CIDB Construction Monitor - Employment; October 2018

1. Introduction

The CIDB Quarterly Monitors focus on the following themes per quarter:

- Quarter 1: Supply & Demand;
- Quarter 2: Contractor Development;
- Quarter 3: Employment; and
- Quarter 4: Transformation.

This CIDB Construction Monitor – Employment (Quarter 3) examines employment in the construction industry and the factors affecting employment.

Details of employment are obtained from the Quarterly Labour Force Survey¹, the Quarterly Employment Statistics², the CIDB SME Business Confidence Survey³ and the Consulting Engineers South Africa (CESA) Bi-Annual Economic and Capacity Survey report⁴. The employment data includes details of formal and informal construction employment, as well as employment at the national and provincial levels.

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2. Employment in the Construction Industry; Overview

2.1 Context

South Africa has a challenge of high unemployment and skills shortages, at the end of 2018Q2, the unemployment rate was 27.2%\(^5\), and one of main goals that South Africa has set itself in the National Development Plan is to cut the unemployment rate to 6% by 2030\(^6\). South Africa has an abundance of low and unskilled labour, a profile of the unemployed presented by Statistics South Africa shows that the unemployment rate is higher amongst the following groups; the youth, individuals that did not complete their secondary education, individuals that completed matric over the period 2009 and 2017, and those without experience. The construction industry is an important player in job creation, not only in the construction sector but in other sectors of the economy. The construction industry uses a wide range of inputs (such as construction materials) from many other industries to produce its goods and services\(^7\), and as a result the construction industry also contributes indirectly to the jobs that are created across a number of sectors. Sectors that benefit from construction output include manufacturing, mining, transportation, real estate and business services.

According to Stats SA\(^8\), total employment in South Africa has risen from 14.6 million to 16.3 million between the period 2009 to 2018 and the construction industry is one of the eight industries that has contributed to this increase by creating 255 000 jobs over this period. However, the increase in employment in the construction and other industries has not been enough to accommodate the new entrants in the labour force over this period, unemployment has been increasing at a higher rate than employment.

2.2 Employment in the Construction Industry (Formal Sector)

According to the Quarterly Employment Statistics (QES)\(^9\), at the end of 2018Q1 the construction industry employed around 609 000 people in the formal sector, with civil engineering contributing to the bulk of the employment 369 000 (60%) and building contributing around 209 271 (34%), the rest of the employment was for site preparation (1%) and renting of construction equipment with operators (4%). The Quarterly Employment Statistics data indicates that the sector has created around 170 000 jobs in the formal sector between 2009 and 2017, 93 000 were created in the civil sector and 76 000 were created in the building sector. However, the effect of the downturn in the industry and lack of demand in the sector are illustrated by the decline in employment or job losses that have occurred in the sector, even though it’s at a lower rate than expected. At the end of 2018Q1, Stats SA Quarterly Employment Statistics figures showed that construction employment declined by -3% year-on-year, -4% in civil/construction works and -2% in building.

Trends in infrastructure investment (GFCF) and total formal employment are illustrated in the following figure in which GFCF is shown in real terms (2010 Rands), together with the total formal employment obtained from the Quarterly Employment Statistics. It is seen that the total construction works spend in 2017 amounted to about R299 billion in 2010 Rands (or R436 billion in nominal Rands), and as at 2017Q4 the sector employed 361 000 in civil/construction works, 205 000 in building (building installation and completion) and a further 31 000 in site preparation and rental of construction equipment (i.e. total employment of 597 000 people).

The South African economy is currently in a technical recession, it contracted by 2% and 0.7% quarter-on-quarter in 2018Q1 and 2018Q2. The Stats SA GDP statistics showed that the construction industry has had five consecutive quarters of negative growth from 2017Q1 to 2018Q1. However, there were positive news in

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2018Q2 when the sector grew by 2.3%. This long term deficiency in economic activity has resulted in decline in construction employment.

A close correlation between GFCF and employment is observed in the above figures.

