPWP projects in the Eastern Cape in each sphere of government and the non-state sector (see Figure 6 below) shows that during the period in which the numbers of EPWP projects managed by municipalities decreased, the expenditure on EPWP projects increased (doubling from 2011/12 to 2013/14). A similar reverse correlation is observed for the provincial sphere of government, but with the decrease in project expenditure from 2012/13 to 2013/14 associated with an increase in the numbers of projects.

Examination of average expenditure on EPWP projects in the Eastern Cape by sphere of government and the non-state sector shows these patterns more clearly (see Figure 7 below). Again, what stands out is the steady increase in the average expenditure per project for EPWP projects managed by municipalities.

Figure 6

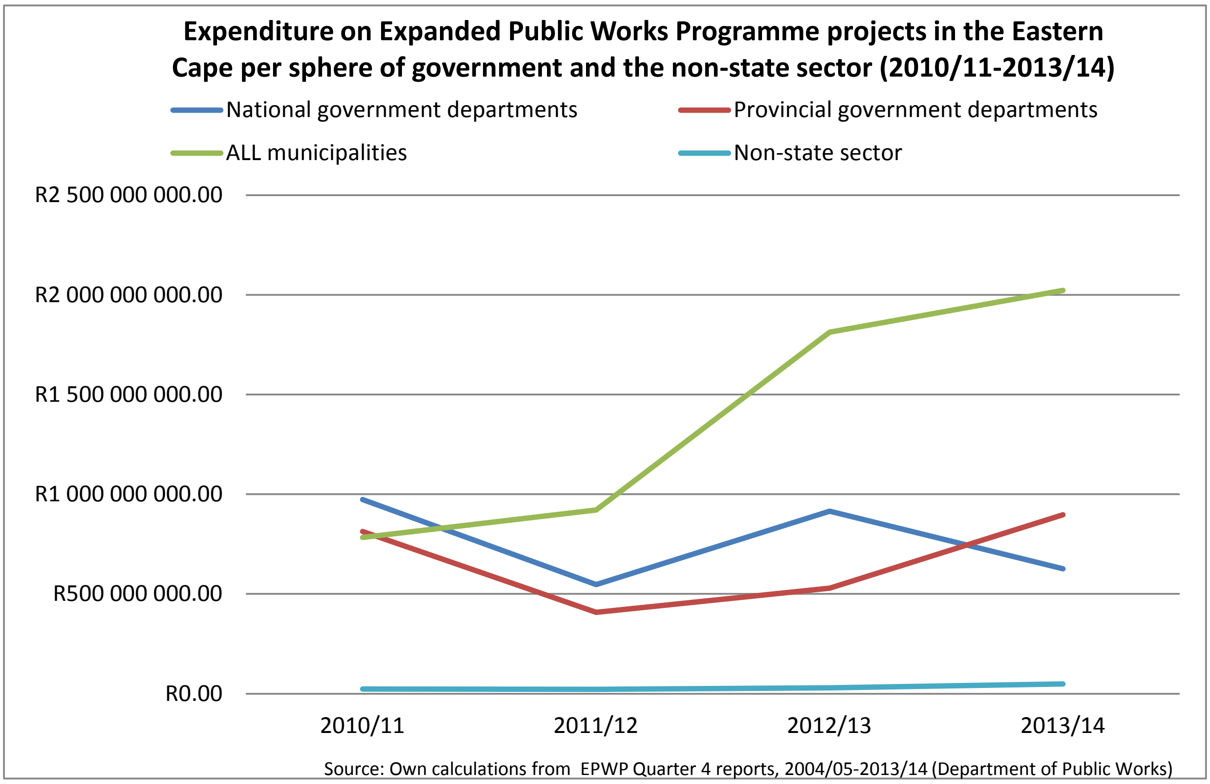
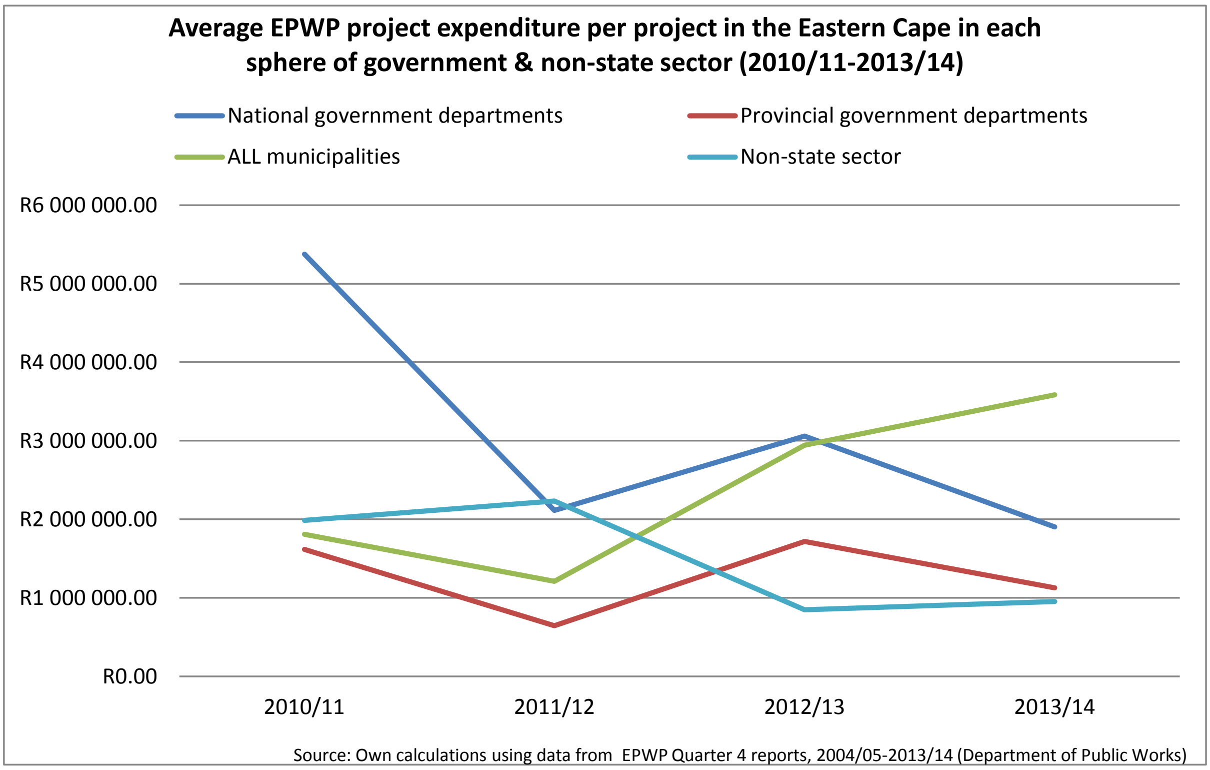
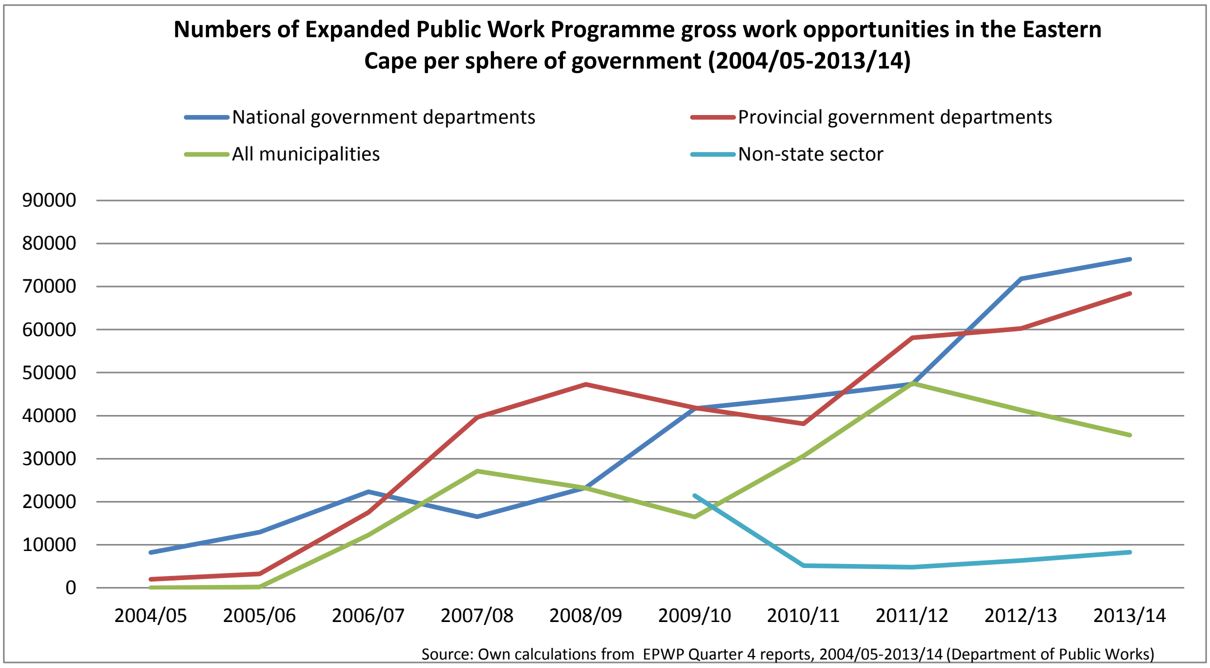


Figure 7



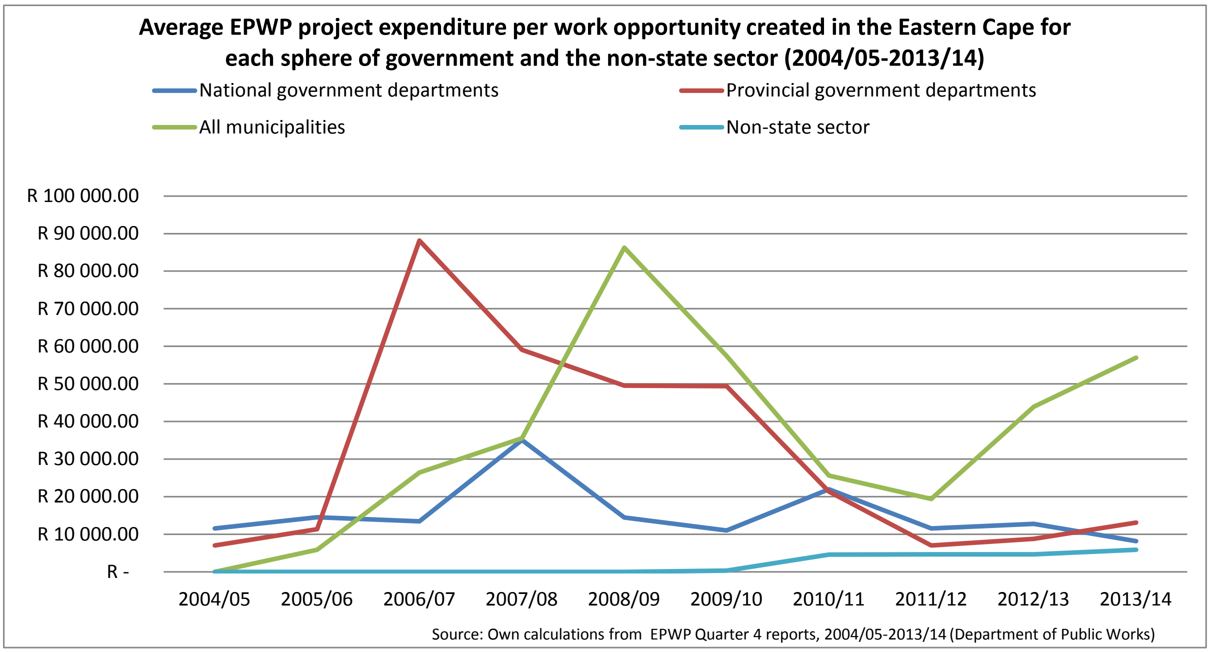
It is interesting to note that the increase in expenditure on municipal EPWP projects from 2011/12 onwards was associated with a decrease in the numbers of work opportunities created through such projects – see Figure 8 below. This suggests that progressively more money was spent to create progressively fewer jobs.

Figure 8



Examination of average EPWP project expenditure per work opportunity created in the Eastern Cape for each sphere of government and the non-state sector for the period 2004/05-2013/14 confirms our concerns about trends for EPWP projects managed by municipalities. Figure 9 below shows that, on average, it has become increasingly more expensive to create work opportunities through municipal EPWP projects – this is contrary to the situation in the national and provincial spheres of government, where expenditure per work opportunity has been in decline since 2007/08 and 2006/07, respectively. It should be noted that no work opportunities were recorded for the non-state sector prior to 2009/10 – the average project expenditure per work opportunity created in the non-state sector has remained relatively constant since 2010/11.

