

Rising school completion and the labour market in South Africa

Tim Köhler & Gabrielle Wills



Average years of completed education:

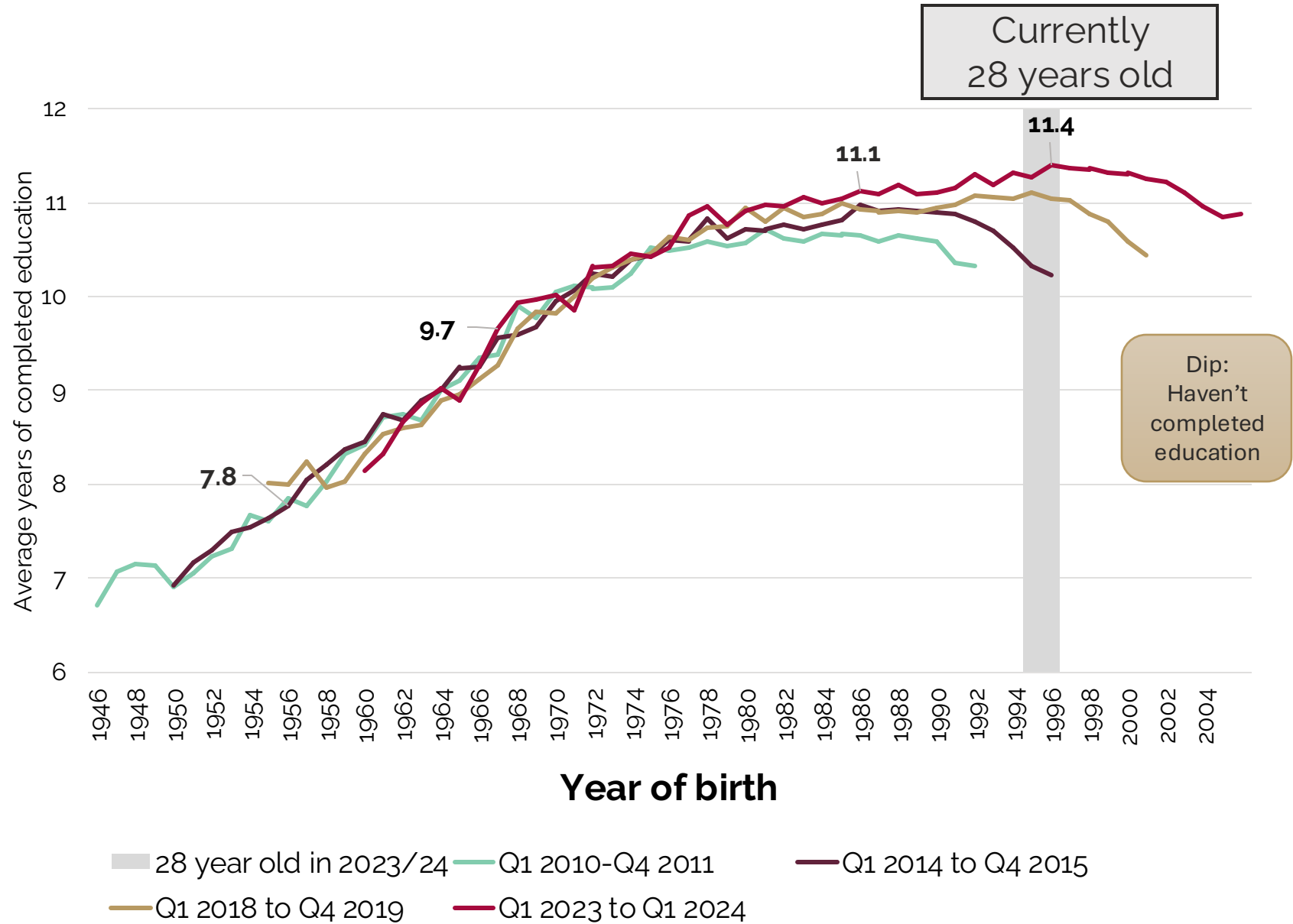
Youth born around the dawn of democracy have the highest average years of schooling of any living cohort in South Africa



Largely due to staying in school for longer, less so due to obtaining post-school qualifications
(Branson et al 2020)



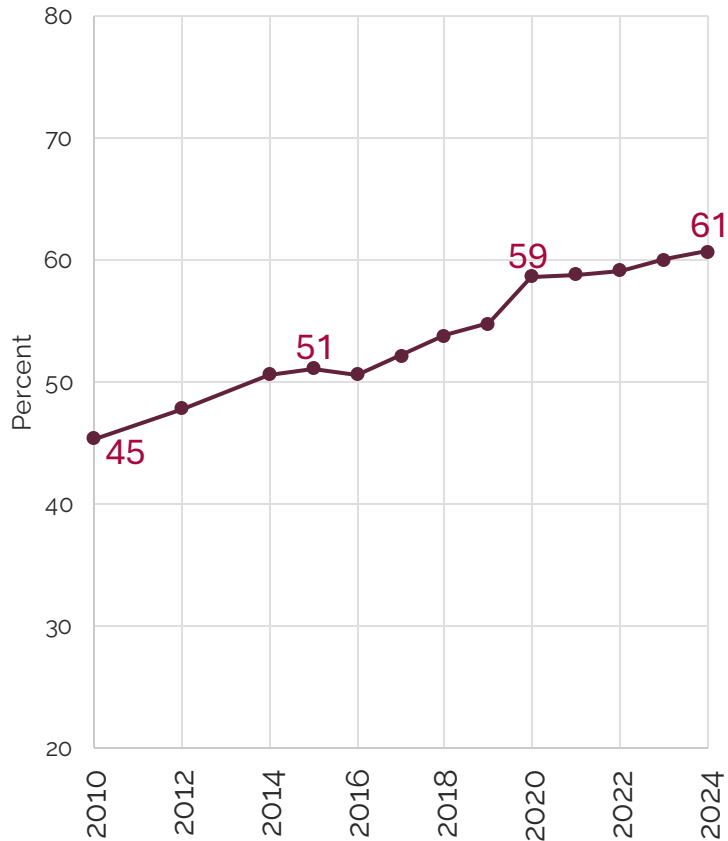
Large reductions in racial inequality in years of education



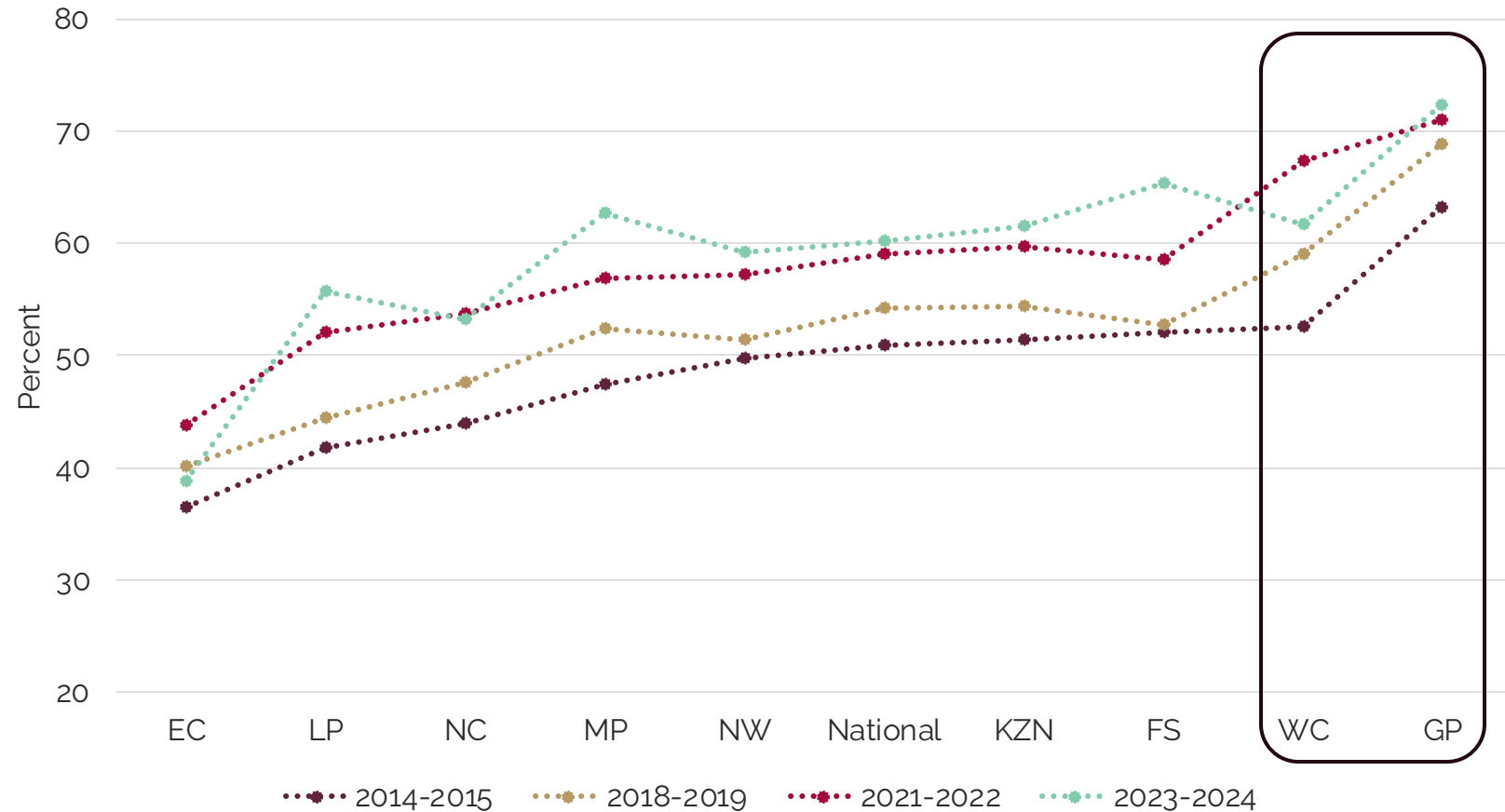
Source: Quarterly Labour Force Survey (QLFS)

Rising school completion among youth

Percent of youth* with a completed secondary education, QLFS Q1



School completion rates among youth* by province, Quarterly Labour Force Survey (QLFS)



*The percentage of youth with a completed secondary is obtained by fitting a quadratic line to estimates of completed secondary across ages 18-30 and obtaining the maximum point along that curve for each province, and then nationally. Years are combined to increase sample size at the provincial level.



