

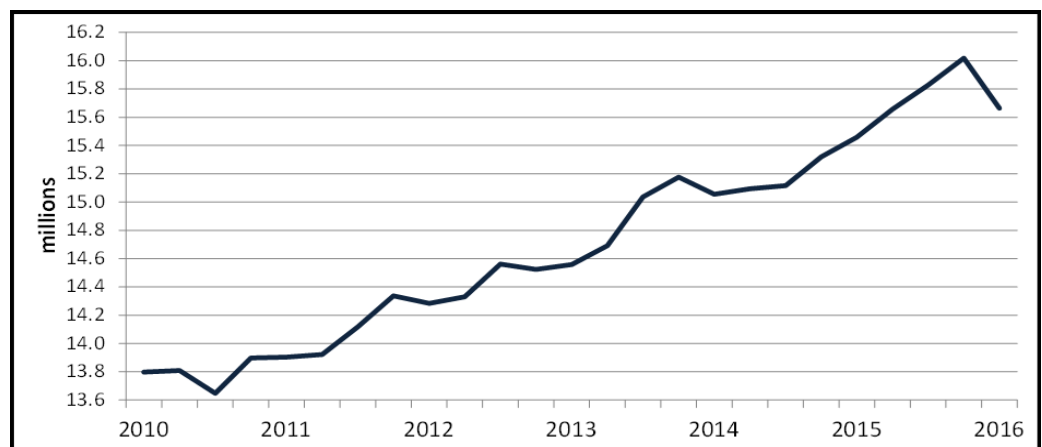
The jobs bloodbath that wasn't: What happened to employment in the first quarter of 2016?

INTRODUCTION

The latest Quarterly Labour Force Survey (QLFS) reported that the country lost a total of 355 000 jobs from the last quarter of 2015 to the first quarter of 2016, for an astonishing 2,2% decline in a single quarter. But the figures seem unreliable, due at least in part to the shift to a new master sample. The data likely reflect an effective correction to overestimates of job creation in the previous four quarters, rather than a sharp contraction in the real world. Year on year, employment reportedly rose by 204 000 or 1,3%, which is essentially in line with previous years and with expected GDP growth.

As Graph 1 shows, the QLFS suggested that employment growth was unusually high in 2015, then fell precipitously.

Graph 1. Total employment in millions, first quarter 2010 to first quarter 2016



Source: Statistics South Africa. QLFS Trends 2008-2016. Excel spreadsheet. Series on total employment. Downloaded in May 2016.

The QLFS included the following additional findings.

- Manufacturing employment in the Western Cape dropped by 12% – that is, more than one in 10 manufacturing workers in the Western Cape reportedly lost their jobs in the first quarter of 2016.
- 20% of construction workers lost their jobs in Mpumalanga, but construction jobs expanded by 20% in Limpopo
- Gauteng lost 11% – again, over one in ten – jobs in retail, for a total of 117 000.
- Business services in the Eastern Cape saw a 17% job loss, which would eliminate more than one in seven jobs in the sector (which includes security, real estate, law, finance and similar services)

The only time since 2008 when more jobs were reported lost in a single quarter was in the third quarter of 2009, when the economy expanded by just 0,23% following three quarters of decline during the Global Financial Crisis – the worse economic downturn since the Great Depression.

Obviously, it seems unlikely that this kind of jobs bloodbath could have occurred without significantly more impacts on communities and workers. So what is really going on? The short answer is that we can't tell because of statistical problems.

Trade & Industrial Policy Strategies (TIPS) is a research organisation that facilitates policy development and dialogue across three focus areas: trade and industrial policy, inequality and economic inclusion, and sustainable growth

