

Employment trends in the South African economy

OVERVIEW

The Quarterly Labour Force Survey (QLFS) data for the second quarter of 2020 was published by Statistics South Africa on 29 September. The most important findings are the relatively heavy hit that the COVID-19 pandemic inflicted on lower-level workers, especially informal workers who are typically engaged in low paying and precarious work. The QLFS finds that the number of employed people decreased from 16.4 million in the first quarter of 2020 to 14.2 million in the second quarter, for a loss of 2.3 million jobs or 13.5%. This policy brief looks at the impact of COVID-19 on employment in quarter two of 2020, with a focus on trends in formal sector employment, sectoral employment and implications for race and gender inequality, particularly in vulnerable sectors. It looks at the impact on industries in which many women work, such as private households and community services, and makes some policy recommendations.

INTRODUCTION

The second quarter QLFS was constrained by the pandemic in ways that affect the findings. To start with, it was conducted only by telephone, rather than through in-person interviews. As a result, it covers only 47 000 people, down from 67 000 in the first quarter. The difference was not random, since households with telephones tend to be better off than those without. Statistics South Africa reweighted the survey in an effort to compensate for the change in the sample, using an analysis of households with and without telephones in earlier surveys. That approach may, however, miss disruptions caused by the pandemic.

In addition, the QLFS figures do not show the radical changes in employment over the course of the second quarter. Usually, the QLFS averages data that it collects in each of the three months in a quarter. That approach makes sense when monthly changes are slight. In 2020, however, the economy experienced a huge shock in April, with a sharp recovery in May and June. Moreover, because of the lockdown, no data were collected for April, so the survey does not include any figures for the deepest part of the downturn.

MEASURING SOUTH AFRICA'S UNEMPLOYMENT RATE

Unemployment in South Africa's labour market is measured using three indicators:

- The 'narrow' or 'official' unemployment rate, which defines as unemployed only

individuals who have actively looked for paid work in the past week, then calculates the unemployed, as defined, as a percentage of the employed plus the unemployed;

- The 'broad' definition, which counts as unemployed those who want paid work, but have not actively searched for work in the past two weeks, again presented as a percentage of the employed plus the unemployed as defined; and
- The absorption rate (which the International Labour Organization calls the employment ratio), which is the percentage of South Africa's entire working-age population that is employed.

According to the official unemployment definition, the number of unemployed people decreased by 2.2 million from the first to the second quarter, falling to 4.3 million. The main reason was that many people without paying work stopped looking for employment during the lockdown. As a result, the unemployment rate actually fell to 23.3% in the second quarter of 2020, a 6.8 percentage point decline from the 30.1% recorded in the previous quarter. In contrast, under the broad definition that includes people who want paid employment but have given up looking for it, South Africa's unemployment rate increased by 2.3 percentage points to 42% in the same period.

The employment ratio underscores the scale of job losses due to the pandemic, although they appear to have diminished with the substantial (although by no means complete) recovery after April.

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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Policy Brief by
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The effects of the COVID-19 shock were particularly severe on lower-level workers in high-risk occupations. That means the crisis has deepened the pre-existing inequalities in South Africa's labour market.

From 2010 to 2019 South Africa's employment ratio remained around 40%, but in the second quarter of 2020 it fell to a record low of 36%. That is, only just over a third of the country's adult population said they were employed in the second quarter of 2020. The pandemic-related job losses aggravated already low employment levels in South Africa. According to the World Bank (2019), the global employment ratio was 58% in 2019, down from 62% in the early 1990s. Lower-middle-income countries reported a 54% employment ratio, while upper-middle income countries (which include South Africa) reported an employment ratio of 60%.

IMPACTS BY TYPE OF EMPLOYMENT

The latest QLFS shows that the effects of the COVID-19 shock were particularly severe on lower-level workers in high-risk occupations. That means it has deepened the pre-existing inequalities in South Africa's labour market.

Public and private sector employment

The public sector contributes around a quarter of all formal employment (see Graph 1). It shrank far less than the private sector during the pandemic, in part because a high percentage of its employees are essential workers, and in part because the national public service did not dismiss workers even if they were unable to work as a result of the disaster regulations. The QLFS found that employment in the public sector declined by only 7% (that is 168 000 positions) in the second quarter, compared to a two million or 15% decline in the private sector.

