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# Annual Eastern Cape Labour Market Review 2015

*Michael Rogan and John Reynolds*

**Neil Aggett Labour Studies Unit Research Report 3**

Institute of Social and Economic Research

# Annual Eastern Cape Labour Market Review 2015

*Michael Rogan and John Reynolds*



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Province of the  
**EASTERN CAPE**  
ECONOMIC DEVELOPMENT,  
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Although this report is based mainly on survey data provided by Statistics South Africa, we also used administrative data provided by the Expanded Public Works Programme in the Department of Public Works. We would like to thank the department 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.

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# I Introduction

This *Annual Eastern Cape Labour Market Review 2015* is the second such review to be prepared by the Neil Aggett Labour Studies Unit (NALSU) at Rhodes University. The province on which it focuses is not only the physical home of NALSU, but is also home of 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 *Annual Eastern Cape Labour Market Review 2014* highlighted the continuing deterioration of the situation of members of the Eastern Cape labour force, with unemployment remaining above 40% - using the expanded definition – and more than a third of employed people working in the informal sector or in domestic work. Our analysis of the informal sector showed that its contribution 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.

More than half of all employment in the Eastern Cape in the first quarter of 2014 was in the community and social services sector and the wholesale and retail trade sector, but the contribution of the latter diminished from 2012-2014. The contribution of manufacturing to employment in the Eastern Cape decreased over that period, and there was little evidence that the sectors with the greatest job creation potential were increasing their contribution to employment. Although the proportion of employed people in the Eastern Cape working in elementary occupations increased over that period 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 labour market periphery.

Although the number of work opportunities created through government's flagship employment creation programme, the Expanded Public Works Programme (EPWP), increased steadily in the Eastern Cape and the larger South Africa from 2004/05 to 2013/14, it became increasingly more expensive to create those opportunities, particularly in the local sphere of government. It is within that sphere that EPWP project almost consistently spent a smaller part of their total project expenditure on calculated wages (see section 2.2 below for definitions) than the national and provincial spheres of government and the non-state sector, never going above 20%.

Our analysis of unemployment showed an increase in the expanded rate of unemployment over the period 2011-2014, to reach 43% in the first quarter of 2014. In that same quarter, the expanded unemployment rate for people aged 19-24 years was a staggering 69%. We could not discern a clear gendered pattern in unemployment over the period 2011-2014, whereas people classified as Black African dominated the ranks of the unemployed with an expanded unemployment rate of 46%.

Our analysis of Department of Labour data suggested that job shedding in the aftermath of the 2008 financial crisis was a contributor to the upward trend in unemployment. 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 suggested a high level of desperation amongst workers and aspirant workers.

This *Annual Eastern Cape Labour Market Review 2015* builds on the analysis for 2014. In this report, we analyse

labour market trends up to the end of the first quarter of 2015, using Statistics South Africa's Quarterly Labour Force Survey (QLFS) data and administrative data obtained from the Expanded Public Works Programme (EPWP). Analysis of QLFS data for the period starting in the first quarter of 2013 and ending in the first quarter of 2015 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 2015* pays particular attention to the working poor in the province. It unpacks what is meant by working poverty, explores recent trends observable in the Eastern Cape and elsewhere, and considers the implications for our understanding of the labour market, worker rights and socio-economic transformation.

## 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 the working poor.

Analysis of QLFS data shows that job growth for South Africa as a whole increased between the first quarter of 2013 and the first quarter of 2015. Over this period, almost one million 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 varied across the provinces. Job growth was highest in Limpopo (at about 12%) while the number of jobs in Gauteng increased at a more modest four percent. In the Eastern Cape, the relative increase in the number of employed people was seven percent.

Table 1: Employment by province, 2013(Q1)-2015(Q1)

Provinces	Number of employed			Net gain/loss (2013-Q1/ 2015- Q1)	% change (2013-Q1/ 2015- Q1)
	2013(Q1)	2014(Q1)	2015(Q1)		
WC	2 111 125	2 270 202	2 287 593	176 468	8.4%
EC	1 281 725	1 345 326	1 371 304	89 579	7.0%
NC	297 002	312 199	310 508	13 506	4.5%
FS	757 803	730 780	810 196	52 393	6.9%
KZN	2 443 752	2 550 991	2 576 067	132 315	5.4%
NW	832 143	875 105	921 318	89 175	10.7%
GP	4 793 280	4 848 211	4 977 829	184 549	3.9%
MP	1 088 758	1 139 149	1 169 344	80 586	7.4%
LP	1 097 073	1 151 385	1 225 327	128 254	11.7%
RSA	14 702 662	15 223 349	15 649 489	946 827	6.4%

Source: Own calculations from Statistics South Africa's Quarterly Labour Force Surveys (QLFSs)<sup>1</sup>

### 2.1 Provincial employment shares by sector, industry and occupation

Figure 1 suggests that the provincial workforce<sup>2</sup> has been increasingly characterised by informal types

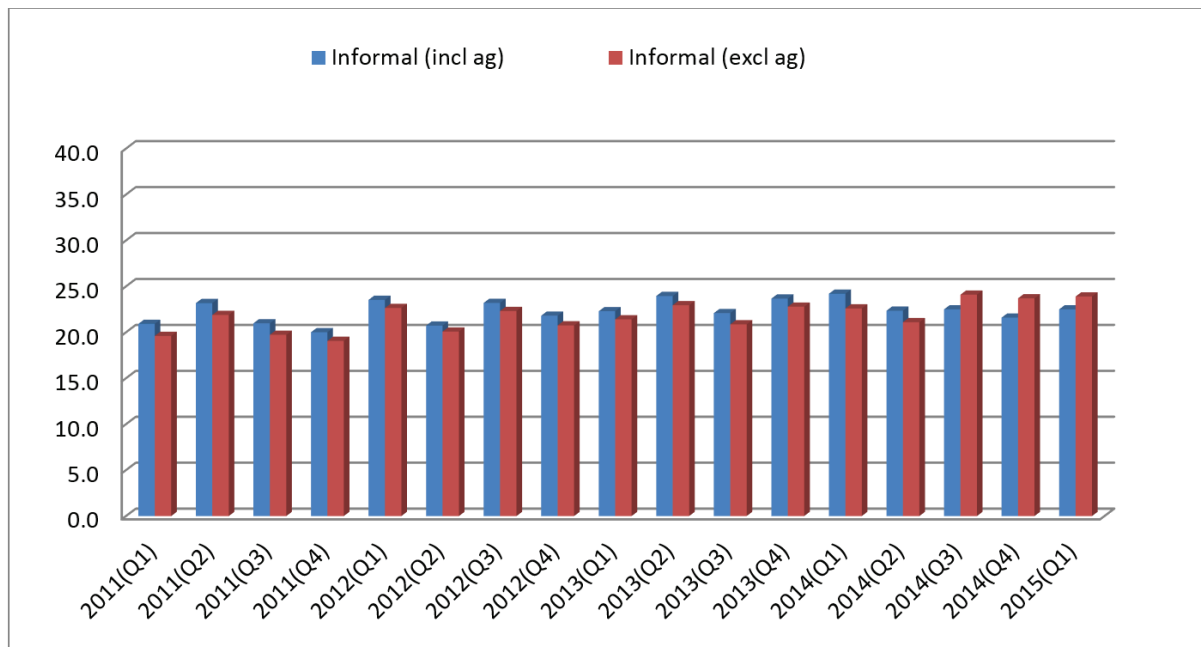
1 The data have been reweighted based on population estimates from the 2011 Census.

2 The term "workforce" refers to those people who are in employment, whereas the term "labour force" refers to all those

of work between 2011 and 2015. 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 2015, almost a quarter (24%) 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 2015, 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: Percentage of the provincial workforce in informal employment, 2011-2015**



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

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 finance and construction. The construction sector, in particular, grew to an extent that, by the beginning of 2015, it was the third 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 again by about 10% – it is not clear what drove this increase. Somewhat worryingly, one of the traditionally larger employers in the province –manufacturing –decreased its share of employment by 25% over the two year period. In general, the Eastern Cape workforce became increasingly concentrated in the public sector and construction (and in trade) between 2011 and 2015.

who are either employed or unemployed. The narrow definition of the labour force considers only the employed (the workforce) and the non-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: Industry employment share in the Eastern Cape (2013-2015)**

Industry sectors	2013									% change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Agriculture	6.9	6.7	5.6	5.1	5	5.2	6.4	6.6	5.3	-23.2%
Mining	0.1	0.1	0	0.1	0.1	0.4	0.0	0.1	0.0	----
Manufacture	13.1	12.8	12.1	11	11.1	10.5	9.5	10.1	9.8	-25.2%
Utilities	0.1	0.6	0.8	0.9	0.4	1.0	0.6	0.6	0.6	---
Construction	9.9	10.5	11.5	11.4	9.2	11.4	10.9	9.8	11.0	11.1%
Trade	20.5	21	21.7	19.8	21.6	19.2	21.7	21.7	21.5	4.9%
Transport	4.8	5.4	4.9	6.6	6.4	5.8	6.2	5.1	5.1	6.3%
Finance	8.5	7.9	9.2	8.1	8.6	8.2	8.4	8.0	9.5	11.8%
Community	25.7	26.2	25.1	28.4	29.1	29.2	28.2	29.4	28.4	10.5%
Private households	10.4	8.9	9.1	8.8	8.5	9.2	8.3	8.7	8.8	-15.4%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	---

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 2013 and the first quarter of 2015. Over this period, the greatest growth in employment shares, for the male workforce, was in finance, construction, and work in private households. For the female workforce, the greatest increases were in construction, finance and the public sector (also in transport but from a very low base). 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. One generally worrying finding is that the provincial share of the workforce (for both men and women) in manufacturing decreased considerably.

**Table 3: Industry employment share in the Eastern Cape (2013-2015), by gender**

Industry sectors	2013(Q1)		2015(Q1)		% change	
	Men	Women	Men	Women	Men	Women
Agriculture	9.0	4.2	7.2	3.2	-20.0%	-23.8%
Mining	0.3	0.0	0.0	0.0	---	0.0%
Manufacturing	16.3	9.2	14.0	5.3	-14.1%	-42.4%
Utilities	0.2	0.0	1.1	0.1	---	---
Construction	15.6	3.0	16.7	5.0	7.1%	66.7%
Trade	18.1	23.4	18.3	25.0	1.1%	6.8%
Transport	7.9	1.1	7.6	2.4	-3.8%	118.2%
Finance	9.4	7.5	10.5	8.3	11.7%	10.7%
Community	18.6	34.2	19.5	38.0	4.8%	11.1%
Private households	4.7	17.3	5.0	12.8	6.4%	-26.0%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	---	---

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 75% but from a very low base) were sales and services and clerks. There were also increases in the share of the workforce in management and in professional occupations, but from a low base (and the increases were not statistically significant). Notably, these

recent changes in the occupational composition of the workforce are somewhat different compared with the changes reported in NALSU's 2014 report. Last year we noted the growth of the elementary occupations, domestic work and plant and machine operators. Between 2013 and 2015, two of these sectors actually contracted in terms of their share of total jobs while the share of elementary did increase slightly (by about three percent). Critically, however, elementary occupations remained the single largest component of the workforce. 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<sup>3</sup>, 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.

