

Analysis of job creation in Mpumalanga, 2008-2012

-
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MPUMALANGA PROVINCE



KEY FINDINGS

- The number of employed at 953 001 at the end of the second quarter 2012 was 44 893 higher than at the end of the recession and 5 711 higher than before the recession started at the end of the third quarter 2008.
- The unemployment rate (strict definition) was higher at the end of the second quarter 2012 (28.9 per cent) than at the end of the recession (25.4 per cent) as well as being higher than before the recession (23.0 per cent).
- The unemployment rate according to the expanded definition increased to 42.8 per cent at the end of the second quarter 2012, up from 38.9 per cent at the end of the recession and higher than the 33.5 per cent measured before the recession.
- In terms of job creation over the full period under review, the mining (11 000) and transport (11 000) industries were the leading industries.
- Comparing the profile of the employed in Mpumalanga between the third quarter 2008 and the second quarter 2012, it is evident that a smaller proportion of employees were in skilled positions at last count than before the recession.
- The employed were generally more educated at the end of the second quarter 2012 than before the recession. It must be kept in mind, however, that the poorly educated are the more vulnerable in society and with less of them employed, job creation interventions must focus on addressing their specific plight.
- There was a higher proportion of males employed at the end of the period under review than prior to the recession. For every 1 job lost among the female population, male employment numbers increased by 1.2 jobs.
- The average employee was older at the end of the review period (37 years 5 months) than prior to the recession (37 years 2 months). The youth cohort's share declined to 44.5 per cent at the last count from 47.2 per cent prior to the recession.
- The majority of employees were employed by businesses of medium size and larger at the end of the period under review. It was also the only business category to show an absolute increase in employment numbers over the 16 quarters under review.
- The number of entrepreneurs in Mpumalanga was 10.0 per cent lower at the end of the period under review than prior to the recession. The entrepreneurial spirit among unemployed, discouraged and the not economically appears to have increased, however, it was still extremely low.

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1. INTRODUCTION

According to the *National Development Plan 2030* (NDP) the central and most pressing challenges that South Africa are faced with are poverty and inequality. To eliminate poverty and reduce inequality, South Africa has to raise levels of employment and, through productivity growth, the earnings of working people. The numeric objectives of the NDP 2030 in terms of employment are as follows:

- A fall in the strict unemployment rate from 25 per cent to 14 per cent in 2020 to 6 per cent by 2030;
- A rise in the labour force participation rate from 54 per cent in 2010 to 65 per cent, and
- About 11 million additional jobs by 2030.

In light of the stated objectives it is critically important to reflect, as a provincial government, on the contribution towards the targets. This report analyses job creation in Mpumalanga from the end of the third quarter 2008 (the quarter before the recession started technically) to the end of the second quarter 2012. The report specifically focuses on job creation per industry, skills, occupation, education, gender, age cohorts and business size. The report also considers growth in entrepreneurship and entrepreneurial spirit. The Quarterly Labour Force Survey (QLFS) published by Statistics South Africa (Stats SA), was used as the data source and was accessed via Stats SA's SuperWEB interactive data tool.

2. LABOUR FORCE PROFILE IN MPUMALANGA

Before the recession that stretched from the fourth quarter 2008 to the second quarter 2009, the labour market in Mpumalanga was characterised by relatively high unemployment numbers and only moderate job creation results. In the aftermath of the recession, that technically lasted only three quarters, Mpumalanga's labour market struggled to meaningfully create jobs while the number of unemployed and discouraged swelled. Only recently, thirteen quarters after the end of the recession, have a survey of the labour force returned higher numbers of people in employment than before the recession.

The provincial labour force or economically active population (EAP) of around 1.34 million individuals was some 111 000 higher at the end of the second quarter 2012 than before the recession started (third quarter 2008). The number of employed at 953 001 at the end of the second quarter 2012 was 44 893 higher than at the end of the recession (third quarter 2009) and some 5 711 more than before the recession. Unfortunately, the number of unemployed also increased by 105 000 to 388 000 from before the recession to the end of the second quarter 2012.

The number of discouraged workers also increased by 146 000 over the same period. Table 1 depicts the labour force profile of the province from 2008 to 2012.

As a result of the growth in the number of unemployed, the unemployment rate (strict definition) was higher at the end of the second quarter 2012 (28.9 per cent) than at the end of the recession (25.4 per cent) as well as being higher than before the recession (23.0 per cent). The unemployment rate according to the expanded definition increased to 42.8 per cent at the end of the second quarter 2012, up from 33.5 per cent before the start of the recession. Over the same period, the labour absorption rate declined by 3.8 percentage points from 42.6 per cent to 38.8 per cent, whereas the labour force participation rate increased slightly (1.4 percentage points) to 56.7 per cent.

