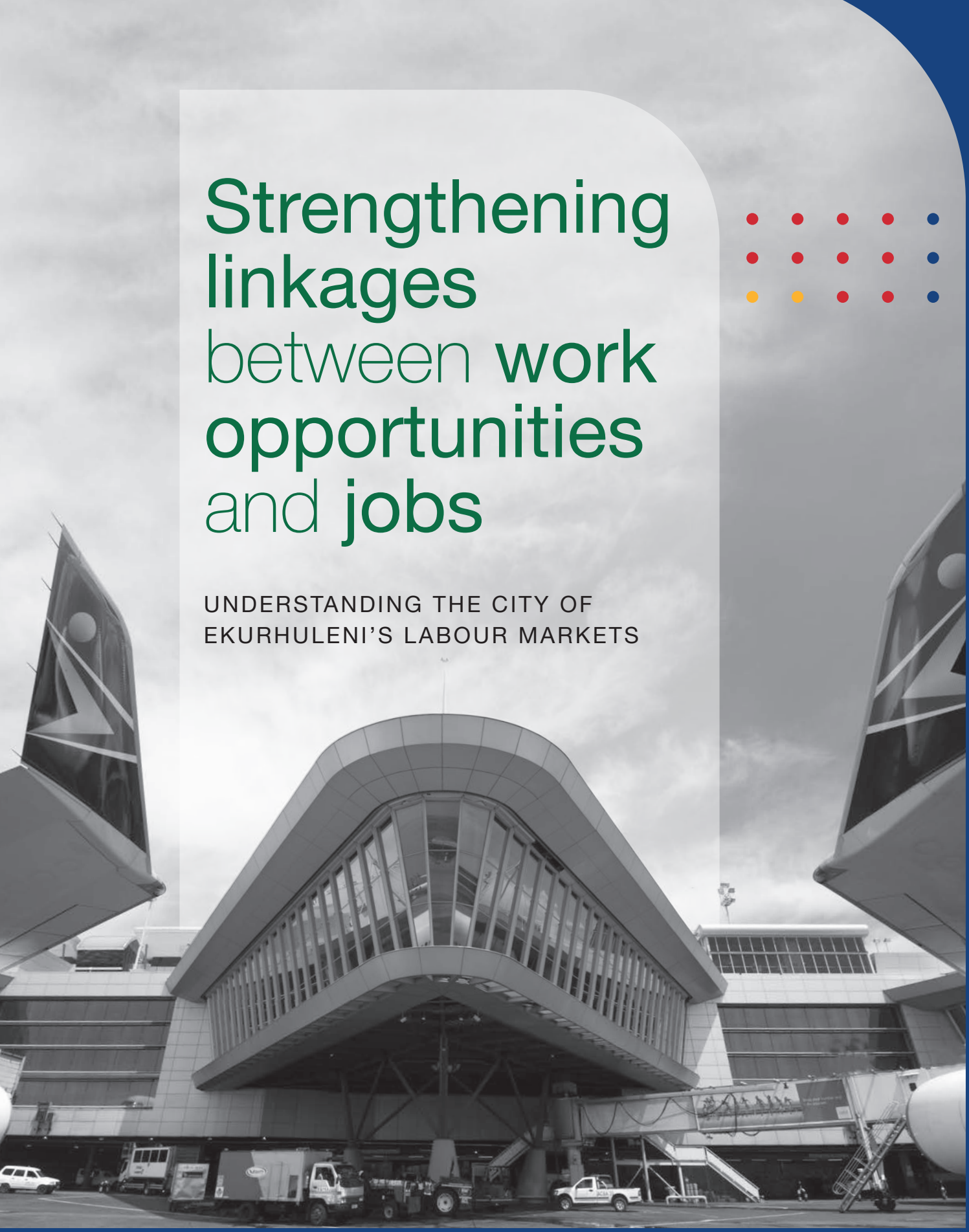
Strengthening linkages between work opportunities and jobs

UNDERSTANDING THE CITY OF EKURHULENI'S LABOUR MARKETS



City of Ekurhuleni

public works & infrastructure
Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

EXPANDED PUBLIC WORKS PROGRAMME

South African CitiesNetwork

Acknowledgements

Compiling this publication was enabled by the commitment, valuable insights, and content direction from the Expanded Public Works Programme (EPWP) managers in the seven cities that make up the South African Cities Network (SACN): Buffalo City, Ekurhuleni, eThekwini, Johannesburg, Mangaung, Nelson Mandela Bay and Tshwane. The project was also guided, and financially supported, by the National Department of Public Works and Infrastructure (NDPWI). We also extend our gratitude to the City of Ekurhuleni Metropolitan Municipality for their collaboration on this project.

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THIS REPORT IS PUBLISHED BY:
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PHOTOGRAPHY CREDITS:
ALL PHOTOS IN THE PUBLICATION ARE ATTRIBUTABLE TO THE RESPECTIVE CITIES, DPWI AND SACN UNLESS OTHERWISE INDICATED.

ISBN: 978-0-7961-3242-0

Suggested Citation: SACN (South African Cities Network). 2023. Understanding Ekurhuleni Metropolitan Municipality's Labour Markets. A report of the Expanded Public Works Programme Reference Group. Johannesburg: SACN.

Available online at: www.sacities.net

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Acronyms and Abbreviations

CEDEFOP	European Centre for the Development of Vocational Training
CET	Community Education and Training
COE	City of Ekurhuleni
DBE	Department of Basic Education
DHET	Department of Higher Education and Training
FTE	Full Time Equivalents
GD	Gross Domestic Product
GVA	Gross value-added
HE	Higher Education
HEI	Higher education institution
IDP	Integrated Development Plan
ILO	International Labour Organisation
ILOSTAT	International Labour Organisation Database
LFPR	Labour Force Participation Rate
LFS	Labour Force Survey
LMIP	Labour Market Intelligence Partnership
NPC	National Planning Commission
NEET	Not in Employment, Education, or Training
OECD	Organisation for Economic Co-Operation and Development
PSET	Post-School Education and Training
QLFS	Quarterly Labour Force Survey
SACN	South African Cities Network
StatsSA	Statistics South Africa
TVET	Technical and Vocational Education and Training

Foreword

In the Expanded Public Works Programme (EPWP) Policy released for public comment in September 2022, a need for the EPWP to move to an approach that goes beyond business as usual is highlighted. It specifically highlights the need to focus more deliberately on facilitating and sustaining positive impacts and quality outcomes. Considering its interface between social protection and the transition to economic inclusion and employment, the Policy puts forward the need to leverage Public Employment Programmes (PEPs) such as the EPWP to enable pathways out of poverty through labour market and/or social protection interventions, or a hybrid of both.

Although PEPs are short-term in nature, in South Africa, the challenges they are intended to address are oftentimes persistent, generally impacting the same individuals who may, in fact, find themselves wholly dependent on PEPs for the duration of their working lives.

This publication is a culmination of the EPWP Reference Group's interest in exploring the ways in which the above might be made possible. It clarifies the demand and supply side dynamics of the City of Ekurhuleni's labour markets while also investigating the impact of PEPs on a jobseeker's employability. It also emphasises the importance of the PEPs, specifically the EPWP, in maintaining linkages to the job market for the unemployed while offering a stepping stone towards economic inclusion. It is envisaged that an increased understanding of demand and supply side data at the city level will assist in clarifying both the points and types of interventions necessary to narrow the skills mismatch and enable employability.

This work aligns with the EPWP Policy's aspirations; it builds upon the EPWP RG's existing body of research products, specifically EPWP Exit Strategy for South African Cities and EPWP (Re)-Skilling Tomorrow's Workforce.

The EPWP RG firmly believes in an ecosystem approach to job creation. With this, it is understood that it takes collaborative, coordinated efforts among various relevant market actors in and outside the government whose respective mandates and strengths are leveraged to improve youth employment. It is hoped that the Strengthening Linkages Between Work Opportunities and Jobs: Understanding the City of Ekurhuleni's Labour Markets report will provide a valuable reference document, articulating how various ecosystem partners can come together to support the livelihood journeys of many South Africans.

Executive Summary

This report provides an overview of the City of Ekurhuleni's labour market and its requirements for skills. It does this by analysing the demand for and supply of skills and the imbalances between these. Investigating both the demand for and supply of skills involved:

- An exploration of the state of the economy.
- Trends in the composition of the labour force.
- Trends in the sectoral and occupational distributions of employment and trends in education and skills.

Insights into skills imbalances (including mismatches) signal how skills supply should respond to changing skills demand at a local level. Understanding these imbalances makes it possible to steer supply, guide future investment and interventions, and ensure that the education system supports an inclusive economic and social development path at the city level.

Chapter 2 provides an overview of the City of Ekurhuleni's economy within the national and regional context. The trends observed in this chapter indicate that South Africa, Gauteng province and the City of Ekurhuleni's economies are vulnerable to external shocks determined by global growth and demand trends. The economies of South Africa, Gauteng Province and the City of Ekurhuleni decelerated from 2019 to 2020 due to the impact of the COVID-19 pandemic and containment measures that led to severe contraction in economic activity. While the economies of South Africa, Gauteng Province and the City of Ekurhuleni managed to recover in 2021, the three consecutive years of the low-growth trap between 2014 and 2016 suggests that it is likely that a far more protracted recovery is expected. Load shedding, among others, has accelerated business closures and retrenchments and is expected to continue dampening economic and productivity growth.

Chapter 3 reviews the trends that impact on skills supply and demand in the City of Ekurhuleni relative to the two other cities located in Gauteng province. The analysis in this chapter demonstrates unstable trends in real output growth for all the three largest cities in Gauteng (The City of Johannesburg, the City of Tshwane and the City of Ekurhuleni). However, the City of Ekurhuleni recorded the most significant decline in real output at 7.3% in 2021 compared to the other two cities. Growth was held back by the poor performance of the manufacturing sector, which accounts for a significant share of the City of Ekurhuleni's total output.

Like South Africa and Gauteng province, most of the working-age population in all three Cities have either secondary not completed or secondary completed as their highest level of education attainment. This is evidence of a general pattern of low skills amongst individuals in the population, which second-chance education opportunities could address in part through Community Education and Training colleges.

Chapter 4 shows that the City of Ekurhuleni's GDP growth has remained below 2% for the past eight years, exacerbated by negative economic shocks from the COVID-19 pandemic and domestic shocks such as the continuous load shedding. The City of Ekurhuleni's labour market is predominantly formal, accounting for 75.5% of total employment. However, employment in the formal sector contracted rapidly by 4.6% per annum. While literature from emerging countries shows that the informal sector plays a critical role in providing income-earning prospects for most of the unemployed population with lower levels of education and experiencing the most significant barriers entering the formal labour market, the size of the informal sector in the City of Ekurhuleni is relatively small. The informal sector is an integral part of the City's economy but is often neglected.

The City of Ekurhuleni's labour market is predominantly formal, accounting for 75.5% of total employment

Chapter 5 discusses the potential supply of skills available within the City of Ekurhuleni. The number of learners achieving a bachelor's pass in the City of Ekurhuleni increased significantly by 10.3% on average per annum between 2018 and 2022. The more bachelor passes obtained during the NSC examinations, the more potential enrolments into university-level qualifications and programmes. While mathematics is considered a major prerequisite for admission to several qualifications at university level, the analysis in this chapter showed a decrease of 5.7 percentage points in the pass rate for learners who wrote mathematics in the City of Ekurhuleni from 65.8% in 2021 to 60.1% in 2022. Physical science pass rate is also not satisfactory and requires improvement.

The analysis in Chapter 5 has identified that over 1.2 million people in the City of Ekurhuleni are not in employment, education or training and that persons who are NEET are likely to be female, Black African, aged 35-60 years,

generally have less than Grade 12 as their highest level of education attainment, and that the majority are not actively looking for employment. The state of NEETs in the City of Ekurhuleni implies a stagnation or decline in human capital, which is particularly worrying as it affects low-educated youth with little or no work experience.

The analysis in this chapter also showed an increase in the proportion of South Africans in the labour force that have attained Grade 12 and tertiary as their highest level of education. The increase in the number of graduates with tertiary qualifications entering the labour market will aid in raising the productivity of the City's workforce and in promoting its economic growth.

Chapter 6 considers the demand for skills within the City of Ekurhuleni. In terms of employment within the City of Ekurhuleni's area of jurisdiction, the Black African and White populations experienced a decrease in employment by 0.6% and 11.0% per annum, respectively, while employment increased for the Coloured population by 0.7% per annum and for the Asian population by 9.3% per annum between 2018-2022. Job losses disproportionately impacted women, who accounted for more than 50.0% of the decline in total employment over the period under review. The trends further demonstrated a significant decline in the number of people employed with low education attainment levels.

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The analysis in Chapter 6 also showed a shift in the distribution of employment away from younger cohorts towards older cohorts. The most rapid declines in employment were observed amongst the youth aged 15–24 years (–5.4% per annum) and youth aged 25–34 years (–2.6% per annum) between 2018-2022.

While both the secondary and tertiary sectors of the City of Ekurhuleni's economy experienced a decrease in employment between 2018-2022, the decreases were concentrated in the secondary sector (at -7.0% per annum). Construction (-8.0%), electricity (-7.4%) and manufacturing (-6.6%) were individual sectors that experienced the most significant declines in employment. In 2021, the sector that created more job opportunities for youth in the City of Ekurhuleni was the administrative and support services sector, followed by manufacturing, wholesale and retail, and repair of motor vehicles and motorcycles.

Most people working in the formal sector in the City of Ekurhuleni earn between R6 400 - R12 800 per month, followed by those earning between R3 200 – R6 400. While the median income increased slightly from R9 721 in 2021 to R10 920, the analysis shows that this increase is still below the pre-COVID-19 levels. The low median wage levels are concerning as average wages need to rise yearly to keep up with inflation; the average worker is better off where median wage levels are higher. While the City of Ekurhuleni saw a declining trend in wage inequality, it remains high by international standards at 0.61.

Chapter 7 showed that the levels of qualification and field-of-study mismatches in the City of Ekurhuleni are very high. In 2022, 51.4% of workers were mismatched in terms of qualification level. About 21.7% of workers in the City of Ekurhuleni were over-qualified for their jobs (that is, their highest educational attainment level is higher than the one usually required in the occupation they are employed in). A further 29.7% were underqualified (their highest educational attainment level is lower than the one traditionally needed for the occupation they are employed in). Furthermore, 26.9% of workers in the City of Ekurhuleni are employed in an occupation that does not match the field of study of their highest qualification.

Older workers in the City of Ekurhuleni are much more likely than their younger colleagues to be underqualified; 48.6% of workers aged 55–64 are underqualified. On the one hand, this indicates that education requirements in many occupations have gone up over time, while on the other hand, it shows that older workers have often developed skills outside of the education system that are valued in the labour market. The incidence of mismatch also differs by gender. Female workers are less likely to be underqualified or mismatched by field of study than male workers; however, they have high incidences of overqualification.

KEY RECOMMENDATIONS

In line with the findings from this report, the following recommendations are made:

1. Improve the overall basic skills levels of the population - The quality of basic education within the City of Ekurhuleni, particularly in mathematics and physical science, should be improved to foster the skills required in the City's economy. The high number of individuals not in employment, education, or training (NEET) is

symptomatic of a schooling system failing to prepare learners for further education or the labour market adequately. Without improvements in schooling outcomes, there will continue to be a limited pool of potential students eligible for several university-level qualifications.

2. The reach and capacity of community education and training (CET) programmes should be expanded – for those currently not eligible for universities and TVET colleges. CET colleges within the City remain crucial in attaining basic skills and providing skills programmes for those who have dropped out of the schooling system. CET colleges stand to improve their employability levels and opportunities for sustainable livelihoods.
3. Develop an updated database of people who are NEET in the City – to track them and ensure that information about education and training opportunities (including workplace-based learning (WBL) opportunities through learnerships), internship and apprenticeship schemes can be communicated directly to persons who are NEET. The database will also assist in ensuring that entrepreneurship development programmes and career development programmes are targeted at appropriate persons. Furthermore, persons who are NEET could be encouraged to register on platforms connecting work seekers with employers.
4. Create a strong culture of entrepreneurship - The level of self-employment within the City of Ekurhuleni was found to be very low. The City, in collaboration with schools and post-school education and training institutions within its administration area, must instil a culture of entrepreneurship so that young people are encouraged to use their skills and talents to generate a livelihood for themselves.
5. Pursue labour-intensive forms of growth – The City of Ekurhuleni has a large and growing number of unemployed individuals. The City's economy should move towards growing the manufacturing sector to absorb the many people searching for jobs. It should be ensured that those in the labour force obtain skills aligned with the City's growth trajectory. Policies that encourage the City of Ekurhuleni to be manufacturing-driven, to create labour-intensive job opportunities for semi-skilled workers, and to ensure that the supply of labour responds to the demand of this industry remain essential.
6. Increase Expanded Public Works Programme (EPWP) opportunities – Research reveals that people with work experience have a better chance of finding jobs than those who do not have work experience. Thus, EPWP remains a critical intervention that offers youth an opportunity for work experience.
7. Encouraging lifelong learning - could assist in ensuring that the population's skills are aligned with the economy's ever-changing demand. Businesses and education and training institutions within the City can collaborate and facilitate lifelong learning by developing relevant online courses, allowing individuals of any age to learn about a particular area of interest.
8. Promoting labour market research and intelligence - Given the gaps in labour market intelligence at the local level, it would be beneficial to establish a multi-year research programme to probe issues surrounding labour and skills supply and demand regularly. As Cities are stepping up their efforts to make local economies more resilient, analysis of the demand for and supply of skills in their jurisdiction becomes vital to ensure that skills are not a constraint to the City's economic growth. Additionally, national and provincial skills assessments may not always capture or prioritise what matters most at the city level. Cities are better positioned to understand and, when possible, respond to the immediate needs and consequences of labour market transitions for their local area.