**Table 4: Occupational employment share in the Eastern Cape (2013-2015)**

Occupations	2013				2014				2015	% change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Managers	6.3	6.9	5.8	6.7	6.8	6.0	5.5	6.2	6.6	4.8%
Professionals	4.1	4.3	4.2	3.7	4.0	3.5	4.3	2.9	4.6	12.2%
Technicians	12.2	12.8	11.5	11.0	10.9	11.8	10.6	11.0	9.4	-23.0%
Clerks	7.9	8.8	9.2	9.7	9.26	10.0	10.1	11.5	10.1	27.8%
Sales services	15.7	14.0	15.6	16.1	16.17	14.8	16.6	18.2	18.5	17.8%
Skilled agriculture	0.4	0.4	0.8	0.8	0.6	0.6	1.3	1.0	0.7	75.0%
Craft and trade	12.7	10.9	10.0	10.2	9.56	11.3	10.9	10.0	11.5	-9.4%
Plant & machine operators	7.4	6.7	6.4	6.6	7.97	6.9	7.3	6.6	6.3	-14.9%
Elementary	25.3	28.0	29.0	28.0	27.36	27.2	26.2	26.3	26.1	3.2%
Domestic worker	8.0	7.4	7.5	7.2	7.28	7.9	7.2	6.5	6.2	-22.5%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>---</b>

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 6 942 424 gross work opportunities<sup>4</sup> and 6 884 952 net work opportunities<sup>5</sup> – translating into 2 085 895 person years of work (incl. training)<sup>6</sup> – since its inception in 2004/05 to 2014/15. Almost 1.2 million of the gross and net work opportunities – amounting to almost 360 000 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 2014/15, with Figure 3 showing the changes in the

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

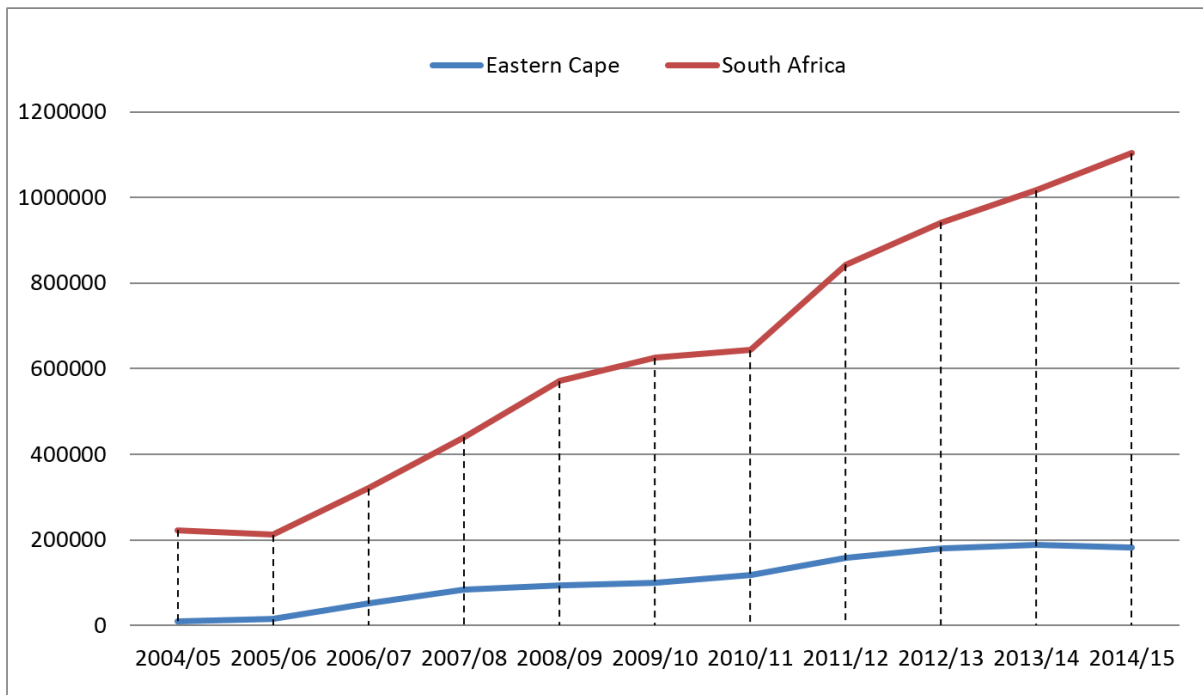
4 Gross work opportunities are the number of work opportunities that have been reported by a reporting body participating in the EPWP. A work opportunity is paid work created for an individual for any period of time – the same individual can be employed on different projects, in which case each period 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.

5 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.

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

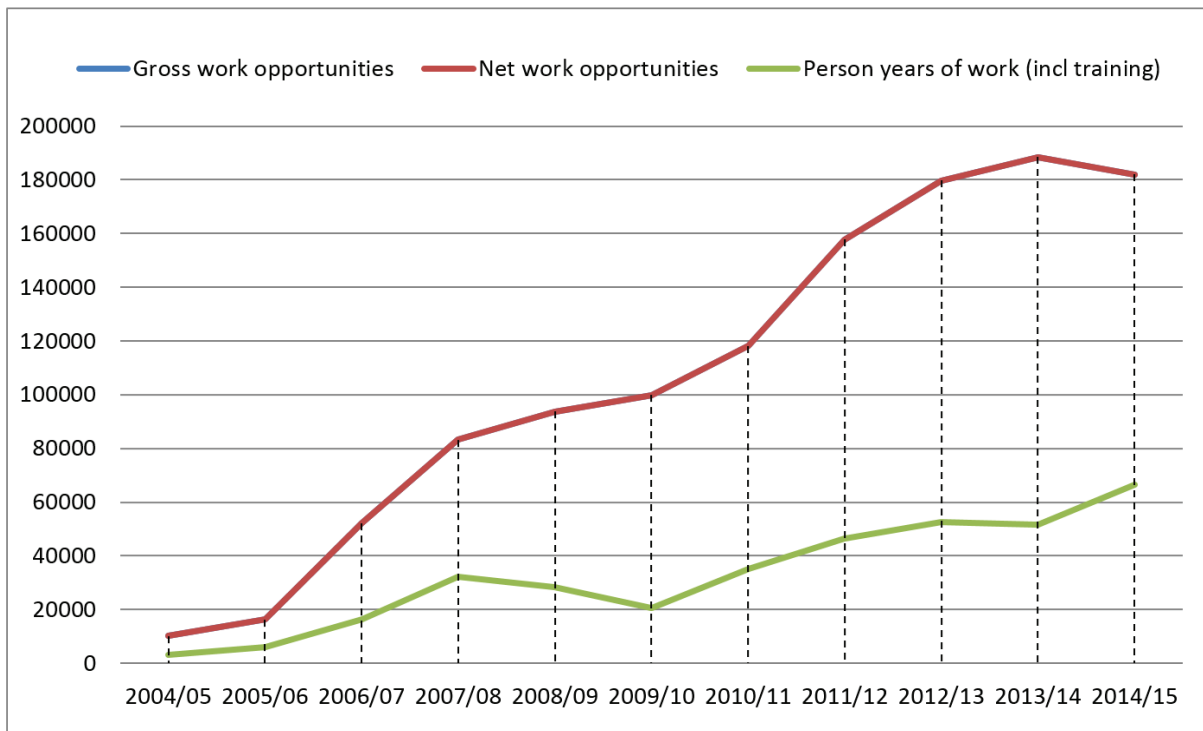
numbers of work opportunities (the numbers of gross and net work opportunities were identical during this period) and the person years of work (incl. training) in the Eastern Cape only.

**Figure 2: Gross numbers of work opportunities created through the EPWP in the Eastern Cape & South Africa (2004/05-2014/15)**



Source: Own calculations from EPWP Quarter 4 reports, 2004/05-2014/15 (Department of Public Works)

**Figure 3: Numbers of EPWP work opportunities created in the Eastern Cape (2004/05-2014/15)**

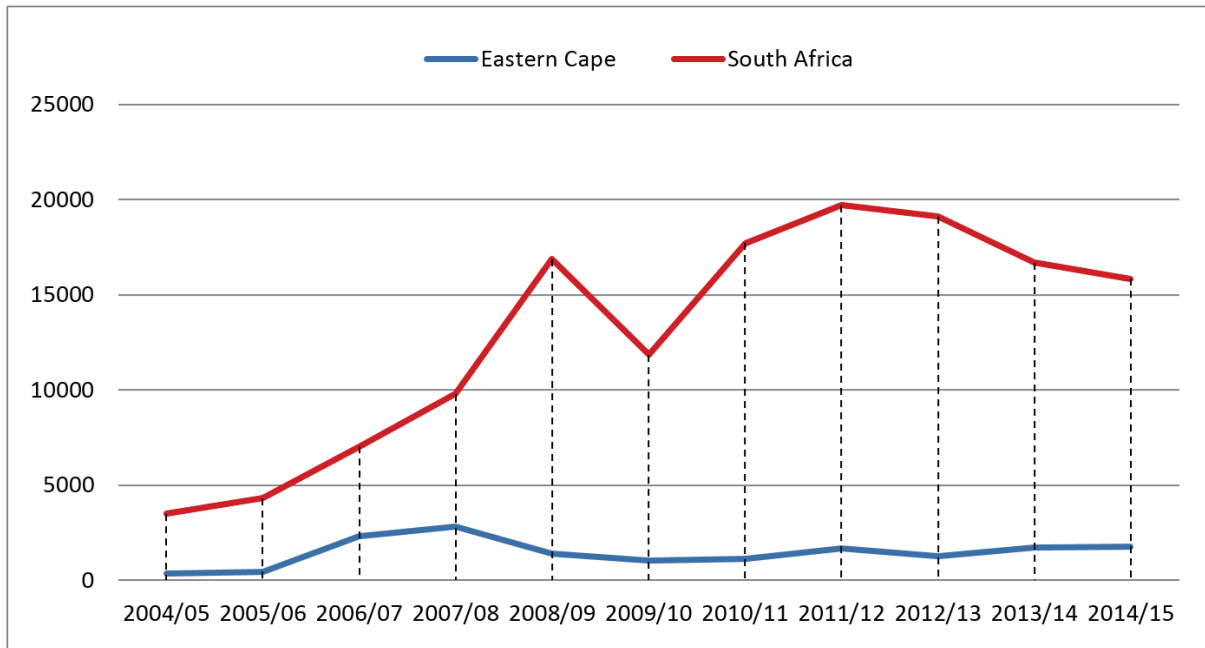


Source: Own calculations from EPWP Quarter 4 reports, 2004/05-2014/15 (Department of Public Works)

It is noticeable that the total number of work opportunities (gross and net) dropped for the first time in 2014/15, following a steady growth trend over the preceding years. Following a high point of 188 499 work opportunities in 2013/14, the total dropped to 181 956, which was just slightly higher than the 2012/13 total. 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 2014 and 2015, 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 2014 and 2015.

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. 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 2014/15. 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 2014/15. 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.

