



Province of KwaZulu-Natal

Provincial Treasury

IMES Unit

THE KWAZULU NATAL LABOUR MARKET – A PERFORMANCE AND TREND ANALYSIS¹

UPDATE 1

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LABOUR MARKET DEFINITIONS

The following definitions are of relevance and significance to the labour market.

Employed

Are persons aged between 15-64 years, during the reference week; did any work for at least one hour, or had a job or a business but were not at work (temporarily absent).

Labour force

Comprises all persons who are employed plus all persons who are unemployed.

Labour force participation rate

The labour force participation rate is the percentage of working-age persons in an economy who:

- Are employed
- Are unemployed but looking for a job

Not economically active population

Persons aged 15-64 years who are neither employed nor unemployed in the reference week.

Unemployment rate

It is the proportion of the labour force that is unemployed.

Long term unemployment

Persons in long-term unemployment are those individuals among the unemployed who are without work and trying to find a job or start a business for one year or more.

Underutilised labour

Comprises three groups as follows: persons who are underemployed, people who are unemployed and people who are discouraged.

Underemployment

Are employed persons who were willing and available to work additional hours, whose total number of hours actually worked during the reference period was below 35 hours per week.

Population of working age

Comprises all persons aged between 15-64

Unemployed

Persons aged 15-64 years who

- Were not employed in the reference week and;
- Actively looked for work or tried to start a business in the four weeks preceding the survey interview and;
- Were available for work, i.e. would have been able to start work or business in the reference week or;
- Had not actively looked for work in the past four weeks but had a job or business to start at a definite date in the future and were available.

Not Economically Active Population

The not economically active population refers to persons aged 15-64 years who are neither employed nor unemployed in the reference week. People are not economically active for different reasons, such as; they are students, homemakers, suffering from illness/disability, too old/young to work, discouraged or for other reasons.

Discouraged work seeker

A person who was not employed during the reference period, wanted work, was available to work/ to start a business but did not take active steps to find work during the last four weeks, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work. Discouraged work seekers are either too young or too old, they have lost hope of finding a job, and they are no longer searching for work.

OVERVIEW OF KZN LABOUR MARKET

The population of working age is the sum of the labour force plus the not economically active population or the total number of residents between the age of 15 and 64 at any particular date or period.

The table below (table 1) shows that the population of working age increased from 6,250,000 in Q1:2008 to 6,828,000 in Q1:2012, i.e. by **578 000** or 9.2% over the period. The labour force on the other hand decreased from 3,315,000 in Q1:2008 to 3,168,000 in Q1:2012, i.e. by **-147 000** or by -4.5% over the period. The number of people who are not economically active therefore increased from 2,935,000 in Q1:2008 to 3,660,000 in Q1:2012, i.e. by **725 000** or by 24.7%. The total increase in the number of not economically active people is equal to the increase in the population of working age plus the decrease in the labour force.

Table 1: The relationship between the population of working age, the labour force and the not economically active population in KZN.

	Population of working age (15–64 years)	Labour Force	Not Economically Active
Q1 2008	6,250,000	3,315,000	2,935,000
Q2 2008	6,273,000	3,359,000	2,914,000
Q3 2008	6,295,000	3,312,000	2,983,000
Q4 2008	6,318,000	3,321,000	2,997,000
Q1 2009	6,340,000	3,248,000	3,093,000
Q2 2009	6,362,000	3,043,000	3,319,000
Q3 2009	6,384,000	3,105,000	3,279,000
Q4 2009	6,405,000	3,068,000	3,337,000
Q1 2010	6,426,000	3,084,000	3,342,000
Q2 2010	6,439,000	3,081,000	3,358,000
Q3 2010	6,664,000	2,990,000	3,675,000
Q4 2010	6,692,000	3,040,000	3,652,000
Q1 2011	6,720,000	3,049,000	3,671,000
Q2 2011	6,748,000	3,137,000	3,610,000
Q3 2011	6,776,000	3,103,000	3,673,000
Q4 2011	6,802,000	3,176,000	3,626,000
Q1 2012	6,828,000	3,168,000	3,660,000
	=	+	+

