# MACROECONOMIC AND SECTOR ANALYSIS

## REPORT: SOUTH AFRICA

The African Union Development Agency (AUDA-NEPAD) through the Skills Initiative for Africa (SIFA) commissioned a study to prioritise three economic sectors in South Africa which, based on forecasts, and controlling for the impact of COVID-19, would lay the groundwork for targeted activities aimed at improving skills in the country. In order to do this, a mixed methods (quantitative and qualitative) analysis was undertaken to understand labour demand and labour supply in the country. These findings were then verified and discussed by professional representatives in the skills planning space from South Africa, who assisted in the completion of a widely validated report.

Labour Demand is defined as **the amount of labour that employers need to hire in a given time period**
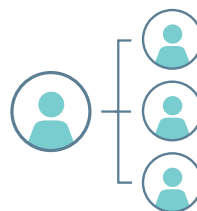
Labour Supply is defined as **the amount of labour that households can provide employers in a given time period**

In most cases, it is not possible to measure labour demand and labour supply directly. Because of this, an analysis of labour supply and demand has to rely on a deep understanding of all relevant quantitative and qualitative evidence at one's disposal.

## Labour Demand in South Africa

Quantitative evidence, and evidence based in the literature, were used to rank economic sub-sectors in South Africa based on whether those sub-sectors were expected to demand more labourers in the next 3-5 years. The following signals (indirect measures) were used to assess labour demand in each sub-sector:



The sub-sector is gender equitable as an employer

The sub-sector is identified as being a strategic priority for the government

The sub-sector shows evidence of relatively strong GDP growth and employment growth/employment absorption

The sub-sector is going to be impacted by COVID-19

The sub-sector contributes largely to national GDP and employment

These factors were combined together into an index using Principal Components Analysis. This index measures labour demand between now until 2024 in South Africa at a sub-sectoral level. **If GDP growth was not forecast to be the highest for a given sub-sector, it might still rank in the top 3 sub-sectors due to that sector exhibiting other signals. The evidence is all reviewed simultaneously, and not in isolation.**
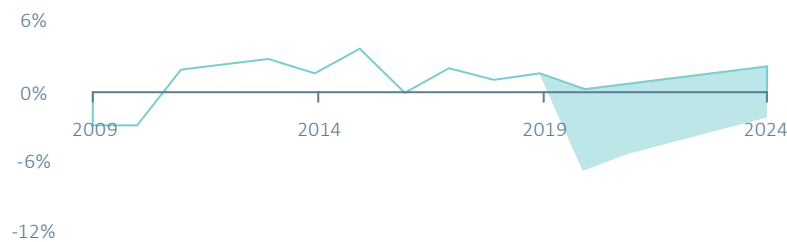
At a national level, COVID-19 is expected to have a large impact on the South African economy:

## Real GDP Growth (National)
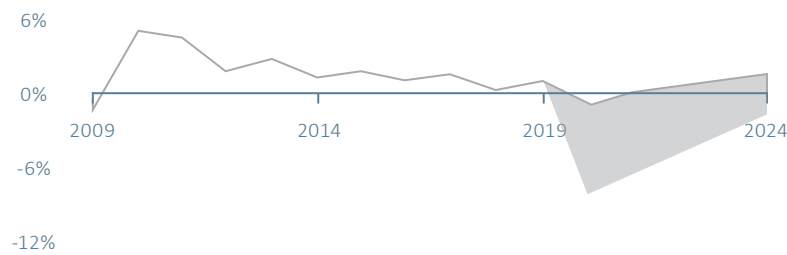
A slowdown in real GDP by 8% is expected to cost the South African economy up to 1.2 million jobs in the worst case forecast scenario.
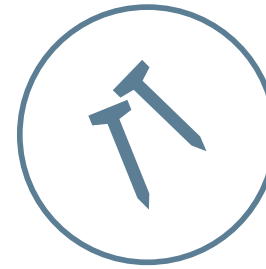
## Employment Growth Rate (National)

Based on this index ranking system, the three sectors exhibiting the strongest signals of labour demand are:

Manufacturing

Wholesale and Retail

Finance and Insurance Activities

These sub-sectors all contribute greatly to the South African economy, whilst also being strategic priority sub-sectors to the government.