Table 1: Labour force profile of Mpumalanga, 2008-2012

Indicator	Number			Change	
	Pre-recession Q3 2008 '000	Post-recession Q3 2009 '000	Q2 2012 '000	Pre-recession to Q2 2012 '000	Post-recession to Q2 2012 '000
- Population 15-64 years	2 223	2 257	2 366	143	109
- Labour Force/EAP	1 230	1 218	1 341	111	123
- Employed	947	908	953	6	45
- Unemployed	283	310	388	105	78
- Not economically active	910	916	1 025	115	109
- Discouraged work seekers	83	124	229	146	105
	Rates			Change	
	%	%	%	%	%
- Unemployment rate (strict definition)	23.0	25.4	28.9	5.9	3.5
- Unemployment rate (expanded definition)	33.5	38.9	42.8	9.3	3.9
- Employed/population ratio (absorption rate)	42.6	40.2	38.8	-3.8	-1.4
- Labour force participation rate	55.3	53.9	56.7	1.4	2.8

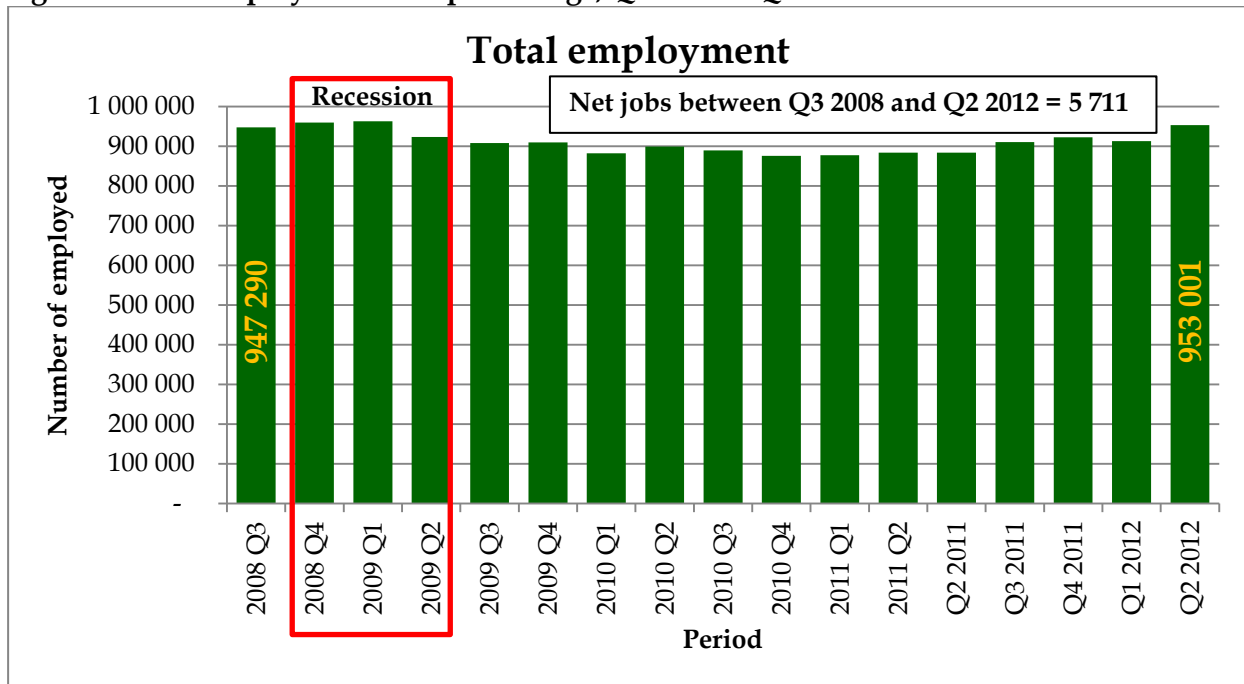
Source: Statistics South Africa – QLFS, 2008-2012

Note: Due to rounding, numbers do not necessarily add up to totals

3. JOB CREATION IN MPUMALANGA ACCORDING TO INDUSTRY

The number of employed in the province increased from 947 290 at the end of September 2008 (before the recession started) to 953 001 some 16 quarters later at the end of June 2012. This was a small albeit meaningful increase of 5 711 jobs over the period in question as this was the first time since the end of the recession that employment numbers exceeded the pre-recession employment level of 947 290. It appears from Figure 3, that total employment in Mpumalanga recorded its lowest level at the end of the fourth quarter 2010. Since then, employment numbers trended higher and reached a peak at the end of the second quarter 2012.

Figure 3: Total employment in Mpumalanga, Q3 2008 to Q2 2011



Source: Statistics South Africa, SuperWEB - QLFS

The changes in total employment, as well as per industry, from the third quarter 2008 to the second quarter 2012 are displayed in Table 2. The presentation also includes data of the third quarter 2009 (after the recession technically ended) to provide the employment changes from both before and after the recession up to the latest available quarter.

Table 2: Changes in employment by industry in Mpumalanga, 2008-2012

Industry	Number			Change	
	Pre-recession Q3 2008 '000	Post-recession Q3 2009 '000	Q2 2012 '000	Pre-recession to Q2 2012 '000	Post-recession to Q2 2012 '000
Agriculture	84	75	85	1	10
Mining	56	61	67	11	6
Manufacturing	87	75	76	-11	1
Utilities	17	14	26	9	12
Construction	84	88	76	-8	-12
Trade	254	214	249	-5	35
Transport	45	40	56	11	16
Finance	88	81	85	-3	4
Community services	144	163	148	4	-15
Private households	87	97	86	-1	-11
Total employed	947	908	953	6	45