Image: iStock

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The looming cuts in higher education spending by the South African government, estimated to be about ZAR5 billion (about US\$260 million), announced in the budget by Finance Minister Enoch Godongwana in February, will add to the growing pressure on one of Africa's biggest and most robust higher education sectors, according to Universities South Africa (USAf) chairperson, Professor Francis Petersen.

USAf represents the vice-chancellors of South Africa's 26 public universities.

The cuts, which have been anticipated since last year, come in a context in which the South African government is facing severe

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By Ursula Fear

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Unemployment rate jumps to 33.5%, 8.4 million South Africans now jobless

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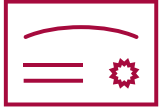
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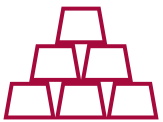
Research questions



What are these new matriculants doing?



What are the implications of rising educational attainment for the education profile of the South African labour force?



As the supply of matriculants has increased, how may this have shifted the returns to education (if at all)?

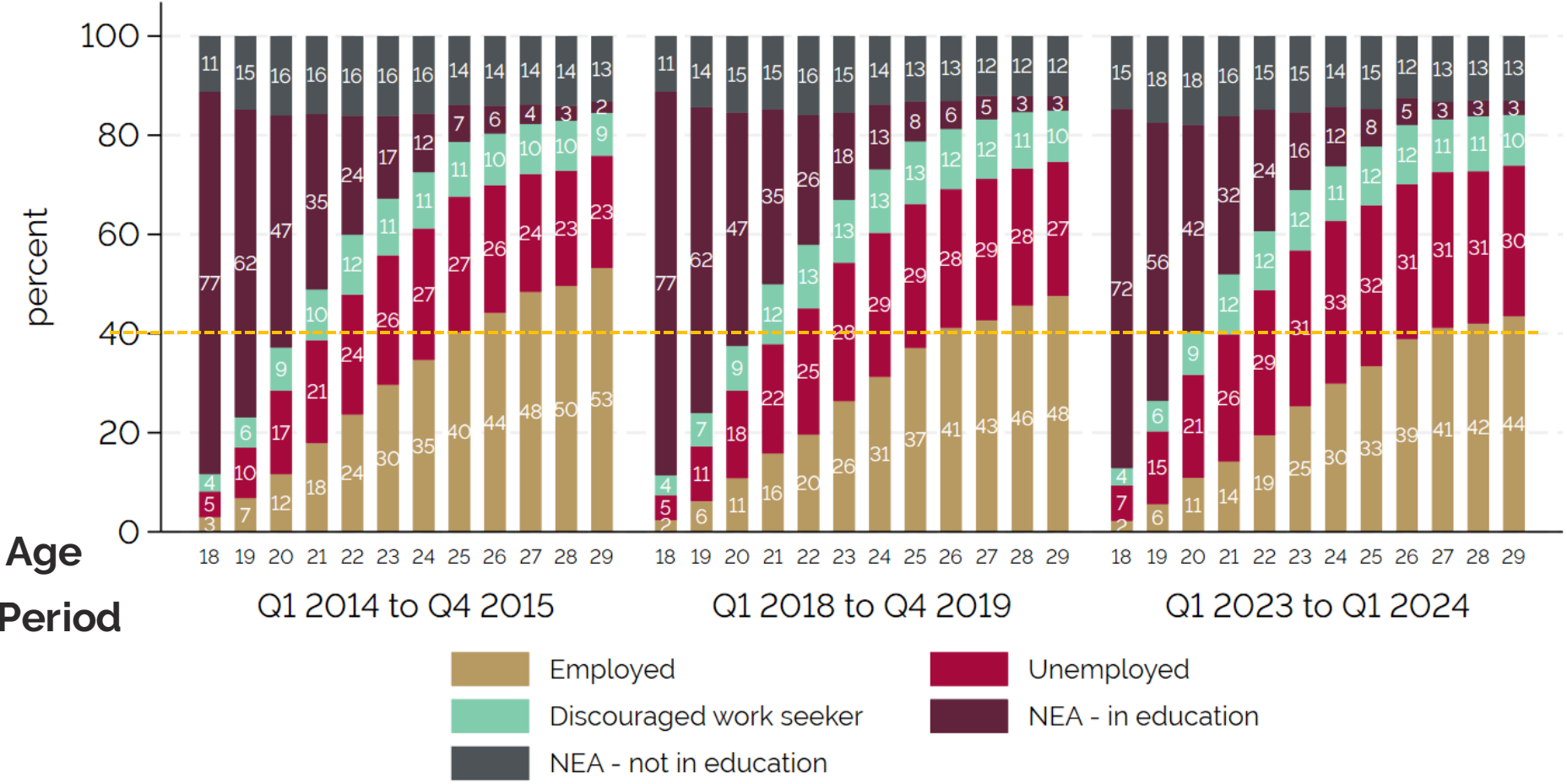


Has greater education attainment translated into better labour market prospects, in terms of employment and earnings?



Labour market status of youth in South Africa

Labour market distribution status by age



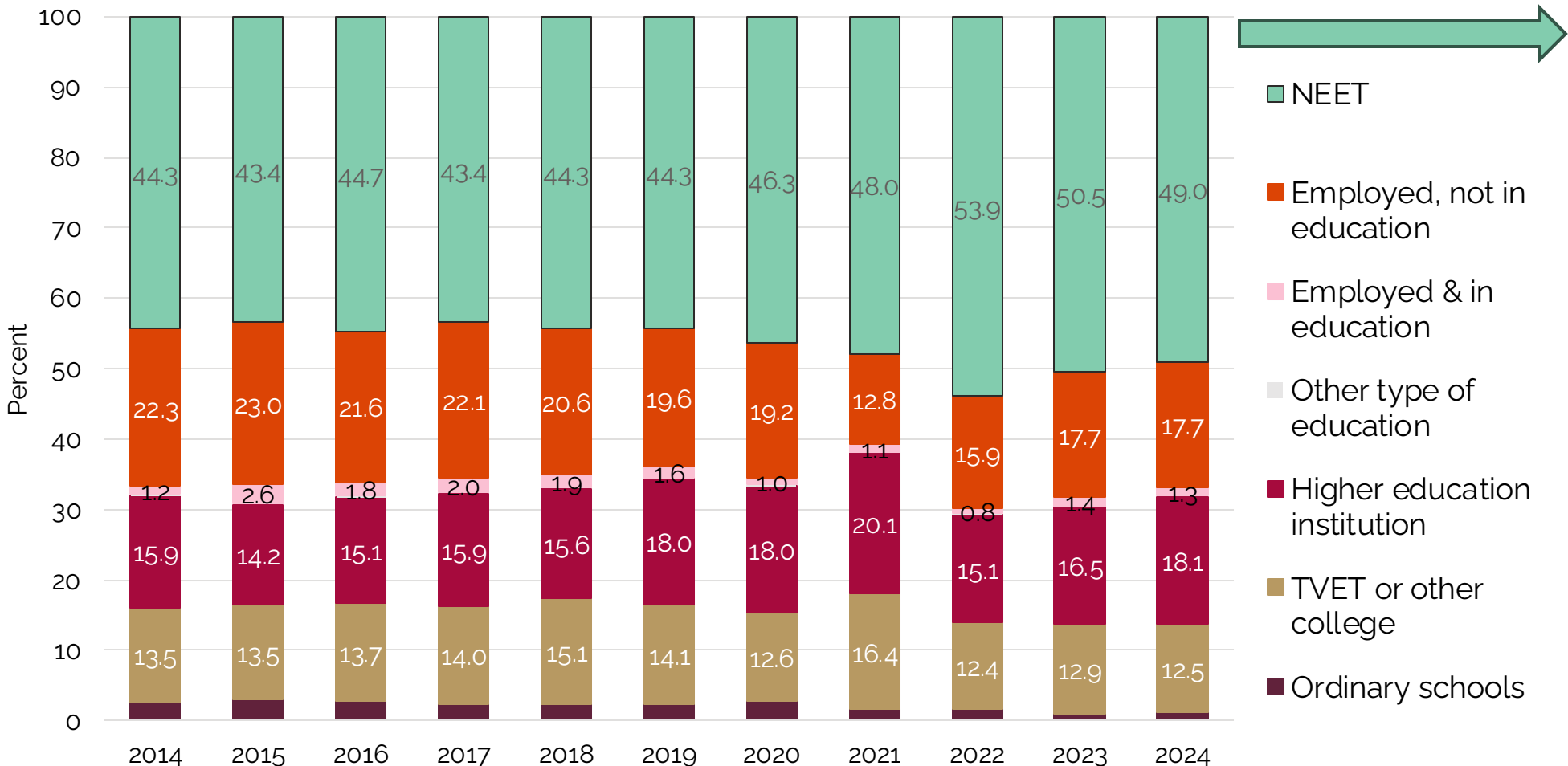
Source: QLFS, own calculations. Weighted.