Private sector employment reached a record low in the second quarter, as many companies closed in response to the lockdown. Within the formal private sector, management, professional and associate professional employment fell by only 5% from the first to the second quarter. In contrast, other occupations saw a net loss of 16%. That is, lower level workers saw at least one in six jobs disappear during the worst of the downturn.

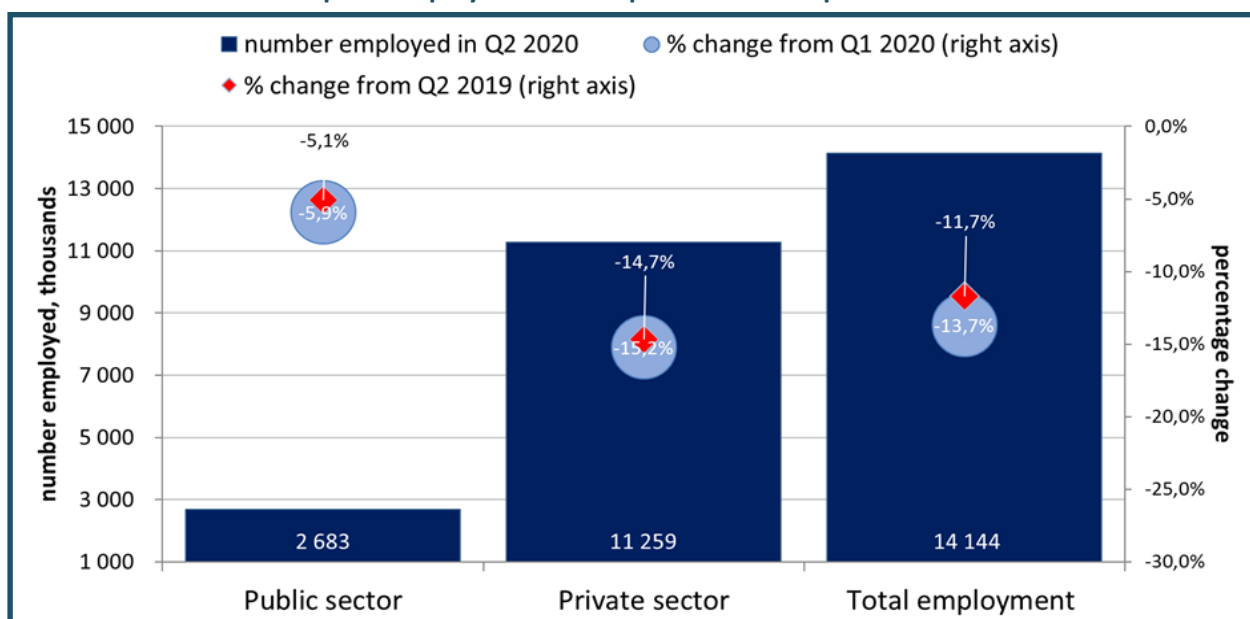
According to Kerr and Thornton (2020), jobs that can be done from home are concentrated in professional and associate professional occupations, explaining their relatively limited jobs losses. A survey of employers by TIPS found that even when employers did not dismiss workers, they often reduced their pay substantially, by between 30% and 50%.

Self-employed and informal workers

In the second quarter, 17% (2.4 million) of the workforce were classified as self-employed (employers, own-account workers and those helping in a household business without pay). Less than 42% of the self-employed were classified as employers (i.e. those who operated enterprises with one or more employees). Over 50%, or 1.3 million, of the self-employed were own-account workers who had no paid employees.¹ Paid employees constituted 83% of the workforce, with over 10 million jobs. (See Graph 2).