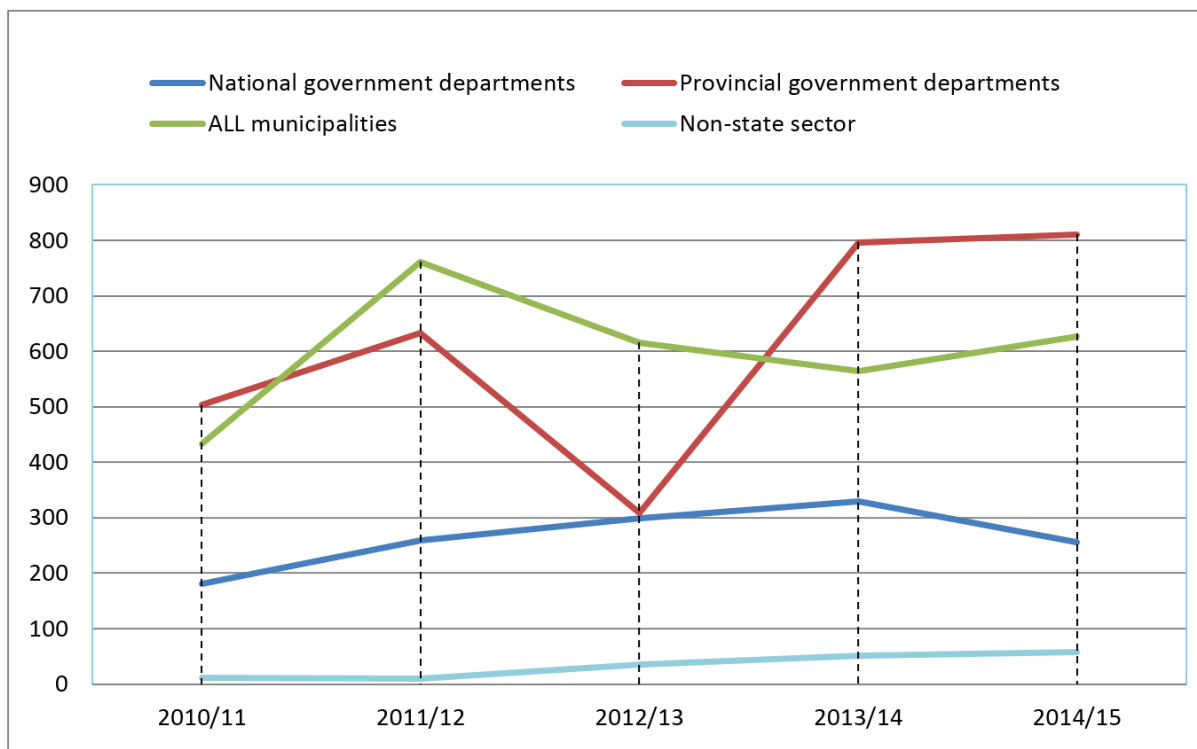
**Figure 4: Numbers of EPWP projects in South Africa & Eastern Cape (2004/05-2014/15)**



Source: Own calculations from EPWP Quarter 4 reports, 2004/05-2014/15 (Department of Public Works)

Figure 5 below shows the changes in the numbers of EPWP projects created in the three spheres of government and the non-state sector in the Eastern Cape 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 the effect of changes in the numbers of EPWP projects implemented by the Eastern Cape Provincial Government on the total for the province as a whole, with movements in the provincial government trend line being echoed in movements in the trend line for the province as a whole. It is also noticeable that the numbers of EPWP projects in the local sphere of government decreased steadily from 2011/12 to 2013/14, before recovering to just above the 2012/13 level in 2014/15.

**Figure 5: Numbers of Expanded Public Works Programme projects in the Eastern Cape per sphere of government & non-state sector (2010/11-2014/15)**

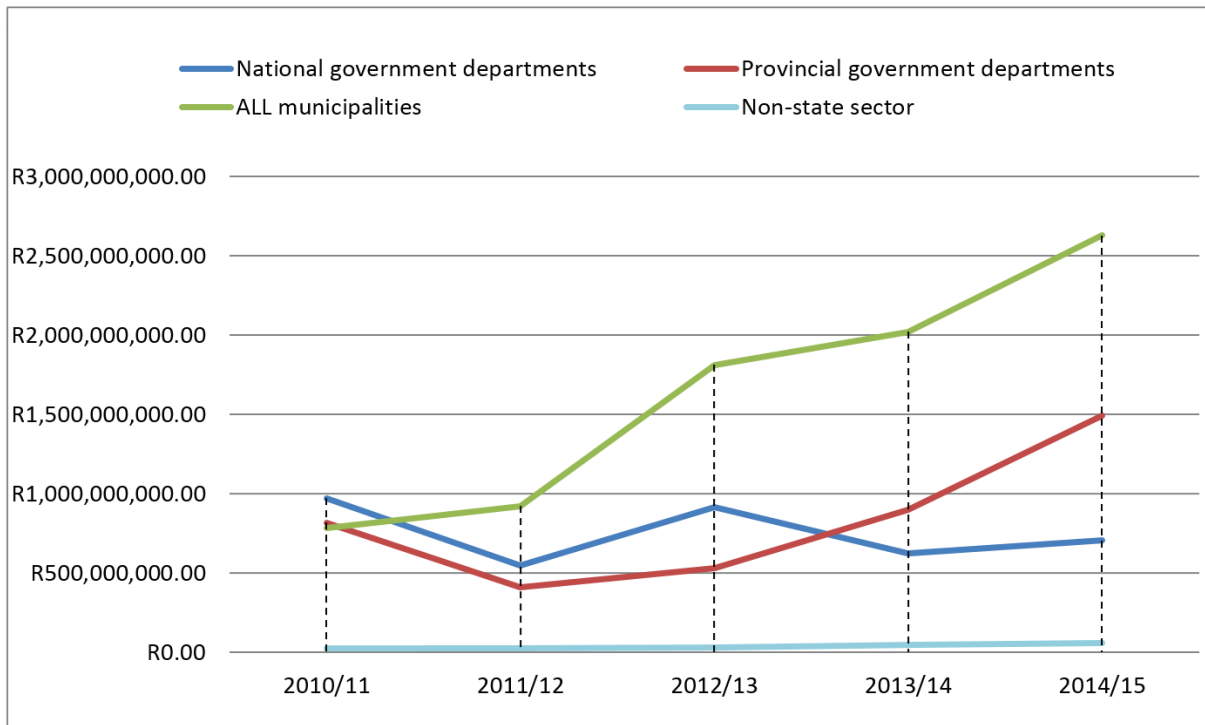


Source: Own calculations from EPWP Quarter 4 reports, 2010/11-2014/15 (Department of Public Works)

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). In 2014/15, an 11% increase in the number of EPWP projects managed by municipalities was associated with a 30% increase in total EPWP project expenditure in the local sphere of government. No direct correspondence between project expenditure and project numbers in the provincial sphere of government was observed between 2010/11 and 2014/15, with the increase in the number of projects from 2010/11 to 2011/12 associated with a decrease in total project expenditure, the sharp drop in the number of projects in the following year associated with an increase in total project expenditure, and increases in project expenditure thereafter associated with diminishing increases in project numbers.

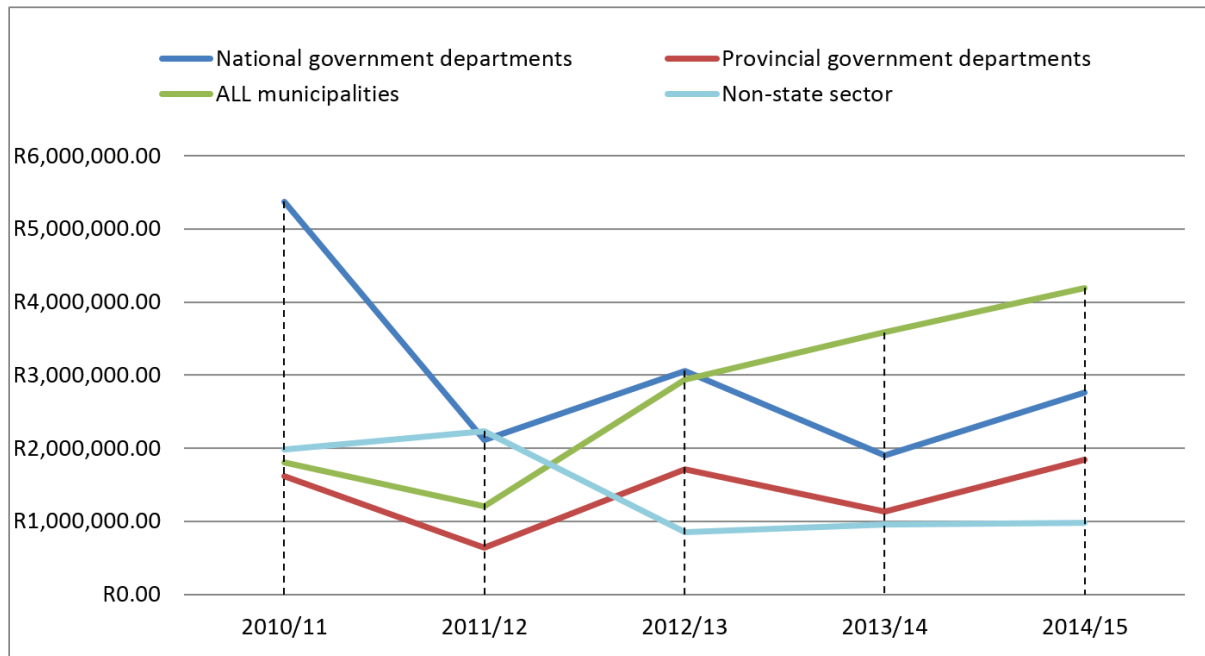
Examination of average expenditure on EPWP projects in the Eastern Cape by sphere of government and the non-state sector shows these patterns more clearly (see Figure 7 below). Again, what stands out is the steady increase in the average project expenditure within the local sphere of government from 2013/14 to 2014/15.

**Figure 6: Expenditure on Expanded Public Works Programme projects in the Eastern Cape per sphere of government and the non-state sector (2010/11-2014/15)**



Source: Own calculations from EPWP Quarter 4 reports, 2010/11-2014/15 (Department of Public Works)

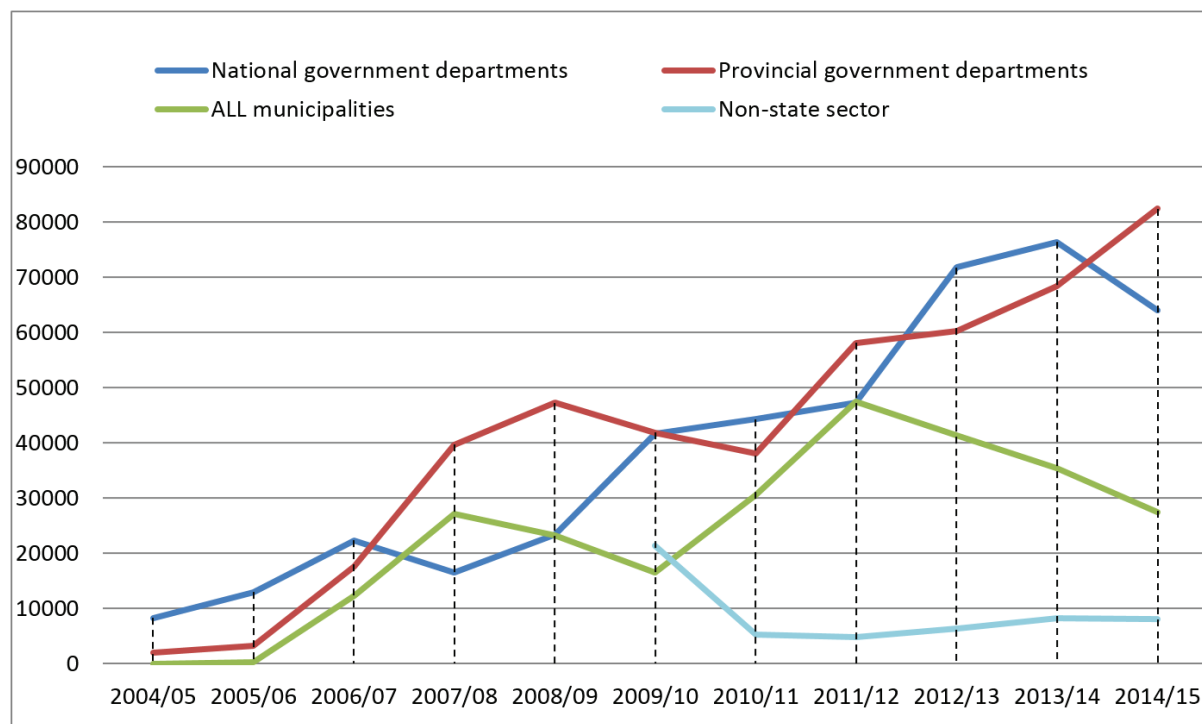
**Figure 7: Average EPWP project expenditure per project in the Eastern Cape in each sphere of government & non-state sector (2010/11-2014/15)**



Source: Own calculations using data from EPWP Quarter 4 reports, 2010/11-2014/15 (Department of Public Works)

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.

