

**Testimony to the Commission of
Inquiry into Higher Education and
Training: *Skills Supply, Demand &
Absorption in South Africa***

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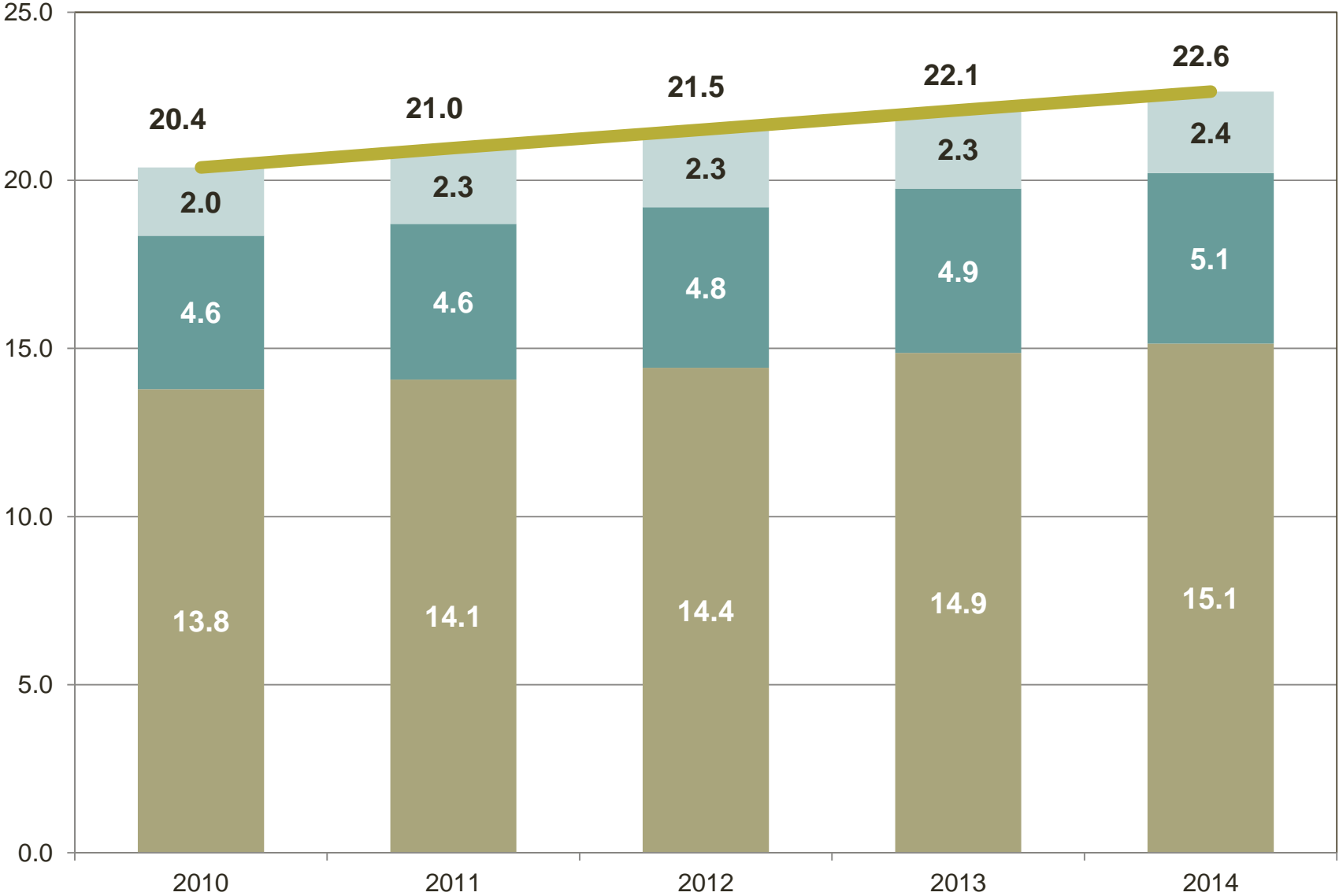
Background



- The challenge for any government is to estimate and anticipate the education and skills required to support **societal development** and a productive and **inclusive economic growth path**.
- South Africa has high levels of poverty, inequality and unemployment and low levels of education and skill levels.
- This presentation tells the story of (i) jobs and skills, (ii) University and TVET college enrolments and graduations, (iii) where the skills are used in the labour market.
- Comment on occupations in high demand (OIHD).