Pattern: As youth age, exiting school and PSET, rising shares enter the labour force and employment

Trend: Over time, an increasing share of young people find themselves as unemployed **job seekers** as employment prospects decline

What are recent matriculants doing?

Activities of youth aged 19 to 24 with at least a matric, QLFS Q1



5 of every 10 recent matriculants find themselves as NEET (not in employment, education or training)

BUT 7 of every 10 of their cohort who dropped out of school are NEET

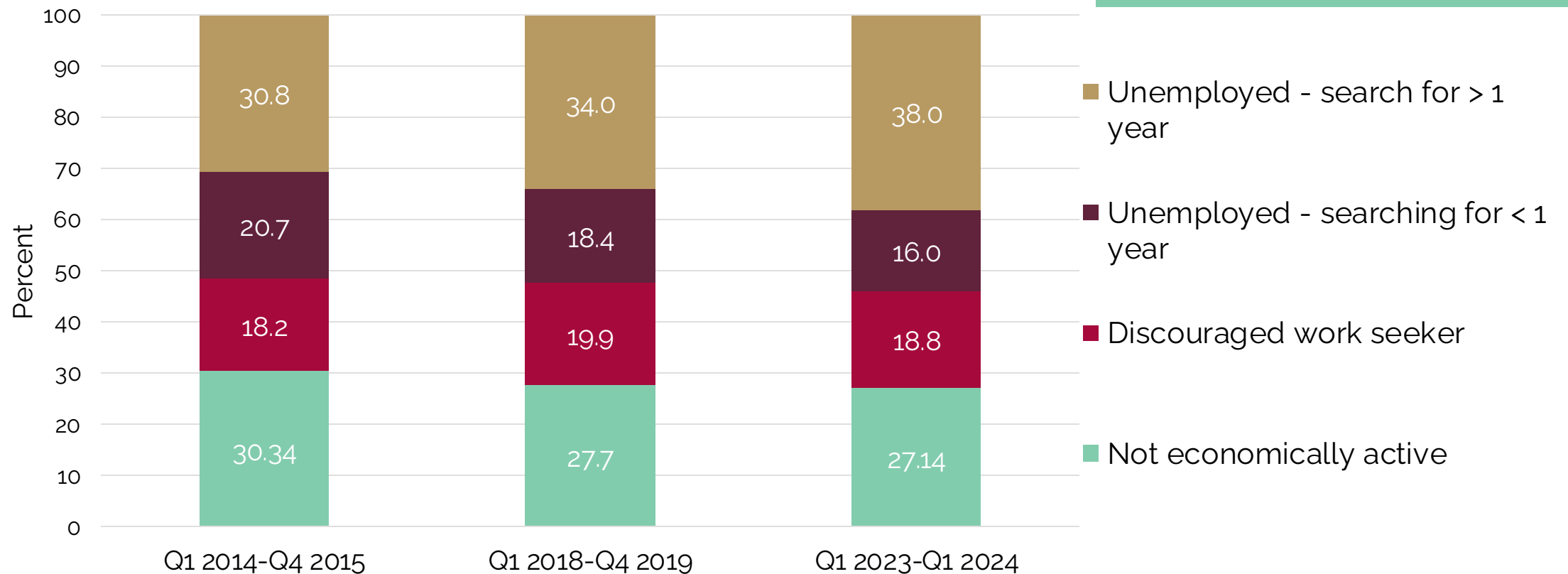
Disclaimer: Household surveys do not sample youth in residences

A closer look at recent matriculants who are NEET

Labour force status of youth aged 19-24 with at least a matric who are NEET, QLFS

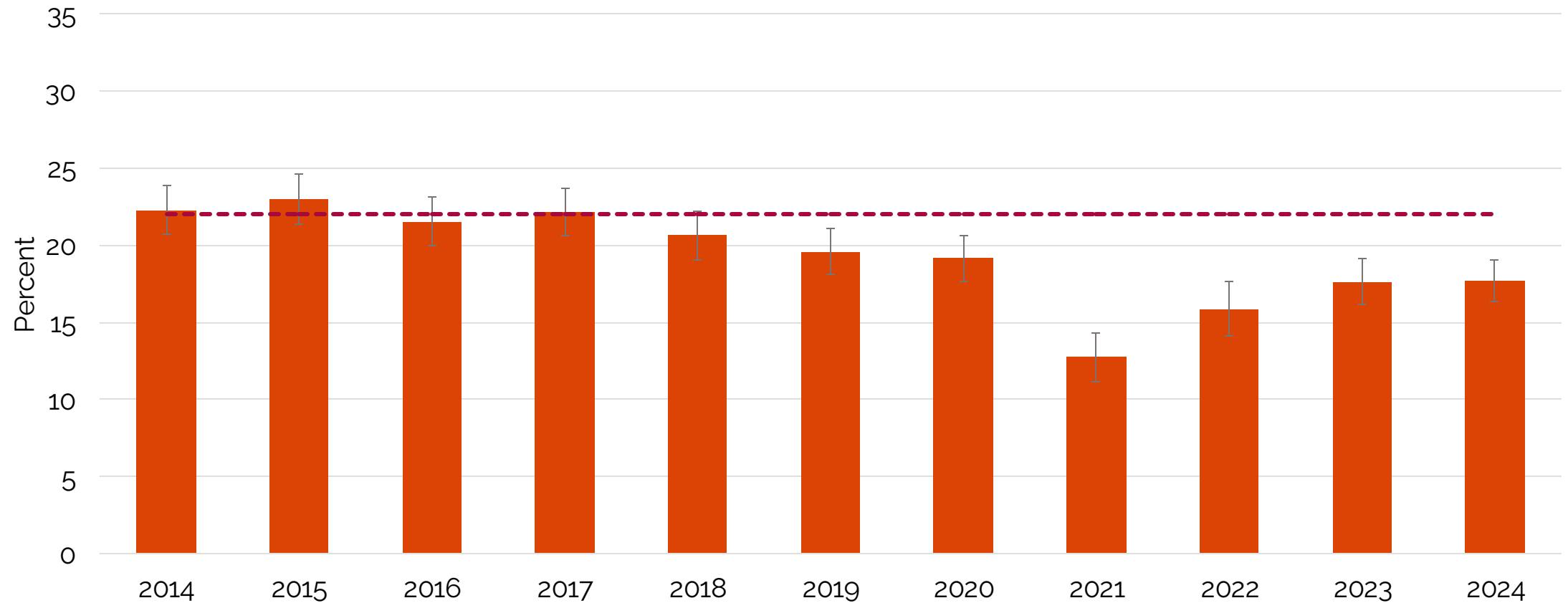
Conditions faced by recent matriculants that are NEET have deteriorated reflecting broader deterioration in youth labour market (Mudiriza et al 2023)

