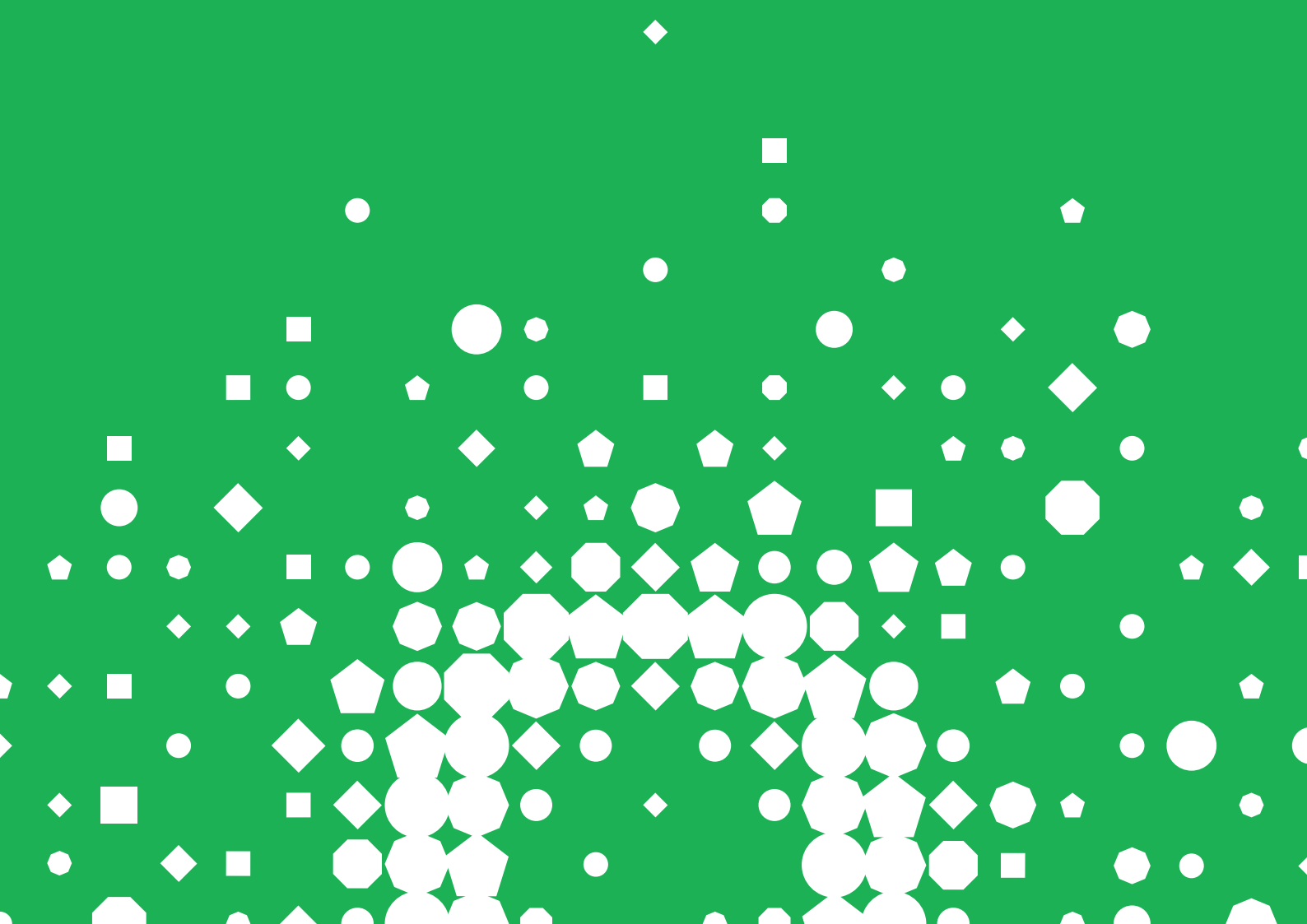


Case Study

The economic benefits of vocational education and training in South Africa



Introduction

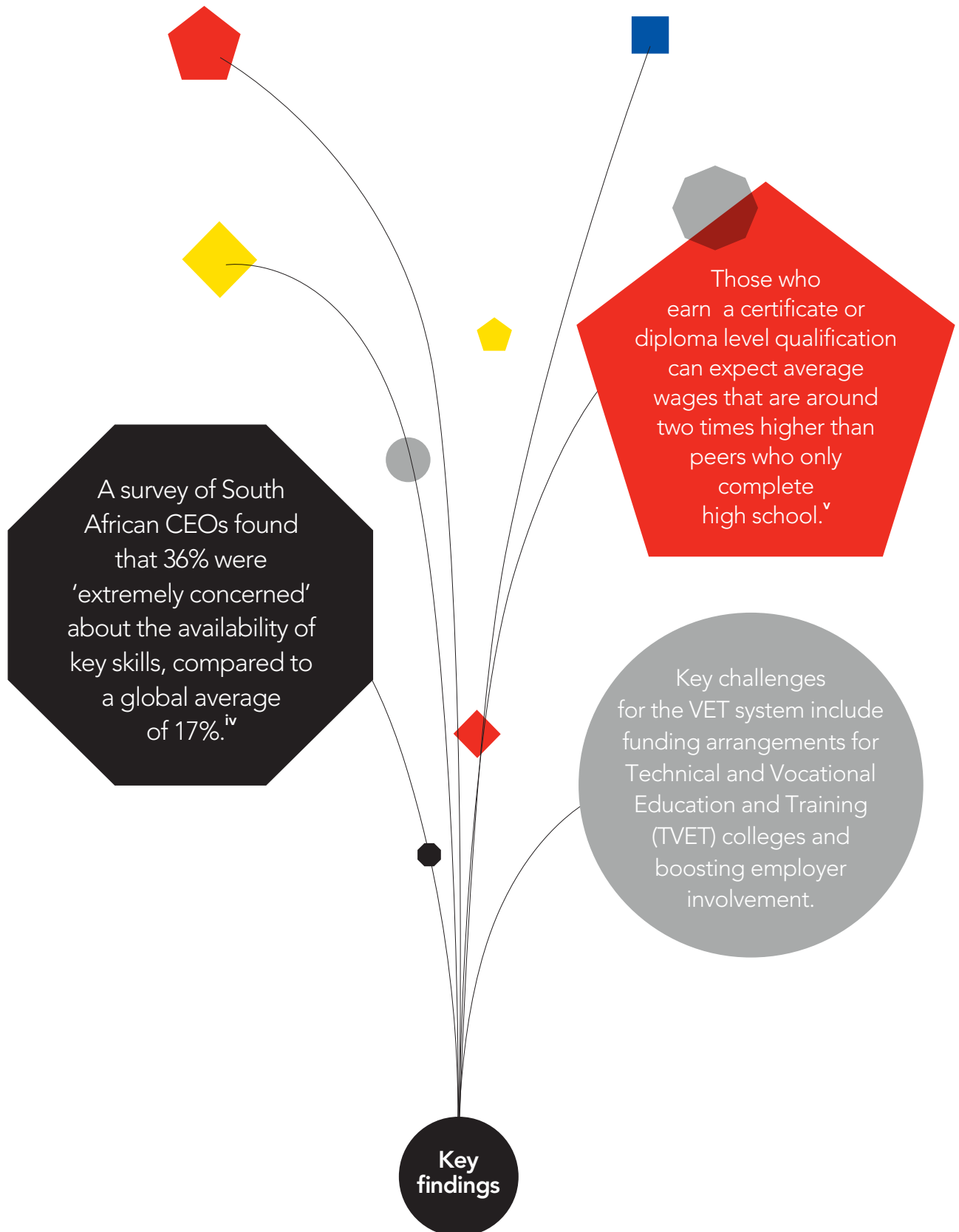
As a developing economy, South Africa recognises the importance of a skilled workforce to enable economic growth. Education is a way to heal past divisions, establish a fairer society, improve people's quality of life and create a more prosperous nation.ⁱ In fact, over the next three years, roughly R640 billion will go towards basic education.ⁱⁱ As a result, the Department of Higher Education and Training (DHET) has high participation rate targets set for 2030. Alongside this, it wants to ensure education is fit for purpose to support the transition between education and employment.

This move is encouraging given that in 2013, the unemployment rate was 23% and youth unemployment was at 54%.ⁱⁱⁱ

This case study explores the vocational education and training (VET) system in South Africa, and some of the potential challenges it faces as it seeks to improve. Unfortunately, due to a lack of data, it is harder to calculate the potential economic impact of long-term investment in VET. This is something that could be explored in more depth by subsequent research – particularly as the VET system is likely to transform in the next couple of decades.