The Labour Force, Jobs and Skills

Jobs: gap between working age population and employed population



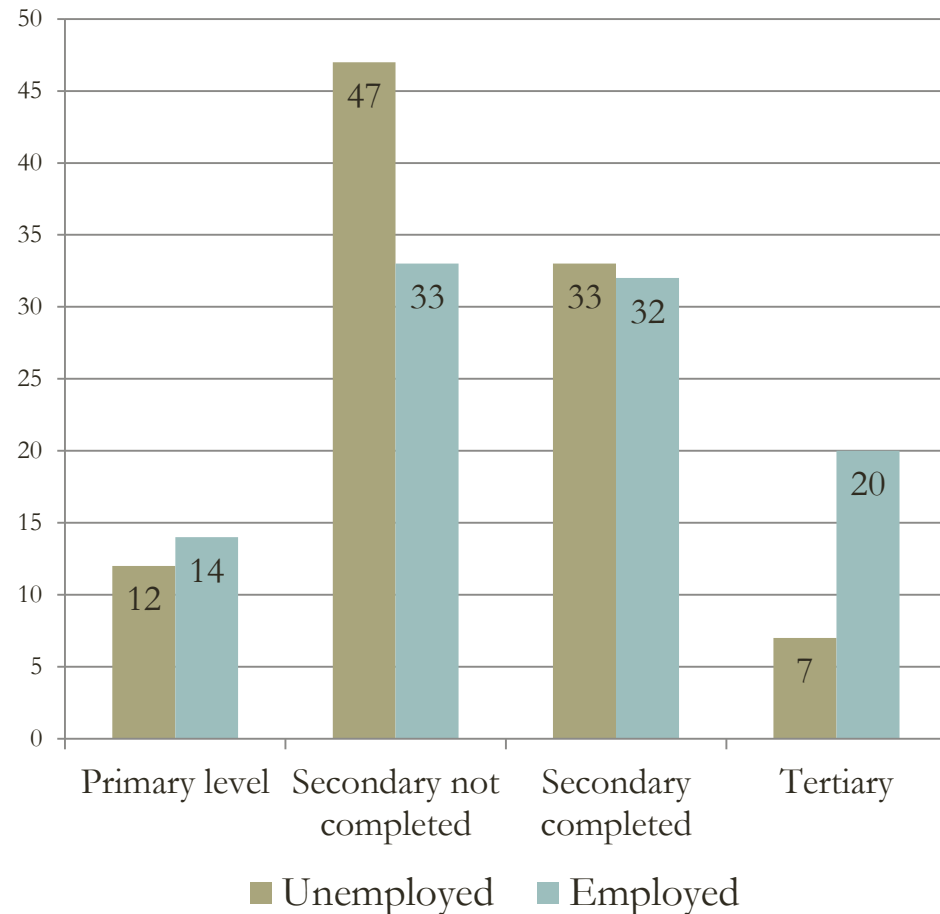
Legend: Employed population (olive green), Unemployed (teal), Discouraged job seeker (light blue), Total labour force (yellow line)

The Labour Force and Skills in 2014

The Labour Force

- 15 million employed people.
- High levels of unemployment (8mill), especially for youth (5 mill).
- 3.3. million workers in vulnerable sectors.
- The labour force growing at twice the rate as the jobs being created.