2.3 Employment by Industry Sector

Data from the Quarterly Labour Force Survey (QLFS) shows that the formal sector (excluding agriculture and private households) employs around 11.3 million people, of which the construction sector accounts for 11% of total employment. The informal sector employs around 2.8 million people, the largest contributor of jobs in the informal sector are trade (38%), community and social services (18%) and construction (17%). In the construction industry, based on the Quarterly Labour Force Survey data, formal employment accounts for 67%, while informal employment accounts for 33% of total construction employment. The contribution of the construction sector to informal employment is significant, at the end of 2018Q2 around 493 000 people were employed.
For the 2nd Quarter of 2018, 90,000 jobs were lost quarter-on-quarter, the biggest job losses occurred in the manufacturing industry (-105,000), other industries that contributed to the job losses are as follows; community services (-93,000) and trade (-57,000). The industries that had job gains are as follows; transport (54,000), construction (45,000), mining (38,000), private households (22,000) and utilities (18,000).

The year-on-year growth in the construction industry’s informal employment is shown in the following figure. Although significant fluctuations are seen on a year-on-year basis, overall there has been a significant growth in informal employment in the construction industry between 2009 and 2017, the huge gains in the last two quarters can also be seen from the figure below.

The construction informal sector accounts for around 17% of total informal employment. Over the long term, the contribution of the construction sector to informal sector jobs has grown significantly, in 2008Q4 informal sector jobs in construction were 342,000 and at the end of 2018Q2 there were 493,000 people employed in informal sector – an increase of 151,000 jobs or 44% in the construction industry informal sector. In the shorter term, the construction informal sector contributed 493,000 jobs in 2018Q2. There was a significant increase of 64,000 or 15% in the number of jobs created year-on-year from 2017Q2 to 2018Q2, this was the largest employment gains in the informal sector. The sharp increase in the informal sector could also be because of people who might have lost their jobs in the formal sector moving to the informal sector, the sector is becoming a cushion for them. However, it should be noted that when people move into the informal sector, they do not receive the same level of income and benefits that they received in the formal sector. The expansion of the construction informal sector is not unique to South Africa, and the following conditions have led to the expansion of the informal sector elsewhere in the world; rapid urbanisation combined with low economic growth has increased the number of people unable to access formal jobs, increased competition for work, declining demand and restrictive employment regulations that have led registered contractors to shed permanent employees and replace them with temporary or casual workers.\(^\text{11}\)

Construction informal employment has grown at a higher rate compared to formal employment, the average growth rate for informal and formal employment from 2010Q1 to 2018Q2 is 4% and 1% respectively. The informal sector includes the self-employed in micro-businesses that are not registered for income tax or VAT registered, employees with regular employment in formal or informal enterprises who do not receive benefits such as medical aid and pension funds, those that do not contribute to UIF and who do not have written employment contracts, short term employees and casual employees. In the construction industry, the majority of the informal self-employed could be mostly micro and small enterprises registered in Grade 1 and 2 contractors. The informal self-employed are predominantly in rural provinces such as Limpopo, Mpumalanga and the Eastern Cape as well as urban provinces such as Gauteng and KwaZulu Natal in which the
construction or major repairs to own houses is high. High informal employment in these provinces is also attributed to the following:

- the high unemployment rate in these provinces, the individuals located in these provinces may not have the experience and skills to be absorbed by the formal enterprises therefore people have to find alternative means other than formal employment to generate an income and to gain experience; and
- informal sector construction activities such as individuals building, maintaining and repairing their own houses is common in these areas.

The informal sector is lower in the Western Cape which has the lowest unemployment rate (23.2%), it also has the lowest number of construction or major repairs to own houses in comparison to other provinces. Of interest, the Register of Contractors also reflects that there are much more Grade 1 and 2 contractors registered in the five above mentioned provinces than in the Western Cape. The informal sector enterprises comprises mostly of subcontractors and labour only contractors, some of these businesses have linkages with enterprises in the formal sector through subcontracting and providing labour-only services. In terms of skill requirements, the subcontractors and labour only contractors that perform common tasks in the informal sector utilises mostly low skilled and unskilled labourers.