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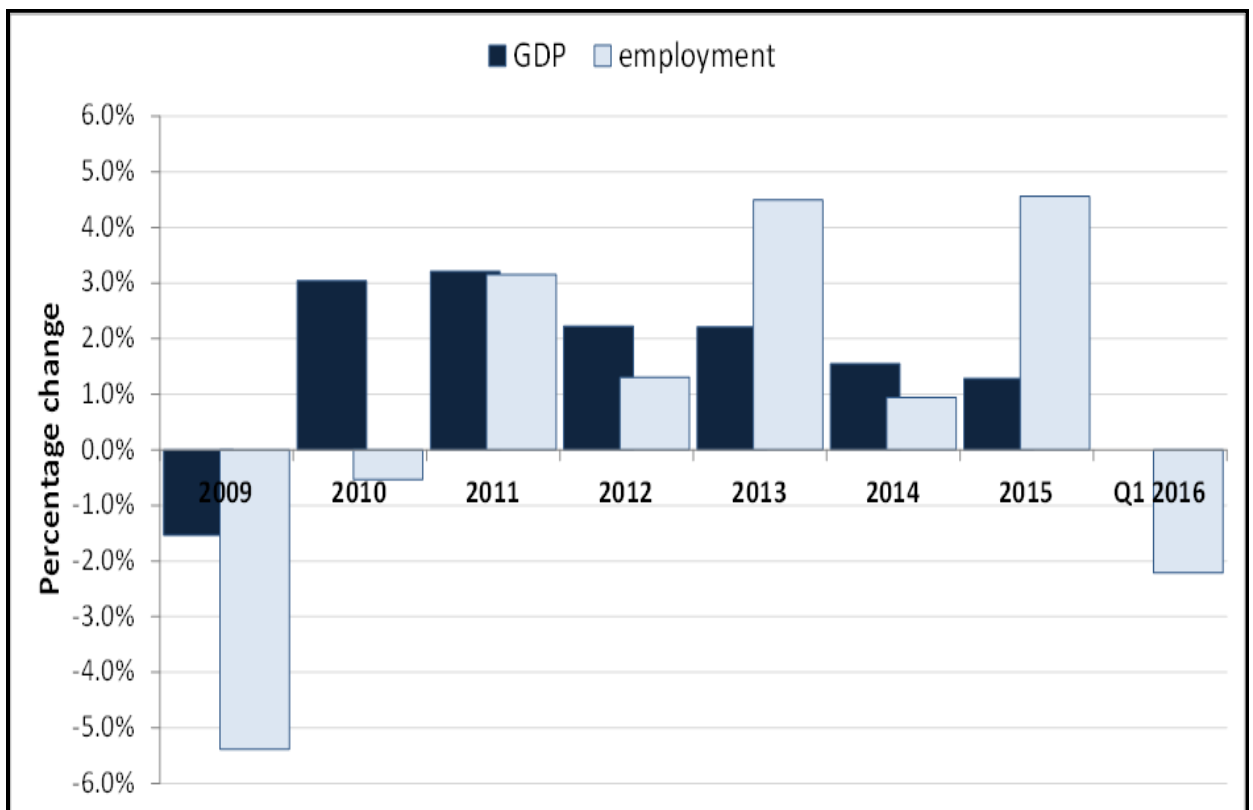
It is likely that employment growth slowed in the first quarter of the year, and possibly even some jobs were lost – although obviously not on the scale reported in the QLFS.

There are two reasons for this conclusion:

- The QLFS data are not seasonally adjusted, and in most years employment has fallen in the first quarter compared to the final quarter of the previous year. The average first-quarter decline from 2010 to 2014 came to around 0,5%.
- Economic growth has declined with the global slowdown and the sharp fall in commodity prices. GDP data for the first quarter of 2016 are not yet available, but GDP grew just 1,3% in 2015, down from 2,2% in 2012 and 2013. Moreover, GDP grew just 0,15% in the fourth quarter of 2015, compared to 0,34% in the first quarter (although in the second quarter of 2015 the economy actually shrank).

Still, while employment creation probably slowed, the reported sharp fall seems exaggerated. Particularly disturbing is the gap between employment and GDP growth in the past year. Figures are not available for GDP in the first quarter of 2016, but it is notable that the QLFS reported that employment grew far faster than the GDP in every quarter of 2015.