Skills Levels of the Labour Force (million)



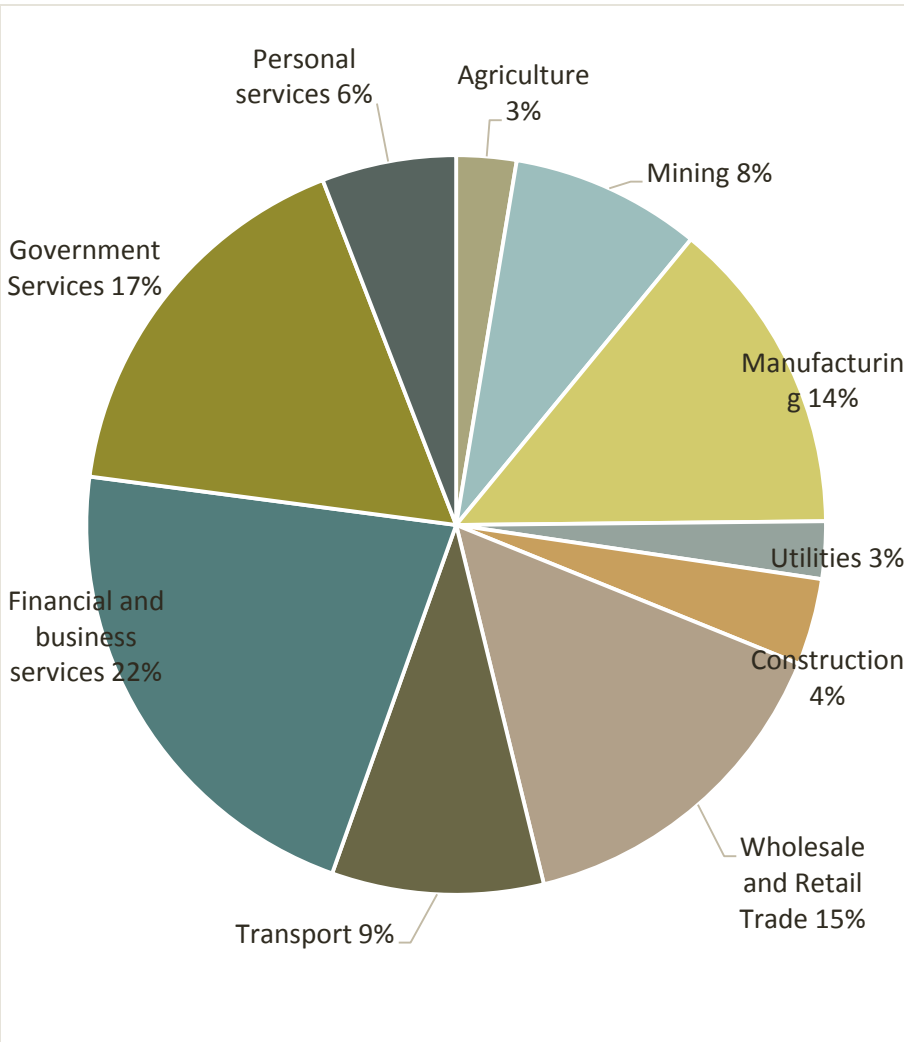
Finding 1: Improve all levels of education and skills



- The education level in the country has increased, but this is still too low to stimulate the economy.
- The education levels of the labour market is differentiated and requires multiple skills policy responses: increased shares of tertiary level workers for an expanding, innovative and productive economy and increased skills programmes for those with less than grade 12 certificate.

