

Policy commentary: The South African labour market

9 March 2004

Introduction

The Department of Labour has tabled a policy document on the 'State of Skills in South Africa' at Nedlac for consideration by the social partners. The document is the work of the Skills Development Planning Unit (SDPU) which is located in the Department, and whose brief it is to research and analyse the South African labour market to determine the skills development needs for the economy. The document is divided into seven distinct sections. The focus of this Policy Commentary will be a review of the key features identified by the SDPU of the South African labour market. Further Commentaries will focus on the demand for skills in South Africa, and on the skills base in South Africa with special reference to education's role in skills development.

Background

According to the SDPU, three important points emerge as markers in the debate around skills development in South Africa, namely

- the economy continues to experience a shortage of skills in key economic sectors;
- there is no quick fix solution to the skills problems that have developed over a substantial period of time;
- the availability of skills is an increasingly important factor affecting the level of investment.

In order to address some of the challenges surrounding skills development in South Africa, government has committed itself to undertake short-term measures to address immediate shortages, and longer-term solutions to address structural imbalances in the labour market. The SDPU identifies the following as key decisions taken by government in this regard:

- facilitating the placement of new entrants to the labour market through learnerships and internships;
- facilitating the recruitment of skilled foreign workers in areas of critical skills shortages, while ensuring the concurrent development of South Africans in those fields;
- providing career guidance, and counselling to school leavers to assist them to pursue further studies in fields that are relevant to the needs of the economy; and
- fast-tracking the implementation of the Human Resource Development Strategy by all government departments.

From manpower planning to labour market analysis

The SDPU notes that the relationship between investment in skills and economic growth has been central to development theory and practice for at least half a century. Underlying these enquiries was an assumption that a causal relationship exists between investments in education, training and economic growth. The SDPU, however, argues that labour markets are more complicated and unpredictable than the original hypothesis suggests. That hypothesis rested on the twin assumptions of a fixed relationship between labour and the quantity of goods produced, as well as between labour productivity and education or skill levels.

In reality the relationship between labour and the quantity of goods produced, it is suggested, is more dynamic, affected by changes in technology, by innovation and new forms of work organisation.

The shift to labour market analysis (LMA) supposedly offers a more comprehensive overview of the state of the labour market than that afforded by manpower planning. According to the SDPU, this approach 'reads off' signals about economic and labour market trends, rather than by simply extracting data from econometric or statistical models.

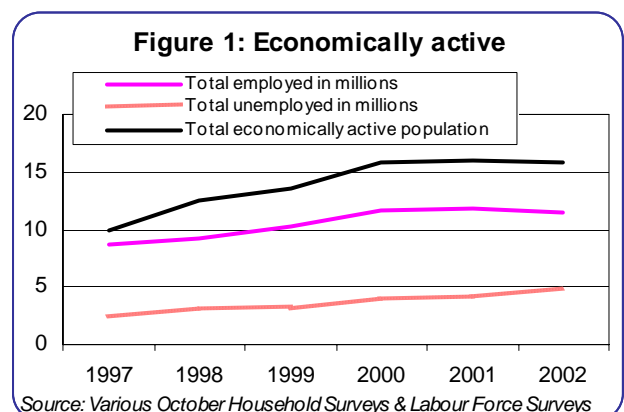
Some of the labour market and economic indicators that have most relevance to skills development are:

- employment and changes to employment (usually analysed by occupation and sector and geographic region);
- educational levels of the labour force (usually analysed over a longer time period);
- wage trends as an indication of demand for skills; and
- contributions to gross domestic product of economic sectors (as an indication of the volume of economic activity that could have implications for employment and skill needs).

The SDPU rationale for this approach is that, in the past, the manpower planner guided public sector expenditure on training, but in a market economy the planner should focus on providing the information required to guide local level decisions on skills development (i.e. with regard to skills that are in high demand and with regard to training or re-training decisions by local level actors).

Key Features of the South African Labour Market

The Department of Labour argues that the past five years have seen growth in the size of the country's **economically active population** – from 10 million in 1997 to 15.9 million in 2002. This represents a growth rate of over 50%. During the same period the number of employed persons has increased, from 8.7 million to 11.4 million. The most striking feature over this period has been the increase in the number of unemployed – from 2.5 million in 1997 to 4.8 million in 2002 (see Figure 1).