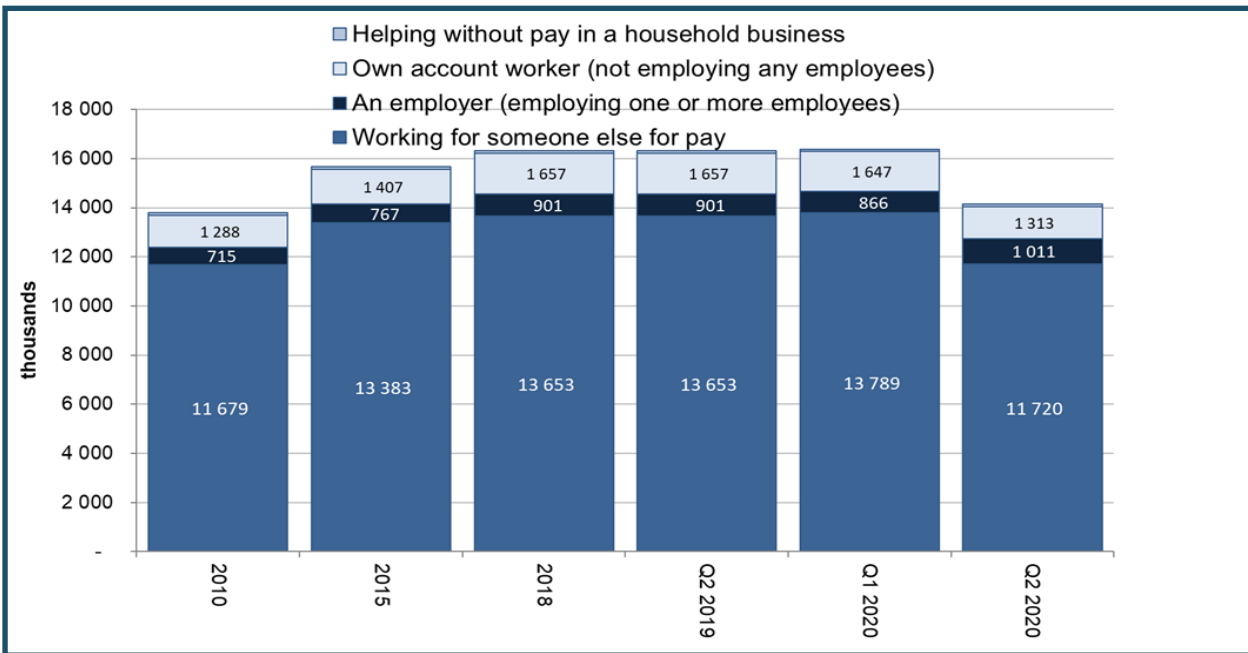
¹ Own-account workers in the second quarter accounted for 9% of South Africa's total workforce.

Graph 1. Employment in the public sector vs private sector



Source: Calculated from StatsSA. QLFS – 2020 Q2. Electronic database. Downloaded from www.statssa.gov.za.

Graph 2. Main types of employment, the second quarter



Source: Calculated from StatsSA. QLFS 2010–2020 Q2. Electronic database. Downloaded from www.statssa.gov.za.

In proportional terms, the deepest employment losses between the first and second quarters of 2020 were own-account workers, predominantly in the informal sector. QLFS data estimates that 20% (334 000) of own-account workers lost their jobs in quarter two (see Graph 3).

The vast majority of own-account workers operate informal businesses in retail, business and community services.² Their earnings are often very low, at R3 033 in 2018 according to the latest Statistics South Africa Labour Market Dynamics data (2018). These low earnings are likely not sufficient for workers to save against the risk of job or income loss. They are, however, not eligible for the Temporary Employer-Employee Relief Scheme (TERS) because employers