As Cities are stepping up their efforts to make local economies more resilient, analysis of the demand for and supply of skills in their jurisdiction becomes vital to ensure that skills are not a constraint to the City's economic growth.

It is generally acknowledged that to design policies that effectively tackle existing or anticipated skills mismatches, countries must thoroughly analyse their demand for and supply of skills (OECD, 2017). In South Africa, much of the investigations into labour market dynamics have focused on improving the demand for and the supply of skills at national and provincial levels. For instance, the Department of Higher Education and Training (DHET) regularly produces a report on skills supply and demand in South Africa. This report provides a thorough national picture of the supply and demand for skills and associated mismatches. In addition, the DHET produces a national list of Occupations in High Demand to support enrolment, career development services, resource allocations, and programme planning in education and training. The Department also produces a Critical Skills List to support the implementation of the Department of Home Affairs' skills visa. These lists are produced every two years.

The DHET is also in the process of piloting the provincial list of Occupations in High Demand in two provinces. Without province-specific research, provinces have been using the national list of high-demand occupations to infer provincial demand. However, provincial demand often deviates from national demand, and given different provincial contexts, occupations in high demand in one province might be in low demand in another (Venter and Capazario, 2022). Similarly, national and provincial skills supply and demand dynamics are unlikely to apply at the local or City level.

In South Africa, cities are stepping up their efforts to make local economies more resilient and future-ready.

Complementary skills assessment and anticipation exercises at the city level are essential to ensure that skills do not constrain local economic development. However, they have been relatively neglected in literature and policy debates. In South Africa, cities are stepping up their efforts to make local economies more resilient and future-ready. As part of their efforts to make local economies more resilient, cities need to analyse the demand for and supply of skills in their area of jurisdiction as the consequences of changing skills needs are felt acutely at the city level through skills shortages, skills surpluses, and skills mismatches. Additionally, national and provincial skills assessments may not always capture or prioritise what matters most at the city level. Cities are better positioned to understand and, when possible, respond to the immediate needs and consequences of labour market transitions for their local area.

1.1 PURPOSE OF THE REPORT

This report provides a broad overview of the City of Ekurhuleni's labour market and its requirements for skills. It does this by analysing skills supply and demand and the imbalances between these. Insights into skills imbalances (including mismatches) provide signals on how skills supply should respond to changing skills demand at a local level. The report aims to ensure the availability of people with the appropriate knowledge, skills and attributes to support the growth and development of the City of Ekurhuleni Metropolitan Municipality.

1.2 STRUCTURE OF THE REPORT

The report consists of six further chapters. Chapter 2 provides an overview of the City of Ekurhuleni within the national and regional context. Chapter 3 reviews the trends that impact skills supply and demand in the City of Ekurhuleni relative to the two other cities in Gauteng province. Chapter 4 provides an analysis of the City of Ekurhuleni's economy. Chapter 5 focuses on signals for skills supply for the City of Ekurhuleni. Chapter 6 considers the demand for skills. In Chapter 7, the discussion turns to skills imbalances and pays particular attention to skills surpluses and mismatches.

2 Locating the City of Ekurhuleni within the National and Regional Context

The City of Ekurhuleni (COE) is one of the three largest metropolitan municipalities in Gauteng province. According to the City of Ekurhuleni's 2022/23-2026/27 Integrated Development Plan (IDP), the City is a significant economic and social role-player in South Africa because of its strong industrial characteristics and contribution to the national economy. In this regard, it is crucial to understand the COE's economic growth trajectory within the national and regional context. This section tracks high-level economic and labour force indicators to take stock of a range of factors that may influence the supply of and demand for skills either directly or indirectly. This section also analyses the education and skills levels of the COE's workforce within the national and regional context.

2.1 ECONOMIC INDICATORS

Trends in Gross Domestic Product (GDP) and changes in the composition of its economic output over time are important factors behind the country's demand for skills at the national, provincial and City levels. Overall economic growth will strongly influence labour demand, and changes in the economy's composition will determine the skills needed (OECD, 2017). More recently, the COVID-19 pandemic brought about a deceleration in productivity growth at the national, provincial and City levels due to the lockdown measures. Recently, the inability of South Africa to service its electricity needs has led to downward revisions of economic growth and investor confidence in the economy. The load-shedding constraints were initially thought to be temporary but have become increasingly embedded into the fabric of the economy. The challenges have adversely affected labour markets across the country and its ability to generate sufficient employment opportunities for its growing labour force. However, the economy must follow a labour-absorbing growth path to reduce high unemployment levels. In this regard, it is essential to understand the economic growth trajectory at the national, provincial and City levels to ascertain the ability of the economy to generate sufficient employment opportunities for its growing labour force.

Overall economic growth will strongly influence labour demand, and changes in the economy's composition will determine the skills needed (OECD, 2017).

Figure 1 overleaf shows that real output for South Africa, Gauteng province and the City of Ekurhuleni generally increased from 2007 to 2019. The City of Ekurhuleni's real output increased from R661 billion in 2007 to R746 billion in 2019. However, similar to the country and province, real output for the City of Ekurhuleni declined from R746 billion in 2019 to R692 billion in 2020 due to the COVID-19 pandemic and its adverse economic effects. Sharp declines in real growth rate experienced in 2009 and 2020 at national, provincial and City levels reflect the aftermath of the 2008-2009 global financial crisis and 2020 hard lockdowns and sustained sharp decreases in productivity in response to the COVID-19 pandemic. This growth trajectory reflects that South Africa, Gauteng province and the City of Ekurhuleni's economies are characterised by vulnerability to external shocks primarily determined by global growth and demand trends.

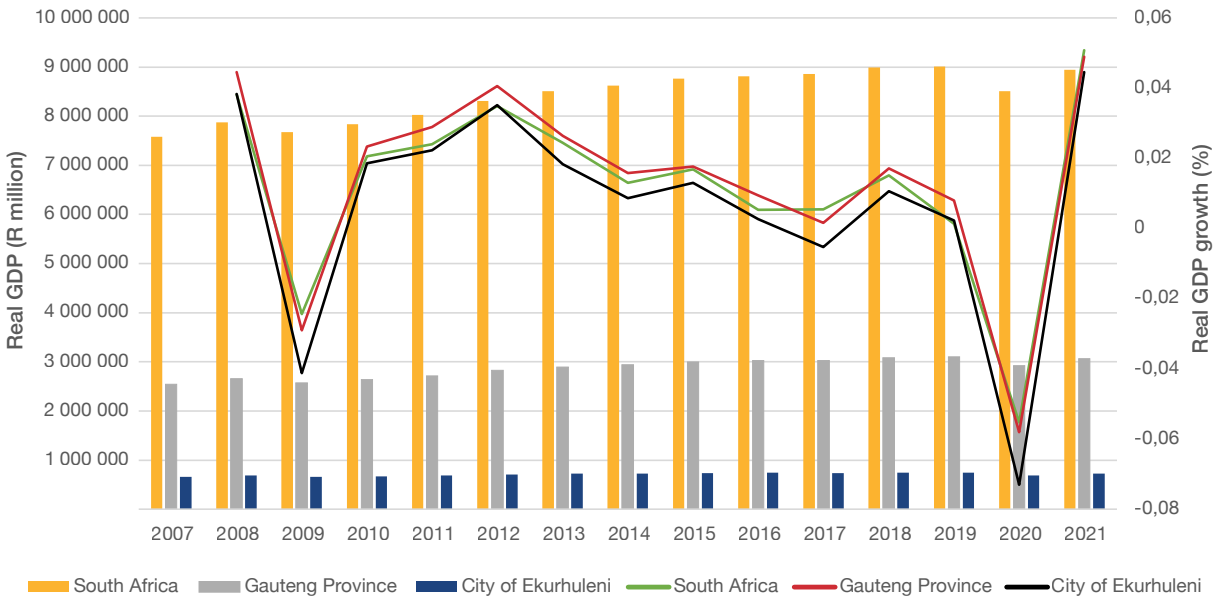
There has been some positive economic growth from 2020 to 2021 for the country in general, similarly for Gauteng province and the City of Ekurhuleni. However, the sharp increase in real growth rate experienced in 2021 may not immediately translate into the creation of productive jobs. This will require a recovery period before returning to the promising positive trends as the economies of the country, Gauteng province, and the City of Ekurhuleni were already experiencing dampened economic growth even before the COVID-19 pandemic and post the 2008 financial crisis.

The City of Ekurhuleni's economic climate remains challenging as its contribution towards Gauteng province's gross domestic product has been on a marginal declining trend while its contribution towards the country's real output has remained steady at 8% between 2007 and 2021.

Figure 2 shows that the City of Ekurhuleni's contribution towards Gauteng province's gross domestic product has seen a marginal decline year-on-year from 2007 to 2021, while its contribution to towards the national's economic growth has remained relatively stable between 2007 to 2021 at 8%.

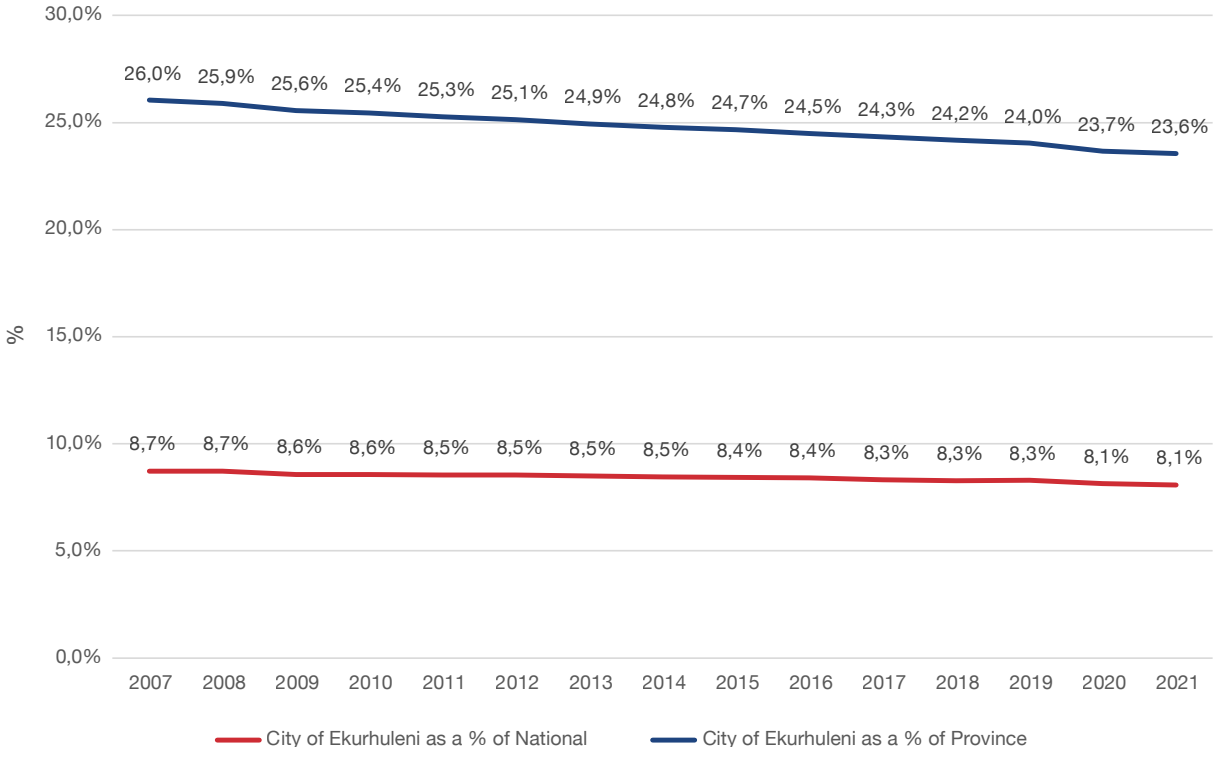
Table 1 shows the contribution to GDP by industry for 2021. The economies of South Africa, Gauteng province and the City of Ekurhuleni are all services driven, with the largest GDP contribution being from tertiary sector activities. In 2021, the tertiary sector contributed nearly 41.2%, 47.2% and 45.6% of the total GDP for South Africa, Gauteng province and the City of Ekurhuleni, respectively. The tertiary sector is followed by the secondary sector, which

FIGURE 1: Trends in the real value of GDP and real GDP growth, 2007-2021



Source: Quantec, 2023

FIGURE 2: City of Ekurhuleni's contribution to National and Provincial Gross Domestic Product, 2007-2022



Source: Quantec, 2023

accounted for 27.9%, 29.6% and 33.0% of total GDP in 2021 for South Africa, Gauteng province and the City of Ekurhuleni, respectively. This suggests that the economies of South Africa, Gauteng province and the City of Ekurhuleni are moving more towards services and away from the secondary sector, such as manufacturing, which are mainly labour-intensive.

Finance, insurance, real estate and business services, and manufacturing collectively contributed more than 50% of GDP in 2021 for Gauteng province (52.7%) and 52.8% for the City of Ekurhuleni.

A key contributor to the economy of the City of Ekurhuleni in 2021 was manufacturing at 27.2%. Policies that encourage the City of Ekurhuleni to be manufacturing-driven, create labour-intensive job opportunities for semi-skilled workers, and ensure that the supply of labour responds to the demand of this industry remain essential.

TABLE 1: Sector performance, 2021

Industry	National	Provincial	City of Ekurhuleni
	% share		
Agriculture, forestry and fishing	5.2%	0.9%	0.8%
Mining and quarrying	6.7%	1.8%	1.5%
Primary sector	**12.0%**	**2.7%**	**2.4%**
Manufacturing	21.6%	24.0%	27.2%
Electricity, gas and water	2.7%	2.4%	2.2%
Construction	3.6%	3.2%	3.5%
Secondary sector	**27.9%**	**29.6%**	**33.0%**
Wholesale and retail trade, catering and accommodation	10.2%	9.1%	10.1%
Transport, storage and communication	8.3%	9.4%	10.0%
Finance, insurance, real estate and business services	22.8%	28.6%	25.6%
Tertiary	**41.2%**	**47.2%**	**45.6%**
General government	7.1%	6.1%	5.5%
Community, social and personal services	11.8%	14.4%	13.5%
Total	**100.0%**	**100.0%**	**100.0%**

Source: Quantec, 2023

2.2 LABOUR FORCE INDICATORS

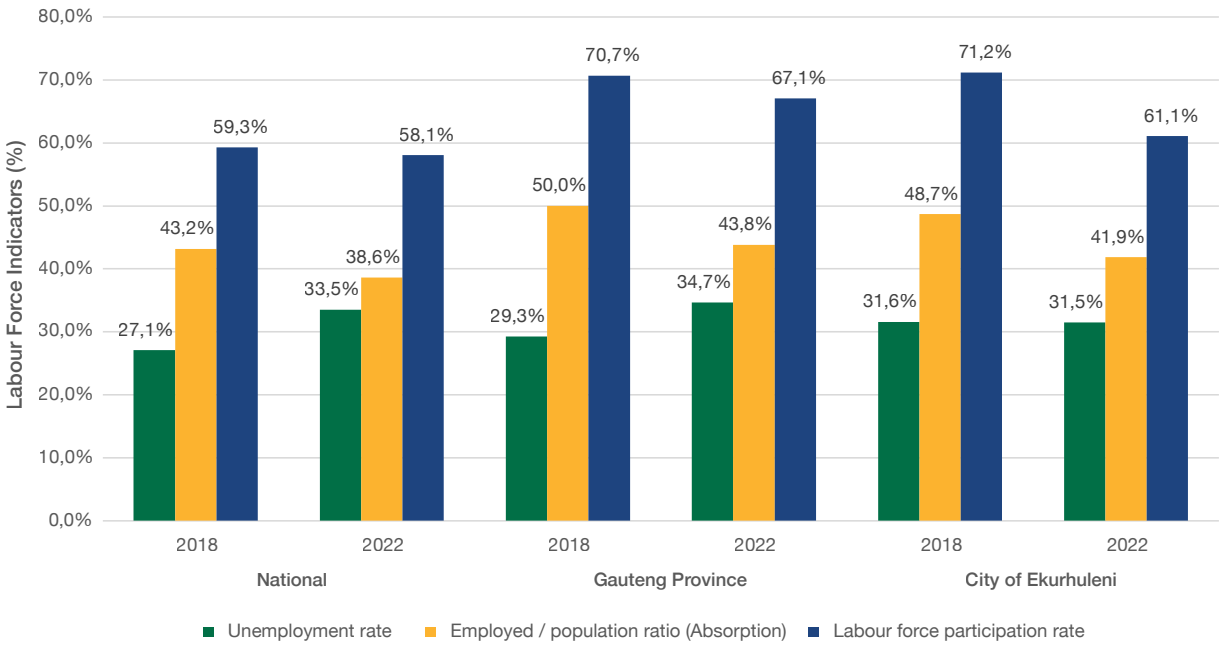
Indicators that measure the ability of an economy to generate sufficient employment opportunities for its population provide valuable insights into the economy's overall development performance (ILO, 2010). These indicators include, among others, unemployment rates, employment-to-population ratios and labour force participation rates (LFPR). The unemployment rate is regarded as a valuable measure of the underutilisation of labour supply and a vital indicator of the performance of the labour market and the capacity of an economy to absorb its labour force. Figure 3 shows that the unemployment rate for the National and the province increased significantly from 2018 to 2022, while that of the City remained constant.

