Policy commentary: Demand for skills in South Africa

24 March 2004

Introduction

The Department of Labour's 'State of Skills in South Africa' now before Nedlac identifies three important developments that characterize the structural changes which have occurred in the South African economy, and which have important consequences for the demand for skills, namely:

- financial and business services have expanded significantly over the last five years;
- while manufacturing remains a major contributor to the national output, its share contribution has been declining; and
- mining as a sector shows moderate growth, which has nevertheless been associated with large-scale job losses as mining houses turn to technology (by becoming more capital intensive in their production) in order to improve profitability.

These structural changes in the economy have been widely reported and commented on for some time now. What the Department of Labour attempts to do is to understand the demand for skills within the context of these shifts.

Background

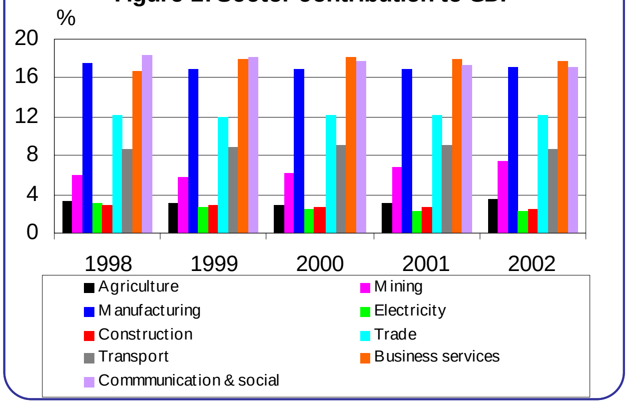
According to the Department of Labour, between 1990 and 1998, formal employment of semi-skilled and low skilled workers fell by 19% (or approximately 700,000 jobs), while employment of skilled and highly skilled workers rose by 12% (or 80,000 jobs). Across the various sectors a similar pattern in labour usage is evident: while demand for low and semi-skilled workers has declined, the demand for skilled and highly skilled workers has increased.

During this period, two important changes occurred in the economic environment namely a process of liberalisation of the economy, and the rapid uptake of technology in all sectors. Both of these developments favoured skilled labour.

Sectors and growth

After 1998, financial or business services (comprising financial intermediation, insurance, real estate, and business services) overtook manufacturing as the leading contributor to GDP, thus marking a shift in the economy towards a greater service orientation. While manufacturing's contribution fell from 19% to 17%, during the period 1998 to 2002, agriculture and the mining sector's contribution to GDP grew during the same period. (The latter having more to do with the devaluation of the Rand during this period, as the commodities in both sectors are traded on the world markets in dollar denominated terms). Other sectors have either remained relatively unchanged, or declined in their contribution to GDP over time as Figure 1 indicates.

Figure 1: Sector contribution to GDP

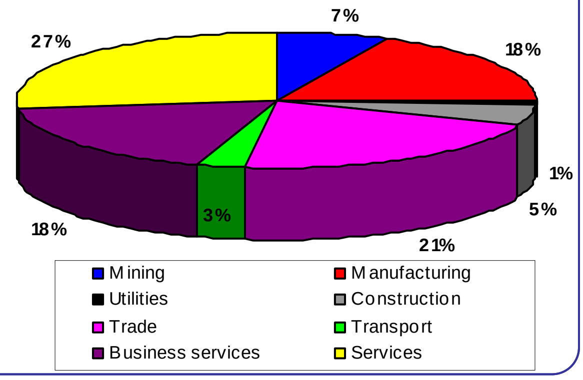


Source: Stats SA, various October Household surveys and Labour Force Surveys

Sectors and employment

Figure 2 represents the current profile of employees by industry - excluding agricultural employment figures (which are heavily influenced by seasonal factors).

Figure 2: Employees by industry



What, then, are the factors that create or at least facilitate the demand for skills? According to the Department of Labour, the demand is influenced by, but not limited to, the following factors:

- changes in the main economic sectors in which people are employed;
- employment trends by occupational group at the sector level;
- trends in the geographic location of employment of people in different sectors and occupations;
- the formal qualifications of workers, across sectors and occupations; and
- the types and levels of skills that are utilized by firms (e.g. basic, intermediate, specialist, managerial, etc.)