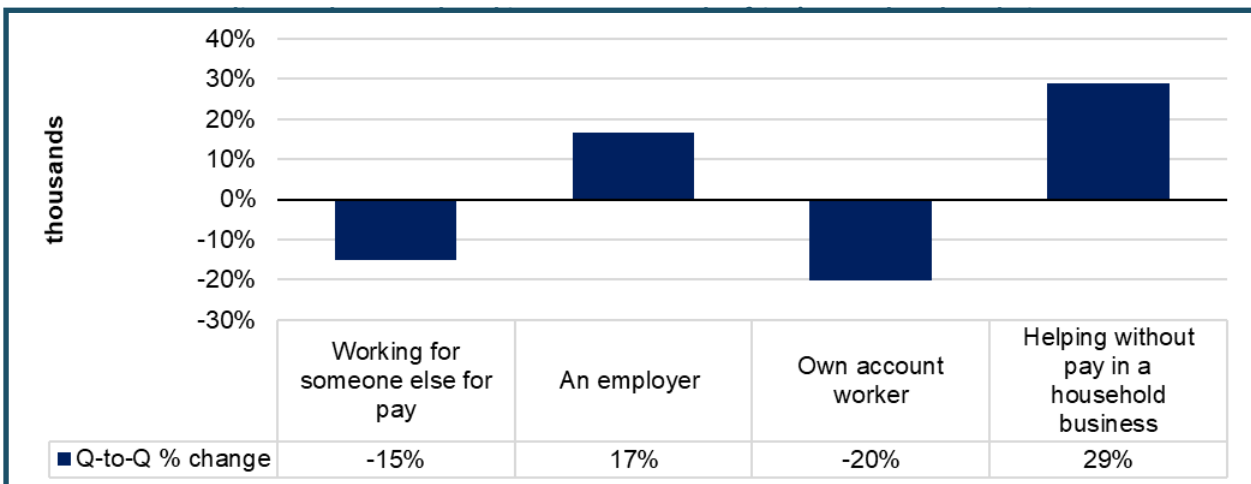
² According to QLFS data, the majority (48%) of own-account workers in South Africa operate in retail, followed by 11% or 151 000 operating in business services and 10% or 133 000 in community and care services.

and the self-employed are not registered with the Unemployment Insurance Fund (UIF). They could receive the COVID-19 grant, but at R350 a month that is substantially below the poverty line of R585.

Gender, race and region

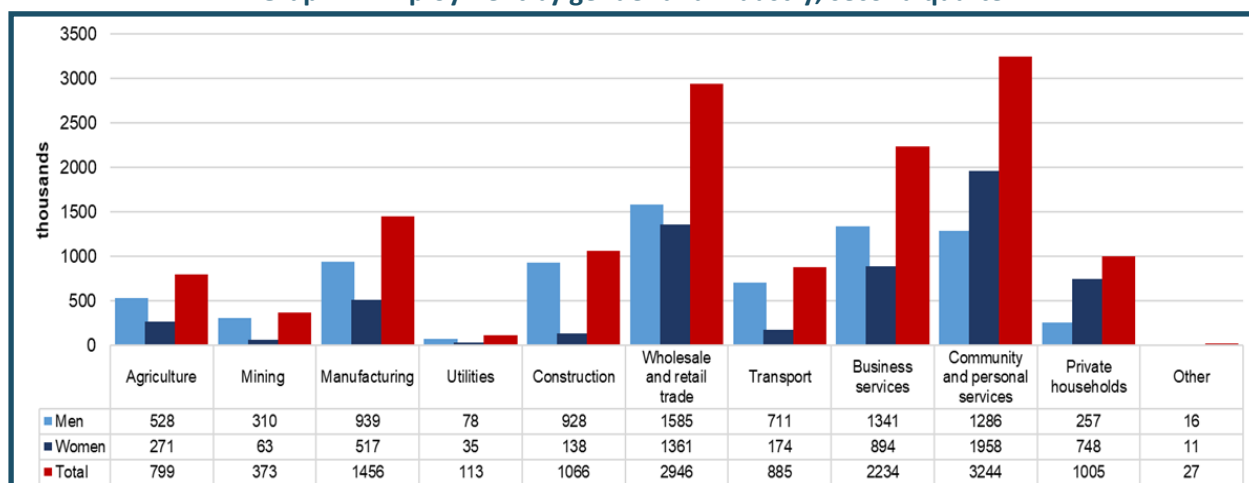
The second quarter data show that, compared to the previous quarter, both men and women in the formal sector saw similar job losses in proportional terms. In the second quarter of 2020, about one million women, or 15%, lost jobs, compared to 1.2 million or 13% by men. In the longer run, it seemed likely that women would be harder hit, since the highest-risk industries under COVID-19 were in personal services, retail and entertainment, where women are disproportionately represented. In the sectors identified in the Statistics South Africa data, analysed in the following section, women are heavily overrepresented in domestic work and in community and care-related services.

Graph 3. Employment by main work, second quarter



Source: Calculated from StatsSA. QLFS 2020 Q1-Q2. Electronic database. Downloaded from www.statssa.gov.za.

Graph 4. Employment by gender and industry, second quarter



Source: Calculated from StatsSA. QLFS – 2020 Q2. Electronic database. Downloaded from www.statssa.gov.za.