2.4 Employment Index; Contractors

The cidb SME Employment Index\textsuperscript{13} and activity Index obtained from surveying Grades 3 to 8 cidb registered contractors is shown below. The QLFS and the QES both show a decline in formal construction employment, this is supported by the cidb SME Employment Index which shows a negative net balance – i.e. more contracting enterprises surveyed indicated that they are reducing staff than employing staff. For General Building (GB) the employment index was at it’s lowest level of (-50) in 2017Q3 activity was also at its lowest level in the same period (-55), for Civil Engineering (CE) it was at it’s lowest level of (-45) in 2017Q4, activity was also at its lowest level (-55), there has been a slight improvements during the recent quarters. Construction workers get laid off due to a decline in construction activity, the deficiency of demand for their services has created job losses. The rate of labour shedding has been increasing for both General Building (GB) and Civil Engineering (CE) contractors, this correlates with construction activity which has been declining.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{employment_index.png}
\caption{Employment Index (Net Balance) and construction activity: cidb Registered Contractors (Grades 3 to 8)}
\end{figure}


2.5 Employment in the Consulting Engineering Sector

The provision of professional services such as planning, architecture and design, quantity surveying, project planning and management are part of the construction industry value chain. Occupations in the consulting engineering sector include managers, professionals, technicians and associate professionals and clerical support workers. The Stats SA Quarterly Employment Statistics reports on employment in the consulting engineering sector under real estate and business services. As illustrated below, as at 2018Q1 around 93,887 people were employed in the sector. On a year-on-year basis, 2,000 or 2% jobs were gained in the consulting sector. Between 2009Q4 and 2017Q4 the sector added 25,000 jobs or employment grew by 36%. The average annual growth rate for the consulting sector from 2009Q4 to 2017Q4 is 4%.

The Consulting Engineers South Africa (CESA) currently reflects the majority of the larger consulting enterprises, but many small and micro-enterprises are not members of CESA. As illustrated below, CESA members currently employ around 21,369 people. On a year-on-year basis, 1,980 or (-8%) jobs were shed by CESA members from 2016Q4 to 2017Q4.

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The correlation between employment in the consulting sector and GFCF is seen in the figures above.

2.6 Employment Forecasts

The close correlation between GFCF and employment in the contracting and the professional services sectors has been highlighted in Sections 2.2 and 2.6. During the year 2013 to 2016, the construction sector experienced positive growth and the sector also experienced job gains. In 2017 the construction sector experienced negative growth, this also had an impact on the sector’s employment, the sector experienced job losses of (-3%). Of concern is that most economic projections forecast a decline in real terms in GFCF over the short to medium term\textsuperscript{15} – which will result in more job losses over this period.

\begin{tabular}{|l|c|c|c|c|c|c|c|c|}
\hline
 & 2013 & 2014 & 2015 & 2016 & 2017 & 2018\textsuperscript{f} & 2019\textsuperscript{f} & 2020\textsuperscript{f} \\
\hline
\textbf{Construction-Total} & 279 & 292 & 303 & 305 & 299 & 292 & 291 & 292 \\
\hline
\% change & 7,9\% & 4,7\% & 3,8\% & 0,5\% & -2,1\% & -2,1\% & -0,5\% & 0,3\% \\
\hline
\textbf{Building} & 107 & 116 & 118 & 113 & 110 & 110 & 112 & 116 \\
\hline
\% change & 2,6\% & 8,2\% & 1,4\% & -4,3\% & -2,5\% & 0,3\% & 2,0\% & 3,3\% \\
\hline
\textbf{Residential-Building} & 51 114 & 55 771 & 58 801 & 56 402 & 57 260 & 58 119 & 59 572 & 61 657 \\
\% change & 4,2\% & 9,1\% & 5,4\% & -4,1\% & 1,5\% & 1,5\% & 2,5\% & 3,5\% \\
\hline
\textbf{Non-residential Building} & 56 607 & 60 824 & 59 467 & 56 749 & 53 112 & 52 581 & 53 370 & 54 971 \\
\% change & 1,3\% & 7,4\% & -2,2\% & -4,6\% & -6,4\% & -1,0\% & 1,5\% & 3,0\% \\
\hline
\textbf{Construction Works} & 171 & 176 & 185 & 192 & 188 & 182 & 178 & 175 \\
\% change & 11,5\% & 2,5\% & 5,4\% & 3,6\% & -1,9\% & -3,5\% & -2,0\% & -1,5\% \\
\hline
\end{tabular}

2.7 Underspending by Government Results in Lost Employment Opportunities

An analysis of municipal and provincial capital expenditure for South Africa is given below\textsuperscript{16}, in which the variance against phased linear capital budget is shown for provincial departments and municipalities.


