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Employment Dynamics

Key Findings

- Between 2000 and 2005, the Western Cape's working-age population grew at a rate of 2,3 per cent a year, placing the Province under greater pressure to create jobs than the rest of SA.
- Despite buoyant economic growth, provincial employment creation is not growing rapidly enough and as a result broad unemployment in the Western Cape is growing faster than nationally.
- Employment in the Province expanded by 1,5 per cent a year to about 1,73 million people in 2005. The african share of employment increased to 25,5 per cent, while coloureds and whites accounted for approximately 50 per cent and 25 per cent, respectively.
- The number of employed matriculants continues to grow rapidly, although at a slightly reduced rate.
- The bulk of employment expansion has occurred in the tertiary sector, driven largely by the rapid growth in wholesale & retail trade.
- The increase in the number of the discouraged workseekers in the Province is concerning and is contributing to a widening of the gap between the Provincial broad and narrow rate of unemployment.
- In 2005, broad unemployment in the Western Cape reached 25,5 per cent in comparison to 38,8 per cent nationally.

- Unemployment is concentrated among coloureds (51,7%) and Africans (41,6%), as well as in younger age-groups – in 2005 41,7 per cent of unemployed in the Province were between the ages of 15 and 24 years and a further 30,7 per cent were aged 25 to 24 years.
- A key feature of both SA and Western Cape unemployment is its long-term nature – most of the unemployed have never worked before, contributing to rapid erosion of skills and familiarity of current technologies.

1. Introduction

One of the key challenges facing all levels of government is the challenge of unemployment and job creation, since it is only through equitable job creation that the problems of poverty and inequality can be addressed on a sustainable basis.

It is also an important aspect of ensuring that all groups within society are able to engage with the economy and enjoy the benefits of economic growth and increased prosperity. However, creating jobs and ensuring that all groups within society are able to access these jobs is no simple task.

This chapter presents a closer analysis of the labour market over the first half of this decade. The next section presents recent labour market performance in the Western Cape and, where appropriate, contextualises this performance nationally.

Important questions revolve around whether jobs have been created in the Province over the period and whether unemployment has continued to rise. Sections three and four take a closer look at employment and unemployment respectively.

2. The Western Cape labour market

2.1 Recent employment and unemployment trends

The bi-annual Labour Force Survey (LFS), conducted by Statistics SA, is the most comprehensive source of labour market data in the country, with a wealth of individual and household level data. This nationally representative dataset provides insights into a range of labour market and other issues.

The analysis below draws on the September 2000 and the September 2005¹ LFSs, the latter based on information from nearly 110 000 individuals living in around 28 400 households. The Western Cape sample in this dataset consists of just under 11 600 individuals in 3 230 households.

Table 1 below shows labour market aggregates for the periods 2000 and 2005. The working population, defined as those individuals between the ages of 15 and 65 years inclusive, forms the group from which the labour force may potentially be drawn.

In the period 2000 to 2005 the Western Cape's working age population grew by 343 000 individuals due to natural population growth coupled with net in-migration. This represents an average growth rate of 2,3 per cent a year, and is a full percentage point above growth in the national working age population.

This means that, given labour force participation rates, the Province has faced relatively greater pressure in terms of job creation than the country as a whole.

¹ The 2005 LFS is used for this analysis as the raw datasets for the September 2006 LFS were not yet available.

Use of confidence intervals in statistical analysis

Confidence intervals are calculated because the datasets used are from sample surveys and the possibility therefore exists that the estimates generated will not be truly representative of the entire population.

The confidence intervals indicate the likely range within which the estimate should fall, if one was to resample the same population and calculate these estimates with the new data. This range is therefore a valuable marker and should be given as much attention as the point estimate.

The confidence intervals become particularly useful when making comparisons across data points. If the intervals overlap, one cannot say with any precision that there has been a change. If they do not overlap, one can say with a certain degree of confidence that a statistically significant change has occurred.

Although the confidence intervals are useful in that they provide us with the likely range, they are affected by data quality concerns, and are only as 'precise' as the data upon which they are based.

Source: PER&O 2005

Over the same period, the number of individuals wanting work, but not necessarily actively seeking work, that is the broad labour force in the Province, rose by 290 000 individuals, equivalent to an average rate of 2,7 per cent a year, but this change is only statistically significant at the 90 per cent level. This compares to the national broad labour force expansion of 1,5 million individuals or average growth rate of 1,5 per cent a year over the same period, which is also statistically significant.

Similarly, the number of individuals wanting work and actively seeking work, that is the narrow labour force, in the Province increased by 208 000 individuals, at an average rate of 2,1 per cent a year. In contrast, the national narrow labour force increased by 388 000 individuals, or an average rate of 0,5 per cent a year. These trends highlight the significantly faster labour force growth at the provincial level.

Unfortunately, the measured net increase in employment in the Western Cape of 125 000 jobs – that is, the number of jobs created less the number of jobs lost – is not statistically significant. This is similar to the national situation: employment appears to have risen marginally but this change is not significant.

In contrast, broad unemployment in the Province is higher in 2005 than it was in 2000, having risen to 591 000 from 426 000. This is equivalent to an average growth rate of 6,8 per cent a year. A similar, though less rapid, rate of growth was observed nationally, where the number of broadly unemployed individuals rose by 1,4 million². In contrast, narrow unemployment is not statistically different in 2005 than it was five years earlier, both nationally and provincially.

² Western Cape Provincial Treasury

Definitions of unemployment

Translating the layperson's concept of being unemployed ('not having a job') into a technical and measurable form is a relatively difficult task.

Following that used by the International Labour Organisation (ILO), SA's official (narrow) definition of unemployment classifies individuals as being unemployed if they did not have a job or business in the seven days prior to the survey interview but had looked for work or taken steps to start a business in the four weeks prior to the interview and were able to take up work within two weeks of the interview.

This definition is slightly different from the 2000 definition, the change having occurred in 2004, in that the 2000 definition requires individuals to be able to take up a job within one week of the interview. Although this may impact on the estimates of unemployment, it is unlikely to have a major impact on the estimates.

This definition places the 'burden of proof' on the shoulders of non-employed individuals: they need to demonstrate that they have made some attempt at finding or creating a job for themselves.

The expanded (or broad) definition of unemployment, on the other hand, does not include the criterion of having taken active steps to find work or start a business.