Source: Statistics South Africa, SuperWEB - QLFS

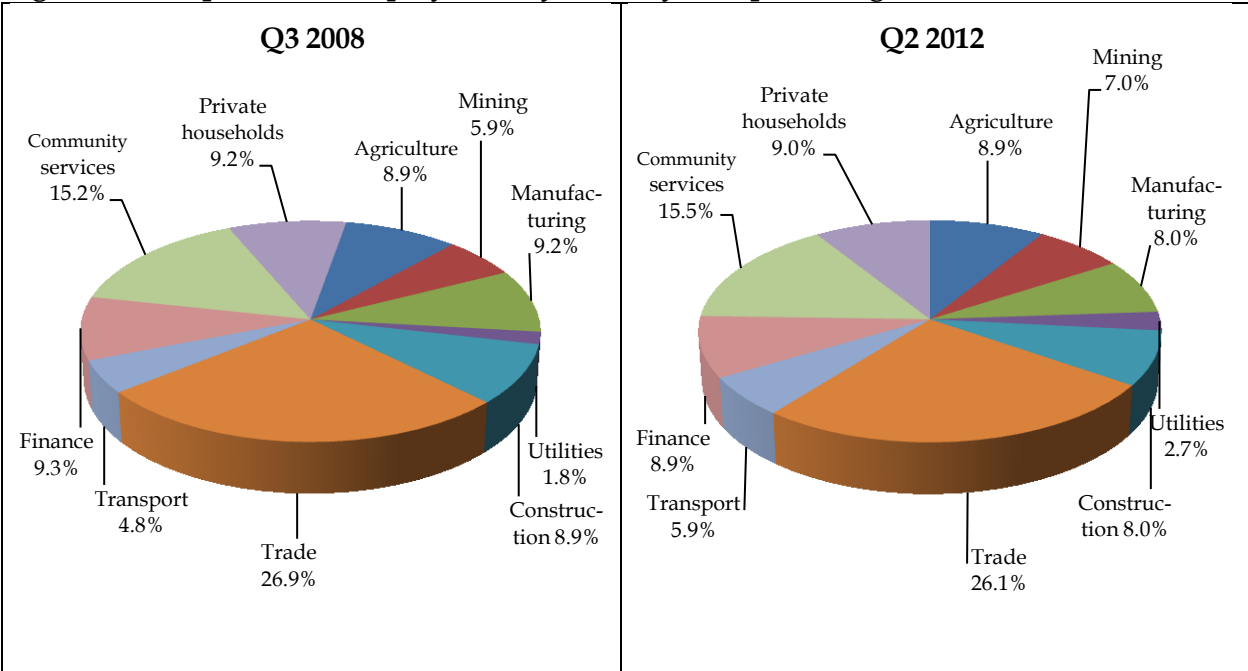
Note: Due to rounding, numbers do not necessarily add up to totals

From the third quarter 2008 to the second quarter 2012, the mining (11 000) and transport (11 000) industries registered the largest growth in employment numbers followed by three other industries (utilities, community services and agriculture). The employment numbers of

five industries were, however, at last count still below their respective pre-recession levels. Manufacturing (-11 000) and construction (-8 000) have still the largest backlog to wipe out, but arguably more troubling is that trade, the largest employing industry (26.1 per cent), still counted 5 000 less jobs at the end of the second quarter 2012 than at the end of the third quarter 2008. In the post-recession period, community services (-15 000) and construction (-12 000) shed the most jobs when compared with other industries in Mpumalanga.

Figure 4 is a graphical illustration of a large part of Table 3 and compares the share of total employment by industry prior to the recession with the most recent quarter. Prior to the recession, trade (26.9 per cent), community services (15.2 per cent) and finance (9.3 per cent) were the largest employing industries in Mpumalanga. At the end of the second quarter 2012, trade (26.1 per cent) was still the largest employing industry followed by community services (15.5 per cent) and private households (9.0 per cent). The shares of manufacturing, construction, trade, finance, and private households declined, whilst the shares of the other industries increased.