The employment-to-population ratio (also referred to as the absorption rate) indicates how efficiently an economy provides jobs for people who want to work, and a high ratio means that a large proportion of the population is employed (World Bank, 2021). The figure below shows that the absorption rate for the country decreased by 4.6 percentage points, from 43.2% in 2018 to 38.6% in 2022, for Gauteng province decreased by 6.3 percentage points from 50.0% in 2018 to 43.8% in 2022, and for the City of Ekurhuleni decreased by 6.8 percentage points from 48.7% in 2018 to 41.9% in 2022.

The labour force participation rate (LFPR) indicates the size of the current pool of available labour and skills in the labour market (Khuluvhe et al, 2022). All other things being equal, a higher labour force participation rate indicates a higher labour supply. Figure 3 shows that the LFPR for South Africa, Gauteng province, and the City of Ekurhuleni has gradually decelerated from 2018 to 2022.

The unemployment rate is regarded as a valuable measure of the underutilisation of labour supply and a vital indicator of the performance of the labour market and the capacity of an economy to absorb its labour force.

FIGURE 3: Key labour force indicators (%), 2018 and 2022

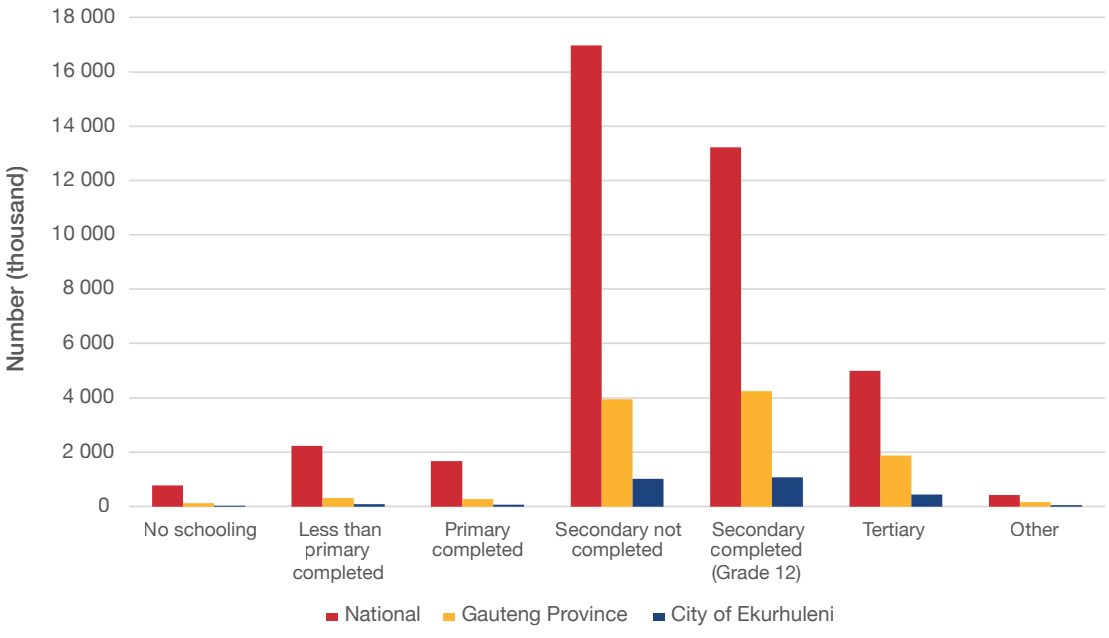


Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

2.3 EDUCATION AND SKILLS INDICATORS

The knowledge and skills of workers in the labour supply are considered a key determinant for economic growth. The graph below shows the working-age population by the highest level of education attainment for the City, Gauteng and the country. Figure 4 reflects that a higher number of the working-age population across South Africa and in the City of Ekurhuleni have secondary not completed as their highest level of education attainment. While the majority in the Gauteng province have secondary completed as their highest level of education attainment. It is concerning that the numbers of those with a tertiary qualification are relatively low across the country, province and in the City of Ekurhuleni.

FIGURE 4: Working-age population by highest level of education attainment, 2022



Source: Authors own calculations, QLFS (Stats SA, 2022)

2.4 CONCLUSION

The trends observed in this chapter indicate that the economies of South Africa, Gauteng Province and the City of Ekurhuleni decelerated by 5.5%, 5.8% and 7.3%, respectively, from 2019 to 2020. The impact of the COVID-19 pandemic and containment measures led to a severe contraction in economic activity, resulting in many people being unable to work and businesses no longer operating. This growth trajectory reflects that South Africa, Gauteng Province and the City of Ekurhuleni's economies are vulnerable to external shocks determined mainly by global growth and demand trends. While this was a massive economic downturn, the economies of South Africa, Gauteng Province and the City of Ekurhuleni managed to recover by 5.1%, 4.9% and 4.5%, respectively, in 2021. Nonetheless, the three consecutive years of the low-growth trap between 2014 and 2016 suggest that a far more protracted recovery is expected for South Africa, Gauteng province and the City of Ekurhuleni. Load shedding, among others, has accelerated business closures and retrenchments and is expected to continue dampening economic and productivity growth.

Against this background and its own local challenges, the City of Ekurhuleni's economic climate remains challenging. The City's contribution towards Gauteng province's GDP has been on a marginal declining trend, while its contribution towards the country's real output has remained steady at 8% between 2007 and 2021.

The sectoral composition shift in terms of contribution to gross value added provides insight into the structural transformation of the economies of the country, Gauteng province and the City of Ekurhuleni over time. Research shows that manufacturing is the backbone of a long-run growth trajectory in many developing countries. However, the analysis in this chapter shows that the economies of South Africa, Gauteng Province and the City of Ekurhuleni are moving towards services and away from the secondary sector, such as manufacturing. However, a review of individual industries indicates that a significant contributor to the economy of the City of Ekurhuleni in 2021 was manufacturing at 27.2.

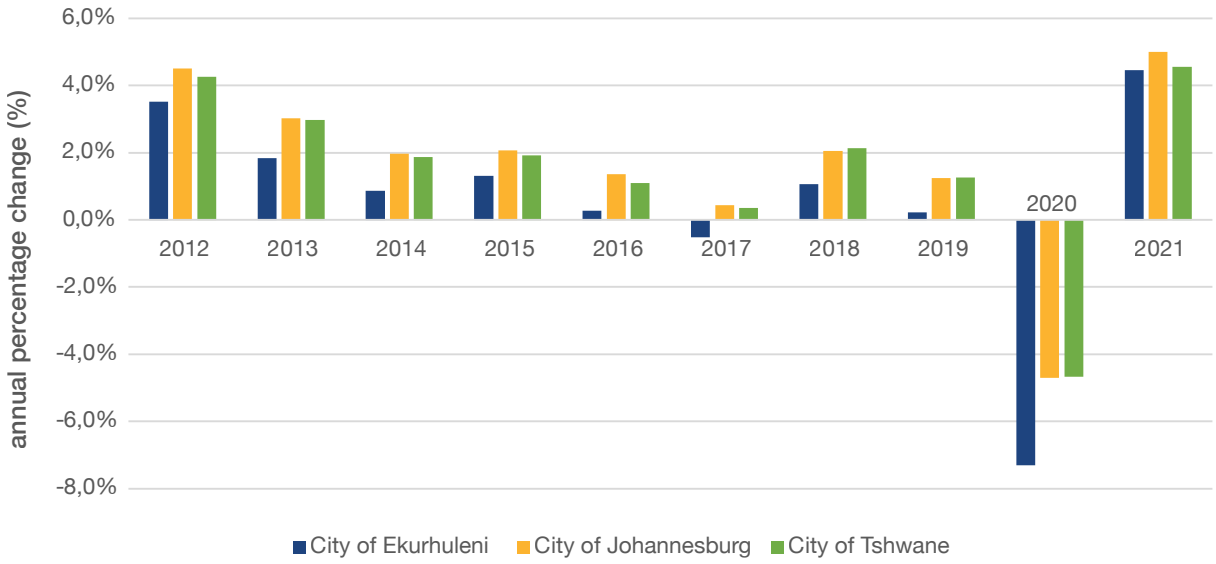
The impact of the COVID-19 pandemic and containment measures led to a severe contraction in economic activity, resulting in many people being unable to work and businesses no longer operating.

Gauteng province has three large metropolitan cities: the City of Ekurhuleni, the City of Johannesburg, and the City of Tshwane. This section examines the key supply and demand indicators for the City of Ekurhuleni relative to the other two large metropolitan cities in the Gauteng province.

3.1 ECONOMIC INDICATORS

Figure 5 shows unstable trends in real output growth for the three cities. The figure also shows that the City of Ekurhuleni is the smallest and the most volatile of the three cities in terms of the size of the economy. In 2020, the City of Ekurhuleni recorded the largest decline in real output at 7.3% compared to the other two large cities in Gauteng. Growth was held back by the poor performance of the manufacturing sector, which accounts for a significant share of the City of Ekurhuleni's total output. The real output of the City of Johannesburg and the City of Tshwane decelerated by 4.7% in 2020 when COVID-19 peaked. The City of Ekurhuleni's economy increased to about 4.5% in 2021 from a decline of 7.3% in 2020.

FIGURE 5: Economic growth in the Cities, 2012-2021

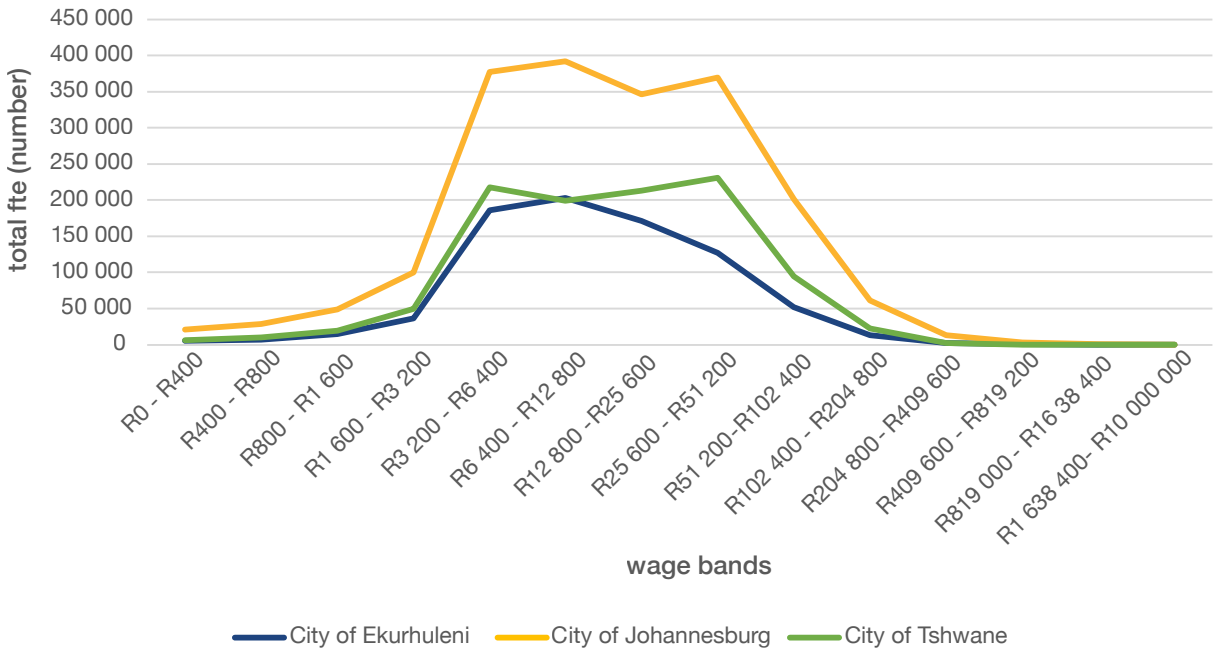


Source: Quantec, 2023

The level of earnings is closely related to demand-side factors such as the sector of employment and supply-side factors such as worker experience, education, and occupation (SEAD-SA, 2022). Considering the local population that these jobs support, the number of people in each wage band is important to bear in mind. Figure 6 below shows the wage distribution for the three cities in Gauteng. Most people employed in the formal sector in the City of Ekurhuleni and the City of Johannesburg earn between R6 400 and R12 800. This differs from the City of Tshwane as most people in this City are paid between R25 600 and R51 200. Figure 6 below also shows that the wage distribution is skewed to the right, suggesting a higher concentration of jobs with salaries between R6 400 and R51 200.

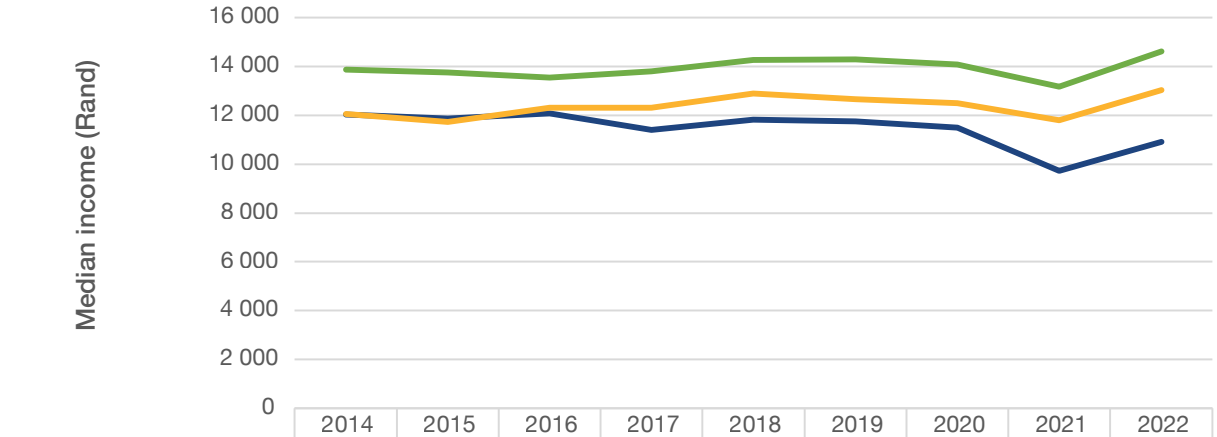
Median income measures the middle-wage earnings amongst formal workers. According to the Spatialised Economic Activity Data (SEAD-SA 2022), median wage levels need to rise each year to keep up with inflation, and an average worker is better off where median wage levels are higher. Figure 7 indicates the inflation-adjusted median incomes for the three cities in Gauteng. The three cities have had a decrease in median incomes from 2018 to 2021; however, the Cities' median incomes rose sharply from 2021. The City of Ekurhuleni has the lowest median income compared to the other two metro cities.

FIGURE 6: Wage Distribution by city, 2022



Source: SEADsa, 2022

FIGURE 7: Real Median Income by city, 2014-2022

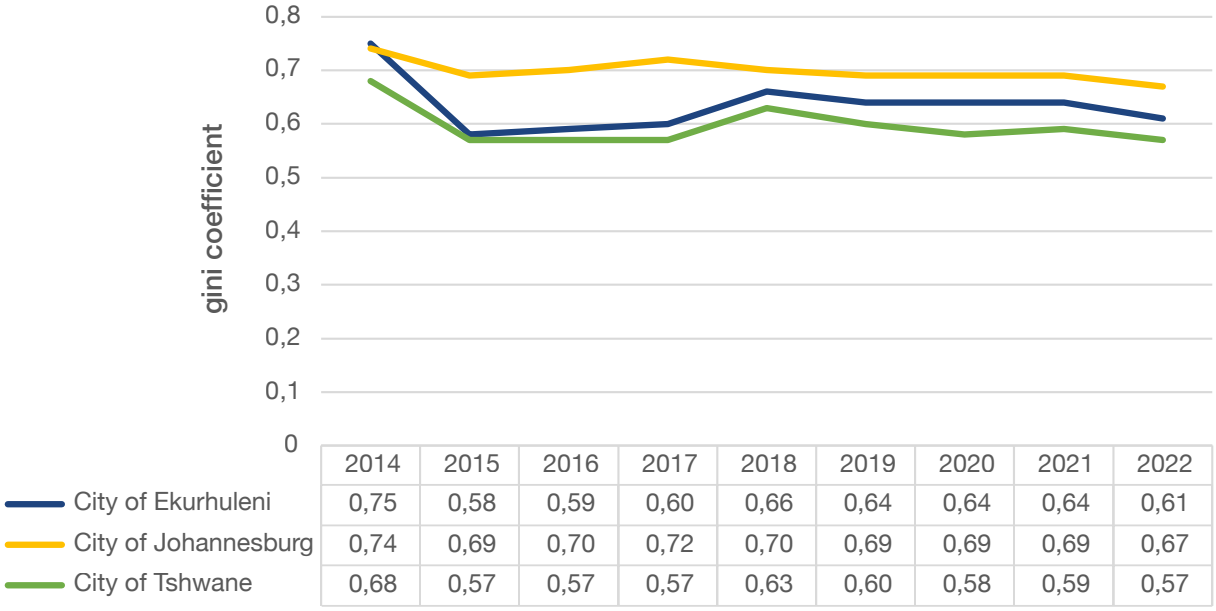


	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Ekurhuleni	12 017	11 855	12 064	11 401	11 821	11 755	11 482	9 721	10 920
City of Johannesburg	12 047	11 716	12 307	12 297	12 881	12 664	12 489	11 801	13 019
City of Tshwane	13 858	13 743	13 550	13 791	14 259	14 286	14 087	13 171	14 608

Source: SEADsa, 2022

Wage inequality remains a fundamental driver of income inequality in South Africa. The Gini Coefficient can help to understand earning inequality across cities and can also be measured using the income components of the data. The wage Gini Coefficient calculated from tax data measures inequality amongst wage earners who work in the formal sector (SEADsa, 2022). A value of 0 represents absolute equality, and 100 represents absolute inequality. Figure 8 below shows that the levels of inequality are relatively high across all three cities. However, the Gini Coefficient for the three cities remained relatively stable between 2019 and 2021 and decreased slightly from 2021 to 2022.