Although the narrow definition is the official definition in SA, the evidence suggests that the broad definition is better able to accurately identify the unemployed in countries, like SA, where unemployment rates are very high and many individuals give up looking for work, becoming what is termed 'discouraged workers'.

Thus, although details of narrow unemployment are provided, most of the analysis in this chapter uses the expanded definition of unemployment. That is, simply stated, if you have not worked in the last week but want to work and would, if offered a job, be able to start working within two weeks, you are classified as unemployed according to the expanded definition.

Unemployment trends are even starker when compared to buoyant economic growth rates at the provincial and national level. In the period 2000 to 2005 the Western Cape economy grew at an average annual rate of 6,0 per cent, significantly faster than the average national growth of 4,9 per cent³.

In 2005, total output for the Western Cape was R150 billion, or 14,8 per cent of SA's GDP, while the Province accounted for 14,0 per cent of total employment in the country. Therefore, despite the rapidly growing economy, both nationally and within the Province, the number of jobs created was insufficient to absorb new entrants into the labour market.

³ This figure is calculated based on annual production accounts by industry at constant 2000 prices.

Table 1: Labour market aggregates, 2000 and 2005

	2000	2005	Total change		Ave. ann.
	'000s	'000s	'000s	%	growth
Western Cape					
Working age population	2 834	3 177	343	12,1	2,3
Employed	1 601	1 726	125	7,8	1,5
Broad unemployed	426	591	165	38,7	6,8 *
Broad labour force	2 027	2 317	290	14,3	2,7
Narrow unemployed	319	403	84	26,3	4,8
Narrow labour force	1 920	2 128	208	10,8	2,1
Discouraged workseekers	107	189	82	76,6	12,1 *
GDPR (2000 prices, R million)	119 099	150 176	31 077	26,1	6,0
SA					
Working age population	27 869	29 697	1 828	6,6	1,3
Employed	12 238	12 300	62	0,5	0,1
Broad unemployed	6 379	7 799	1 420	22,3	4,1 *
Broad labour force	18 618	20 100	1 482	8,0	1,5 *
Narrow unemployed	4 162	4 487	325	7,8	1,5
Narrow labour force	16 400	16 788	388	2,4	0,5
Discouraged workseekers	2 218	3 312	1 094	49,3	8,3 *
GDP (2000 prices, R million)	838 218	1 016 750	178 532	21,3	4,9

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006, Bureau for Economic Research, 2006

Note: Statistically significant changes at the 95 per cent confidence level are indicated with an asterisk (*).

Of concern is the increase in the number of the discouraged workers in the Province, rising from 107 000 in 2000 to 189 000 in 2005. Discouraged workseekers are those who want to work and are available to work, but who are not actively looking for work, and constitute the difference between the narrow and broad definitions of the labour force.

Over the five-year period, the Western Cape experienced an increase in the number of the discouraged workseekers at an average rate of 12,1 per cent a year, contributing to a widening of the gap between the provincial broad or expanded rate of unemployment and the narrow rate of unemployment.

At the national level, growth in the number of discouraged workseekers was more muted, but still rapid, at 8,3 per cent a year. Nationally and provincially, the change in the number of discouraged workers was statistically significant at 95 per cent confidence interval. The rapid rate of growth in the number of discouraged workseekers requires further investigation and understanding, as do their reasons for not actively seeking work. Table 2 shows a breakdown of reasons why discouraged workseekers in the Province did not take steps to find employment or start a business.

More than one-third (35,3%) of discouraged workseekers in the Province mentioned the fact that there were no jobs in their area as the main reason for not looking for work. This is compared to more than one-half (55,9%) for the country as a whole. Family concerns were cited as a main reason for not looking for work by 14,0 per cent of discouraged in the Western Cape, while lack of transport money, the loss of hope of finding work, and poor health or disability were also relatively commonly cited problems. Nationally, lack of transport money was the second most commonly cited reason for not looking for work, with the loss of hope of finding work and family concerns also cited as preventing discouraged workseekers from actively seeking employment.

Table 2: Main reason for not looking for work among discouraged workseekers, September 2005

Reason	Western Cape		SA	
	'000s	Share (%)	'000s	Share (%)
No jobs available in the area	67	35,3	1 852	55,9
Family concerns	26	14,0	196	5,9
Lack of transport money	15	7,9	504	15,2
Lost hope of finding work	12	6,6	329	9,9
Ill health/physical disability	12	6,2	40	1,2
Undergoing training	6	3,2	37	1,1
Unable to find work	6	3,1	102	3,1
Pregnancy	5	2,7	73	2,2
Temporarily laid off	2	1,0	9	0,3
No transport available	1	0,6	12	0,4
Other reason	36	18,9	105	3,2
Unspecified	1	0,3	53	1,6
Total	189	100,0	3 312	100,0

Source: Provincial Treasury calculations, September 2005 LFS, Statistics SA 2006

The second most commonly cited reason in the Province was 'other reason', which cannot be disaggregated in the LFS. This may point to an area of future investigation in the Province, to ascertain why some unemployed individuals do not actively look for jobs.

2.2 Provincial employment growth in demographic context

The rate of employment growth requires some degree of contextualisation before judgement can be passed on its sufficiency. In particular, employment growth should be viewed in the context of changes in the working age population, the labour force and unemployment.

Calculating target employment growth rates (TGRs) and employment absorption rates (EARs) are useful measures to assess and explain employment and unemployment growth in the context of an expanding working age population and labour force.