# South Africa Labour Supply Analysis

National unemployment is hovering around the 29% mark as of 2019 (and is forecast to increase due to COVID-19). Youth unemployment for males and females respectively is approximately double that (at 53-62%).

54.9%

61.7%

46.3%

53.2%

25.1%

28.5%
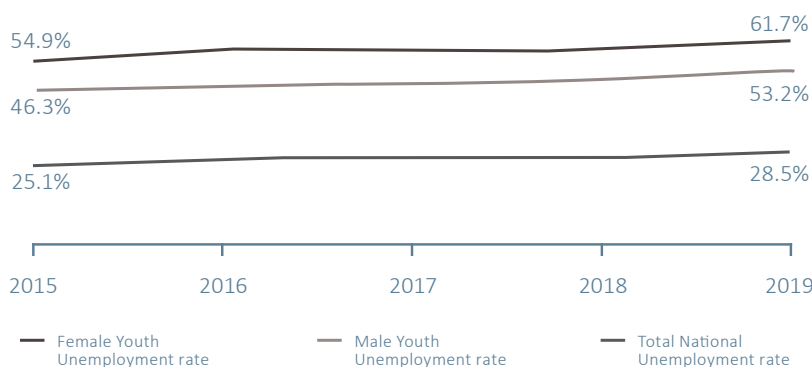
This signals that the economy, which has employed approximately 17 million people, is struggling to absorb its female and male youth into the labour force more so than it absorbs older generations
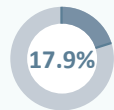
2015    2016    2017    2018    2019

—— Female Youth Unemployment rate    —— Male Youth Unemployment rate    —— Total National Unemployment rate

**18%**
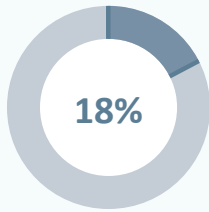
Estimate of the proportion of South Africans employed in the informal sector

**2.9m**

This translates to the informal sector employing as many as 2.9 million South Africans
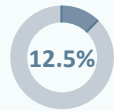
**12.5%** of females are self-employed

**17.9%** of males are self-employed

Informal employment levels in South Africa are extremely low in absolute terms, and in comparison to other African countries. The proportion of workers self-employed is low in South Africa as well. This is an indication that:
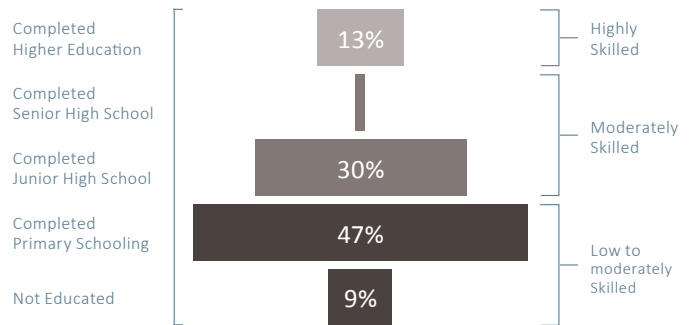
1. Job security is relatively high in the country in comparison to the rest of Africa, and
2. Female self-employment tends to be at lower levels than male self-employment, signaling a move towards more contract-based employment for females than males.