Key findings



VET: The Context

VET in South Africa is delivered through secondary and tertiary level education, as well as through apprenticeships and work-based training. More than a million students are enrolled in vocational programmes, comprising courses taken at public and private Technical and Vocational Education and Training (TVET) institutions (around 770,000 students); technical schools (44,000); government supported work-based learning (130,000); and higher certificates and diplomas (280,000).^{vi}

Since 2009, the South African higher education system has been unified and brought under the authority of the Department of Higher Education and Training (DHET). The DHET wants to increase total university enrolment to 1.5 million students in 2030, which would represent a 23% participation rate. This would be a substantial increase from the 2011 enrolment of only 900,000 (16% participation). Developing higher education is seen as crucial for averting future skills shortages; to meet demand, it is estimated that

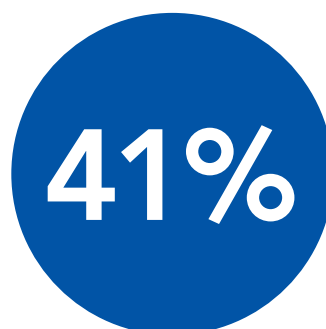
university enrolments will need to increase tenfold in the next 20 years.^{vii}

In 2014, DHET produced the 'White Paper for Post-School Education and Training', outlining strategies that aim to achieve an integrated approach to post-secondary education, including VET, within the next 20 years.^{viii} DHET had recognised that the system that was in place – including TVET¹ and the Sector Education and Training Authorities (SETAs) - was 'inadequate in quantity, diversity and... quality'.^{ix}

Cited explanations of youth unemployment in sub-Saharan Africa



Most job seekers have advanced qualifications but not in the skill sets required by employers



Most job seekers have little or no skills

Source: World Bank African Economic Outlook 2012 (Country Experts Survey); Cebr analysis



Only
29%
of firms offered
workplace training
in 2012.

It envisages expanding enrolments at TVET colleges from 650,000 to 2.5m – a four-fold increase that will require major infrastructure development. Additionally, it introduces new training institutions – community colleges. These are aimed primarily at young people and adults who did not complete schooling, and who did not qualify to study at TVET colleges or universities. The government aims to enroll one million people in community colleges by 2030.^x

In November 2015, DHET released its 'Proposal for the New National Skills Development Strategy,' which suggested changes to the SETAs and other skills development institutions in South Africa, to 'achieve better integration of the skills development institutional landscape into the post-school system.'^{xi} Some of the proposals include a centralised (rather than sector-specific) funding model and repurposing SETAs to become Sector Education and Training Advisory Boards (SETABs), and departments of DHET. Unlike SETAs, which had a 5-year life span, SETABs would be permanent structures, and be mandated to improve their understanding of skills needs.^{xii} At the time of publication, DHET was calling for feedback on its proposals by January 2016.

There is a lack of data and research concerning the levels of informal training in South Africa. Sub Saharan Africa as a whole, however, trails the world average for workplace training by seven percentage points, with only 29% of firms offering any training in 2012. This compares to a world average of 36% and an OECD average of over 40%.^{xiii} The low level of training offered contributes to the skills mismatch that is preventing hiring.



VET: challenges and developments

There are a number of challenges to implementing vocational education and training in South Africa.

One of these challenges relates to government funding for TVET colleges. It has been argued that while the government has recently made a significant investment in the colleges, funding could be more equitably distributed between regions.^{xiv}

A second challenge is the complexity of the system.

