

An exploration of evidence on skills development and labour market outcomes in the Free State Province between 2002 and 2015, in the context of a transforming provincial economy.

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Introduction

- The Free State Province has experienced high unemployment rates since the dawn of democracy, at one point having the dishonour of having the highest unemployment rate in the country.
- The problem of 'skills shortages' is highly relevant to any discussion on unemployment, especially where the mismatch between skills and the labour market is attributed to the constantly changing nature of the economy.
- One of the findings of the National Development Plan (2012) was a poor skills profile in South Africa.
- “The skills constraint is aggravated by the pattern of growth that South Africa is experiencing, and in fact is in large part its result” - The International Panel on AsgiSA.
- Due to the on going transformation of the provincial economy, relative demand for low-skilled jobs decreases while concurrently, demand for high skills jobs increases.
- Under these circumstances, the demand for labour in the primary sector declines whereas demand for labour especially in the services sector increases.



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Introduction

- Primary extractive industries tend to employ relatively large proportions of low and unskilled labour, and services industries tend to employ a greater proportion of intermediate to high skills workers.
- Consequently, any broad shift in emphasis across the economy away from primary sectors to tertiary sectors will entail a decline in demand for low-skilled labour and rising demand for higher skilled labour.
- This shift away from low-skilled work such as agriculture and mining, and the increase in demand for skills to support the financial and other service industries, means highly skilled workers are in demand and of short supply.
- Therefore, the importance of schooling and educational attainment of the labour force is increasingly being recognised as a factor which enhances labour market flexibility and facilitates structural adjustment, as well as one which improves the adaptability of societies at large to the social, cultural and technological demands of the 21st Century.
- It is, therefore, vital that the province adjust to the demand of the labour market and changing structure of the provincial economy and thus produce the necessary skills and expertise. Align skills development to skills demand.



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Purpose of the Study

- The purpose of this study is to explore the extent of skills development and labour market outcomes in the Free State in the midst of a changing structure of the provincial economy.
- The current structural changes in the economy, i.e. from primary sectors to tertiary sectors dominance, result in a shift from demand for unskilled labour to a highly skilled labour force. Therefore, the need to develop a highly skilled labour force becomes even more crucial in the quest to reduce unemployment, and combat poverty and inequality in the province.

Research Question

How has the Free State workforce shifted in terms of skills levels between 2002 and 2015 and how has this impacted on the labour market outcomes?



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Objectives of the Study

- The Free State Province is experiencing a skills-biased growth. The share of employment in *mining and quarrying, agriculture, forestry and fishing* and *manufacturing* has declined and the share in *wholesale and retail trade, finance, real estate and business services* and *community services* increased.
- The NDP Vision 2030 has also identified skills development as critical for the development of the country.
- As a result of the observed increase in the demand for skilled labour relative to unskilled, mainly due to the structural change of the provincial economy, and the importance of skills development as entrenched in the NDP, the study seeks to achieve the following objectives:
 - Examine the impact of the transformation of the provincial economy on the skills demands of the labour market
 - Explore skills development within the Free State Province's workforce since 2002.
 - Investigate skills trends in terms of race and gender to determine the level of transformation as set out in the NDP.
 - Investigate the impact of skills development on the labour market.



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Literature Review

- **Purpose:** Explore current thinking on the relevant theoretical and empirical literature on the relationship between education and labour market outcomes, and the impact of economic structural changes on the labour market.

The relationship between education and labour market outcomes

- A considerable amount of literature (for example, Mincer, 1958, 1974; Glewwe, 1996; Gangl, 2000, 2001; Hauser et al., 2000; Margolis and Simonnet, 2003; Tansel, 2004; Pascarella and Terenzini, 2005; Goldberg and Smith, 2007; Stiglitz et al., 2009; Edgerton et al., 2012) has been published on the relationship between education and labour market outcomes.
- A paper by Ionescu (2012), focusing on 32 European countries concluded that the higher one's level of education, the better one's chances of getting a job and keeping the status of employed person in times of crisis on labour market.
- Diaconu (2014) found that, in Romania, the level of education is positively linked not only to the employment rate but also to the income level.



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Literature Review

- A study by Kingdon and Söderbom (2007) investigating the education-earnings relationship in Ghana concluded that firstly, education has large indirect effects via promoting entry into (well paying) wage employment and secondly, the returns to education mostly increase with education level.
- Scholars in general are in agreement that better-educated people typically have lower unemployment (Stiglitz et al., 2009) as, regularly, unemployment rates decline with increasing levels of qualifications (Gangl, 2000). Moreover, those with higher educational attainment have greater “ability to benefit from disequilibria” (Bowles et al., 2001), while the least qualified workers are the most vulnerable to unemployment during economic downturns (Gangl, 2001).
- The mechanisms by which education affects labour market outcomes can be broken down as follows:
 - **Years of schooling** (Goldberg and Smith, 2007); **Educational level attained** (Hauser et al., 2000; Pascarella and Terenzini, 2005; Edgerton et al., 2012); **Attainment of a particular credential** (Edgerton et al., 2012, p. 266); **Educational system** (OECD, 2002; Damoiselet and Lévy-Garboua, 1999; Margolis and Simonnet, 2003); **Investments in education** (Fasih, 2008; Ionescu, 2013); **Schooling quality** and **parental educational background** (Tansel, 2004); **Individuals educational track** (Margolis et al., 2001; Margolis and Simonnet, 2003); **Curriculum type** (Gangl, 2000); **Sector of activity** (Glewwe, 1996).



Literature Review

The impact of economic structural changes on the labour market

- Since its origin, economic theory has given significant attention to structural change. For Adam Smith (1776), structural features were strongly related to the level of economic development while for Ricardo (1817) changing composition of the productive system was a requisite for economic growth.
- Although the concept of structural change has been defined in different ways, the most common meaning refers to long-term and persistent shifts in the sectoral composition of economic systems (Chenery and others, 1986; Syrquin, 2007).
- More specifically, structural change is associated with modifications in the relative importance of different sectors over time, measured by their share of output or employment.
- According to Kuznets (1971), there are two phases to economic development. In the first phase of the structural transformation most of the resources are transported into the agricultural sector in the beginning of the development process of economy. In the second phase, there is the reassignment of the resources from agricultural and industrial sectors into services sectors.
- Syrquin (1986) indicated that the changes in economic structure are related with the development level systematically. Kuznets (1971) listed structural transformation as one of the six main features of modern economic growth.



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Literature Review

- According to Gawrycka et al. (2012), the intensity of structural changes in the national economy is high in the period of accelerated technological and organizational progress, quick economic growth, modernization of the economy, structural changes and those resulting from changes in foreign trade.
- Economic structural changes also impact significantly on the labour market. A developing economy typically reveals a high share of employment in the primary sector, while the share of employment in the tertiary sector is high in an advanced/developed economy.
- A transformation of the economies of Bulgaria, Poland, and the Russian Federation created a skills mismatch that led to high unemployment during the 1990s.
- A study on Russia, for example, found high and rising demand for educated and highly skilled labour in the services and research industries (Lukyanova et al. 2007). Similarly, in Bulgaria, the risk of losing a job or being unemployed was highest and longest among workers with lower education or vocational or technical education, while those with easily adaptable skills were most likely to be employed or to find new employment within a year (Rutkowski, 2003). An examination of labour market conditions in the Slovak Republic revealed a similar scenario: while unemployment increased for all levels of education, those with secondary or lower education fared the worst (Revenga et al., 2002). Naturally, the resources in the economy shift from low productive sectors to more productive sectors in the period of the structural transformation.