Figure 4: Comparison of employment by industry in Mpumalanga, Q3 2008-Q2 2012



Source: Statistics South Africa, SuperWEB - QLFS

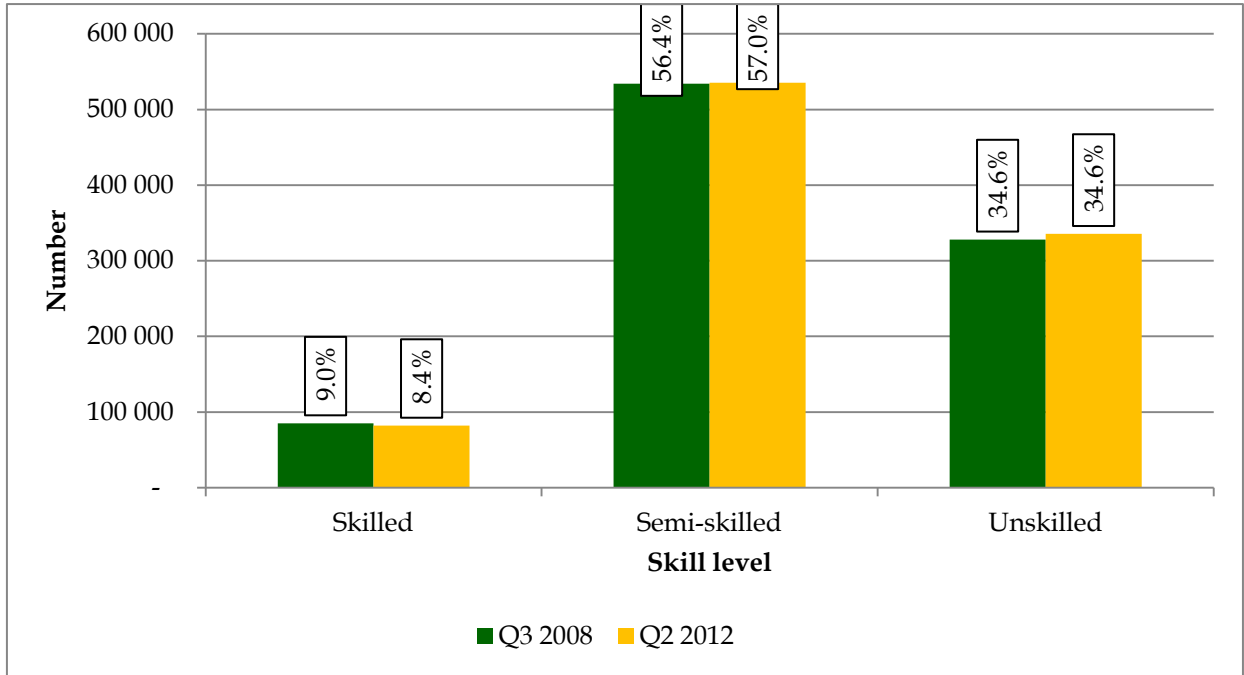
4. JOB CREATION IN MPUMALANGA ACCORDING TO SKILL LEVEL AND OCCUPATION

This section compares and analyse the composition of skill level employment and changes to this composition between the third quarter 2008 and the second quarter 2012. Over the period under review, measured employment in Mpumalanga increased by 5 711. In Figure 5, the

change in employment is disaggregated according to skills classification. The classification of skill level is provided by the International Standard Classification of Occupations (ISCO)¹.

Over the period under review, the biggest absolute increase in Mpumalanga employment according to skill level occurred in work classified as unskilled (7 335). Furthermore, the largest increase, 0.6 percentage points, in the share of skill level was recorded in semi-skilled employment. Therefore, an initial reading of the data shows that skilled employment suffered relatively more as a result of the recession and has not recovered sufficiently post recession. The share of labourers in unskilled employment remained unchanged at 34.6 per cent, at the same time that the share of workers in semi-skilled employment increased by 0.6 percentage points. It can be argued that the more vulnerable employees (semi and unskilled levels) suffered proportionally less, in terms of lay-offs, than employees in skilled employment.

Figure 5: Comparing the employed in Mpumalanga according to skill level, Q3 2008-Q2 2012



Source: Statistics South Africa, SuperWEB - QLFS

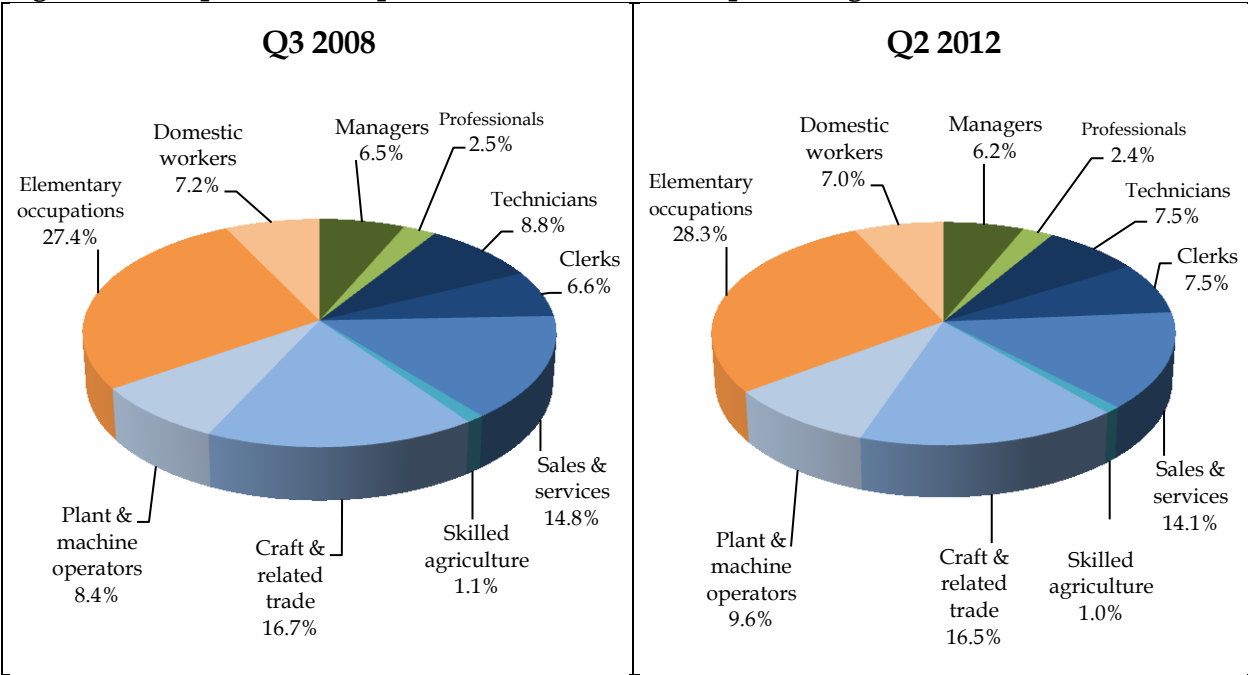
The comparative occupational distribution for the third quarter 2008 and the second quarter 2012 are presented in Figure 6. Over the period under review, the biggest absolute decline (-11 501) in Mpumalanga employment as well as the largest employment share decline (-1.3 percentage points) occurred in technical and associate professionals’ (technicians) occupations.