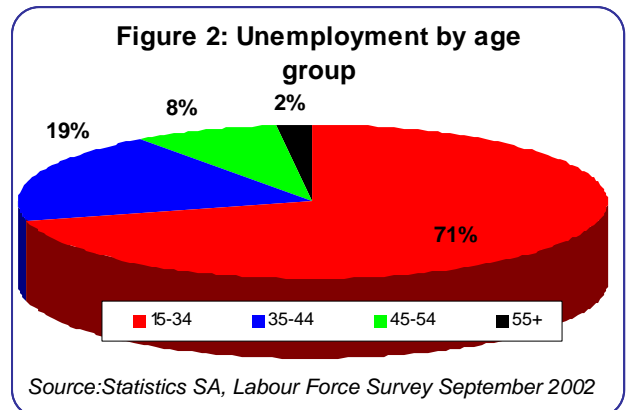
The **unemployed** represent an important target group for the National Skills Development Strategy. Figures on the characteristics of the unemployed by educational level and population group are shown in Table 1. Africans are nearly seven times more likely to be unemployed than any other population group. Africans also constitute the largest number of those who have less than a Grade 12 or matric qualification, with African women exceeding men slightly in this category. But there are over 1 million persons who are unemployed and who do have a Grade 12/matric or equivalent qualification. This, as the SPDU points out, represents an under-utilised human potential and is likely to be associated with high social costs that go with this exclusion.

Youth unemployment continues to be a striking feature of the South African labour market. Those in the 15 to 34 year age group make up the vast majority of the unemployed (Figure 2). Moreover, most unemployed youth are African, with over 3 million in the 15 to 34 year age group compared to 411,000 for White, Indian and Coloured youth.

The **employed** are an equally important target group for skills development. The SDPU has identified the Sector Education and Training Authorities (SETAs) as being important in this regard. But given the range of problems which currently plague the majority of SETAs this may be, for the time being, a somewhat forlorn hope.

Of the 11.03 million workers employed in the South African economy:

- 6.7% had no educational qualifications;
- 51.9% had an educational attainment below Grade 12/matric;
- 25.1% had a Grade 12/ matric; and
- The remaining 15.2% achieved a qualification level above Grade 12/matric.



If these figures are examined by gender, they reveal that qualification differences between men and women are small (see Table 2):

- 7% of employed women have no qualifications, compared to a figure of 6% for men.
- Employed men with Grade 12/matric make up 26% of the total employed men, compared with 24% for women.
- There are slightly more women in employment with qualification higher than a Grade 12/matric, a 17% share, compared to 14% for men.

When examined by population group:

- 9% of employed Africans have no qualification compared with 1% of Whites, Indians and Coloureds
- 29% of African workers have achieved a Grade 12/matric level qualification or higher compared with 64% for White, Indian and Coloured workers.

Table 1: Educational profile of the unemployed by population group and gender (000s)

	African			Other			Total	Total	Total
	Male	Female	Total	Male	Female	Total	Male	Female	
Total*	1,965	2,248	4,213	294	329	623	2,259	2,577	4,836
None	80	88	168	-	-	-	83	94	77
< Grade 12/matric	1,312	1,417	2,729	165	177	342	1,490	1,618	3,108
Grade 12/matric or equivalent	494	608	1,102	93	104	197	591	715	1,306
> Grade 12/matric	70	122	192	-	-	-	81	136	217

* Figures may not add up to Total due to rounding and other statistical manipulations
Source: Labour Force Survey, September 2002

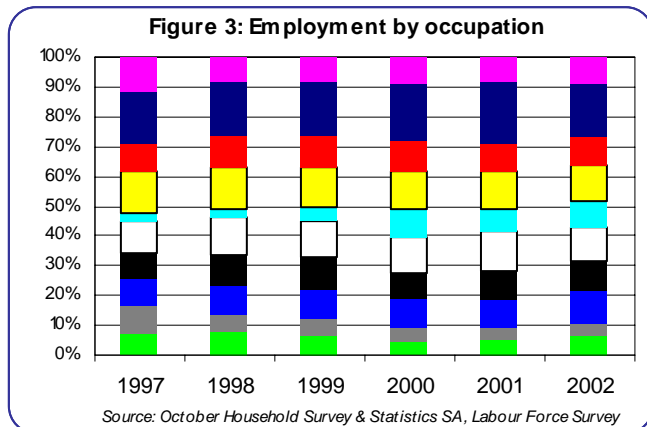
Table 2: Educational qualifications of the workforce by population group and gender (000s)

	African			Other			Total	Total	Total
	Male	Female	Total	Male	Female	Total	Male	Female	
Total*	4,028	3,208	7,236	2,156	1,632	3,788	6,184	4,840	11,024
None	343	337	680	41	20	61	384	357	741
< Grade 12/matric	2,521	1,932	4,453	745	528	1,273	3,266	2,460	5,726
Grade 12/matric or equivalent	785	512	1,297	808	657	1,465	1,593	1,169	2,762
> Grade 12/matric	326	404	730	539	412	951	865	816	1,681

The linking of skills development to equity considerations in the workplace remains, as the SDPU points out, a significant challenge to policy makers.