Commentary

A more dynamic picture of the changing sectoral share of employment, and hence the demand for skills, is provided in an unpublished monograph prepared for the Presidency's 10 Year Review by the UCT academic, Haroon Bhorat. He argues that in terms of absolute employment, between 1995 and 2002, all sectors witnessed an increase in employment with the exception of Mining & Quarrying (6% to 4%), Community Services (23% to 18%) and Post & Telecommunications (2% to 1%). (see Table 1).

He goes on to add that there were important shifts in the sectoral allocation of employment – Internal Trade (17% to 20%) and Finance, Real Estate & Business Services (6% to 9%). Bhorat makes the observation that differential output expansion at the sectoral level is one of the key reasons that aggregate economic growth will deliver uneven growth in employment.
The observation is an obvious but important one, insofar as it is important to seek a more nuanced approached to the problem of what has variously been described as 'jobless growth'. Employment growth will follow sectoral growth and will invariably be premised on a growing and deepening skills profile. A corollary as the Department of Labour observes, would be that even sectors that are in decline overall such as agriculture, mining and transport employ proportionately more skilled and highly skilled workers (even as they are shedding others at the lower end of the qualifications spectrum). This shift in skills is captured in Table 2.

Table 1: Sectoral share of employment 1995 and 2002

Main Sector	1995	Share	2002	Share	% Change
Agriculture, Fishing & Forestry	1184712	*0.12*	1477255	*0.13*	24.69
Mining & Quarrying	59300	*0.06*	481343	*0.04*	-18.83
Manufacturing	1420956	*0.15*	1596496	*0.14*	12.35
Utilities	84041	*0.01*	84550	*0.01*	0.61
Construction	433492	*0.05*	527678	*0.05*	21.73
Internal Trade	1650017	*0.17*	2191347	*0.20*	32.81
Transport & Communication	469200	*0.05*	550918	*0.05*	17.42
Transport	329194	*0.03*	434613	*0.04*	32.02
Post & Telecommunications	140006	*0.02*	116305	*0.01*	-16.93
Finance, Real Estate & Business Services	582897	*0.06*	1023373	*0.09*	75.57
Community, Social & Personal Services	2952269	*0.31*	3117365	*0.28*	5.59
Domestic Services	800887	*0.08*	1132666	*0.10*	41.43
Community Services (excl Domestic Services)	2151382	*0.23*	1984699	*0.01*	-42.39
Other Producers	186601	*0.02*	10793	*0.01*	-42.39
Total	9557185	*1.00*	11157818	*1.00*	16.75

Source: H Bhorat – Employment trends in post-apartheid South Africa 2003

Table 2: Share of Employment by Three Skills Categories[1] and Main Sector

Main Sector	Year		Skilled		Semi-skilled		Low skilled	
Agriculture	*1995*	*2002*	1%	1%	22%	56%	77%	43%
Mining & Quarrying	*1995*	*2002*	4%	4%	77%	89%	19%	7%
Manufacturing	*1995*	*2002*	6%	10%	74%	75%	19%	15%
Utilities	*1995*	*2002*	6%	9%	79%	82%	13%	8%
Construction	*1995*	*2002*	6%	6%	74%	74%	19%	20%
Internal Trade	*1995*	*2002*	14%	10%	66%	60%	20%	30%
Transport & Communication	*1995*	*2002*	15%	22%	73%	67%	11%	11%
Transport	*1995*	*2002*	19%	23%	69%	64%	12%	12%
Communication	*1995*	*2002*	5%	17%	83%	78%	10%	5%
Finance	*1995*	*2002*	17%	25%	77%	67%	6%	8%
Comm. Services	*1995*	*2002*	13%	19%	71%	70%	15%	11%
Private Households	*1995*	*2002*	0%	0%	3%	16%	97%	84%
Unspecified	*1995*	*2002*	7%	5%	35%	17%	17%	4%
Total	*1995*	*2002*	9%	11%	59%	61%	31%	27%

Source: H Bhorat – Employment trends in post-apartheid South Africa 2003

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