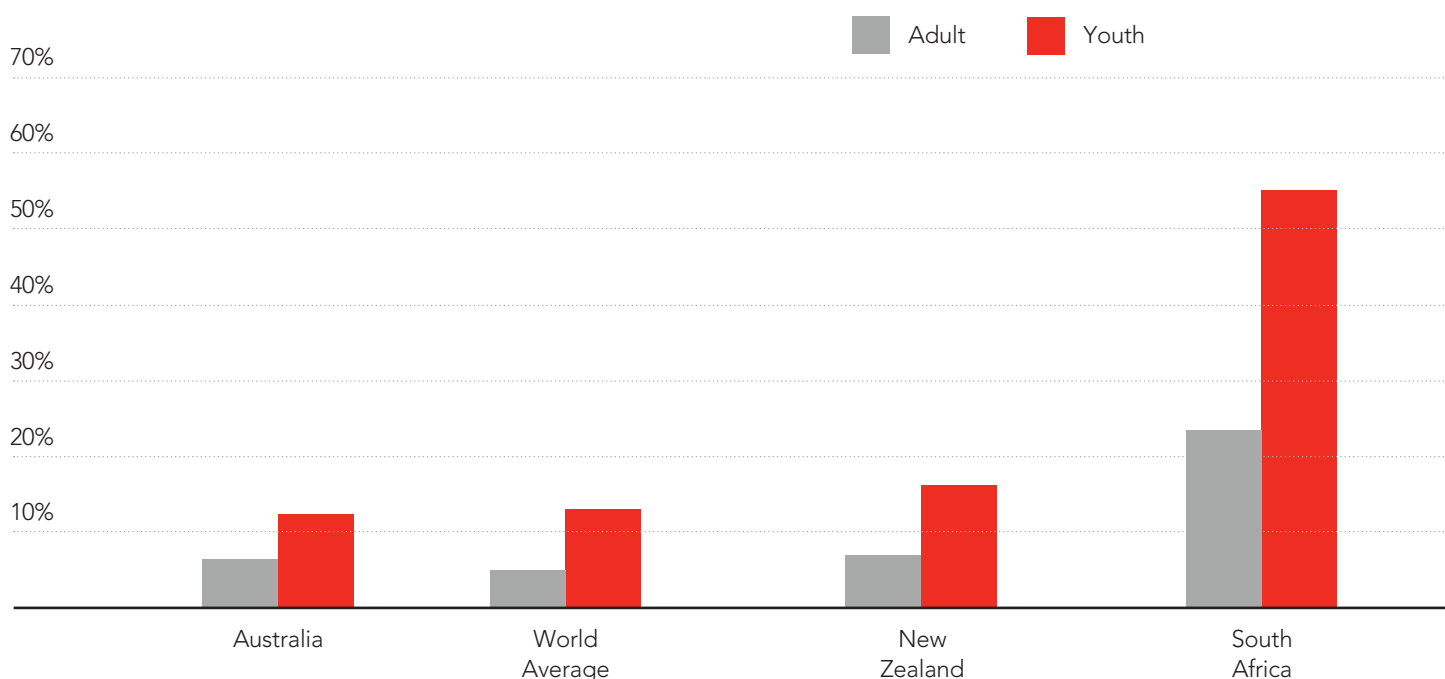
Recently proposed changes suggested setting up further agencies to support the existing authorities.^{xv} The system already has more than 20 separate authorities responsible for training in different sectors (the SETAs); these proposals therefore seem likely to increase the complexity.

Among the additional agencies is the South African Institute for Vocational and Continuing Education and Training. This institute would support the

existing SETA and TVET colleges, strengthening the links between these organisations, secondary education facilities and employers. Finally, to address those adults and youth that are out of education and unskilled, a new institution – provisionally called Community Education and Training Centres (CETCs) – has been proposed. It is hoped that these will extend the reach of vocational education to previously hard to reach segments of the population.^{xvi}

Gap between adult and youth unemployment relatively high

Youth and adult unemployment rate in 2013



Source: World Bank World Development Indicators, Cebr Analysis

*Youth unemployment here refers to labour force aged 15-24



65%

of vocational students
were unable to find
workplace experience
in 2012.

Further changes could be implemented following DHET's 'Proposal for the New National Skills Development Strategy,' once feedback is gathered in January 2016.

A further challenge is the lack of employer involvement in the vocational education system, which leads to a mismatch between the skills that are in high demand, and the skilled workers available. About 65% of students at colleges were unable to find workplace experience in 2012.^{xvii} To tackle this mismatch, employers need to be involved in the education system as advisors and actively provide training to both current employees and those that need practical experience as part of their training. Apprenticeships and traineeships are an important part of this model. The South African government intends to increase workplace training, starting with government agencies and departments which will be encouraged to offer workplace training for students. This is a first step towards fostering more workplace training.^{xviii}

Economic Benefits of VET

Domestic economy

Data coming out of South Africa points to vocational education and training as one factor that can make a positive difference on the economy as a whole, by supporting employers and benefiting individuals in tangible ways.