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Literature Review

- It is apparent from literature that as many economies develop, their economic structure transforms from been reliant on primary industries or natural resources to becoming more services driven.
- The transformation from primary to tertiary industries translates into increased demand for highly skilled workforce.
- At the same time, unskilled and low skilled labourers find it more and more difficult to stake their claim in the modern knowledge based economy, thus contributing to the inescapable challenge of chronic unemployment levels.
- This, therefore, necessitates the up skilling and or reskilling of the workforce to meet the skills demand of the economy.
- The education system as a result becomes an important tool in address this need for highly skilled labourers.



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Research Methodology

- The structural transformation in an economy is generally examined by the changes in the output share of sector. Value added of the sector, which is the determinant of the share of provincial output of the sectors in an economy, is applied in order to explain the structure of the provincial economy. In this case the analysis is based on Stats SA's GDP data and is conducted for the nine sectors of all economic activities as classified by the South African Standard Industrial Classification (SIC).
- Although skills levels are not available from Statistics South Africa directly, data relating to skills is estimated from employees' types of occupations as depicted in publications such as the GHS and QLFS. For the purpose of this study the occupations have been grouped according to skill in order to get an idea of the level of skills in the Free State.
 - Skilled: *Manager, Professional occupations and Technicians*
 - Semi-skilled: *Clerk, Sales and services, Skilled agriculture, Craft and related trade, and Plant and machine operator*
 - Low-skilled: *Elementary and Domestic worker*
- In the dataset of the study; General Household Survey (GHS), Quarterly Labour Force Survey (QLFS), and Gross Domestic Product (GDP) databases from Statistics South Africa were used.
- Labour market outcomes are presented making use of Statistics South Africa's Quarterly Labour Force Survey (QLFS). The purpose of this section of the paper is to explore whether economic transformation driven shifts in employer demand have continued to affect contemporary labour markets



Transformation of the Free State economy



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The drivers of provincial economic growth in the Free State has been the services sector, which have also compensated for the relative decline of the primary sector. During the review period, the tertiary sector as a group grew by 2.8% on average. The finance, real estate and business services and transport, storage and communication were the fastest growing sector in the provincial economy averaging 3.3%.

Free State's real growth of GDP by sector, 1996 – 2013

Industry	1996	1997	1999	2001	2003	2005	2007	2009	2011	2013	Average (1996 - 2013)
Primary Industries	16.6	2.9	3.8	-6.0	1.6	5.3	-1.1	-4.3	-3.4	2.9	0.4
Agriculture, forestry and fishing	169.1	2.4	32.1	-14.5	-7.1	4.1	1.5	-3.5	-9.2	1.8	9.9
Mining and quarrying	-1.1	3.1	-2.1	-2.7	4.5	5.6	-1.9	-4.6	-1.4	3.3	-0.5
Secondary Industries	5.5	4.2	4.3	1.5	0.7	4.2	5.8	-4.2	1.1	0.5	2.4
Manufacturing	7.8	2.1	5.0	2.0	-0.9	3.9	4.5	-7.9	1.1	0.2	2.7
Electricity, gas and water	9.6	7.5	-1.0	-2.9	2.1	4.4	3.3	-4.2	1.5	0.1	1.6
Construction	-8.2	7.7	10.5	6.4	6.9	5.6	16.1	11.2	0.6	2.0	2.6
Tertiary industries	2.6	1.5	3.9	-0.2	3.1	3.7	4.9	-0.6	3.0	1.8	2.8
Wholesale, retail and motor trade; catering and accommodation	2.5	0.8	6.8	-7.8	3.0	3.3	4.5	-3.1	2.7	1.6	2.6
Transport, storage and communication	5.0	6.7	2.4	3.7	2.2	3.4	6.0	-1.7	2.1	0.7	3.3
Finance, real estate and business services	0.6	3.2	4.6	8.1	2.2	5.1	5.1	0.1	2.7	0.5	3.3
Personal services	2.7	0.0	3.7	2.1	5.4	2.8	5.0	-1.6	2.3	1.4	2.8
General government services	3.2	-0.8	0.9	-1.2	3.4	3.3	4.6	2.6	4.3	4.2	2.3
All industries at basic prices	6.6	2.3	3.9	-1.3	2.3	4.1	3.8	-2.0	1.4	1.8	2.2
Taxes less subsidies on products	7.2	1.5	1.3	-2.2	1.5	5.2	3.9	-4.5	7.3	0.8	2.2
GDPR at market prices	6.7	2.2	3.7	-1.4	2.3	4.2	3.8	-2.2	2.0	1.7	2.2

Source: Statistics South Africa, , Gross Domestic Product, 3rd Quarter 2014



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The structural change in the provincial economy can be characterised in the main, by a move away from primary and manufacturing production, towards a greater emphasis on output in the services sector

Composition of the Free State economy by sector, 1996 – 2013

Industry	1996	1997	1999	2001	2003	2005	2007	2009	2011	2013
Primary Industries	21.9	20.1	15.5	15.1	17.2	13.9	15.9	17.6	16.5	16.0
Agriculture, forestry and fishing	7.9	7.5	5.9	6.1	6.3	3.6	4.5	5.5	4.3	4.0
Mining and quarrying	14.0	12.6	9.6	9.0	10.9	10.3	11.4	12.1	12.2	12.0
Secondary Industries	16.5	16.9	17.0	18.4	16.4	18.0	17.1	16.7	15.5	15.5
Manufacturing	10.9	11.0	11.6	13.7	12.5	14.1	12.8	10.9	9.7	9.6
Electricity, gas and water	3.3	3.4	3.1	2.8	2.4	2.3	2.1	2.7	3.1	3.3
Construction	2.3	2.5	2.2	1.9	1.5	1.6	2.2	3.1	2.7	2.5
Tertiary industries	53.3	54.6	58.5	57.7	57.5	57.9	56.5	56.6	58.2	58.0
Wholesale, retail and motor trade; catering and accommodation	11.1	11.1	11.6	10.8	10.6	10.6	10.9	13.3	14.6	13.2
Transport, storage and communication	8.3	8.5	8.7	8.7	7.4	9.0	9.8	8.5	8.4	9.0
Finance, real estate and business services	11.3	12.1	13.6	13.9	15.0	14.3	15.1	14.1	13.7	13.4
Personal services	8.9	9.3	10.2	10.8	11.2	10.6	8.7	7.4	7.1	7.1
General government services	13.7	13.5	14.4	13.5	13.3	13.4	12.0	13.3	14.4	15.1
All industries at basic prices	91.6	91.6	91.0	91.2	91.1	89.9	89.5	90.9	90.1	89.5
Taxes less subsidies on products	8.4	8.4	9.0	8.8	8.9	10.1	10.5	9.1	9.9	10.5

Source: Statistics South Africa, , Gross Domestic Product, 3rd Quarter 2014



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Impact of economic transformation of the labour market

- As the structure of the Free State economy has shifted, so have the kinds of skills required. The shift from the primary to the tertiary sectors normally result in growing demand for highly skilled professionals, technicians and managers to develop, implement, operate and maintain new technologies associated with the services economies.
- At the same time, this technology is replacing the unskilled and low skilled labourers, farming workers, production workers and basic service workers. The declining share in production of these workers has also has the effect of increasing the share of the non-production workers; namely transport workers and clerical and sales workers.
- Therefore, the main beneficiaries of this structural change are the more highly skilled occupations and those associated with service sectors. The losers are the more low skilled occupations and those associated with the primary sectors.
- It is therefore fitting to conclude that the shift in the Free Sate economy's structure to a more knowledge-based economy has increased the need for workers with reasoning, problem-solving, and behavioral skills; a positive cognitive style; and specific occupational and professional competencies.
- This structural transformation in the economy poses a real risk of increased marginalization of low-skilled workers in the labour market.