The Structure of the Economy and Demand for Skill

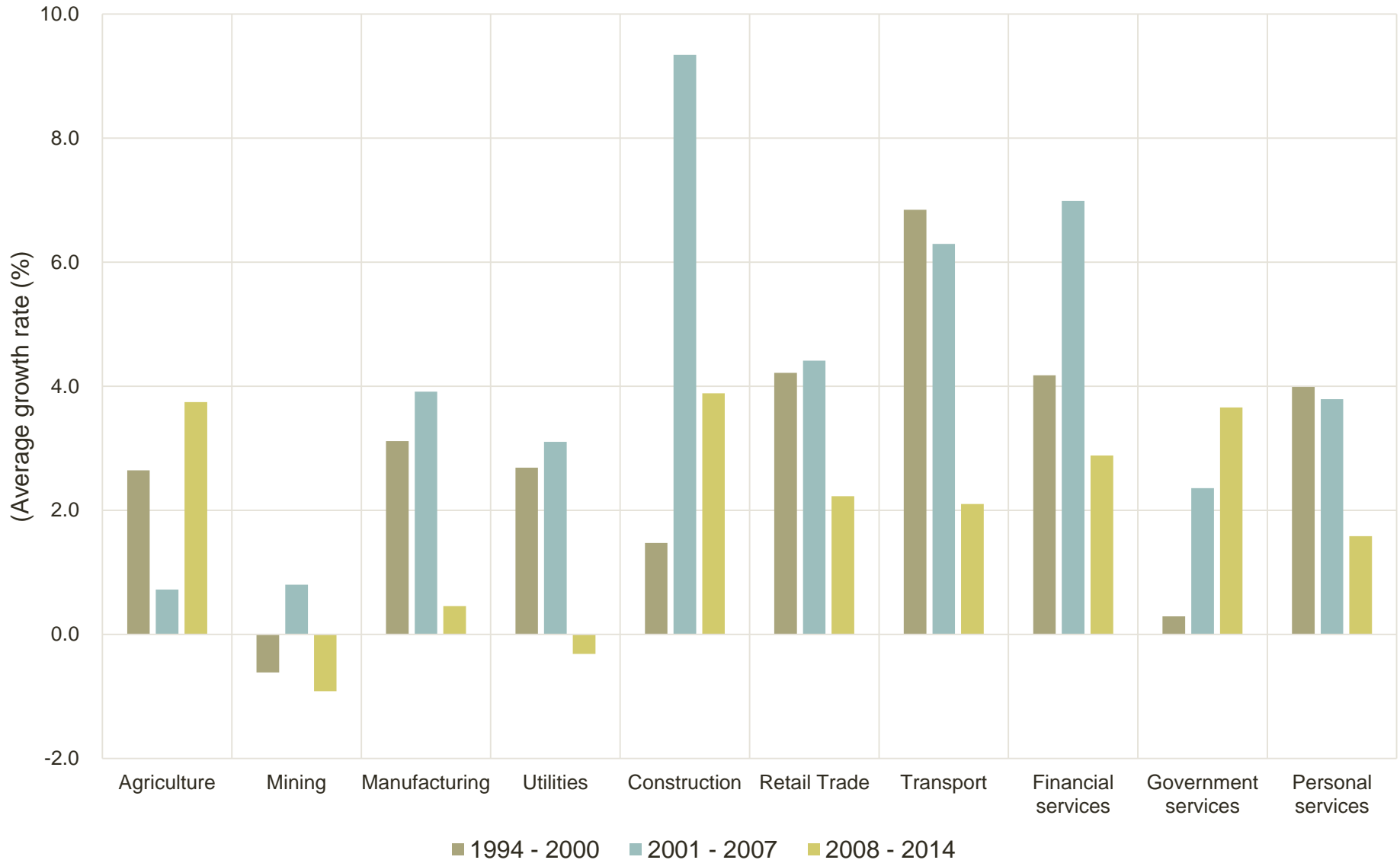
Sectoral Contribution to GDP, 2014



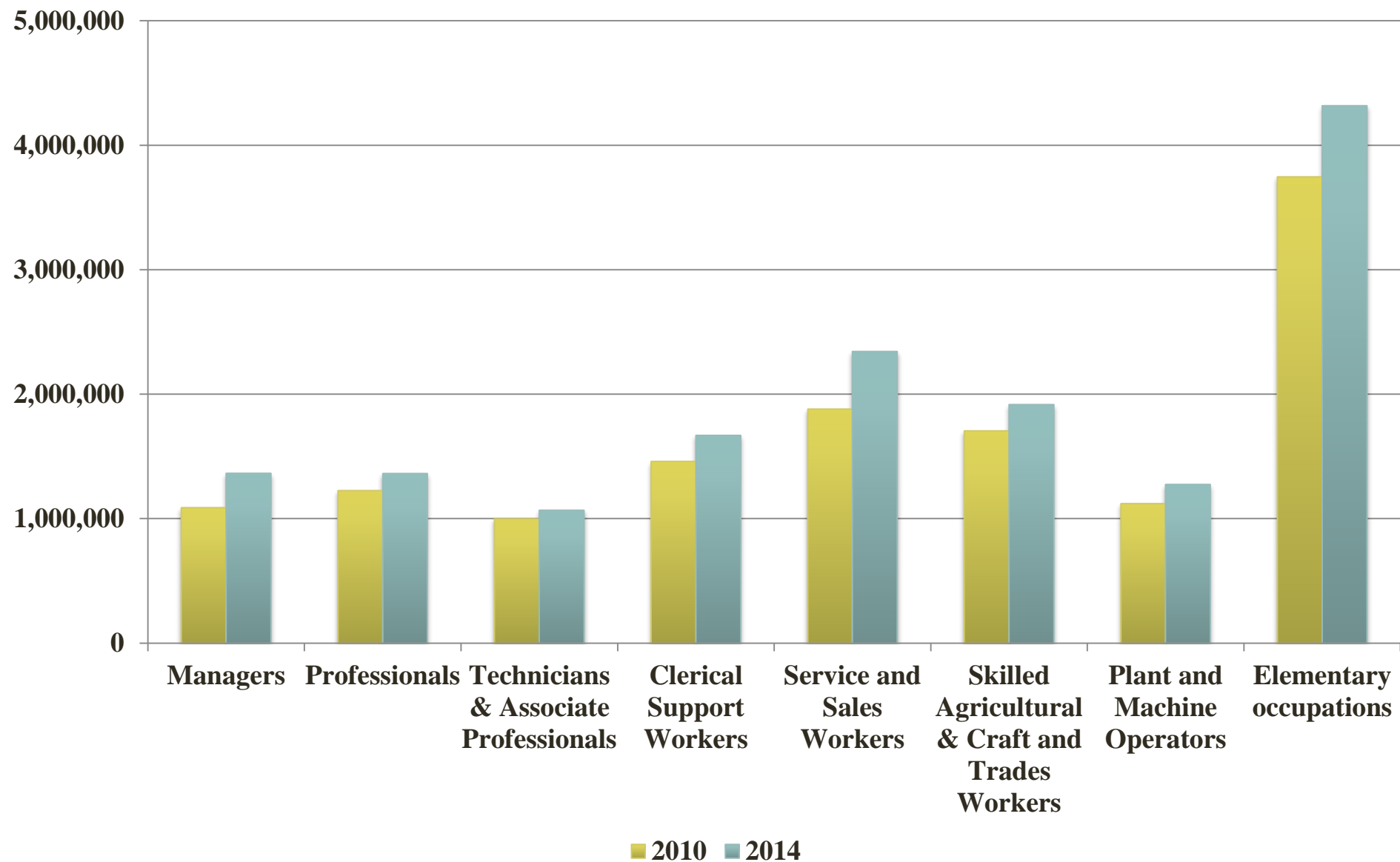
Employment (%) by sector, 2014

Wholesale and Retail	22
Community & Personal Services	21
Manufacturing	13
Financial	13
Private Households	9
Construction	8
Transport	6
Agriculture	5
Mining & Quarrying	2
Utilities	1

