Employment, unemployment, skills and economic growth

An exploration of household survey evidence on skills development and unemployment between 1994 and 2014

Statistics South Africa
Overview
• Exploration of skills within the South African workforce over the last 20 years, using data from:
  • 1994: October Household Survey
  • 2014: Quarterly Labour Force Survey

• Exploration of skills trends in terms of:
  • Race
  • Age
“The single most important investment any country can make is in its people.”

National Development Plan
The South African economy (2003-2014)

Growth in GDP quarter-on-quarter (annualised)

Currently slow economic conditions in global economy, but domestic factors as well. Is SA generating the skills necessary for economic development?

Good times!
7,5%
Occupational composition of the three skill levels
Breakdown of skill level by occupation

- Skilled
  - Managers
  - Professionals
  - Technicians

- Semi-skilled
  - Clerks
  - Sales & services
  - Skilled agriculture
  - Craft
  - Machine operators

- Low-skilled
  - Elementary
  - Domestic workers
How has the South African workforce shifted in terms of these skill levels since 1994?
Number of workers by skill level

- Skilled: 1.8 million
- Semi-skilled: 4.2 million
- Low-skilled: 2.9 million

Total: 8.9 million
Number of workers by skill level

- Skilled: 3.8 million (108% increase)
  - The number of skilled workers increased from 1.8 to 3.8 million since 1994.
- Semi-skilled: 7 million (66% increase)
- Low-skilled: 4.3 million (49% increase)

Total: 15 million workers

THE SOUTH AFRICA I KNOW, THE HOME I UNDERSTAND
Breakdown of the South African workforce by skill level 1994

- Skilled: 21%
- Semi-skilled: 47%
- Low-skilled: 32%

In 1994, 21 out of 100 workers in South Africa were skilled. Almost half were semi-skilled and 32 out of 100 worked in lower-skilled occupations.
How has this changed since 1994?

Breakdown of the South African workforce by skill level 2014

Skilled \(\uparrow\) by 4 percentage points to 25%

Semi-skilled \(\downarrow\) by 1 percentage point to 46%

Low-skilled \(\downarrow\) by 3 percentage points to 29%

Since 1994 there has been a shift to skilled employment.
Trends in terms of race
The highest growth was experienced in black African employment.
The proportion of black African workers in the labour force has also increased since 1994.
How has the racial composition of each skill level changed?

Within the skilled workforce, the proportions of all non-white race groups increased.
However, to see a more complete picture of transformation, trends within race groups need to be explored.
Breakdown of the black African workforce by skill level 1994

- Skilled: 15%
- Semi-skilled: 42%
- Low-skilled: 43%

In 1994, 15 out of 100 black African workers in South Africa were skilled.
How has this changed since 1994?

Breakdown of the black African workforce by skill level 2014

Since 1994, there has been a small shift in the black African workforce towards more skilled and semi-skilled employment.

Skilled ↑ by 3 percentage points to 18%

Semi-skilled ↑ by 6 percentage points to 48%

Low-skilled ↓ by 9 percentage points to 34%
Breakdown of the white workforce by skill level 1994

- Skilled 42%
- Semi-skilled 55%
- Low-skilled 3%
How has this changed since 1994?

Breakdown of the white workforce by skill level 2014

Since 1994, there has been a significant shift in the white workforce towards skilled work.

- Skilled: \(\uparrow\) by 19 percentage points to 61%
- Semi-skilled: \(\downarrow\) by 19 percentage points to 36%
- Low-skilled: has remained stable at 3%
Percentage of workers within each race group who are skilled (managers, professionals, technicians)

- **Black African**
  - 1994: 16%
  - 2014: 20%
  - Increase by 3% points

- **Coloured**
  - 1994: 14%
  - 2014: 25%
  - Increase by 11% points

- **Indian / Asian**
  - 1994: 24%
  - 2014: 60%
  - Increase by 26% points

- **White**
  - 1994: 40%
  - 2014: 60%
  - Increase by 19% points
Trends in terms of age
Percentage of workers in each age group who are skilled (managers, professionals, technicians)

There were much weaker gains in the black African group for all ages.
The percentage of workers in skilled occupations increased in all age and all race groups, except for black Africans aged 25-34, which decreased.
What the data show in terms of skills
• Gains in skilled employment from 1994 to 2014
• Gains in black African employment from 1994 to 2014
• Across population groups, the proportion of black African, coloured, and Indian/Asian workers within the skilled workforce increased
• However, there was uneven distribution of progress within population groups. Within black African employment the growth in skills, as a proportion, was much lower than in the other population groups
• Within the black African 25-34 age group, the skilled proportion of employment decreased
Unemployment
The official unemployment rate for South Africa increased from 22% in 1994 to 25% in 2014.
The expanded unemployment rate for South Africa was 35% in both 1994 and 2014.
## Labour market dynamics (1994 vs 2014)

**Number of individuals**

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>2014</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strict</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed (000)</td>
<td>8 896</td>
<td>15 055</td>
<td>6 159</td>
<td>69.2</td>
</tr>
<tr>
<td>Unemployed (000)</td>
<td>2 489</td>
<td>5 067</td>
<td>2 578</td>
<td>103.4</td>
</tr>
<tr>
<td>Labour force (000)</td>
<td>11 386</td>
<td>20 122</td>
<td>8 736</td>
<td>76.7</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>22%</td>
<td>25%</td>
<td>+3.3 % points</td>
<td>-</td>
</tr>
<tr>
<td><strong>Expanded</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed (000)</td>
<td>4 707</td>
<td>8 157</td>
<td>3 450</td>
<td>73.3</td>
</tr>
<tr>
<td>Labour force (000)</td>
<td>13 603</td>
<td>23 212</td>
<td>9 609</td>
<td>70.6</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>35%</td>
<td>35%</td>
<td>unchanged</td>
<td>-</td>
</tr>
</tbody>
</table>