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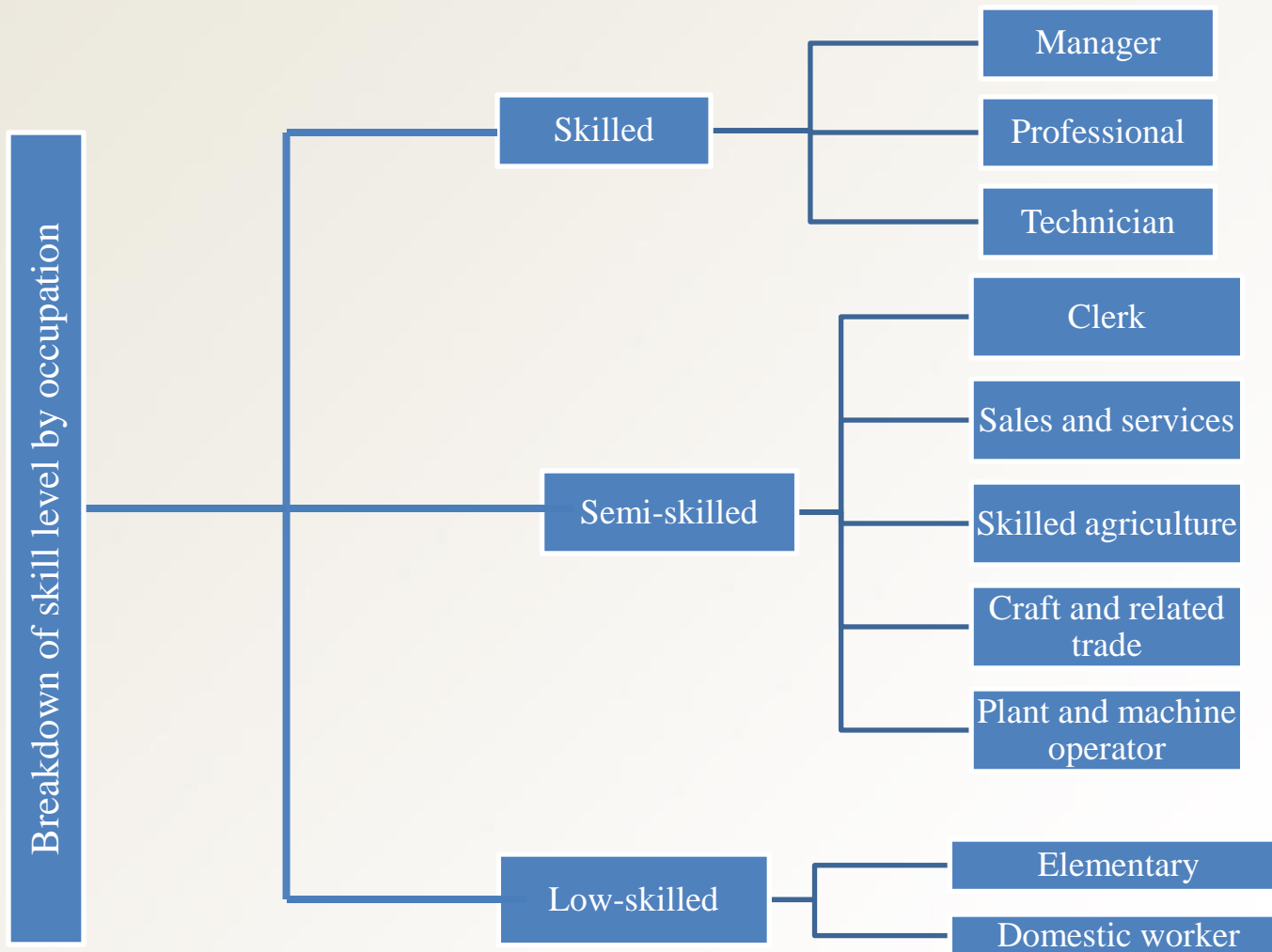
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Free State workforce skill levels



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The proportion of skilled workers in the Free State workforce has increased steadily over the period under review, although there was a dip in 2015. Between 2002 and 2014 the proportion of skilled workers as percentage of the provincial workforce increased from 15.9% to 21.0%. However, in 2015 the proportion of skilled workers declined to 16.1%.

Proportion of employment by three skills categories

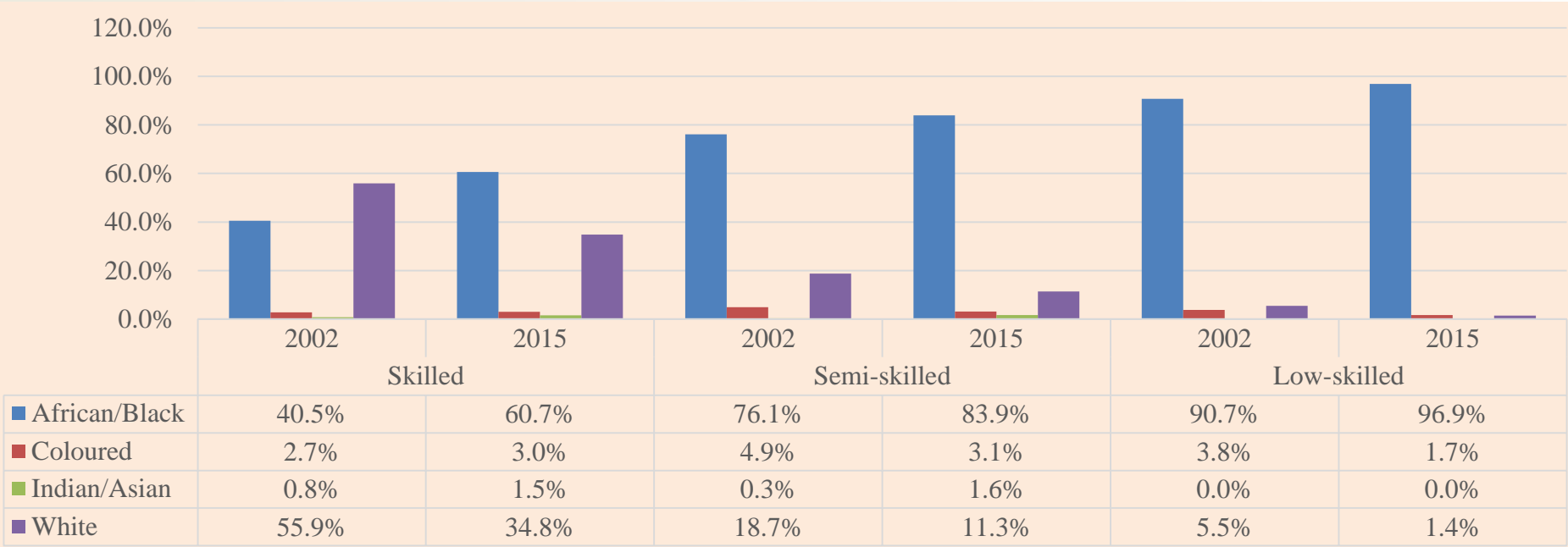


Source: Statistics South Africa, General Household Survey, 2002 - 2007 and Quarterly Labour Force Survey, 2008 – 2015



The decrease in the proportion of white employment within skilled employment, and the corresponding increase in the proportion of the other population groups within skilled employment gives some indication of the transformation in the Free State labour market.