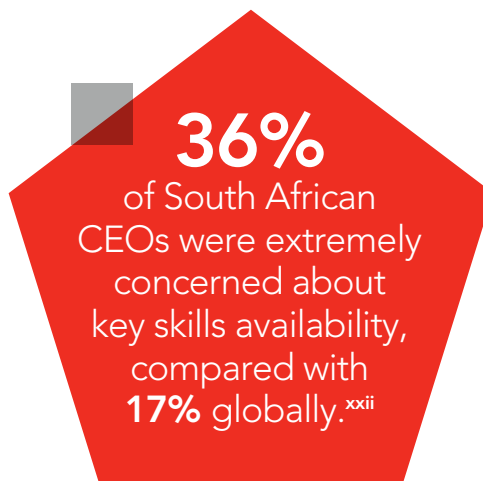
One of the most shocking realities of the South African economy is its unemployment rate. In 2013 it was 25% - five times the world average for unemployment.^{xix} Youth unemployment, at 54%, was more than double the general rate.^{xx} The South African welfare system does not provide unemployment benefits, but social grants are available to those who are low paid or unemployed, and have children or qualify in some other way. These unemployment benefits make up 4% of South Africa's GDP.^{xxi}

A more skilled workforce will also benefit employers. PwC's most recent report of South African CEOs found that 36% were 'extremely concerned' about the availability of key skills, compared with a global average of 17%.^{xxii}

According to the African Economic Outlook 2012, 'A shortage of technical and mechanical employees or electricians coexists with a surplus of workers in audits, sales and communication. In manufacturing in particular many of the positions that go unfilled are at a level that does not require tertiary education and does not pay the salaries that university graduates expect. What are required, rather, are the technical skills necessary to

maintain equipment and supervise unskilled workers.'^{xxiii} If this pan-African conclusion extends to South Africa, it suggests that the post-apartheid economic development, which has been characterised by an intended shift away from low-skilled manufacturing towards skill intensive services like banking and telecommunications, has therefore not yet managed to penetrate throughout the economy.^{xxiv}

Evidence concerning the specific returns on investment for individuals who undertake vocational education in South Africa is limited. One study finds that those who earn a certificate or diploma level qualification (in any subject) can expect average wages that are around two times more than peers that only complete high school; for those with degrees wages are expected to be about three times higher.^{xxv} There is also evidence of high returns of vocational education in similar contexts.^{xxvi} Taken together, the available evidence suggests that the returns for individuals who take vocational courses in South Africa may be high.



The construction sector

According to PwC's study of the South African construction sector, over two thirds of CEOs in the sector said they were 'extremely concerned' about their access to skilled workers. In addition, just 17% of respondents felt that the government had been effective in creating a skilled workforce.^{xxvii}

Alongside internal, work-based training, vocational colleges will play an important role in meeting shortfall concerns. The most recent official statistics, however, show that while course enrolment increased between 2011 and 2013, completion rates for courses in civil engineering and building construction are under 25%.^{xxviii}

Skilled labour migration

South Africa has the second highest level of net immigration in Africa.^{xxix} Estimates for the number of illegal immigrants vary: 1.6 million according to the most recent official statistics,^{xxx} although figures closer to five million have been suggested.^{xxxi} Legal immigrants from places such as Angola, Botswana and Zambia are typically skilled and semi-skilled. Many of these immigrants create jobs, employing native South African workers to assist them as they start businesses.^{xxxii}

The immigrants offset relatively high emigration figures, as large numbers of skilled South African workers in sectors such as health and business services^{xxxiii} emigrate to countries such as the UK, Australia or Canada.^{xxxiv} High numbers also emigrate to New Zealand and Dubai.

Conclusion

It is encouraging that the South African government and DHET have shown such a strong commitment to boosting VET. What little evidence there is points to high returns on investment for individuals and employers who engage with VET. With the government's focus on increasing participation, the longer-term impact could be substantial. We highly recommend further research in this area to inform future policy and developments.

However, creating a pipeline of people who are willing to enter VET – and who recognise it as a valuable career path – remains a significant challenge. It's important that vocational options are promoted in schools, so that people are aware of all the opportunities available to them. Likewise it is key that funding is evenly distributed across different education options to avoid reinforcing any stigma against vocational education.

Another challenge is the significant amount of change that is planned to the already complex VET system. The changes aim to improve the system. However looking at similar experiences in the UK, extensive change – especially where it isn't aligned to long-term planning – can lead to instability and deter individuals and employers from engaging with VET.^{xxxv} The government should make sure any planned changes are long-term and geared towards future economic growth.