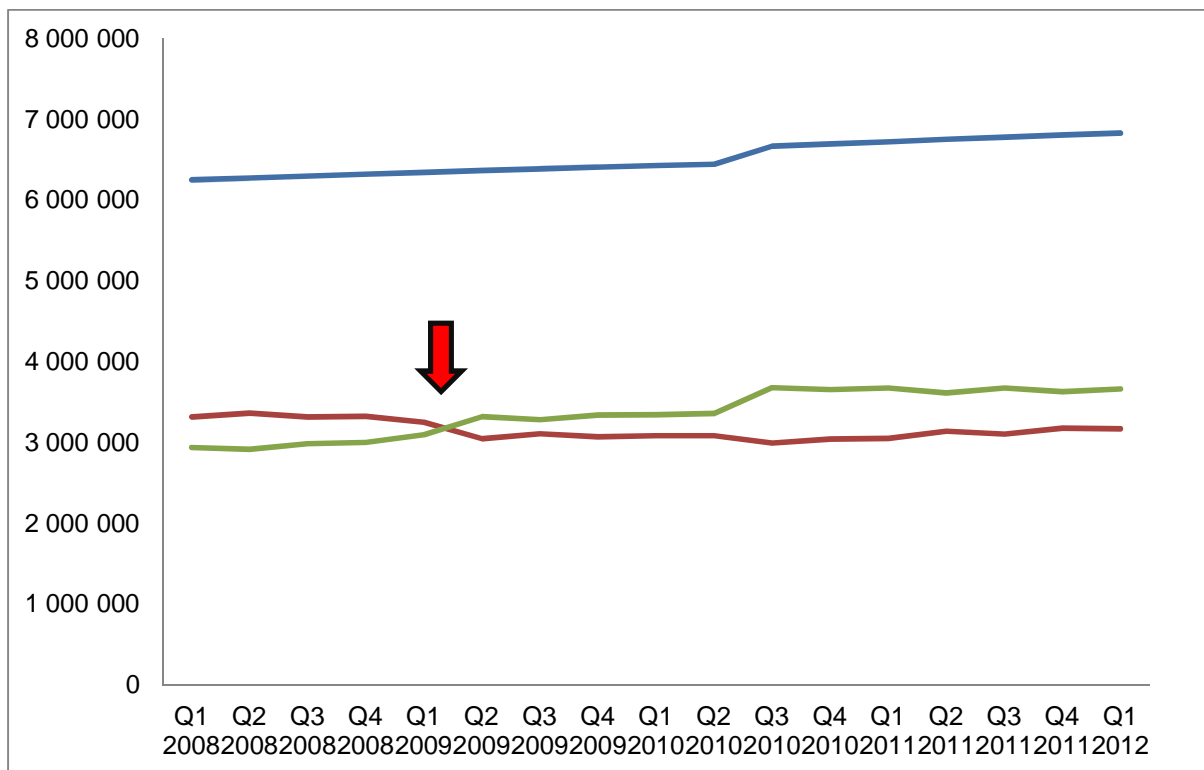
Overall	578,000	-147,000	725,000
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(Source: Statistics South Africa)

The table (table 1) indicates or suggests that there's been a decrease in the number of people who are ready, able and willing to work over the period in the province.

This below graph (graph 1) is a graphical depiction of table 1, i.e. the population of working age, the labour force and the not economically active population. The graph highlights the point where the not economically active population started exceeding the labour force. This occurred at the beginning of the world financial crisis and at the time when the South African economy went into a recession. However the trend since the start of the word financial crisis has not reversed even though the world and SA economy has been "recovering". It therefore seems fairly evident that the provincial labour market has not adjusted to its pre-recession structure suggesting that the labour market has experienced a permanent structural adjustment.

Graph 1: Population of working age Dynamics in KZN



The table below indicates that the Labour Force is the sum of the employed and the unemployed. The table also indicates the growing number of discouraged work seekers in the province. The number of employed people initially decreased from Q1:2008 to Q1:2011 but has since then increased fairly “nicely” by a **90 000** people. The total decrease in the number of employed people for the entire period is **43 000**. The number of unemployed people also decreased over the period, decreasing by about **104 000** people or by 13.8%. On the other hand the number of discouraged work seekers increased from 183 000 in Q1:2008 to 579 000 in Q1:2012, i.e. by **396 000** or by 216.4% over the period.

The decrease in the number of unemployed people in the province was therefore not because of more jobs but rather because more people gave up looking for work, i.e. the debate between the narrow and expanded definition of unemployment.

Table 2: The relationship between the labour force, the employed, the unemployed and the discouraged work seekers.