	2014/15	2018/19	2023/4
NEET rate	42%	44%	49%



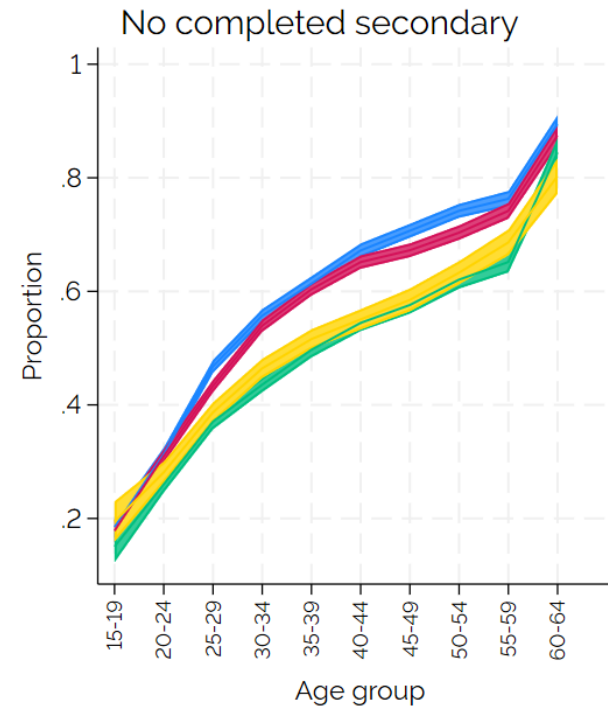
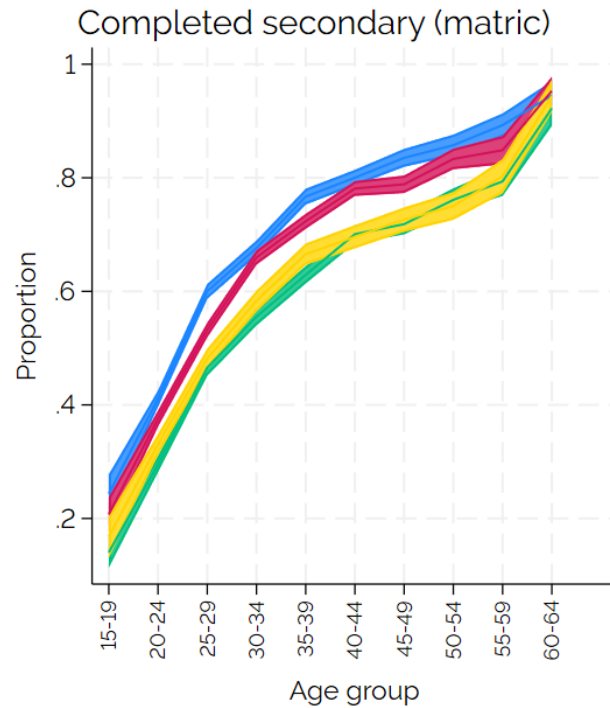
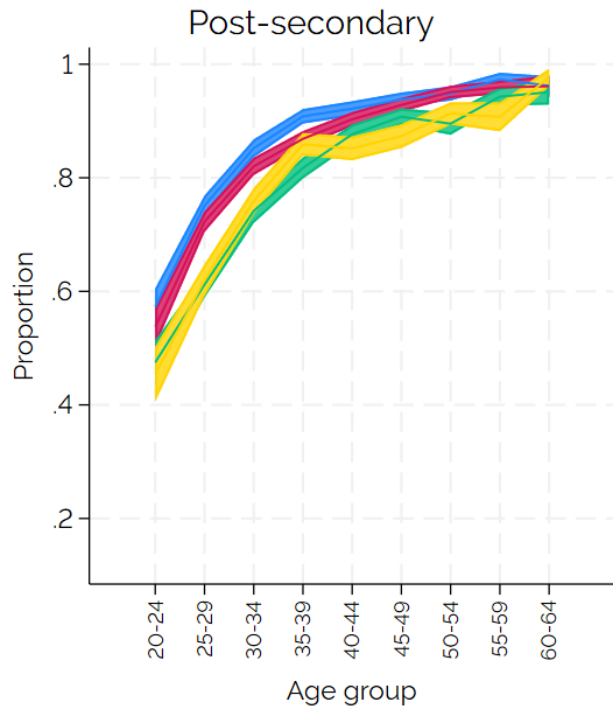
Rising NEET rate related to reduced employment opportunities...

Percent of youth aged 19 to 24 with at least a matric that are employed (but not in education), QLFS quarter 1



Employment probabilities in the past decade by education status and age (economically active)

Employment probability



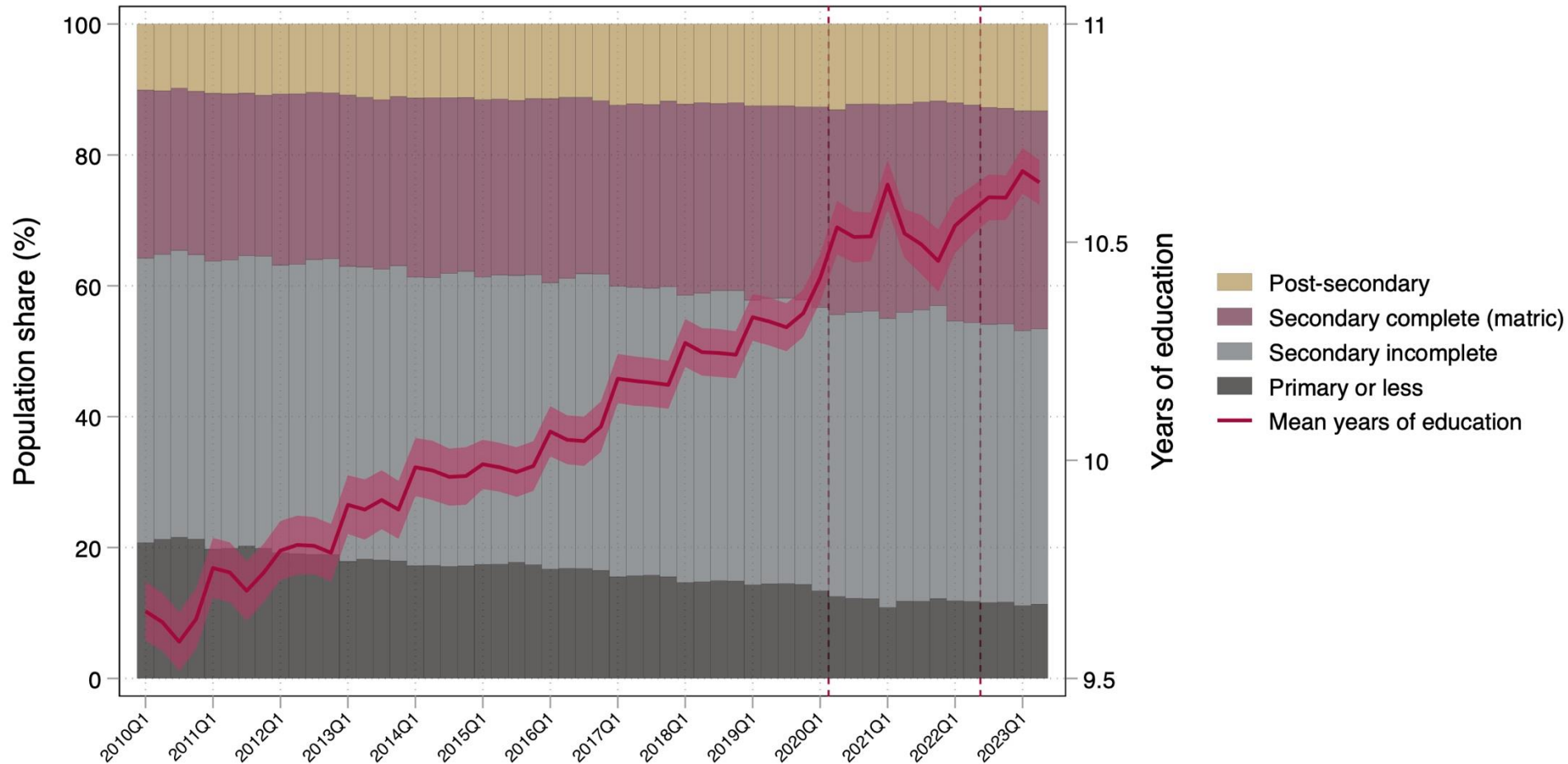
— Q1-4 2014 — Q1-4 2018
— Q1-4 2022 — Q4 2023 & Q1 2024

The employment probability profile of those with a completed secondary education in 2023/2024 resembles that of those with no completed secondary education a decade ago (2014).

Source: QLFS, weighted. Notes: Sample excludes not economically active but includes discouraged worker seekers.