¹ Skilled labour is identified by codes 1 and 2 of the ISCO and refers to legislators, senior officials, managers and professionals. Semi-skilled labour is identified by codes 3 to 8, representing technical and associate professionals, skilled agriculture and fishery workers, craft and related trade workers as well as plant and machine operators and assemblers. Unskilled labour is identified by ISCO code 9, and represents employment in elementary occupations, including paid domestic work.

Conversely, plant and machine operators recorded the largest absolute increase (11 521) as well as the largest share increase (1.2 percentage points).

Only three occupational classes, namely clerks (7.5 per cent), plant and machine operators (9.6 per cent) and elementary occupations (28.3 per cent) registered larger shares at the end of the second quarter 2012 than prior to the recession. On the other hand, the employment shares of managers (6.2 per cent), professional (2.4 per cent), technicians (7.5 per cent), sales and services (14.1 per cent), skilled agriculture (1.0 per cent), craft and related trade (16.5 per cent) and domestic workers (7.0 per cent) were smaller than in the third quarter 2008.

Figure 6: Comparative occupational distribution in Mpumalanga, Q3 2008-Q2 2012



Source: Statistics South Africa, SuperWEB - QLFS

5. JOB CREATION IN MPUMALANGA ACCORDING TO EDUCATION, GENDER AND AGE

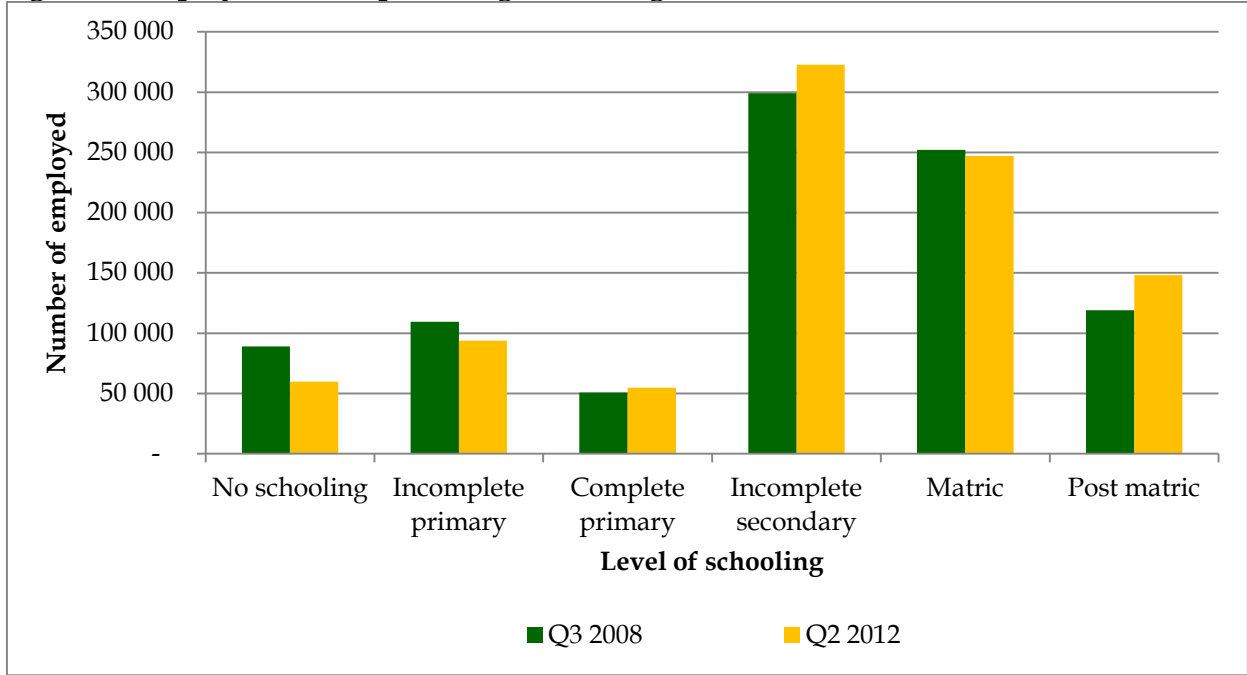
Education

The change in employment is disaggregated according to levels of education and presented in Figure 7. Three of the six education levels, namely complete primary, incomplete secondary and post matric, experienced increases in number between the two periods under review. The share of employees with post matric qualifications rose by 3.1 percentage points (29 133 in number) to 16.0 per cent at the end of the second quarter 2012. Employees with no schooling (-29 422) suffered the largest decline in number followed by employees with incomplete primary education (-15 685). Somewhat worrying is the fact that the share of employees with a

matric qualification declined by 0.7 percentage points, whereas the share of employees with an incomplete secondary education increased by 2.3 percentage points.

It is evident from the presentation that the employed in Mpumalanga are now more educated after the recession than before. A more educated workforce is necessary to improve efficiency and productivity and Mpumalanga appears to have advanced in that direction. However, it is necessary to point out that the poorly educated are also the more vulnerable in society and with them suffering the majority of job losses, the job creation and social assistance interventions must focus on addressing their specific plight.