FIGURE 8: Wage Gini Coefficient by city, 2017-2021



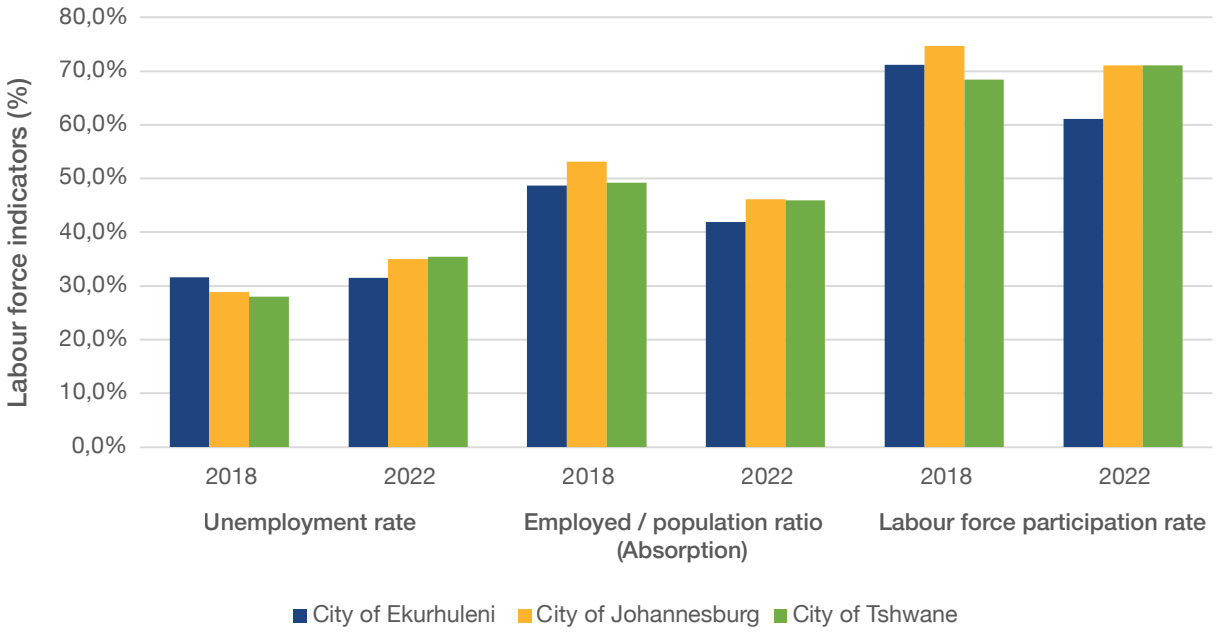
	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Ekurhuleni	0,75	0,58	0,59	0,60	0,66	0,64	0,64	0,64	0,61
City of Johannesburg	0,74	0,69	0,70	0,72	0,70	0,69	0,69	0,69	0,67
City of Tshwane	0,68	0,57	0,57	0,57	0,63	0,60	0,58	0,59	0,57

Source: SEADsa, 2022

3.2 LABOUR FORCE INDICATORS

Figure 9 shows that the City of Ekurhuleni's unemployment rate decreased from 31.6% in 2018 to 31.5% in 2022, while that of City of Johannesburg increased from 28.9% in 2018 to 35.0% in 2022 and that of City of Tshwane increased from 28.0% in 2018 to 35.4% in 2022. In 2022, The City of Ekurhuleni had the lowest number of persons employed compared to the other cities, and the labour force participation rate for the City of Ekurhuleni declined significantly from 71.2% in 2018 to 61.1% in 2022.

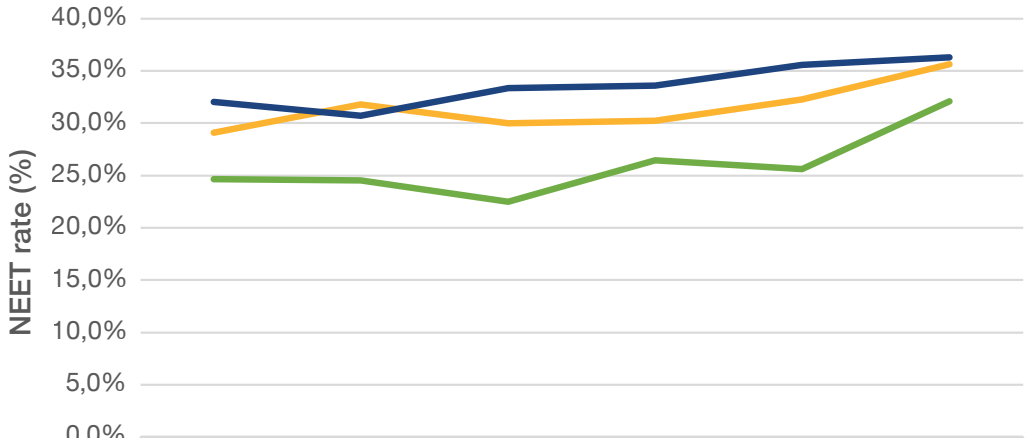
FIGURE 9: Key labour force indicators (%) by city, 2018 and 2022



Source Authors own calculations, QLFS (Stats SA, 2018 - 2022)

The share of youth not in education, employment or training (the NEET rate) highlights the proportion of the youth population that is neither employed nor actively investing in their human capital (Khuluvhe et al., 2022). Figure 10 shows that the City of Ekurhuleni had a much higher NEET rate compared to the other two cities, and this trend remained consistent between 2019 and 2022. It is concerning that all three cities indicate an upward trend in NEET rate (worsening) from 2017 to 2022.

FIGURE 10: NEET rates for youth aged 15–24 years per province, 2017-2022



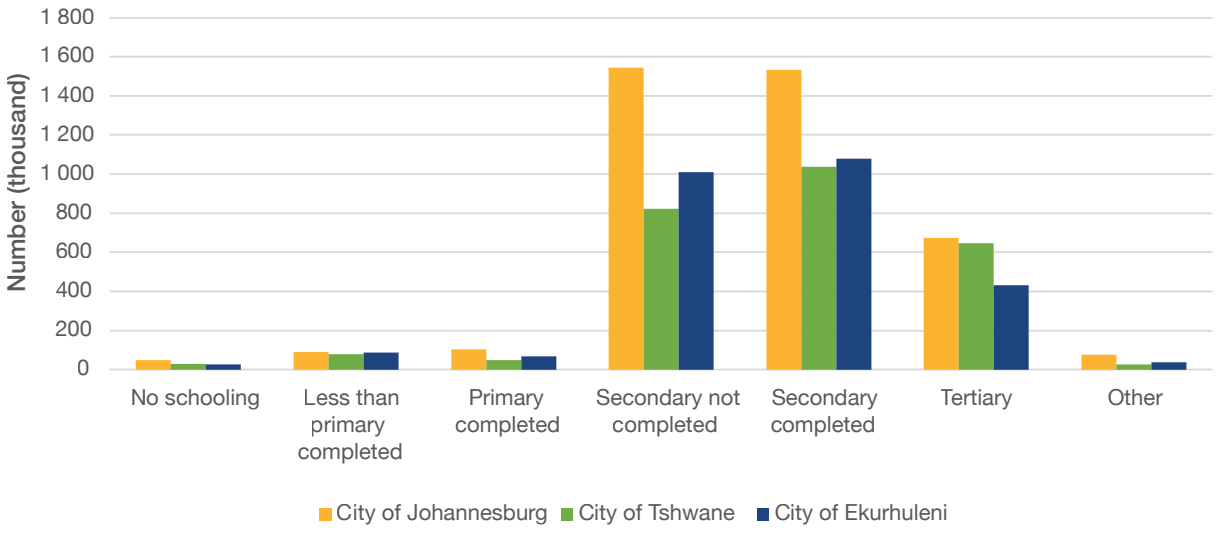
	2017	2018	2019	2020	2021	2022
City of Johannesburg	29,1%	31,8%	30,0%	30,2%	32,3%	35,6%
City of Tshwane	24,7%	24,5%	22,5%	26,4%	25,6%	32,1%
City of Ekurhuleni	32,0%	30,7%	33,4%	33,6%	35,6%	36,3%

Source: Authors own calculations, QLFS (Stats SA, 2018 - 2022)

3.3 EDUCATION AND SKILLS INDICATORS

Figure 11 indicates that tertiary education levels for the City of Ekurhuleni are the lowest compared to those of Johannesburg and Tshwane. Similar to the overall country and the province, the majority of the working-age population in all three cities have either secondary not completed or secondary completed as their highest level of education attainment.

FIGURE 11: Working-age population by highest level of education attainment and city, 2022



Source: Authors own calculations, QLFS (Stats SA, 2022)

3.4 CONCLUSION

The analysis in this chapter demonstrates that although all the cities in Gauteng City Region (i.e., the City of Johannesburg, the City of Tshwane and the City of Ekurhuleni) show unstable trends in real output growth, the City of Ekurhuleni recorded the largest decline in real output at 7.3% in 2021 when compared to the other two large cities in Gauteng. Growth was held back by the poor performance of the manufacturing sector, which accounts for a significant share of the City of Ekurhuleni's total output.

While the wage distribution of the three Cities is skewed to the right, suggesting a higher concentration of jobs with salaries above R6 400 to R51 200, most of the people employed in the formal sector in the City of Ekurhuleni earn between R6 400 and R12 800. The analysis observed in this chapter also shows that the City of Ekurhuleni has the lowest median income compared to the other two cities.

The City of Johannesburg consistently had a higher wage Gini Coefficient compared to Ekurhuleni and Tshwane. While the wage inequality index for the three Cities declined from 2021 to 2022, it remained high by international standards. In 2022, the wage Gini Coefficient for Johannesburg, Ekurhuleni and Tshwane were 0.67, 0.61 and 0.57, respectively.

While the City of Ekurhuleni had the lowest number of people who were unemployed in 2022, it lagged behind Johannesburg and Tshwane regarding the number of persons employed and the labour force participation rates. In addition, the City of Ekurhuleni had a much higher number of youth aged between 15-24 years who are not in employment, education or training relative to the other two Cities. The large number of youth without jobs and education qualifications reinforces the need for the City of Ekurhuleni's economy to create jobs for the millions of youth still excluded from the labour market. The Post-School Education and Training (PSET) system must continue to play a critical role in curbing the number of NEETs by improving access to PSET institutions and ensuring that the kind of education and training provided is relevant and responsive to the social and economic needs of the country. Promoting skills for entrepreneurship development is also critical to reducing the youth NEET rate.

Like South Africa and Gauteng province, the majority of the working-age population in all three Cities have either secondary not completed or secondary completed as their highest level of education attainment. This is evidence of a general pattern of low skills amongst individuals in the population, which second-chance education opportunities could partly address through the Community Education and Training colleges. Sector Education and Training Authorities (SETAs), TVET colleges and CET colleges remain crucial in attaining basic skills and providing skills programmes for those who have dropped out of the schooling system. This will help them improve their employability and improve opportunities for sustainable livelihoods.

Growth was held back by the poor performance of the manufacturing sector, which accounts for a significant share of the City of Ekurhuleni's total output.

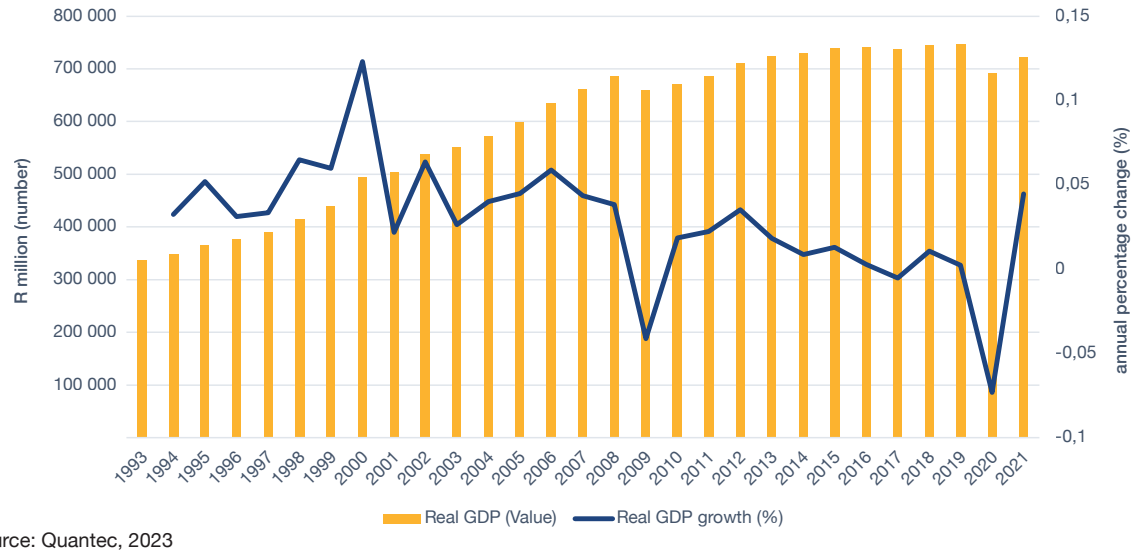
4 Ekurhuleni Metro's Economy

The analysis of cities' macroeconomic performance is critical. The eight metropolitan municipalities in South Africa play a key strategic role in ensuring that the overall developmental goals of inclusive economic growth and inclusive job creation are achieved. These eight cities collectively contribute more than half of employment and GDP to the country. According to the National Planning Commission (2020), over 90% of all jobs created in the country between 2015 and 2019 were found in the eight metropolitan municipalities. The performance of the national economy is thus dependent on the performance of the eight cities. Dynamic urban labour markets create many decent jobs, which lift people out of poverty and support social mobility. This section provides an analysis of the City of Ekurhuleni's economy.

4.1 SIZE OF THE CITY OF EKURHULENI'S ECONOMY

Figure 12 shows that the City of Ekurhuleni's economy experienced positive real GDP growth from 1994 until the onset of the 2008 global financial crisis, leading to a global and domestic recession. The severe impact on the City's economy reflects the vulnerability of the City of Ekurhuleni's economy to external shocks determined mainly by trends in global growth and demand. In the aftermath of the 2008/09 recession, growth was subdued but, by 2012, had recovered slightly to 3.5%. Subsequently, real GDP growth has been on a declining trend but positive until the economy entered into a technical recession in 2017. The contraction in economic performance was exacerbated by the COVID-19 pandemic, leading the City of Ekurhuleni's economy to contract by –7.3% in 2020. As shown in Figure 12, The City of Ekurhuleni's real output generally decreased from approximately R746 billion in 2019 to nearly R692 billion in 2020. However, in 2021, a considerable sharp increase in the real output growth from 0-7.3% in 2020 to 4.5% in 2021 was experienced as the economy was going back to normal and there was an increase in productivity.

FIGURE 12: Real GDP trends for the City of Ekurhuleni, 1993–2021



Source: Quantec, 2023

4.2 STRUCTURE OF EMPLOYMENT BY FORMALITY AND SIZE

Similar to the national and Gauteng's labour market, the City of Ekurhuleni's labour market is predominantly formal. Table 2 shows that in 2022, the formal sector accounted for 75.5% of total employment, slightly lower than the 80.3% observed in 2018. The decline in total employment could result from the aftereffects of the COVID-19 pandemic, which resulted in continued slow and jobless economic growth. During the same period, employment within the formal non-agricultural sector was negatively impacted over the four years, contracting more sharply than other employment categories (–3.5% per annum).

Employment in the informal sector increased from 170 thousand in 2018 to 217 thousand in 2022, mainly due to increasing informal non-agricultural employment. The informal sector employs more than thrice as many individuals as those employed in private households.

TABLE 2: Formal and informal sector employment by agriculture and non-agriculture for the City of Ekurhuleni, 2018 and 2022

	Number of Employed		Share of Employment		Change in Employment		
	2018	2022	2018	2022	Absolute Change	Share of Change	Annual Average Growth Rate
	(000s)		(%)		(000s)	(%)	
Overall employment	1 245	1 149	100.0	100.0	-96	100.0	-2.0%
Formal sector employment	1 000	867	80.3	75.5	-133	138.4	-3.5%
Formal agriculture	4	5	0.3	0.4	1	-1.3	7.7%
Formal non-agriculture	996	862	80.0	75.0	-134	139.5	-3.5%
Informal sector employment	170	218	13.6	19.0	48	-50.1	6.4%
Informal agriculture		1	0.0	0.1	1	-0.8	
Informal non-agriculture	170	217	13.6	18.9	47	-49.4	6.3%
Private households	75	64	6.0	5.6	-11	11.7	-4.0%

Source: Own calculations, QLFS (Stats SA, 2018 and 2022)

4.3 FIRM SIZE

Table 3 provides data on employment by firm size. In 2022, the majority of workers were employed in firms with 50 or more employees (34.3% of total employment), followed by firms with no employees at 153 thousand workers (13.3% of total employment) and firms with 20-49 employees at 152 workers (13.2% of total employment). Over the period 2018 to 2022, firms with 5-9 employees shed jobs rapidly by 22.2% per annum, while firms with 10–19 employees decreased by 12.5% per annum.