Figure 9

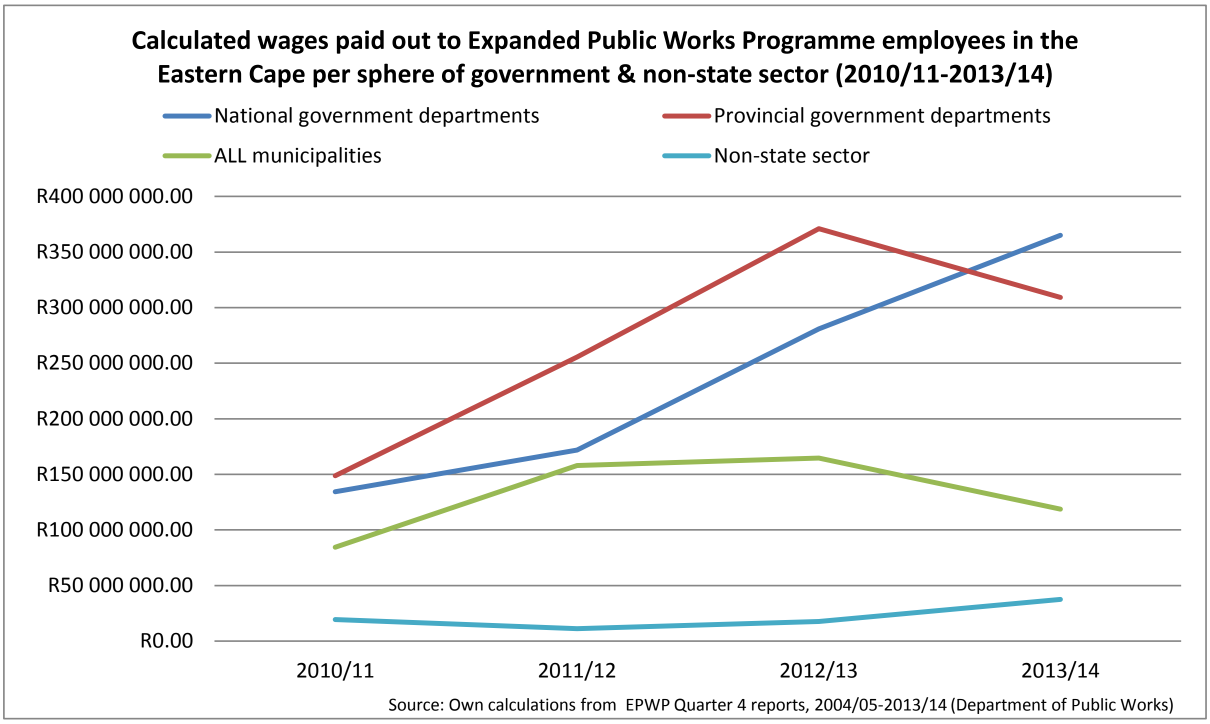


Not only is the increasing average cost of an EPWP work opportunity in the local sphere of government cause for concern; the local sphere of government has also been absorbing an increasingly larger share of EPWP expenditure (see Figure 6 above), accounting for 48%, 55% and 56% of total EPWP project expenditure in 2011/12, 2012/13 and 2013/14, respectively. These trends suggest that the effect of the increasing average cost per work opportunity in the local sphere of government is not confined to that sphere alone – its effect on total project expenditure per work opportunity for South Africa as a whole is becoming increasingly pronounced.

An investigation of trends in the value of calculated wages[17] paid out to EPWP employees per sphere of government and the non-state sector in the Eastern Cape shows that the increasing average cost per work opportunity in the local sphere of government is <u>not</u> driven by increasing wage pay-outs (see Figure 10 below). Following an increase in the total calculated wages paid out to employees in municipal EPWP projects in the Eastern Cape in 2011/12, the total remained relatively stable through 2012/13, before declining in 2013/14.

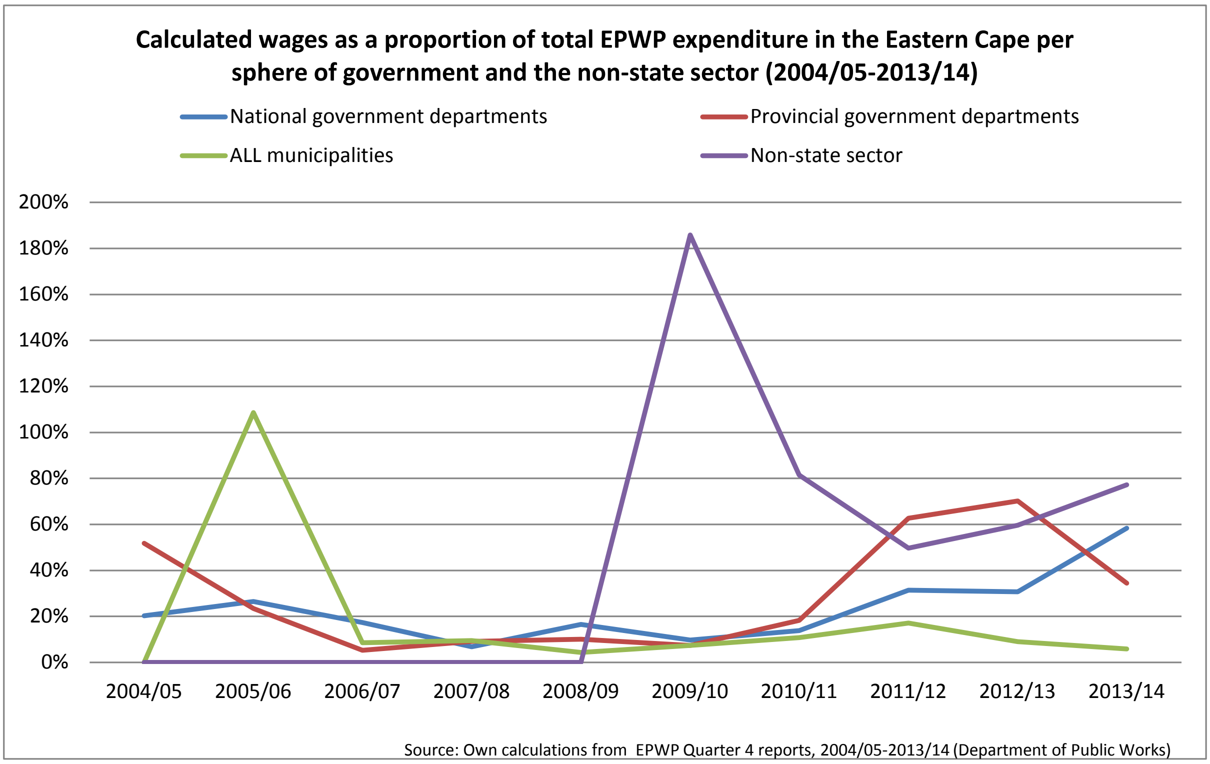
[17] *Calculated wages* are calculated by multiplying the minimum wage rate by the person-days of work. This is the only indication of total wages paid that is given in the EPWP quarterly reports.

Figure 10



An examination of calculated wages as a proportion of total EPWP expenditure for each sphere of government and the non-state sector for the period 2004/05-2013/14 (see Figure 11 below) shows not only that both the local government and non-state sectors spent more than their total project expenditure on wages in the first years in which they reported data, but also that – apart from that initial spike in 2005/06 – municipal projects have almost consistently spent a smaller proportion of their total project expenditure on calculated wages than the national and provincial spheres of government and the non-state sector, never going above 20%. This confirms that the increasing expenditure on municipal EPWP projects and the increasing expenditure per work opportunity for those projects are not driven by increasing expenditure on calculated wages.

Figure 11



2.3 Special focus: informal work in the Eastern Cape

As indicated in the introduction, the special focus of the *Annual Eastern Cape Labour Market Review 2014* is on informal types of work. There has been relatively little attention paid to the types of work which can be measured from the QLFSs and a cursory look at informal work in the province (see Figure 11 above) has suggested that the informal sector is a large and growing feature of the provincial labour market. This section of the report begins by addressing some of the definitional issues associated with measuring the size of the informal sector and then presents several estimates of the contribution of informal work to total employment. The gendered and spatial characteristics of informal work are then analysed alongside the industrial sectors in which informal workers are concentrated.

2.3.1 Size and composition of the informal sector in the Eastern Cape

The two most widely used definitions of the informal sector in South Africa are the official Statistics South Africa definition[18] and the international worker-based definition[19] endorsed the 17th International Conference on Labour Statistics (ICLS). Estimates from both of these definitions are reported throughout the analysis below, but, for the sake of greater comparability with other reports, greater attention is given to the Statistics South Africa definition. Table 5 below shows the absolute size of the informal sector according to these two definitions. Across all sectors (but excluding domestic workers) the total size of the informal sector in South Africa, according to the official definition, is about 2.5 million workers. If agriculture is excluded, then the total size of the informal workforce is just under 2.4 million according to the latest QLFS. The corresponding figure for the Eastern Cape is about 282 000 non-agricultural informal workers in the first quarter of 2014. On the whole, the ICLS definition yields a slightly larger estimate of the informal sector because it includes a wider definition of informal employees (i.e. those that do not have a written contract with their employer).

Table 5: Total informal sector employment by alternative definitions, QLFS 2014(Q1)

	Self-employed		Employees		Unpaid		Domestic Workers	Total IS	
	Stats SA	ICLS	Stats SA	ICLS	Stats SA	ICLS	Stats SA & ICLS	Stats SA	ICLS
	All Sectors								
EC	159,395	156,033	141,734	150,339	---	3,362	99,124	301,129[20]	309,734
RSA	1,418,592	1,367,596	1,066,399	1,560,941	---	51,515	1,007,654	2,484,991	2,980,052
	Non-agricultural								
EC	155,063	152,100	126,857	126,334	---	2,962	99,124	281,920	281,396
RSA	1,398,363	1,349,695	986,856	1,363,438	---	49,187	1,007,654	2,385,219	2,762,320

Source: Own calculations from Statistics South Africa's 2014 Quarterly Labour Force Survey (Q1)

[18] Statistics South Africa's definition of the informal sector: (i) Employees working in establishments that employ fewer than five employees, who do not deduct income tax from their salaries/wages; and (ii) Employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax.
[19] ICLS definition of the informal sector: (i) Employees are classified as informally employed if (a) they do not have a written contract; and (b) do not receive paid leave and also have pension contributions made on their behalf by their employers; (ii) Employers and own account workers are classified as informal if their business is not registered as a company or close corporation and if they are not registered for VAT.
NB: An important caveat is that the ICLS definition cannot be applied directly to the QLFS because the questionnaire no longer includes a question relating to registration of a company or close corporation. In the tables presented in this report, the criterion of company registration has been replaced with registration for income tax: Q4.14 'Is the business (or household business where you work) registered for income tax?'
[20] Statistics South Africa counts domestic workers separately.

Table 6 presents the same information from Table 5 but, instead of absolute numbers, it presents the estimated contribution of the informal sector to total employment. Depending on which definition is used, the contribution of the informal sector to total employment ranges from 16.3% to 19.6%. Among total non-agricultural employment, the informal sector represents a similar percentage of the national workforce. Perhaps the most notable finding from the table is that informal sector employment contributes a considerably larger share of total employment in the Eastern Cape, compared with South Africa as a whole. The sector accounts for about 22% of total employment in the province and a similar share for non-agricultural employment. This, and the size of the unemployment rate, suggests that the Eastern Cape labour force is particularly vulnerable.