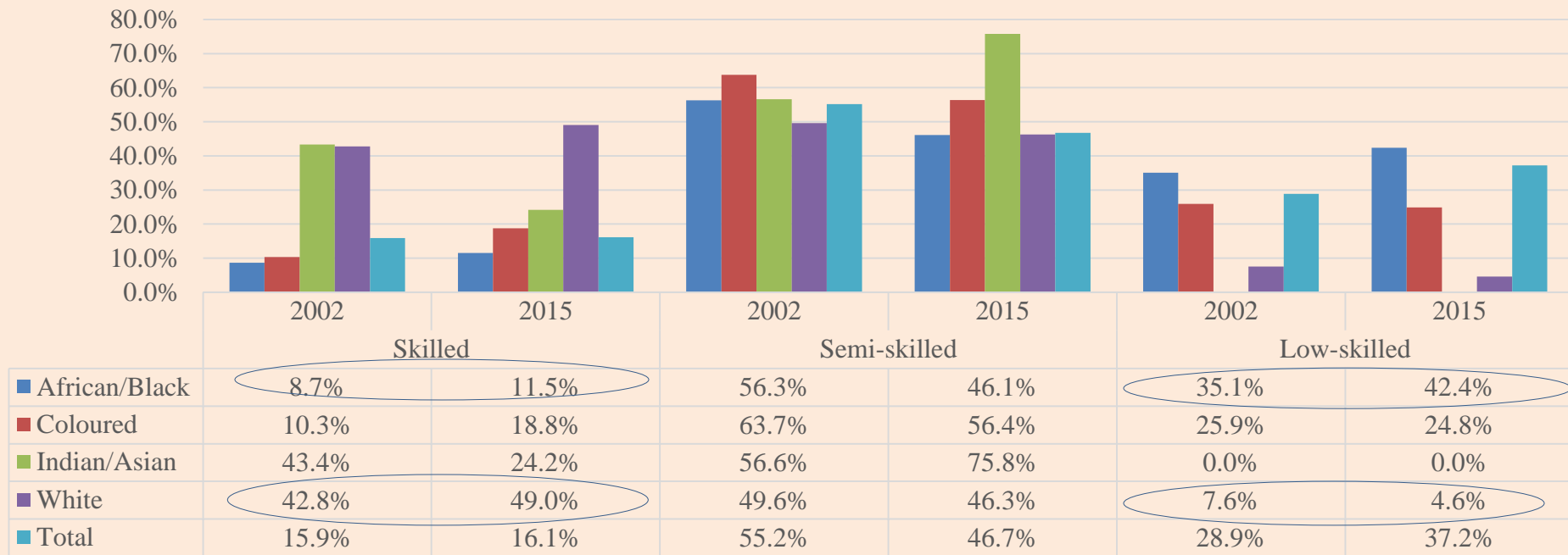
Proportion of employment by skill level between population group



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

The decrease in the proportion of white employment within low-skilled employment, and the corresponding increase in the proportion of African within low-skilled employment, and the relatively small increase in the proportion of skilled African employment gives some indication of the lack of transformation in the Free State labour market during the last 13 years.

Skills levels within population groups



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

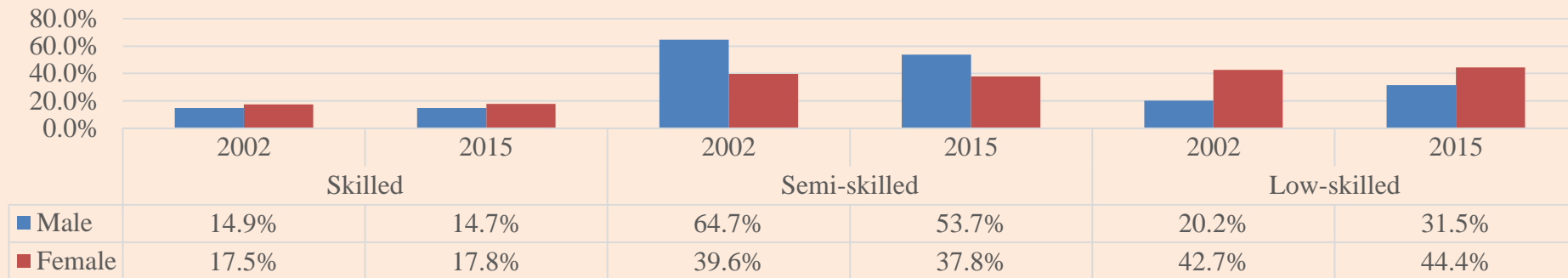


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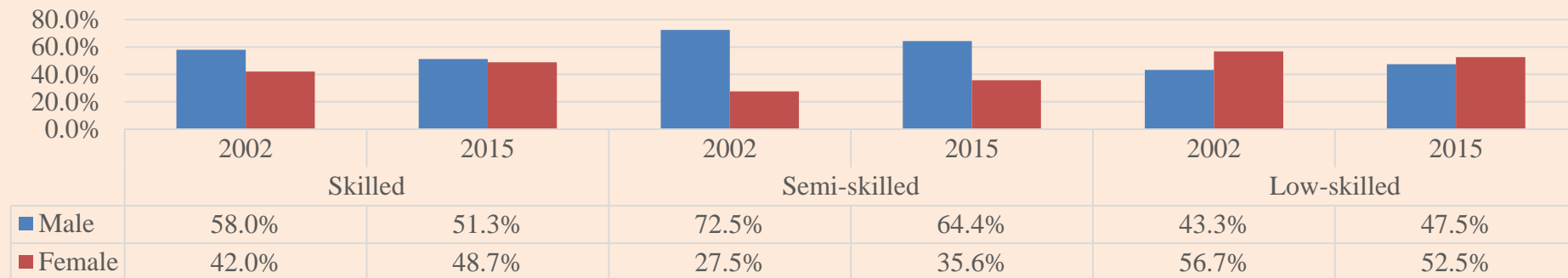
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Skilled occupations are dominated by males with a share of 51.3% compared to females' share of 48.7%. Encouragingly, there has been decline in the gap between males and females in skilled occupations, meaning employment of females in skilled occupations has increased between 2002 and 2015.