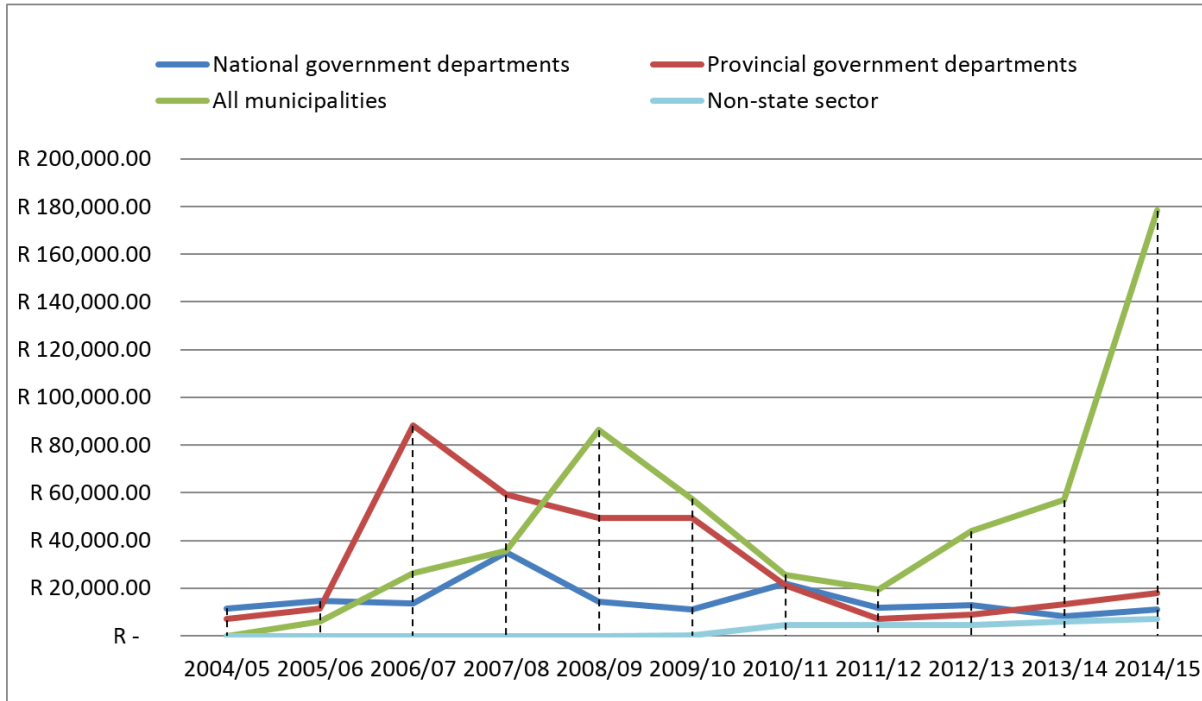
**Figure 8: Numbers of Expanded Public Work Programme gross work opportunities in the Eastern Cape per sphere of government (2004/05-2014/15)**



Source: Own calculations using data from EPWP Quarter 4 reports, 2004/05-2014/15 (Department of Public Works)

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 2004/05-2014/15 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, with a particularly sharp increase of 213% in average project expenditure per work opportunity observable from 2013/14 to 2014/15. This pattern is contrary to the situation in the national and provincial spheres of government, where expenditure per work opportunity has declined significantly since 2007/08 and 2006/07, respectively, with a very slight but steady increase observable in the provincial sphere from 2011/12, and a very slight increase in the national sphere from 2013/14 to 2014/15. 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: Average EPWP project expenditure per work opportunity created in the Eastern Cape for each sphere of government and the non-state sector (2004/05-2014/15)**



Source: Own calculations using data from EPWP Quarter 4 reports, 2004/05-2014/15 (Department of Public Works)

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), consistently accounting for more than half of total EPWP project expenditure from 2012/13 onwards. This means that the bulk of EPWP expenditure in the Eastern Cape Province is going to the sphere of government where it is becoming increasingly expensive to create work opportunities.

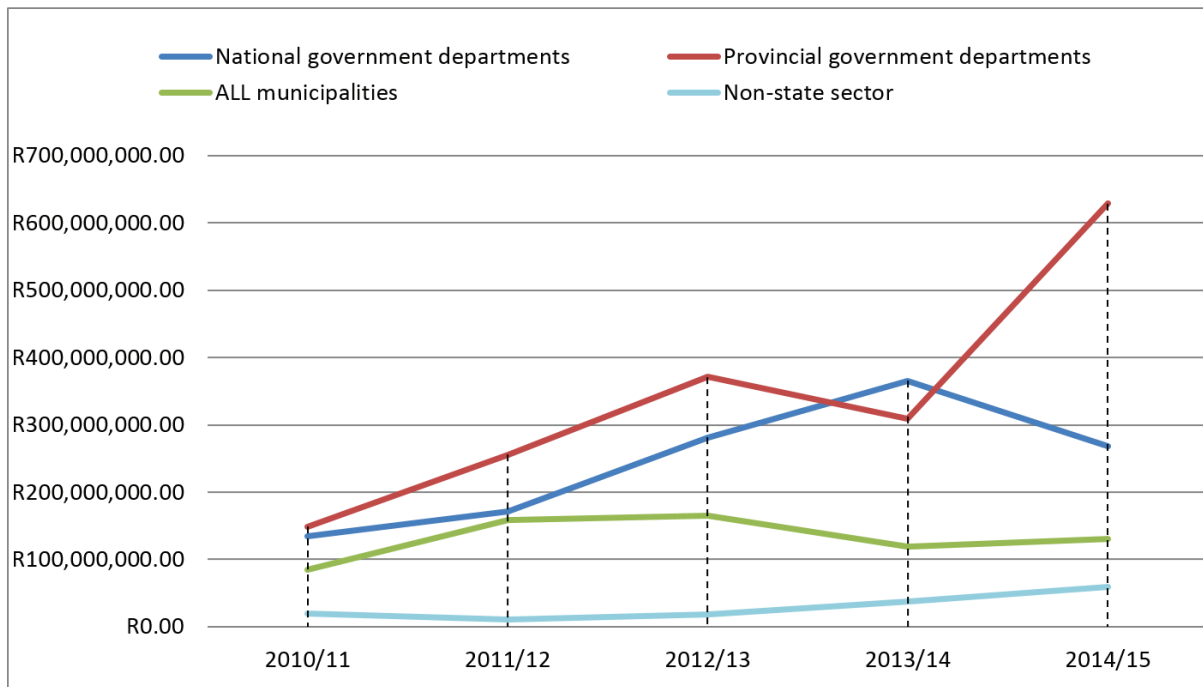
An investigation of trends in the value of calculated wages<sup>7</sup> paid out to EPWP employees per sphere of government and the non-state sector in the Eastern Cape shows that the increasing average cost per work opportunity in the local sphere of government is not driven by increasing wage pay-outs (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 and increasing ever so slightly in 2014/15 (at the same time as the massive increase in average expenditure per work opportunity).

In contrast, the increase in average expenditure per work opportunity in the provincial sphere of government from 2013/14 to 2014/15 is associated with a noticeable increase in calculated wages paid out to EPWP employees. This suggests that increases in project expenditure in the provincial sphere of government means more for workers than increases in the local sphere of government.

<sup>7</sup> 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.



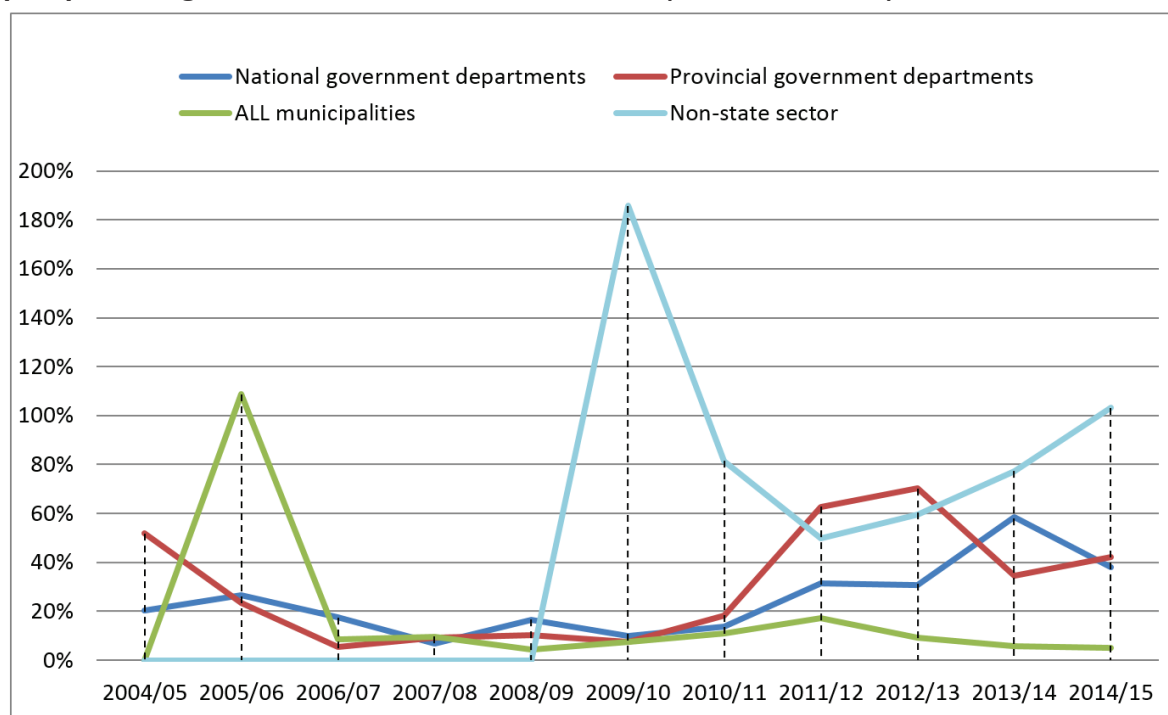
**Figure 10: Calculated wages paid out to EPWP employees in the Eastern Cape per sphere of government & non-state sector (2010/11-2014/15)**



Source: Own calculations using data from EPWP Quarter 4 reports, 2010/11-2014/15 (Department of Public Works)

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% and declining steadily from 2011/12 onwards. 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: Calculated wages as a proportion of total EPWP expenditure in the Eastern Cape per sphere of government and the non-state sector (2004/05-2014/15)**



Source: Own calculations using data from EPWP Quarter 4 reports, 2004/05-2014/15 (Department of Public Works)

### 2.3 Special focus: the working poor in the Eastern Cape (2004-2012)

As indicated in the introduction, the special focus of the *Annual Eastern Cape Labour Market Review 2015* is on the working poor. There has been relatively little attention paid to working poverty in South Africa as a whole, although recent research (see Rogan and Reynolds, 2015) undertaken by NALSU has started to explore key changes in the number of working poor at the national level. This section of the report is based on the recent work<sup>8</sup> by NALSU researchers and begins by addressing some of the conceptual issues associated with measuring working poverty.