From the analysis of the municipal and provincial expenditure, it can be seen that

- as at the end of the 2017/18 provincial financial year (2018Q1), the total underspend by provincial departments against linear phased budget amounted to around R 1,5 billion;
- at the end of the 2017/18 municipal financial year (2018Q2), the total underspend by municipalities against linear phased budget amounted to around R13 billion

In total, municipalities and provincial departments under spend by around R 14.5 billion per year, municipalities were the main contributors to the underspending, this results in significant lost employment opportunities. The construction industry has been experiencing high lack of demand, underspending also contributes to the lack of demand in the industry.

2.8 Expanded Public Works Programme (EPWP)

The Expanded Public Works Programme (EPWP) was launched in 2004 as one of the policies aimed to reduce unemployment, with a specific focus on women and the youth. The EPWP programme is also aimed at equipping unemployed youth with skills and experience needed in the labour market, according to Stats SA a higher percentage of individuals without matric (65,6%) and with matric (23,6%) participate in government job creation programmes such as EPWP, only 10,5% of people with tertiary education participated on these programmes in 2015. The EPWP currently operates in four sectors, namely infrastructure, environment, culture and social and non-state (non-profit organisations and community work). Within the infrastructure sector, work opportunities are created largely through increasing the labour intensity of government funded infrastructure projects. A work opportunity in infrastructure has an average period of four (4) months. The key EPWP infrastructure programmes include; Vuk’uphile, National Youth Service, Large Projects (projects with a minimum budget of R30m or more) and Provincial Roads. It is seen from the table below that for the current financial year 2017/18, EPWP has created around 547 000 job opportunities in the infrastructure sector. At the end of 2017Q3 there was an increase of 11% on a year-on-year basis in the number of job opportunities created by the EPWP programme in the construction industry.

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<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter</th>
<th>Number of Work Opportunities</th>
<th>Youth %</th>
<th>Women %</th>
<th>People with Disabilities %</th>
<th>Year on Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>Q1</td>
<td>8,650</td>
<td>62.03%</td>
<td>21.55%</td>
<td>1.36%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>78,098</td>
<td>36.34%</td>
<td>64.36%</td>
<td>0.73%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>149,446</td>
<td>35.33%</td>
<td>62.50%</td>
<td>0.88%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>202,481</td>
<td>39.46%</td>
<td>58.86%</td>
<td>0.93%</td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>Q1</td>
<td>94,915</td>
<td>32.70%</td>
<td>67.86%</td>
<td>0.96%</td>
<td>997%</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>165,607</td>
<td>37.14%</td>
<td>63.52%</td>
<td>0.74%</td>
<td>112%</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>199,196</td>
<td>39.13%</td>
<td>60.48%</td>
<td>0.69%</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>263,510</td>
<td>42.33%</td>
<td>56.25%</td>
<td>0.64%</td>
<td>30%</td>
</tr>
<tr>
<td>2017-18</td>
<td>Q1</td>
<td>136,327</td>
<td>30.45%</td>
<td>71.80%</td>
<td>1.21%</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>189,648</td>
<td>37.25%</td>
<td>59.81%</td>
<td>0.56%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>220,873</td>
<td>39.48%</td>
<td>57.76%</td>
<td>0.57%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**EPWP Work Opportunities in the Infrastructure Sector**