TABLE 3: Employment by firm size for the City of Ekurhuleni, 2018 and 2022

	Number of Employed		Share of Employment		Change in Employment		
	2018	2022	2018	2022	Absolute Change	Share of Change	Annual Average Growth Rate
	(000s)		(%)		(000s)	(%)	
Total employment	1 245	1 149	100.0	100.0	-96	100.0	-2.0%
0 employees	113	153	9.1	13.3	40	-42.0	7.9%
1 employee	84	81	6.7	7.1	-2	2.6	-0.8%
2-4 employees	69	73	5.6	6.4	4	-4.2	1.4%
5-9 employees	90	33	7.2	2.9	-57	59.4	-22.2%
10-19 employees	124	73	10.0	6.3	-51	53.7	-12.5%
20-49 employees	176	152	14.1	13.2	-24	24.8	-3.6%
50 or more employees	427	461	34.3	40.1	34	-35.7	1.9%
Don't know	162	122	13.0	10.6	-40	41.5	-6.8%

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

4.4 TRENDS IN THE SECTORAL COMPOSITION OF THE CITY OF EKURHULENI'S ECONOMY

Table 4 shows that the manufacturing sector remained the most important sector in terms of the contribution to the City of Ekurhuleni's real output, followed by the finance sector for both years under review. However, the share of the manufacturing sector decreased by 3.2 percentage points from 30.4% in 2018 to 27.2% in 2022, while the finance sector's share increased by 4.5 percentage points from 21.1% in 2018 to 25.6% in 2022. The manufacturing sector contracted by 4.6% per annum.

TABLE 4: Contribution to gross value added (GVA) by industry within the City of Ekurhuleni, 2018 and 2022

	GVA		Share of GVA		Average annual growth rate
	2018	2021	2018	2021	
	R million		%		%
Agriculture	4 728	5 939	0.6%	0.8%	7.9%
Mining	11 331	11 140	1.5%	1.5%	-0.6%
Manufacturing	226 230	196 541	30.4%	27.2%	-4.6%
Electricity	17 451	16 092	2.3%	2.2%	-2.7%
Construction	36 385	25 620	4.9%	3.5%	-11.0%
Trade	79 024	72 967	10.6%	10.1%	-2.6%
Transport	90 493	71 987	12.2%	10.0%	-7.3%
Finance	156 773	184 736	21.1%	25.6%	5.6%
General government	35 487	39 837	4.8%	5.5%	3.9%
Community, social and personal services	86 659	97 785	11.6%	13.5%	4.1%
Total	744 561	722 645	100.0%	100.0%	-1.0%

Source: Quantec, 2023

4.5 CONCLUSION

This chapter reviewed the economic performance of the City of Ekurhuleni. The City of Ekurhuleni's GDP growth has remained below 2% for at least the past eight years, driven by external shocks, such as the negative economic shock from the COVID-19 pandemic and domestic shocks, such as the continuous load shedding.

The City of Ekurhuleni's labour market is predominantly formal, accounting for 75.5% of total employment. However, employment in the formal sector contracted rapidly by 4.6% per annum. While literature from emerging countries shows that the informal sector plays a critical role in providing income-earning prospects for most of the unemployed population with lower levels of education and experiencing the most significant barriers entering the formal labour market, the size of the informal sector in the City of Ekurhuleni is relatively small. The informal sector is integral to a city's economy but is often neglected. If the informal sector is to absorb more unemployed youth and if it is to grow and raise households' incomes, it will require skills.

Furthermore, firms' experiences are different based on, amongst other things, their size. Small firms and large firms have different needs and different capacities to engage. From a skills development perspective, ensuring policies and programmes are sensitive to these issues is important. This is also important if the City want to leverage small businesses as a source of employment growth as it moves towards a more competitive local economy.

If the informal sector is to absorb more unemployed youth and if it is to grow and raise households' incomes, it will require skills.

This chapter describes the potential supply of skills possessed by individuals who are either employed or willing, able and available to work within the City of Ekurhuleni. The chapter provides the basis for identifying the types of skills that people acquire when they move through the education system and enter the labour market and the extent to which this facilitates inclusive employment within the City.

5.1 DEMOGRAPHIC TRENDS

Demographic trends have significant implications for education, skills and training. First, a city's economic growth depends even more heavily on the workforce's productivity, complemented by rising labour force participation rates. Second, in several cities, the growing size of the youth cohort will continue to challenge education and training capacities as well as job creation rates as more young people enter the world of work. Young people with low skill levels find it hard to secure jobs everywhere. Third, international flows of migrant workers raise challenges concerning fair access to training and how to fill skill gaps in some cities without creating them in others (ILO, 2010).

Table 5 below shows that the City of Ekurhuleni's youth population grew by 1.1% per annum over the four-year period under review, while the older population growth rate was 2.4%. The youth labour force declined by 11.6% from 2018 to 2022 (-2.7% per annum), compared to the 6.4% reduction for the 35-64 age group of the labour force (1.5% per annum).

TABLE 5: Working-age population and labour force for the City of Ekurhuleni, 2018 and 2022

	2018	2022	Change		
			Absolute	Percent	Average Annual Growth Rate
	(000s)		(000s)	%	%
15–64 years (Working-age population)					
Population	2 555	2 744	189	6.9	1.8%
Labour Force	1 820	1 678	-142	-8.5	-2.0%
15–34 years					
Population	1 221	1 277	56	4.4	1.1%
Labour Force	740	663	-77	-11.6	-2.7%
35–64 years					
Population	1 334	1 467	133	9.1	2.4%
Labour Force	1 080	1 015	-65	-6.4	-1.5%

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

5.2 LABOUR FORCE PARTICIPATION

Table 6 shows that in 2022, 71.8% of the City of Ekurhuleni's working-age population was part of the expanded labour force, 4.2 percentage points down from 2018. The participation rates for the Black Africans, Coloured and Whites decreased while that for the Indians increased by 7.0 percentage points (equivalent to an average annual increase of 2.7%).

The data in Table 6 also shows a substantial gender gap in labour force participation rates. In 2022, the male LFPR was 76.6% compared to 66.3% among females. However, the LFPR rates for both males and females decreased over the period under review. The male LFPR decreased at an annual rate of 1.7%, compared to the 10.0% annual decline of the male participation rate.

TABLE 6: Expanded labour force participation rates for the City of Ekurhuleni, 2018 and 2022

	2018	2022	Change	
	(%)		Percentage points	Average Annual Growth Rate
Overall LFPR (Expanded)	75.9	71.8	-4.2	-1.4%
By race				
Black African	77.5	72.3	-5.2	-1.7%
Coloured	75.9	70.4	-5.4	-1.8%
Indian/Asian	61.8	68.8	7.0	2.7%
White	70.2	68.3	-1.8	-0.7%
By gender				
Male	81.9	76.6	-5.3	-1.7%
Female	69.1	66.3	-2.7	-1.0%
By age group				
15–24 years	38.8	37.8	-1.0	-0.7%
25–34 years	90.1	84.8	-5.3	-1.5%
35–44 years	93.1	87.2	-5.9	-1.6%
45–54 years	90.2	85.2	-4.9	-1.4%
55–64 years	58.4	48.4	-10.0	-4.6%
By highest level of educational attainment				
No schooling	52.5	39.1	-13.5	-7.1%
Less than primary completed	70.7	63.6	-7.1	-2.6%
Primary completed	73.1	66.2	-6.9	-2.4%
Secondary not completed	66.6	63.0	-3.6	-1.4%
Secondary completed	80.7	75.3	-5.5	-1.7%
Tertiary	94.3	89.1	-5.2	-1.4%
Other	72.6	63.7	-8.9	-3.2%

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

Table 6 shows that the LFPR decreased for all age groups between 2018 and 2022. However, the decline for the persons aged 55-64 was significantly higher than for the other age groups.

The LFPR tends to be higher for persons with tertiary and secondary completed as their highest education attainment. In 2022, the LFPR for persons with tertiary education was 89.1%, while it was 75.3% for those with secondary completed. However, the LFPR decreased for all educational groups over the period under review.

5.3 HIGHEST LEVEL OF EDUCATION OF THE EXPANDED LABOUR FORCE

The level youth and adults have studied is often used to measure human capital and the level of an individual's skills. In other words, the skills available in the City's population and labour force. Table 7 below shows the highest level of education of the labour force in the City of Ekurhuleni in 2018 and 2022. The labour force increased by 0.4% on average per annum over this period.

There was also a slight improvement over this period in the overall education level of the labour force. The share of persons with tertiary education and the share of persons who completed secondary education increased by 2.5% and 2.3%, respectively (on average per annum over the same period). The share of persons with primary completed and secondary not completed decreased by 6.5% and 1.9%, respectively (on average per annum over the four period under review). This shows an increase in the proportion of persons in the labour force that have attained Grade 12 and tertiary as their highest level of education within the City of Ekurhuleni.

TABLE 7: Highest level of education of the expanded labour force for the City of Ekurhuleni, 2018 and 2022

Highest level of education	Absolute		Share of labour force		Change in labour force		
	2018	2022	2018	2022	Absolute	Percentage points	Average Annual Growth Rate
	(000s)		%		(000s)	(%)	
No schooling	17	11	0.9	0.6	-6	-0.3	-9.6%
Less than primary completed	60	57	3.1	2.9	-4	-0.2	-1.6%
Primary completed	59	45	3.1	2.3	-14	-0.8	-6.5%
Secondary not completed	686	637	35.4	32.3	-49	-3.0	-1.9%
Secondary completed	742	812	38.2	41.2	70	3.0	2.3%
Tertiary	348	384	17.9	19.5	36	1.6	2.5%
Other	29	24	1.5	1.2	-5	-0.3	-4.4%
Total	**1 940**	**1 969**	**100.0**	**100.0**	**29**	**0.0**	**0.4%**

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

5.4 PERSONS WHO ARE NOT IN EMPLOYMENT, EDUCATION OR TRAINING

According to CEDEFOB (2021), falling into the NEET (not in employment, education or training) category is a loss of a young person's potential, and spending a long time in this category can have long-lasting consequences with a negative effect on future employment outcomes and earnings. The transition of the persons who are NEET into the labour market becomes difficult both in terms of participation and future earnings. In addition, low levels of education and skills intensify the risk of a person being NEET. Table 8 shows that over 1.2 million people in the City of Ekurhuleni are NEET, comprising 44.5% of the 15 – 60-year-old population. Persons who are NEET are likely to be female, Black African, aged 35-60 years, and generally have less than Grade 12 as their highest level of education attainment. When considering the labour-market status of persons aged 15–60 who were NEET in the City, most were not actively searching for employment. Persons who are NEET are also likely to be discouraged work-seekers and new entrants to the labour market.

Persons who are NEET are likely to be female, Black African, aged 35-60 years, and generally have less than Grade 12 as their highest level of education attainment.

TABLE 8: People aged 15–60 years who are NEET by demographic characteristics for the City of Ekurhuleni, 2022

Number of persons aged 15–60 years (000s)	Number of persons aged 15–60 years who are NEET (000s)	NEET rate (%)
2 648	1 177	44.5
Demographics	**Number of persons who are NEET (Thousand)**	**Share of persons who are NEET (%)**
Gender	**1 177**	**100.0**
Men	545	46.3
Women	633	53.7
Population group	**1 177**	**100.0**
Black African	1 048	89.0
Coloured	29	2.5
Indian/Asian	27	2.3
White	72	6.2
Age group	**1 177**	**100.0**
15–24 years	210	17.8
25–34 years	376	31.9
35–60 years	592	50.3
Highest level of educational attainment	**1 177**	**100.0**
No schooling	17	1.5
Less than primary completed	45	3.8
Primary completed	23	2.0
Secondary not completed	469	39.9
Secondary completed	482	41.0
Tertiary	123	10.5
Other	17	1.5
Labour market status	**1 177**	**100.0**
Unemployed	519	44.0
Inactive	659	56.0
Reason	**1 177**	**100.0**
Job loser	113	9.6
Job leaver	6	0.5
New entrant	247	20.9
Re-entrant	33	2.8
Other – last worked >5 years ago	121	10.2
Homemaker	127	10.8
Health reasons	58	4.9
Too young/old/retired	47	4.0
Discouraged work-seeker	257	21.9
Other not economically active	169	14.4

Source: Authors own calculations, QLFS (Stats SA, 2022)

Table 9 shows the NEET trends in the City of Ekurhuleni from 2015 to 2022. The number of persons aged 15–60 who were NEET worsened from 35.8% in 2015 (i.e., 838 000 people) to 44.4% in 2022 (i.e., 1.2 million people). This translates to an increase of roughly 339 000 people over the past eight years.

TABLE 9: Total number and percentage of persons aged 15–60 who are NEET for the City of Ekurhuleni, 2015 to 2022

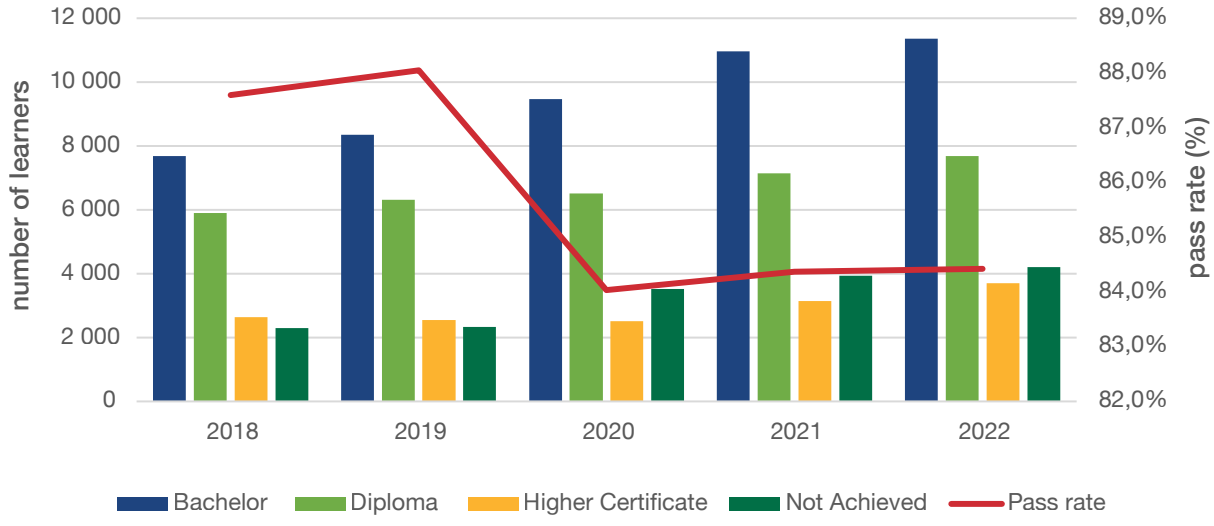
Year	Total number of persons aged 15–60 years	Total number of persons aged 15–60 years who are NEET	NEET rate	Year-on-year % change of persons who are NEET
	(000s)		(%)	
2015	2 338	838	35.8	
2016	2 360	879	37.2	4.6
2017	2 430	871	35.8	-0.9
2018	2 458	909	37.0	4.2
2019	2 498	897	35.9	-1.4
2020	2 536	1 037	40.9	13.5
2021	2 570	1 109	43.1	6.5
2022	2 648	1 177	44.5	5.8

Source: Authors own calculations, QLFS (Stats SA, 2015 - 2022)

5.5 THE SCHOOLING SYSTEM

Basic education gives each individual a basis for developing their potential while laying the foundation for employability. Figure 13 provides trends in matric passes for the period 2018 to 2022. The number of learners achieving a bachelor's pass in the City of Ekurhuleni increased from 7 688 in 2018 to 11 368 in 2022. This shows that higher proportions of learners qualified for undergraduate degree programmes in more recent matric cohorts than historically. However, the pass rates decreased significantly between 2019 to 2022 and then remained relatively stable between 2020 to 2022.

FIGURE 13: Matric results, 2018-2022

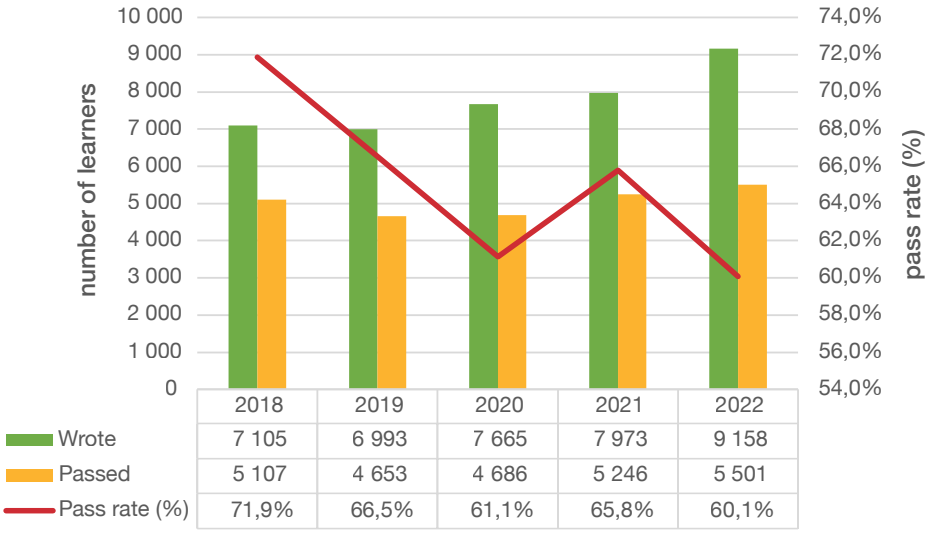


Sources: DBE (2018 - 2022)

Note: The statistics are computed based on the data for both the Ekurhuleni South and Ekurhuleni North Districts.