There is no universal definition of working poverty but there are several widely used approaches. One common approach is to identify an individual as working poor if she/he resides in a household with at least one employed household member but in which total household income (or per capita income) is below the poverty threshold. In South Africa, the handful of studies which have examined working poverty (see Vermaak 2010) to date, have defined working poverty based on earnings – in other words, this research has been concerned with ‘poverty wages’. In this report, we use the International Labour Organisation’s (ILO’s) Key Indicators of the Labour Market (KILM) definition in which a person is identified as working poor if she or he is employed and living in a household in which per capita income or expenditure is below the poverty line. So, in other words, since poverty is measured at the household level, working poverty is defined as being employed while living in a poor household<sup>9</sup>.

Two poverty lines based on Statistics South Africa’s (2008) official poverty thresholds are used to measure poverty. For greater comparability with the broader poverty literature in South Africa, we refer more

<sup>8</sup> Rogan, M and Reynolds, J (2015). *The Working Poor in South Africa, 1997-2012*, ISER Working Paper No. 2015/4. Grahamstown: Institute of Social and Economic Research, Rhodes University

<sup>9</sup> As with all poverty statistics, income is assumed to be shared equally among all household members. The approach outlined above should, therefore, be interpreted as identifying whether workers live in households in which there is enough income, if evenly divided, to keep all household members out of poverty.

frequently to the national upper-bound poverty line of R323 per capita monthly income (in 2000 prices) proposed by Statistics South Africa (2008). This poverty threshold is based on expected minimum food and non-food requirements and is very close to the R322 per capita poverty line (in 2000 prices) that has been used in most post-apartheid poverty studies. However, we also make use of a third poverty line of R593 per capita monthly income (again in 2000 prices) since the original (see Hoogeveen & Özler, 2006)<sup>10</sup> specification of Statistics South Africa's upper-bound threshold was as a lower-bound limit.

### 2.3.1 Trends in working poverty in the Eastern Cape

Table 5 begins by presenting statistics for the poverty headcount (or the percentage of the population which lives below the poverty line) in the Eastern Cape between 1997 and 2012. The table presents these statistics based on two official poverty lines (see Rogan and Reynolds (2015) for greater detail on the study methodology) and for both the provincial population as a whole and for the employed (i.e. 'working poverty'). Over this relatively long 15-year period, there were substantial decreases in both poverty and working poverty in the province. At the upper-bound poverty line (z=323 per capita monthly income in 2000 prices), the poverty headcount decreased by 20% (i.e. from 78% to 62%) over the entire period. At the same time, working poverty in the Eastern Cape decreased by about 23% (i.e. from 37% to 28%). Similar findings can be seen at the lower-bound poverty line (z=219) where poverty and working poverty both decreased (by 32% and 36% respectively).

There are several important points to make about the findings presented in the table. The first is that, during the period under review, working poverty in the province decreased, in relative terms, only slightly more than overall poverty (e.g. 20% vs. 23%). In other words, progress in poverty reduction was not much greater for those with employment compared with the population as a whole. The second, and related, point is that 28% of workers in the Eastern Cape lived in households below the poverty line in 2012. Not only is this poverty line (R323) a fairly conservative threshold but the working poverty rate at this poverty line is far higher in the Eastern Cape than for South Africa as a whole (about 21% of all workers in the country live below this poverty line). Therefore, while the statistics presented in the table do suggest that progress has been made in reducing working poverty in the Eastern Cape, this progress has been roughly in line with overall poverty reduction while, at the same time, workers in the province have a considerably greater risk of living in poverty than workers in South Africa as a whole.

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<sup>10</sup> Hoogeveen, Johannes, & Özler, Berk. (2006). Poverty and inequality in post-apartheid South Africa: 1995-2000. In H. Borat & R. Kanbur (Eds.), *Poverty and Policy in Post-Apartheid South Africa* (pp. 59-94). Cape Town: HSRC Press

Table 5: Poverty headcounts ( $P_0$ ) for the Eastern Cape, 1997 – 2012 (per capita)

	Headcount ( $P_0$ )							Relative change 1997-2012
	1997	1999	2004	2006	2008	2010	2012	
	<b>Z=323</b>							
<b>All</b>	77.99 (1.37)	81.47 (1.17)	75.93 (1.37)	70.41 (1.86)	65.50 (1.78)	63.49 (1.85)	62.18 (1.66)	-20.3%†
<b>Workers</b>	36.63 (2.24)	53.06 (2.12)	46.91 (1.99)	39.16 (2.40)	38.47 (2.16)	26.54 (1.80)	28.10 (1.84)	-23.3%†
	<b>Z=219</b>							
<b>All</b>	68.39 (1.46)	73.40 (1.27)	65.16 (1.55)	58.60 (2.01)	51.12 (1.89)	49.10 (1.83)	46.24 (1.70)	-32.4%†
<b>Workers</b>	25.72 (1.76)	42.96 (2.05)	35.48 (1.84)	28.42 (2.00)	26.45 (1.87)	15.42 (1.26)	16.48 (1.41)	-35.9%†

Source: Own calculations from the OHSs (1997-1999) and the GHSs (2004-2012)

† Denotes a significant change in the poverty headcount between 1997 and 2012 at the 95 per cent level of confidence

†† Denotes a significant change in the poverty headcount between 1997 and 2012 at the 90 per cent level of confidence

Notes: The data are weighted (revised weights). Standard errors in brackets.

All poverty lines in 2000 prices

Over the 15-year period covered in the table, there were a number of important changes in South Africa in terms of social policy, the broader macro-economic context and the labour market. In terms of poverty reduction more broadly, and working poverty in particular, it is well documented (see Van der Berg et al. 2008)<sup>11</sup> that progress towards the reduction of poverty was largely concentrated in the early to mid-2000s at the same time that government expanded the social grant programme. Since almost all of the reduction in poverty (and working poverty) took place in the 2000s, Table 6 ‘zooms in’ on this particular period and examines working poverty trends for the Eastern Cape at three different poverty lines.

Since this is the period (i.e. 2004-2012) when poverty decreased the most, it is not surprising that the relative decreases in both poverty and working poverty are greater in this table. For example, working poverty decreased by 40% at the R323 poverty line between 2004 and 2012. This is notably higher than the 18% reduction in overall poverty in the Eastern Cape over the same time period. Therefore, not only did working poverty decrease by more in the 2000s (compared with the late 1990s) but the decrease in *working* poverty was far greater than the decrease in overall poverty in the Eastern Cape. While this is clearly good news, it is important to consider that these changes were from a fairly high base. For example, in 2004, 63% of workers in the province lived in households below the R593 poverty line and 47% lived below the R323 threshold. So, even though working poverty rates decreased at all poverty lines, the risk of poverty among workers in the province is still very high. Perhaps the best example of this is the fact that 46% of workers in the Eastern Cape live in households below the R593 poverty line (in 2000 prices).

11 Van der Berg, S., Louw, M., Yu, D. (2008). Post-transition poverty trends based on an alternative data source, South African Journal of Economics, Vol. 76, No. 1, 59-76.

Table 6: Poverty headcount ( $P_0$ ) rates for the Eastern Cape, 2004 – 2012 (per capita)

	Headcount ( $P_0$ )					Relative change 2004-2012
	2004	2006	2008	2010	2012	
	<b>Z=593</b>					
All	84.72 (1.15)	81.38 (1.57)	78.12 (1.45)	76.39 (1.63)	75.92 (1.55)	-10.4%†
Workers	63.30 (2.03)	55.78 (2.66)	54.52 (2.10)	45.59 (2.44)	45.59 (2.23)	-28.0%†
	<b>Z=323</b>					
All	75.93 (1.37)	70.41 (1.86)	65.50 (1.78)	63.49 (1.85)	62.18 (1.66)	-18.1%†
Workers	46.91 (1.99)	39.16 (2.40)	38.47 (2.16)	26.54 (1.80)	28.10 (1.84)	-40.1%†
	<b>Z=219</b>					
All	65.16 (1.55)	58.60 (2.01)	51.12 (1.89)	49.10 (1.83)	46.24 (1.70)	-29.0%†
Workers	35.48 (1.84)	28.42 (2.00)	26.45 (1.87)	15.42 (1.26)	16.48 (1.41)	-53.6%†

Source: Own calculations from the GHSs (2004-2012)

† Denotes a significant change in the poverty headcount between 1997 and 2012 at the 95 per cent level of confidence

†† Denotes a significant change in the poverty headcount between 1997 and 2012 at the 90 per cent level of confidence

Notes: The data are weighted (revised weights)

