

SA agricultural employment down by 8% y/y in Q4, 2017

After experiencing a decline in employment in the first three quarters of 2017, South Africa's agricultural sector recorded a 5% q/q rebound in employment in the fourth quarter to 849 000 jobs. This quarterly increase was mainly in field crops, horticulture and livestock sub-sectors. The provinces driving it were the Western Cape, Eastern Cape and KwaZulu Natal. Overall, while the quarterly uptick is encouraging, agricultural employment is still down when compared to the corresponding period the previous year. Moreover, the current drought in the Western Cape province, reduced plantings in the summer crop growing areas of the country, and more importantly the minimum wage introduction at a period when farm incomes are fairly down could potentially lead to a reduction in employment in the coming quarters.

- The quarterly uptick in agricultural employment to 849 000 jobs in the fourth quarter of 2017 is an encouraging development (see Chart 1). However, when viewed on annual basis, this is still an 8% lower compared to the corresponding period in 2016. In the period under review, one of the most affected provinces is the Western Cape, although it remains the largest agricultural employer, with a share of 23%.
- In more detail, KwaZulu Natal, Western Cape, North West and Limpopo provinces saw a notable reduction in employment of 27% year-on-year (y/y), 23% y/y, 14% y/y and 2% y/y, respectively. Meanwhile, Free State, Mpumalanga, Eastern Cape, Northern Cape and Gauteng provinces saw job gains of 19% y/y, 18% y/y, 6% y/y, 5% y/y and 1% y/y, respectively (see Chart 2).
- In terms of sub-sector performance, the reduction in annual employment was only in field crops and horticulture, whereas other sectors recorded job gains. However, this was more pronounced because field crops and horticulture constitutes two thirds of agricultural employment (see Chart 3). Above all, the South African agricultural sector's share of total employment is 5%, about twice the size of the mining industry.



Chart 1: South Africa's agricultural jobs

Source: Stats SA, Agbiz Research

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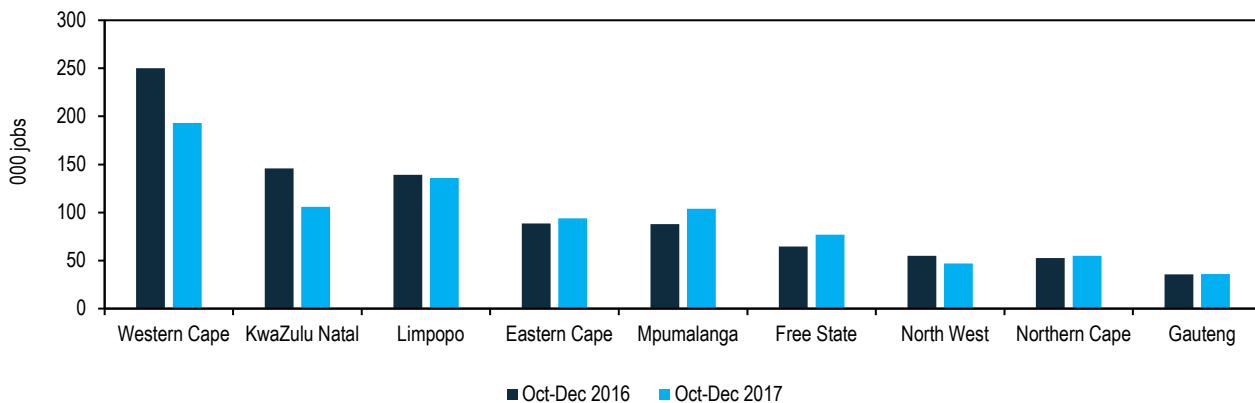


Chart 2: South Africa's agricultural jobs by province

Source: Stats SA, Agbiz Research

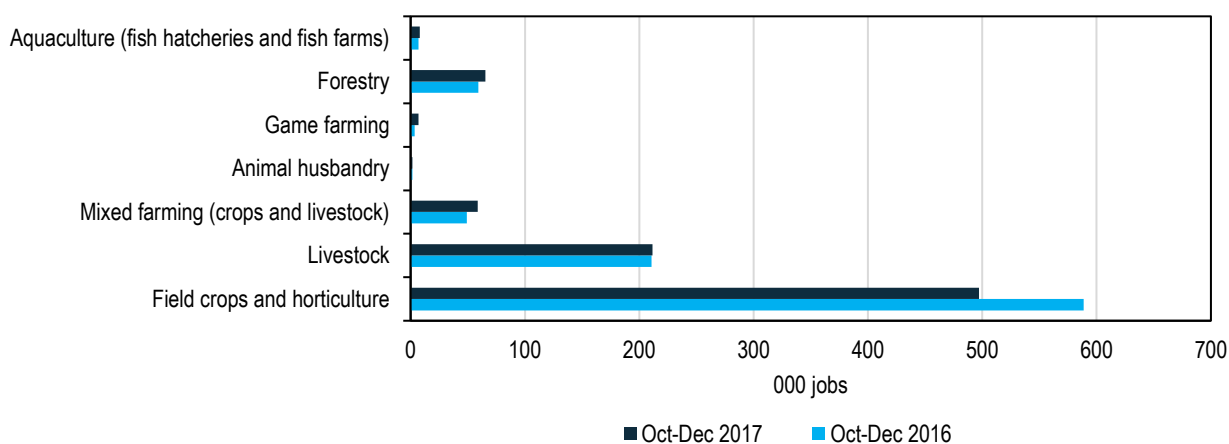


Chart 3: Year-on-year employment by sub-sector

Source: Stats SA, Agbiz Research

- Looking ahead – The persistent drought in the Western Cape province and reduced area plantings in the summer crop growing regions of the country could potentially undermine the performance of the agricultural labour market in the coming quarters. Moreover, the National Minimum Wage is scheduled to come into operation on the 1st of May, thereby raising the cost of labour as an input.
- Whilst the business sector generally accepted the introduction of the National Minimum Wage, it will affect some sub-sectors within the agricultural sector more than others depending on the labour intensity and average skill level required. The horticultural sector is likely to be most impacted by the introduction of the National Minimum Wage as this sub-sector is labour intensive. Unfortunately, the sub-sector is also highly concentrated in the Western, Eastern and Northern Cape where the aforementioned weather developments could further constrain farm income, and hence impact on the whole sector's labour market.

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