Figure 7: Employment in Mpumalanga according to education level, Q3 2008-Q2 2012



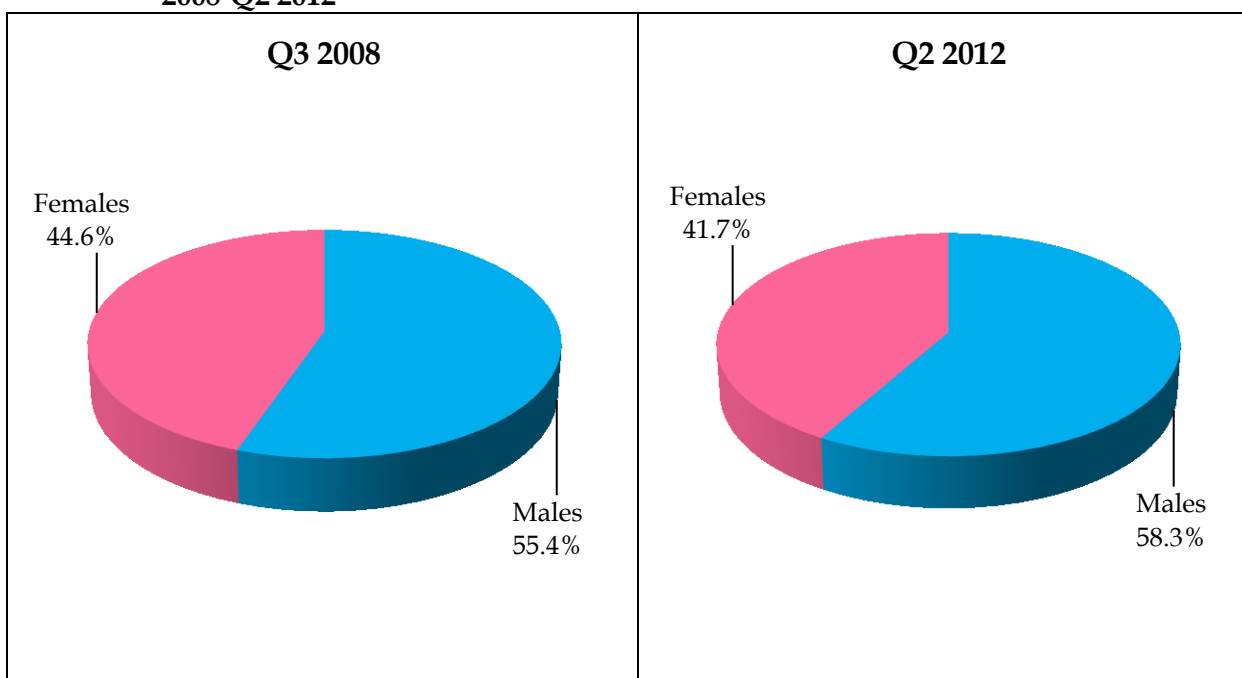
Source: Statistics South Africa, SuperWEB - QLFS

Gender

At the end of the second quarter 2012 there were 25 352 less females and 31 063 more males employed than at the end of the third quarter 2008, respectively. Thus, for every 1 job lost among the female population, male employment numbers increased by 1.2 jobs. The share of females towards total employment declined from 44.6 per cent at the end of the third quarter 2008 to 41.7 per cent at the end of the second quarter 2012.

Females are widely regarded as being more vulnerable than males and clearly suffered disproportionately as a result of the recession. Job interventions with the specific aim to benefit females should therefore be devised and prioritised in order to address their needs and reduce their vulnerability. The change in employment is disaggregated according to gender and presented in Figure 8.

Figure 8: Comparative employment distribution in Mpumalanga according to gender, Q3 2008-Q2 2012



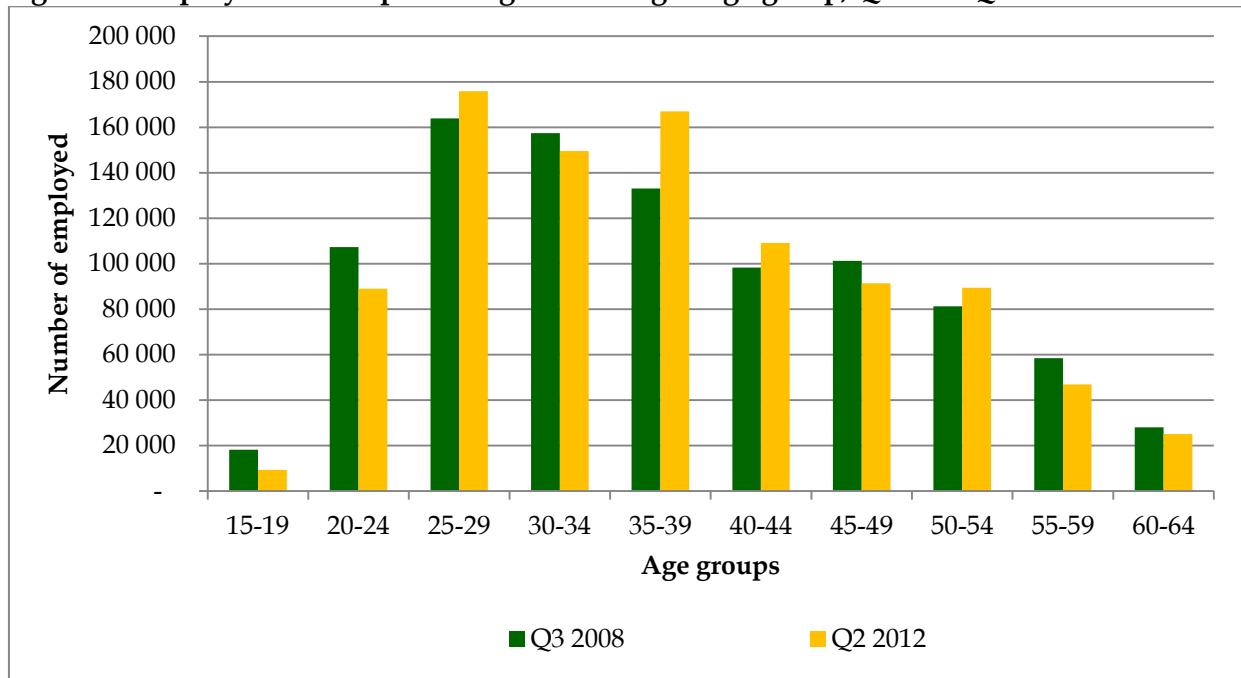
Source: Statistics South Africa, SuperWEB - QLFS