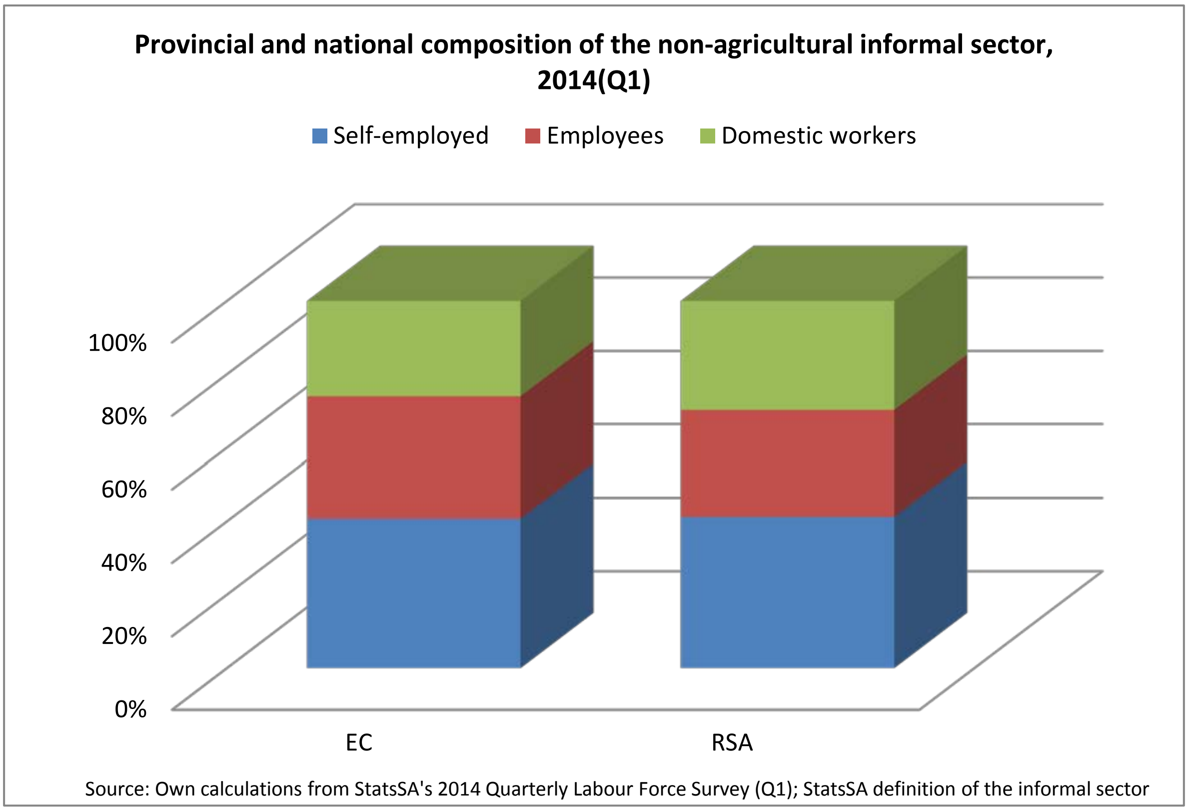
Table 6: Contribution (%) of informal sector employment to total employment, QLFS 2014(Q1)

	Self-employed		**Employees**		**Unpaid**		**Domestic Workers**	**Total IS**	
	Stats SA	ICLS	Stats SA	ICLS	Stats SA	ICLS	Stats SA & ICLS	Stats SA	ICLS
	All Sectors								
EC	11.9	11.6	10.5	11.2	---	0.3	7.4	22.4	23.1
RSA	9.3	9.0	7.0	10.3	---	0.3	6.6	16.3	19.6
	Non-agricultural								
EC	12.1	11.9	9.9	9.9	---	0.2	7.8	22.0	22.0
RSA	9.6	9.3	6.8	9.4	---	0.3	7.0	16.4	19

Source: Own calculations from Statistics South Africa's 2014 Quarterly Labour Force Survey (Q1)

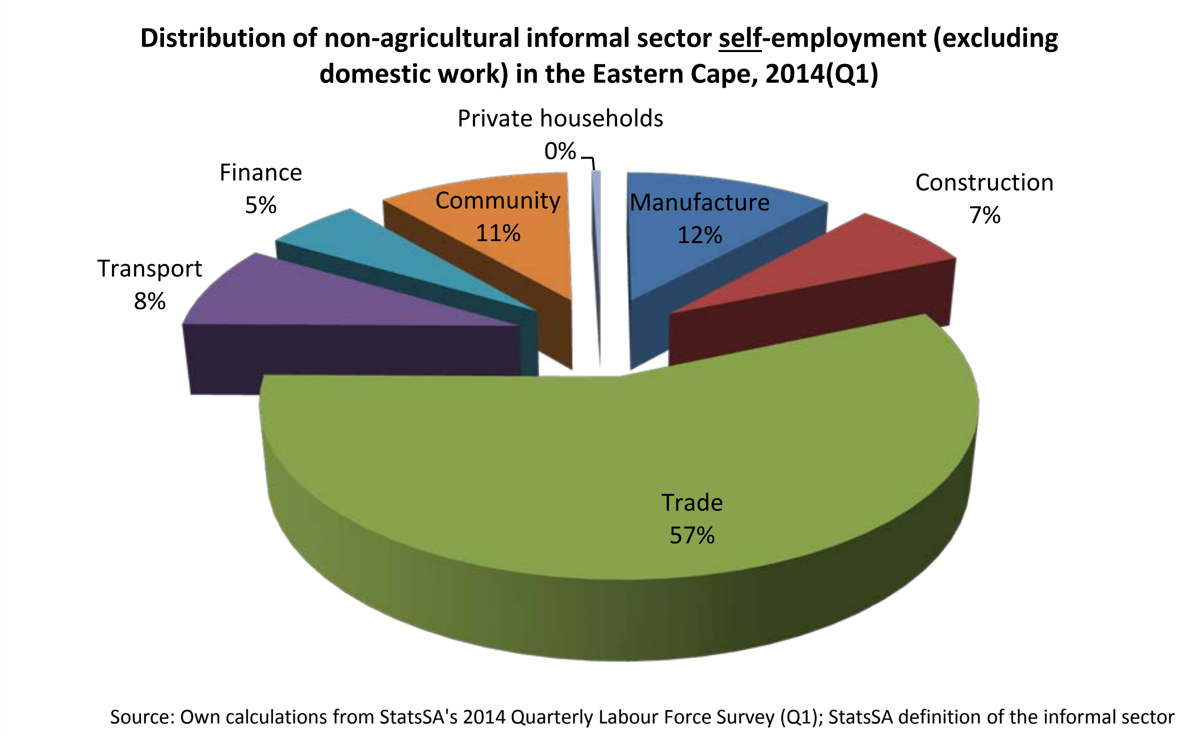
Even if domestic work is included as a part of non-agricultural informal sector employment (Figure 12), the single largest component of the informal sector is self-employment. In both the Eastern Cape and the country as a whole, self-employment contributes about 40% of total non-agricultural informal work. Domestic work contributes relatively more in the whole of South Africa than it does in the province – this could be because there are a proportionally smaller number of households in the Eastern Cape with sufficient income to afford domestic workers. As the figure suggests, employment in the informal sector (as opposed to self-employment) is a larger contributor to the informal workforce in the province than in South Africa as a whole.

Figure 12



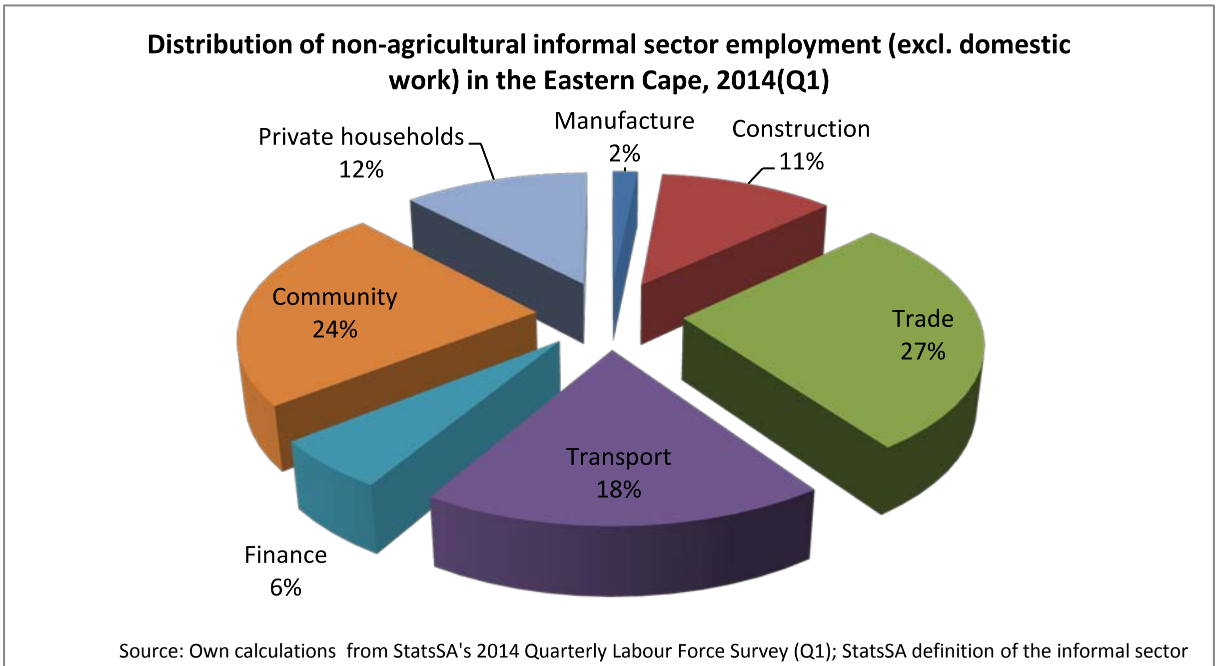
The activities associated with informal employment and informal self-employment are markedly different. Figures 13 and 14 profile these two types of informal work by identifying the sectors into which economic activities are concentrated. Informal self-employment in the Eastern Cape is largely dominated by wholesale and retail trade (57% of all informal self-employment). The other major activities undertaken by the informally self-employed in the province include: manufacturing (12%), community and social work (11%), transport (8%) and construction (7%).

Figure 13



The single largest activity for the informally employed in the Eastern Cape is also wholesale and retail trade (27%) but informal trade is a much smaller contributor to employment than to self-employment in the informal sector. Among those who are employed on an informal basis in the province, transport (18%), community and social work (24%), private household work (12%) and construction (11%), are also important activities.

Figure 14



2.3.2 Spatial characteristics of the informal sector in the Eastern Cape

The informal sector constitutes a larger proportion of the workforce in areas outside of the Nelson Mandela Bay Municipality, which is the only one of the two metropolitan municipalities in the province for which QLFS data can be filtered[21]. According to the official definition, the informal sector accounts for about 12% of total non-agricultural employment in the major urban centres of both the country and the province (again, in the Eastern Cape the only metropolitan area for which data can be filtered is the Nelson Mandela Bay Metro). In the Eastern Cape, the contribution of the informal sector to total employment jumps to about 26% for the rest of the province (i.e. all areas outside Nelson Mandela Bay). Therefore, while not necessarily agricultural, work in the informal sector is a considerably larger contributor to employment in the rural and peri-urban areas and in the smaller towns and cities.

Table 7: Contribution (%) of non-agricultural informal sector employment to total non-agricultural employment, by spatial area type

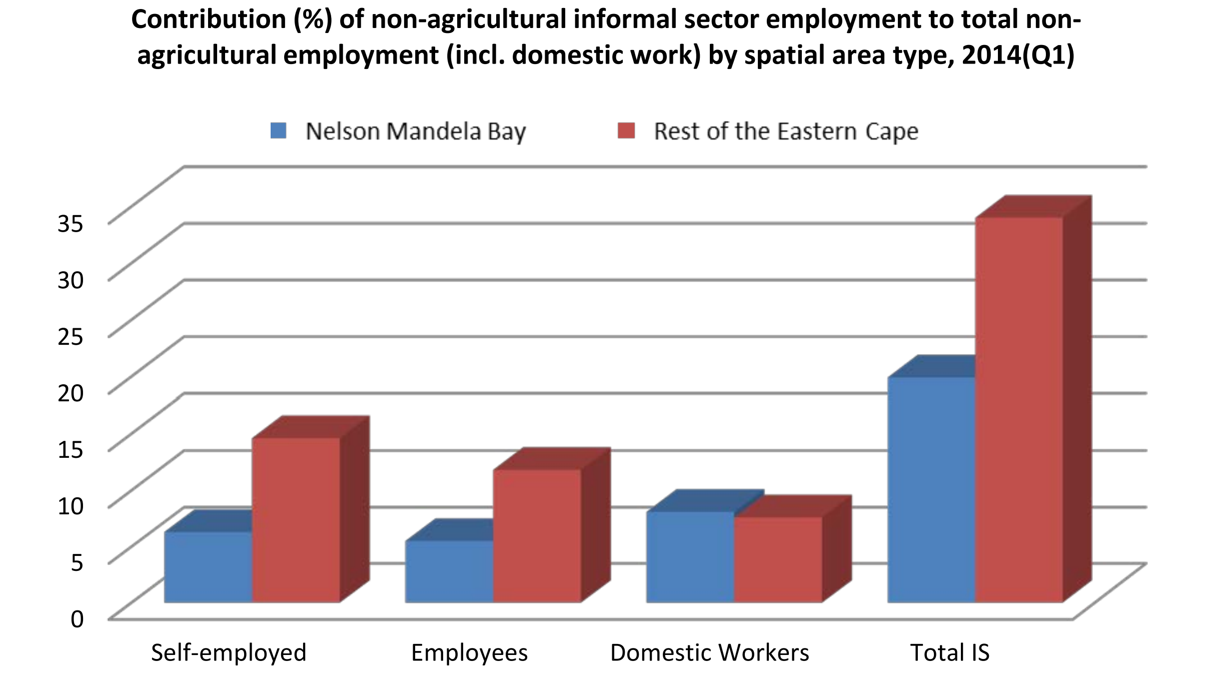
	Self-employed		Employees		Unpaid		Domestic Workers	Total IS	
	Stats SA	ICLS	Stats SA	ICLS	Stats SA	ICLS	Stats SA & ICLS	Stats SA	ICLS
	Nelson Mandela Bay/Metro								
EC	6.3	6.3	5.5	6.3	---	0.0	8.1	11.8	12.6
RSA	7.4	7.1	4.8	7.6	---	0.2	6.0	12.2	14.9
	Areas outside of Nelson Mandela Bay/Non-metro								
EC	14.6	14.2	11.8	11.4	---	0.3	7.6	26.4	25.9
RSA	12.0	11.5	8.9	11.2	---	0.5	7.9	20.9	23.2

Source: Own calculations from Statistics South Africa's 2014 Quarterly Labour Force Survey (Q1)

As the data in Figure 15 show, not only is the informal sector a larger contributor to employment in the areas outside Nelson Mandela Bay, but the 'shape' of the sector is also different outside Nelson Mandela Bay. Within Nelson Mandela Bay, the single largest contributor to the total non-agricultural informal sector is domestic work (8.1%). In the rest of the province, however, informal self-employment and informal employment are more prevalent. If domestic work is included in the definition of the informal sector, it has a relatively greater contribution in the Nelson Mandela Bay metro than in other parts of the Eastern Cape.