Finally, for the government to successfully achieve its targets, there needs to be increased focus on employer engagement. Its move to encourage government agencies and departments to offer workplace training is a great first step but more needs to be done to involve them in curriculum development. This would better prepare young people for the workplace, which could help improve youth unemployment rates.

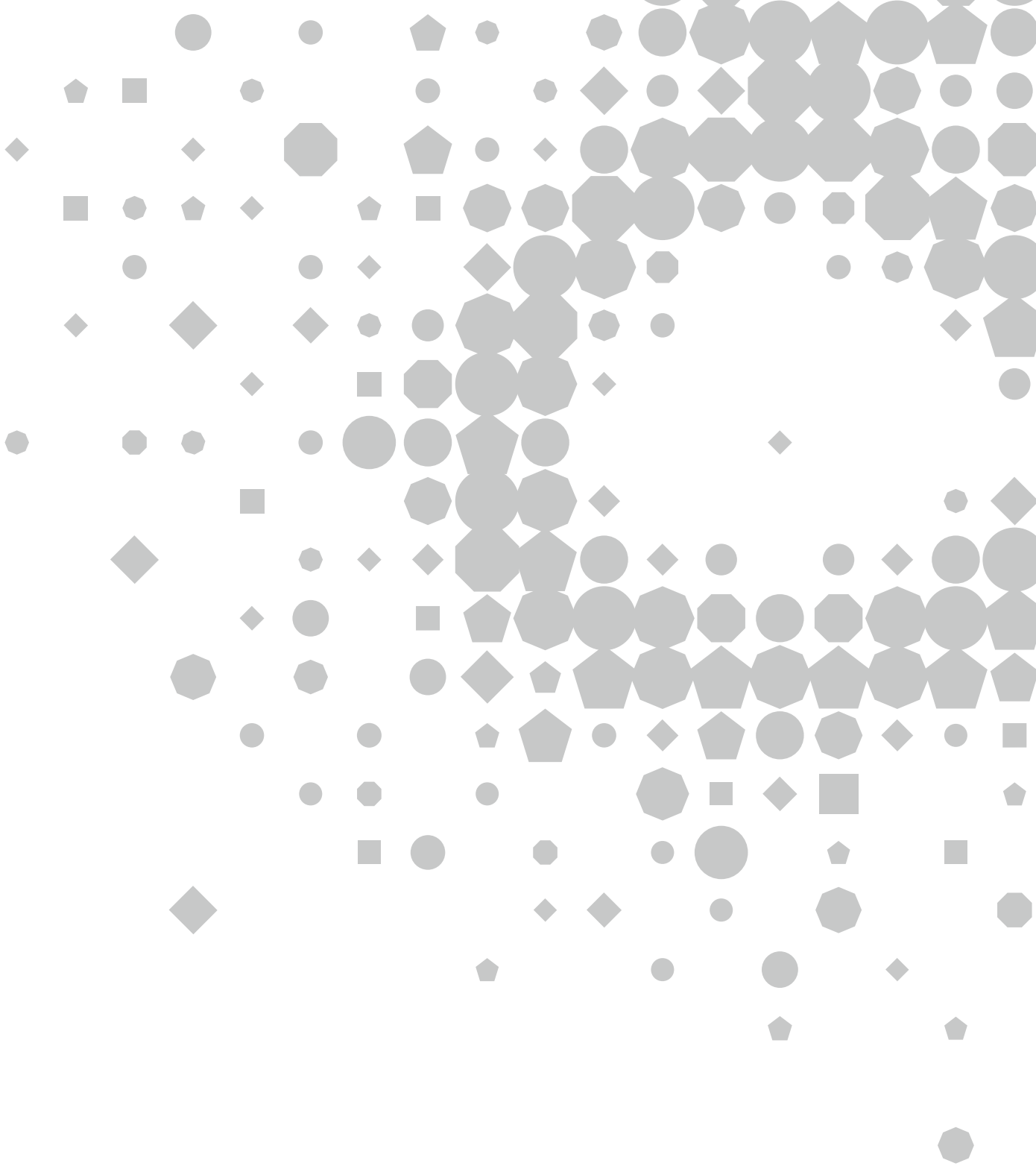
Through VET, South Africa has the opportunity to strengthen its workforce and, in turn, its economy. If it can boost enrolments and improve its VET system, it will see a noticeable return on investment.

