

More jobs - but figures still disappointing

Heavy job losses in the manufacturing and trade sectors of the economy marred news yesterday that unemployment dipped unexpectedly during the second quarter of this year.

South Africa's official jobless rate fell to 24,9% from 25,2% in the first quarter of the year, leaving 4,47-million people without jobs, Statistics SA said. Employment rose by 0,2%, or 25 000 jobs, taking the total number of employed people to almost 13,5-million.

On the face of it, the news is welcome, but a closer examination of data raises some questions.

The size of the labour force fell by 32 000 to 17,91-million people during the second quarter, which would have helped to lower the jobless rate.

The figures also showed that employment in South Africa's embattled mining sector rose by 6,3% compared with the first quarter of this year, adding 21 000 jobs; and increased by 26,6% compared with the same quarter last year, adding 75 000 jobs.

This is odd as mining output contracted sharply over most of last year and during the first quarter of this year as the sector battled rising costs and weaker global demand.

"Certainly there is a bit of unexpected good news in the figures but they may be hiding a bit of bad news," Mike Schussler, an independent economist, said. "The fact the labour force declined says to me there's hidden unemployment in those figures and I question the mining data."

Stats SA itself has drawn attention to the fact that the mining employment figures in its Labour Force Survey released yesterday, may not be adequately captured by the survey's sample, as the industry is very clustered.

It suggested that a separate quarterly employment survey, based on responses from business, contained more "robust" mining figures. The Labour Force Survey is a household survey that covers both the formal and informal sectors of the economy.

A breakdown of the Labour Force Survey data showed that much of the improvement in employment during the second quarter of this year was driven by community and social services, which added 121 000 jobs. This suggests job creation was mainly taking place in the public sector.

It also reported that two of the economy's biggest sectors shed jobs - trade lost 91 000, while manufacturing lost 44 000. Agriculture was also affected, with 18 000 jobs lost.

Employment in construction rose strongly, with 26 000 jobs being created, according to the data.

The number of unemployed people dropped by 56 000 during the second quarter, while over the past year employment rose by 322 000. The expanded jobless rate, which includes people who have given up looking for work, declined to 36,2% from 36,6%. This was driven by a fall in the number of "discouraged" work seekers, by 24 000 to 2,311-million in the second quarter.

Stats SA deputy director-general of social and population statistics Kefilo Masiteng said the figures show "a positive trend". "Looking at the overall picture, you can conclude we are not out of the woods but there is hope."

The Congress of South African Trade Unions welcomed the drop in unemployment but said it was too early to be complacent.

"These figures indicate that unemployment is way too high and it remains a national crisis. There must be a let-up in the campaign to create jobs, and to reduce poverty," the federation said in a statement.

Analysts said that the figures did not alter the view that job creation would remain sluggish as the economy slows in the months ahead. Economic growth is expected to drop to about 2,5% this year from 3,1% last year, pressured by weak demand in the face of a global slowdown and the recession in Europe.

"Despite the slight improvement in the unemployment rate, the latest reading is disappointing, suggesting that South Africa is still struggling to gain meaningful traction in the labour market," Stanlib economist Kevin Lings said.

He pointed out that employment was 580 000 below its peak at the start of the global financial crisis in 2008 when the economy lost more than a million jobs. The figures suggest the government will battle to meet its goal of 5-million new jobs by 2020.

Absa Capital economist Gina Schoeman said: "Despite the drop in the employment rate, we believe that the underlying data remain concerning and that a more substantial rise in employment will be necessary to sustain household consumption growth over the coming months."

This may encourage the Reserve Bank to trim interest rates by another half a percentage point at its policy meeting in September, to protect the economy from global risks, she said.