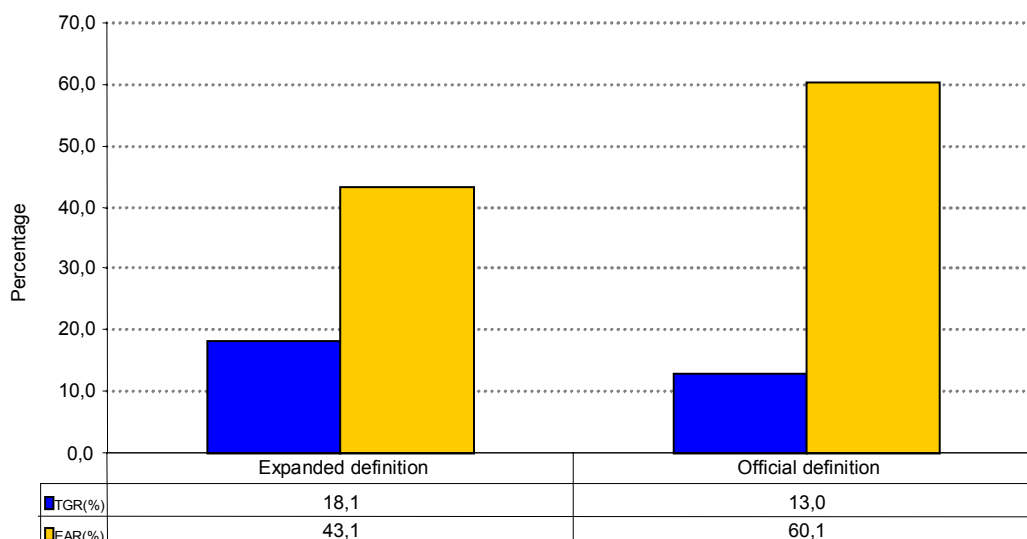
The target growth rate measures the rate at which employment should have expanded over a certain period in order to absorb all the new entrants in the labour force. On the other hand, the employment absorption rate quantifies the difference between TGR and actual growth rate of employment. The higher the EAR, the better the actual relative to desired employment performance. An EAR of 100 per cent indicates that all net labour force entrants were absorbed into employment, while an EAR of over 100 per cent is associated with an absolute decline in the number of unemployed individuals.

Figure 1 below shows that for the period 2000 to 2005 the Western Cape's TGR measured 18,1 per cent according to the broad labour force definition and 13 per cent according to the narrow labour force definition. This compares to actual average employment growth of only 7,8 per cent a year over the period. This implies that the economy fell short of creating sufficient jobs for new entrants in the labour market by 10,3 percentage points.

As a result, the Province's EAR amounted to only 43,1 per cent according to the expanded definition and 60,1 per cent using the narrow definition. This implies that around 57 per cent of net new labour force entrants were broadly unemployed, thereby indicating upward pressure on the broad unemployment rate.

A similar, but slightly more favourable, pattern is observed using the narrow definition of unemployment. Around 40 per cent of the net increase in the narrow labour force was not absorbed into employment, resulting in upward pressure on the narrow unemployment rate.

Figure 1: Employment target growth rates and employment absorption rates, 2000 and 2005



Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Figure 2 below shows that, in total, the employment rate – technically defined as the proportion of the working age population with jobs – in the Western Cape was 54,3 per cent in 2005, down marginally from 56,5 per cent in 2000.

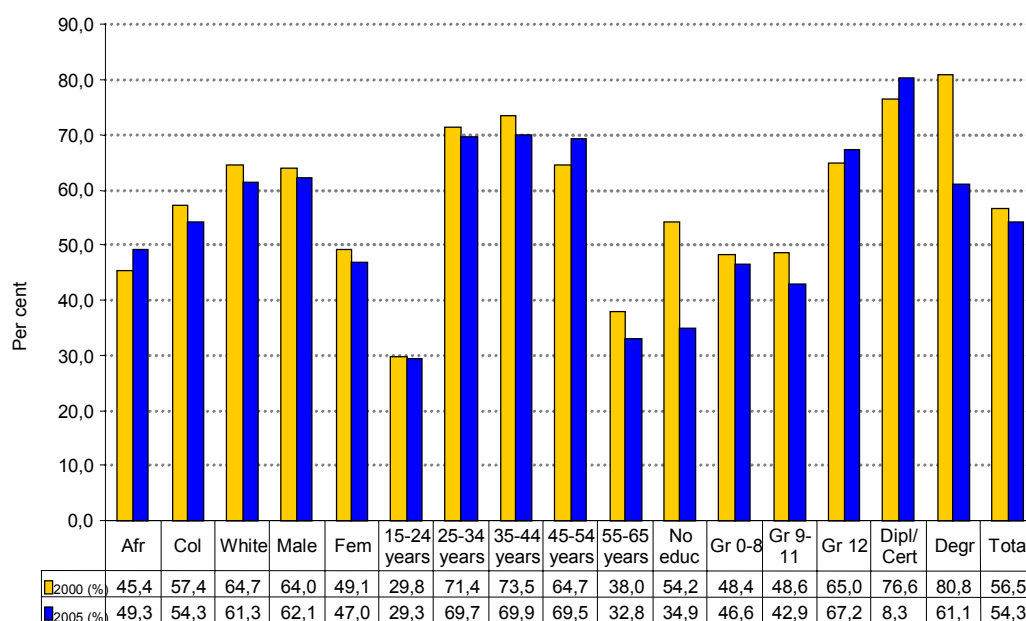
A high employment rate means that a large proportion of the Province's population is employed, while a low rate means that a large share of the population is not involved directly in employment activities, as they are either unemployed or not economically active.

However, disaggregation of the employment rate by race, gender, age or education levels reveals substantial inter-group variations. Although at a generally lower employment rate compared to other race groups, the proportion of the african working age population in the Province improved slightly from 45,4 per cent to 49,3 per cent between 2000 and 2005. This is in contrast to the coloured and white employment rates declined marginally, falling to 54,3 per cent and 61,3 per cent respectively over the period.

It is unsurprising that employment rates differ by gender, with 62,1 per cent of working-age males employed compared to only 47 per cent of females. This gap between the employment rates of genders may decrease in future as the labour market policies of gender equality and affirmative action, for example, are implemented more effectively and widely. However, an equalisation of the rates is unlikely without significant social change, given females' greater involvement in child-rearing and other family and households support activities.

The highest employment ratios are to be found amongst 25 to 54 year olds, averaging just under 70 per cent of the working age population in 2005. Since, for many, involvement in education precludes employment, it is not unexpected that employment rates amongst the youth, specifically those under the age of 25 years, would be lower than for the non-youth. This is evident in an employment rate of just 29,3 per cent amongst 15 to 24 year olds and 69,7 per cent amongst 25 to 34 year olds. Similarly, older individuals are more likely to have retired from active employment and thus the employment rate amongst 55 to 65 year olds is around one-third (32,8%).

