

INVESTING IN HUMAN CAPITAL IN SOUTH AFRICA

A Framework for a Coordinated Multi-Sectoral Approach

OVERVIEW

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O V E R V I E W

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Acknowledgements

This note aims to bring renewed attention to human capital development as a core driver of South Africa's economic growth and development agenda and to present a harmonized approach for investing in priority areas for human capital formation. The ultimate objective is for the note to serve as a guide for the Government of the Republic of South Africa and its partners for prioritizing policies and actions to support human capital formation in the country.

The note builds on the wide body of literature available in South Africa on education, skills, health and nutrition, and social protection and jobs. The note was prepared under the guidance and support of the Marie-Francoise Marie-Nelly (Country Director for Southern Africa, World Bank); Amit Dar (former Regional Director for Human Development, Eastern and Southern Africa Region, World Bank); Daniel Dulitzky (Regional Director for Human Development, Eastern and Southern Africa Region, World Bank); Asmeen Khan (Manager for Operations, South Africa, World Bank); Muna Salih Meki (Practice Manager for Education, Eastern and Southern Africa, World Bank); Paolo Belli (Practice Manager for Social Protection and Jobs, Eastern and Southern Africa, World Bank); and Francisca Ayodeji Akala (Practice Manager for Health, Nutrition and Population, Eastern and Southern Africa, World Bank). The team is grateful to Ronald Mutasa (World Bank), Samer Al-Samarrai (World Bank), Victoria Strokova (World Bank) and Servaas Van der Berg (University of Stellenbosch) for peer-reviewing and providing invaluable feedback on a draft note.

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Introduction

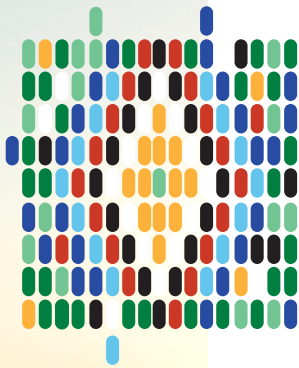
Macroeconomic context

This policy note aims to bring renewed attention to human capital development as a core driver of South Africa's economic growth and development agenda and to present a harmonized approach for investing in priority areas for human capital formation. The policy note first presents an in-depth diagnostic of the status of human capital in the country, applying a life cycle approach. The life cycle approach places a strong emphasis on investing in human capital development holistically, involving all relevant sectors, and as a continuum, following the trajectory of an individual's life. Focus is given to three critical stages of an individual's life— (i) Early Childhood; (ii) School Age; and (iii) Youth to Adulthood (see Figure 1). Based on the findings of the analysis, the Policy Note identifies the priority challenges and proposes a framework for action.

The findings of this policy note aim to serve as a basis for a much-needed dialogue across key relevant government entities—including sector departments such as the Department of Health, the Department of Basic Education, the Department of Higher Education and Training, Department of Social Development, and others, such as National Treasury, Department of Planning, Monitoring and Evaluation, the Office of the Presidency as well as provincial government departments— on how best to invest in human capital, both in the short and medium-to-long term. The note could also be used to inform a range of stakeholders, including civil society, development partners, and the private sector of the human capital development challenges in South Africa and how certain gaps could be addressed through better coordination of interventions. Lastly, the note aims to motivate further research on key areas where there are information and knowledge gaps on human capital in South Africa.

Historical background

Over the past three decades, South Africa has made significant progress in its economic and social development. This progress was achieved as the country emerged from the Apartheid era that

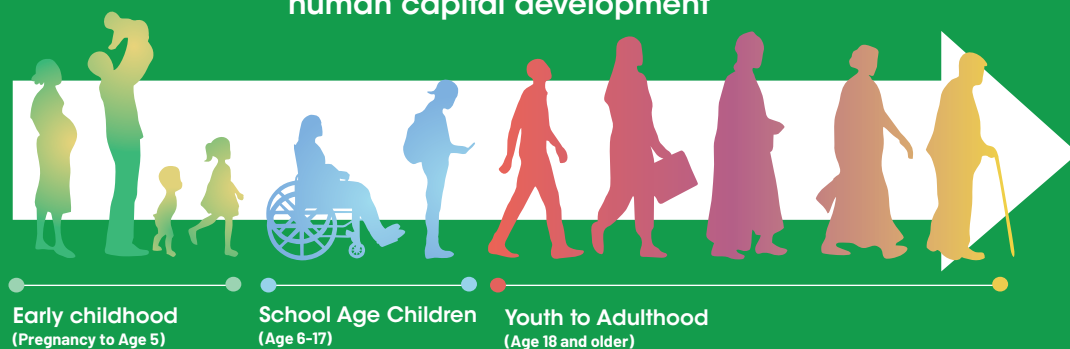


institutionalized racial segregation from 1948 to the early 1990s. In 1994, the country inherited a dual economy, deeply divided by race, but since the transition to a democratic government there has been commendable progress in addressing inequalities.