[21] Nelson Mandela Bay was the only metropolitan municipality in the Eastern Cape until 2011, when it was joined by the Buffalo City Municipality, which includes East London, Bhisho and King William's Town.

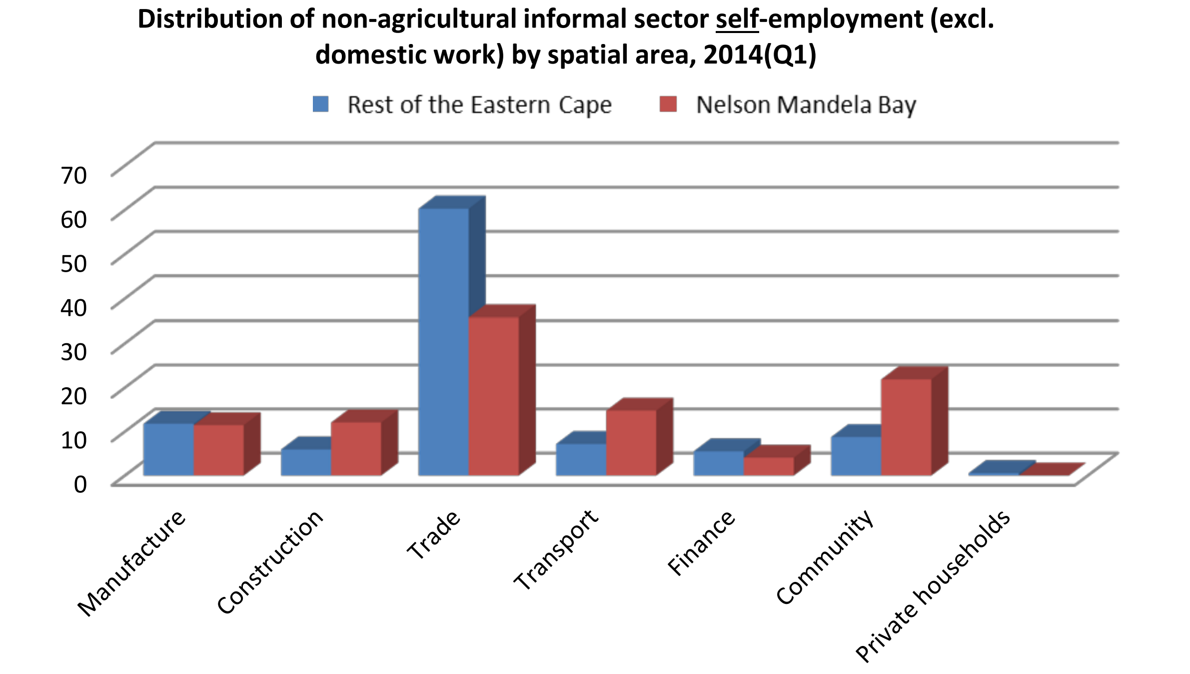
Figure 15



Source: Own calculations from StatsSA's 2014 Quarterly Labour Force Survey (Q1); StatsSA definition of the informal sector

Informal self-employment within and outside Nelson Mandela Bay is dominated by wholesale and retail trade activities (Figure 16). However, informal trade is a far larger component (60%) of the informal sector in areas outside Nelson Mandela Bay than within it (36%). As might be expected, construction and transport are relatively larger informal activities in Nelson Mandela Bay, relative to the rest of the province. Community, social and personal services are also a much larger share of the informal sector in Nelson Mandela Bay than elsewhere in the province.

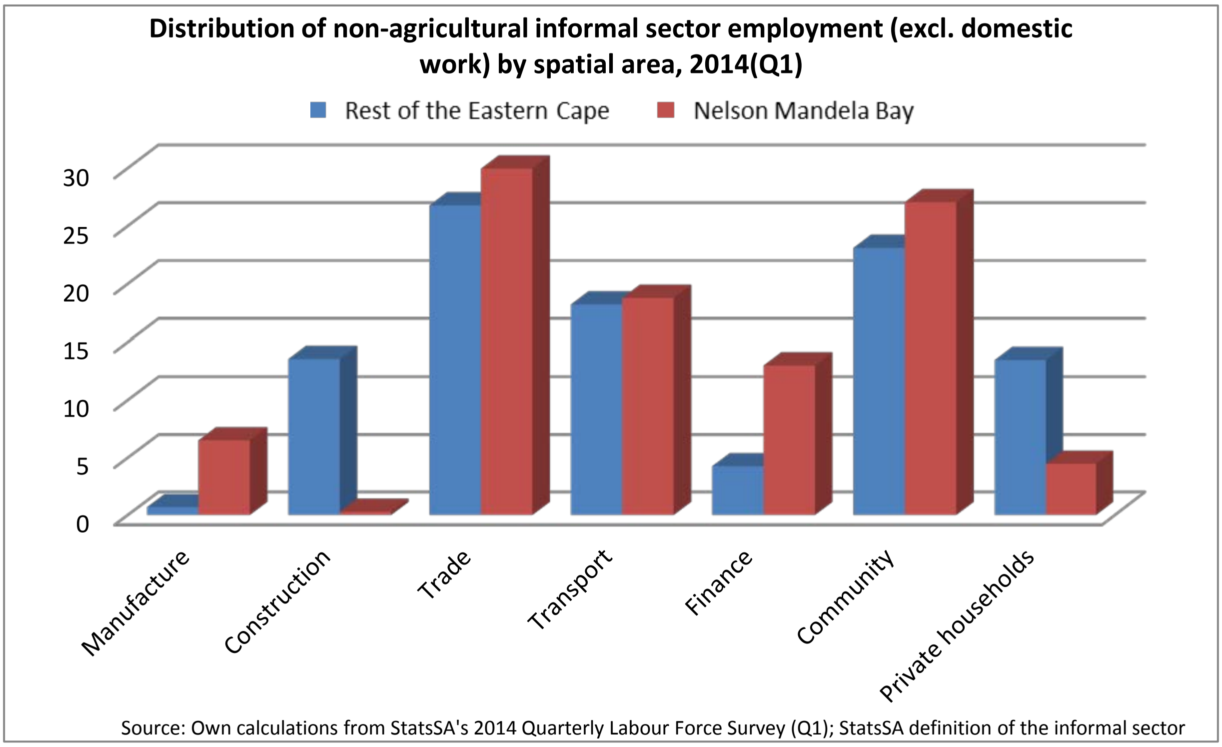
Figure 16



Source: Own calculations from StatsSA's 2014 Quarterly Labour Force Survey (Q1); StatsSA definition of the informal sector

Informal employment in the province (Figure 17) is also dominated by trade but, as in South Africa as a whole, to a lesser extent than self-employment. The differences between the informal sector in Nelson Mandela Bay and the rest of the province are also striking. Informal employment in the manufacturing sector is a far larger component of Nelson Mandela Bay's informal sector (6.5%) relative to other areas (less than one percent). Finance, trade and community services are also relatively larger employers of informal workers in Nelson Mandela Bay. Construction work and employment in private households (excluding domestic work), on the other hand, are much more prevalent activities in areas outside Nelson Mandela Bay.

Figure 17



2.3.3 Gender and the informal sector

Gender differences in informal work often form an important part of analyses of the informal sector (Table 8). Somewhat against expectations, the informal sector forms a larger share of male employment than female employment in the province (25% and 19%, respectively). The exclusion of domestic work from the definition of the informal sector is obviously one part of the explanation for the smaller share of informal work in female employment. In the Eastern Cape (and in the country as a whole), domestic work makes up about 15% of total non-agricultural female employment.

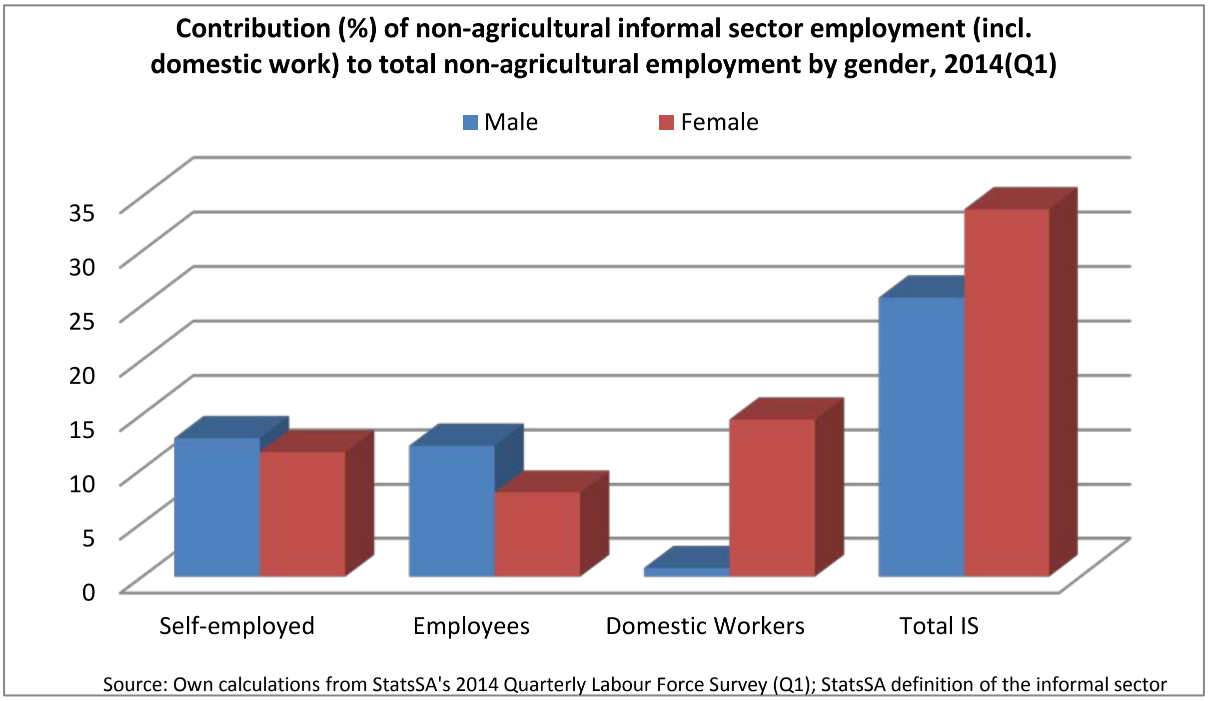
Table 8: Contribution (%) of non-agricultural informal sector employment to total non-agricultural employment, by gender

	Self-employed		Employees		Unpaid		Domestic Workers	Total IS	
	Stats SA	ICLS	Stats SA	ICLS	Stats SA	ICLS	Stats SA & ICLS	Stats SA	ICLS
	Male								
EC	12.8	12.6	12.1	13.3	---	0.2	0.8	24.9	26.1
RSA	9.9	9.6	8.4	12.5	---	0.3	0.6	18.3	22.4
	Female								
EC	11.5	11.2	7.8	6.6	---	0.3	14.5	19.3	18.1
RSA	9.4	8.9	4.8	5.6	---	0.4	14.8	14.2	14.9

Source: Own calculations from Statistics South Africa's 2014 Quarterly Labour Force Survey (Q1)