Figure 2: Employment rates by demographic characteristics, 2000 and 2005



Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Having matric, a diploma or certificate, or a degree is associated with higher employment rates. In 2005, four-fifths of holders of diplomas or certificates of working age were engaged in employment in the Province. This was true of individuals that have a degree in 2000, although the 2005 value is much lower due to a decline in degreed employment that is not statistically significant. It is unlikely, therefore, that this fall occurred in reality.

Approximately two-thirds (67,2%) of working-age holders of matric certificates were employed, while employment rates for those with no education, grade 0 to grade eight education, and grade nine to grade 11 education were under 50 per cent. The employment rate of those individuals without education declined over the period, although, as was the case with individuals with a degree, a statistically insignificant decline in employment in this group underlies this fall.

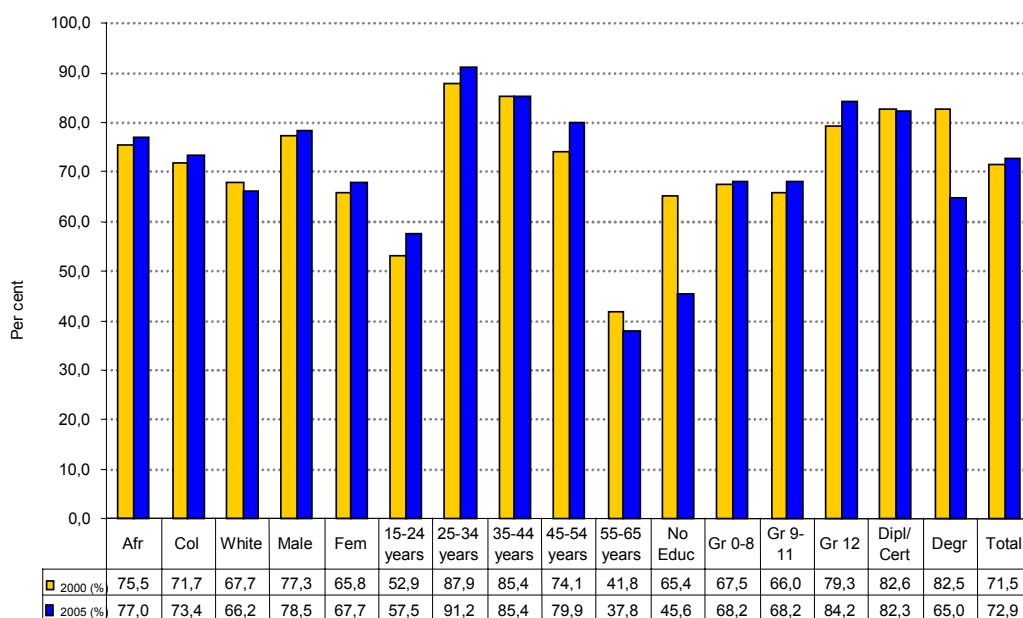
2.3 Labour force participation rates, 2000 and 2005

The Labour Force Participation Rate (LFPR) measures the proportion of the working age population that is in the labour force – whether employed or unemployed. This rate is useful to determine the willingness and the ability of the people to participate in the labour market and how that changes over time.

Moreover, the LFPR gives an indication of the capacity of a region to produce goods and services, which in turn indirectly determines the standard of living of the residents of a region or country.

Figure 3 below shows that in the Western Cape, the LFPR was barely changed over the period, rising marginally from 71,5 per cent to 72,9 per cent in 2005. Amongst africans, participation stood at 77 per cent, compared to 73,4 per cent amongst coloureds and 66,2 per cent amongst whites. For all three groups, the LFPR did not change significantly over the period.

Figure 3: Broad labour force participation rates, 2000 and 2005



Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Both male and female participation rates increased marginally in the period 2000 to 2005, and were 78,5 per cent and 67,7 per cent respectively in 2005. An increase in the female LFPR is often, amongst other trends, associated with employment growth in services industries, which are relatively important in the Western Cape as detailed below.

Further, SA as a whole has seen a rapid increase in participation in the labour force of women since the mid-1990s, which has served to narrow the gap in participation between males and females. However, for the same reasons that employment rates will differ by gender, the LFPR for women remains below that of men. Generally, an increase in female education levels is also positively related to an increase in the female LFPR.

In the Western Cape, female employment grew by 1,9 per cent on average between 2000 and 2005. The increase is more prominent amongst females with grade 12 and those with grades nine – 11, NTC I and II. This shows an annual average employment growth rate of 16,5 and 4,9 per cent, respectively, over the period analysed.

In the Western Cape, youth labour force participation remained unchanged over the period. In line with the relatively low employment rate for 15 to 24 year olds, this group's LFPR is only 58 per cent. Labour force participation is highest amongst those aged 25 to 44 years, peaking at around 91 per cent. Thereafter, it declines gradually amongst 45 to 54 year olds and quite dramatically amongst 55 to 65 year olds, to 80 per cent and 38 per cent respectively in 2005. The steep decline is primarily due to retirement prior to the recognised retirement age of 65 years, particularly amongst women who tend to retire earlier than men.

As evident from figure 3, labour force participation is lower than average amongst those without matric certificates. Labour force participation amongst individuals who have no education declined from 65 per cent in 2000 to 48 per cent in 2005, while the LFPR is highest amongst those with matric certificates and those with diplomas or certificates, at over four-fifths. The changes were not statistically significant for the former observation. Again, the fall in the LFPR of individuals with a degree would be related to the statistically insignificant fall in employment for this group over the period.

2.4 Composition of the Western Cape labour force, 2000 and 2005

The labour force is made up of employed and unemployed individuals of working age. It, however, excludes students, retirees, those with childcare responsibilities, and those who are not available for work.

In the Western Cape, the broad labour force increased by approximately 290 000 individuals in the period 2000 to 2005, growing at an average rate of 2,7 per cent a year. Africans and coloureds alone accounted for the full increase in the labour force over the period. By 2005, africans constituted 29,6 per cent of the labour force, coloureds 50,6 per cent and whites 18,8 per cent.