On average, almost three-quarters or 750 000 of those working in private households are women, while in community services, women make up three fifths or two million workers (See Graph 4).

By race, job losses were worst for African men and women and Coloured women. African men and women recorded the highest losses of employment and earnings of the four groups, as shown in Table 1. Nearly 80% of the 2.2 million jobs lost in the second quarter were accounted for by the African population. Although African men experienced the worst job losses, down by 952 000, in proportional terms

Coloured women experienced the most job losses, at 16% of their total employment. White people saw the lowest job losses in proportional terms, mostly because they were more likely to be in management and professional positions and therefore had greater job security as well as being able to work from home.

In geographic terms, job losses were widespread, affecting all nine provinces between the first and second quarters of 2020, as shown in Table 2. South Africa's metro areas and business hubs – Gauteng, the Western Cape and Kwa-Zulu Natal – had the most job losses in absolute terms in the second quarter

Table 1: Employment by race and gender, the second quarter

	Q2 EMPLOYMENT			Q TO Q % CHANGE			Y TO Y % CHANGE		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
African	4 608	5 947	10 555	-14,9%	-13,8%	-14,3%	-15%	-13%	-14%
Coloured	668	744	1 412	-16,1%	-6,7%	-11,4%	-13%	-19%	-16%
Indian/ Asian	161	327	488	-15,5%	-21,6%	-19,7%	-10%	-7%	-8%
White	733	960	1693	-11,7%	-7,1%	-9,2%	-7%	-9%	-8%
Total	5203	6882		-28,1%	-24,8%		-27%	-25%	

Table 2: Employment by province

PROVINCE	Q2 2019	Q1 2020	Q2 2020	Q TO Q CHANGE	Y ON Y CHANGE	Q TO Q % CHANGE	Y ON Y % CHANGE
North West	918	969	874	-96	-44	-9,9%	-4,8%
Mpumalanga	1243	1245	1112	-133	-131	-10,7%	-10,6%
Gauteng	5066	5134	4473	-661	-593	-12,9%	-11,7%
Western Cape	2497	2501	2179	-321	-318	-12,8%	-12,7%
Kwa-Zulu Natal	2635	2672	2297	-375	-338	-14,0%	-12,8%
Northern Cape	301	336	255	-80	-46	-24,0%	-15,3%
Eastern Cape	1388	1382	1169	-212	-218	-15,4%	-15,7%
Limpopo	1456	1387	1151	-236	-305	-17,0%	-21,0%
Free State	808	756	638	-119	-171	-15,7%	-21,1%

Source Table 1 and Table 2: Calculated from StatsSA. QLFS 2019–2020 Q2. Electronic database. Downloaded from www.statssa.gov.za.

Manufacturing, construction and trade were significantly affected by the pandemic and the lockdown, due to supply-side disruptions and restrictions combined with a collapse in demand.

of 2020, accounting for more than 50% of the total jobs lost. In proportional terms, however, they were more or less at the national average, while Limpopo and the Free State fared the worst.

The Western Cape lost 320 000 jobs in the tourism and hospitality industry presumably because of limitations on foreign tourists (Payne, 2020). According to Makgetla (2020), from April the province generally lagged behind the recovery in the rest of the country in part because of its heavy dependence on high-end, often overseas, tourism.

Restrictions on travel by Europeans and United States citizens, combined with the second wave of COVID-19 in much of the global North, mean that international tourism is unlikely to recover in the near future, even after South Africa eases international travel for many of these countries.

Although the Northern Cape recorded the smallest decline in job numbers, at just 80 000, the data reveal it was the hardest hit province over the second quarter, with a decline of 24% in employment compared to the previous quarter. In terms of the year-on-year change, the largest decreases in the