Standard errors in brackets

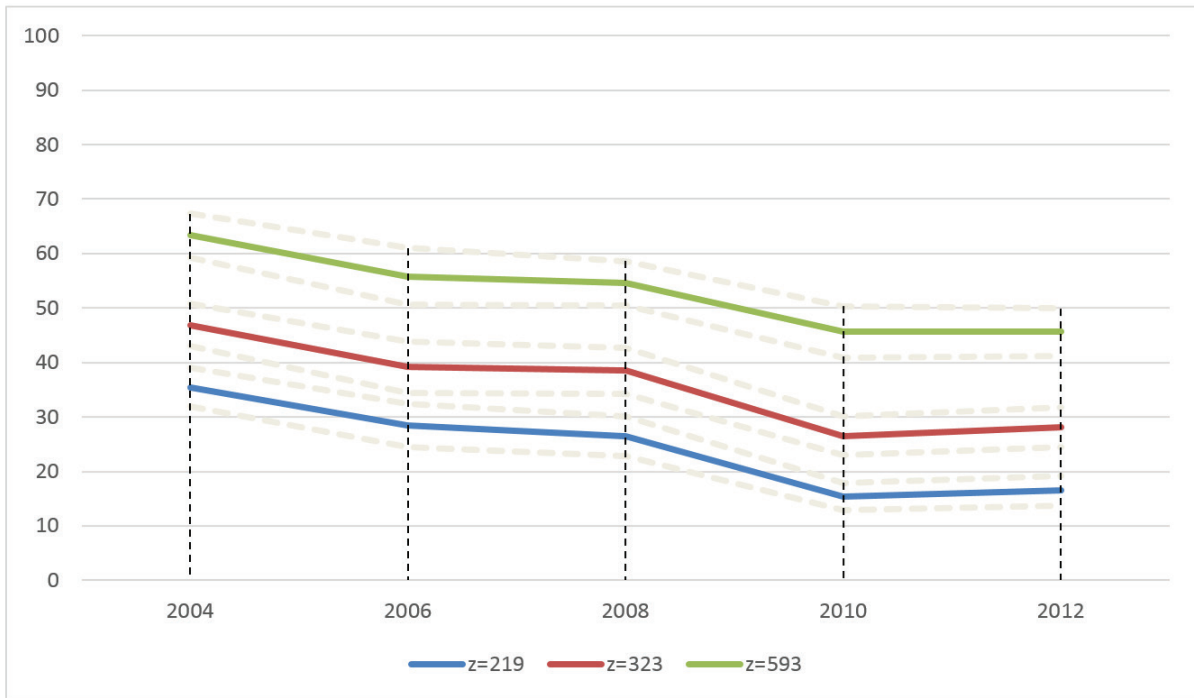
All poverty lines in 2000 prices

For ease of interpretation, Figure 12 presents the same statistics from the previous table for workers in graphic form. Each of the trend lines in the figure denotes one of the poverty thresholds. While the decrease in working poverty is evident according to all three poverty lines, the differences (between 2006 and 2012) are only statistically significant at the two lower poverty lines (after taking into account the survey margin of error- denoted by the dotted lines). So, in other words, there were no significant improvements in working poverty between 2006 and 2012 at the R593 poverty line. Moreover, at all three poverty lines, working poverty either increased or stayed the same between 2010 and 2012. Since all three poverty lines used in this report are somewhat conservative according to recent adjustments by Statistics South Africa (2015)<sup>12</sup> and the Southern Africa Labour and Development Research Unit<sup>13</sup>, the main concern with the data presented in Figure 12 is that nearly half of all workers in the province lived in households which are unable to meet their basic needs in 2012.

12 Statistics South Africa (2015). *Methodological report on rebasing of national poverty lines and development on pilot provincial poverty lines – Technical Report*

13 Budlender, J., Leibbrandt, M., Woolard, I. (2015). South African poverty lines: a review and two new money-metric thresholds A Southern Africa Labour and Development Research Unit Working Paper Number 151. Cape Town: SALDRU, University of Cape Town

**Figure 12: Working poverty headcount ( $P_0$ ) rates for the Eastern Cape, 2004 – 2012**



Source: Own calculations from the GHSs (2004-2012)

Notes: The data are weighted (revised weights)  
Dotted lines = 95% confidence intervals

Since the poverty headcount identifies only one aspect of income poverty (i.e. whether a worker is above or below the specified threshold), an analysis of the depth of working poverty (or the working poverty gap) is presented in Table 7. The findings in the table would suggest that, as expected, the working poverty gap also decreased over the post-2004 period. Moreover, the decreases are sizeable at 41%, 57% and 68% at the respective poverty lines. As with the working poverty rate, it would again appear that progress in reducing the working poverty gap has halted, or even reversed, after 2010. However, the main finding from the table is that a reduction in the depth of working poverty has been greater than the reduction in the actual working poverty headcount.

Together with the finding that working poverty at the upper-most poverty line did not decrease significantly after 2006, the working poverty gap statistics from the table below would suggest that most of the progress in poverty reduction among the employed has occurred at the lower poverty thresholds. In other words, while improvements in income may not have moved a great number of workers above the upper-bound poverty line (R593), improvements since 2004 have moved a significant percentage of workers above the two lower poverty lines and much closer to all three poverty lines (as seen by the reduction in the working poverty gap).

Table 7: The working poverty gap ( $P_1$ ) in the Eastern Cape, 2004 – 2012

	Poverty Gap ( $P_1$ )					Relative change 2004-2012
	2004	2006	2008	2010	2012	
<b>Z=593</b>						
All	62.09 (1.16)	57.59 (1.45)	52.18 (1.33)	51.06 (1.37)	49.18 (1.25)	-20.8%†
Workers	39.43 (1.51)	33.02 (1.82)	31.43 (1.58)	22.88 (1.29)	23.36 (1.30)	-40.8%†
<b>Z=323</b>						
All	46.48 (1.21)	41.23 (1.36)	34.72 (1.26)	34.12 (1.23)	31.27 (1.06)	-32.7%†
Workers	25.78 (1.29)	19.38 (1.31)	17.94 (1.24)	10.72 (0.79)	11.10 (0.83)	-56.9%†
<b>Z=219</b>						
All	34.93 (1.21)	29.84 (1.18)	23.61 (1.04)	23.31 (1.05)	20.22 (0.83)	-42.1%†
Workers	18.26 (1.13)	12.37 (0.97)	11.21 (0.92)	5.78 (0.53)	5.79 (0.52)	-68.3%†

Source: Own calculations from the GHSs (2004-2012)

† Denotes a significant change in the poverty gap between 1997 and 2012 at the 95 per cent level of confidence

†† Denotes a significant change in the poverty gap between 1997 and 2012 at the 90 per cent level of confidence

Notes: The data are weighted (revised weights)

Standard errors in brackets

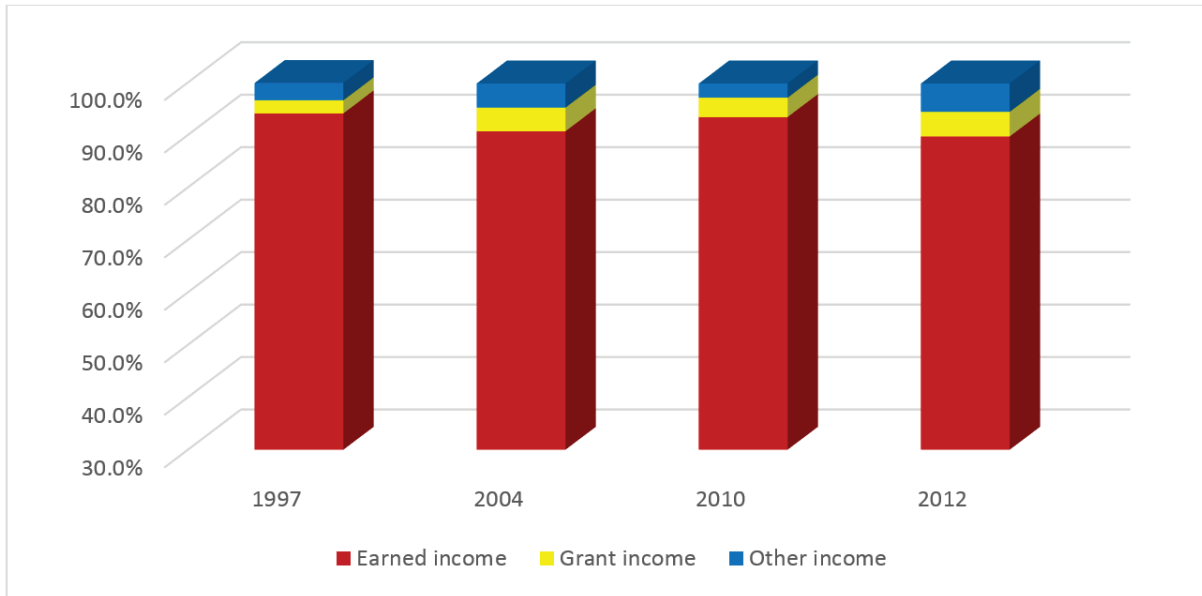
All poverty lines in 2000 prices

Household well-being is estimated as average per capita total household monthly income

The remaining question, however, is what ‘caused’ these improvements in the working poverty rate and the working poverty gap. Were there tangible improvements in labour market earnings for the province’s workers over this period, or was the expansion of social grants the main contributor to a fall in the working poverty rate in the Eastern Cape (i.e. at the two lower poverty lines)? Figures 13 and 14 present the results of a widely used poverty decomposition technique which allows for an estimation of the contribution of different income sources to poverty reduction. Given the well-documented role of social grant income in reducing poverty in South Africa during the mid-2000s, the relative contributions of grant income and labour market income among the employed in the Eastern Cape are of particular interest.

Figure 13 begins by presenting the relative contributions of these income sources to the poverty headcount in four different years. As the figure suggests, the importance of labour market earnings (e.g. wages) became increasingly smaller over the period while the contribution of social grants increased at the same time. This would suggest that the decrease in the working poverty rate in the Eastern Cape was driven, in large part, by social grants and not necessarily by earnings. It is, of course, true that labour market earnings were, by far, the most important protector against poverty in each year. However, it is the changes in the contribution of earnings to poverty reduction which are of interest. The key finding, therefore, is that while the working poverty rate decreased between 2004 and 2012, the contribution of labour market earnings to poverty reduction among the employed actually decreased (or at least did not increase). Without social grant expenditure, then, the improvements in working poverty rates in the Eastern Cape are unlikely to have been as pronounced.

**Figure 13: Relative contributions to reducing the working poverty headcount ( $P_0$ ) by income source, 1997-2012**



Source: Own calculations from the GHSs using the DASP module developed by Araar and Duclos (2007)

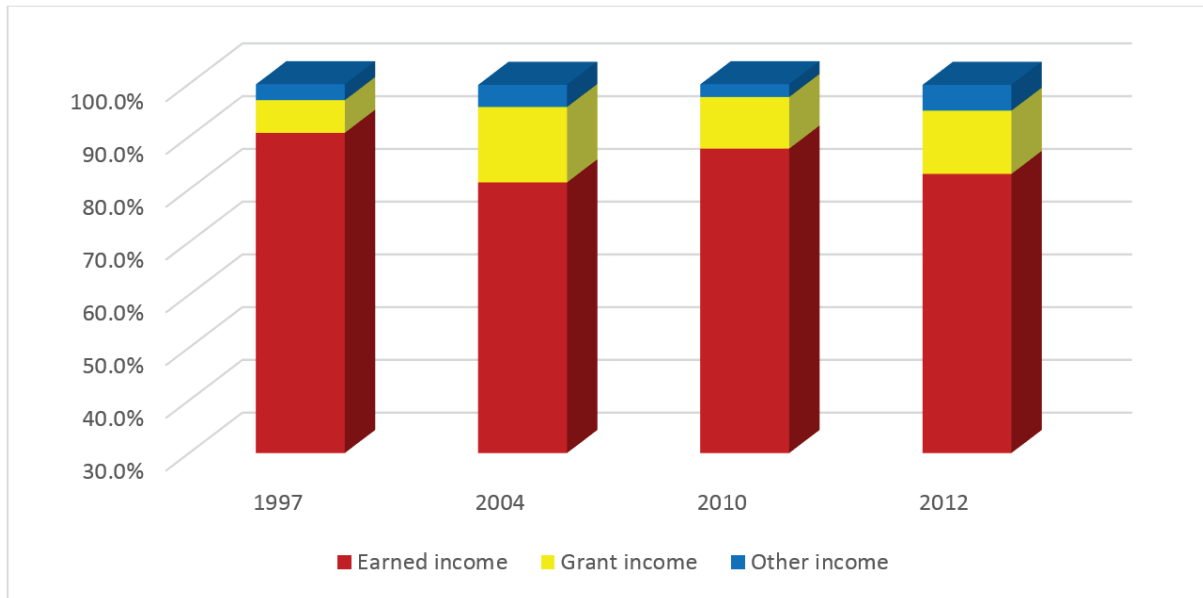
Notes: The data are weighted

Income sources are expressed in real monthly per capita terms ( $Z = R323$ )

Figure 14 presents the same decomposition results but for the working poverty gap. Here, the importance of social grants to workers in the province is even clearer. In 1997, social grant income was responsible for only 6% of the reduction in the working poverty gap in the Eastern Cape but by 2012 it had increased to 12%. As with the working poverty rate, the contribution of labour market earnings to the depth of working poverty also decreased over the period under review. While there are some fluctuations in the relative contributions of grant income and labour market earnings (e.g. in 2010), the conclusion is, again, that without social grant income it does not seem likely that improvements in the depth of poverty for workers would have been as substantial (or have occurred at all). Enthusiasm for the recent reductions in the incidence and depth of working poverty in the Eastern Cape must therefore be tempered by the realisation that much of this reduction was due to increases in social grant income and not necessarily to improvements in wages or earnings.