Table 3: Composition of the Western Cape labour force, 2000 and 2005

	2000		2005		Total change		
	'000s	Share (%)	'000s	Share (%)	Change '000s	Change share (%)	Ave. ann. growth (%)
African	458	22,6	685	29,6	227	78,3	8,4
Coloured	1 105	54,5	1 172	50,6	67	23,3	1,2
White	436	21,5	436	18,8	0	-0,1	0,0
Male	1 087	53,6	1 207	52,1	120	41,4	2,1
Female	939	46,3	1 109	47,9	170	58,6	3,4 *
15-24 years	399	19,7	493	21,3	94	32,5	4,3
25-34 years	716	35,3	767	33,1	50	17,3	1,4
35-44 years	481	23,7	518	22,4	38	12,9	1,5
45-54 years	314	15,5	391	16,9	77	26,5	4,5
55-65 years	116	5,7	139	6,0	23	7,8	3,6
No education	58	2,9	38	1,6	-20	-7,0	-8,3
Grades 0-8	668	32,9	611	26,4	-57	-19,5	-1,8
Grades 9-11, NTC I & II	486	24,0	623	26,9	138	47,5	5,1 *
Grade 12, NTC III	443	21,9	678	29,3	234	80,8	8,9 *
Diploma/certificate	186	9,2	195	8,4	9	3,2	1,0
Degree	169	8,3	125	5,4	-44	-15,1	-5,8
Total	2 027	100,0	2 317	100,0	290	100,0	2,7 *

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Note: Statistically significant changes at the 95 per cent confidence level are indicated with an asterisk (*).

Table 3 above indicates a gradual evening out of the gender balance within the labour force, with the female share increasing slightly to 47,9 per cent by 2005. The net entry of 170 000 females into the labour market surpasses that of males, which was statistically insignificant. On average, the female labour force grew by 3,4 per cent a year, underpinning the bulk of labour force expansion over the period.

Labour force growth, however, cannot be allocated with confidence to a specific age-group, despite appearing to have originated predominantly amongst the youth. Three-quarters of the labour force were under the age of 45 years in 2005, with around one-third aged 25 to 34 years.

In terms of educational qualifications, the bulk of labour force growth is attributable to individuals with incomplete Further Education and Training (FET) education (grades nine through 11) and those with matric certificates. Together, these groups account for around 370 000 extra labour force members, considerably more than the net increase of 290 000. These groups within the labour force expanded at average annual rates of 5,1 per cent and 8,9 per cent respectively.

3. Employment

Employment in the Western Cape expanded by around 1,5 per cent a year in the period 2000 to 2005 to about 1,73 million people by 2005. However, this increase in employment did not accrue evenly to all groups, for example, african share of employment increased significantly from 17,2 per cent in 2000 to 25,5 per cent in 2005.

This is in stark contrast to the marginal decline in coloured and white employment, both in absolute and relative terms. By 2005, coloureds (50%) and whites (25%) accounted for approximately 75 per cent of provincial employment.

The bulk of employment expansion in the period 2000 to 2005 accrued to females. Women saw their employment increase by around 68 000 jobs, while that of men increased by around 56 000 jobs. However, in 2005 males still made up 55 per cent of the employed population.

There was no single age-group that saw a significant increase in employment over the period. The bulk of the employed were between the ages of 25 and 54 years.

Table 4: Composition of Western Cape employment, 2000 and 2005

	2000		2005		Total change		
	'000s	Share (%)	'000s	Share (%)	'000s	Change share (%)	Ave. ann. growth (%)
African	275	17,2	439	25,5	164	131,5	9,8
Coloured	885	55,3	867	50,2	-18	-14,4	-0,4
White	417	26,0	403	23,4	-13	-10,8	-0,7
Male	899	56,2	955	55,4	56	44,9	1,2
Female	702	43,8	770	44,6	68	54,9	1,9
15-24 years	225	14,0	255	14,8	30	24,3	2,6
25-34 years	582	36,4	585	33,9	3	2,4	0,1
35-44 years	414	25,9	424	24,6	11	8,5	0,5
45-54 years	275	17,1	340	19,7	65	52,5	4,4
55-65 years	106	6,6	120	7,0	15	11,8	2,6
No education	48	3,0	27	1,5	-21	-17,3	-11,2
Grades 0-8	478	29,9	417	24,2	-61	-49,2	-2,7
Grades 9-11, NTC I & II	358	22,4	392	22,7	34	27,3	1,8
Grade 12 NTC III	363	22,7	541	31,3	177	142,4	8,3 *
Diploma/certificate	172	10,7	190	11,0	18	14,4	2,0
Degree	166	10,3	118	6,8	-48	-38,4	-6,6
Total	1 601	100,0	1 726	100,0	125	100,0	1,5 *

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Note: Statistically significant changes at the 95 per cent confidence level are indicated with an asterisk (*).

The Western Cape has seen a slight improvement in the educational profile of its workforce over the past five years. The bulk of employment expansion in the Province accrued to those with matric certificates.

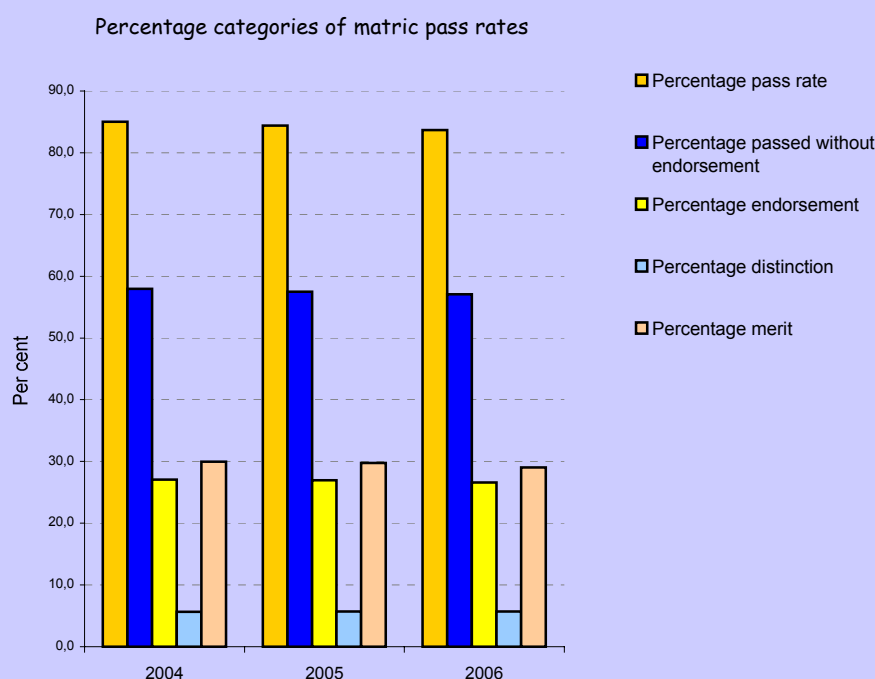
By 2005, this educational category accounted for 31,3 per cent of employment, having grown at an average rate of 8,3 per cent a year. No other educational category experienced statistically significant changes in employment over the period.