Significant increase in educational attainment

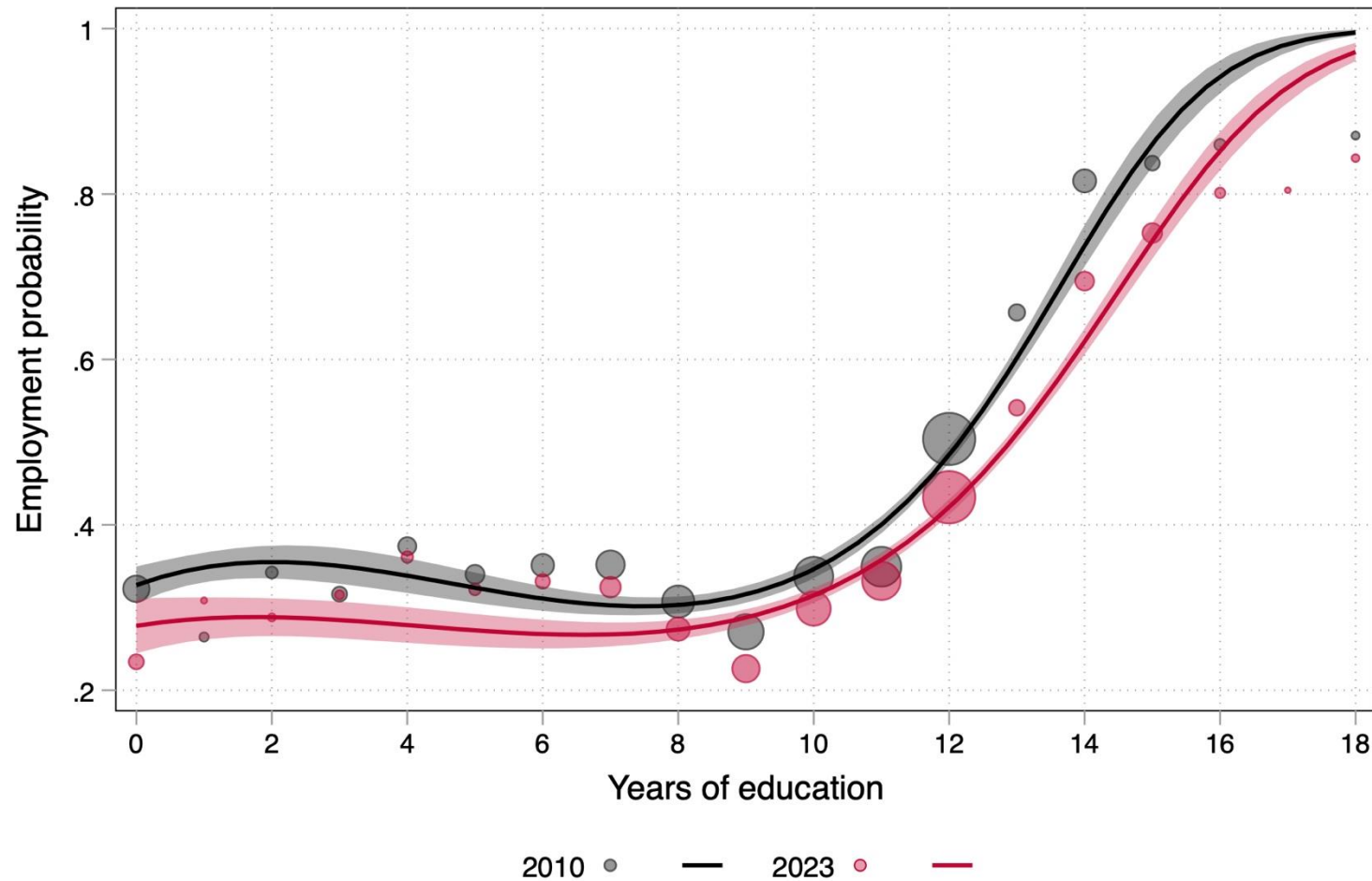
Distribution of highest level of education among the working-age population, 2010 - 2023



Pattern is evident across various sub-populations, including employed youth, employed youth, etc.

Despite this increase, employment prospects have reduced (for *every* level of education)

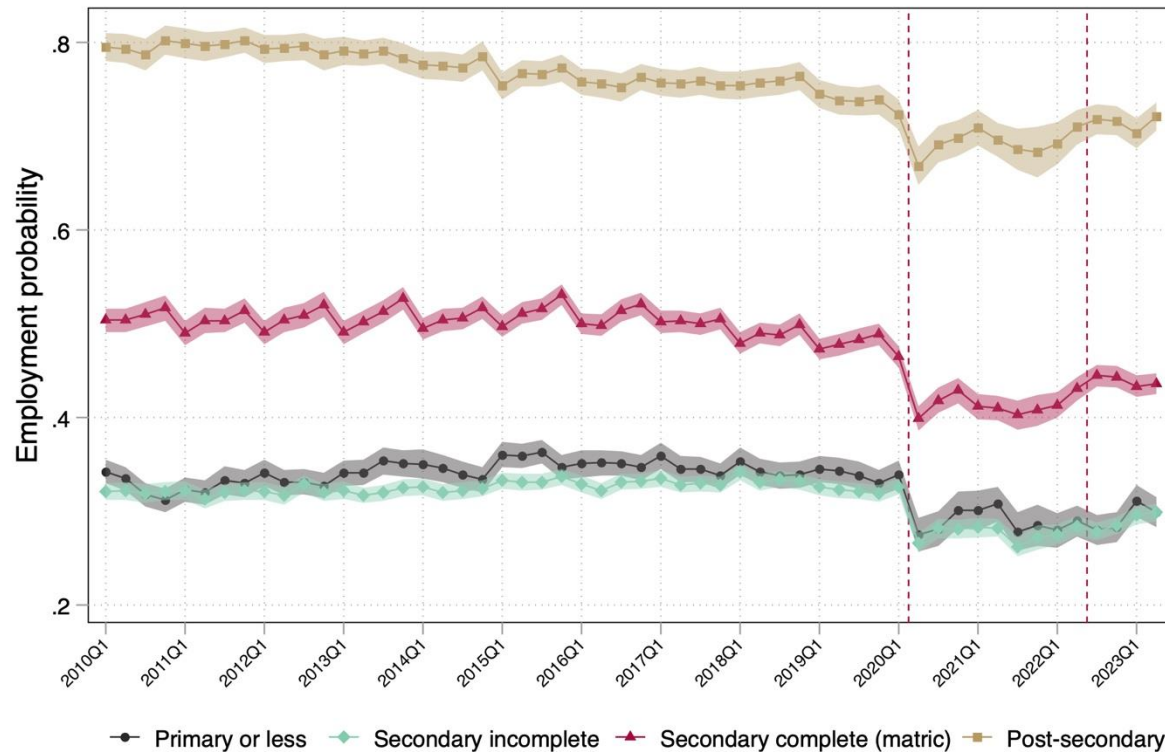
Employment probability by years of education, 2010 vs. 2023



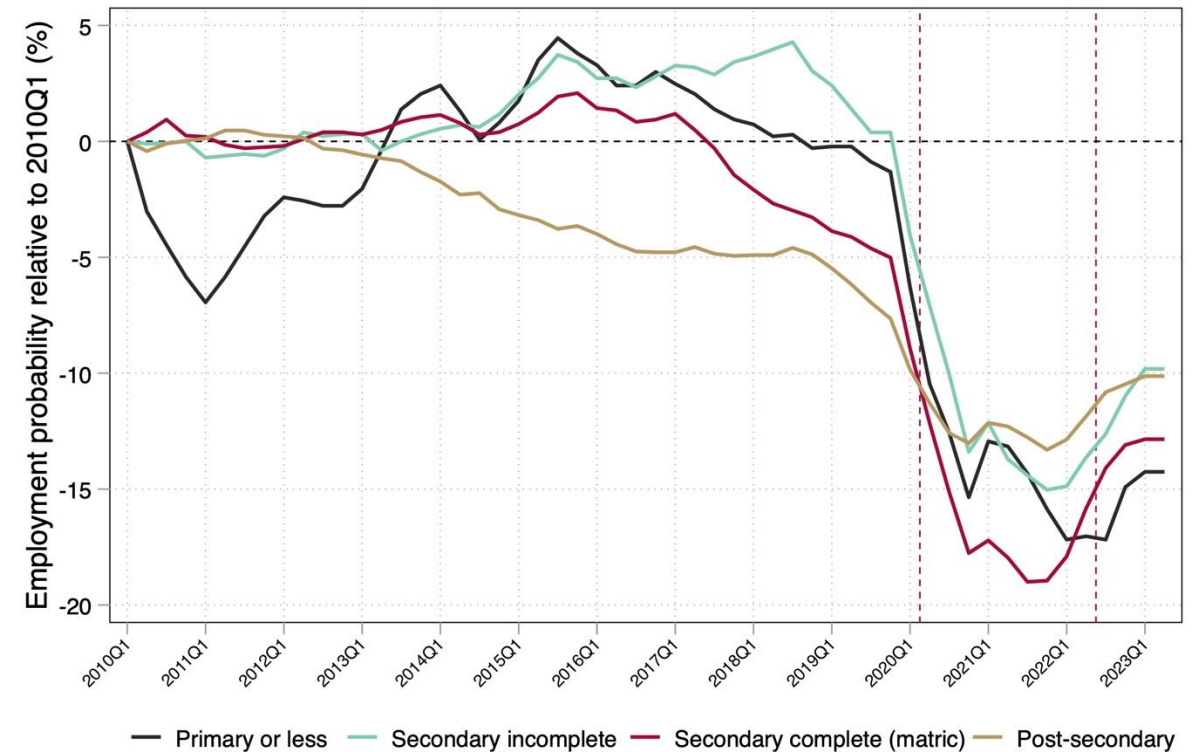
The convexity of the relationship between education and employment is expected and well-documented (eg see van der Berg, 2014)

More education = better employment prospects, but every education level have experienced a reduction in employment

