

## PRESS RELEASE:

### THE CONSTRUCTION INDUSTRY SHEDS 140 000 JOBS BETWEEN THE 1ST AND 3RD QUARTERS OF 2017

**Pretoria 07 November, 2017:** The overall unemployment rate in South Africa currently stands at 27,7%. The construction industry, which is an important player in job creation, not only in the construction sector but in other sectors of the economy, shed 140 000 jobs between Quarter 1 and Quarter 3 of 2017 as reported in the Quarter Labour Force Survey. Ntando Skosana, Project Manager for Monitoring and Evaluation at the cidb commented that “Loosing 140 000 jobs, especially in an economy that already has a high unemployment rate is both concerning and disheartening”. These job losses are a reflection of the pressure that the construction industry is under, which is also reflected by the Stats SA GDP statistics that recorded that the construction industry contracted by 0,8% and 0,5% quarter-on-quarter in 2017Q1 and 2017Q2 respectively.

However, over the long term, the construction industry has contributed to employment by creating 184 000 jobs over the period 2008Q1 to 2017Q3. As reflected by the increasing unemployment rate, the contribution to employment in construction and other industries has not been enough to accommodate the new entrants in the labour force and the long term unemployed.

The cidb/BER employment index measures the net balance of employers reporting a change in employment, either negative (shedding labour) or positive (adding labour). The cidb/BER employment index for both General Building and Civil Engineering has remained negative since 2008, reflecting that more employers are laying off staff than employing additional staff. This unfavourable employment index is largely attributable to the ongoing difficult business conditions; a slowdown in construction activity and increasing pressure of profitability. Ntando Skosana noted that “Construction workers are being laid off due to a decline in construction activity. The lack of demand for their services has created job losses”. These difficult business conditions are reflected in the cidb/SME Business Conditions Survey which has reflected ongoing pessimism in the industry since 2009.

From a provincial overview, four provinces stand out in terms of their contribution to employment in the construction sector, namely Eastern Cape, Gauteng, KwaZulu Natal and the Western Cape. These collectively account for around 71% of total formal and informal construction employment. Over the past two quarters, 2017Q2 and 2017Q3, Gauteng has however shed 113 000 jobs. “This is of major concern, because Gauteng contributes around 28% to total construction employment”, noted Skosana.

Underspending by government departments is a significant contributor to the lack of demand, which in turn results in lost employment opportunities. At the end of the 2016/17 municipal financial year, it was

reported by National Treasury that Municipalities underspend on their capital budget by around R15 billion. On the cidb SME Business Conditions Survey, contractors rate insufficient demand for work as the major constraint or hindrance for the growth and profitability of their business.

The construction industry informal employment has grown at a higher rate and pace than formal employment. From 2008 Quarter 1 to 2017 Quarter 3, there was an increase of 68 000 jobs or 20% in the number of people employed in the construction informal sector compared to 116 000 jobs or 14% in the formal sector. This is not unique to South Africa, other countries and sectors have also experienced growth in informal employment. A number of studies have shown that the increase in informal employment is due to rapid urbanisation combined with low economic growth which leads to more people not being able to access jobs in the formal sector, declining demand and restrictive employment regulations that have led registered contractors to shed permanent employees and replace them with temporary or casual workers – many of which are reported as informal employment.

Paradoxically, although most contractors are still shedding labour, the cidb SME Business Conditions Survey shows that some contractors are increasingly rating the shortage of skilled labour as a constraint to business growth and to profitability – although the levels are still below the 50% level. Ntando Skosana notes that job losses largely reflect unskilled, low and semi-skilled labour. Skilled labour is in short supply, and this can also be seen from the career junction vacancy index for building and construction which shows a higher rate of vacancies in skilled occupations compared to the semi-, low and unskilled occupations.

Notwithstanding the present difficult economic conditions and the job losses in construction, Government is still committed to job creation and skills development as enshrined in the National Development Plan. The challenge in the short to medium term is to increase efficiency in spend, to enhance capacity of government to procure and deliver infrastructure, enhance payment procedures, enhance access to credit for contractors, and more. The cidb is confident that business conditions will improve, and is actively involved in all these areas with stakeholders in order to address these issues.

About the cidb Construction Monitor:

The cidb Construction Monitors focus on the following themes per quarter:

- a) Quarter 1: Supply & Demand;
- b) Quarter 2: Contractor Development;
- c) Quarter 3: Employment; and
- d) Quarter 4: Empowerment.

The 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 Survey, the Quarterly Employment Statistics, the cidb SME Business Confidence Survey and the Consulting Engineers South Africa (CESA) Bi-Annual Economic and Capacity Survey report. The employment data includes details of formal and informal construction employment, as well as employment at the national and provincial levels.

The cidb Construction Monitors are available on the cidb website ([www.cidb.org.za](http://www.cidb.org.za)).

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