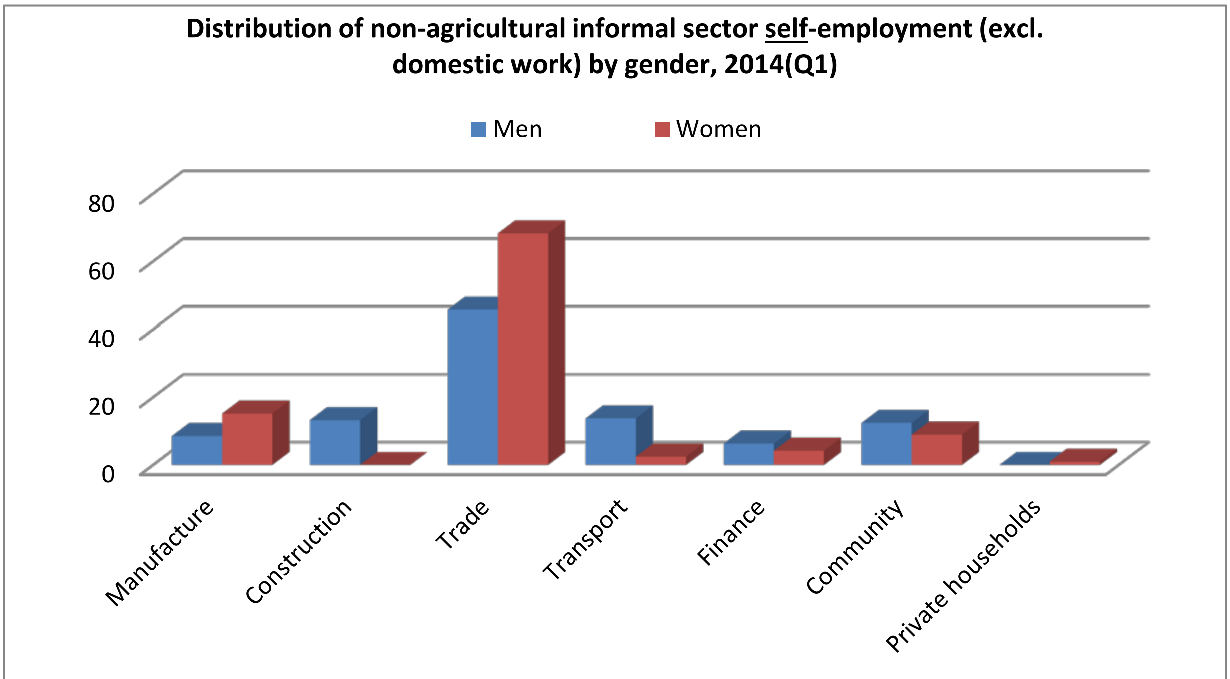
Figure 18 gives a graphic presentation of the gender profiles of the informal sector. The main difference from the previous table is that, once domestic work is included, informal work forms a much larger part of female employment. Aside from the far greater prevalence of domestic work by women, the other important difference is that informal employment is a far larger contributor to male employment than female employment (12% and 8%, respectively). The share of informal self-employment to total non-agricultural employment is similar for men and women (13% and 12%, respectively).

Figure 18



The types of informal activities that men and women undertake are somewhat different (Figure 19). While informal trade dominates self-employment for men and women, there is a stark gender difference. The vast majority (68%) of informally self-employed women in the province are involved in informal trade (compared with just under half of men in informal self-employment). Among the informally self-employed, women are more likely to be involved in trade and manufacturing than men, while informal construction and transport, in particular, are two activities in which men are more involved.

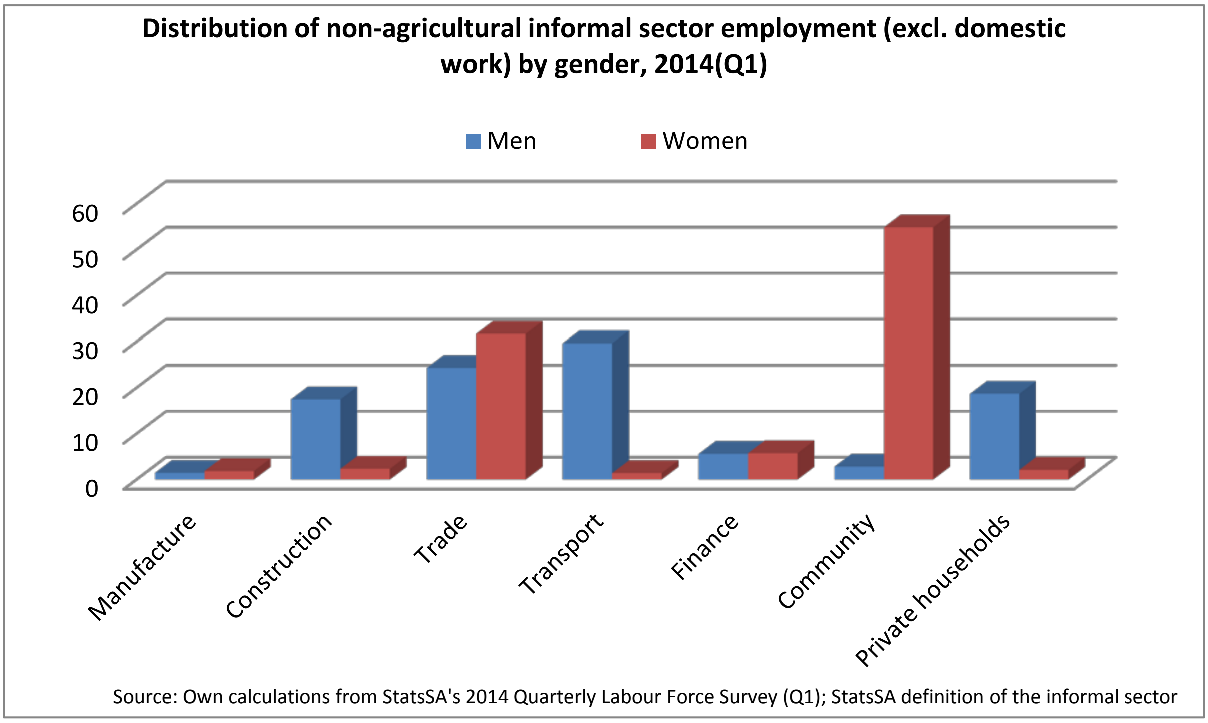
Figure 19



Source: Own calculations from StatsSA's 2014 Quarterly Labour Force Survey (Q1); StatsSA definition of the informal sector

Gender differences in informal employment appear to be even more pronounced (Figure 20). Over half (55%) of women in informal employment are in community services (compared with just under three percent of men). Women who are informally employed (excluding domestic workers) are also more likely than men to work in trade (32% and 24%, respectively). Men, on the other hand, are far more likely to be employed on an informal basis in construction, transport and in private households (e.g. possibly as gardeners and landscapers).

Figure 20



3 Unemployment

Table 9 below shows the changes in the official (or narrow) rate of unemployment for all provinces in South Africa from the first quarter of 2012 to the first quarter of 2014, as calculated using QLFS data. It shows an upward trend in the official rate of unemployment in most provinces over this period, and shows that the Eastern Cape had the third highest official unemployment rate in the first quarter of 2014. Thus, the growth in jobs identified in Table 1 coincided with very limited gains in terms of a reduction in the rate of unemployment (see Table 9 below). In other words, relative to the growth in the size of the labour force, job growth was low and not enough to curb unemployment. Therefore, while more than 800 000 more South Africans were employed in 2014 (compared with 2012), the rate of unemployment still increased by almost one percent. Although unemployment decreased in three provinces, it increased substantially in the Free State and the Northern Cape. In the Eastern Cape, the small increase in the number of employed people shown in Table 1 occurred at the same time that the official unemployment rate increased by 5.2%, as shown in Table 9.

Table 9: Official unemployment rate by province, 2012(Q1)-2014(Q1)

Provinces	**Official unemployment rate**			**% change**
	2012(Q1)	2013(Q1)	2014(Q1)	**(2012-Q1/ 2014-Q1)**
WC	22.5	23.1	20.9	-7.1
EC	27.96	29.9	29.4	5.2
NC	25.27	29.3	29.0	14.8
FS	31.9	31.2	34.7	8.8
KZN	19.95	20.5	20.7	3.8
NW	26.1	26.3	27.7	6.1
GP	26.0	25.2	25.8	-0.8
MP	29.8	29.2	30.4	2.0
LP	21.5	20.1	18.4	-14.4
RSA	**25.0**	**25.0**	**25.2**	0.8

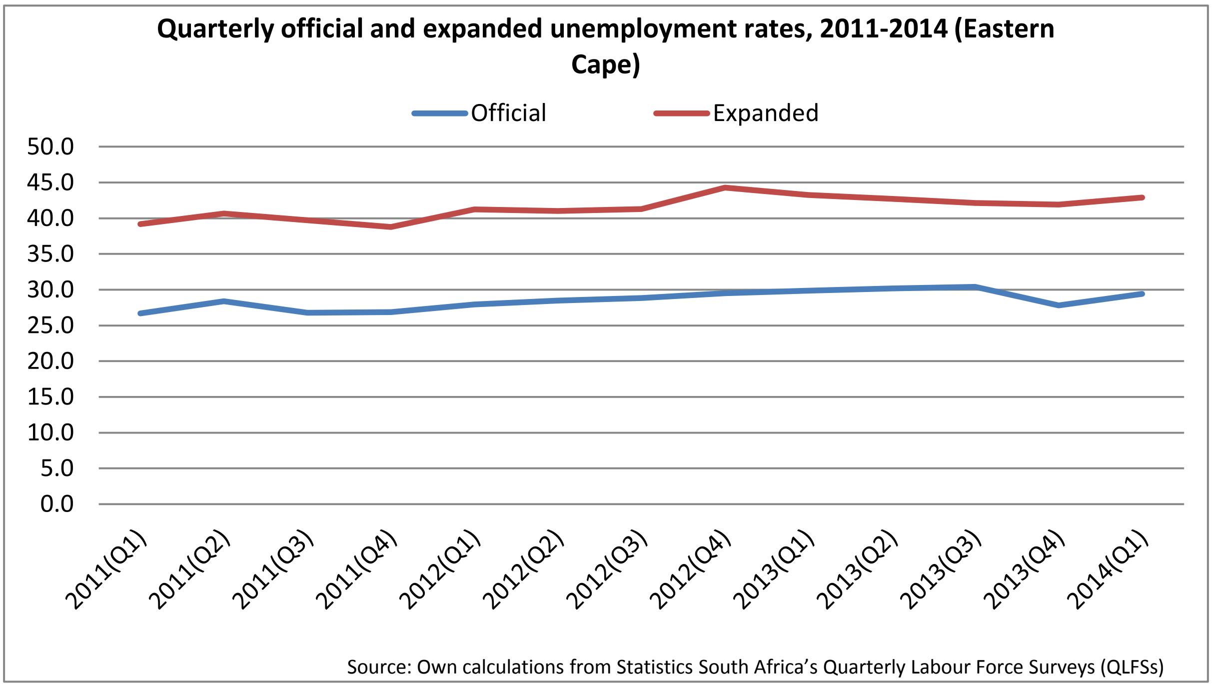
Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)

However, we should not limit our analysis to changes in the official rate of unemployment only, as that definition only captures those who indicate that they want work and have actively searched for employment in the four weeks prior to being surveyed[22]. Given the high cost of job search in South Africa, the great distance between employment opportunities and the places where unemployed people live, the generally low likelihood of finding employment (particularly through conventional means of job searching), and evidence that people move in and out of active job searching and often use informal networks to find work, an expanded definition of unemployment is a more appropriate measure in South Africa[23]. The expanded definition of unemployment includes all of the officially unemployed as well as those who indicate that they would like work but have not necessarily searched for a job over the past month[24].

[22] Official unemployment rate = (searching unemployed)/(employed + searching unemployed)
[23] 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.
[24] Expanded unemployment rate = (searching unemployed + non-searching unemployed)/(employed + searching unemployed + non-searching unemployed)

Figure 21 illustrates the difference between the official and expanded unemployment rates in the Eastern Cape. Not surprisingly, when the non-searching unemployed are included, the rate of unemployment is far higher. In the first quarter of 2014, the official rate of unemployment in the province – as calculated from QLFS data – was 29.4% and the expanded rate was 42.9%. The data presented in the figure also show that, irrespective of which definition is used, the unemployment rate generally increased steadily over most of the 2011/14 period.