Employment probability by level of education, 2010 - 2023

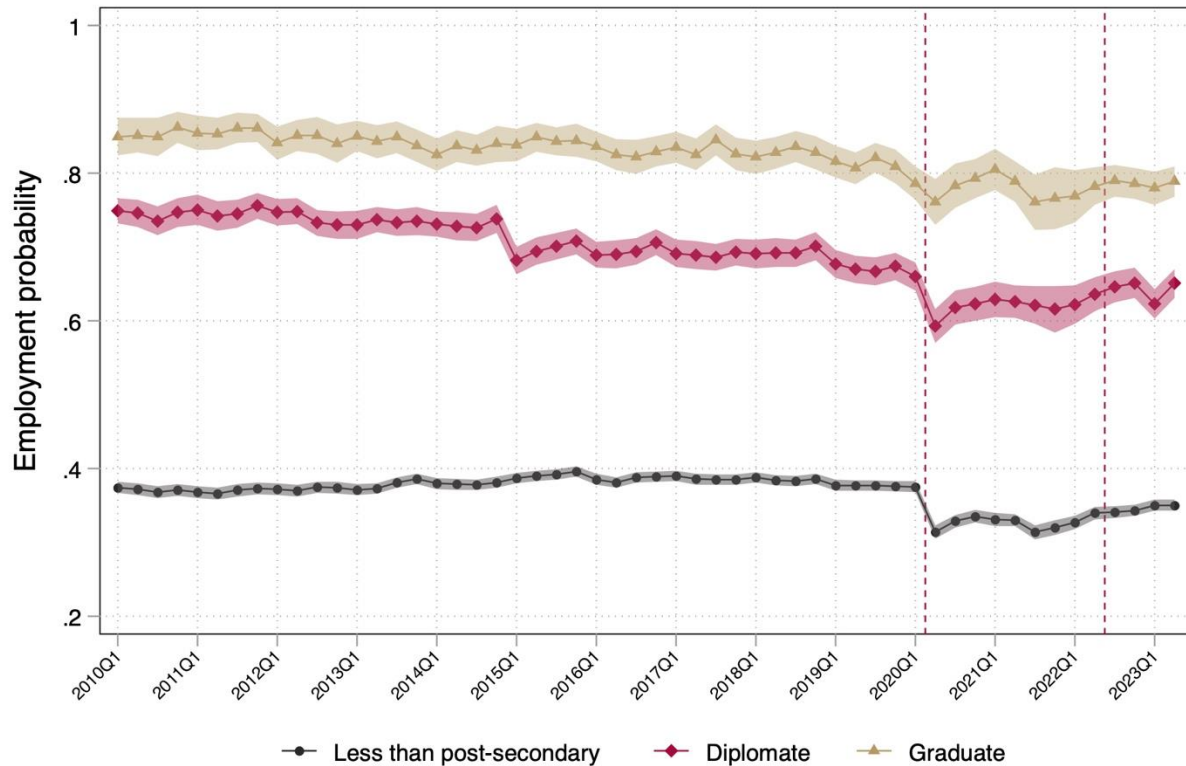


Change in employment probability by level of education, 2010 - 2023

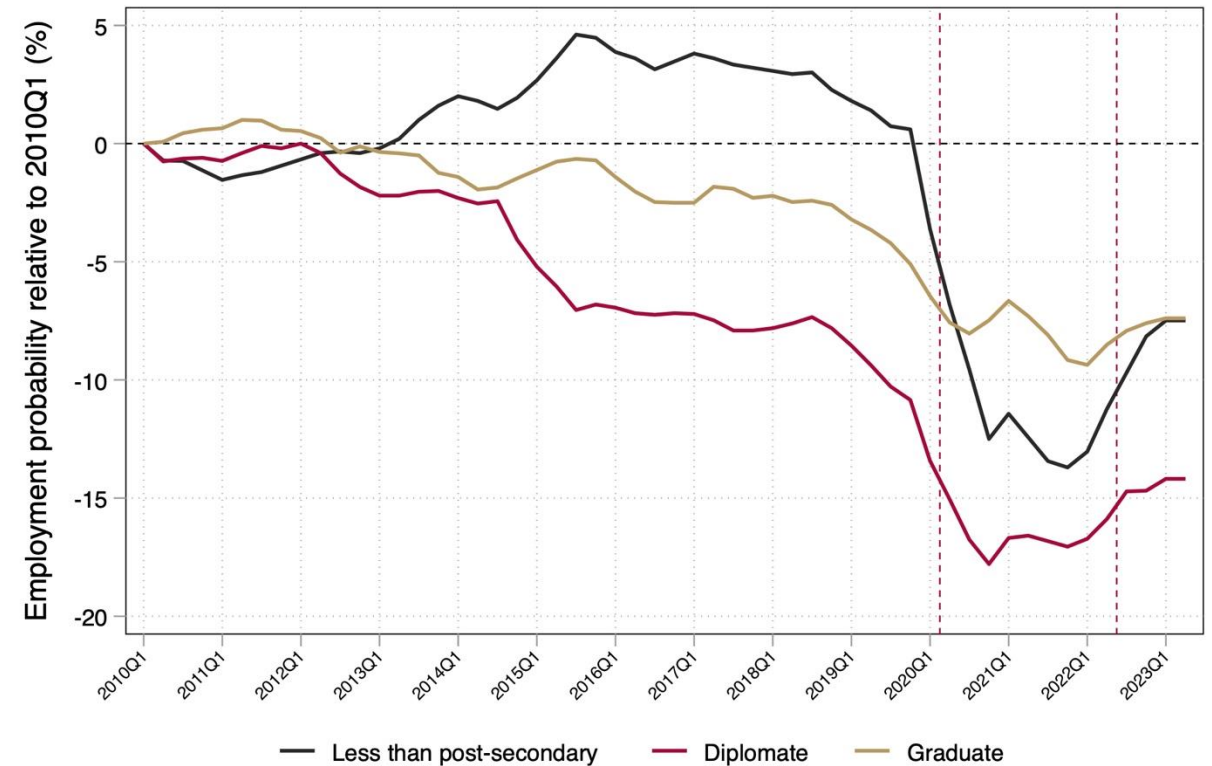


Reduction in employment prospects largest among diplomats

Employment probability by level of post-secondary education, 2010 - 2023

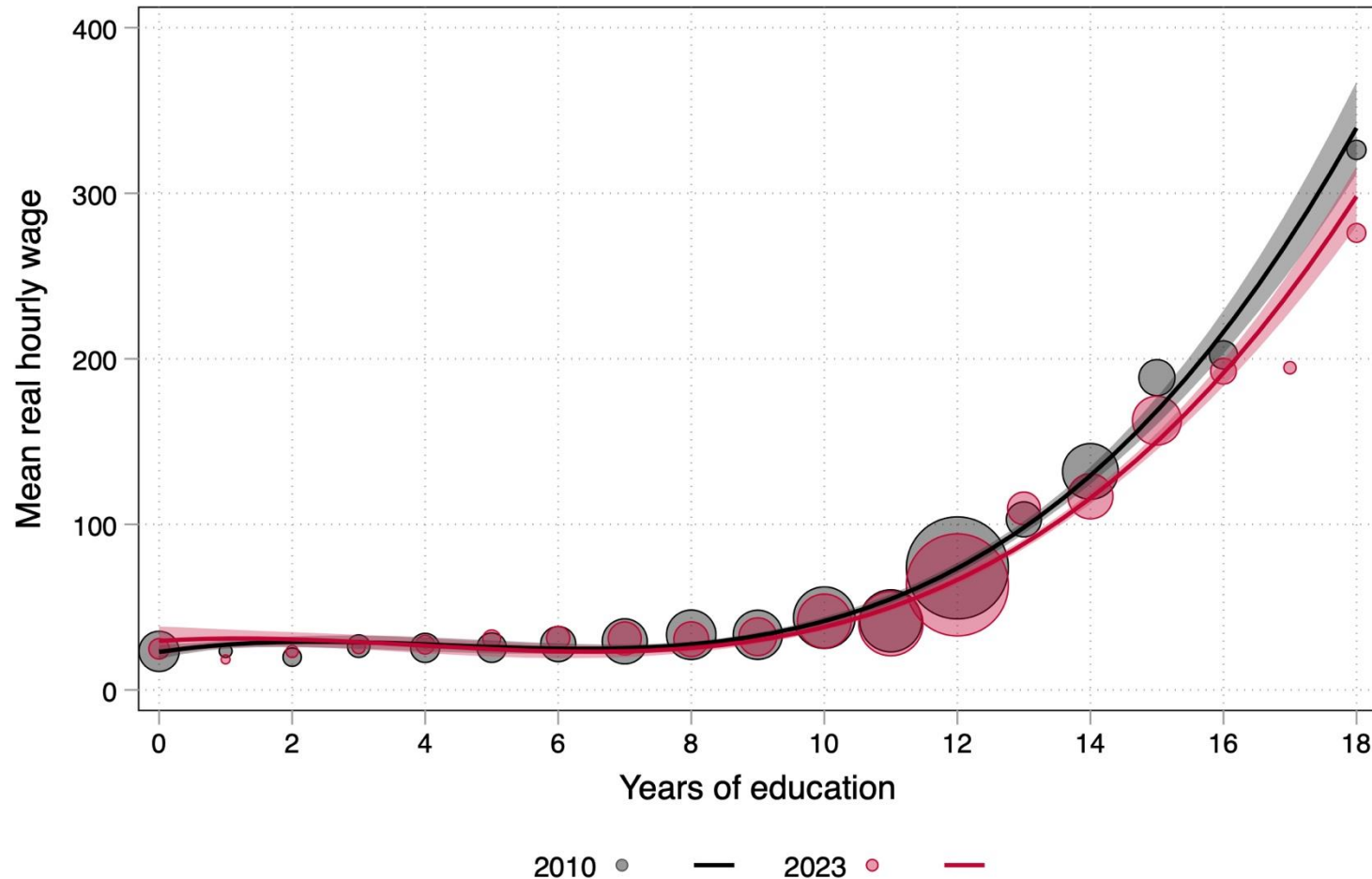


Change in employment probability by level of post-secondary education, 2010 - 2023



