

Rate of job losses slows as recession eases

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THE economy has lost almost 200000 formal sector jobs as the recession has taken hold over the past year, with the state proving to be the only source of employment growth while jobs have been shed by private firms in almost all sectors.

But the latest figures from Statistics SA show that job shedding slowed down in the second quarter of this year, with 67000 jobs lost compared to 186000 in the first quarter. Economists predict, however, that even when the economy starts to recover, it will be a while before employment starts growing again.

The figures also show that growth in employees' pay in the second quarter slowed significantly, a development that economists said was good news for inflation — but helped to explain why consumer spending had been so weak.

The Quarterly Employment Survey from Statistics SA shows formal, nonfarm employment declined by 198000, to 8,25-million between June last year and this June. That is a decrease of 2,3%, which is the worst since 2000, but is still slightly slower than the 2,8% contraction in the economy over the year. Jobs were lost in almost every sector in the year to June, with manufacturing, financial services and trade accounting for the largest number lost.

Together those three sectors shed nearly a quarter of a million jobs over the year. Even the construction sector, which has continued to expand during the recession, shed jobs over the year, with employment down 23000. However, social services reported an annual increase of 82000 employees, as central and provincial government departments took on new staff to boost service delivery.

Citigroup economist Jean Francois Mercier said while the downward adjustment had been “brutal”, it had been timely, with the pace of job losses slowing as the pace of contraction in gross domestic product slowed in the second quarter.

“Thus we have reasonable hopes that the job cycle will not lag the expected economic upturn by too long,” he said.

The survey also shows growth in monthly average earnings per worker slowed to 6,4% in the latest quarter, from 9,9%. That was despite reported high wage settlements and Mercier said firms had been able to use bonuses and overtime payments to curb wage bills.

This had positive implications for inflation, and for corporate margins, but negative ones for households.

“With jobs being lost and average employee earnings failing to keep pace with inflation, it is no surprise that household consumption fell so sharply in the first half of 2009,” Mercier said.

The Human Sciences Research Council's Miriam Altman said that though this was the worst jobs experience in many years, relative to other countries, SA had not lost that many jobs. “But naturally we should be more worried than most, since our unemployment rate is among the highest in the world,” she said.

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