**Figure 14: Relative contributions to reducing the working poverty gap (P<sub>1</sub>) by income source, 1997-2012**



Source: Own calculations from the GHSs using the DASP module developed by Araar and Duclos (2007)

Notes: The data are weighted

Income sources are expressed in real monthly per capita terms (Z= R323)

## 3 Unemployment

### 3.1 General unemployment

Table 8 below shows the changes in the official (or narrow) rate of unemployment for all provinces in South Africa from the first quarter of 2013 to the first quarter of 2015, as calculated using QLFS data. It depicts a downward trend in the official rate of unemployment in most provinces over this period but shows that the Eastern Cape still had the third highest official unemployment rate in the first quarter of 2015. 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 8 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 nearly one million more South Africans were employed in 2015 (compared with 2013), the rate of unemployment still increased by almost six percent. Although unemployment decreased in a number of provinces, it increased substantially in the Northern Cape, KwaZulu-Natal and Gauteng (where most jobs are concentrated). 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 decreased slightly by 1%, as shown in Table 8.

Table 8: Official unemployment rate by province, 2013(Q1)-2015(Q1)

Provinces	Official unemployment rate			% change (2013-Q1/ 2015-Q1)
	2013(Q1)	2014(Q1)	2015(Q1)	
WC	23.1	20.9	21.0	-9.1%
EC	29.9	29.4	29.6	-1.0%
NC	29.3	29.0	34.1	16.4%
FS	31.2	34.7	30.4	-2.6%
KZN	20.5	20.7	23.6	15.1%
NW	26.3	27.7	28.4	8.0%
GP	25.2	25.8	28.4	12.7%
MP	29.2	30.4	28.4	-2.7%
LP	20.1	18.4	20.1	0.0%
RSA	25.0	25.2	26.4	5.6%

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<sup>14</sup>. 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<sup>15</sup>. 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<sup>16</sup>.

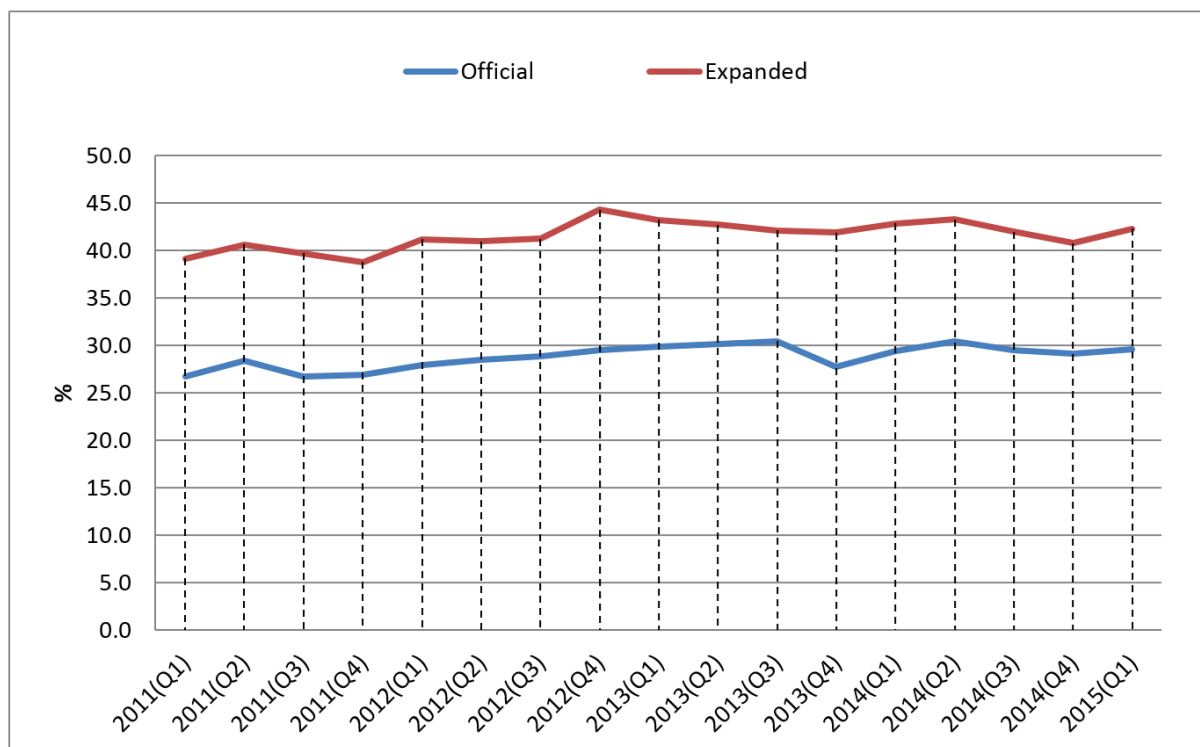
Figure 15 illustrates the difference between the official and expanded unemployment rates in the Eastern Cape. Not surprisingly, when the non-searching unemployed are included, the rate of unemployment is far higher. In the first quarter of 2015, the official rate of unemployment in the province – as calculated from QLFS data – was 29.6% and the expanded rate was 42.3%. 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 2011-15 period.

14 Official unemployment rate = (searching unemployed)/(employed + searching unemployed)

15 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.

16 Expanded unemployment rate = (searching unemployed + non-searching unemployed)/(employed + searching unemployed + non-searching unemployed)

**Figure 15: Quarterly official and expanded unemployment rates, 2011-2015 (Eastern Cape)**



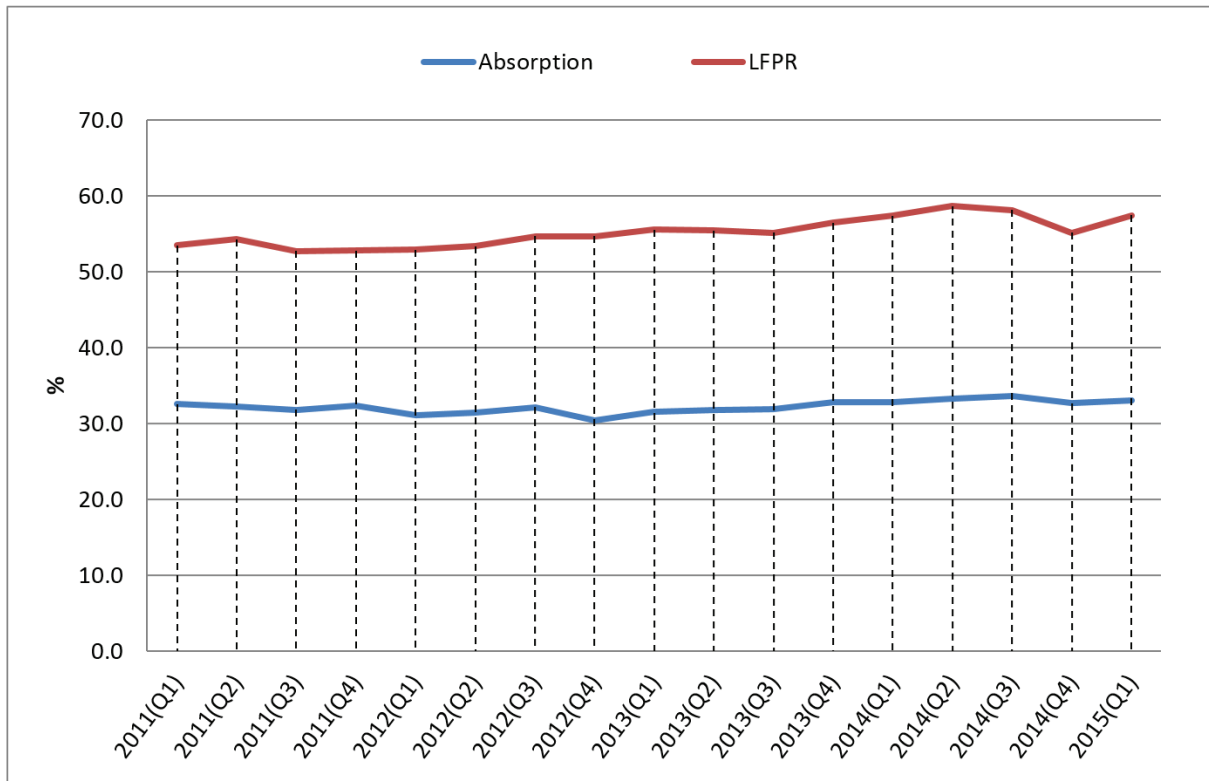
Source: Own calculations from Statistics South Africa’s Quarterly Labour Force Surveys (QLFSs)

Over the same period that unemployment increased in the province, the labour absorption rate<sup>17</sup> remained relatively stable and then increased slightly from the fourth quarter of 2012 (Figure 16). The expanded labour force participation rate<sup>18</sup> (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 2015, however, did see an increase in the participation rates alongside a slight increase in the expanded unemployment rate.

17 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.