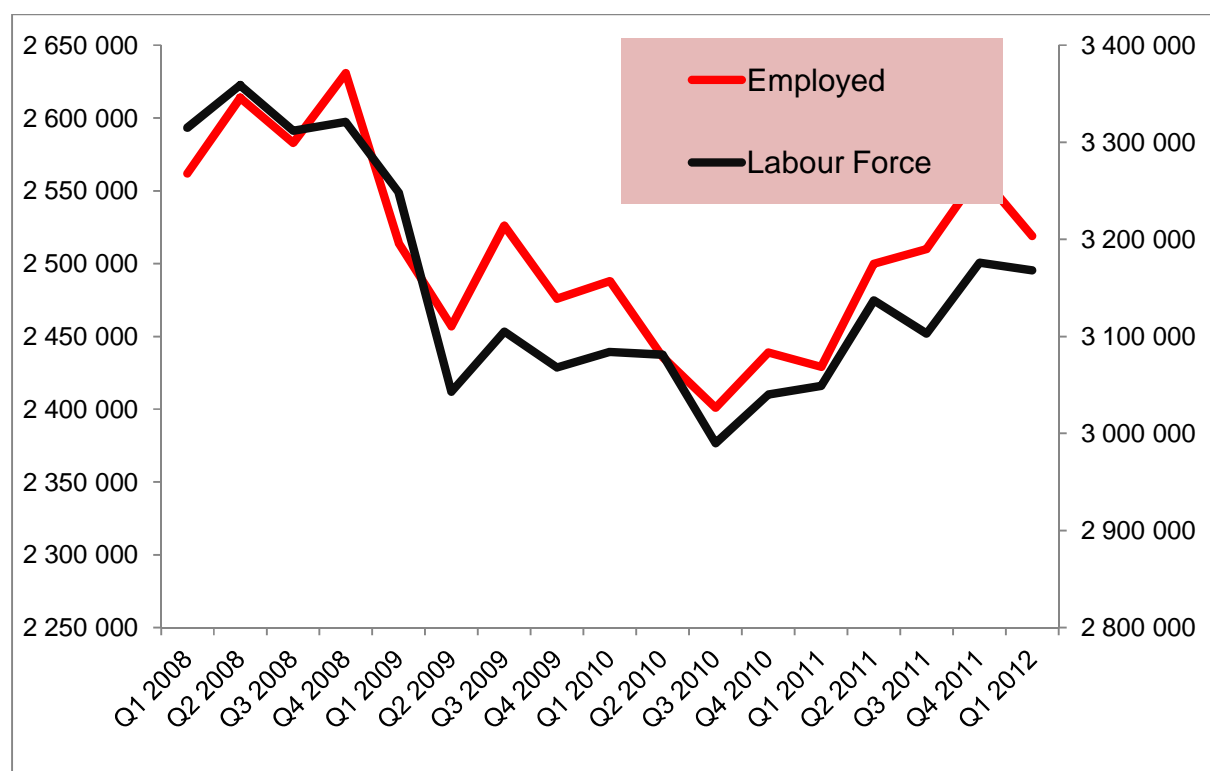
	<u>Labour Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Discouraged Work Seekers</u>
Q1 2008	3,315,000	2,562,000	753,000	183,000
Q2 2008	3,359,000	2,614,000	745,000	167,000
Q3 2008	3,312,000	2,583,000	729,000	186,000
Q4 2008	3,321,000	2,631,000	690,000	224,000
Q1 2009	3,248,000	2,514,000	733,000	271,000
Q2 2009	3,043,000	2,457,000	586,000	448,000
Q3 2009	3,105,000	2,526,000	579,000	495,000
Q4 2009	3,068,000	2,476,000	592,000	467,000
Q1 2010	3,084,000	2,488,000	596,000	503,000
Q2 2010	3,081,000	2,436,000	645,000	504,000
Q3 2010	2,990,000	2,401,000	588,000	563,000
Q4 2010	3,040,000	2,439,000	601,000	540,000
Q1 2011	3,049,000	2,429,000	620,000	592,000
Q2 2011	3,137,000	2,500,000	638,000	604,000
Q3 2011	3,103,000	2,510,000	593,000	549,000
Q4 2011	3,176,000	2,562,000	614,000	547,000

Q1 2012	3,168,000	2,519,000	649,000	579,000
	=	+	+	
Overall	-147,000	-43,000	-104,000	396,000