In terms of performance in mathematics, Figure 14 shows that the number of learners who wrote mathematics increased slightly from 7 973 in 2021 to 9 158 in 2022. However, this was accompanied by a decrease of 5.7 percentage points in the pass rate, from 65.8% in 2021 to 60.1% in 2022. This deterioration is discouraging, considering that mathematics forms the basis of many of the sciences, such as physics, chemistry, biology, engineering, and IT disciplines, as well as the nonscience disciplines, such as accounting, economics, geography, and education. Globally, mathematics is regarded as the foundation of scientific and technological knowledge that contributes significantly toward the socio-economic development of a nation.

FIGURE 14: Number of learners who wrote and passed matric mathematics, 2018-2022



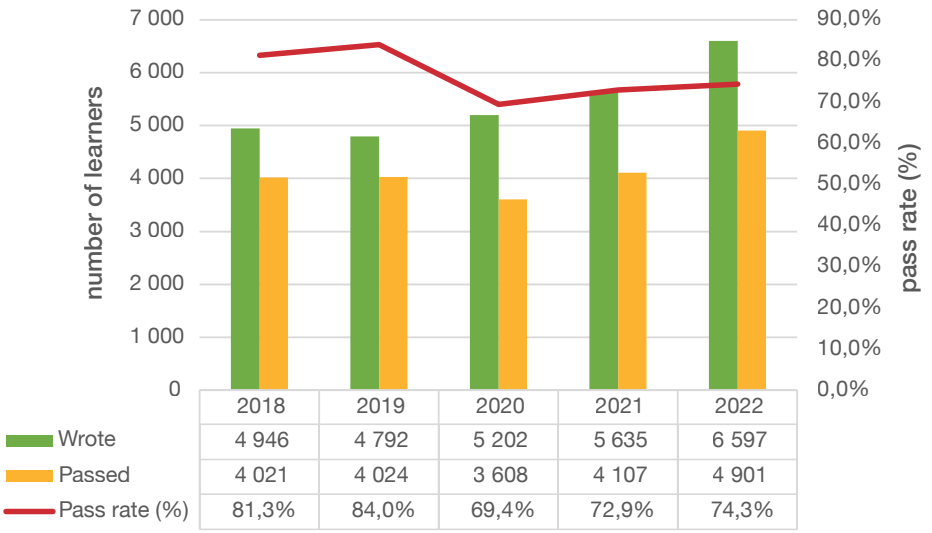
	2018	2019	2020	2021	2022
Wrote	7 105	6 993	7 665	7 973	9 158
Passed	5 107	4 653	4 686	5 246	5 501
Pass rate (%)	71,9%	66,5%	61,1%	65,8%	60,1%

Sources: DBE (2018 - 2022)

Note: The statistics are computed based on the data for both the Ekurhuleni South and Ekurhuleni North Districts.

Figure 15 shows that the number of learners who wrote physical sciences in the City of Ekurhuleni increased from 4 107 in 2021 to 4 901 students in 2022. However, the pass rate remained relatively low compared to levels observed before COVID-19, although reflecting an increasing trend from 69.4% in 2020 (when COVID-19 was at its peak) to 74.3% in 2022.

FIGURE 15: Number of learners who wrote and passed matric physical sciences, 2018-2022



	2018	2019	2020	2021	2022
Wrote	4 946	4 792	5 202	5 635	6 597
Passed	4 021	4 024	3 608	4 107	4 901
Pass rate (%)	81,3%	84,0%	69,4%	72,9%	74,3%

Sources: DBE (2018 - 2022)

Note: The statistics are computed based on the data for both the Ekurhuleni South and Ekurhuleni North Districts.

5.6 CONCLUSION

This chapter discussed the potential supply of skills available within the City of Ekurhuleni and highlighted the slow growth of the working-age population and a declining youth labour force. This changing age structure within the City of Ekurhuleni is concerning as it may result in the slower entry of new skills and individuals into the skills pipeline and the labour market.

The trends observed in this chapter indicate that the labour force participation rate tends to be higher for individuals with higher levels of educational attainment. Individuals with no schooling, less than primary completed and incomplete secondary education had the lowest labour force participation rates. Additionally, a gender gap in labour force participation rates is observed as males tend to have higher labour force participation rates than females.

The analysis in this chapter also showed an increase in the proportion of South Africans in the labour force that have attained Grade 12 and tertiary as their highest level of education. The increase in the number of graduates with tertiary qualifications entering the labour market will aid in raising the productivity of the City's workforce and in promoting the City's economic growth.

The database will also assist in ensuring that entrepreneurship development programmes and Career Development programmes are targeted at appropriate persons.

The analysis has identified that over 1.2 million people in the City of Ekurhuleni are not in employment, education or training and that persons who are NEET are likely to be female, Black African, aged 35-60 years, generally have less than Grade 12 as their highest level of education attainment. The majority are not actively looking for employment. Persons who are NEET are also likely to be discouraged work-seekers and new entrants to the labour market. The state of NEETs in the City of Ekurhuleni implies a stagnation or decline in human capital, which is particularly worrying as it affects low-educated youth with little or no work experience. The City needs to develop policies as well as databases of persons in the City who are not in employment, education and training in order to track them and ensure that information about education and training opportunities as well as workplace-based learning (WBL) opportunities through learnerships, internship and apprenticeship schemes could be communicated directly to persons who are NEET. The database will also assist in ensuring that entrepreneurship development programmes and Career Development programmes are targeted at appropriate persons. Furthermore, persons who are NEET could be encouraged to register on platforms that connect work seekers with employers.

According to the Department of Basic Education (2020), learners who achieve bachelor passes in the NSC examination qualify for admission to bachelor's degree studies at a tertiary institution. The number of learners achieving a bachelor's pass in Ekurhuleni increased significantly by 10.3% on average per annum between 2018 and 2022—the more Bachelor passes obtained during the NSC examinations, the more potential enrolments into university programs. One of the implications is that there will be graduates with high-end skills for managerial and professional occupations.

While mathematics is considered a prerequisite for admission to several qualifications at university level, the analysis in this chapter showed a decrease of 5.7 percentage points in the pass rate for learners who wrote mathematics in the City of Ekurhuleni, from 65.8% in 2021 to 60.1% in 2022; the poor achievement in this subject area is a concern—poor performance in mathematics limits matriculants in their choice of qualification admission at university level. The pass rate remained relatively low compared to levels observed before COVID-19 for the learners who wrote physical sciences. The physical science pass rate still needs to be higher and requires improvement.

6 The Demand for Skills

The South African labour market has been experiencing significant disruptions mainly caused by the aftereffects of COVID-19 and the continuous load shedding. While signs of recovery are emerging in some parts of the labour market, uncertainty remains about when demand will pick up and which jobs will be most in demand. Understanding employers' skills requirements at the city level and matching workers to jobs in this uncertain and evolving environment is quite critical to inform the development of appropriate policies that will improve alignment between the demand for and supply of skills at the city level. This chapter analyses signals of change in the demand for skills in the City of Ekurhuleni. It uses Stats SA labour force survey data and SEADsa data to consider trends in the demand for skills in the City of Ekurhuleni. This chapter also presents a profile of wage changes to ascertain the type of skills valued or demanded by the labour market.

6.1 EMPLOYMENT

Employment trends are an important indicator of the demand for skills. Employment patterns across skills categories reveal employers' preferences for workers with different skill levels. This section analyses employment by demographic characteristics and changes in the sectoral and occupational distribution of the City of Ekurhuleni's economy to ascertain signals of change in the demand for skills. Trends in employment analysis indicate the demand for occupations and emerging skills needs and thus provide a signal to education and training institutions about areas of supply that ought to be prioritised.

Table 10 shows the profile of the employed in 2018 and 2022 by population group, gender, age group and highest level of education attainment. The Black African population accounted for 81.7% of employment in 2022, up from 77.1% in 2018. In 2022, the Coloured, Asian and White population groups accounted for 1.8%, 3.7% and 12.8%, respectively. Employment declined over the period for the Black African population by 0.6% per annum and for the White population by 11.0% per annum, while it increased for the Coloured population by 0.7% per annum and for the Asian population by 9.3% per annum.

Women continue to fare worse than men as the composition by gender remained almost unchanged over the period. Table 10 also shows that males accounted for 61.1% of the employed while females accounted for 38.9% in 2022. The persistent gender gap is worrying as it remained the same for both the years under review. Job losses disproportionately impacted women, who accounted for more than 50.0% of the decline in total employment over the period under review.

The bulk of the employed are between the ages of 25 and 44 years, with these cohorts accounting for 59.3% of total employment in 2022. The period saw a shift in the distribution of employment away from younger cohorts towards older cohorts as the most rapid declines in employment were observed amongst the youth aged 15–24 years (–5.4% per annum) and youth aged 25–34 years (–2.6% per annum). Thus, the youth share of employment declined by 1.5 percentage points, from 33.1% in 2018 to 31.6% in 2022.

Trends in employment analysis indicate the demand for occupations and emerging skills needs and thus provide a signal to education and training institutions about areas of supply that ought to be prioritised.

TABLE 10: Employment by Demographic Characteristics in the City of Ekurhuleni, 2018 and 2022

	Number of Employed		Share of Employed		Change in Employed		
	2018	2022	2018	2022	Absolute	Change share	Average Annual Growth Rate
	(000s)		(%)		(000s)	(%)	
Total	1 245	1 149	100.0	100.0	-96	100.0	-2.0%
Race							
Black African	960	938	77.1	81.7	-22	22.6	-0.6%
Coloured	20	21	1.6	1.8	1	-0.6	0.7%
Indian/Asian	30	43	2.4	3.7	13	-13.4	9.3%
White	235	147	18.9	12.8	-88	91.4	-11.0%
Gender							
Male	741	702	59.5	61.1	-39	41.0	-1.4%
Female	504	447	40.5	38.9	-56	59.0	-2.9%
Age Group							
15 - 24 years	81	65	6.5	5.7	-16	17.0	-5.4%
25 - 34 years	331	298	26.6	25.9	-33	34.3	-2.6%
35 - 44 years	410	384	32.9	33.4	-26	26.9	-1.6%
45 - 54 years	293	296	23.5	25.7	3	-3.2	0.3%
55 - 64 years	130	106	10.5	9.2	-24	25.0	-5.0%
Highest Level of Educational Attainment							
No schooling	12	7	0.9	0.6	-5	5.2	-13.1%
Less than primary completed	39	33	3.2	2.9	-6	6.3	-4.1%
Primary completed	38	30	3.1	2.6	-8	8.9	-6.1%
Secondary not completed	362	314	29.1	27.3	-48	50.5	-3.5%
Secondary completed	471	469	37.9	40.8	-2	2.3	-0.1%
Tertiary	304	282	24.4	24.5	-22	23.0	-1.9%
Other	19	15	1.5	1.3	-4	3.8	-5.3%

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

There has been a significant decline in the number of people employed with no schooling, less than primary education and primary education from 2018 to 2022. Table 10 shows that the number of people employed with no schooling decreased by 13.1% per annum, employment of those with less than primary education completed decreased by 4.1% per annum, while employment of those who completed primary education decreased by 6.1% per annum.

Table 11 shows employment by industry in the City of Ekurhuleni. The City's labour market is dominated by the tertiary sector, accounting for over three-quarters of total employment (75.1%) in 2022. This is followed by the secondary sector (23.2%) and the primary sector (1.7%). Job losses were most rapid within the secondary sector, where employment contracted by 7.0% per annum between 2018 and 2022. Job opportunities were mainly created in the primary sector, where employment grew by 5.7% per annum between 2018 and 2022.

TABLE 11: Employment by industry in the City of Ekurhuleni, 2018 and 2022

	Number of employed		Share of employed		Changes in employed		
	2018	2022	2018	2022	Absolute	Share of employed	Average Annual Growth Rate
	(000s)		(%)		(000s)	(%)	
Overall employment	**1 245**	**1 149**	**100.0**	**100.0**	**-96**	**100.0**	**-2.0%**
Agriculture, forestry and fishing	4	6	0.3	0.5	2	-2.1	11.5%
Mining	12	13	0.9	1.2	2	-1.9	3.6%
PRIMARY SECTOR	**15**	**19**	**1.2**	**1.7**	**4**	**-3.9**	**5.7%**
Manufacturing	254	193	20.4	16.8	-61	63.5	-6.6%
Electricity, gas and water (utilities)	10	7	0.8	0.6	-3	2.7	-7.4%
Construction	93	66	7.5	5.8	-26	27.6	-8.0%
SECONDARY SECTOR	**357**	**267**	**28.6**	**23.2**	**-90**	**93.8**	**-7.0%**
Wholesale and retail trade	204	242	16.4	21.0	37	-39.0	4.3%
Transport, storage, and communication	123	100	9.9	8.7	-23	23.9	-5.0%
Financial and business services	259	247	20.8	21.5	-12	13.0	-1.2%
CSP services	211	210	17.0	18.2	-2	1.6	-0.2%
Private households	75	64	6.0	5.6	-11	11.7	-4.0%
Other	0	1	0.0	0.1	1	-1.1	46.7%
TERTIARY SECTOR	**873**	**863**	**70.1**	**75.1**	**-10**	**10.1**	**-0.3%**

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

Job opportunities were mainly created in the primary sector, where employment grew by 5.7% per annum between 2018 and 2022.

Table 12 shows the occupational distribution of the employed for 2018 and 2022. The occupational distribution of employment was broadly similar in 2018 and 2022. In 2022, the biggest share of the employed were medium-skilled at 50.3%, followed by high-skilled at 26.8% and low-skilled at 23.0%. The largest occupational categories were elementary workers (18.3%), followed by sales and services workers (15.8%), and clerks (13.7%).

Employment increased for elementary occupations, clerks, service and sales workers and professionals by 3.2%, 2.2%, 1.4% and 1.2%, respectively, per annum. The occupation that shed the most number of jobs was managers (-8.5% per annum), followed by craft and related trades workers (-7.9% per annum), operators and assemblers (-6.9%) and domestic workers (-5.6% per annum).

TABLE 12: Employment by occupation in the City of Ekurhuleni, 2018 and 2022

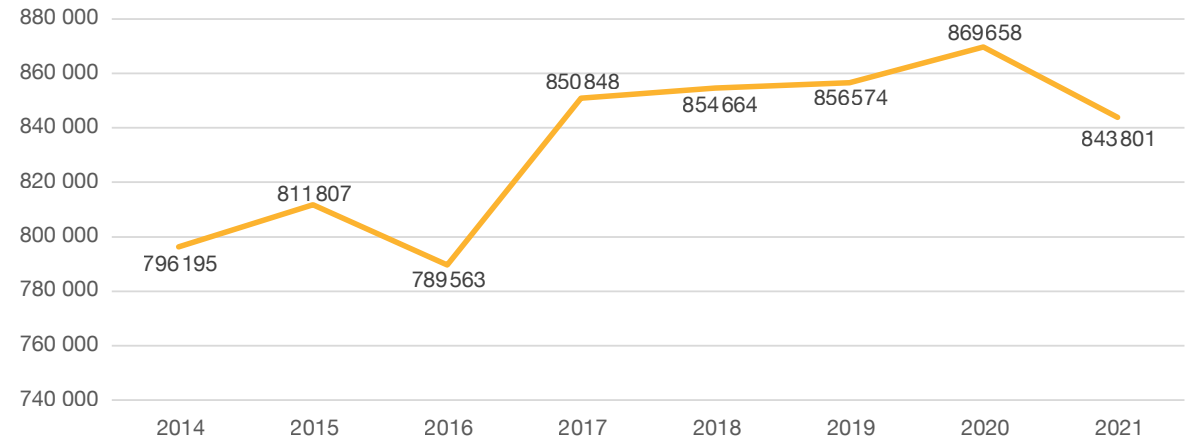
	Number of Employed		Share of Employed		Change in Employed		
	2018	2022	2018	2022	Absolute	Change share	Average Annual Growth Rate
	(000s)		(%)		(000s)	(%)	
Overall Employment	**1 245**	**1 149**	**100.0**	**100.0**	**-96**	**100.0**	**-2.0%**
Managers	145	101	11.6	8.8	-43	45.1	-8.5%
Professionals	76	79	6.1	6.9	4	-3.7	1.2%
Technicians	130	127	10.5	11.0	-3	3.5	-0.7%
High-Skilled	**350**	**307**	**28.1**	**26.8**	**-43**	**44.9**	**-3.2%**
Clerks	144	157	11.6	13.7	13	-13.5	2.2%
Service and sales workers	172	181	13.8	15.8	10	-10.0	1.4%
Skilled agricultural workers	2	2	0.2	0.2	0	0.1	-1.2%
Craft and related trades	177	128	14.2	11.1	-50	51.7	-7.9%
Operators and assemblers	146	110	11.7	9.5	-36	37.9	-6.9%
Medium-Skilled	**641**	**578**	**51.5**	**50.3**	**-63**	**66.2**	**-2.6%**
Elementary occupations	186	211	14.9	18.3	25	-26.1	3.2%
Domestic workers	67	53	5.4	4.6	-14	14.3	-5.6%
Other	1		0.1	0.0	-1	0.8	-100.0%
Low-Skilled	**253**	**264**	**20.3**	**23.0**	**11**	**-11.1**	**1.0%**

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

6.2 JOB GROWTH

This section uses the data from the Spatial Economic Activity Data (SEADsa) portal developed by the National Treasury in collaboration with the Human Sciences Research Council. The SEADsa portal was built using the administrative data from the IRP5 certificates, which, in South Africa, is a mandatory submission completed by every pay-as-you-earn registered employer for all employees earning more than R2000 per annum. The data covers employment by firms in the formal sector but excludes informal jobs where firms are not tax-compliant. Figure 16 shows the growth in the total number of jobs based on IRP5 certificates, which are converted into Full Time Equivalents (FTE). The total number of jobs is a critical indicator of the level of decent work or size of the formal mainstream economy. The City of Ekurhuleni's number of FTE employees remained relatively constant, with approximately 800 000 FTE opportunities year-on-year. However, formal sector employment opportunities decreased by 25 857 from 869 658 FTE employees to 843 801 FTE employees.