18 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 16: Quarterly absorption and expanded labour force participation rates, 2011-2015 (Eastern Cape)**

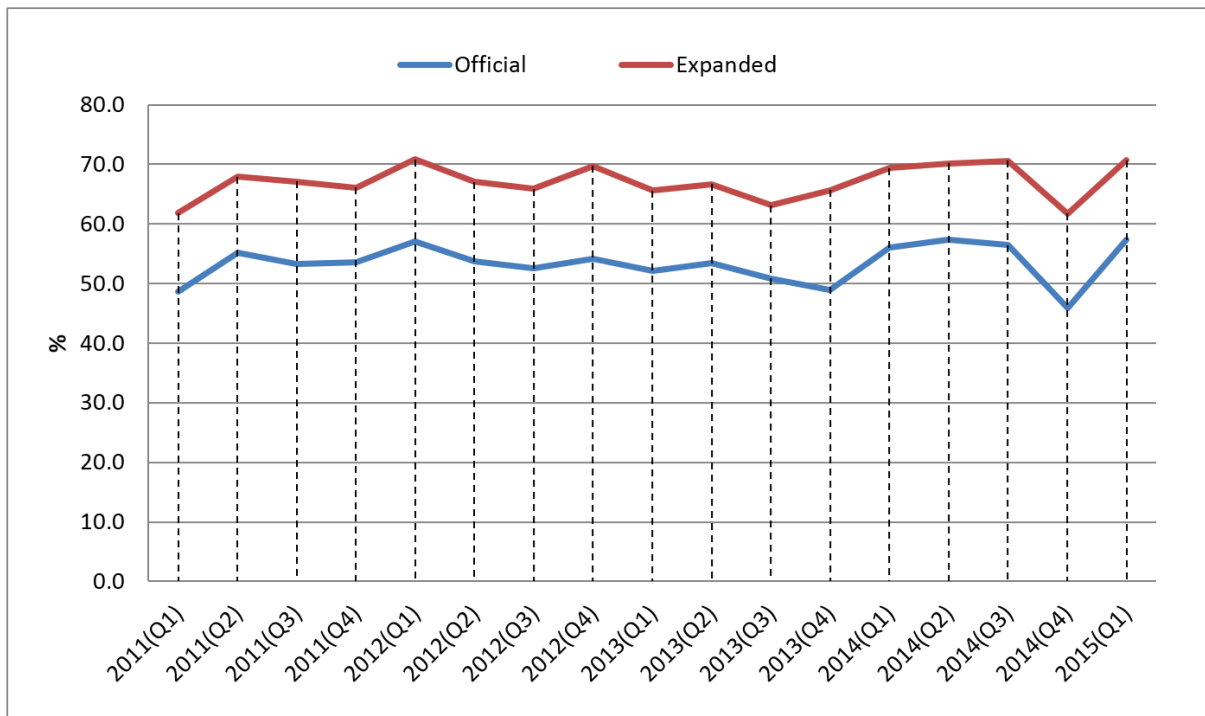


Source: Own calculations from Statistics South Africa’s Quarterly Labour Force Surveys (QLFSs)

### 3.2 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 17: ). In the first quarter of 2015, a staggering 71% 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 (57%) of this group was unemployed in the same quarter.

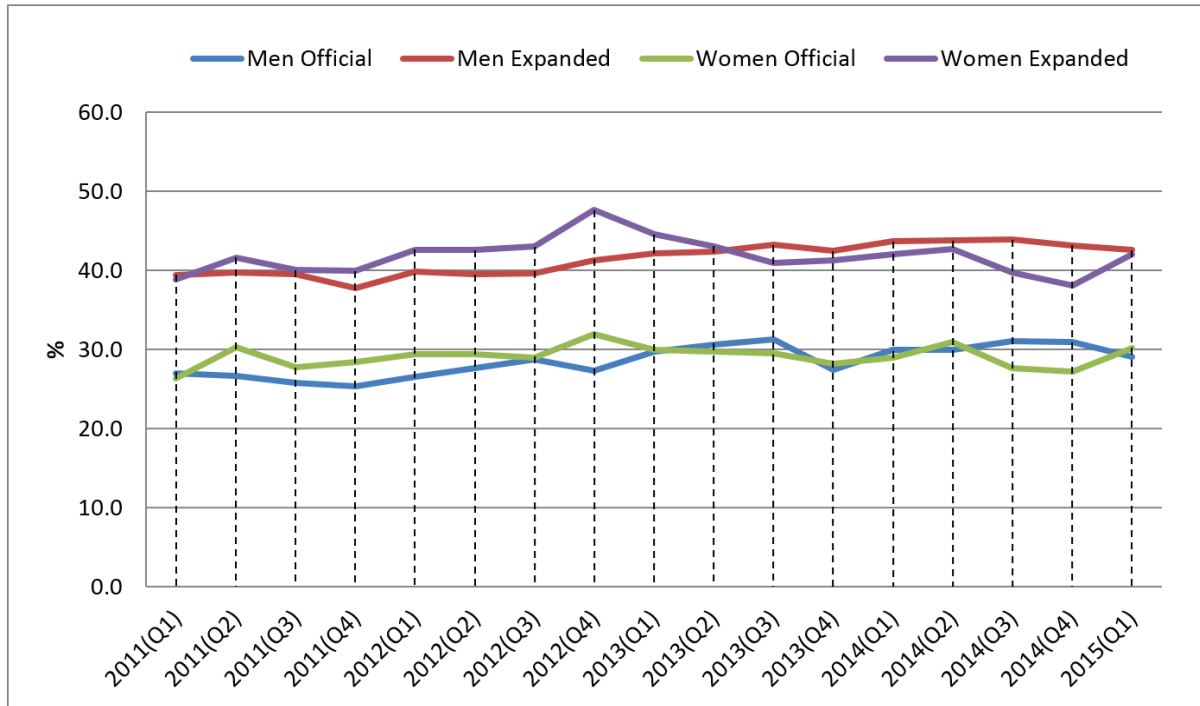
**Figure 17: Quarterly official and expanded unemployment rates among the youth (19-24), 2011-2014 (Eastern Cape)**



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

Over the 2011-2015 period, there has been little progress in reducing youth unemployment – in fact, the official youth unemployment rate was roughly nine percentage points higher in the first quarter of 2015 than it was in the first quarter of 2011. Similarly, the expanded rate for 19-24 year olds increased from 62% to 71% 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 nine percentage points in absolute terms (according to the expanded definition). The positive finding of a decrease in both youth unemployment rates in the last quarter of 2014, while offering some initial optimism, was reversed again in the first quarter of 2015.

**Figure 18: Quarterly official and expanded unemployment rates by gender, 2011-2014 (Eastern Cape)**



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

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 2015 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 18). The unemployment rates for men increased incrementally between the fourth quarter of 2011 and the first quarter of 2015; 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.

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 (42.3%). While Table 9 suggests that there were large changes in unemployment for people classified as Indian and White in the province, the actual survey numbers for these groups are small and should be treated with caution<sup>19</sup>. 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.

19 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 9: Eastern Cape expanded unemployment rates by population group, 2013(Q1)-2015(Q1)**

Population groups	Expanded unemployment rate			% change (2013-Q1/ 2015-Q1)
	2013(Q1)	2014(Q1)	2015(Q1)	
African	48.1	46.1	46.1	-4.2%
Coloured	30.2	38.9	32.0	6.0%
Indian	0.0	8.1	10.5	0.0%
White	6.5	7.1	8.8	35.4%
<b>Eastern Cape</b>	<b>43.3</b>	<b>42.9</b>	<b>42.3</b>	<b>-2.3%</b>

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

## 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) remaining above 40%; approximately 30% of those who were employed in the first quarter of 2015 worked in the informal sector (ICLS definition) or in domestic work. Using Von Holdt and Webster's characterisation of the South African labour market as composed of a core, a non-core and a periphery<sup>20</sup>, we are seeing 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 2015, the largest proportion of the Eastern Cape labour force (42%) was located in the periphery, with more than 17% located in the non-core and less than 40% in the core – more precise demarcation of the boundary between the core and non-core would require reallocation of formal-sector workers who work on short-term (e.g. EPWP contracts) and outsourced contracts from the core to the non-core.

This structuring of the Eastern Cape labour force has a number of implications, as described in our previous Annual Eastern Cape Labour Market Review. Firstly, a decreasing proportion of the Eastern Cape labour force is likely to be earning a living wage. 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 – increasing labour market flexibility and reducing real wages would clearly worsen the situation of members 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 the 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, to improve the quality of labour supply, and to improve the scope for social compacting<sup>21</sup> – particularly in the face of

20 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).

21 Effective social compacting would also require a range of concessions aimed at narrowing the wage gap in South Africa, which has one of the highest levels of income inequality in the world – the United Nations' 2013 Human Development Report placed South Africa as the third worst, following two countries with very small populations: Namibia and the Seychelles.

commodification of an increasing range of areas of life.

Our analysis of working poverty trends in the Eastern Cape between 1997 and 2012 provides further support to those points. During that fifteen-year period, progress in poverty reduction was not much greater for those with employment compared to the population as a whole, and, between 2006 and 2012, no significant improvements were made in working poverty at any of the poverty lines used in our analysis. Improvements that occurred since 2004 were concentrated at the lower poverty lines, moving a significant percentage of workers above the two lower poverty lines and much closer to all three poverty lines. However, much of the reduction in the incidence and depth of working poverty was due to increases in social grant income and not necessarily to improvements in wages or earnings.

In 2012, 28% of workers in the Eastern Cape lived in households below the very conservative official upper-bound poverty line and 46% lived below the highest poverty line used in our analysis – this meant that, in 2012, nearly half of all workers in the province lived in households that were unable to meet their basic needs. Comparison with the rest of South Africa indicated that workers in the Eastern Cape had a considerably greater risk of living in poverty than workers in South Africa as a whole. These figures show clearly that the Eastern Cape has both an unemployment problem and a working poverty problem, and that attempts to solve create employment by lowering wages or making the labour market more flexible will have a limited impact on poor households in the province.

Analysis of the distribution of employment in terms of industrial classification and occupation reveals further concerns regarding the Eastern Cape growth trajectory. From the first quarter of 2013 to the first quarter of 2015, the manufacturing sector – traditionally one of the larger employers in the province – decreased its share of employment by a quarter. The fastest growing sectors in terms of share of the Eastern Cape workforce were finance and construction, with the latter becoming the third largest employer in the province in the first quarter of 2015 – it is not clear how sustainable employment in the construction sector is, as many construction jobs are project focused. The public sector (community and social services) not only continued to be the largest employer over the two-year period; it increased its share of the workforce by 10%. It is not clear what drove that change. Employment of women in the province continued to be dominated by the public sector, wholesale and retail trade, and by work in private households (principally domestic work), with the share of the public sector increasing appreciably over the two-year period.

Analysis of the types of occupations of Eastern Cape workers showed that elementary occupations remained the single largest component of the workforce. Decreases in the proportions of people working as technicians and as plant and machine operators were observed, which fits with the observed decrease in the contribution of the manufacturing sector to provincial employment. The contribution of domestic work decreased noticeably, mirroring the decrease in the contribution of the private household sector to employment in the province. The proportions of people employed in sales services or as clerks increased significantly from the first quarter of 2013 to the first quarter of 2015, with people employed in sales services remaining as the second largest component of the Eastern Cape workforce over the two-year period.

The number of work opportunities created through government's flagship employment creation initiative, the Expanded Public Works Programme (EPWP), increased steadily in South Africa from 2004/05 to 2014/15, but dropped in the Eastern Cape in 2014/15, following a steady growth trend over the preceding years. It continued to be increasingly more expensive to create EPWP work opportunities in the Eastern Cape over this period, particularly in the local sphere of government. Not only was an 11% increase in the number of EPWP projects managed by municipalities from 2013/14 to 2014/15 associated with a 30% increase in total EPWP expenditure in the local sphere of government; the average project expenditure per work opportunity in the local sphere of government increased by a whopping 213% over that year. During this time, the local sphere of government continued to absorb more than half of total EPWP project expenditure, as it has been doing since 2012/13, meaning that the bulk of EPWP expenditure in the Eastern Cape continued to go to the sphere of government where it has become



increasingly expensive to create work opportunities. 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%. 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.

The data analysed in this report show continued deterioration of the employment prospects of members of the Eastern Cape labour force. Not only is unemployment still at crisis proportions (particularly for 19-24 year olds, 71% of whom are unemployed); the province has a significant working poverty problem. Concerns regarding the EPWP as a job creation tool remain, not only on its own terms, but also because of the limited opportunities for employment that exist beyond the short-term EPWP jobs at meagre earnings in this province. The Eastern Cape's economic growth trajectory continues to favour jobs in sectors vulnerable to fluctuations in consumer spending, and is not creating the quantity and the kinds of jobs that are needed.