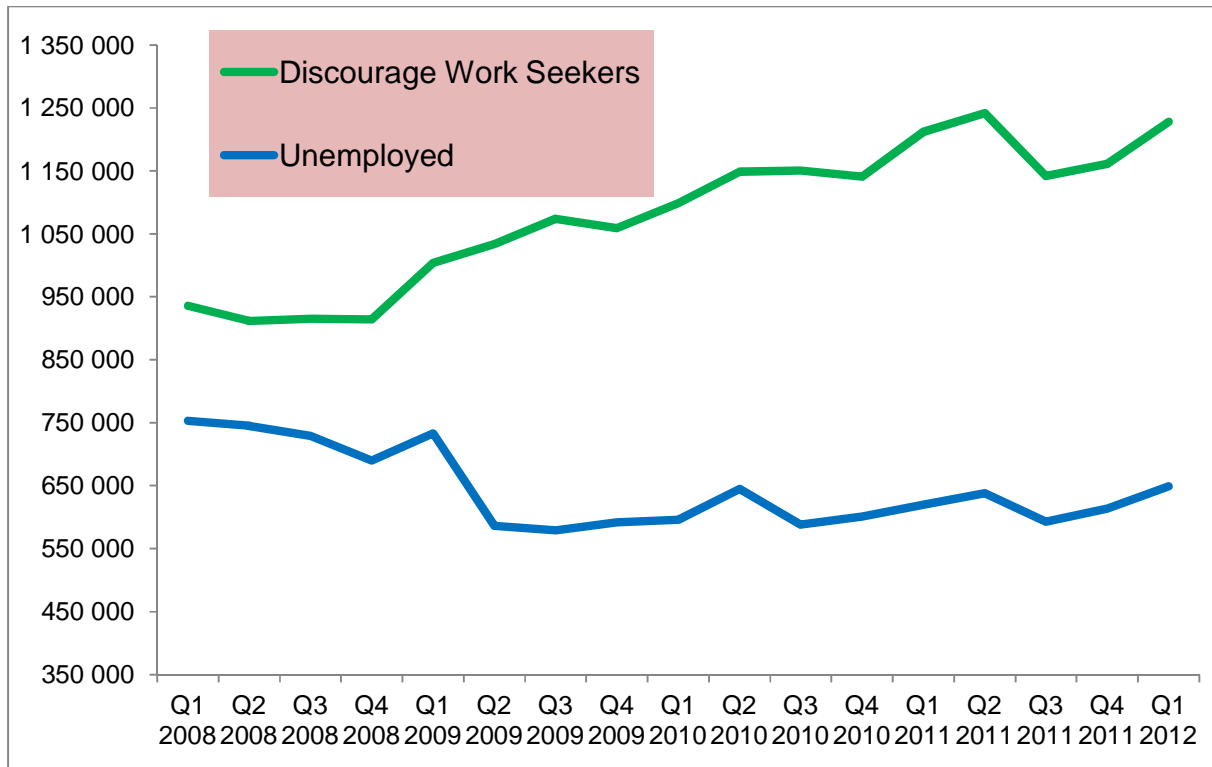
(Source: Statistics South Africa)

The below graph (graph 2) display some very important and relevant characteristics of the KZN labour force. The graph indicates that the labour force and the number of people employed in the province follows very similar trends over the period. The graph also indicates that the gap between the number of people unemployed and discouraged have increased or widened over the period. More people are also leaving the labour force and becoming economically inactive.

Graph 2.1: Labour Force Dynamics in KZN



Graph 2.2: Labour Force Dynamics in KZN



THE CHARACTERISTICS OF THE NOT ECONOMIC ACTIVE POPULATION FOR KZN

The characteristics of the number of people not economically active in the province are not supplied by Stats SA and thus it needs to be derived or estimated. To derive or estimate the number of people not economically active in KZN the following equation is used.

$$\frac{KZN \text{ Not economic active population}(t)}{SA \text{ Not economic active population}(t)} = \text{ratio}$$

This ratio will then be applied to the national characteristics to derive or estimate the KZN characteristics. The characteristics of the not economically active KZN population for the 1st quarter of 2012 are derived or estimated as follows:

- **Students** are estimated at **1,519,696**
- **Homemakers** are estimated at **686,712**
- **Illness/disability** are estimated at **396,635**
- **Too old/young to work** are estimated at **299,203**
- **Discouraged for** are estimated at **575,960**
- **Other** are estimated at **182,038**

The characteristics of the not economically active KZN population for the 1st quarter of 2011 are also displayed in the following table.