Figure 21

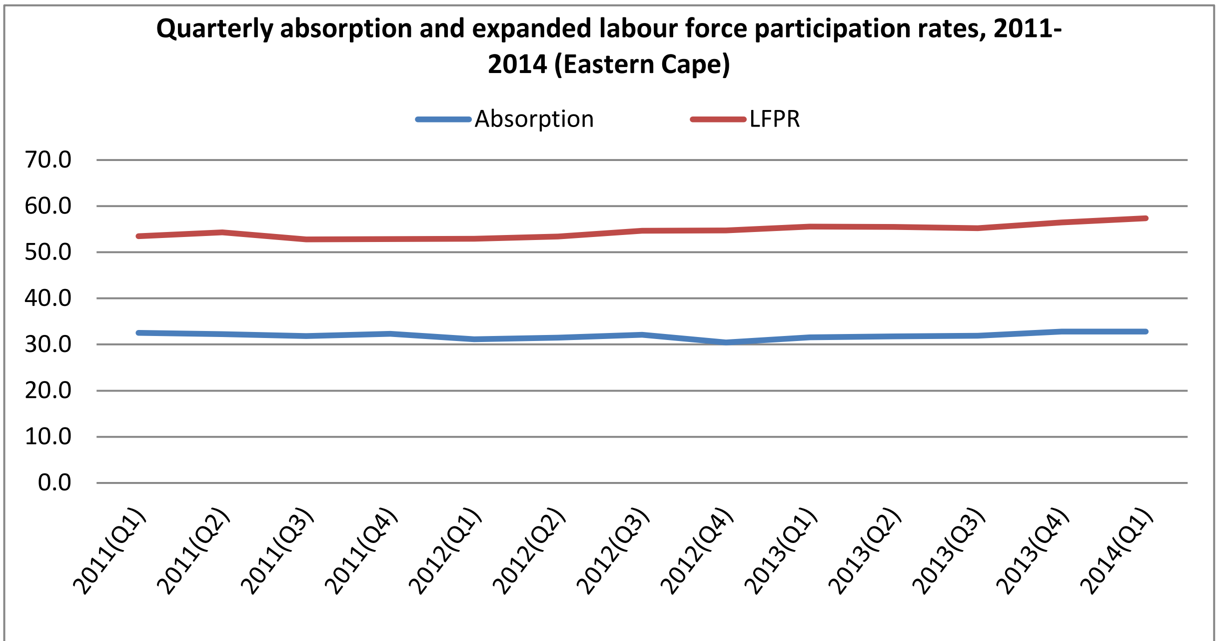


Over the same period that unemployment increased in the province, the labour absorption rate[25] remained relatively stable and then increased slightly from the fourth quarter of 2012 (Figure 22). The expanded labour force participation rate[26] (or the percentage of the working age population that was either employed or unemployed – including discouraged work seekers) increased slightly over the second half of the period but this relative growth in the labour force seems to have been fairly evenly divided between the employed and the unemployed. The first quarter of 2014, however, did see an increase in the participation rates alongside a slight increase in the expanded unemployment rate.

[25] The absorption rate is measured as the percentage of the total working age population that is employed. It is different from the employment rate, which is the percentage of the labour force that is employed.

[26] The labour force participation rate is the percentage of the total working age population that is economically active or, put differently, are part of the labour force (i.e. are employed or unemployed).

Figure 22



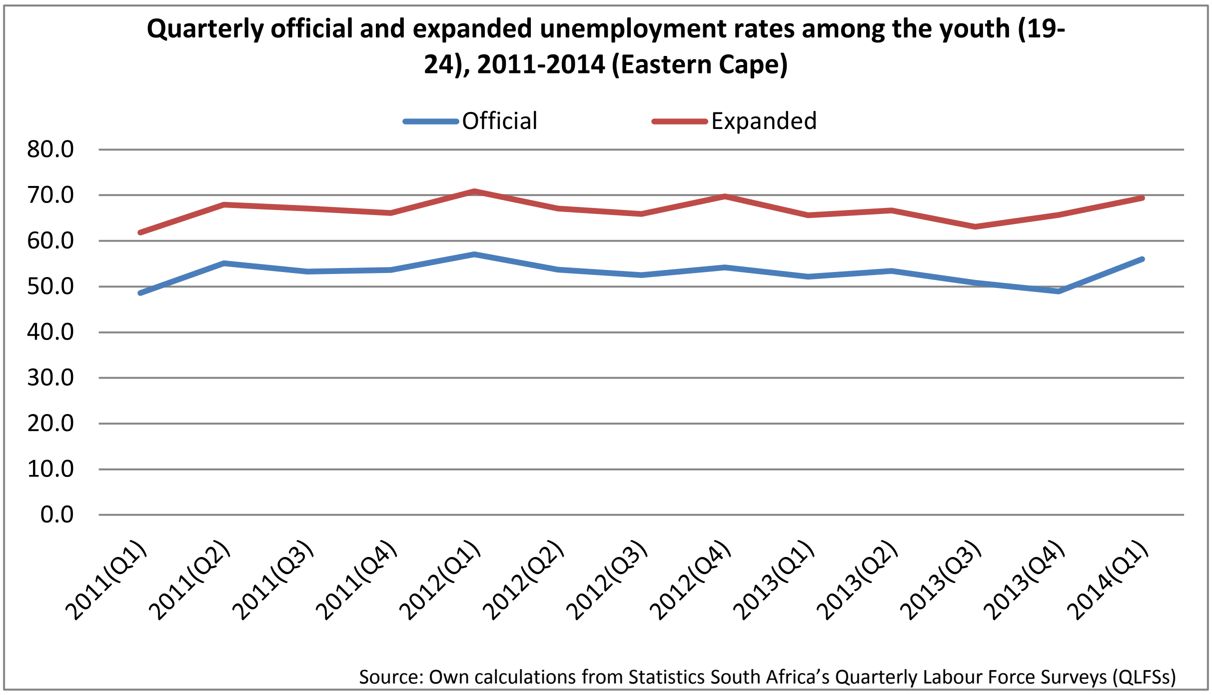
Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)

3.1 Unemployment by age, gender and race

As in many other contexts, young people – defined here as those between the ages of 19 and 24, inclusive – as new entrants to the labour market, face a particularly high risk of unemployment in the Eastern Cape (Figure 23). In the first quarter of 2014, a staggering 69% of the provincial labour force between the ages of 19 and 24 was unemployed according to the expanded definition (i.e. including the non-searching unemployed). Even when using the official definition (i.e. excluding those who were not actively searching for work), more than half (56%) of this group was unemployed in the same quarter.

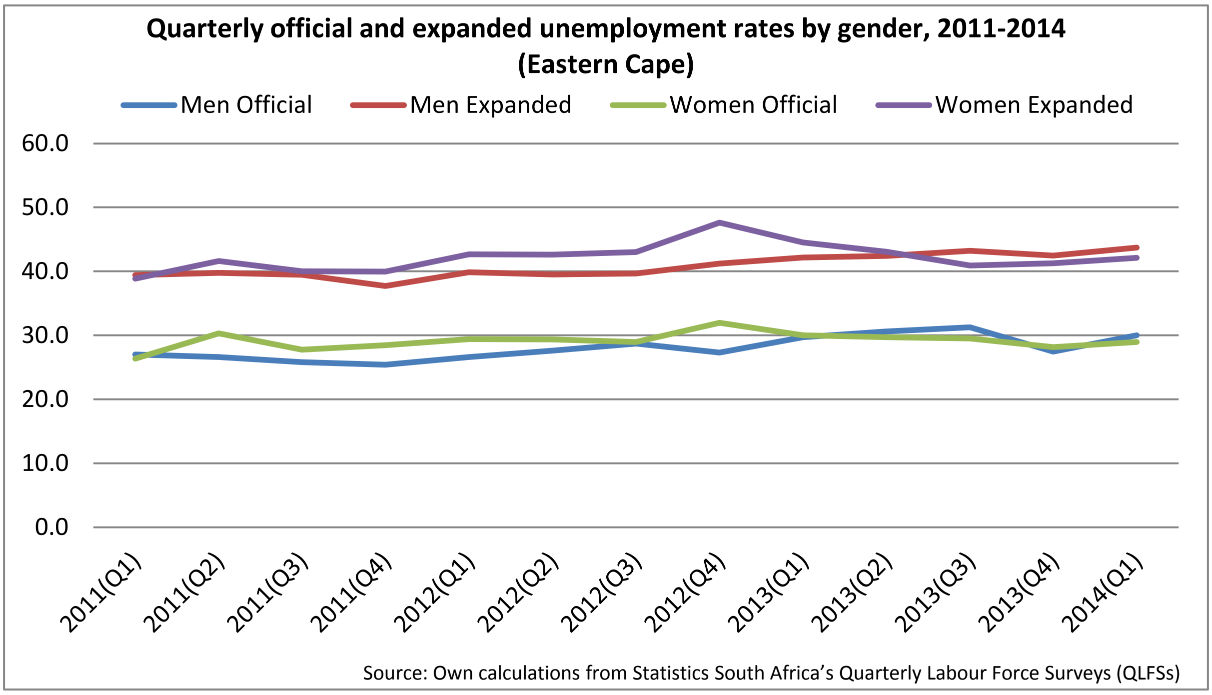
Over the 2011-2014 period, there has been little progress in reducing youth unemployment – in fact, the official youth unemployment rate was roughly eight percentage points higher in the first quarter of 2014 than it was in the first quarter of 2011. Similarly, the expanded rate for 19-24 year olds increased from 62% to 69% over the same period. It would be no exaggeration to describe youth unemployment as having reached crisis proportions in the Eastern Cape. At best unemployment was consistently high with more than half of the 19-24 year old labour force in unemployment for much of the period (according to the official definition) and, at worst, unemployment among this group increased by 7.6 percentage points in absolute terms (according to the expanded definition). The positive finding of a decrease in the official unemployment rate in the last two quarters of 2013, while offering some initial optimism, was reversed again in the first quarter of 2014.

Figure 23



Trends in gender differences in unemployment have traditionally formed an important part of labour market analyses in South Africa. For the period between 2011 and 2014 in the Eastern Cape, however, a clear gendered pattern is somewhat difficult to discern. For most of the period, and in line with the broader literature in South Africa, both the expanded and official rates of unemployment were higher for women than for men (Figure 24). The unemployment rates for men increased incrementally between the fourth quarter of 2011 and the first quarter of 2014; both unemployment rates also increased for women, but were driven to some extent by two large spikes in the general unemployment rate in the second quarter of 2011 and the fourth quarter of 2012. The first quarter of 2013 was then the beginning of a fairly steep and sustained drop in female unemployment which resulted in the convergence of unemployment rates between men and women. It is not clear from the data what drove these fluctuations.

Figure 24



Not surprisingly, the high and persistent unemployment rate for people in the Eastern Cape classified as African (46.1%), the dominant population group in both the country and the province, is similar to the rate for all population groups together (42.9%). While Table 10 suggests that there were large changes in unemployment for people classified as Indian and Coloured in the province, the actual survey numbers for these groups are small and should be treated with caution[27]. That being said, the broad conclusion that can be taken from the figures presented in the table is that the expanded unemployment rate for all race groups in the province changed very little.

[27] Unemployment estimates for groups of people classified as Indian, Coloured and White at the provincial level should be treated with caution. Sample sizes for these groups are very small and, consequently, standard errors are high and the level of confidence at which statistical comparisons can be made between groups is low.

Table 10: Eastern Cape expanded unemployment rates by population group, 2012(Q1)-2014(Q1)

Population groups	**Expanded unemployment rate**			**% change**
	2012(Q1)	2013(Q1)	2014(Q1)	**(2012-Q1/ 2014-Q1)**
African	46.1	48.1	46.1	0
Coloured	29.5	30.2	38.9	31.9
Indian	20.58	0.0	8.1	-60.6
White	12.4	6.5	7.1	-42.7
Eastern Cape	**41.2**	**43.3**	**42.9**	4.1

Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)

3.2 Department of Labour data

Administrative data gathered by the Department of Labour gives us some indication of changes in the levels of distress experienced in the Eastern Cape labour market. In particular, we can look at changes in numbers of applications to and awards from the Unemployment Insurance Fund (UIF), in patterns of work-seeker registrations, referrals and placements, and in numbers of complaints received by the department. In examining these patterns, we should remember that the picture they offer is partial, for reasons that include the following:

- Not all participants in the labour market are registered UIF contributors, and only contributors can benefit from UIF pay-outs. Higher-earning workers are typically excluded, and not all employment sectors are equally well represented in terms of UIF registrations. This means that, although changes in UIF applications and awards can serve as indicators of worker distress, they would necessarily underestimate the levels of distress.
- Registration as a work-seeker with the Department of Labour is only one mechanism in searching for work, and, if one looks at the department's administrative data, one that is very unlikely to yield positive results. Research[28] also suggests that unemployed people make extensive use of informal networks in finding work, and might be seeking and non-seeking at various times. This means that registration of work-seekers with the department offers, at best, a partial view of interest in work, although the directions of fluctuations in numbers of work-seekers registered and placed can offer hints to shifting labour market patterns.
- Complaints received by the Department of Labour are of a range of kinds that are not clearly distinguished in the data at our disposal. Breakdowns of complaints in terms of particular categories – often in terms of the piece of legislation (e.g. Basic Conditions of Employment Act) in terms of which they were made – have been made available only for two financial years, viz. 2003/04 and 2004/05. This means that although fluctuations in the total numbers of complaints received by the department serve as indicators of worker distress, we would need to