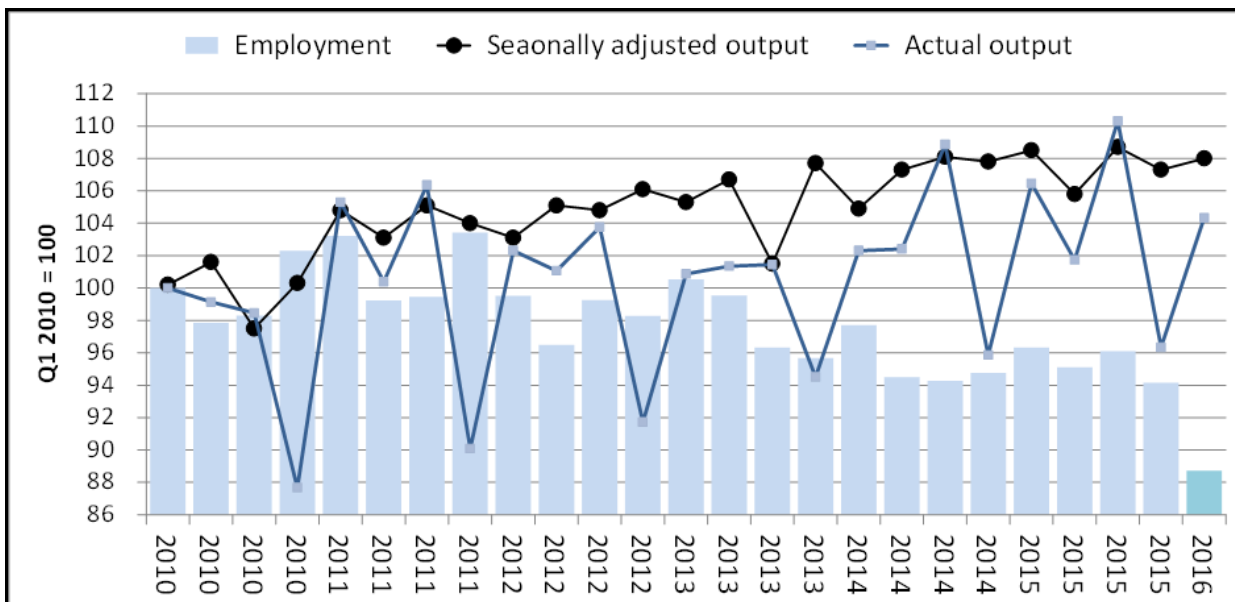
Graph 2. Changes in GDP and employment, 2009 to 2015



Source: For employment, Statistics South Africa. QLFS Trends 2008-2016. Excel spreadsheet. Series on total employment. Downloaded in May 2016. For GDP, Statistics South Africa. GDP Tables 4Q 2015. Excel spreadsheet. Series on GDP in constant rand. Downloaded in April 2016.

Figures are available for the volume of manufacturing production in the first quarter of 2016. As Graph 3 shows, in both seasonally adjusted and actual terms, the volume of manufacturing output recovered in the first quarter of 2015. Yet the QLFS found that manufacturing employment had fallen by some 100 000. That would mean 5,8% of jobs in the sector, or more than one in 20, had been wiped out.

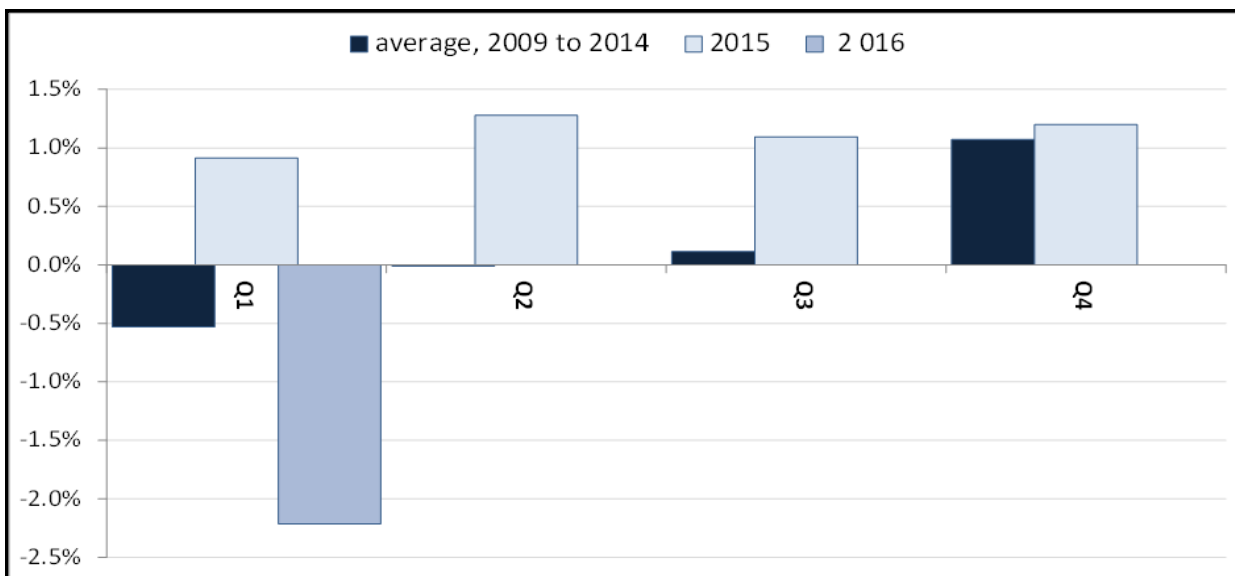
Graph 3. Indices of physical production and employment in manufacturing (first quarter 2010 = 100)



