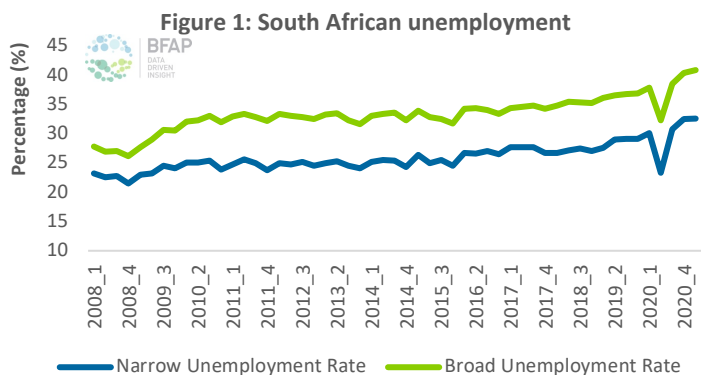




4 June 2021

AGRICULTURAL EMPLOYMENT BRIEF

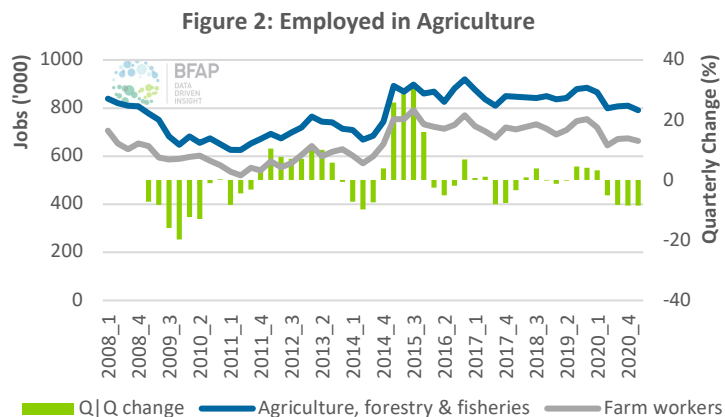
According to Statistics South Africa’s (StatsSA) Quarterly Labour Force Survey (QLFS), which was released on the 1st of June 2021, the official unemployment rate for the first quarter in 2021 further deteriorated to 32.6%; the highest level of unemployment in South Africa since the start of the QLFS in 2008. Using the broad definition that incorporates individuals classified as discouraged workers able to work, but have stopped looking for jobs, this rate is now 43.6%. Figure 1 shows the trend in these two unemployment metrics since 2008.



Before discussing the results of the agricultural labour market, it is important to contextualise the current economic performance of the sector. As highlighted in our GDP quarterly brief, the sector had a remarkable growth year in 2020, expanding 13.1% in real terms. This is largely due to good weather conditions boosting overall production coupled with good prices in the field crop and horticulture industries as well as a recovery from drought conditions in the major horticultural growing areas. Statistical evidence available at the time of writing also does not suggest that there is any

deviation from this pattern going into the first quarter of 2021. In fact, BFAP projects a further growth in real agricultural GDP of 6.7% for 2021.

The jobs numbers for agricultural employment released since the onset of COVID-19 in 2020 do not reflect the same trajectory. According to the QLFS, agricultural jobs declined by around 40 500 jobs in 2020 and a further 18 000 in the first quarter of 2021. Total agricultural jobs are currently sitting at 792 000, 8% lower than the first quarter of 2020. Figure 2 shows the quarterly trend in agricultural employment as given by StatsSA, with the quarter-on-quarter change given on the right axis.



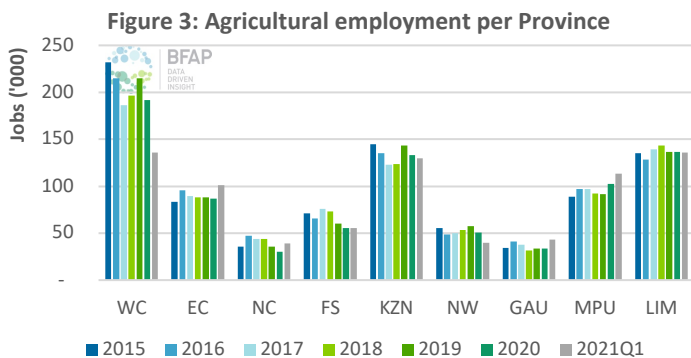
These results can be explained by two plausible scenarios, either of which could be causing this major shift from what one would anticipate when an industry is experiencing significant output growth and would therefore be expected to create jobs as a result.

