AGRICULTURAL **EMPLOYMENT BRIEF**

BFAP's Agricultural Employment Brief interprets and contextualises the latest quarterly labour force survey from StatsSA and provides insights on the major factors driving agricultural employment.

7 March 2023

BFAP
DATA DRIVEN INSIGHT

2022 - ANOTHER GOOD YEAR FOR AGRICULTURAL EMPLOYMENT WITH LEVELS SLIGHTLY HIGHER THAN 2021 BASED ON OFFICIAL DATA. THIS BRIEF HIGHLIGHTS THE ANTICIPATED IMPACT OF LOAD-SHEDDING AND THE MINIMUM WAGE ADJUSTMENT ON FARM EMPLOYMENT FOR 2023.

Statistics South Africa (StatsSA) released the fourth and final quarter of 2022's Quarterly Labour Force Survey on the 28th of February 2023. This brief seeks to contextualise the agricultural labour market performance using this and other relevant data sources. In the last quarter, we focused our analysis on whether the agricultural sector has shed jobs in the past two years, for which we presented some alternative data to suggest that this was not the case. Since the data remains problematic, as we'll highlight again in this brief, we assess the QLFS trends, but also discuss some of the main factors affecting agricultural employment.

Figure 1 shows the trends for the broad and narrow definition of unemployment for the total economy since 2008. The unemployment rate has improved somewhat in the final quarter, and for the full calendar year, of 2022. In the past year, the narrow unemployment rate declined from 34.3% to 33.5%, and the broad definition from 43.2% to 42.3%. Such numbers suggest that there are improvements in SA's labour market leading to more jobs being filled and fewer jobs being lost. However, as we've cautioned for several months, there is reason to believe that this is largely due to the weaker survey response rate. While this has been improving, it is currently still 4% lower than prior to the COVID-19 pandemic.

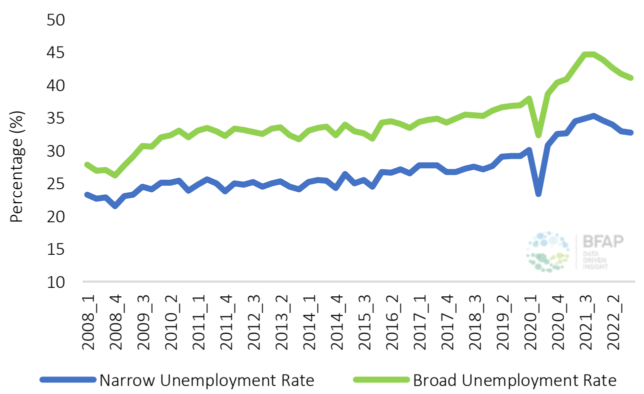

Figure 1: South African unemployment

The labour market impacts of the current severe loadshedding schedule are not yet visible, but will become evident in the coming months. Another reason for a stronger labour market could also be the performance of the tourism sector, which rebounded during the festive season in the fourth quarter of 2022. Relative to the same quarter in 2021, tourism-related jobs showed significant growth of around 83 000. Other big contributing industries were manufacturing, trade and community services.

The employment performance of the agricultural sector is presented in **Figure 2** below. Compared to quarter 4 in 2021, those employed in the agriculture, forestry and fisheries sector declined marginally by 0.8% in 2022. For the full calendar year, the QLFS suggests that there are now 863 000 agricultural workers (i.e. excluding forestry and fisheries) compared to 2021's 834 000, which implies that around 25 000 jobs were created. We still believe that this is more a function of the changes in the manner that the data is collected rather than actual changes in the agricultural labour market. In terms of only those agricultural workers employed on farms, South Africa currently has around 700 000 employees, which broadly follows the same trend as that of the industry at large.