Trends in sectoral GDP growth rates, 1994–2014



Occupational structure of labour market



Finding 2: THE ECONOMY AND DEMAND FOR SKILL

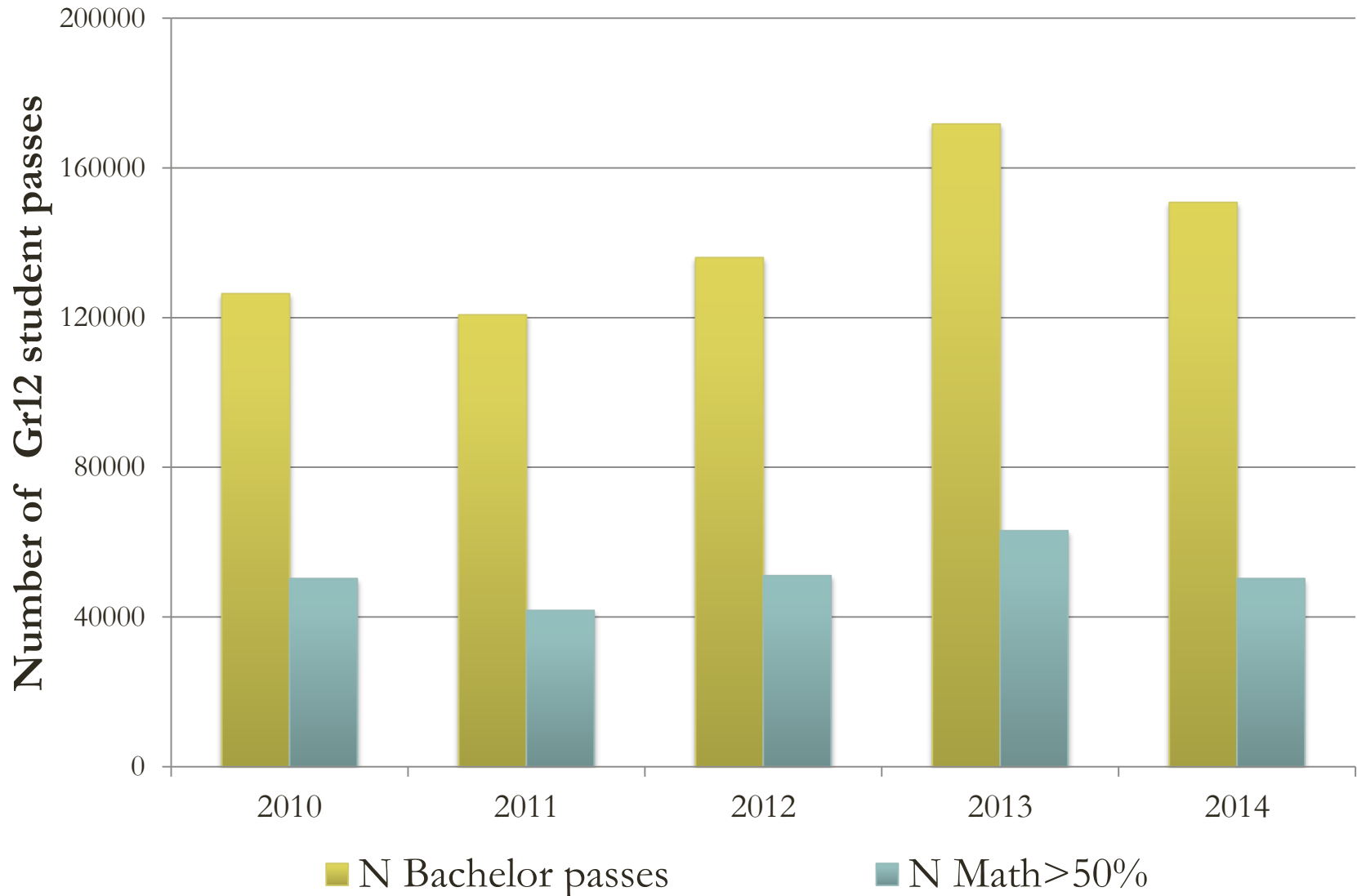


- The South African economy experiences low growth rates, leading to poor employment growth.
- Employment growth is not sufficient for the large numbers of youth coming to the labour market for the first time.
- Sectors where people work and the types of jobs are changing: absence of low-wage jobs in the manufacturing sector, structural shift towards a service economy and high dependence on high-skilled financial services.
- The sector experiencing significant employment growth is the state sector and this is not sustainable.

- There is a structural mismatch between labour demand and supply, in that the economy and labour market shows a demand for high skilled workers, but there is a surplus of low-skilled workers.
- The economy must respond to the twin challenge of participating in a globally competitive environment which requires a high skills base and a local context that creates low-wage jobs to absorb the large numbers who are unemployed or in vulnerable jobs.
- The economy must create more labour-intensive forms of growth to absorb the growing levels of people, particularly young people, as first time labour market entrants.