Age

Employment disaggregated according to age groups are presented in Figure 9. The youth cohort (15-34 years) constituted 47.2 per cent of the total employed at the end of the third quarter 2008. The youth cohort's share declined to 44.5 per cent at the end of the second quarter 2012. The share of the middle-aged cohort (35-54 years) increased from 43.7 per cent to 48.0 per cent over the same period. In absolute terms, 22 977 job losses were suffered by the youth cohort and 14 540 job losses by the pre-retiree cohort (55-64 years). Contrary to the other two cohorts, the middle-aged cohort registered 43 227 more jobs at the end of the period under review.

The age group 25-29 years made the largest contribution (17.3 per cent) prior to the recession and its share increased to 18.5 per cent at the end of the second quarter 2012. The age group 20-24 years suffered the largest absolute decrease (-18 209) over the period under review, followed by the age group 55-59 years (-11 568). The age group 35-39 years recorded the largest absolute increase of 33 946 as well as the largest percentage point increase (3.5 percentage points) over the same period. The current call for youth employment interventions appear to be entirely justified when assessing these facts and said interventions should therefore be fast tracked as a matter of urgency.

Figure 9: Employment in Mpumalanga according to age group, Q3 2008-Q2 2012



Source: Statistics South Africa, SuperWEB - QLFS

6. JOB CREATION IN MPUMALANGA BY MICRO, SMALL AND MEDIUM BUSINESSES²

The comparative number of employed in Mpumalanga according to business size between the third quarter 2008 and the second quarter 2012, is presented in Table 3. It is apparent that more employees were employed by businesses of medium size and larger (37.2 per cent) at the end of the second quarter 2012 than either before or after the recession. Not only did this group’s share increase, but it was also the only group to show an absolute increase in employment numbers. In South Africa, the share of employment by businesses of medium size and larger also increased from 29.6 per cent prior to the recession to 35.7 per cent by the end of the second quarter 2012.

The combined share of employment by micro and small businesses in Mpumalanga declined from 55.3 per cent at the end of the third quarter 2008 to 54.7 per cent post-recession and subsequently to 51.0 per cent at the end of the second quarter 2012. Similarly, the share of employment by micro and small business in South Africa declined from 61.0 per cent prior to the recession to 54.7 per cent by the end of the second quarter 2012.

² The National Small Business Act no 102 of 1996, defines micro, small and medium sized businesses in terms of the number of employees, total annual turnover and total gross asset value. In the QLFS, Stats SA only supplies data on the number of employees and therefore businesses were aggregated according to only one dimension of the definition.

Table 3: Changes in employment in Mpumalanga according to business size, 2008-2012

Business size	Q3 2008		Q3 2009		Q2 2012	
	Number	Share	Number	Share	Number	Share
Self employed ³	130 206	13.7%	105 972	11.7%	112 187	11.8%
Micro ⁴	201 717	21.3%	191 619	21.1%	183 345	19.2%
Small ⁵	321 921	34.0%	305 509	33.6%	303 255	31.8%
Medium+ ⁶	293 448	31.0%	305 007	33.6%	354 214	37.2%
Total	947 292	100.0%	908 107	100.0%	953 001	100.0%

Source: Statistics South Africa, SuperWEB - QLFS

The number of self employed in Mpumalanga declined markedly from 130 206 before the start of the recession to 112 187 by the end of the second quarter 2012. As a result the share of self employed declined from 13.7 per cent prior to the recession to 11.8 per cent by the end of the second quarter 2012.

Table 4 presents the contribution of each business size to employment in Mpumalanga's industries at the end of the second quarter 2012. Small businesses employed the majority of the employed in the construction (36.6 per cent), trade (45.0 per cent) and community services (54.8 per cent) industries. Businesses of medium size and larger employed the majority of labourers in the other six industries. Micro businesses employed the second largest share of construction (28.7 per cent) employees, whereas 30.2 per cent of employees in the trade industry were self employed.