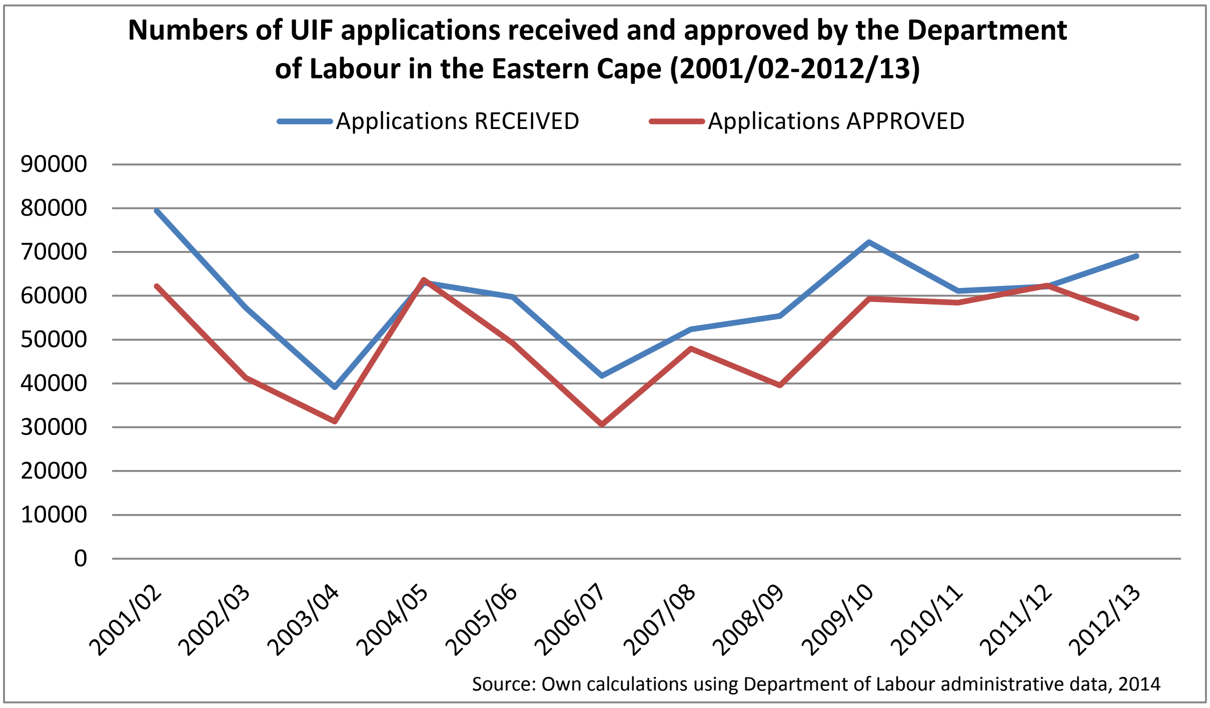
[28] Posel, D., Casale, D. & Vermaak, C. (2013). The unemployed in South Africa: Why are so many not counted? *Econ3x3*, February 2013.

do further work to understand what might be the forms and causes of such distress.

With these cautionary remarks in mind, what do the three categories of administrative data gathered by the Department of Labour tell us?

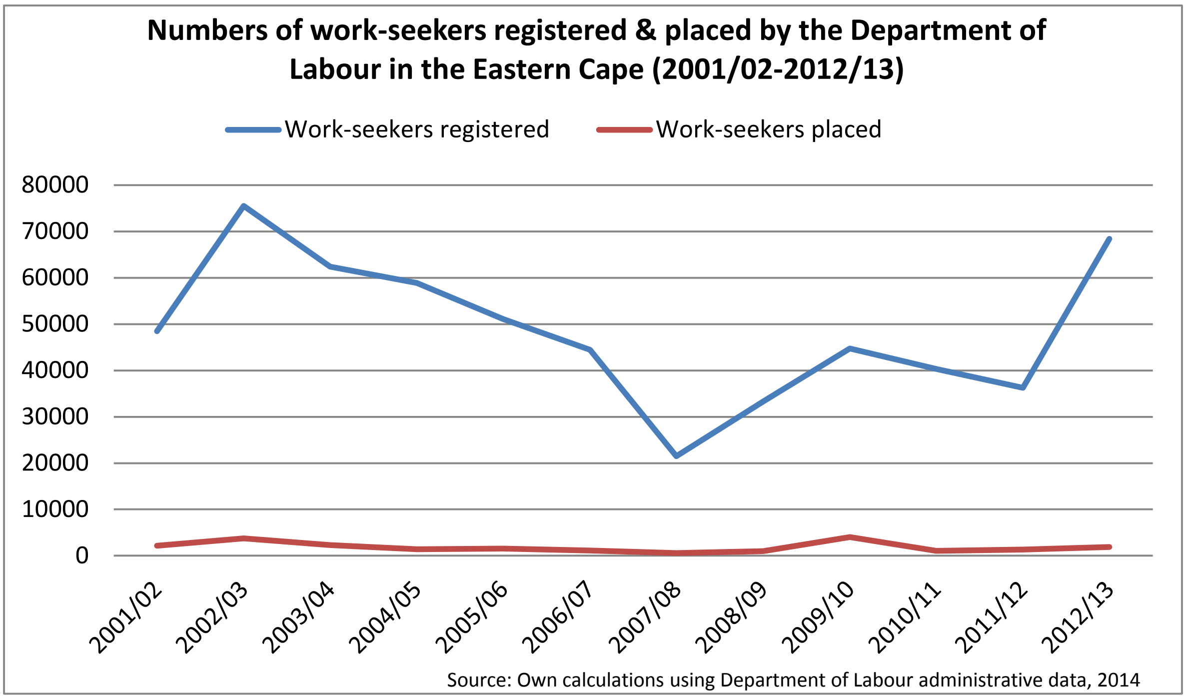
Firstly, one notices a fairly sharp increase in the number of UIF applications in 2012/13 to the third-highest level achieved since 2001/02, and almost as high as the level achieved in 2009/10 (which followed the 2008 financial crisis) – see Figure 25 below. This suggests the possibility of an upward trend in the shedding of jobs in the Eastern Cape that started from a low achieved in the year after the 2009/10 spike but increasing to a level close to that spike – it is not yet clear what direction that trend might have taken in 2013/14. As shown above, QLFS data provide evidence of an upward trend in unemployment from the first quarter of 2011 – the spike in UIF applications suggests that job shedding in the aftermath of the 2008 financial crisis is a contributor to this upward trend.

Figure 25



Secondly, one notices a significant rise in the number of work-seekers registered by the Department of Labour from 2011/12 to 2012/13 – the number of work-seekers almost doubled, to attain a level higher than that attained in 2009/10 and second only – in the period 2001/02 to 2012/13 – to the level attained in 2002/03 (see Figure 26 below). This again fits the trend observed in our analysis of QLFS data, including the slight dip in the number of work-seekers in 2011/12.

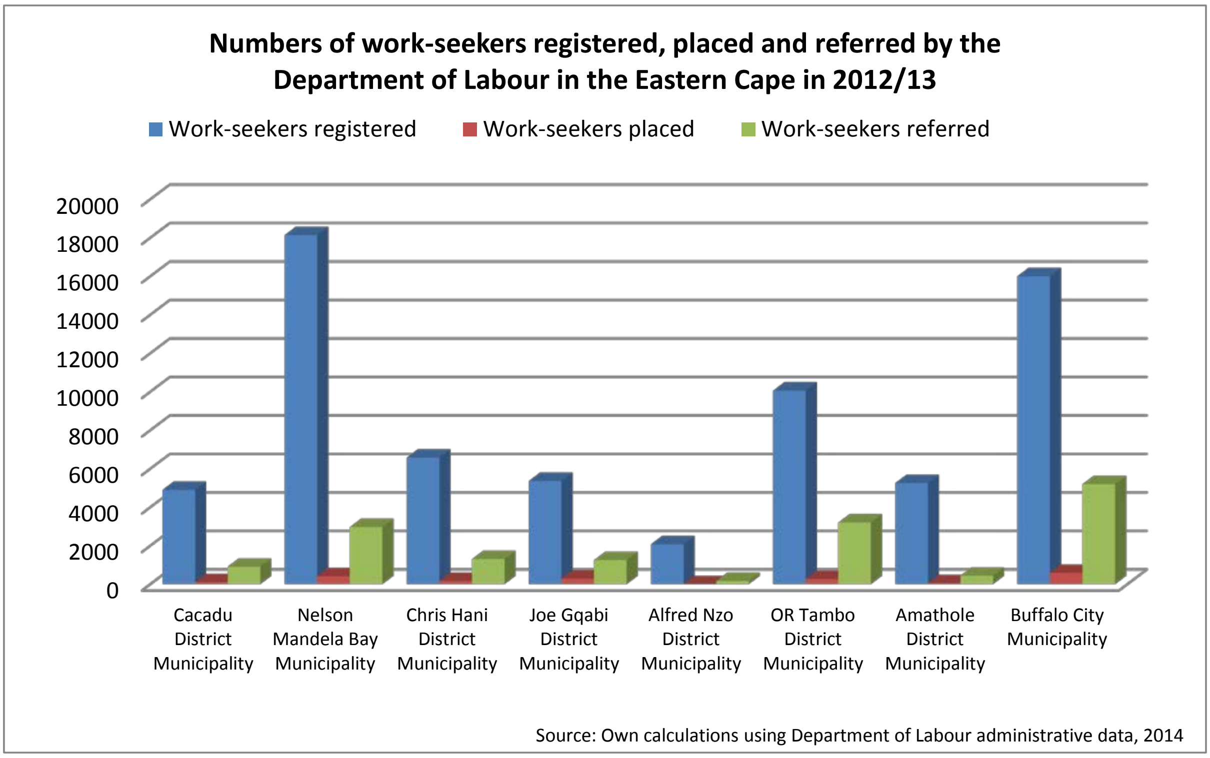
Figure 26



In addition to the spike in the number of work-seekers registered in 2012/13, one also notices a continuation of the low proportions of registered work-seekers who are placed in jobs. It is the occurrence of such a spike in spite of historically low levels of work-seeker placements that suggests a high level of desperation amongst workers and aspirant workers. It is not clear what proportion of these registrations were by people who had recently lost jobs or by people who had been searching for jobs for longer periods of time, but the apparent correspondence of this increase with an increase in the number of UIF registrations suggests that people who had recently lost jobs were well represented.

Unpacking the numbers of work-seekers registered, placed and referred in the Eastern Cape in 2012/13 by district municipality and the two metropolitan municipalities, shows that the largest numbers of work-seeker registrations occurred in the two metros – Nelson Mandela Bay and Buffalo City – which are the centres of the bulk of the manufacturing activity in the province (see Figure 27 below). The third highest proportion was accounted for by the OR Tambo District Municipality, which includes Mthatha, the third largest urban area in the province. Given what the QLFS data suggests about changes in employment, and also what we know about the contributions to the economy and employment by these urban centres, it would appear that it was the loss of work in the urban-based manufacturing centres that drove the increase in work-seeker registrations. An alternative explanation could be that the increase in work-seekers in the major urban centres was driven by an influx of work-seekers into the urban areas – analysis of urban to rural migration trends would assist in assessing the likelihood of this being a valid explanation.

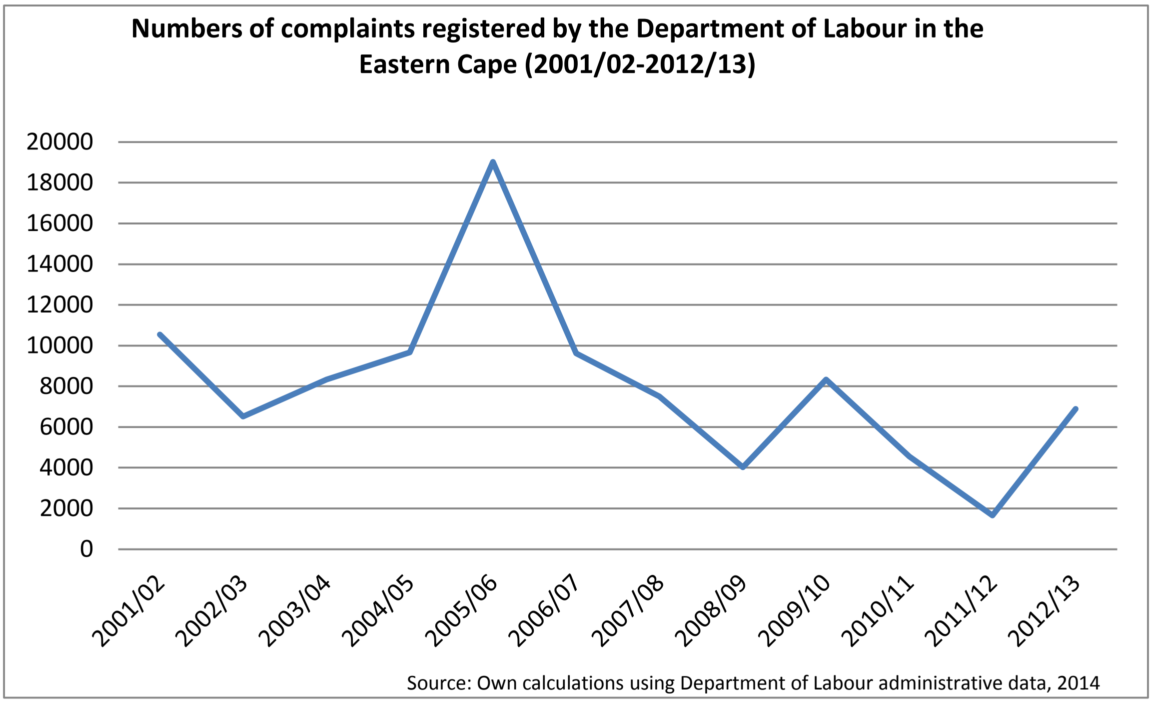
Figure 27



The two metros and the OR Tambo District Municipality also saw the largest numbers of referrals of work-seekers, which might be due to the existence of stronger referral networks and larger ranges of opportunities in the three main urban centres in the province. The very low placement levels in all areas point to very limited success in the Department of Labour's efforts to link work-seekers with jobs at least partly due to the persistence of a very low demand for labour in the province (even in the centres of formal economic activity).