Table 3: Characteristics of the not economically active KZN population

1 st Quarter 2012	Not economically active
Students	1,519,696
Homemakers	686,712
Illness/disability	396,635
Too old/young to work	299,203
Discouraged	575,960
Other	182,038
Total	3,660,244

(Stats SA, Own calculations)

The statistics indicated that more than 41.5% of the people that were not economically active in KZN during the 1st quarter of 2012 were students. Homemakers accounted for about 19% and discouraged work seekers for about 15.7%.

CHARACTERISTICS OF THE NUMBER OF UNEMPLOYED PEOPLE IN KZN

Methodology

The characteristics of the number of people unemployed in the province are not supplied by Stats SA and thus it needs to be derived or estimated. To derive or estimate the number of people unemployed in KZN the following equation is used.

$$\frac{KZN\ Unemployed\ (t)}{SA\ Unemployed\ (t)} = \text{ratio } t$$

This ratio will then be applied to the national characteristics to derive or estimate the KZN characteristics. The characteristics of the unemployed KZN population for the 1st quarter of 2011 are derived or estimated as follows:

Job losers are unemployed people who had been working during the 5 years prior to becoming unemployed and: they had lost their job; or they have been laid off; or the business where they previously worked had been sold or closed down. The number of people that have lost their jobs in KZN for the period is estimated to be **200 751**.

Job leavers are those amongst the unemployed who had been working during the 5 years prior to becoming unemployed and had stopped working at their last job for any of the following:

- Caring for own children/relatives;
- Pregnancy;
- Other family/ community responsibilities;
- Going to school;
- Changed residence;
- Retired or;
- Other reasons

The number of people that have left their jobs in KZN for the period is estimated to be **39 433**.

New entrants refer to those people who were unemployed during the reference period that had never worked before. New entrants for KZN for the period are estimated to be **285 783**

Re entrants to the labour force are unemployed people who worked before whose main activity before looking for work was either managing a home or going to school. For KZN, re-entrants for the period are estimated at **23 516**.

Other refers to those people who were not included in Job losers, Job leavers, new entrants, or Re entrants. For KZN, the population that falls under the category of other for the period is estimated at **99 515**.

The characteristics of the not economically active KZN population for the 1st quarter of 2012 are also displayed in the following table.

Table 4: Characteristics of the Number of Unemployed People in KZN

1 st Quarter 2012	Number Of Unemployed People
Job losers	200,751
Job leavers	39,433
New entrants	285,783
Re entrants	23,516
Other	99,515
Total	648,998

(Stats SA, Own calculations)

The statistics indicate that 44% of the people that were unemployed in KZN during the 1st Quarter of 2012 were new entrants. Job losers accounted for 31% and other for about 15%.

The long-term unemployment (longer than 1 year) for KZN is estimated at **440 075** during the 1st Quarter of 2012, whilst the short-term unemployment (less than 1 year) for KZN is estimated at **208 925** during the 1st Quarter of 2012. The majority of people

unemployed in the province seem to be unemployed for longer than 1 year making them structurally or permanently unemployed.

Table 5 indicates the occupations where the job losses occurred. Table 5 indicates that the majority of job losses occurred in the elementary and craft and related trade occupation whilst the skilled agriculture occupation shed the least amount of jobs.

Table 5: Characteristics of those who have worked in the past five years for KZN

1 st Quarter 2012	Number of those who have worked in the past five years
Manager	7,599
Professional	5,592
Technician	14,339
Clerk	33,697
Sales and services	38,716
Skilled agriculture	1,003
Craft and related trade	47,033
Plant and machine operator	21,078
Elementary	75,281
Domestic worker	19,645

(Stats SA, Own calculations)

Table 6 displays the industries where the job losses occurred. The construction industry shed the most jobs, whilst the Utility industry shed the least amount of jobs.

Table 6: Characteristics of the unemployed in different industries for KZN

1 st Quarter of 2012	Number of job losses per industry
Agriculture	10,037
Mining	3,011

Manufacturing	38,142
Utilities	1,291
Construction	42,731
Transport	13,049
Trade	61,516
Finance	32,694
Community and social services	33,124
Private households	28,248

(Stats SA, Own calculations)