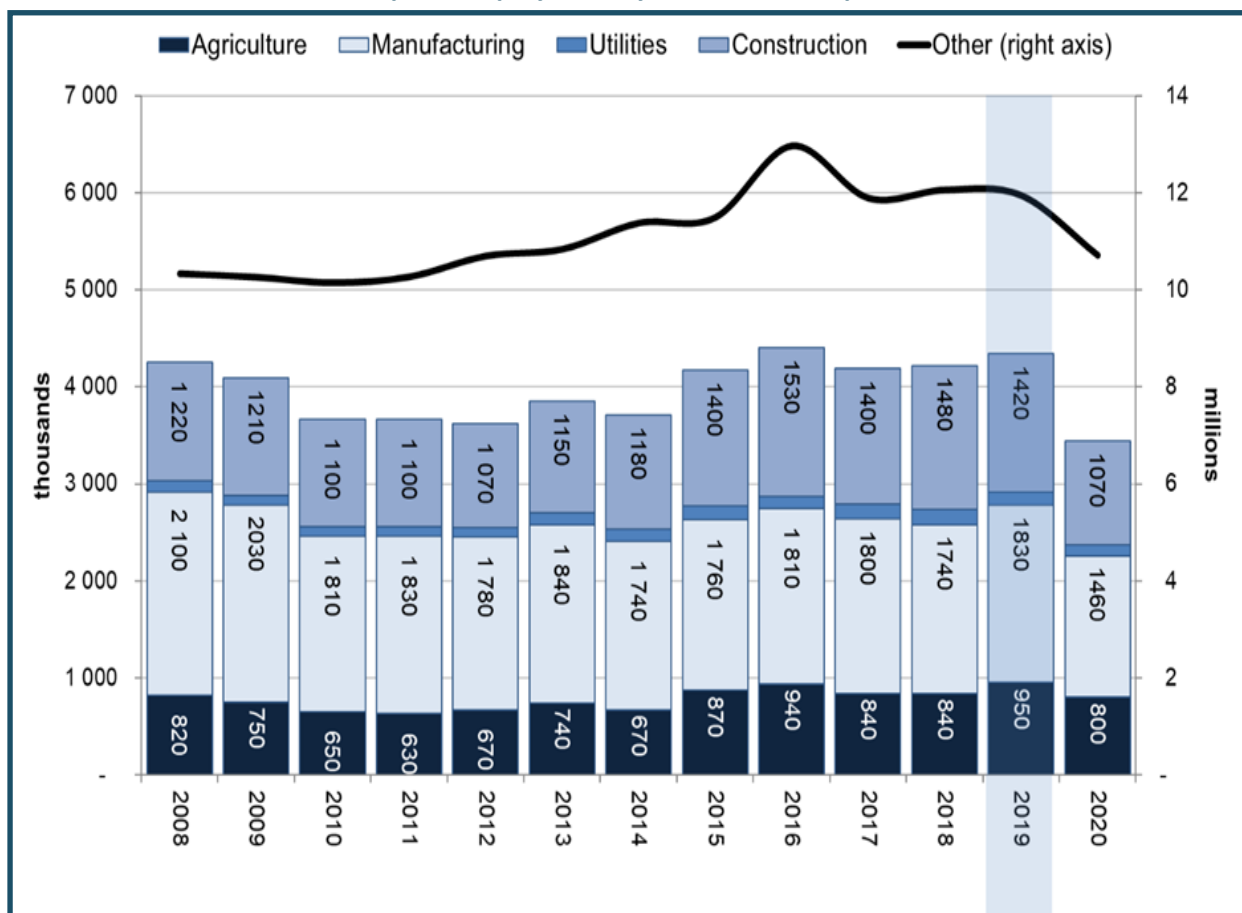
share of employment were recorded in the Limpopo and Free State provinces, both down by 21%.

JOB LOSSES BY SECTOR

The COVID-19 pandemic disrupted markets and restricted economic activities, leading to a drastic decline in production and also household consumption patterns. Manufacturing, construction and trade were significantly affected by the pandemic and the lockdown, due to supply-side disruptions and restrictions combined with a collapse in demand.