Skills levels within gender



Proportion of skill level between males and females



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

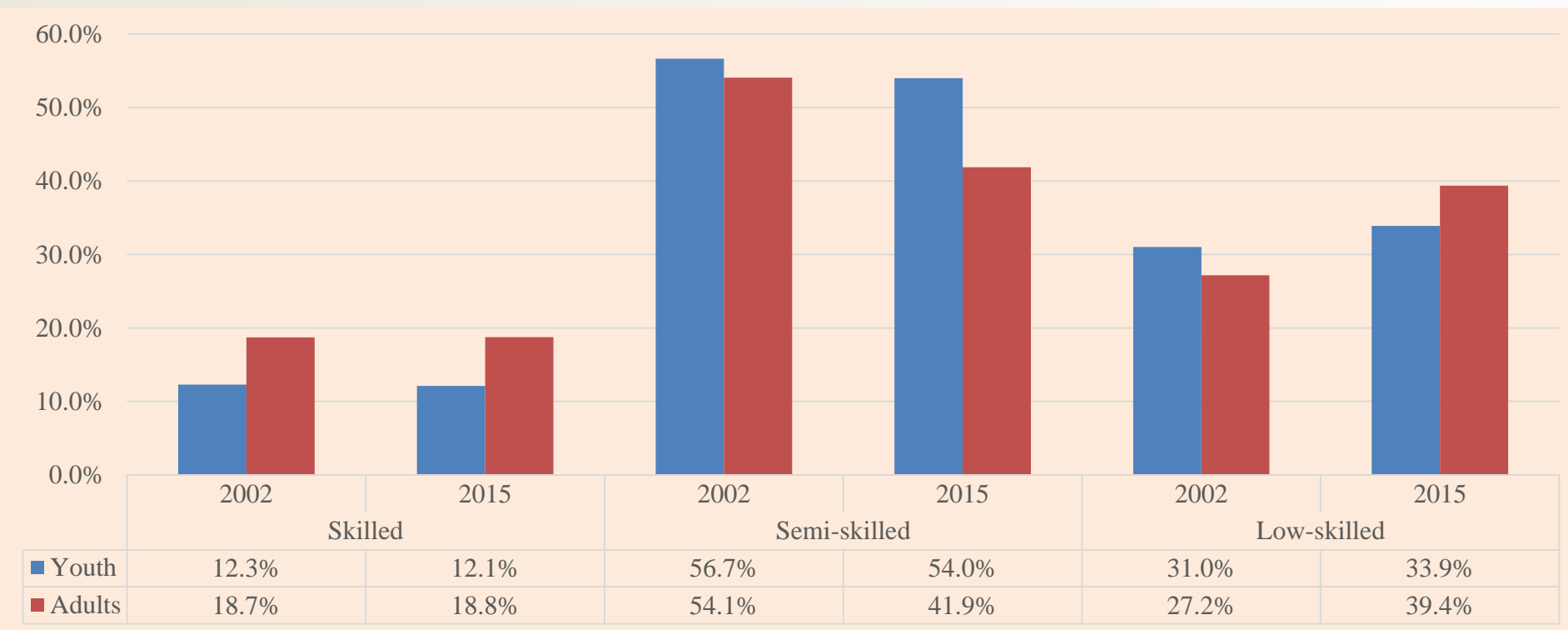


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The youth are less skilled than adults, but more concerning is the apparent decline in skilled and semi-skilled youth. Proportion of skilled adults increased slightly with majored changes recorded in the semi-skilled and low-skilled categories.

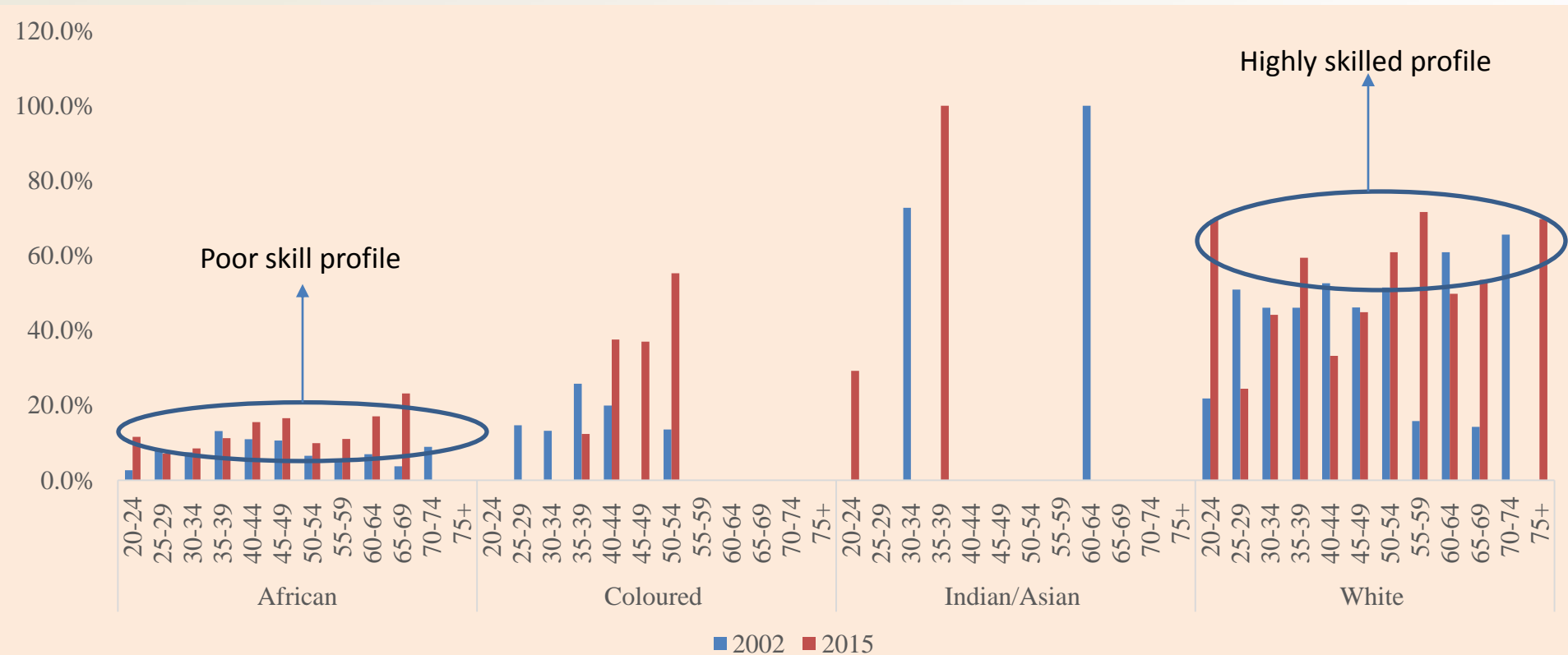
Proportion of youth and adult workers by skill level



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

The African workforce is poorly represented in the skilled occupations for all age groups, whereas Whites indicate significantly higher skills. And there were much weaker gains in the African group for all ages. Declines for age groups 25-29 and 35-39.