Table 4: Contribution of employment by business size to industries in Mpumalanga, Q2 2012

Industry	Self employed	Micro	Small	Medium+	Total
Agriculture	2.2%	10.1%	34.9%	52.7%	100.0%
Mining	0.0%	10.0%	17.1%	72.9%	100.0%
Manufacturing	15.6%	6.3%	31.3%	46.8%	100.0%
Utilities	0.0%	7.3%	14.2%	78.5%	100.0%
Construction	18.0%	28.7%	36.6%	16.6%	100.0%
Trade	30.2%	13.5%	45.0%	11.3%	100.0%
Transport	8.3%	17.6%	33.8%	40.3%	100.0%
Finance	6.6%	13.2%	35.7%	44.4%	100.0%
Community services	7.7%	11.0%	54.8%	26.5%	100.0%

Source: Statistics South Africa, SuperWEB - QLFS

Table 5 presents the contribution of each industry to employment according to the size of businesses at the end of the second quarter 2012. At the end of the second quarter 2012, the majority of the self employed in Mpumalanga could be found in the trade industry (61.1 per

³ No employees

⁴ Less than 5 employees

⁵ Between 5 and 49 employees

⁶ Between 50 and 119 employees plus larger entities

cent). The trade industry was also the most prominent employing industry in micro businesses (29.8 per cent) and small businesses (33.4 per cent). This is not surprising considering that the trade industry was also the largest employing sector in the province (Figure 4). Businesses of medium size and larger were more evenly spread among the industries with agriculture (16.7 per cent) and mining (15.5 per cent) the two industries where such businesses employed the most labourers.

Table 5: Contribution of industries to employment by business size in Mpumalanga, Q2 2012

Industry	Self employed	Micro	Small	Medium+
Agriculture	1.6%	8.1%	9.4%	16.7%
Mining	0.0%	5.3%	3.1%	15.5%
Manufacturing	9.4%	4.2%	6.9%	12.3%
Utilities	0.0%	1.7%	1.1%	7.0%
Construction	10.6%	18.5%	7.9%	4.2%
Trade	61.1%	29.8%	33.4%	10.0%
Transport	3.8%	8.7%	5.6%	7.9%
Finance	4.3%	9.4%	8.5%	12.5%
Community services	9.2%	14.4%	24.1%	13.8%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa, SuperWEB - QLFS

7. ENTREPRENEURSHIP IN MPUMALANGA

Individuals in Mpumalanga that indicated in the QLFS that they own a business are presented in Table 6. It is apparent that the number of entrepreneurs in Mpumalanga declined by 16 727 or some 10.0 per cent over the sixteen quarters from the end of the third quarter 2008 to the end of the second quarter 2012. In South Africa, the number of entrepreneurs declined by 4.4 per cent over the same period. Over the period from the end of the recession (third quarter 2009) to the end of the second quarter 2012, the number of entrepreneurs in both South Africa and Mpumalanga increased by 8.8 per cent and 3.1 per cent, respectively.

The number of entrepreneurs that did not employ any employees (self employed) declined by 12 750 to 108 619 over the sixteen quarters from the end of the third quarter 2008 to the end of the second quarter 2012. In Mpumalanga, this was the largest absolute drop among the four categories. In South Africa, the category that suffered the largest decline was businesses that employed between 5 and 49 employees (small). In Mpumalanga, two categories showed an increase over the sixteen quarters namely entrepreneurs that employed between 5 and 49 as well as those that employed more than 50 employees (medium+). It was also the only two categories that ended the period under review with larger shares than before the recession. The medium+ category more than doubled with 1 809 more entrepreneurs owning a business

of this size by the end of the second quarter 2012. Unlike Mpumalanga, only the self employed category in South Africa registered an increase over the full period under review.

Table 6: Entrepreneurs in Mpumalanga and changes according to business size, 2008-2012

Business size	Q3 2008		Q3 2009		Q2 2012	
	Number	Share	Number	Share	Number	Share
Self employed	121 369	72.2%	100 242	68.3%	108 619	71.8%
Micro	33 011	19.6%	31 039	21.2%	26 073	17.2%
Small	12 217	7.3%	14 600	10.0%	13 369	8.8%
Medium+	1 433	0.9%	804	0.5%	3 242	2.1%
Total	168 030	100.0%	146 685	100.0%	151 303	100.0%

Source: Statistics South Africa, SuperWEB - QLFS

The QLFS poses one question to respondents that provide an indication of the entrepreneurial spirit among the unemployed, discouraged and not economically active. According to the design of the survey this question is not posed to the employed. The question reads as follows: *“If circumstances had allowed, would you have started a business in the last week?”*

Table 7 presents the number of respondents in the three categories that indicated they would have started a business had circumstances allowed. It is evident that 5 536 individuals in total signalled that they would have started a business, under favourable circumstances, at the end of the second quarter 2012. This was some 615 or 12.5 per cent more that indicated similarly prior to the recession at the end of the third quarter 2008. It was also 1 410 or 34.2 per cent more than what was recorded after the recession at the end of the third quarter 2009.

More unemployed and discouraged individuals indicated that they would have started a business at the end of the second quarter 2012 than prior to the recession. However, they were only 1.0 per cent and 0.2 per cent of the total number of unemployed and discouraged in the province, respectively. Only 0.1 per cent of the not economically active population in the province indicated that they would have started a business. Based on these numbers and contrary to expectations, the entrepreneurial spirit among the three categories appears to be very low albeit it somewhat higher than in the not so distant past.

Table 7: Entrepreneurial spirit in Mpumalanga among unemployed, discouraged and not economically active, 2008-2012

Status	Q3 2008		Q3 2009		Q2 2012	
	Number	% of category	Number	% of category	Number	% of category
Unemployed	2 545	0.9%	1 834	0.6%	3 873	1.0%
Discouraged	0	-	224	0.2%	502	0.2%
Not economically active	2 376	0.3%	2 068	0.2%	1 161	0.1%
Total	4 921	-	4 126	-	5 536	-

Source: Statistics South Africa, SuperWEB - QLFS

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