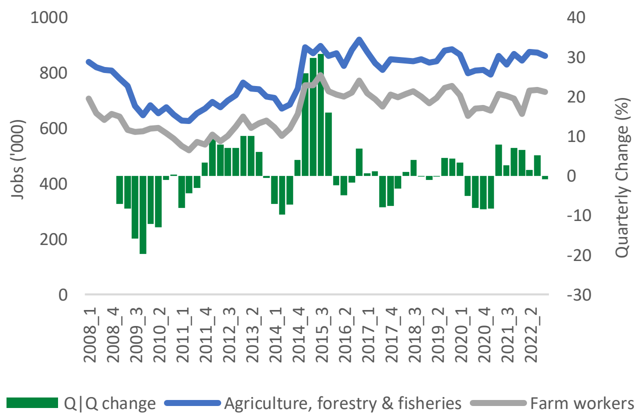

Figure 2: Employment in agriculture

Looking ahead to the rest of 2023, there are two main factors that are expected to influence the agricultural labour market. First, the Minister of Labour recently gazetted the new level of the National Minimum Wage, which took effect on the 1st of March. It came as quite a shock to agricultural stakeholders that the legislated wages were adjusted upwards by another 10% to R25.42 per hour for farm workers. This adjustment was preceded by a 7% adjustment in 2022 and a 16% adjustment in 2021. Since 2020, agriculture's minimum wage has therefore increased by 36%. This provides welcome relief to farm workers, given the current high levels of food inflation. However, it is moot whether farm businesses can afford such increases in the face of the recent increases in the prices of farming inputs.

The second major external risk to the agricultural sector that will exacerbate the cost of production crisis on farms is the impact of loadshedding. There are mainly two channels where the lack of energy supply to the sector will affect farming systems, and which have a bearing on agricultural employment. The first is the substantial additional costs to mitigate against loadshedding, either through generation or storage of energy – generators, solar panels, diesel, etc. The other channel is very simply that farmers cannot irrigate, keep produce cool and ensure optimal growing conditions for crops and livestock without electricity. This then has an impact on their ability to generate revenue, with both product quality and yields negatively affected.

BFAP has been contributing towards the Ministerial Task Team trying to deal with the energy crises in agriculture, to support decision making with our analytical insights. It has become clear that agriculture is one of the most energy-dependent sectors in the economy and that it will be difficult to cushion the farming sector from higher levels of loadshedding, with a likely negative impact on production, earnings and ultimately food security.

The combination of higher wages, higher spending on energy generation and the impact of loadshedding on the agricultural sector leads us to project significant job losses in 2023. The concern for agriculture is particularly pronounced for the horticulture and export industries since they are generally labour and energy intensive. This suggests that the higher minimum wages combined with the impact of loadshedding could lead to job losses in exactly those industries that have been earmarked by the NDP to drive job creation.

South Africa's blueberry industry is a case in point. **Figure 3** shows BFAP's estimate of the number of jobs created in this industry based on the area planted between 2008 and 2021. We show how this industry has contributed to close to 10 000 seasonal and permanent jobs in the past decade The export price index given on the right axis shows a fundamental dilemma in that export prices have started coming down significantly since 2016, putting considerable pressure on farming margins.

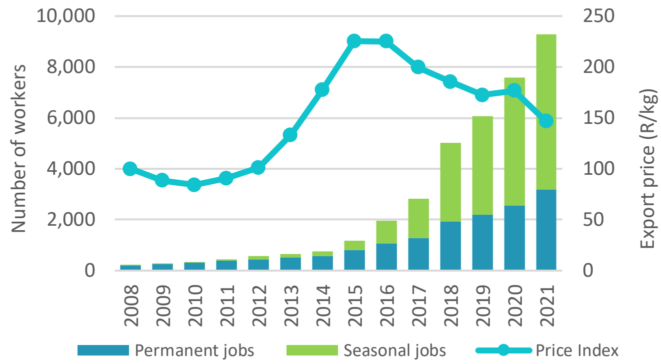

Figure 3: SA blueberry jobs and prices

Furthermore, as **Figure 4** shows, labour costs make up close to 50% of total production costs on a typical blueberry farm, whilst electricity and fuel add a further 5%. If these costs continue to spiral several percentage points higher than inflation, blueberry growers will likely resort to either stalling further expansion or reducing the wage bill to remain profitable, or both.

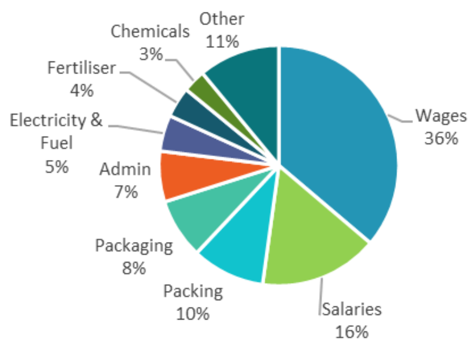

Figure 4: Average input share for blueberry production

IN CONCLUSION...

- Survey response rates in the QLFS have improved and are now once again coming close to pre COVID-19 levels. The latest results suggest that agricultural jobs were stable in the past year.
- Two immediate factors could lead to job losses in 2023 in particularly horticultural industries, is loadshedding and the 10% increase in the minimum wage.
- An example of the blueberry industry shows the difficult but unavoidable choices growers will have to make to remain profitable.

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