Proportion of skilled workers in each age group by race



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015



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Summary of skill levels of FS workforce

In summary, statistics from Statistics South Africa (GHS and QLFS data) indicate the following on the level of skills development in the Free State over the period 2002 to 2015:

- The share of skilled workers have increased marginally, while the low-skilled increased considerably at the expense of the semi-skilled. In 2015, 16.1% of the province's workers occupied skilled occupations, 46.7% were in semi-skilled occupations and 37.2% in low-skilled occupations.
- Within population groups, the white population had the highest proportion of skilled workers in 2015.
- There was uneven distribution of progress within population groups. Within African employment, the growth in skills, as a proportion, was much lower than in the other population groups
- Almost half of the African workforce is employed in low-skilled occupations.
- Within the African 25-34 and 35-39 age group, the skilled proportion of employment decreased.
- Skilled occupations are dominated by males, but there has been a decline in the gap between males and females.
- The legacy of Apartheid is still evident by the racial and gender division of skill levels. Transformation has failed to materialize during the period under review



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Labour market outcome



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The number of people employed in the primary industries have declined dramatically (most notably in mining, 69%), while those employed in the tertiary industries have been on a rapid increase; which coincides with the transforming structure of the provincial economy

Number of people employed per sector

	1996	1997	1999	2001	2003	2005	2007	2009	2011	2013
Agriculture	93 993	91 838	109 427	107 197	93 147	78 008	69 257	60 980	55 286	55 592
Mining	115 587	111 391	68 363	55 213	53 175	43 166	45 882	41 632	36 896	35 284
Primary Industries	209 580	203 229	177 790	162 410	146 322	121 173	115 139	102 612	92 182	90 877
Manufacturing	65 690	66 040	75 963	77 327	72 227	70 417	69 318	65 623	60 484	58 438
Electricity	3 479	3 295	3 074	2 765	2 607	2 467	2 585	2 884	3 026	3 251
Construction	37 156	33 768	34 036	33 091	32 938	40 052	46 818	47 094	45 177	44 950
Secondary Industries	106 325	103 102	113 073	113 183	107 772	112 936	118 721	115 601	108 688	106 639
Trade	96 605	103 601	137 323	159 550	158 217	167 448	170 946	165 592	157 487	153 941
Transport	20 395	20 583	23 388	23 636	23 812	27 587	30 918	32 402	32 112	31 981
Finance	62 071	61 132	65 781	63 336	60 854	68 681	77 912	78 643	75 052	75 495
Community services	121 923	124 255	145 575	149 194	147 856	153 990	162 073	170 403	175 365	183 266
Households	86 398	85 103	94 896	97 383	92 277	92 366	96 309	92 332	84 958	81 784
Tertiary Industries	387 393	394 673	466 962	493 098	483 016	510 071	538 158	539 372	524 973	526 468

Source: IHS Global Insight, Regional eXplorer, 2015



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The structural change in the provincial economy has clearly been accompanied by the transfer of resources to the services sectors. These changes have indeed necessitated the need to reskill the human capital in skills demanded by the now dominant tertiary industries.

Employment share by sector

Industries	1996	1997	1999	2001	2003	2005	2007	2009	2011	2013	Average (1996-2013)
Agriculture	13.4%	13.1%	14.4%	13.9%	12.6%	10.5%	9.0%	8.0%	7.6%	7.7%	10.9%
Mining	16.4%	15.9%	9.0%	7.2%	7.2%	5.8%	5.9%	5.5%	5.1%	4.9%	7.6%
Primary Industries	29.8%	29.0%	23.5%	21.1%	19.9%	16.3%	14.9%	13.5%	12.7%	12.6%	18.6%
Manufacturing	9.3%	9.4%	10.0%	10.1%	9.8%	9.5%	9.0%	8.7%	8.3%	8.1%	9.2%
Electricity	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%
Construction	5.3%	4.8%	4.5%	4.3%	4.5%	5.4%	6.1%	6.2%	6.2%	6.2%	5.3%
Secondary Industries	15.1%	14.7%	14.9%	14.7%	14.6%	15.2%	15.4%	15.3%	15.0%	14.7%	15.0%
Trade	13.7%	14.8%	18.1%	20.8%	21.5%	22.5%	22.1%	21.9%	21.7%	21.3%	20.3%
Transport	2.9%	2.9%	3.1%	3.1%	3.2%	3.7%	4.0%	4.3%	4.4%	4.4%	3.6%
Finance	8.8%	8.7%	8.7%	8.2%	8.3%	9.2%	10.1%	10.4%	10.3%	10.4%	9.3%
Community services	17.3%	17.7%	19.2%	19.4%	20.1%	20.7%	21.0%	22.5%	24.2%	25.3%	20.9%
Households	12.3%	12.1%	12.5%	12.7%	12.5%	12.4%	12.5%	12.2%	11.7%	11.3%	12.3%
Tertiary Industries	55.1%	56.3%	61.6%	64.1%	65.5%	68.5%	69.7%	71.2%	72.3%	72.7%	66.5%