By 2005, close to 18 per cent of the employed had a diploma, certificate or tertiary degree, 31,3 per cent had a matric certificate, and 22,7 per cent had incomplete FET education. SA also has a higher share of employed without any education (5,6%) than the Western Cape.

Matric pass rates and skills mismatch in the Western Cape

The issue of scarce skills is one of the key measures identified by the AsgiSA to the problem of skills mismatch. One of the proposed interventions in the educational arena is to double mathematics and science students by 2008. The Western Cape Education Department, through its Human Capital Development Strategy (HCDS) has aligned its strategy in concert with measures identified by AsgiSA. A closer look at the historical trends of the matric results suggest that the extent of skills mismatch is the most significant constraint to higher economic growth.

Figure 1. Western Cape Matric results: 2004 – 2006



Source: Western Cape Department of Education

The Western Cape Province's matric pass rate though relatively higher than the rest of the country has been gradually declining for the period 2004 to 2006. Of the total 39 824 candidates that sat for matriculation exams in 2006, 33 316 passed, representing an 83,7 per cent pass rate.

Nevertheless, the number of matric candidates that wrote matric exams has increased for the period 2004 to 2006. The annual growth rate for the matric candidates for this period has increased by 1,2 per cent simultaneously, the matric pass rate decreased by 1,3 per cent. Consequently, in real terms this means that an increase of an additional 251 matriculants have been added to the supply of labour force.

Western Cape matric endorsement results in 2006 (1 059) improved with 195 endorsements. Comparably, the matric distinction results in 2006 (6 594) have increased with 79 distinctions. Nonetheless the average annual growth rates for period 2004 to 2006 for endorsement and distinction results were 0,3 per cent and 1,7 per cent, respectively. Furthermore, 26,6 per cent of the candidates that wrote the matric exam in 2006 will be eligible for university compared with the national figure of 5 per cent.

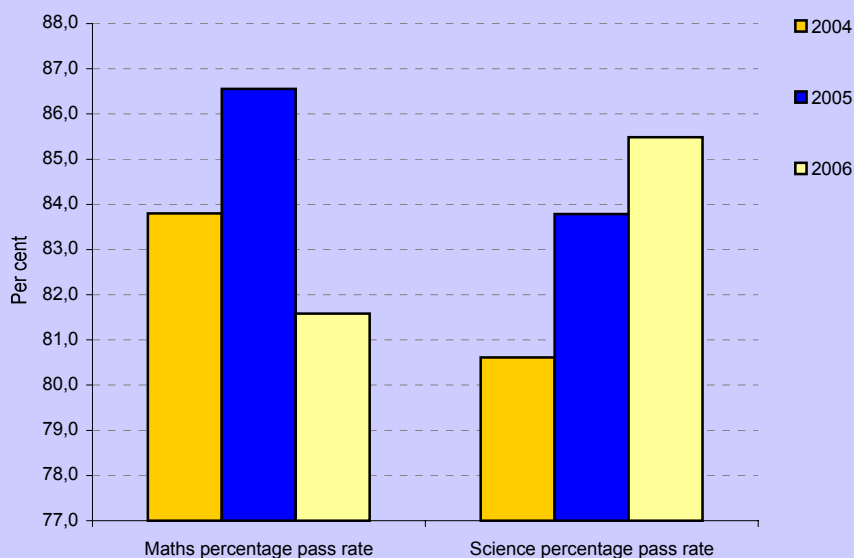
The HCDS intends to double the number of matric candidates passing Maths on the Higher Grade (HG) to 8000 by the year 2008. That means, the number of Maths HG passes will have to increase from 4 137 (2006) by an average of 1 931,5 passes a year over next two years. Given the decreased pass rate of 2,2 per cent for Maths HG over the same period, more is needed to achieve the steep target the Department has set.

The contrary is true for Science Higher Grade HG pass rate, which has a positive trend and an increase of 4,9 per cent for the period 2004 to 2006. The supply of relatively skilled labour as regarding science over this period has improved for the Province. Also the supply to tertiary institutions will increase with individuals who seek to improve their future employment prospects.

The 5 per cent drop in the Western Cape Maths HG in 2006 together with the fact that even though more candidates wrote Maths HG exams does not bode well for the Province in view of the target of 8000 for 2008. The implication for employability as regards the issue of scarce skills involving Maths HG as a prerequisite for 2008 appears to be unfavourable.

The scenario painted by the matric pass rates and the need to accelerate skills shed some light on the extent of the problems facing education. While the economy is growing and demanding more skills, these figures translate to a potential decline to the supply of relatively skilled labour force in the Western Cape. Similarly the declining pass rates will have an adverse effect on the supply of potential students entering institutions of higher learning.

Figure 2. Matric 2004 to 2006 Western Cape Maths Higher Grade and Science Higher Grade pass rate



Source: Western Cape Education Department

Table 5 indicates that provincial employment is dominated by the tertiary sector, which comprises the various services sectors. This sector accounted for 66,5 per cent of provincial employment in 2005, up from 59,7 per cent five years earlier.

The key tertiary sector employers in the Province were wholesale & retail trade (24,3%), CSP services (17,8%) and financial & business services (12,7%). These three sectors collectively accounted for nine in ten of the net new jobs in the tertiary sector, exceeding the net overall increase in employment.

Table 5: Sectoral distribution of Western Cape employment, 2000 and 2005

	2000		2005		Total change		
	'000s	Share (%)	'000s	Share (%)	'000s	Change share (%)	Ave. ann. growth (%)
Agriculture	235	14,7	127	7,3	-108	-86,8	-11,6 *
<i>Primary sector</i>	240	15,0	128	7,4	-112	-90,0	-11,8 *
Manufacturing	262	16,4	279	16,2	17	13,6	1,3
Construction	117	7,3	159	9,2	42	34,1	6,4
<i>Secondary sector</i>	388	24,2	449	26,0	61	49,2	3,0
Wholesale & retail trade	304	19,0	419	24,3	115	92,4	6,6 *
Transport & communication	73	4,6	80	4,6	6	5,2	1,7
Financial & business services	171	10,6	219	12,7	49	39,0	5,1
CSP services	294	18,4	307	17,8	13	10,5	0,9
Private households	113	7,1	123	7,1	10	7,9	1,7
<i>Tertiary sector</i>	955	59,7	1 148	66,5	193	155,1	3,7 *
Total	1 601	100,0	1 726	100,0	124	100,0	1,5

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Note: Statistically significant changes at the 95 per cent confidence level are indicated with an asterisk (*).