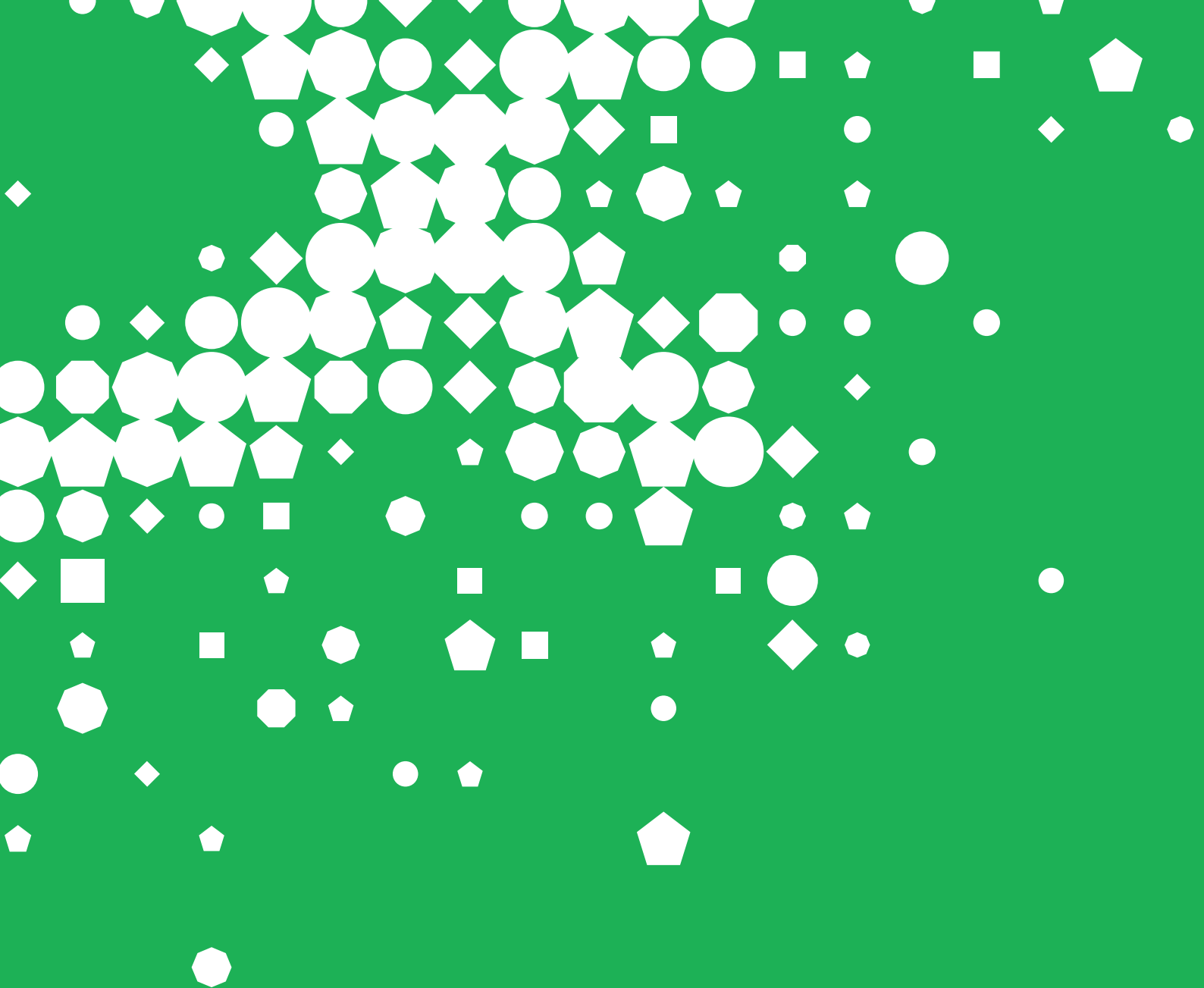
Engineering and construction courses had less than **25%** completion rates in 2013.

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- 1 The White Paper refers specifically to Further Education and Training Colleges (FET colleges) which were renamed TVET colleges as a result of the 2014 'White Paper for Post-School Education and Training'. For consistency, we have used the term TVET throughout the report.

Methodology: The research was developed by the Centre for Economic and Business Research (Cebr) and research organisations Reputation Leaders and The Research Base.





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