Source: IHS Global Insight, Regional eXplorer, 2015

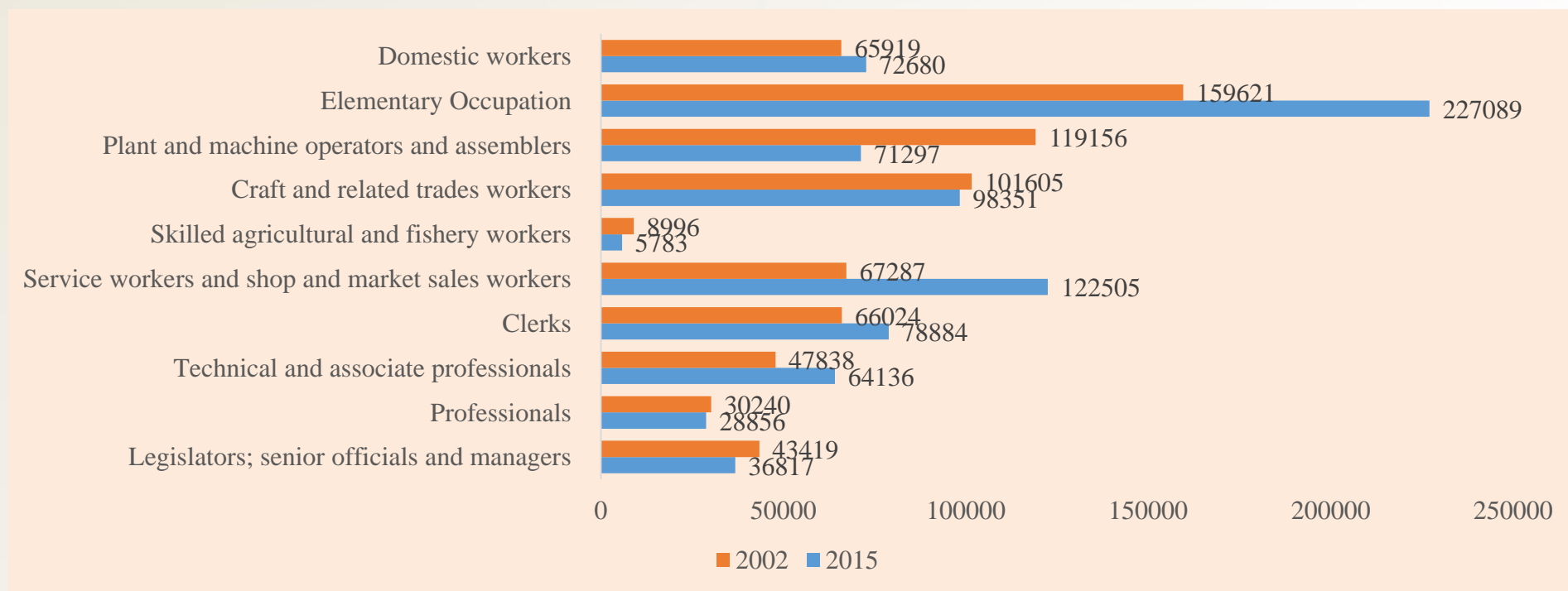


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The biggest increases were observed in the low-skilled occupations (32.9%), followed by skilled (6.8%) and then the semi-skilled occupations (3.8%). The biggest increases by occupation were *services workers and shop and market sales workers* (82.1%) *elementary* (42.3%) and *technicians* (34.1%). The biggest declines were in *plant and machine operators* (-40.2%) and *skilled agriculture and fishery workers* (-35.7%).

Employment numbers by occupation



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

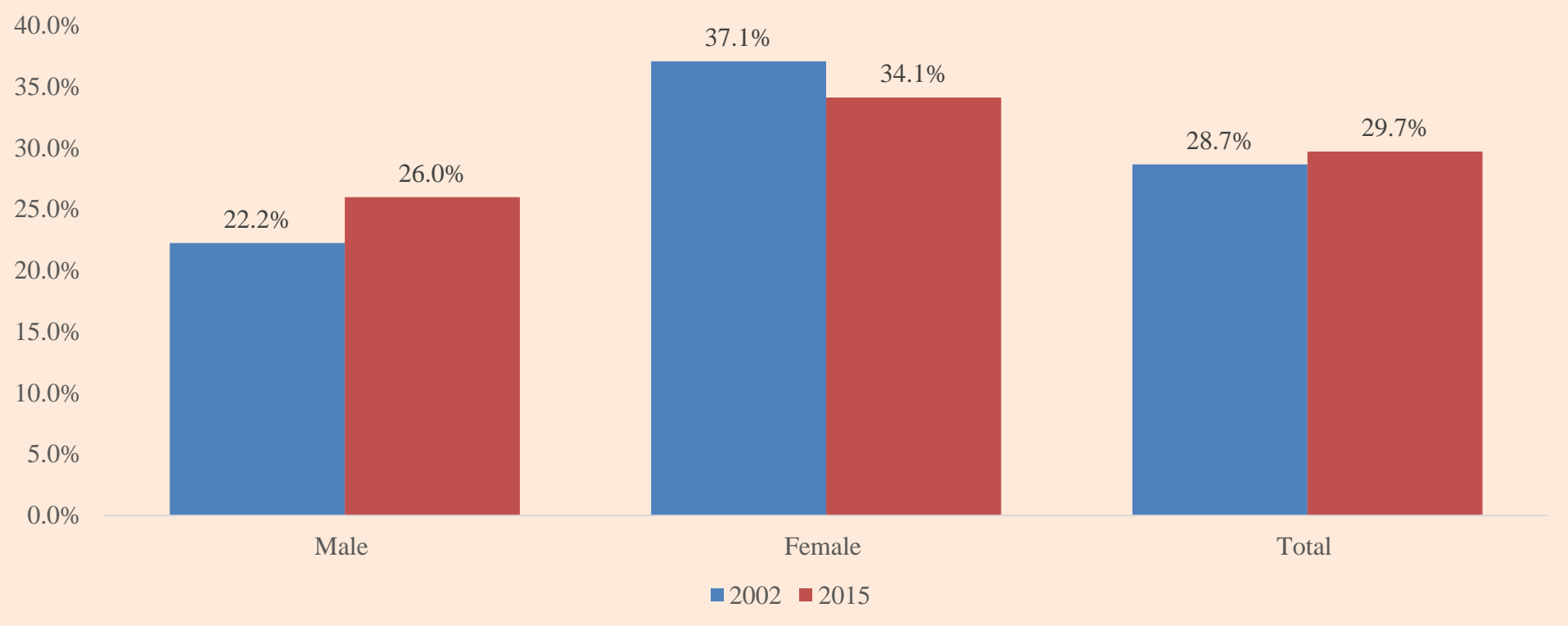


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Female unemployment rate remain higher than male counterparts though it is decreasing

Unemployment rate by gender, 2002 vs 2015



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

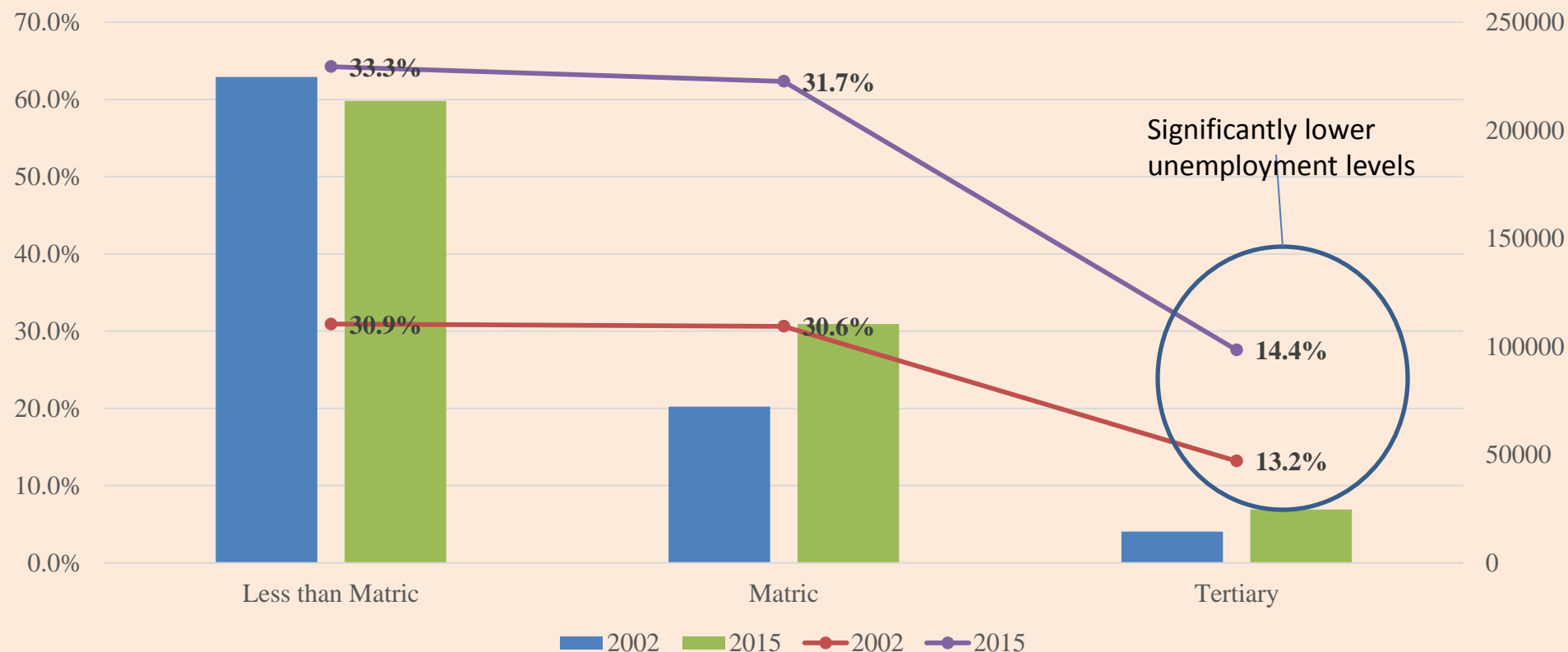


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Unemployment rate has increased for all educational levels. The unemployment rate for those with tertiary qualifications has increased 1.2 percentage points, while those with matric increased by 1.1 percentage points and those with less than matric increased by a relatively high 2.4 percentage points