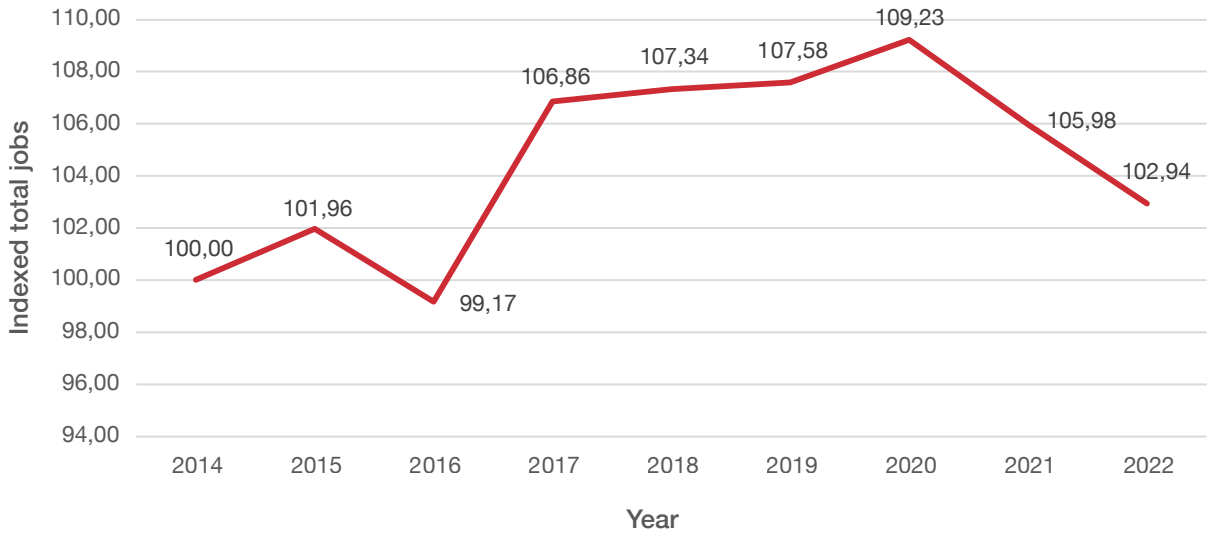
FIGURE 16: Total job growth in the City of Ekurhuleni, 2014–2022



Source: SEADsa, 2022

Figure 17 shows the index job growth, which is the total percentage change in jobs of FTE employees for the City. It is concerning that the number of formal sector employment opportunities in the City of Ekurhuleni is on a sharp decreasing trend from 2020 to 2022.

FIGURE 17: Indexed job growth in the City of Ekurhuleni, 2014–2022



Source: SEADsa, 2022

The City of Ekurhuleni's number of FTE employees remained relatively constant, with approximately 800 000 FTE opportunities year-on-year.

The sectors that create the highest number of new jobs have a critical role within the City's economy, as job creation can be driven by economic expansion in dynamic sectors. Figure 18 shows that the majority of jobs in the City were created in the administrative and support services sector, as well as the wholesale and retail, and the repair of motor vehicles and motorcycles.

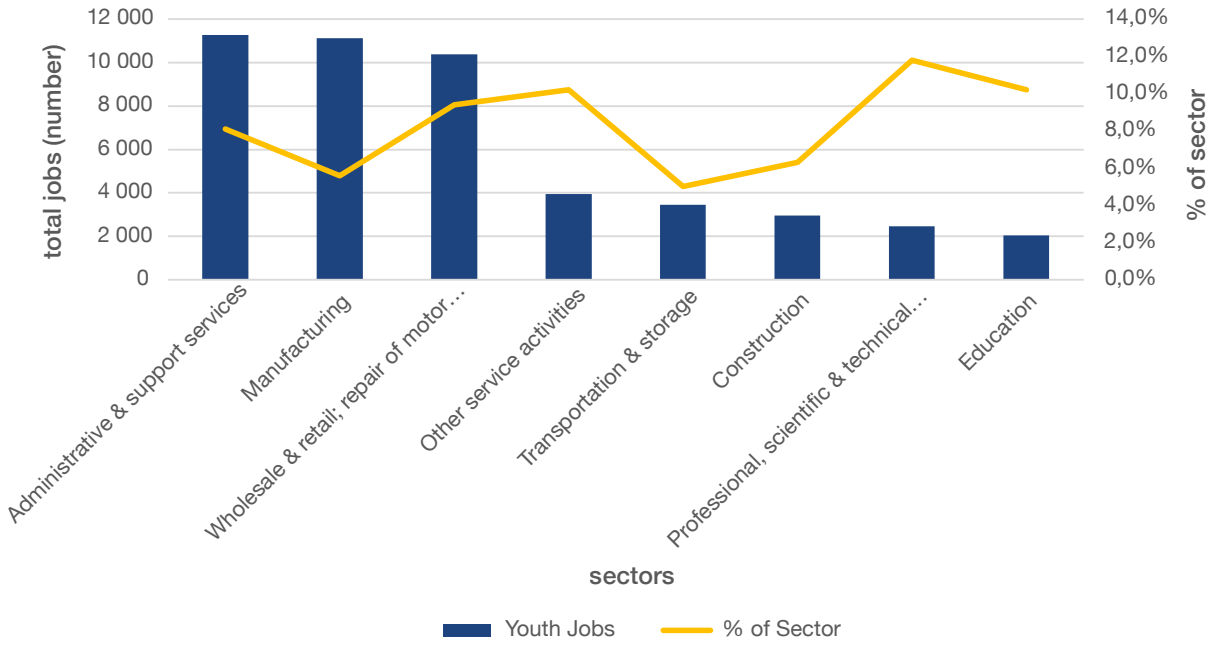
FIGURE 18: New jobs created by sector in the City of Ekurhuleni, 2014–2021

	Admini-strative & support services	Wholesale & retail; repair of motor vehicles & motorcycles	Other service activities	Public admini-stration & defence; compulsory social security	Education	Agriculture, forestry & fishing	Information & communi-cation	Professional, scientific & technical activities	accom-modation & food service activities	Water supply; sewarage, waste management & remediation activities	Other
New Jobs, 2021	34 406	15 350	13 002	4 839	4 687	4 073	3 714	2 638	2 607	2 604	-40 366

Source: SEADsa, 2022

Industries which create more job opportunities for young people play a critical development role within society. Higher youth jobs intensity (or share of jobs for youth) within a sector is preferable. However, sheer industry size can lead to jobs for youth because of volume (SEADsa, 2022). Figure 19 shows the total number of jobs for youth aged 15-25 years related to the intensity of youth employment in that sector and total industry size. In 2021, the sector that created more job opportunities for youth in the City was the administrative and support services sector, followed by manufacturing, wholesale and retail, and repair of motor vehicles and motorcycles.

FIGURE 19: Top sectors for youth (aged 15-25) employment in the City of Ekurhuleni, 2021



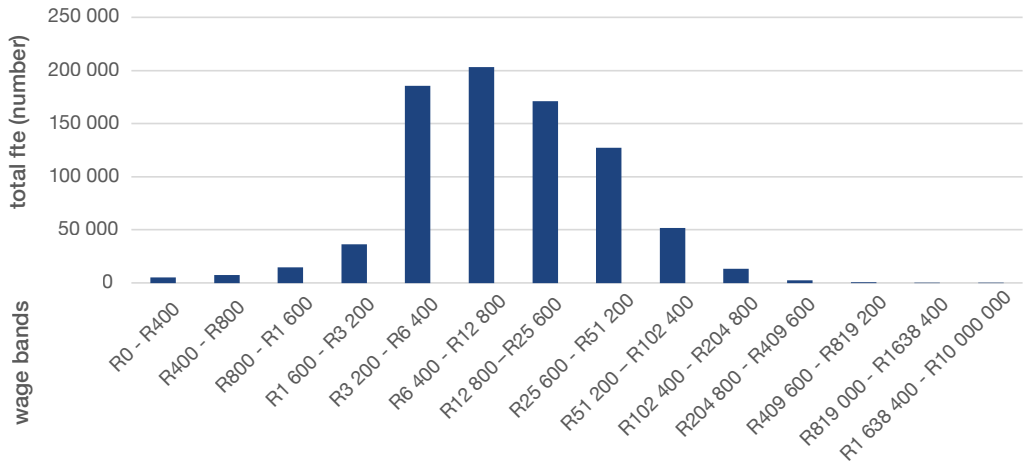
Source: SEADsa, 2022

6.3 WAGES

The analysis of wage dynamics is one of the most powerful methods available to measure the tightening of the labour market in specific occupations and skills. Wages are closely related to demand-side factors such as sector of employment and supply-side factors such as worker experience, education and occupation (SEADsa, 2022). Wages detect the emergence of skills shortages by comparing the growth of wages in specific occupations with the average growth of wages in the whole economy (or in specific sectors). If detected, above-the-average wage growth may be signalling situations where employers face skills shortages and where wage increases are functional to attract and hire workers whose skills are in high demand in the labour market but cannot be found at the current wage. Due to data limitations, this section analyses the number of people in each wage category, average earnings and the inequality amongst wage earners who work in the formal sector in the City of Ekurhuleni.

Figure 20 shows that most people working in the formal sector in the City of Ekurhuleni earn between R6 400 - R12 800 per month, followed by those earning between R3 200 – R6 400. This may be attributable to the industry types within the City and the salaries associated with this type of work.

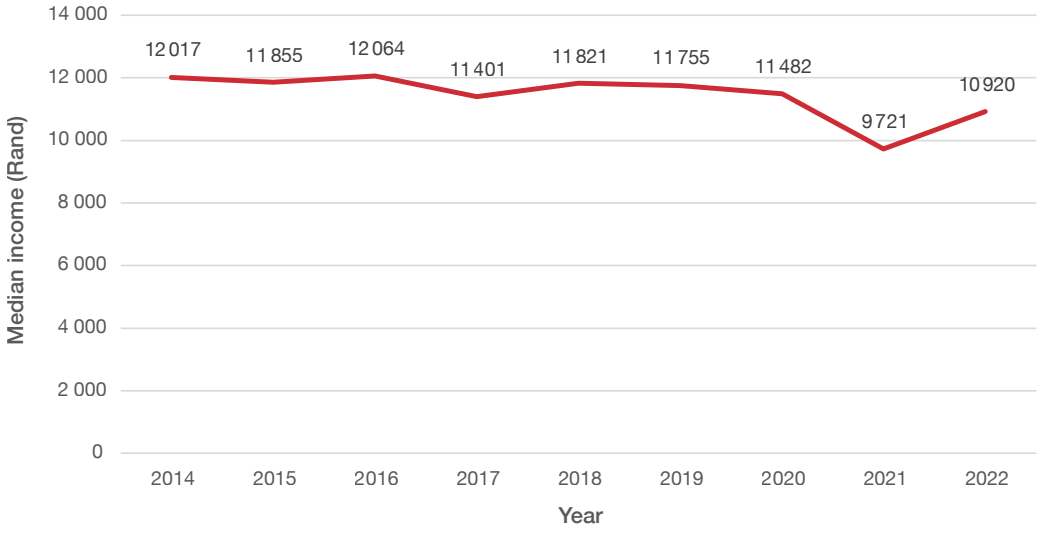
FIGURE 20: Wage Distribution in the City of Ekurhuleni, 2022



Source: SEADsa, 2023

Figure 21 shows the inflation-adjusted median incomes for the City of Ekurhuleni. The City of Ekurhuleni's median income has seen a marginal decline year-on-year from 2018 to 2022. However, the median income has increased slightly from R9 721 in 2021 to R10 920 in 2022, which is still below the pre-COVID-19 levels. The low median wage levels are concerning as average wages need to rise yearly to keep up with inflation, and the average worker is better off where median wage levels are higher.

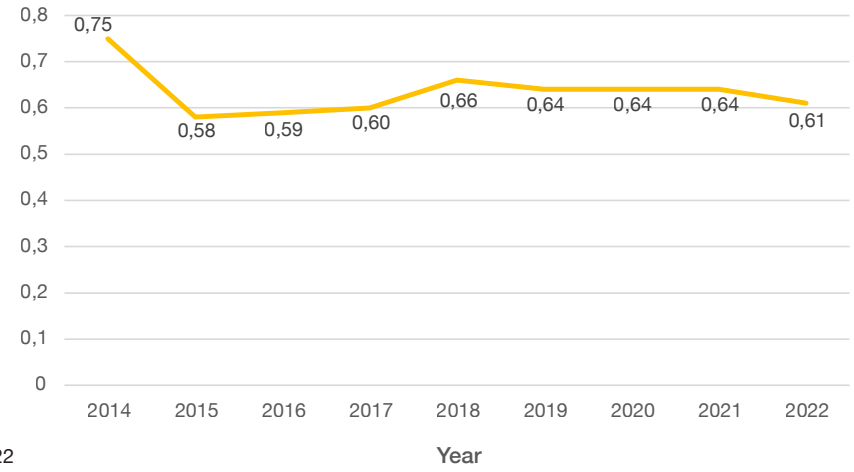
FIGURE 21: Real median income for the City of Ekurhuleni, 2014–2022



Source: SEADsa, 2023

Figure 22 shows that the Gini coefficient in the City of Ekurhuleni remained stable at 0.64 from 2019 to 2022. However, The City of Ekurhuleni saw a declining wage inequality from 0.64 in 2021 to 0.61 in 2022. The high levels of wage inequalities reflected in Figure 22 below are worrying as wage inequality remains a fundamental driver of income inequality in South Africa.

FIGURE 22: Wage Inequality (Gini coefficient) in the City of Ekurhuleni, 2014–2022



Source: SEADsa, 2022

6.4 CONCLUSION

Chapter 6 showed that in terms of employment within the City of Ekurhuleni's area of jurisdiction, the Black African and White populations experienced a decrease in employment by 0.6% and 11.0% per annum, respectively. In comparison, employment increased for the Coloured population by 0.7% per annum and for the Asian population by 9.3 between 2018-2022. Job losses disproportionately impacted women, who accounted for more than 50.0% of the decline in total employment over the period under review. The trends further demonstrated a significant decline in the number of people employed with low education attainment levels.

The analysis in this chapter also showed a shift in the distribution of employment away from younger cohorts towards older cohorts. The most rapid declines in employment were observed amongst the youth aged 15–24 years (–5.4% per annum) and youth aged 25–34 years (–2.6% per annum) between 2018-2022.

While both the secondary and tertiary sectors of the City of Ekurhuleni's economy experienced a decrease in employment between 2018-2022, the decreases were concentrated in the secondary sector (at -7.0% per annum). Construction (-8.0%), electricity (-7.4%) and manufacturing (-6.6%) were individual sectors that experienced the most significant declines in employment. In 2021, the sector that created more job opportunities for youth in the City was the administrative and support services sector, followed by manufacturing, wholesale and retail, and repair of motor vehicles and motorcycles.

Between 2018 and 2022, there was a decrease in the number of persons employed across the occupational groups, except in elementary occupations categories, i.e., clerks, service and sales workers, and for professionals. These groups experienced growth of 3.2%, 2.2%, 1.4% and 1.2% respectively per annum.

This chapter then considered wages and found that most people working in the formal sector in the City of Ekurhuleni earn between R6 400 - R12 800 per month, followed by those earning between R3 200 – R6 400. While the median income increased slightly from R9 721 in 2021 to R10 920, the analysis shows that this increase is still below the pre-COVID-19 levels. Low median wage levels are concerning as average wages need to rise each year to keep up with inflation, and the average worker is better off where median wage levels are higher.

Finally, wage inequality remains a fundamental driver of income inequality in South Africa. While the City of Ekurhuleni saw a declining trend in wage inequality, it remains high by international standards at 0.61.

In 2021/22 the City of Ekurhuleni created 9 698 work opportunities, 53.4% and 49,4% of which provided to women and youth respectively. Considering the vulnerability of both groups to job losses it is important to consider the ways in which EPWP projects could be designed to act as a buffer for long term unemployment.

Where the City is able to secure additional funding, it could be used to prioritise work opportunities and training in the City's growth sectors, creating a pipeline of workers who could be absorbed into those sectors. This will require direct engagement with businesses operating within these growth sectors to facilitate absorption once the work opportunity has come to an end.

Improving the alignment between the skills required by employers and those possessed by workers is increasingly challenging. Not only is digitalisation continuing to affect the demand and supply of skills, but the COVID-19 pandemic has exacerbated pre-existing skills shortages. In South Africa, load shedding continues to impact the economy negatively, resulting in business closures and job losses. Additionally, many countries are implementing measures to support the green transition, which is changing skill demands. In South Africa, skills imbalances have been attributed to various contributing factors:

- Skills shortages which occur when the demand for a specific skill exceeds the supply, resulting in employers having difficulty hiring workers with the right skills.
- Skills surpluses which occur when the supply of a particular skill is higher than the demand for it; individuals with that skill have difficulty finding a job where they can use that skill.
- Skills mismatches where individuals are employed in jobs that do not match their skills profile and are therefore mismatched to their job.

Considering these challenges, it is becoming increasingly important to ensure that the skills of workers and individuals are aligned with the needs of the labour market. Skills mismatches can slow the adoption of new technologies, cause production delays, increase labour turnover and reduce productivity. In addition, individuals who do not possess the right skills would also face poor labour market outcomes.