Skills Supply from Schools, Universities and TVET Colleges

Key constraint for PSET is quantity and quality of competences from Schooling



Skills Supply: Enrolments at Public Universities and TVET colleges: 2010-2014

	UNIVERSITY	TVET COLLEGES
2010	892 936	350 000
2011	938 201	400 000
2012	953 373	657 690
2013	983 698	639 618
2014	969 154	702 383

60% of the TVET qualifications are at NQF level 4 i.e. matric equivalent

UNIVERSITY ENROLLMENTS AND GRADUATIONS, BY FIELD, 2014



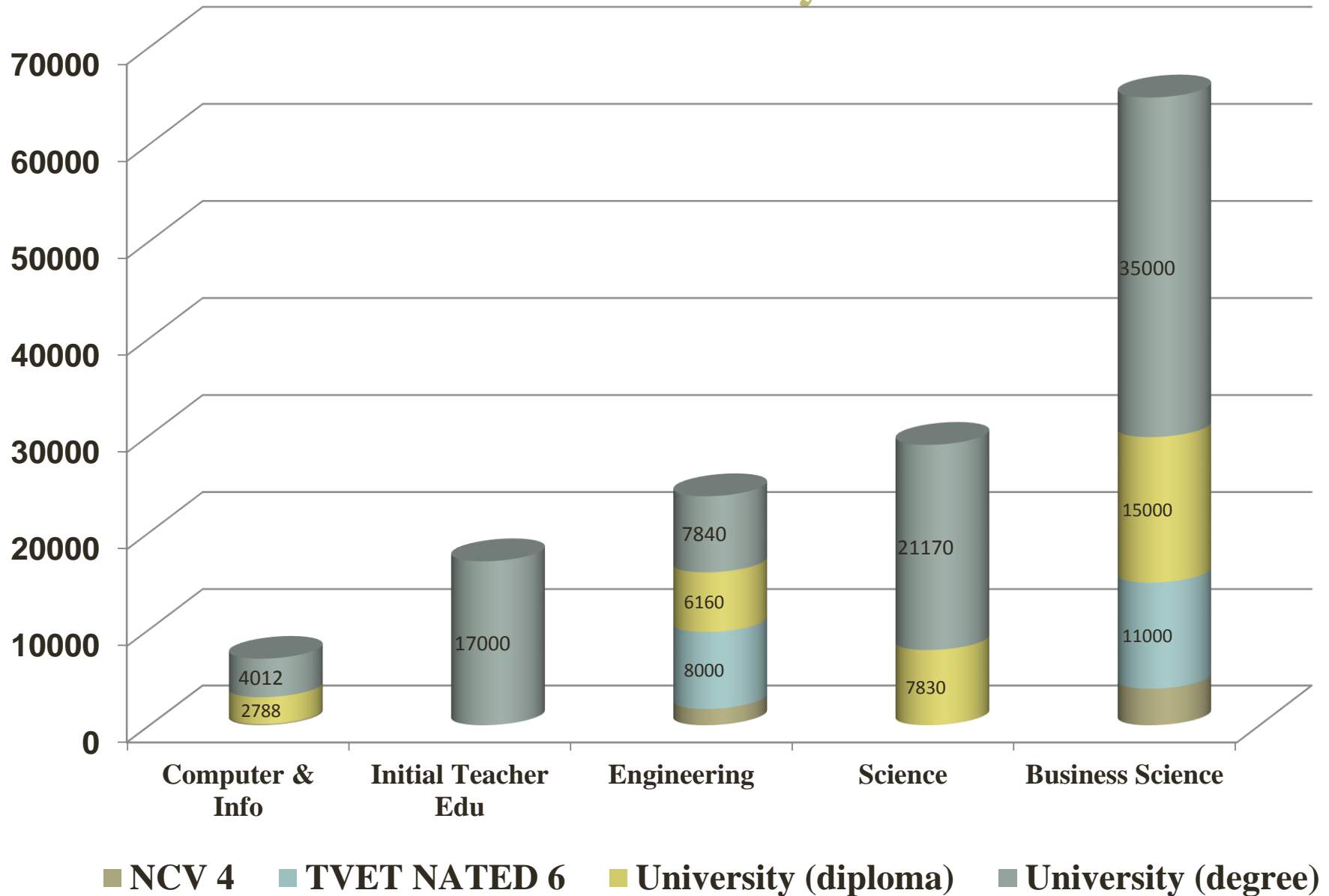
	Numbers		Shares	
	Enrolment	Graduation	Enrolment	Graduation
Business, Economics & Management Study	272 409	50 381	28.1	27.2
Science, Engineering & Technology	287 221	55 574	29.6	30.0
Science	158 742	28 931	16.3	15.6
Engineering	82 433	14 077	8.5	7.6
Health & Related Clinical	56 074	12 567	5.8	6.8
HUMANITIES	409 525	79 420	42.3	42.8
Performing Arts	13 573	3 098	1.4	1.7
Education	166 099	37 076	17.1	20.0
Other Humanity & Social Sciences	229 853	39 247	23.7	21.2