**EPWP Job Opportunities in Infrastructure Sector**
### Provincial Overview of Construction Employment

A breakdown of formal and informal employment by province obtained from the StatsSA Quarterly Labour Force Survey (QLFS) is given in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>SA</th>
<th>EC</th>
<th>GP</th>
<th>KZ</th>
<th>WC</th>
<th>NC</th>
<th>FS</th>
<th>MP</th>
<th>LP</th>
<th>NW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018Q2</td>
<td>1476</td>
<td>163</td>
<td>419</td>
<td>229</td>
<td>233</td>
<td>24</td>
<td>51</td>
<td>112</td>
<td>150</td>
<td>94</td>
</tr>
<tr>
<td>2018Q1</td>
<td>1431</td>
<td>154</td>
<td>419</td>
<td>211</td>
<td>214</td>
<td>26</td>
<td>59</td>
<td>105</td>
<td>146</td>
<td>96</td>
</tr>
<tr>
<td>2017Q4</td>
<td>1390</td>
<td>146</td>
<td>369</td>
<td>196</td>
<td>227</td>
<td>26</td>
<td>75</td>
<td>107</td>
<td>154</td>
<td>90</td>
</tr>
<tr>
<td>2017Q3</td>
<td>1365</td>
<td>157</td>
<td>340</td>
<td>199</td>
<td>231</td>
<td>21</td>
<td>73</td>
<td>118</td>
<td>156</td>
<td>71</td>
</tr>
<tr>
<td>2017Q2</td>
<td>1395</td>
<td>139</td>
<td>387</td>
<td>235</td>
<td>229</td>
<td>24</td>
<td>61</td>
<td>105</td>
<td>131</td>
<td>84</td>
</tr>
<tr>
<td>2017Q1</td>
<td>1505</td>
<td>168</td>
<td>452</td>
<td>228</td>
<td>228</td>
<td>26</td>
<td>56</td>
<td>112</td>
<td>150</td>
<td>87</td>
</tr>
<tr>
<td>2016Q4</td>
<td>1483</td>
<td>185</td>
<td>402</td>
<td>228</td>
<td>237</td>
<td>22</td>
<td>54</td>
<td>113</td>
<td>170</td>
<td>72</td>
</tr>
<tr>
<td>2016Q3</td>
<td>1491</td>
<td>180</td>
<td>405</td>
<td>203</td>
<td>242</td>
<td>31</td>
<td>55</td>
<td>130</td>
<td>167</td>
<td>79</td>
</tr>
</tbody>
</table>

According to Stats SA the provincial unemployment rate currently as follows; the urban provinces unemployment rate range between 21% and 33%, the Western Cape urban provinces have lower unemployment rate of 21%, whilst Gauteng urban metro’s have the highest unemployment rate, 33% in Ekurhuleni. The rural provinces are also experiencing high unemployment, their unemployment rate ranges between 19% and 33% and they have been increasing. Of the nine provinces in South Africa, four provinces stand out in terms of their contribution to employment, namely Eastern Cape, Gauteng, KwaZulu Natal and Western Cape which collectively account for around 71% of total formal and informal construction employment. Of these, Gauteng alone accounts for close to 28% of total construction employment.
respectively whilst Free State reported substantial job declines of -16% (-10 000). Details of employment for 17 000 in the formal sector and 64 000 in the informal sector. The provinces that reported the largest reported in Free State (-8 000) 13% and Northern Cape (-2 000) 9% while the North West (- 2 000) -2% 43 000 in the formal sector and 2 000 in the informal sector. Construction employment increased by 3% At the end of 2018Q2, 1 476 000 people were employed in the construction industry. In 2018Q2 the construction industry contributed to job gains in the economy, increasing by 45 000 jobs quarter-on-quarter, 43 000 in the formal sector and 2 000 in the informal sector. Construction employment increased by 3% quarter-on-quarter and there was also a year-on-year increase of 6%. The quarter-on-quarter increase in employment was due to larger increases in Western Cape, KwaZulu Natal and Eastern Cape of 9% (18 000), 8% (18 000) and 6% (10 000) respectively, the other provinces, Mpumalanga, Limpopo and Gauteng reported marginal increases. There were substantial job decreases in construction employment that were reported in Free State (-8 000) 13% and Northern Cape (-2 000) 9% while the North West (- 2 000) -2% reported marginal decreases. On a year-on-year basis, 80 000 jobs were added to construction employment, 17 000 in the formal sector and 64 000 in the informal sector. The provinces that reported the largest increases were Gauteng, Eastern Cape and Limpopo, 8% (32 000) and 17% (24 000) and 14% (19 000) respectively whilst Free State reported substantial job declines of -16% (-10 000). Details of employment for

The dominance of Eastern Cape, Gauteng, KwaZulu Natal and Western Cape in terms of construction employment is a direct reflection of the construction spend by province shown below.