In South Africa, as of Q1 of 2020, our estimates suggest 20% of the population had not completed any form of education or were not categorised. Roughly 44% of the working population is moderately to highly skilled, with the remaining 56% possessing lower skills bases.
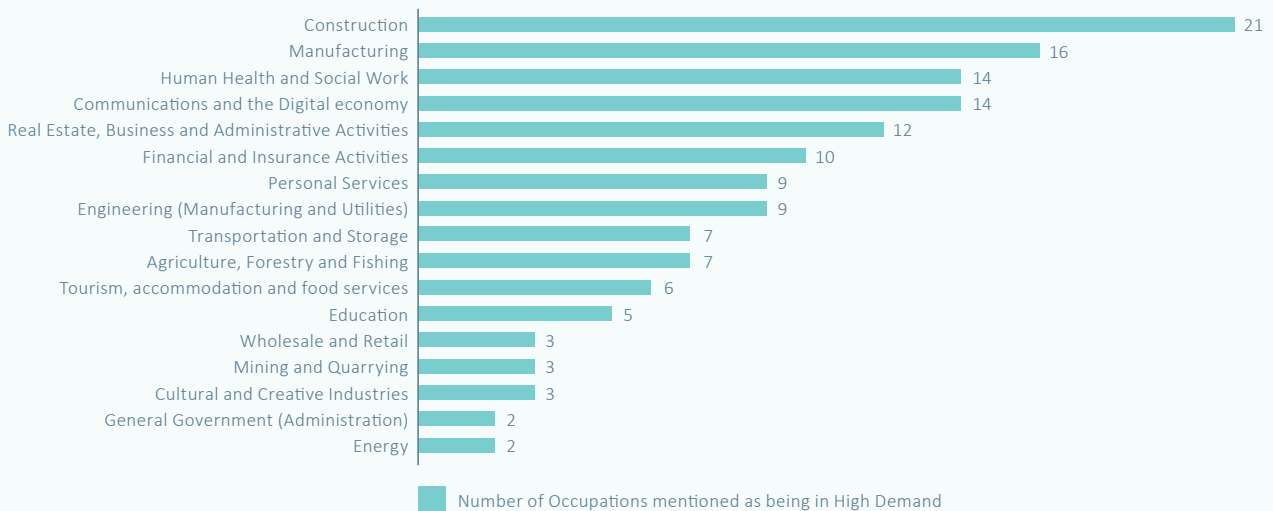
Our own estimates suggest that most South Africans tend to be low to moderately skilled, with 56% of the population having primary schooling or less. However, TVET graduates (1% of the population) is the category most underemployed in the country. According to some estimates, the number of South Africans who had completed some form of TVET qualification by 2020 is:

# 400 000

This suggests a relatively small but highly technically skilled labour force which is potentially not being utilised to its full potential.

| | | |
|---|---|---|
| Completed Higher Education | 13% | Highly Skilled |
| Completed Senior High School | | Moderately Skilled |
| Completed Junior High School | 30% | |
| Completed Primary Schooling | 47% | Low to moderately Skilled |
| Not Educated | 9% | |

Out of the countries in Africa, South Africa's labour market information systems are likely some of the most advanced. Bi-annually, the Department of Higher Education and Training produces a list of Occupations in High Demand (OIHD). This list signals which occupations are in shortage or in extremely high demand within the country. Although the 2020 publication is yet to launch, the 2018 OIHD provides insights into the occupations (and the sectors within which those occupations fall) which are experiencing a mismatch between demand and supply. The proportion of occupations appearing on the 2018 OIHD are broken down by sector below:

| Sector | Number of Occupations mentioned as being in High Demand |
|---|---|
| Construction | 21 |
| Manufacturing | 16 |
| Human Health and Social Work | 14 |
| Communications and the Digital economy | 14 |
| Real Estate, Business and Administrative Activities | 12 |
| Financial and Insurance Activities | 10 |
| Personal Services | 9 |
| Engineering (Manufacturing and Utilities) | 9 |
| Transportation and Storage | 7 |
| Agriculture, Forestry and Fishing | 7 |
| Tourism, accommodation and food services | 6 |
| Education | 5 |
| Wholesale and Retail | 3 |
| Mining and Quarrying | 3 |
| Cultural and Creative Industries | 3 |
| General Government (Administration) | 2 |
| Energy | 2 |

Number of Occupations mentioned as being in High Demand

**This translates into the following occupations, for which it is possible to receive training in the TVET space, being in high demand (i.e., undersupply) in the country as of 2018:**