While the number of Africans with Grade 12/matric and higher qualifications grew between 1997 and 2002, the situation is still chronic (see Table 3).

Using occupations as a proxy for measuring the demand for skills, change in **employment by occupation**, is also an important labour market indicator (Figure 3).



Source: October Household Survey & Statistics SA, Labour Force Survey

- Domestic workers
- Elementary occupation
- Plant and machine operators and assemblers
- Craft and related trades workers
- Skilled agricultural and fishery workers
- Service workers & shop/market workers
- Clerks
- Technical and associate professionals
- Professionals
- Legislators, senior officials and managers

What is clear is that there has been a significant shift in

Table 3: Changes in the qualification of the workforce by population group (000s)

	None		Less than Matric		Matric		Post Matric	
	African	Other	African	Other	African	Other	African	Other
1997	642	66	3310	1195	880	1121	536	828
1998	762	66	3683	1127	887	1251	578	952
1999	667	75	4105	1299	1061	1274	667	1008
2000	803	55	5172	1288	1184	1052	729	1233
2001	801	52	5120	1240	1260	1240	763	2394
2002	680	61	4394	1194	1250	1368	837	2493

Source: Statistics SA, various October Household Surveys and Labour Force Surveys

Table 4: Equity profile of the labour force

	African	Coloured	Indian	White	Female	Male	Disabled ¹
Total	60%	13%	4%	23%	36%	64%	0.9%
Top Management	8%	13%	4%	75%	12%	88%	n.a.
Senior Management	10%	5%	5%	80%	18%	82%	n.a.
Professionally qualified	40%	6%	4%	50%	38%	62%	n.a.
Skilled technical, junior management & supervisor	38%	13%	8%	41%	46%	54%	1%
Semi-skilled and discretionary decision-making	62%	15%	5%	18%	36%	64%	0.7%

Source: Department of Labour, Employment Equity Report 2002

occupational patterns. This is most strikingly seen in the growth in employment in middle level occupations, such as Technical and Associate Professionals, Clerical workers and Craft workers. The apparent decline in the number of professionals employed between 1997 and 2001 is also striking, and may be a function of emigration and/or retirement. (The SDPU also suggests that the decline may be due to survey or statistical changes or errors. This seems implausible – at any rate the trend is clearly established, and is a cause for great concern).

Table 4 shows the equity profile of the workforce, based on submissions of Employment Equity Reports by 1 782 employers with more than 150 workers. Africans remain significantly underrepresented in the senior management positions in the economy and also in the category of Technician and Associate Professional

Key Features of the SA Labour Market

The SDPU identifies the following indicators as key features of the South African labour market:

- Unemployment remains as the key challenge for transformation of the South African labour market. Providing training, especially to African unemployed youth could enhance their prospects of accessing the labour market.
- The proportion of African workers with relatively low educational levels (up to and including Grade 12/matric) remains large and should form a focal point in attempts to link skills development and equity.
- African workers remain underrepresented in certain high skill occupations and this should also form a focal point in linking skills and equity where training can assist chances for promotion and mobility in the workforce.
- Disabled workers, by and large, remain excluded from the South African labour market.

Standard Bank Economics Division research team

Iraj Abedian (PhD) – Director & Group Economist
 (+27-11-636-2910) Iraj.Abedian@standardbank.co.za

Africa research

Henry Flint (PhD)	+27-11-636-2875	Henry.Flint@standardbank.co.za
Jan Duvenage (BA, BCom (Hons))	+27-11-636-4557	Jan.Duvenage@standardbank.co.za
Isaac Matshego (BCom (Hons))	+27-11-636-7186	Isaac.Matshego@standardbank.co.za
Robert Bunyi (BA (Hons))	+27-11-631-1279	Robert.Bunyi@standardbank.co.za

Financial markets research

Monica Ambrosi (BA (Hons))	+27-11-636-5323	Monica.Ambrosi@standardbank.co.za
Shireen Darmalingam (BBusSc (Hons))	+27-11-636-2905	Shireen.Darmalingam@standardbank.co.za

Macroeconomic research

Johan Botha (DCom)	+27-11-636-2463	Johan.Botha2@standardbank.co.za
Elna Moolman (MA, MCom)	+27-11-631-2018	Elna.Moolman@standardbank.co.za

Public policy

Francis Antonie (MA, MBA)	+27-11-636-2909	Francis.Antonie@standardbank.co.za
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Kindly email Brenda.Landsberg@standardbank.co.za should you wish to be included on our research distribution list. Do visit our web site <http://ed.standardbank.co.za> to view our most recent research or to access our archives.

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