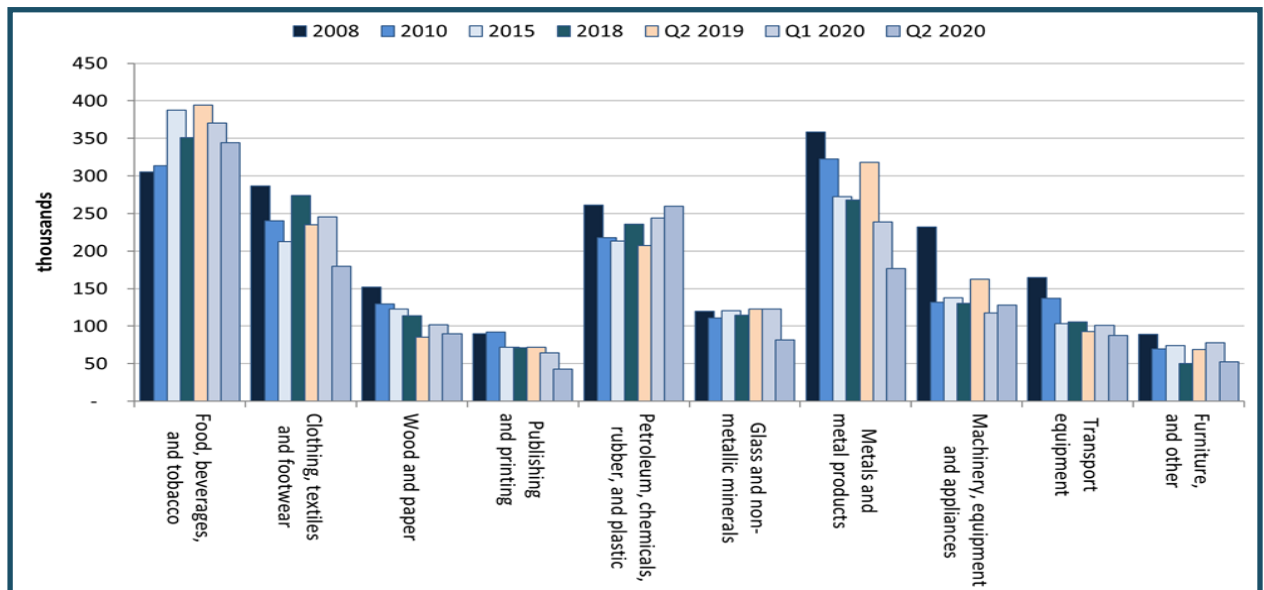
All sectors lost jobs in the second quarter. Manufacturing saw job losses of 250 000 from 1.7 million to 1.5 million in the second quarter of 2020. The agricultural sector saw a 7.6% decline, losing 66 000 jobs, among the lowest across the economy, in large part because it counted as an essential industry (see Graph 5). As mentioned, community and social services reported the largest decline in jobs, followed by trade and private households, while business services, mostly employing cleaners and security personnel, declined by 283 000 (11.2%) over the same period.

Graph 5. Employment by sector, second quarter



Source: Calculated from StatsSA. QLFS 2008–2020 Q2. Electronic database. Downloaded from www.statssa.gov.za.

Graph 6. Employment by manufacturing industry, second quarter of 2008, 2010, 2015, 2018, 2019 and 2020, and first quarter of 2020



Source: Calculated from StatsSA. QLFS 2008–2020 Q2. Electronic database. Downloaded from www.statssa.gov.za.

Before the pandemic, manufacturing employment had fluctuated in a narrow band around 1.75 million for around five years. Formal private manufacturing lost around 185 000 jobs in the second quarter of 2020, however, falling by 13%. All manufacturing subsectors except chemicals and machinery and equipment lost jobs in the second quarter. The steepest falls were in the clothing and textiles subsector, down by 66 000 jobs, and in the metals and glass subsectors, which saw 62 000 and 41 000 job losses, respectively (see Graph 6).

POLICY IMPLICATIONS

Since the late 1980s, South Africa has had among the lowest levels of employment in the world. The pandemic and nationwide lockdown worsened the employment situation by pushing even more people out of the economy. The crisis has most affected lower-level workers, suggesting that we are likely to see increasing inequality as a result. Low domestic and global demand mean that only reopening the South African economy is unlikely to restore all lost jobs. Even when the national state of disaster ends, salary cuts and employment losses will leave many households with far less disposable income to spend.

Addressing the widening gaps in South Africa’s labour market requires rebuilding the labour market from the bottom up. In the immediate term, this requires additional government support including the extension of social protection to all workers, both formal and informal, who are affected by the

pandemic. However, this alone is not enough. In the long run, economic recovery and reconstruction programmes need to prioritise the creation of job opportunities as well as increased protection for lower level occupations.

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