Tertiary sector employment grew at an average rate of 3,7 per cent a year, driven largely by the rapid growth in wholesale & retail trade of 6,6 per cent a year. The provincial economy's vibrant tourism industry could explain the labour-absorptive nature of this sector. This sector also contributes towards employing the less-educated youth of the region as these jobs do not necessarily require formal qualifications.

The CSP services sector includes employment created mainly by the municipalities and Provincial Government's personnel, educational institutions and health facilities service providers, which explains why employment in this sector has not grown over the period.

The bulk of the secondary sector jobs are in manufacturing (279 000 jobs). However, employment growth in this sector was not statistically significant over the period.

The agricultural sector, however, saw rapid decline over the period, with employment falling by almost 50 per cent. Thus, having accounted for 15,0 per cent of overall employment in 2000, the primary sector now accounts for just 7,4 per cent.

Table 6 indicates that employment in the Province is dominated by occupations of mid-range skill levels, which accounted for 55,1 per cent of employment in 2005. Within this category, the major occupational categories are clerks (13,4%), service and sales workers (12,3%) and crafts workers (13%).

Table 6: Occupational structure of Western Cape employment, 2000 and 2005

	2000		2005		Total change		
	'000s	Share (%)	'000s	Share (%)	'000s	Change share (%)	Ave. ann. growth (%)
Managers	117	7,3	174	10,1	57	45,6	8,2
Professionals	110	6,9	97	5,6	-13	-10,6	-2,5
<i>High skilled</i>	227	14,2	271	15,7	44	35,0	3,6
Technicians	167	10,5	171	9,9	3	2,6	0,4
Clerks	162	10,1	232	13,4	69	55,7	7,4
Services & sales	191	12,0	212	12,3	20	16,3	2,0
Crafts	193	12,0	224	13,0	31	25,0	3,0
Operators	118	7,3	112	6,5	-5	-4,1	-0,9
<i>Skilled</i>	831	51,9	950	55,1	119	95,4	2,7
Elementary	394	24,6	388	22,5	-6	-5,0	-0,3
Domestic workers	85	5,3	98	5,7	13	10,6	2,9
<i>Low skilled</i>	480	30,0	487	28,2	7	5,7	0,3
Total	1 601	100,0	1 726	100,0	124	272,2	1,5

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Notes: Total figures include employment in skilled agricultural occupations, which have been excluded from the table due to their instability. Figures for other and unspecified occupations have also been omitted from the table. Subtotals do not include omitted figures.

Low skilled occupations account for 28,2 per cent of provincial employment, while high skilled occupations account for 15,7 per cent. The single most important occupational category is elementary occupations, which accounts for 22,5 per cent of all employment in the Province. The dominance of elementary occupations may be partially attributed to the importance of the agricultural sector in the Province. The bulk of employment expansion appears to have occurred within the secondary sector, although this growth is not statistically significant.

4. Unemployment

Broad unemployment in SA in September 2005 was 38,8 per cent, significantly higher than the 25,5 per cent unemployment rate experienced in the Western Cape. The provincial unemployment rate increased by 4,5 per cent in the period 2000 to 2005.

Table 7 presents the expanded unemployment rates for various demographic groups in the Western Cape for 2000 and 2005. The trends highlight the severity of the unemployment problems facing different groups and suggest stark labour market segmentation that feeds through into social and economic arenas.

In 2005, broad unemployment in the Western Cape was highest amongst africans at 35,9 per cent, compared to 26,1 per cent amongst coloureds and only 7,5 per cent amongst whites. None of these measured changes in unemployment rates are statistically significant, although the increase in coloured unemployment is significant at a 90 per cent level.

Table 7: Broad unemployment rates in the Western Cape, 2000 and 2005

	2000 (%)	2005 (%)	Change (%)
African	39,8	35,9	-3,9
Coloured	19,9	26,1	6,1
White	4,4	7,5	3,1
Male	17,3	20,9	3,6
Female	25,3	30,6	5,3
15-24 years	43,7	49,1	5,4
25-34 years	18,7	23,7	4,9
35-44 years	13,9	18,1	4,2
45-54 years	12,6	13,1	0,4
55-65 years	9,0	13,3	4,3
No education	17,0	23,5	6,4
Grade 0 – 8	28,3	31,7	3,4
Grade 9 – 11, NTC I & II	26,3	37,1	10,8
Grade 12/NTC III	18,0	20,2	2,2
Diplomas/certificates	7,3	2,4	-4,8
Degrees	2,1	6,0	3,9
Total	21,0	25,5	4,5

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

In line with the national pattern, unemployment is more severe among women than men, with broad unemployment rates of 30,6 per cent and 20,9 per cent respectively. The LFS surveys also confirm the trend observed nationally of higher unemployment rates amongst the youth. In 2005, the highest unemployment rates were in the 15 to 24 year -old (49,1%) and 25 to 34 year olds (23,7%) age groups.

In 2005, unemployment amongst those who have not completed the General and Education Training (GET) phase of education (grade 0 to eight) and those who have not completed the FET phase (grades nine to 11) was 31,7 per cent and 37,1 per cent, respectively.

Unemployment among holders of matric certificates (20,2%) is still notably higher than that of 2,4 per cent among individuals with a diploma/certificate and 6,0 per cent among those with a degree.

The only change in unemployment rates that is statistically significant at the 95 per cent level, is the surge in the rate of unemployment amongst those with grade nine to 11 education, which rose by 10,8 per cent in the period. These trends verify the excess supply of labour at mid- to low education levels, highlighting the need for the Province's Human Capital Development strategy's interventions in raising the Western Cape's economic growth potential over the medium to long term.