<table>
<thead>
<tr>
<th>Year</th>
<th>SA</th>
<th>EC</th>
<th>GP</th>
<th>KZ</th>
<th>WC</th>
<th>NC</th>
<th>FS</th>
<th>MP</th>
<th>LP</th>
<th>NW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016Q3</td>
<td>100%</td>
<td>11%</td>
<td>28%</td>
<td>16%</td>
<td>16%</td>
<td>2%</td>
<td>3%</td>
<td>8%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>2016Q4</td>
<td>100%</td>
<td>11%</td>
<td>29%</td>
<td>15%</td>
<td>15%</td>
<td>2%</td>
<td>4%</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>2017Q1</td>
<td>100%</td>
<td>10%</td>
<td>27%</td>
<td>14%</td>
<td>16%</td>
<td>2%</td>
<td>5%</td>
<td>8%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>2017Q3</td>
<td>100%</td>
<td>12%</td>
<td>27%</td>
<td>15%</td>
<td>16%</td>
<td>2%</td>
<td>4%</td>
<td>8%</td>
<td>11%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Quarterly gains and losses in total informal and formal employment by province is given in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>SA</th>
<th>EC</th>
<th>GP</th>
<th>KZ</th>
<th>WC</th>
<th>NC</th>
<th>FS</th>
<th>MP</th>
<th>LP</th>
<th>NW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016Q3</td>
<td>80</td>
<td>24</td>
<td>32</td>
<td>-6</td>
<td>4</td>
<td>0</td>
<td>-10</td>
<td>7</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>2017Q3</td>
<td>103</td>
<td>30</td>
<td>22</td>
<td>-15</td>
<td>31</td>
<td>-3</td>
<td>-1</td>
<td>19</td>
<td>19</td>
<td>2</td>
</tr>
</tbody>
</table>

At the end of 2018Q2, 1 476 000 people were employed in the construction industry. In 2018Q2 the construction industry contributed to job gains in the economy, increasing by 45 000 jobs quarter-on-quarter, 43 000 in the formal sector and 2 000 in the informal sector. Construction employment increased by 3% quarter-on-quarter and there was also a year-on-year increase of 6%. The quarter-on-quarter increase in employment was due to larger increases in Western Cape, KwaZulu Natal and Eastern Cape of 9% (18 000), 8% (18 000) and 6% (10 000) respectively, the other provinces, Mpumalanga, Limpopo and Gauteng reported marginal increases. There were substantial job decreases in construction employment that were reported in Free State (-8 000) 13% and Northern Cape (-2 000) 9% while the North West (- 2 000) -2% reported marginal decreases. On a year-on-year basis, 80 000 jobs were added to construction employment, 17 000 in the formal sector and 64 000 in the informal sector. The provinces that reported the largest increases were Gauteng, Eastern Cape and Limpopo, 8% (32 000) and 17% (24 000) and 14% (19 000) respectively whilst Free State reported substantial job declines of -16% (-10 000). Details of employment for

the provinces with the major contributions to construction employment in South Africa are shown in the following graphs.

Construction Employment; South Africa (2015Q3 to 2018Q2)

Construction Employment; Eastern Cape

Construction Employment; Gauteng

Construction Employment; KwaZulu-Natal

Construction Employment; Western Cape
4. Composition of Construction Labour Force

4.1 Composition by Gender

According to Stats SA, the unemployment rate is higher amongst females (28.8%) compared to males (25.1%). The labour absorption rate is higher for males (49.1%) as compared to females (37.9%). The construction industry currently employs around 1.431 million people, of which 89% are male and 11% female. In comparison with other industries, the construction industry has the highest proportion of male employment. The employment of women in the construction industry has increased by around 44% (from 109 000 to 157 000) from 2008Q1 to 2018Q2. On a year-on-year basis, the number of females employed in the industry decreased by 17 000, but there was a minor increase of 8 000 on a quarter-on-quarter basis for 2018Q2. Male representation in the construction industry is high (89%) compared with the industry average of 56% for all industries.

Trends in the employment by gender are given below. These trends show that in times of downturns, females appear to be at the forefront of job losses, for instance after 2017Q1 job losses by females have been at a much higher rate than job losses by males, 2018Q1 (-25% Females; -2% Males) 2018Q2 (-10% Females; 8% Males). The breakdown in the composition in employment by gender has remained reasonably consistent over the past 8 years or so, namely around 89% male and 11% female.

Male domination is also prevalent in the consulting engineering sector, 68% of the employees are male while 32% are female.

4.2 Youth Employment

South Africa’s youth unemployment rate currently stands at 53.7% for young people who are between 15 to 24 years and 33.6% for young people between 25 to 34 years. The labour absorption rate for the age group between 15 to 24 years is only 11.6% and 49% for young people between 25 to 34 years. The main reason for the low absorption rate among the younger age group is the absence of work experience because they are new entrants to the labour market. As at 2018Q2 6.1 million young people were employed in South Africa, of which the trade, community services, finance and manufacturing sectors account for the largest employment of youth. At the end of 2018Q2 the construction industry accounted for around 10% of the youth employed or 612 000 young people. At the end of 2018Q2, the construction industry added 11% jobs or employed 61 000 more young people on a year-on-year basis. It should also be noted that due to lack of skills and

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experience most of the youth is mainly employed in the low skilled occupations such as elementary occupations.