Conditional on getting a job, wages have remained largely unchanged over time in real terms

Average real hourly wage by years of education, 2010 vs. 2023



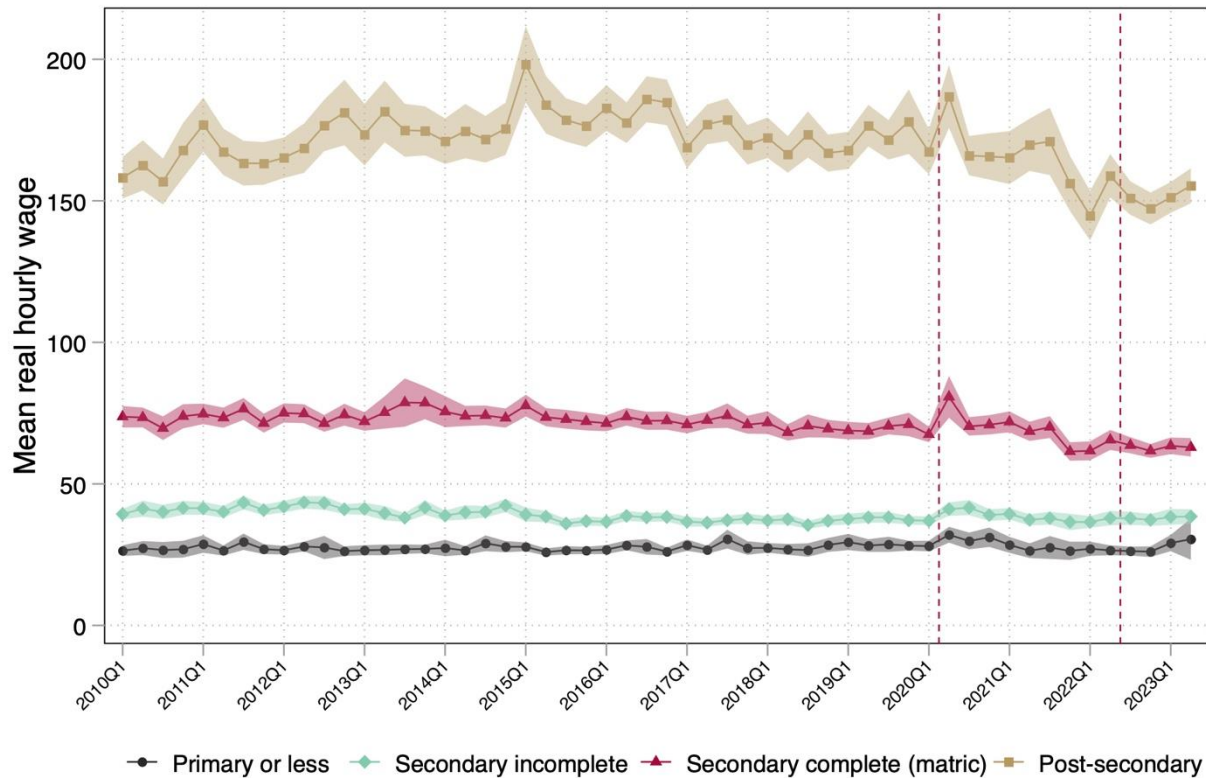
The convexity of the relationship is again well-documented (see van der Berg, 2014; Borat & Leibbrandt, 2001; Keswell & Poswell, 2004)

More education still translates into **higher wages** on average

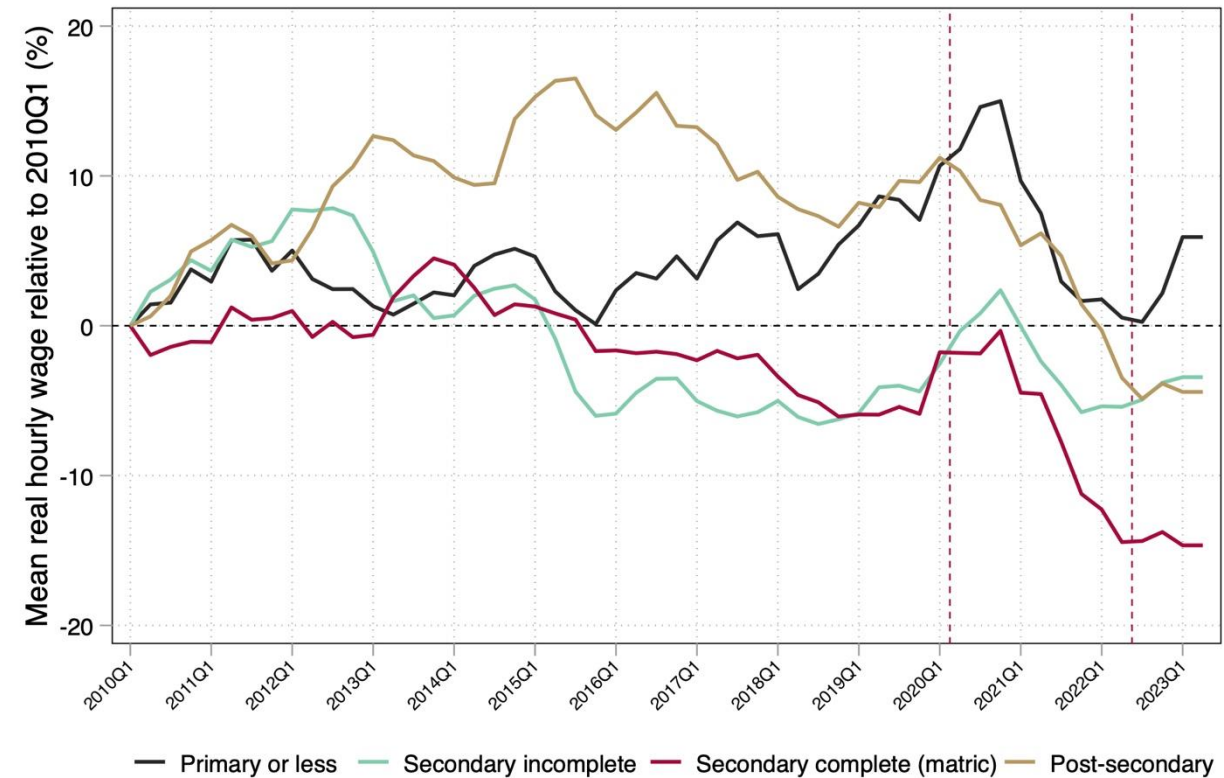
However, real wages have **reduced** for those with higher levels of education...

