

CONTRADICTIONS IN LABOUR MARKET DATA

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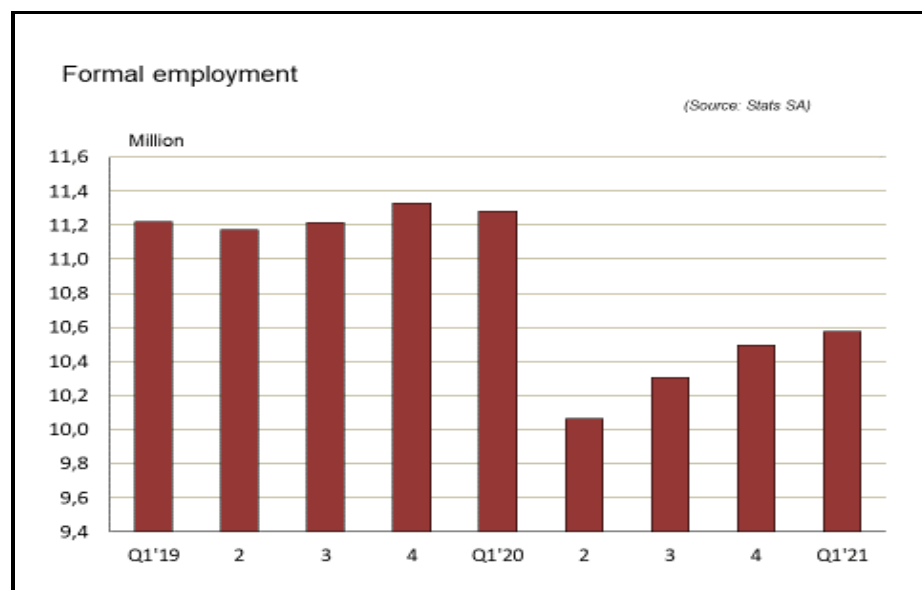
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Circumspection is required when assessing the latest quarterly labour force survey published by Statistics SA.

According to the survey for the first quarter of 2021, South Africa's unemployment rate increased by 0.1 percentage point to a new high of 32.6%. This news made it to the front pages of several national publications, as well as featuring prominently on the first of June's radio and evening TV news channels.

The upshot of the reporting on the higher unemployment rate was that the revival of economic growth (which has become quite visible), has not managed to dent the country's already high rate of unemployment.

Unfortunately, much of this media commentary missed two important findings contained in the Stats SA survey. Firstly, formal employment has continued on its recovery path, which commenced in the third quarter of 2020 and has led to the creation of more than 500,000 new jobs over the last three quarters.



Secondly, 152,000 new jobs for highly skilled people were created in the first quarter, especially for managers, professionals, technicians and machine operators. According to Stats SA, this occurred at the expense of a loss of jobs in elementary occupations.

It is certainly true that South Africa has an unacceptably high rate of unemployment – the evidence is not difficult to find when driving in any wind direction in the country's towns and cities, most notably scores of people permanently advertising their services in front of hardware stores (especially painters and builders).

It is nevertheless a pity that the significant progress with a retracement of formal sector job creation since the sharp decline in the "lockdown-quarter" has largely been ignored.

As is the case in most developing countries, informal sector jobs represent a large slice of the total labour market and South Africa is no exception. According to Stats SA, the informal sector provides jobs to 2.5 million people, which is almost a quarter of the number of formally employed.

It is widely recognised in economic literature, supported by case studies, that informal employment is positively correlated to jobs in the formal sectors of the economy. It is also no secret that Stats SA does not have a clue about the actual size of the informal sector in South Africa and simply estimates its size.

Add to these factors the relentless (and visible) growth of informal sector activity in all corners of the country and it becomes apparent that Stats SA's assumption of a decline in the sector's employment during the first quarter is dubious, if not plain incorrect, especially when juxtaposed with the increase of formal sector jobs by 79,000.

Another example of the contradictions in the labour force survey is related to the construction sector, where Stats SA arrives at a loss of 87,000 jobs in the first quarter, which is in sharp contrast to a number of sterling growth trends for indicators of construction sector activity.

The latter includes the value of wholesale sales of construction and building materials during the first quarter of the year, which expanded by a whopping 34% over the previous quarter to a level of R34-billion.

A second indicator that flies in the face of Stats SA's construction sector employment data is the value of new building plans passed by the metropolitan and larger municipalities, which also underpinned the recent strong showing of the country's leading business cycle indicator.

It is difficult to fathom the objectivity and accuracy of the labour force surveys conducted by Stats SA, especially in the crucial area of sample size and selection.

Informal settlements are being established at a rapid rate throughout the country, but especially in or near larger urban areas. They are a beehive of activity, covering every sector of economic activity, from retail to transport and from construction to agriculture. It seems as if Stats SA's sample is not sufficiently capturing the economic contribution of these areas.

Government should nonetheless afford job creation the number one policy priority and assist institutions involved with training activities related to the skills demanded by the private sector at large.