Thirdly, Figure 28 below shows that the number of complaints registered by the Department of Labour in the Eastern Cape more than tripled from 2011/12 to 2012/13. This was still lower than the level obtained in 2009/10 and in a number of other years. This increase could have been driven by complaints related to the ways in which jobs were shed in 2012/13, but, without further information on the nature of the complaints registered in 2012/13, it is difficult to be certain.

Figure 28



4 Conclusion

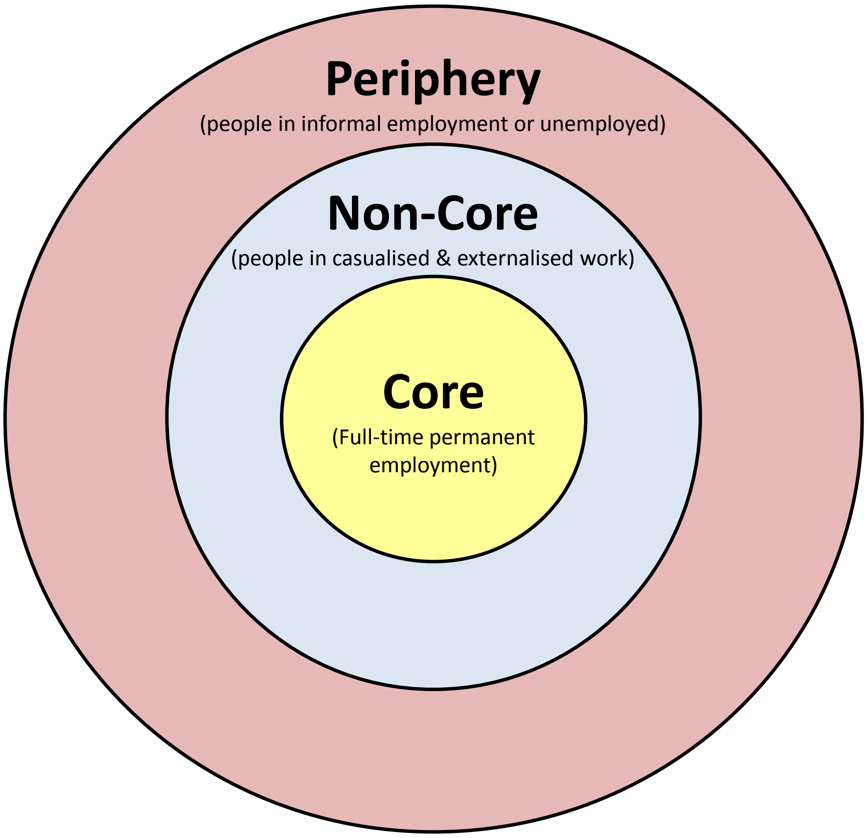
Our analysis in this report shows continued deterioration of the situation of the members of the Eastern Cape labour force. Not only is unemployment (expanded definition) increasing ever-further above 40%; approximately 30% of those who were employed in the first quarter of 2014 worked in the informal sector (ICLS definition) or in domestic work.

The implications of this situation and the options facing workers and the state become clearer when using Von Holdt and Webster's characterisation of the South African labour market as composed of a core, a non-core and a periphery[29]. The core of the labour market consists of those people located in full-time formal employment, the non-core consists of those people located in more insecure and vulnerable positions created by practices such as casualisation and externalisation[30], and the periphery consists of people located in informal survivalist activities and those who are unemployed. This conceptual framework can be represented graphically as follows:

[29] Von Holdt, K. & Webster, E. (2005). Work Restructuring and the Crisis of Social Reproduction: A Southern Perspective. In E. Webster & K. Von Holdt (Eds.). *Beyond the Apartheid Workplace: Studies in Transition*. Scottsville: University of KwaZulu-Natal Press.
Also see Webster, E. (2013). The promise and the possibility: South Africa's contested industrial relations path. *Transformation* 81/82 (2013).

[30] Casualisation refers to the shifting of workers into more vulnerable part-time and temporary employment, and externalisation refers to the shifting of jobs outside the company. Externalisation could take the form of outsourcing, which involves the shifting of jobs to other employers who then provide the service – as an external supplier – that used to be provided by employees of the outsourcing company. Externalisation also includes other practices, such as changing the status of employees to that of "independent contractors" – such practices often shift former employees outside the ambit of labour legislation and render them more vulnerable to exploitation.

Figure 29: Structure of the South African labour market



Source: Adapted from Von Holdt & Webster, 2005.

The QLFS data analysed in this report show the continued growth of the proportions of the Eastern Cape labour force located in the periphery and the non-core, leaving a steadily diminishing proportion in the core. By the first quarter of 2014, the largest proportion of the Eastern Cape labour force was located in the periphery – between 43% and 56%, depending on how the informal sector, which makes up 13% of the Eastern Cape labour force, is divided between the periphery and the non-core. This left less than 40% of the Eastern Cape labour force located in the core – subtraction of the numbers of people working in the informal sector and as domestic workers from the total number of employed people leaves a maximum of 40% of people in the Eastern Cape labour force in the core, a proportion that will be diminished further if people in casualised and externalised employment are not included. Although the size of the non-core is particularly difficult to determine exactly from the data used in this report, the non-core would include domestic workers, people in casualised or externalised employment, and people working on EPWP projects (the latter only for the limited period during which they work on those projects, after which they would typically move to the periphery).

This structuring of the Eastern Cape labour force has a number of implications. Firstly, a decreasing proportion of the Eastern Cape labour force is likely to be earning a living wage (this will be explored further in forthcoming publications). Secondly, a decreasing proportion of the Eastern Cape labour force is in formal and stable employment, leaving an ever-increasing proportion vulnerable. Thirdly, although job creation should clearly be a key priority, this should not be done in ways that further reduce the size of the core of the Eastern Cape labour force. Fourthly, the shrinking of the core of the

Eastern Cape labour force means that an increasingly smaller part of the labour force is of the kind traditionally organised by trade unions, requiring other forms of collective action to improve conditions of work and living conditions (e.g. community-based action, expansion of trade union activity into the non-core, and linking trade union and community-based initiatives). Fifthly, an increasing burden is being placed on the state to facilitate job creation at the scale and of the type required to increase the size of the core of the Eastern Cape labour market, while shrinking both the non-core and periphery. Sixthly, there is increasing pressure on the state to protect and expand the social wage (including the reach and quality of social services and income support) to expand the possibilities for active citizenship by members of the Eastern Cape labour force and their households, to allow for on-going improvement of their well-being and dignity, and to improve the quality of labour supply.

Community and social services continue to dominate employment in the Eastern Cape, followed by wholesale and retail trade – more than half of all employment in the Eastern Cape in the first quarter of 2014 was in these two sectors, but with the contribution of wholesale and retail trade diminishing from 2012-2014. The contribution of manufacturing to employment in the Eastern Cape has decreased over the last two years, and, by the first quarter of 2014, the manufacturing, mining and construction sectors accounted for around 20% of Eastern Cape employment. In general, our analysis of changes in the industry employment share in the Eastern Cape over the last two years shows little evidence that the sectors with the greatest job creation potential are increasing their contribution to employment.

Although the proportion of employed people in the Eastern Cape working in elementary occupations increased over the last two years to make up more than a quarter of those in employment by the first quarter of 2014, this was still not at the rate required to provide jobs to a low-skilled periphery. Reductions in the proportion of employed people working in sales positions echoes the decline in the employment contribution of the wholesale and retail trade sector. By the first quarter of 2014, more than 7% of employed people in the Eastern Cape worked as domestic workers, which was the occupation category that showed the second-largest growth over the last two years (contributing to the non-core of the Eastern Cape labour market rather than the core).

The number of work opportunities created through government's flagship employment creation initiative, the Expanded Public Works Programme (EPWP), increased steadily in the Eastern Cape and the larger South Africa from 2004/05 to 2013/14. However, it became increasingly more expensive to create those opportunities, particularly in the local sphere of government. Not only did the expenditure on EPWP projects within the local sphere of government double at the same time that the number of projects decreased; the average project expenditure per work opportunity in the local sphere of government has been higher than in the other spheres and the non-state sector since 2007/08, with a rapid relative increase noticeable from 2011/12 onwards. In addition, municipal EPWP projects have almost consistently spent a smaller part of their total project expenditure on calculated wages than the national and provincial spheres of government and the non-state sector, never going above 20%.

Our analysis of the informal sector showed that the contribution of the informal sector to employment was larger in the Eastern Cape than in South Africa as a whole, and that self-employment contributed about 40% of total non-agricultural informal work in the first quarter of 2014. In the Eastern Cape, more than half of people in informal self-employment and more than a quarter of those in informal employment worked in wholesale and retail trade in the first quarter of 2014. More women than men worked in the informal sector (incl. domestic work) in the first quarter of 2014, and, when domestic work was excluded, women were more likely to be in informal self-employment in the trade and manufacturing sectors and in informal employment in the community and trade sectors.

In analysing unemployment, we argued for the use of the expanded definition of unemployment, which includes both the searching and non-searching unemployed, and showed that unemployment in the Eastern Cape increased from 2011 to 2014 to reach a level of 43% in the first quarter of 2014. When 19-24 year old members of the Eastern Cape labour force were considered, the expanded unemployment rate rose to a staggering 69%. A clear gendered pattern in unemployment in the Eastern Cape in the period 2011-2014 was difficult to discern. In the first quarter of 2014, people classified as Black African dominated the ranks of the unemployed and had an expanded unemployment rate of 46%.

Our analysis of Department of Labour administrative data showed a steady increase in the number of UIF applications in the Eastern Cape from 2006/07 onwards, spiking in 2009/10 – following the 2008 financial crisis – and then dropping the following year before steadily increasing to 2012/13 to a level close to the one achieved in 2009/10. This trend in UIF applications suggests that job shedding in the aftermath of the 2008 financial crisis was a contributor to the upward trend in unemployment found in our analysis of the QLFS data. The trend in work-seeker registration in the Eastern Cape also fitted the unemployment trend, and the rapid increase in work-seeker registrations from 2011/12 to 2012/13 in spite of historically low levels of work-seeker placements by the Department of Labour suggests a high level of desperation amongst workers and aspirant workers. The apparent correspondence of this increase in work-seeker registrations with the observed increase in UIF applications, while only indicative, does fit with a scenario in which workers who had recently lost jobs were well represented amongst the registered work-seekers. Most work-seeker registrations in 2012/13 in the Eastern Cape occurred in the two metropolitan areas and the OR Tambo District Municipality (where the third-largest city, Mthatha, is located), and these areas also saw the highest numbers of work-seeker referrals – the latter might have been due to the existence of stronger referral networks and larger ranges of opportunities in the three main urban areas in the province. The very low placement levels in all areas point to very limited success in the Department of Labour's efforts to link work-seekers with jobs, which might be at least partly due to the persistence of a very low demand for labour in the province.

The data analysed in this report show clearly deteriorating conditions for members of the Eastern Cape labour force. More than ever, economic development proposals have to be judged in terms of their implications for job creation, and calls for increasing flexibility of the labour market and lower wages need to be examined in terms of the impacts these would have on a vulnerable labour force in a context of low levels of household income – the latter as shown in the foundational overview report, using Census 2011 data. Increasingly, the appropriateness of current social policy measures will have to be assessed, including their role in addressing our unacceptably high levels of income inequality.