4.3 Composition by Skills Profile

An estimate breakdown of the labour force profile in the contracting sector is given below, obtained from the 2017 Workplace Skills Plan submissions and the CETA database. It is seen that the semi-, low and unskilled occupations of trade workers, plant and machine operators and assemblers, and elementary occupation account for around 70% of the total construction workforce and only around 28% account for the skilled workers such as managers, professionals, technicians and associate professionals. Of interest is that the construction worker skills profile aligns with the median skills profile of the country, namely 46% of the workforce is semi-skilled and 29% of the workforce is low- and un-skilled.

4.4 Skills Shortages; Contractors

Contractors report that access to skilled labour is becoming a significant constraint to business growth. This is illustrated where the constraints of access for work and access to skills are compared (weighted index) for General Building (GB) and Civil Engineering (CE) classes of work.

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Note that the shortage of skills is also driving up the cost of labour, resulting in decreased profit margins for small and medium contractors. Small and medium sized emerging contractors are likely to be bearing the brunt of these skills shortages, and are least able to attract and train skilled labour. According to Stats SA, unemployment rates are higher amongst individuals with less than matric (31,9%) and matric (28,3%) relative to graduates (6,9%), and it is also reported that long term unemployment occurs more amongst those individuals without experience\(^\text{24}\). South Africa has an abundance of low and unskilled labour, there is a gap between the skills that the population has and the skills that the economy needs, this is also reflected by the high labour absorption rate for the individuals with tertiary education (81,5%), they are more likely to be absorbed or employed in the economy. Compared to other sectors such as finance and business services, construction is one of the sectors which is most intensive in unskilled and low skilled labour, therefore it is one of the sectors that should be absorbing the high number of low and unskilled unemployed individuals. Unfortunately the low growth and decline in the sector has impacted the sector’s ability to create jobs.

Access to skilled labour is a constraint for the growth of small and medium contractors, but it is currently not a significant constraint as it was in 2008 when the construction industry was at its peak. Rather, contractors are currently experiencing that access to work is the most significant constraint to their growth.

### 4.4 Skills Shortages; Consulting Engineers

According to Consulting Engineers South Africa (CESA) the CESA member organisations are reporting that they are experiencing difficulties in their recruitment for engineers and technical occupations\(^\text{25}\). This correlates with the career junction index which reflects that in the architecture and engineering sector, supply is less than demand. The percentage of firms experiencing difficulties in recruiting engineers has decreased significantly from 74% in 2015Q2 to around 44% in 2016Q2, as shown below.


CESA Members Experiencing Shortages of Engineers
Industrial Action and Site Stability

5.1 Industrial Action

The largest number of worker days lost is associated with protected strikes. Legal, union initiated strikes are usually more protracted leading to significant production delays due to the number of man-days lost. According to the 2017 Annual Industrial Action Report (the most recent report available), the construction industry especially in comparison with other industry, was not highly impacted by industrial action. The construction industry lost 5,237 working days due to strikes in 2017, on a year-on-year basis this represented a -67% decline in the number of days lost compared to 2016.

![Graph showing days lost by construction industry from 2008 to 2017]

5.2 Site Stability

A serious threat that is growing in intensity and geographic presence is the occurrence of community gangs and Business Forums forcefully demanding a stake in construction projects. The demands by Business Forums arises, at least in part, due to misinterpretation (intentional or otherwise) or abuse of the 30% sub-contracting provision in the Preferential Procurement (PP) Regulations (2017). This site intimidation has stalled the progress of, or halted, several projects around the country – and impacting on government clients and contractors appointed to undertake the construction works. In KwaZulu-Natal alone, it is reported that over 30 court interdicts have been issued against multiple Business Forums.

Of significance to note is that upfront social facilitation during the project feasibility and planning phase is an important component in reducing site instability during construction. Such social facilitation can be achieved through the Guidelines for Community Participation provided within the cidb Standard for Contract Participation Goals.

The cidb is monitoring the situation closely.

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