



Adapting to changing skill needs in South Africa

- ▶ High unemployment and relatively low educational attainment have created surpluses of manual and physical skills.
- ▶ Youth face high unemployment and inactivity, and are therefore at risk of skills depreciation.
- ▶ Low availability of qualified workers has resulted in shortages of cognitive skills. These shortages are, however, relatively small as demand for high-level skills is low.
- ▶ Many South African workers are employed in jobs that do not match their qualification level of field of study.

What is the current state of skill imbalances?

Persistently high unemployment rates and low participation rates in South Africa suggest that many skills are not being used, and are therefore at risk of depreciation and even obsolescence. Labour market outcomes are especially poor for youth, individuals from disadvantaged backgrounds and low-skilled individuals. Youth represent a large part of the working-age population in South Africa, but almost one in three is neither employed or in education or training. While educational attainment has been on the rise, many South Africans leave the education system before finishing upper secondary education, facing poor labour market prospects. Consequently, the labour market is characterised by surpluses of manual or physical skills (Figure 1).

As a result of the low availability of highly-educated workers in South Africa, some shortages of cognitive skills emerge. Nonetheless, these shortages are small compared to the cognitive skills shortages observed in European countries. The smaller shortages in South Africa can be explained by the relatively low demand for higher-level skills. This is reflected in the innovation performance of South Africa, which is significantly lower than in OECD countries. The biggest skills shortages are found for Education and Training knowledge, which is consistent with observed teacher shortages in specific subject fields and geographical areas.

South Africa also faces high skills mismatch

In addition to surpluses and shortages, South Africa also faces high qualification and field-of-study mismatch. Limited availability of qualified workers in the South African labour market has led to employers hiring underqualified workers. At the same time, the large pool of available unemployed

high-school graduates has implied that employers have been able to hire individuals with qualification levels above the one required by the job (i.e. upper secondary graduates for jobs that do not require a secondary degree), leading to large shares of over-qualification. At 52%, the degree of qualification mismatch in South Africa is higher than in any European country (Figure 2). In addition, more than 30% of workers have graduated from a different field than the one they are employed in. When combined with over-qualification, as is the case in South Africa, field-of-study mismatch can be costly for individuals and society, as it results in lower job satisfaction, lower wages, and lost investment in human capital.

OECD Skills for Jobs database

Demand for skills in the labour market is undergoing substantial change as a result of technological progress, globalisation and population ageing. Skill imbalances caused by rapidly changing demand for skills can result in poorer labour market outcomes for individuals, weaker firm performance and lower aggregate demand.

The OECD *Skills for Jobs* database is a new tool which can help policy makers to reduce these costs by providing timely information about skill shortages and surpluses, as well as qualification and field-of-study mismatch. The database is currently available for European countries and South Africa.

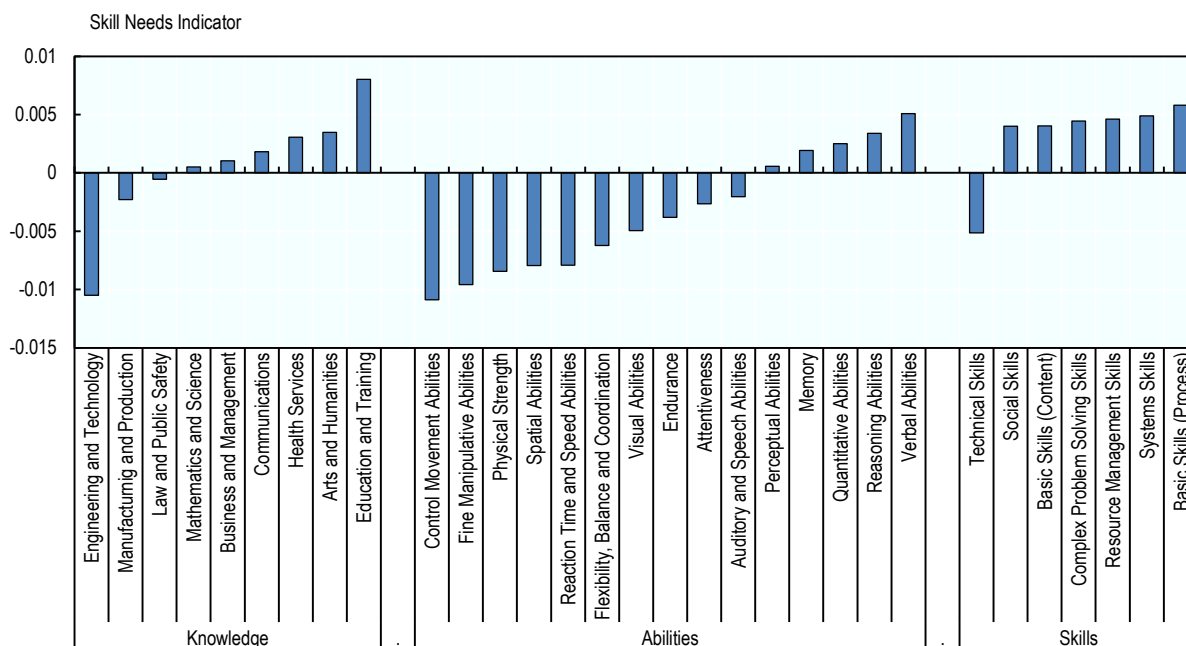
Policy initiatives have been put in place