Number of unemployed and unemployment rates by highest level of education (2002 vs 2015)



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015

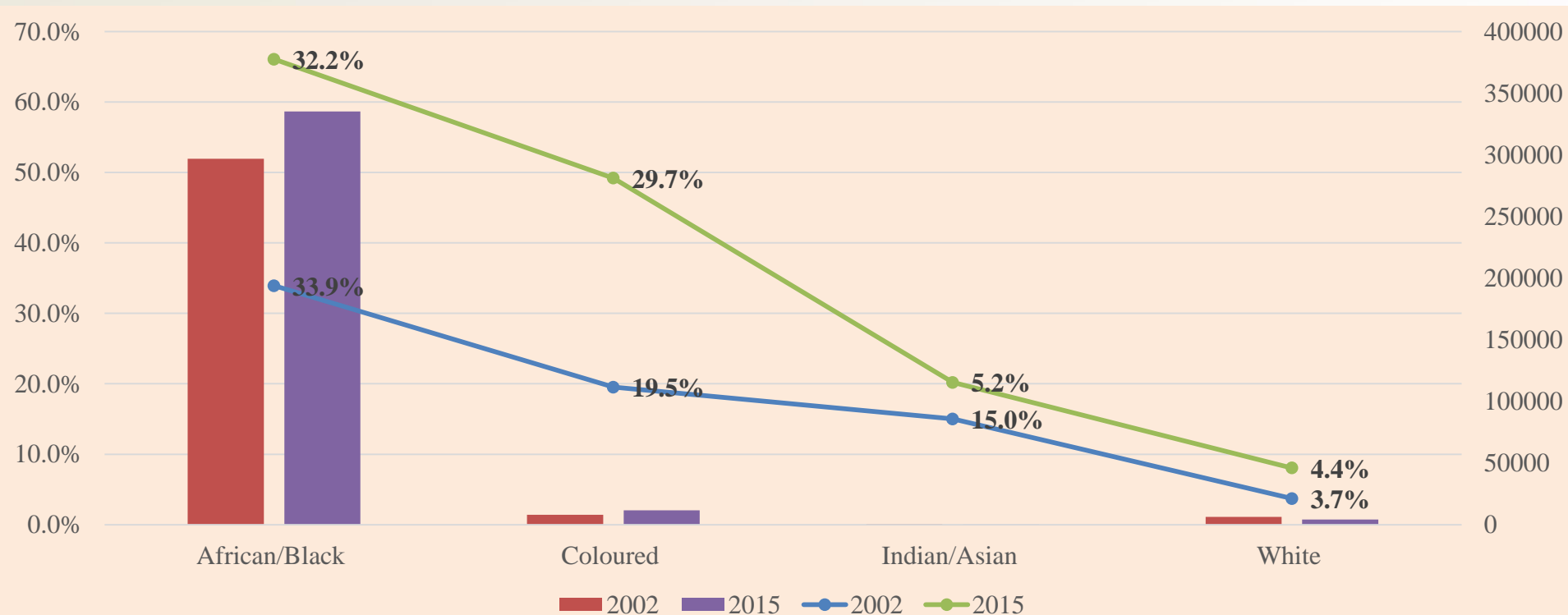


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The numbers of unemployed increased for Africans and Coloureds but decreased for Indians and white. However, the unemployment rate decreased for Africans (-1.7 percentage points) and Asians (-9.8 percentage points), but increased for Coloureds (10.2 percentage points) and Whites (0.7 of a percentage point)

Number of unemployed and unemployment rates by race (2002 vs 2015)



Source: Statistics South Africa, General Household Survey, 2002 and Quarterly Labour Force Survey, 2015



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Policy Implications



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Policy implications

- The analysis in this study strongly suggests that two broad trends are likely to be occurring in the employment occupational distribution of the province's labour market.
- Firstly, the demand for skilled professionals is likely to increase, largely as a result of the changing nature of the economy. Secondly, in the aggregate, the demand for labourers will either stagnate or in certain sectors (i.e. primary sectors), decline considerably.
- Given the racial-skills overlap in the provincial labour market, these changes also map almost perfectly onto racial groups. More specifically, it is primarily African workers (largely low-skilled) that will more likely experience a non-increasing demand for their services, while White workers (being disproportionately skilled) are likely to be in greater demand. This is based on the assumption that the race-skills proportions remain unchanged in the short to medium-term.
- **Policy Intervention:** Firstly, it is absolutely critical to design policies that are aimed at raising the number of skilled individuals in the provincial economy, at a rate and magnitude that has not been achieved in the past. Secondly, equally important, part of this skills enhancement strategy must have an inherent racial component, which will ensure that the skills composition of the workforce starts matching with its racial composition.



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Policy implications....

- In addition to the two interventions, it is important that those employed in the diminishing primary sectors are reskilled or provided with some form of skills upgrade.
- Government needs to pursue SMME development strategies that would incorporate the unemployed and those participating in survivalist activities in a more stable informal sector with stronger linkages into the formal economy. The priority would be more on job creation than significant skills upgrading. Appropriate low skills training in operating and sustaining SMMEs, self-employment, basic literacy and numeracy training would be the most important components of such a strategy.
- Government, together with the private sector, should create a programme which is aimed at improving information on skills shortages in order to have clear and mutual understanding of the skills demands of the province.
- There has to be an improvement in the quality of education and training and its responsiveness to labour market needs. A comprehensive strategy to reduce skills mismatches requires first that the quality of education is secured and participation raised, up until the end of the secondary level. Second, it demands a diversification approach to providing education, recognizing that both medium skills (provided through technical and vocational education) and high skills (provided through tertiary education) are required in the labour market and for economic growth. And third, it implies improving the relevance of education and training for the labour market through strengthened channels of communication between education and workplace actors, as well as public-private partnerships.



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Policy implications....

- Combating the skills crisis should not be the exclusive preserve of government. The Free State government and its partners (employers, business, training establishments – colleges, universities) should work towards the development of learnership programs and curricula that adhere to the needs of business and government. In fact, these stakeholders should ensure that curriculum planning and coordination become a priority in learnership programme management. These programmes should specifically targeted the youth.
- Extensive investment in recent years by the provincial government to provide financial support to students pursuing their studies at tertiary institutions as well as the internship and experiential training programmes also directly supports the new skills requirements of the provincial labour market, and should therefore intensified.



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Thanks!



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