7.1 SKILLS SURPLUSES

The number of unemployed people provides valuable insights into the economy's overall capacity to absorb its labour force. When the number of people in certain educational categories is high, it shows that a large pool of labour is available and signals a surplus of people with certain education levels. Table 13 shows the expanded unemployed persons in 2018 and 2022 by highest level of education attainment. The number of unemployed persons with tertiary and secondary completed as their highest level of education attainment increased by 6.15 percentage points and 2.91 percentage points, respectively, from 2018 to 2022. In contrast, all other educational categories saw decreases in the number of unemployed persons. It is worrying that the number of unemployed persons with tertiary education increased substantially by 23.6% per annum between 2018 and 2022.

TABLE 13: Highest level of education of the expanded unemployed persons in the City of Ekurhuleni, 2018 and 2022

	Absolute		Share of labour force		Change in labour force		
	2018	2022	2018	2022	Absolute	Percentage points	Average Annual Growth Rate
	(000s)		%		(000s)	(%)	
No schooling	5	4	0.7	0.5	-1	-0.18	-2.9%
Less than primary completed	21	23	3.0	2.9	2	-0.19	2.5%
Primary completed	21	16	3.0	1.9	-5	-1.12	-7.1%
Secondary not completed	324	323	46.6	39.4	-1	-7.22	-0.1%
Secondary completed	270	343	38.9	41.8	72	2.91	6.1%
Tertiary	44	102	6.3	12.4	58	6.15	23.6%
Other	10	9	1.4	1.1	-1	-0.35	-2.7%
Total	**696**	**820**	**100.0**	**100.0**	**125**	**0.00**	**4.2%**

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

Table 14 shows the unemployed graduates by highest level of education attainment. The total graduate unemployment rate increased by 6.7 percentage points from 7.9% from 10.6% in 2018 to 18.5% in 2022. The increase may be explained by the slow economic growth that led to the economy not creating enough jobs for the new graduates that entered the labour market and the job losses due to the aftereffects of the COVID-19 pandemic and the continuous load shedding. As expected, the unemployment rate for persons with diplomas and certificates was slightly higher than those with degrees in the period under review.

TABLE 14: Unemployed graduates by highest level of education attainment, 2018 and 2022

HIGHEST LEVEL OF EDUCATION	Number of unemployed		Share of unemployed graduates		Unemployment rate	
	2018	2022	2018	2022	2018	2022
	(000s)		(%)		(%)	
Diploma or certificate	29	44	79.5	69.3	13.0	19.2
Degree	7	20	20.5	30.7	6.2	17.2
Total	36	64	100.0	100.0	10.6	18.5

Source: Authors own calculations, QLFS (Stats SA, 2018 and 2022)

7.2 SKILLS MISMATCHES

Table 15 shows that the levels of qualification and field-of-study mismatches in the City of Ekurhuleni are very high. In 2022, 51.4% of workers were mismatched in terms of qualification level. About 21.7% of workers in the City of Ekurhuleni were over-qualified for their jobs (that is, their highest educational attainment level is higher than the one usually required in the occupation they are employed in). A further 29.7% were underqualified (their highest educational attainment level is lower than the one usually required in their employed occupation). Furthermore, 26.9% of workers in the City of Ekurhuleni are employed in an occupation that does not match the field of study of their highest qualification.

Older workers in the City of Ekurhuleni are much more likely than their younger colleagues to be underqualified: 48.6% of workers aged 55–64 are underqualified. On the one hand, this indicates that education requirements in many occupations have gone up over time, while on the other hand, it shows that older workers have often developed skills outside of the education system that are valued in the labour market.

The incidence of mismatch also differs by gender. Female workers are less likely to be underqualified or mismatched by field of study; however, they have higher incidences of overqualification.

Table 15 also provides data on mismatches by education level. By definition, those who have the lowest level of educational qualification (i.e., primary or no schooling) cannot be overqualified, nor can those with the highest educational qualification (i.e., tertiary) be underqualified. Almost all workers with at most a primary education are underqualified, indicating that it is increasingly uncommon for workers to enter the labour market without having gone through at least some secondary education. Among workers with a tertiary qualification, 42.3% are in occupations for which they are overqualified, and 27.4% are employed in an occupation that does not match the field of study of their highest qualification.

26.9% of workers in the City of Ekurhuleni are employed in an occupation that does not match the field of study of their highest qualification.

TABLE 15: Qualification and field-of-study mismatch by demographic characteristics in the City of Ekurhuleni, 2022

	Underqualification	Overqualification	Field-of-study mismatch
Total	**29.7%**	**21.7%**	**26.9%**
Age group			
16-24	27.6%	20.6%	31.4%
25-34	25.0%	24.7%	29.6%
35-44	28.2%	24.6%	26.8%
45-54	30.5%	18.8%	27.6%
55-64	48.6%	10.6%	14.8%
Gender			
Male	34.0%	21.5%	32.9%
Female	23.0%	22.0%	19.7%
Highest level of education attainment			
Primary or no schooling	99.6%	0.0%	
Lower-secondary	48.4%	0.0%	
Upper-secondary	14.8%	25.8%	20.8%
Post-secondary non-tertiary	34.9%	65.1%	32.5%
Tertiary	0.0%	42.3%	27.4%
Field of education			
Generic	13.3%	26.4%	
Education	1.7%	21.5%	23.4%
Arts and Humanities	3.8%	52.1%	
Social sciences, journalism and information, business, administration and law	9.7%	54.4%	23.1%
Natural sciences, mathematics and statistics	0.0%	29.2%	
ICT	6.9%	39.8%	57.2%
Engineering, manufacturing and construction	19.1%	48.1%	22.8%
Agriculture, forestry, fisheries and veterinary	0.0%	29.1%	
Health and welfare	7.3%	23.2%	17.4%
Services	4.7%	66.9%	

Source: OECD Skills for Jobs Database (2022)

For mismatch based on the field of education, Table 15 above shows that over-qualification mismatch is most common among those who studied services but is also relatively high among those with a qualification in social sciences, journalism and information, business, administration and law. Those who obtained engineering, manufacturing and construction qualifications are most likely to be underqualified for their jobs. Those who have a qualification in ICT are the most likely to work outside of their field of study.

Table 16 shows qualification and field-of-study mismatch by industry in the City of Ekurhuleni. Underqualification is most common among workers in the agricultural industry (63.6%), while it is least common in the education sector (9.9%). The share of overqualified workers is highest in the accommodation and food service activities (40.4%) and lowest in the arts, entertainment and recreation industry (5.2%). Industries also differ enormously in their incidence of field-of-study mismatch: while less than 10% of workers (who specialised in a particular field while studying) are employed in a job that does not match their field of study in the human health and social work activities industry (9.9%), and the financial and insurance activities industry (9.7%). This is the case for roughly one-third of the workers in the manufacturing industry (36.0%) and the public administration, defence and compulsory social security industry (31.3%).

TABLE 16: Qualification and field-of-study mismatch by industry in City of Ekurhuleni, 2022

	Underqualification	Overqualification	Field-of-study mismatch
Agriculture, forestry and fishing	63.6%	15.0%	
Mining and quarrying	10.1%	27.7%	
Manufacturing	37.2%	22.9%	36.0%
Electricity, gas, steam and air conditioning supply	35.4%	15.2%	
Construction	36.9%	29.2%	
Wholesale and retail trade; repair of motor vehicles and motorcycles	31.5%	17.1%	29.9%
Transporting and storage	21.1%	28.3%	
Accommodation and food service activities	13.6%	40.4%	
Information and communication	41.9%	12.2%	
Financial and insurance activities	39.8%	9.9%	9.7%
Real estate activities	22.5%	26.8%	
Professional, scientific and technical activities and Administrative; support service activities	34.2%	18.9%	24.7%
Public administration and defence; compulsory social security	11.9%	30.9%	31.3%
Education	9.9%	14.7%	15.5%
Human health and social work activities	26.5%	13.9%	9.9%
Arts, entertainment and recreation	33.8%	5.2%	
Other services activities	28.8%	34.3%	

Source: OECD Skills for Jobs Database (2022)

Some occupations have a higher incidence of mismatch than others. Table 17 shows that underqualification is most common among technicians and associate professionals (50.5%) and skilled agricultural, forestry and fishery workers (45.3%), while it is least common among clerical support workers (14.3%). Overqualification is often observed among craft and related trades workers (33.8%) and plant and machine operators and assemblers (31.6%). It is least often observed among professionals (3.3%), technicians and associate professionals (6.6%), as well as skilled agricultural, forestry and fishery workers (7.0%). The field-of-study mismatch is as high as 58.9% among service and sales workers and managers (39.9%), while it is only 7.0% among professionals. The low levels of mismatch among professionals reflect that many of the jobs within that category require a specific qualification (e.g., teachers, nurses, lawyers).

The incidence of qualification mismatch is substantially higher in informal jobs than in formal ones. Table 17 shows that 36.6% of workers in informal employment are underqualified compared with 26.9% of those in formal employment. In contrast, the share of overqualified workers shows that 23.4% of workers in informal employment are overqualified compared with 20.6% of those in formal employment. Moreover, among those in informal employment, 49.2% are mismatched by field of study, compared with only 22.6% among those in formal employment.

The field-of-study mismatch is as high as 58.9% among service and sales workers and managers (39.9%), while it is only 7.0% among professionals.

TABLE 17: Qualification and field-of-study mismatch by occupation and employment formality in City of Ekurhuleni, 2022

	Underqualification	Overqualification	Field-of-study mismatch
Occupation			
Managers	37.2%	16.0%	39.9%
Professionals	31.1%	3.3%	7.0%
Technicians and associate professionals	50.5%	6.6%	20.6%
Clerical support workers	14.3%	23.5%	19.9%
Service and sales workers	29.1%	20.9%	58.9%
Skilled agricultural, forestry and fishery workers	45.3%	7.0%	
Craft and related trades workers	30.2%	33.8%	22.6%
Plant and machine operators, and assemblers	27.1%	31.6%	
Elementary occupations	27.0%	27.5%	
Formality			
Formal employment	26.9%	20.6%	22.6%
Informal employment	36.6%	23.4%	49.2%

Source: OECD Skills for Jobs Database (2022)

7.3 CONCLUSION

Chapter 7 has shown that regarding skills surpluses, the number of unemployed persons with tertiary and secondary completed as their highest level of education attainment increased by 6.15 percentage points and 2.91 percentage points, respectively, from 2018 to 2022. The unemployment rate for persons with diplomas and certificates was slightly higher than those with degrees. In contrast, all other educational categories saw decreases in the number of unemployed persons. It is worrying that the number of unemployed persons with tertiary education within the City of Ekurhuleni increased substantially by 23.6% per annum between 2018 and 2022.

Female workers are less likely to be underqualified or mismatched by field of study than male workers; however, they have higher incidences of overqualification.

The evidence presented in this chapter suggests that high levels of skills mismatch characterise the City of Ekurhuleni's labour market. Among workers with a tertiary qualification, 42.3% are in occupations for which they are overqualified, and 27.4% are employed in an occupation that does not match the field of study of their highest qualification. The incidence of mismatch also differs by gender. Female workers are less likely to be underqualified or mismatched by field of study than male workers; however, they have higher incidences of overqualification.

In order to reduce this level of mismatch, businesses should play a more significant role in the development and review of qualification curricula. Students can be encouraged to use the list of occupations in high demand to inform their career pathways and acquire qualifications aligned with employers' needs.


SAFETY FIRST

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As part of their efforts to make local economies more resilient, cities need to analyse the demand for and supply of skills in their area of jurisdiction as the consequences of changing skills needs are felt acutely at the city level through skills shortages, skills surpluses, and skills mismatches.

9.1 GLOSSARY OF TERMS

Labour Market Concepts

Working Age Population: The working age population is defined as all individuals between the ages of 15 and 64.

Employed: An individual of working age is considered by Statistics South Africa (StatsSA) (2008: 8-9) to be employed if, for at least one hour during the survey's reference week, he/she worked for a cash or in-kind payment; ran a business, irrespective of size, alone or with partners; helped without pay in a business operated by a household member; or was temporarily absent from a job or business. The employed include employees, the self-employed, employers, and unpaid family workers, also referred to as the workforce.

Unemployed: Working-age individuals who were not employed in the reference week but were willing and able to work and who were available to work are defined as unemployed. The official (narrow) definition of unemployment defines unemployed as those who were not employed in the reference week but actively sought employment or tried to start a business during the four weeks before the survey. Who would have been able to start work or a business during the reference week (Statistics South Africa 2008: 8). The broad (expanded) definition of unemployment uses the same criteria except that it does not require that the unemployed actively seek work or try to start a business in the four-week reference period.

Labour Force: The labour force consists of all working-age individuals who are either employed or unemployed. Since there are two definitions of unemployment, there are two definitions of the labour force. The narrow labour force consists of the employed and the narrow unemployed; the expanded labour force consists of the employed and the expanded unemployed.

Economically Active: The economically active population is synonymous with the labour force. Working-age individuals who are not members of the labour force are not economically active.

Non-Searching Unemployed: The non-searching unemployed are unemployed individuals who did not actively seek employment or try to start a business during the four weeks prior to the survey. In other words, the non-searching unemployed are those who are unemployed according to the expanded definition of unemployment but are not economically active according to the narrow definition. Conventionally, the non-searching unemployed are referred to as discouraged work-seekers. However, Statistics South Africa has recently begun defining discouraged work-seekers as a subgroup of the non-searching unemployed.

Labour force participation rate: The proportion of the working-age population who are members of the labour force (i.e., employed or unemployed) is referred to as the labour force participation rate. Given the two definitions of unemployment, it is possible to calculate the corresponding narrow and expanded labour force participation rates.

Unemployment rate: The proportion of the labour force that is unemployed. Calculating both narrow and expanded unemployment rates is possible based on the two definitions of unemployment.

Skills Concepts

Skills: In a skills planning context, skills are "all types and facets of competencies required by workers to perform their jobs" (OECD, 2017). The term may be used in different contexts to refer to competencies, educational attainment or qualifications, or occupations. In some contexts, skills refer to job competencies, such as communication, literacy or numeracy. Competencies that are required in the workforce but which may not be adequately represented in the current skills profile of the workforce are also labelled in the South African discourse as 'critical skills', 'top-up skills' or 'skills gaps. Skills may be thought of in terms of educational attainment, such as grade 12 or a degree, or qualification, such as a National Senior Certificate, an MSc degree, or a diploma in nursing. Finally, skills may be conceptualised in terms of occupations—for example, electrician, nurse, or civil engineer—when considering high- or low-skilled occupations or occupations in high demand. In this document, the term' skills' is primarily used to refer to qualifications or educational attainment. However, it will also be used to refer to job competencies or occupations where appropriate.

Skills Planning: Owing to its numerous dimensions and extensive scope of activities, the term' skills planning' means different things to different people. At the one end of the continuum, skills planning is about identifying skills needs through research, analysis, and social dialogue. On the other end, it is about using labour market intelligence and data about skills needs for practical planning and action, including allocating resources and interventions to address skills demand, shortages and imbalances, both currently and as anticipated in the future.

Skills Demand: refers to the human resources (in this instance, people) and competencies employers require at prevailing wage rates to meet their operational needs at a given time. In this sense, the demand for skills derives from the demand for the goods and services produced by employers. Therefore, Skills demand reflects the skills public and private sector employers need to meet their objectives. Skills demand can also be thought of as skills needs.

Skills Supply: Skills supply consists of the skills, as represented by any appropriate conceptualisation of skills, possessed by individuals who are either working (the employed) or willing, able and available to work (the unemployed)—in other words, skills supply consists of the skills possessed by the labour force. Skills supply is influenced by various factors, including the decisions of individuals to either participate or not participate in the labour force, to learn new skills, and to migrate. In this context, it is important to understand the pipeline of skills acquisition—the various components of the education and training system and how they facilitate the acquisition of new skills, qualifications and competencies. A complete picture of skills supply must, therefore, consider both the skills of the current and future labour force (which includes those individuals currently acquiring skills but who are not currently in the labour force). It may also include considering the effect of changes in labour force participation and migration on skills supply.

Skills Imbalances: Skills imbalances arise when the skills demanded by employers and the skills supplied by individuals in the labour market are not aligned. Types of imbalances include skills shortages, surpluses, gaps, and mismatches.

Skills Shortage: Skills shortages arise when employers require human resources not supplied in sufficient quantities by individuals in the labour market. This may be revealed as an inadequate number of workers in particular occupations and is associated with hard-to-fill vacancies, where jobs cannot be filled due to a lack of individuals with appropriate skills in the labour force.

Skills Surplus: Skills surpluses occur when the supply of skills in the labour force exceeds the demand for those skills. A skills surplus may be identified through high unemployment rates amongst individuals possessing a specific skill.

Skills Mismatch: A skills mismatch may occur where the skills supplied by an individual do not match demand exactly but are sufficiently close for employers to hire the worker. Skills mismatches refer either to the inadequacy of a worker's skills relative to the requirements of the job he/she is currently in (e.g. having a lower level of qualification than required for the job or being trained in a field of study other than the one generally required for the job); or to the situation where a worker's skills exceed those required by the job (e.g. having a higher level of qualification than required for the job). A skills mismatch is categorised as either a skills gap, a qualification mismatch or a field-of-study mismatch.

Skills Gap: A skills gap refers to a situation where a worker lacks a particular skill required to perform his/her job.

Qualification Mismatch: A qualification mismatch may result when a worker's level of education is not in line with the educational qualification required by their job.

Field-of-study Mismatch: A field-of-study mismatch occurs when a worker is employed in a field that differs from the field in which they have qualified.

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