The number of employed has increased by 6.1 million since 1994. The number of unemployed (expanded definition) has increased by 3.4 million. The percentage growth of the unemployed (73.3%), however, has been higher than the growth of the employed (69.2%).
The numbers of unemployed have increased for all race groups.
Unemployment has increased for all educational levels. The unemployment rate for those with tertiary qualifications has increased from 6% to 14%.
Unemployment rates for individuals by highest education level and race

The unemployment rate amongst black Africans who have a tertiary education has **increased**. However, the unemployment rate amongst black Africans with a matric has **decreased**.
Employment growth has been below real GDP growth in most sectors.
## Transition rates

*From one quarter to the next quarter, average for 2010 to 2013*

<table>
<thead>
<tr>
<th></th>
<th>From unemployed to employed (%)</th>
<th>From employment to unemployed or not economically active (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>11,2</td>
<td>4,3</td>
</tr>
<tr>
<td><strong>By highest education level:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>14,0</td>
<td>5,7</td>
</tr>
<tr>
<td>Secondary not completed</td>
<td>11,1</td>
<td>6,1</td>
</tr>
<tr>
<td>Secondary completed</td>
<td>9,9</td>
<td>3,7</td>
</tr>
<tr>
<td>Tertiary</td>
<td>12,1</td>
<td>1,2</td>
</tr>
<tr>
<td><strong>By age:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth</td>
<td>10,2</td>
<td>6,4</td>
</tr>
<tr>
<td>Adult</td>
<td>13,4</td>
<td>2,9</td>
</tr>
</tbody>
</table>
Unemployment rate by age (2008-2014)

- **Youth**: 32.7 in 2008, 36.1 in 2010, 36.1 in 2014
- **Total**: 23.2 in 2008, 24.8 in 2010, 25.2 in 2014
- **Adults**: 13.4 in 2008, 14.4 in 2010, 15.6 in 2014

Unemployment rates for the youth are higher than for adults.
Unemployment rate for the youth, by race (2008-2014)

Youth in the black African and coloured groups have the highest rates in the country.

- **Black African**
  - 2008: 36.3%
  - 2009: 37.3%
  - 2010: 39.9%
  - 2011: 39.9%
  - 2012: 39.4%
  - 2013: 39.4%
  - 2014: 39.4%

- **Coloured**
  - 2008: 28.3%
  - 2009: 30.2%
  - 2010: 30.4%
  - 2011: 30.4%
  - 2012: 30.4%
  - 2013: 35.3%
  - 2014: 35.3%

- **Indian/Asian**
  - 2008: 17.4%
  - 2009: 17.4%
  - 2010: 12.5%
  - 2011: 12.5%
  - 2012: 12.5%
  - 2013: 12.5%
  - 2014: 15.7%

- **White**
  - 2008: 9.3%
  - 2009: 9.3%
  - 2010: 10.8%
  - 2011: 10.8%
  - 2012: 10.8%
  - 2013: 10.8%
  - 2014: 9.6%
Discouraged work-seekers (percentage of working age) (2008-2014)

In every province, young discouraged work-seekers account for a larger share of the working age population compared to adults.
Final remarks
NDP sees skills development as critical

• “SA has set itself the goals of eradicating poverty, reducing inequality, growing the economy by an average of 5.4%, and cutting the unemployment rate to 6% by 2030. Education, training and innovation are critical to the attainment of these goals” (NDP: 296-7).

• NDP enabling milestone: “ensure that skilled, technical, professional and managerial posts better reflect the country’s racial, gender and disability makeup” (NDP: 34)

• NDP critical action: “an education accountability chain, with lines of responsibility from state to classroom” (NDP: 34)

• “Improving the quality of education outcomes throughout the education system [is] one of the highest priorities over the next 18 years, and beyond” (NDP: 133)
Inadequate education system – findings from the NDP

• NDP chapter 9: Improving education, training and innovation

• SA faces a low growth, middle income trap, characterised by:
  - Weak competition for goods and services
  - High unemployment
  - Low savings
  - A **POOR SKILLS** profile

• The quality of education for most black children is poor

• By the end of Grade 12, SA has lost HALF of every cohort entering the schooling system ...

• ... which wastes human potential and harms life-chances of our youth
Inadequate education system – findings from the NDP

• The post-school system is not well designed to meet our skills development needs

• The performance of universities is uneven

• Further education and training (FET): too small, poor output, not effective (65% of college students unable to find work experience)

• Problems with sectoral education and training authorities (SETAs):
  ❖ Poor governance
  ❖ Inadequate human resources
  ❖ Poor management
  ❖ No proper monitoring and evaluation
  ❖ No accurate records of beneficiaries and impact
  ❖ No linkages with the post-school sector
Why is our skills development not optimal?

• Apartheid legacy?

• Closure of teacher training colleges?

• Inappropriate merging of educational institutions?

• Outcomes-based education?

• Weak administration (e.g. delivery of school books)?

• Firms not willing to invest in training of employees?

• Other (e.g. role of parents)?
Conclusion

- The QLFS data strongly support the findings of the NDP that the education system is not adequately serving skills development, and is in urgent need of reform.

- Weak GDP data since 2008 further support the NDP’s findings that a broad programme of reform needs to be implemented, with skills development as one of its key features.

- Employment growth between 1994 and 2014 was completely inadequate to reduce unemployment, further raising the level of urgency with which skills development should be treated.
Thank you