Table 8 indicates that the Province's unemployed are almost exclusively african (41,6%) and coloured (51,7%) with only 5,5 per cent being white. The much larger coloured population results in the lower employment rate for coloureds seen in Table 7 above.

In terms of gender, women form 57,4 per cent and men 42,6 per cent of the unemployed, despite the fact that men account for 52 per cent of the labour force.

Table 8: Composition of Western Cape broad unemployment, 2000 and 2005

	2000		2005		Total change		
	'000s	Share (%)	'000s	Share (%)	'000s	Change share (%)	Ave. ann. growth (%)
African	183	42,9	246	41,6	64	38,3	6,2
Coloured	220	51,8	306	51,7	85	51,6	6,8
White	19	4,5	33	5,5	13	8,0	11,1
Male	188	44,2	252	42,6	64	38,7	6,0
Female	238	55,8	339	57,4	102	61,3	7,4
15-24 years	174	40,9	246	41,7	72	43,6	7,2
25-34 years	134	31,5	181	30,7	47	28,5	6,2
35-44 years	67	15,8	94	15,9	27	16,3	7,0
45-54 years	40	9,3	51	8,6	11	6,8	5,1
55-65 years	10	2,4	18	3,1	8	4,8	12,1
No education	10	2,3	8	1,4	-2	-1,0	-3,8
Grades 0-8	189	44,4	194	32,8	5	2,8	0,5
Grades 9-11, NTC I&II	128	30,0	231	39,1	104	62,6	12,6 *
Grade 12 NTC III	80	18,8	137	23,2	57	34,4	11,4 *
Diploma/certificate	14	3,2	5	0,8	-9	-5,3	-18,9
Degree	4	0,8	8	1,3	4	2,4	16,2
Total	426	100,0	591	100,0	166	100,0	6,8 *

Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

Note: Statistically significant changes at the 95 per cent confidence level are indicated with an asterisk (*).

The most notable concern, however, is that the unemployed are concentrated in the younger age groups, an issue that is mirrored nationally. In 2005, 41,7 per cent of the unemployed individuals were between the ages of 15 and 24 years and a further 30,7 per cent were aged 25 to 34 years.

In other words, seven out of every ten unemployed individuals was under the age of 35 years, even though this group accounted for only 55 per cent of the labour force. The reduction of unemployment rates amongst youth and the promotion of greater integration of the youth into the economy thus represent an important challenge, both provincially and nationally.

The oversupply of less well educated individuals is reflected in the large contributions to broad unemployment made by lower educational categories. Over 70 per cent of the unemployed have no more than grade 11. Although this proportion is slightly lower in 2005 than it was five years earlier, the number of unemployed individuals with grade nine to 11 education rose dramatically over the period, by a statistically significant 12,6 per cent a year. A similar rate of growth is observed in the number of unemployed individuals with matric certificates.

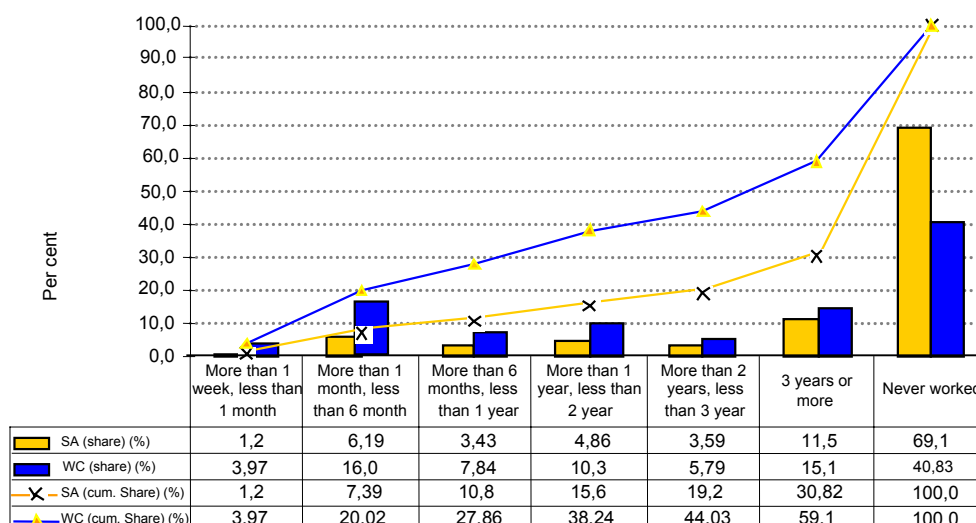
Apart from the direct loss to society in terms of lost productivity and lost tax revenues that unemployment represents, there are various other costs and negative consequences associated with youth unemployment. For example, young migrants to urban areas have poor social networks, which makes finding work and even everyday survival that much more difficult. Youth unemployment is also associated with crime, violence, commercial sexual exploitation of young people, particularly young women, and drug abuse.

There are also costs at the individual level, with lost earnings during unemployment the most immediate. However, in terms of the impact on youth, research in the United Kingdom has found that individuals bear long-lasting negative 'scars' from youth unemployment in the form of lower wages, particularly if unemployment episodes continue beyond youth.

A defining characteristic of unemployment in SA is its long-term nature. Most of the unemployed have never worked before, the bulk of these being relatively young labour force participants. In 2005, more than two-thirds (69,2%) of broadly unemployed South Africans reported that they never worked before, although it must be remembered that many people defined by the Labour Force Surveys as being employed would not classify themselves as being employed.

Nevertheless, this is a considerable proportion of the unemployed and is rooted in the large proportion of young people who have not worked before. Amongst unemployed 15 to 24 year olds, nearly 85 per cent reported never having worked before, while this was true of 68 per cent of those between the ages of 25 and 34 years.

Figure 4: Time since last worked, expanded unemployed, 2005



Source: Provincial Treasury calculations, September 2000 and 2005 LFS, Statistics SA 2001 and 2006

In the Western Cape, the proportion of the unemployed who never worked before is considerably lower at 40,8 per cent. However, long-term unemployment (unemployment spells in excess of three years amongst those who *have* worked before) is more severe in the Western Cape than is the case nationally: 11,6 per cent of unemployed South Africans have not worked for three years or more, compared to 15,1 per cent in the Western Cape. In each category in Figure 4, the Western Cape pattern is similar to that of SA as a whole. Such long-term unemployment has important consequences for the unemployed, not least of which is the rapid erosion of skills and familiarity with current technologies.