

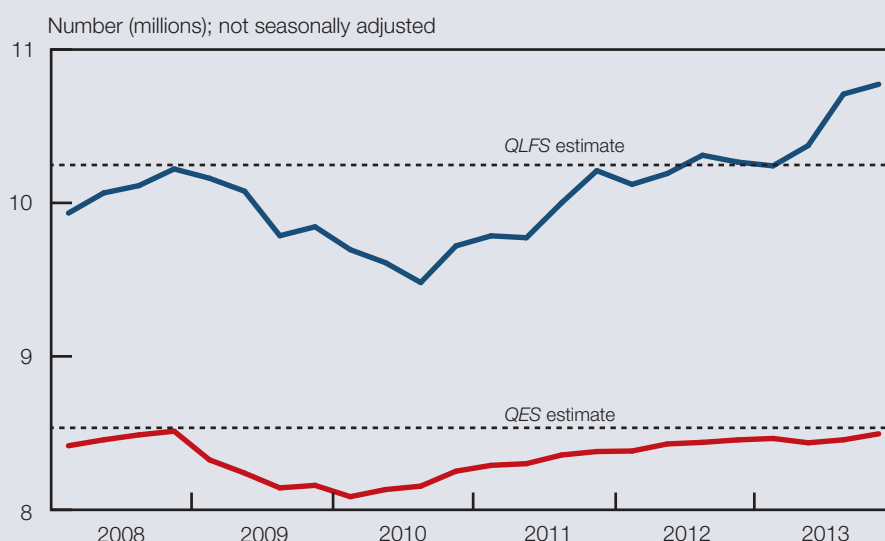
Box 2: Enterprise- and household-surveyed formal non-agricultural employment

Statistics South Africa (Stats SA) collects official labour-market statistics through two separate surveys, namely the *Quarterly Employment Statistics (QES)* survey and the *Quarterly Labour Force Survey (QLFS)*. The QES employs a sample of roughly 20 200 private and public enterprises in the formal non-agricultural sector of the South African economy that are registered for value-added tax (VAT). The number of employees on the payroll of these enterprises is surveyed on the last day of each quarter. Conversely, the QLFS is a household-based survey with a sample of roughly 30 000 dwellings. It surveys the total number of employed and unemployed persons via interviews conducted in the middle two weeks of every month in the quarter. The QLFS captures employees, business owners and self-employed persons in all sectors of the domestic economy, including agriculture and employment by private households. However, Stats SA does provide an estimate of formal non-agricultural employment from the QLFS, comparable to the employment estimate obtained from the QES survey.

Due to differences in methodology, sample size and coverage it is not uncommon for the results of the two labour-market surveys to differ in the short run. Over the course of the business cycle, however, the two surveys are expected to broadly reflect similar trends in the number of people employed. Throughout 2013 the QES and the QLFS have shown notably diverging trends in the number of people formally employed in the non-agricultural sector of the economy. This box explores possible reasons for the diversion by analysing micro data from the QLFS.

Formal non-agricultural employment as measured by the QES survey reached a trough in the first quarter of 2010 at a level of 8,09 million persons.¹ The most recent level measured by the QES in the fourth quarter of 2013 amounted to 8,50 million persons, representing an increase of 409 000 employment opportunities, or 5,1 per cent, over the current business cycle recovery. Similarly, formal non-agricultural employment as measured by the QLFS reached a trough in the third quarter of 2010 at a level of 9,48 million persons. In the fourth quarter of 2013 the number amounted to 10,77 million persons, representing an increase of 1,29 million employment opportunities, or 13,6 per cent, over the current business cycle recovery. However, for 2013 as a whole, formal non-agricultural employment as measured by the QES increased by a mere 39 500 employment opportunities, or 0,5 per cent, while that measured by the QLFS increased by 507 000 employment opportunities, or 4,9 per cent.