First, since the onset of COVID-19 in 2020, statistical service needed to amend its normal data capturing procedures to guard against spreading the virus.

StatsSA suspended all face-to-face data collection on 19 March 2020 and instead opted for computer-assisted telephonic interviews.

They also note, worryingly, that not all dwelling units in the sample had contact numbers, which is why the enumerated individuals in the survey dropped significantly from 66 657 to 47 103 between the first and second quarter surveys in 2020. One can only guess what the impact of this method may have had when surveying agricultural workers in rural areas. Even if contact numbers were available, connectivity in many farming areas and the seasonal nature of agricultural employment could easily affect survey responses in our sector.

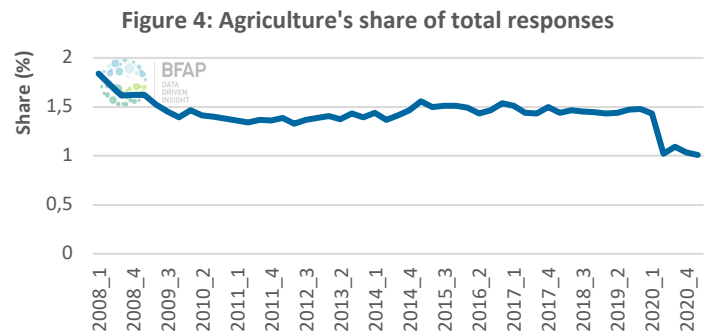
Figure 3 reports changes in agricultural employment across the different provinces, which supports the argument that the survey methodology change is affecting employment trends. Notice that job numbers in the Western Cape from 2015 to 2017 declined, this is expected since this was during one of the worst droughts on record. Then, as dam levels started to recover due to decent winter rainfall in 2018 and 2019, employment numbers increased accordingly. Agriculture in the Western Cape had an even better year in 2020, due to a record field crop harvest and excellent export performance in the major labour-intensive fruit industries. However, the QLFS suggest that this Province shed some 22 814 jobs, and another 56 005 jobs in the first quarter of 2021. It goes without saying that such declines do not align well with reports from agricultural stakeholders closer to these economic activities.



Another question mark from the survey results should be on what is causing employment numbers in provinces such as the Eastern Cape, Gauteng, and

Mpumalanga to rise so sharply in the first quarter of 2021. According to our knowledge there has been no specific labour market changes in these provinces that could explain widespread job creation in these parts, whilst the Western Cape and North West are seemingly shedding labour.

A final note on the survey methodology change, Figure 4 shows the share of agricultural workers surveyed relative to the total number of survey responses since 2008. Between the 2008 and 2019 survey period agriculture's share has remained relatively stable at about 1.46 % of the total enumerated individuals. Clearly from the sharp drop since 2020 Quarter 2, when the survey methods needed to change, this share fell drastically to around 1%.



The second potential explanation for the drastic decline in agricultural employment could be more closely related to endogenous labour market factors. Although large parts of the agricultural sector have not been adversely affected by lockdown regulations in the past year, industries such as the wine industry have not been as fortunate. Recurring bans on the sale of alcohol as well as limited trading hours have severely affected wine sales and as a result grape farming profitability. This coupled with the sharp increase in minimum wages for farm workers to the same level of the national minimum wage, from R18.68 to R21.69, from 1 March 2021 might be driving job losses.

In the past decade farm worker minimum wages have increased by 12.2% per annum in nominal terms. Only time will tell what impact these legislated changes will have on the delicate relationship between mechanisation and employment in the agricultural sector.