Skills development plays an important role in multiple government plans and strategies. As a result, government and NGOs in South Africa have undertaken a number of actions to bring skill supply



Skill Shortages and Surplus, South Africa, 2014

Shortages are positive and surpluses are negative

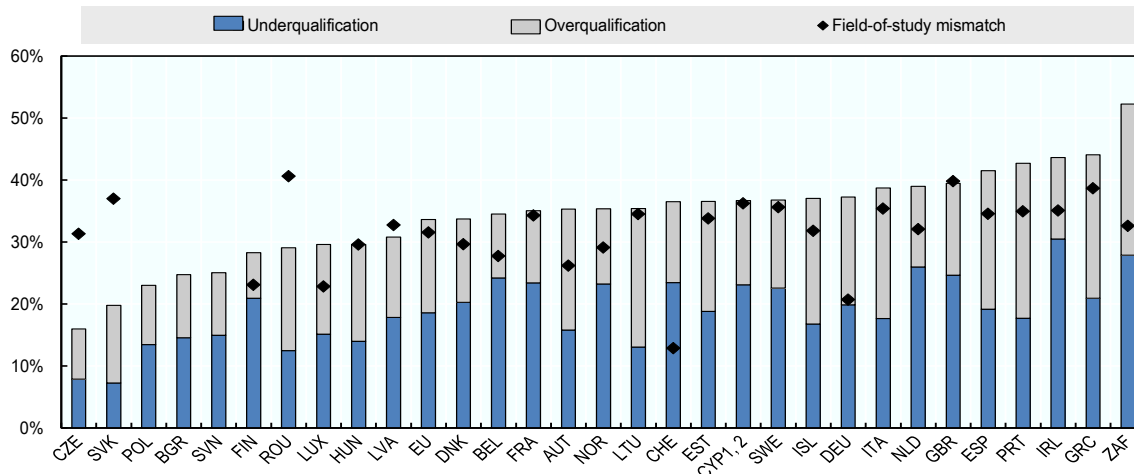


Source: OECD Skills for Jobs database. Note: most recent data available for South Africa.



Qualification and Field-of-Study Mismatch, Europe and South Africa, 2015

Share of employed, 15-64



Source: OECD Skills for Jobs database

Notes: German data refer to 2013. EU is the unweighted average of included European countries.

1. Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

in line with demand. In order to encourage individuals to invest in skills, the government has set up a loan and bursary system for post-school education and training, created a National Skills Fund to invest in specific skill development programmes and put in place alternative skills acquisition and recognition tools for individuals without formal qualifications. To better steer skills development, a career advice system has been developed that should provide students, the unemployed and workers with information on available education and training options and on whether these options will lead to employment in occupations that are in high demand. Employers are encouraged to provide workplace training through a skills development levy system and tax incentives for hiring learners. Job creation policies have also been put in place to provide work experience for the unemployed, with the aim to increase their overall employability. Finally, when the national education and training system is unable to supply the necessary skills to respond to demand, the influx of non-nationals with the required skills is facilitated through the introduction of a Critical Skills Visa.

But more could be done to improve skills development

Notwithstanding the efforts of the South African government and a range of private sector stakeholders to tackle skills imbalances, some challenges remain. The educational system could be further improved, in terms of developing both basic skills and technical skills, with a specific focus on historically-disadvantaged individuals. More training options are needed for the employed and the unemployed, and this training should be relevant for improving the employability and career progression of participants. Several governance aspects need to be addressed as well. A lack of coordination and cooperation between relevant stakeholders, such as government departments, training institutions and employers, hinders the development of effective skills policies and their implementation. The implementation of policies is often impeded by a lack of clear goals, a missing or underdeveloped monitoring and evaluation framework, and the instability of policy developments.

What can policy makers do?

- ▶ Better measure skill needs through simplified data collection and streamlined data analysis
- ▶ Provide tailored career advice to students early on, linking it to students' abilities
- ▶ Assure quality of education through regular school and class inspections
- ▶ Involve employers in every step of the vocational education value chain, in order to achieve a better alignment with workplace practices and local needs
- ▶ Stimulate training provision by employers by reducing the administrative burden for claiming back the skills development levy and by promoting existing tax incentives
- ▶ Promote the recognition of prior learning among employees and employers, as well as the unemployed
- ▶ Scale up the efforts for training of the unemployed, and make the Public Employment Service a one-stop-shop where they can obtain advice on and register for suitable training options
- ▶ Strengthen the role of Sector Education and Training Authorities to serve as intermediaries between employers and training providers

Further information

The full report can be read online:

OECD (2017, forthcoming), *Getting Skills Right: South Africa*, OECD Publishing, Paris.

For details on the methodology of the *Skills for Jobs database*:

OECD (2017), *Getting Skills Right: The OECD Skills for Jobs Indicators*, OECD Publishing, Paris.

The following report provides a comparative assessment of policies to address skill imbalances:

OECD (2017), *Getting Skills Right: Good Practice in Adapting to Changing Skill Needs – A Perspective on France, Italy, Spain, South Africa and the United Kingdom*, OECD Publishing, Paris.

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