Source: Manufacturing output calculated from, Statistics South Africa. Manufacturing Production and Sales from 1998. Excel spreadsheet. Series on actual and seasonally adjusted physical volume of production, indices rebased to first quarter of 2010. Manufacturing employment index calculated from Statistics South Africa. QLFS Trends 2008-2016. Excel spreadsheet. Series on manufacturing employment. Downloaded in May 2016.

It seems likely that the reported jobs crash reflects a more realistic estimate of employment levels following four quarters of exaggerated figures. As Graph 4 shows, for virtually every quarter in 2015, the QLFS found higher growth than in the previous four years, despite slower economic growth. In the first three quarters in particular, the figures for 2015 diverged strongly from the averages for the previous five years.

Graph 4. Average quarterly growth in employment from 2009 to 2014, in 2015, and in the first quarter of 2016 (%)

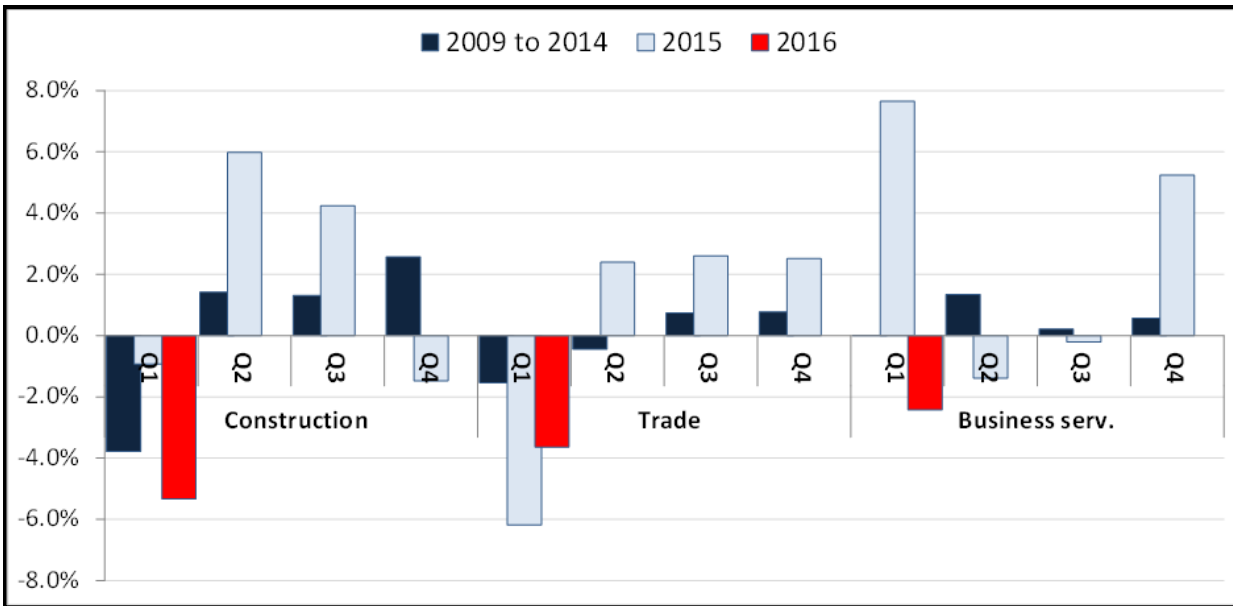


Source: Calculated from Statistics South Africa. QLFS Trends 2008-2016. Excel spreadsheet. Series on total employment. Downloaded in May 2016.