TVET Colleges Enrolments and Graduations, 2014



	Number Enrolled	Number Completed	% Completed
National Curriculum Vocational(4) Programme			
Engineering	7 559	1 628	21.5
Services	4 107	1 953	48
Business	9 799	3 824	39
NATED 6 Programme			
Engineering	15 928	7 925	49.8
Services	4 628	2 367	57
Business	36 053	13 886	39

Universities and TVET colleges: skills for the economy



Finding 3: EDUCATION AND SKILL SUPPLY

- The constraint for the post school education and training system and the labour market is the inadequate quality of basic education.
- Since 2010, the TVET sector has been expanding at an average rate of 23% per annum and the university sector at an average rate of 2.1% per annum.
- Completion rates at both universities and TVET colleges are low. In 2014 there were 185 000 completers from the university sector, 21 000 NCV4 and 57 000 NATED6 programme completers from the TVET sector.
- Access to schools, universities and TVET colleges has improved but quality, progression and completions remains elusive.

Where does the education go?
Link between the tertiary education and
labour market destination, 2014

Education-Job Match: Industrial Sectors

Industry sector	1.2 million degrees	1.8 million Post-grade 12 cert & diploma
Community, social services	50	43
Financial	25	18
Manufacturing	8	10
Wholesale and Retail	6	13
Transport	4	6
Construction	3	5
Mining and quarrying	2	3
Agriculture, forestry and fishing	1	1
Electricity, gas and water supply	1	2

Education-Job Mismatch : Occupations

	1.2 million degrees	1.8 million Post-grade 12 cert & diploma
Managers and senior officials	25	16
Professionals	51	23
Technicians & Associate Professionals	11	17
Clerical Support Workers	7	18
Service and Sales Workers	3	11
Skilled Agricultural, Craft and Trades Workers	1	8

Sectors Engineering qualifications work?

	118 700 degrees	382 700 Post gr 12 Cert & Diploma
Financial	31	19
Manufacturing	23	18
Construction	15	13
Community, social, personal services	8	14
Transport	7	9
Wholesale and Retail	6	10
Mining and quarrying	5	9
Electricity; gas and water supply	4	5
Agriculture; forestry and fishing	0	1

Finding 4: TERTIARY EDUCATION TO LABOUR MARKET



- Half of the Higher Education graduates are employed in the community, social and personal services sector, which is dominated by the public sector.
- A high proportion of the SET graduates, from both higher and TVET sectors, prefer to work in the financial services sector, as opposed to the manufacturing sector.
- These positions offer graduates good conditions of service. Unfortunately this is distorting the labour market and not attracting graduates to the private sector.
- SET qualifications are versatile and graduates will work in different fields. The implication for skills planning is that we need a high number of SET graduates than needed by the SET occupations.

Occupations in High Demand



- DHET has prepared 2 OIHD lists (2014 & 2015) and Department of Home Affairs list of Critical Skills (2014).
- Purpose of OIHD list is to support the planning processes of the DHET wrt enrolment planning, resource allocations, career advice and qualifications
- Over 250 profession and 38 manager categories list as OIHD.
- DHET is revising its methodology for the OIHD.

What kind of Skills Policy we need?



- 1. Economic growth and development:** The economy must respond to the twin challenges of participating in a globally competitive environment which requires high skills and a local context requiring low wage jobs.
- 2. Improve all levels of education and skills:** improved basic education, increase STEM graduates and technicians, focus on unemployed youth with less than grade 12 certificate.
- 3. Improved match between field of study and labour market destination:** 50% of graduates work in the public sector. Private sector needs to look at its human resource strategy to attract skilled graduates.