- Draughtspersons
- Interior designers & decorators
- Electrical mechanics & fitters
- Carpenters & joiners

- Agricultural & forestry production
- Agricultural technicians
- Field crop & vegetable growers

- Environmental & occupational health inspectors and associates
- Heavy truck and lorry drivers
- Transport clerks

- Chefs
- Hotel managers
- Travel attendants & travel stewards

- Medical & pathology laboratory technicians
- Social work & counselling professionals
- Home-based personal care workers

- Early childhood educators
- Primary school or foundational phase teachers
- Secondary or intermediate & senior education teachers

- Software & applications developers
- Information & communications technicians
- Computer network & systems technicians

- Power production plant operators
- Electronics engineering technicians

- Conference & event planners
- Payroll clerks
- Typists & word processing operators

- Shotfirers & blasters
- Mining & metallugical technicians

- Physical & engineering science technicians
- Mechanical engineering technicians
- Electrical engineering technicians

- Graphic and multimedia designers
- Visual arts

- Upholsterers & related workers
- Shoemaking & related machine operators
- Weaving & knitting machine operators
- Cement, stone & other mineral products machine operators
- Garment & related patternmakers & cutters
- Glass makers, cutters, grinders & finishers
- Jewellery & precious metal workers
- Sheet metal workers

- Finance managers
- Trade brokers
- Insurance representatives
- Financial analysts
- Financial & investment advisors
- Business services & administration
- Human resource managers

- Buyers
- Retail & wholesale trade managers
- Sales & marketing managers

# Validation discussion points

The validation workshop conducted in August of 2020 revealed extremely valuable insight regarding the South Africa economy:

·   Stakeholders agreed with the sub-sector selection.

·   The stakeholders further requested more information on the labour supply within the country, which has been provided.

·   Finally, a question was raised regarding the position of "construction" as a key industry in the economy. Because infrastructure funds have increasingly been used in combatting debt service costs within the country, large construction projects in the country have been hampered, weakening signals that labour demand could emanate from the construction sector. However, in light of new data from the Medium Term Budget Policy Statement (MTBPS), construction might be able to also create new jobs post-COVID.

# Conclusions and recommendations

**Based on the discussions and a balanced view of quantitative and qualitative evidence, the three sectors that the country should focus on are indeed the:**

**1. Manufacturing sub-sector,**

**2. Wholesale and Retail sub-sector, and**

**3. Finance and Insurance Activities sub-sector**
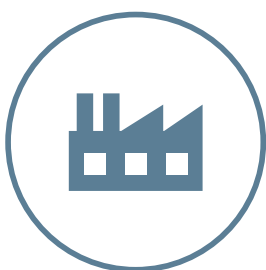
·   The manufacturing skills base is strong at the upper end of the skills base, but more focus needs to be placed on training individuals in machine operation capabilities.
    ·   This is specifically true for Clothing, Textile, Fabric and Leather (CTFL) goods manufacturing, as well as metal work.
    ·   There is also opportunity in the jewellery and previous metal space for training, according to the 2018 OIHD.
·   In order to adequately train for these positions, learnership pathways between TVETs and private entities who have the latest machinery should be considered. The first step in this process would be to identify organisations who focus on any of the occupations exhibiting an undersupply in the economy.

·   No dire skills gaps have been identified in the Wholesale sector, apart from a lack of individuals trained in wholesale and retail operations at a managerial level.
·   However opportunities exist in the sector relating to complementary services to the wholesale and retail trade sector, specifically in relation to e-commerce, wholesale and retail application development and logistics management.

·   Often the misconception is that occupations in the finance and insurance sector are related to studies at universities only.
·   However, TVET qualifications in the insurance, human resources, business and administrative services all provide an inroad for young graduates in South Africa.
    ·   Some of these qualifications require accreditation with an industry body. This could also assist in improving the perceived value of the TVET qualification from an employer's perspective because the qualification is vetted by an external body.

Supported by

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

ETF Working together Learning for life
European Training Foundation

International Labour Organization