

Labour update: The unemployment rate climbed to 32.5% in the fourth quarter of 2020

Tuesday 23 February 2021



Figure 1: Unemployment levels ('000) and rates

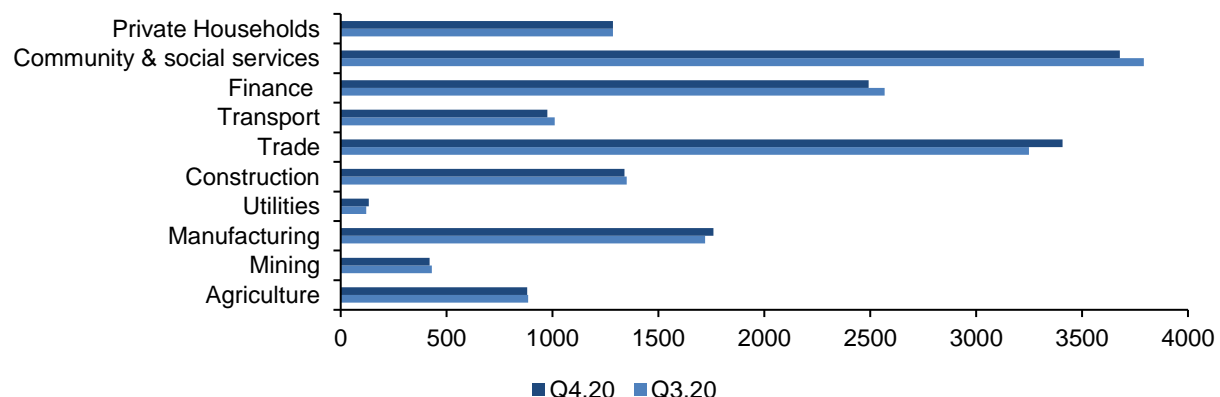
	Q2.20	Q3.20	Q4.20
Economically Active Population – labour force	18 443	21 224	22 257
Not Economically Active Population	20 578	17 944	17 054
Employed	14 148	14 691	15 024
Unemployed (official/ strict definition)	4 295	6 533	7 233
Unemployment rate (official/ strict) definition)	23.3%	30.8%	32.5%
Unemployed (expanded definition)	10 259	11 145	11 156
Unemployment rate (expanded definition)	42.0%	43.1%	42.6%

Source: Stats SA

*Numbers are rounded

- COVID-19 has had a devastating effect on the economy, leading to many businesses having to shut their doors permanently or decrease their workforce. The official unemployment rate rose by 1.7 percentage points to 32.5% in Q4.20, the highest documented since the commencement of the QLFS in 2008. However, Stats SA has stressed that on account of “the change in the survey mode of collection and the fact that Q4: 2020 estimates are not based on a full sample, comparisons with previous quarters should be made with caution.”
- According to Stats SA a “(n)umber of persons moved from the “other not economically active” category to “employed” and “unemployed” status (i.e. labour force) between the two quarters.” “The movement was proportionately more to the unemployed than for the employed, which resulted in an increase of 1,7 percentage points in the unemployment rate to 32,5%.”
- Specifically, there were over one million new entrants into the labour force in Q4.20, translating to a 4.9% q/q rise, while the number of individuals essentially employed during the period rose by just 33 000 or 2.3% q/q.
- Formal sector employment (non-agricultural) increased by a modest 1.8% q/q or 189 000 individuals during Q4.20, while the number of individuals employed in the informal sector (non-agricultural) of the economy rose by 2.6% or 65 000 persons when compared to the previous quarter. On a year-on-year basis however both formal and informal employment were down a notable -7.4% and -13.6% respectively.

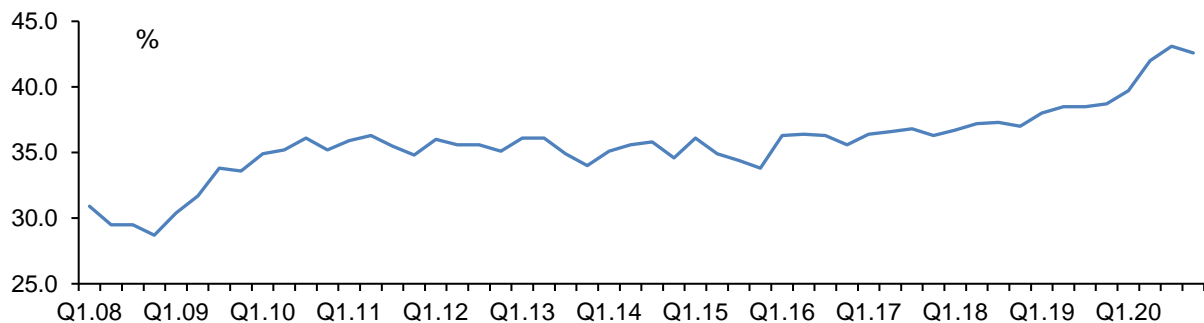
Figure 2: Employment levels by industry ('000)



Source: Stats SA



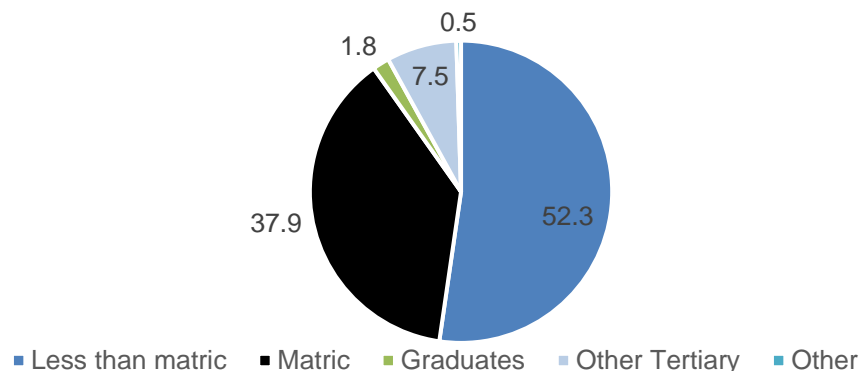
Figure 3: Expanded Unemployment Rate Trend



Source: Stats SA

- An analysis of the data on an industry basis, suggests that the lift in employment during the fourth quarter was largely broad based, with only the mining and finance sectors experiencing job losses. Community and social services recorded the largest increase in positions at 170 000, followed by construction at 86 000.
- The expanded unemployment rate, (which includes individuals who desire employment regardless of whether they are actively seeking work) fell slightly in Q4.20 but remained elevated at 42.6% (43.1%: Q3.20) and is a marked 13.9 percentage point increase on levels logged during the same period in 2008. This reflects SA's dismal labour market predicament, where even before the onset of covid-19, the country had a very low labour absorption rate by international standards.
- Moreover, youth unemployment (15-24 years) climbed further to 63.2% in Q4.20, from 61.3% in Q3.20. Dealing with the country's severe unemployment situation, particularly within the youth category remains a key priority of government and this was reiterated by the President in his recent State of the Nation Address.
- President Ramaphosa encouragingly announced that as a consequence "(o)f the relief measures that we implemented and the phased reopening of the economy, we expect to see a strong recovery in employment by the end of the year. While a hastened, effective rollout of the vaccine is key, creating a "(m)ore conducive environment" for job creation is essential and has been prioritized.

Figure 4: Proportion of the unemployed by education level – Q4.20 (%)



Source: Stats SA

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