Statistics South Africa reported in the QLFS documentation that, in the first quarter of 2015, it changed the master sample to reflect findings from the 2011 Census. That is, it essentially reweighted its sample, which covers around 30 000 households every quarter. It seems likely that the uptick in employment figures for 2015 resulted from this shift, rather than from unusually rapid job creation. It is not clear whether some further modification in the sampling frame led to the correction in the first quarter of 2016.

In virtually every sector, 2015 saw a major change in the rate of job creation compared to previous years. Retail accounted for 34% of the job losses reported in the first quarter of 2016, construction for 22%, and business services for 16%. For all three sectors, the QLFS had reported a substantial jump in the rate of job creation for much of 2015, followed by a very sharp fall in the first quarter of 2016.

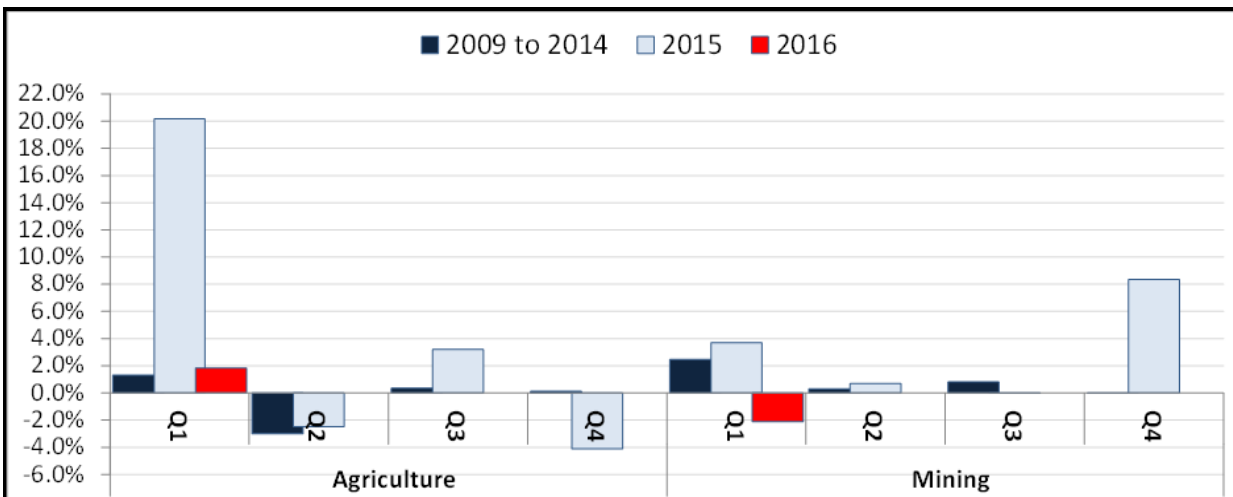
Graph 5. Average quarterly growth in employment from 2009 to 2014, in 2015, and in the first quarter of 2016, for construction, trade and business services



Source: Calculated from Statistics South Africa. QLFS Trends 2008-2016. Excel spreadsheet. Series on employment by industry. Downloaded in May 2016.

The trends reported for mining and agriculture employment in 2015 were particularly striking. For both sectors, the QLFS found substantial jobs growth in 2015 despite the end of the commodity boom and the drought. Moreover, in the first quarter of 2015, with the introduction of the new master sample in 2015, the QLFS found that agricultural employment increased from 740 000 to 890 000, or 150 000 – some 20% in a single quarter. Western Cape agriculture alone reportedly expanded employment from 131 000 to 252 000, or 93%, in that quarter. This one-quarter jump alone accounted for 58% of total employment growth in the province in 2015.

Graph 6. Average quarterly growth in employment from 2009 to 2014, in 2015, and in the first quarter of 2016, for agriculture and mining



Source: Calculated from Statistics South Africa. QLFS Trends 2008-2016. Excel spreadsheet. Series on employment by industry. Downloaded in May 2016.

In sum, while it is likely that employment creation has been affected by the broader economic slowdown, the sharp job losses reported for the first quarter of 2016 seem highly unlikely. Rather, they seem to have resulted largely from the shift to a new sampling frame.

The QLFS has been a high quality survey for most of the past few years, and a credit to Statistics South Africa. It would be desirable if Statistics South Africa published its own analysis of what went wrong with the latest report.