Reduction in wages among the higher-educated largest for those with a matric

Average hourly wage by level of education, 2010 - 2023



Change in average hourly wage by level of education, 2010 - 2023

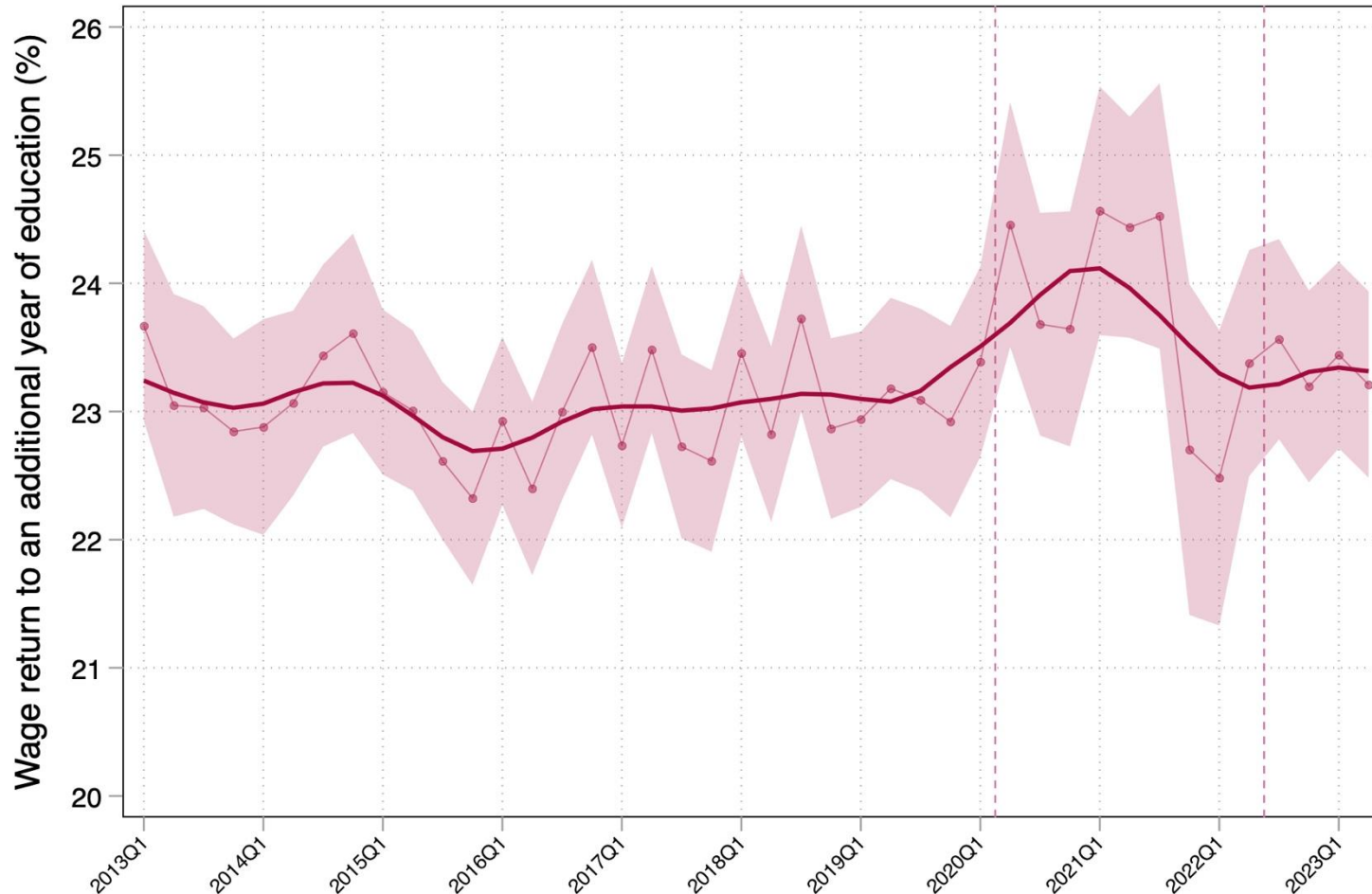


The varying wage returns to education

- Large literature on wage returns to education, globally and in SA
- Patterns in SA are mostly consistent with those in the broader developing world
- Most recent estimate: **1 additional year = 19% higher wages** (Salisbury, 2016)
 - Higher than SSA average (13%) and UMIC average (11%) (Montenegro & Patrinos, 2013)
- But large variation between levels of education
 - Highest for post-secondary
- Why?
 - Employers may associate higher education (matric or more) with higher productivity (Bhorat & Leibbrandt, 2001; Keswell & Poswell, 2004; van der Berg, 2014)

The average wage returns to education have remained largely unchanged over time

Wage returns to an additional year of education, 2013 - 2023

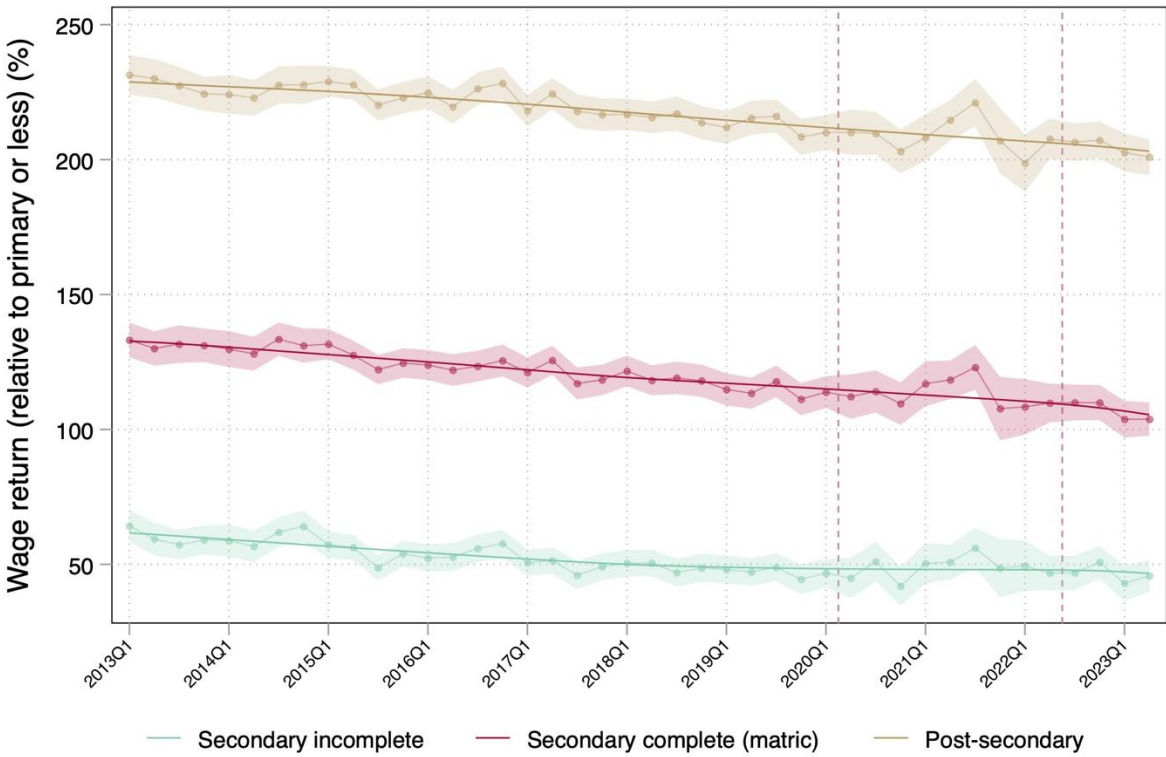


On average, one additional year of education translates into a **±23 percent increase** in hourly wages

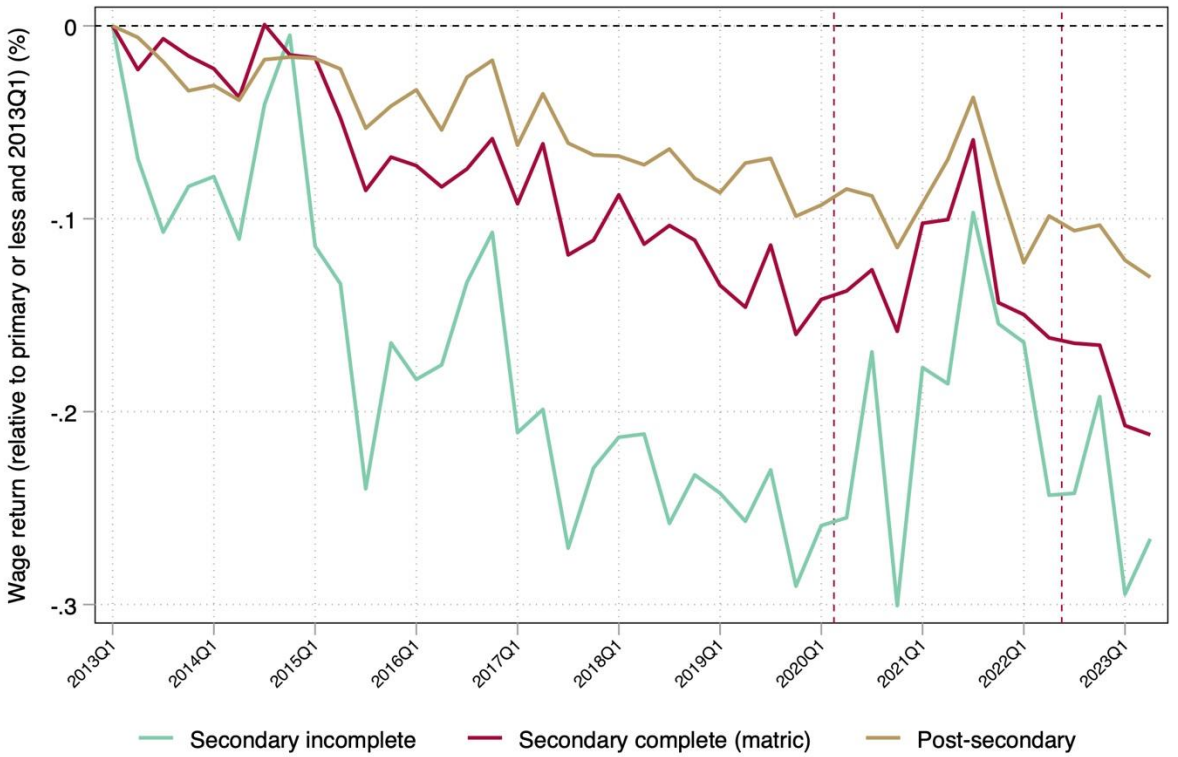
These average returns, however, mask differences across education levels...

More education still means higher wages, but the size of this gain has reduced over time

Relative wage returns by level of education, 2013 - 2023

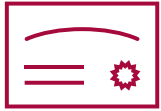


Change in relative wage returns by level of education, 2013 - 2023



Source: Raw QLFS data privately provided by StatsSA, weighted and adjusted for the complex survey design. Wage data adjusted for outliers and missing data. Sample restricted to the working-age population (15 - 64 years).

Summary & conclusion



- Despite rising school completion rates, youth & recent matriculants increasingly find themselves not in employment, education or training (5 of every 10 recent matriculants).
- Recent matriculants who are NEET are now more likely to face longer job search spells compared to a decade ago (an increasingly vulnerable group).



- Unfortunately, the rise in educational attainment has not translated into better labour market prospects over time on aggregate.
- Employment probabilities have reduced, for all levels of education while average wage returns to education have remained constant (unaffected on aggregate).



- But higher levels of education (specifically at least matric) still translates into higher employment & wage prospects (rankings unchanged), despite temporal changes.

Implications: Resource allocations to education have supported improved educational attainment, but not necessarily improved livelihoods. This may, at least in part, reflect our low labour demand and growth environment as a constraint for improving the returns to education.