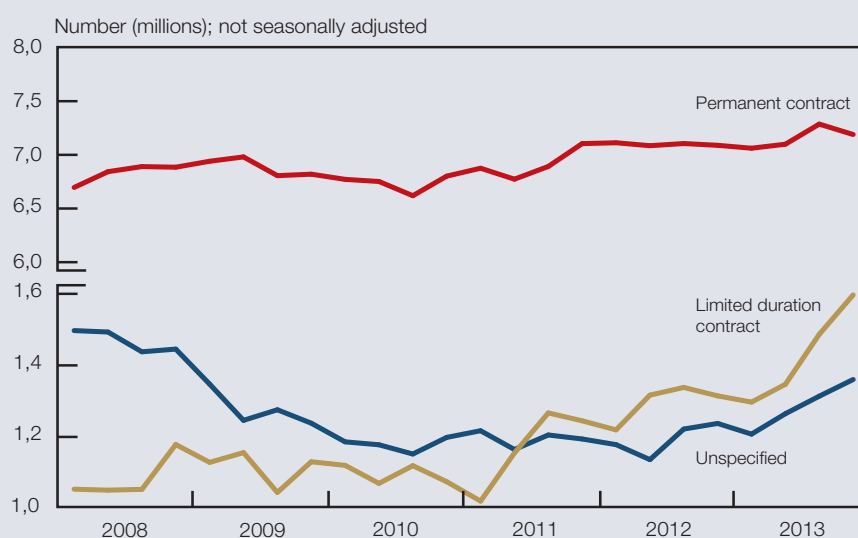
Formal non-agricultural employment



Additional insight is gained when analysing formal non-agricultural employment as measured by the QLFS according to the type of employment contract specified by respondents. Respondents indicating that they were employed with a *permanent contract* reached a trough in the third quarter of 2010 at a level of 6,62 million persons. This number increased by 570 000 persons, or 8,6 per cent, to a level of 7,19 million persons in the fourth quarter of 2013. Respondents indicating that they were employed with a *limited-duration contract* reached a trough much later, in the first quarter of 2011, at a level of 1,02 million persons. This number increased markedly by 576 000 persons, or 56,5 per cent, to a level of 1,60 million in the fourth quarter of 2013. In 2013 alone, the number of employees with a permanent contract increased by only 101 000, or 1,4 per cent. However, the number of employees with a *limited-duration contract* increased notably by 282 000, or 21,5 per cent, in 2013. Many QLFS respondents did not specify their employment contract type. The number of respondents in the *unspecified* category increased by 224 000 from 1,14 million in the second quarter of 2012 to a level of 1,36 million in the fourth quarter of 2013, an increase of 19,7 per cent. The notable increase in employment through limited-duration contracts suggests that the bulk of employment creation, particularly in 2013, could have occurred either via labour-broking or at smaller companies with less permanent employment contracts.

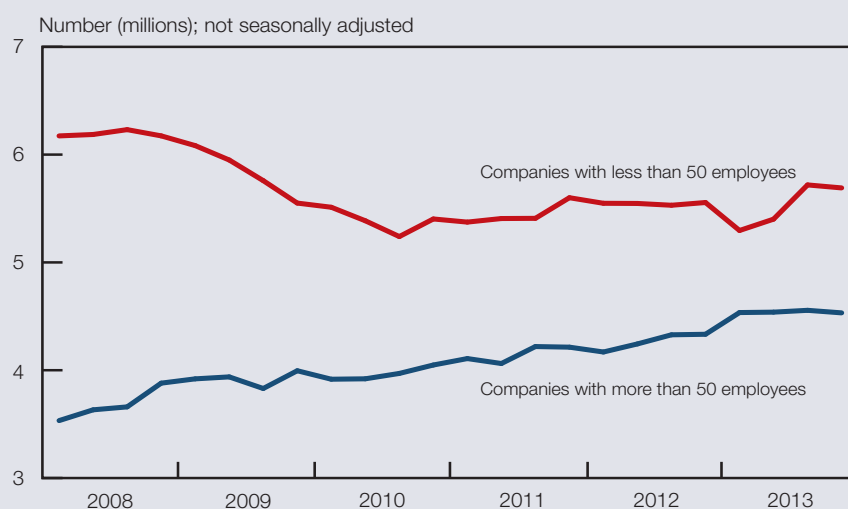
¹ For comparison purposes only non-seasonally adjusted data were used in this analysis.

Formal non-agricultural employment in the QLFS according to contract type



It is noteworthy that the number of respondents indicating that they were employed by companies with more than 50 employees (larger companies) did not decline during the 2008/09 recession, but instead increased from a level of 3,53 million persons in the first quarter of 2008 to 4,53 million in the fourth quarter of 2013. The continued upward trend in this employment measure probably resulted in part from counter-cyclical employment creation by the public sector throughout the recession and beyond. However, in the last three quarters of 2013 the number of respondents indicating that they were employed by larger companies *decreased* by 3 000 persons. Respondents indicating that they were employed by companies with less than 50 employees (smaller companies) reached a trough in the third quarter of 2010 at a level of 5,24 million persons, before increasing by 451 000 persons, or 8,6 per cent, to a level of 5,69 million persons in the fourth quarter of 2013. However, in the last three quarters of 2013 alone, the number of respondents indicating that they were employed by smaller companies increased markedly by 395 000, or 7,5 per cent.

Formal non-agricultural employment in the QLFS according to company size



The analysis of QLFS micro data suggests that employment by smaller companies and other employers represents the majority of formal non-agricultural employment measured by the household-surveyed QLFS. Conversely, the enterprise-surveyed QES seems to measure employment by larger companies much more comprehensively than that by smaller employers. It appears that the discrepancy in formal non-agricultural employment trends between the two surveys, particularly in 2013, can largely be ascribed to a shift towards limited-duration employment contracts, coupled with a notable increase in employment by smaller employers, which might not be captured adequately by the QES.