The 1953 Bantu Education Act (later renamed the Black Education Act) entrenched racial segregation of students and teachers with different Departments of Education serving different races. There were 15 Departments of Education during apartheid- four for each of the four ethnic groups in urban areas (White, Black, Colored and Asian), one for each of the ten Bantustans or 'homelands' to which black Africans were unwillingly segregated and one national department. Education systems were not only racially segregated but were differentially funded with schools serving white students receiving ten times the funding compared to schools serving black students during the peak of apartheid, and by 1994, spending on every white student was about 4.5 times as high as for every black African student. The curricula for white and non-white students differed substantially with Black, Asian, and Colored students being taught to take on jobs requiring manual labor or becoming teachers and nurses; while White students were educated to take on high-skilled jobs. Merging these systems into one education system with the same curriculum, the same teacher training and teacher pay as well as equitable spending was a huge feat, and it was only by around the year 2000 that public spending per child came close to being equal, with the National Norms and Standards for School Funding making an important contribution. However, the legacy of inequality with respect to many years of unequal expenditure remains stark today, both as far as backlogs in physical capital (such as school buildings) are concerned and human capital (largely due to the unequal teacher training legacy referred to previously) (DBE, Action Plan, 2019).

A similar situation existed for health care in South Africa during apartheid with multiple health departments. Estimates from the early 1970s suggest extreme differentiation in health service delivery, with a doctor-to-population ratio in the Bantustans of 1 to every 15,000 compared to 1 to every 1,700 in the rest of the country. By the time Apartheid ended in 1994, almost three-quarters of general doctors worked in the private sector, making it even more difficult for people to afford health care (Borgen Project, 2020). The White population disproportionately enjoyed the bulk of public expenditure on healthcare and received four times more per capita than their Black African counterparts (Van Rensburg, 1991). While the health care system is still inequitable, the post-apartheid government has improved access to health care, mainly by upgrading healthcare facilities since 1994 with the poor now reporting shorter travel times to these facilities (Burger and Christian 2020).

Figure 1: A Life cycle framework to examine inequalities in human capital development



Source: Adapted from Human Development Project, World Bank



Progress to date by various stages of the life cycle

While there has been significant progress in addressing inequities in education and health service delivery, South Africans continue to grapple with high levels of unemployment, poverty, and inequality. South Africa's social assistance system represents a major intervention by the Government in addressing deprivation among the country's population.

According to official data, the number of grants paid out by the government increased from 12.02 million in 2006/07 to 17.81 million in 2018/19. Of these, child support grants are the vast majority (12.45 million children), followed by the older persons grant/old age pension (3.55 million people), and the disability grant (1.05 million people). The social assistance system has been used to successfully address both poverty and inequality. Based on comparative static simulations using data from the Living Conditions Survey 2014/15, social grants are estimated to reduce the poverty rate by between 10.1 percentage points and 38.5 percentage points, depending on the choice of the official poverty line used. Similarly, the post-transfer Gini coefficient (i.e., income including social grants) is about 7 percent lower than the pre-transfer Gini coefficient (i.e., income excluding social grants). The social grant system was further extended during the height of the COVID-19 pandemic to introduce the special COVID-19 Social Relief of Distress (SRD) grant, valued at R350 per month, which supports out-of-work informal workers who are not eligible for unemployment insurance benefits and had no other income sources. The SRD grant has further been extended until March 31, 2024.

South Africa carries the regrettable recognition of being the most unequal country in the world (Gini is 0.67) with income inequality worsening over the years. It also has the highest number of people living with HIV/AIDS in absolute numbers at 7.5 million followed by Mozambique and India with 2.2 million and 2.1 million people respectively. This has resulted in many orphans in the country which was exacerbated by the COVID-19 pandemic with over 285,000 children bereaved due to the excess COVID-19-

associated deaths of their parents or caregivers.¹ South Africa ranked 6th highest in the world on violent crime in 2018, behind El Salvador, Venezuela, Lesotho, Colombia, and Guatemala. South Africa's average homicide rate was 34.4 per 100,000 in 2018 which was more than five times the average global homicide rate of 6.2 per 100,000 inhabitants for 2018. Compounding this situation is the growing political uncertainty, muted economic growth, an ongoing energy crisis, and climate change, which are all emerging as critical issues for the country. The COVID-19 pandemic crisis has reversed many of the gains achieved in the last three decades, especially in education and the labor market and is worsening preexisting inequalities.

Accelerating the pace of progress in human capital development and addressing persistent inequalities is an urgent priority for South Africa to ensure that the country can fully utilize its human capital potential as a driver of sustainable and inclusive economic growth and improve the lives of its citizens.

Progress in early childhood:



Early childhood development (ECD) has historically been grossly underfunded in South Africa though there has been some progress in prioritizing ECD in recent years. Across three major interventions - nutrition for early years, early childhood learning (pre-grade R and grade R),² and the child support grant - total spending was a mere R36.1 billion which was equivalent to 1.7 percent of total public expenditure or 0.6 percent of GDP in 2021/22. More than 70 percent of this funding was on the child support grant (CSG), which was R480 per month per beneficiary in April 2022. There are about 4.2 million beneficiaries aged 0-5 who receive this grant per month which is meant to provide nutritional and early learning support to young children.

While coverage and targeting of the CSG are good overall, there is still room for improvement. There are delays in the initial receipt of the grant which restricts families' ability to provide adequate nutrition during the critical first year of a child's life. In 2019, the coverage of the CSG at age 0 as a proportion of average coverage at ages 1-3 stood at 82 percent, declining to 74 percent in 2021 during the COVID-19 pandemic. This means that infants, likely those most at risk of poor nutritional outcomes, fail to access the CSG during this important period. Reasons for families not receiving the CSG promptly include the substantial amount of documentation required for the grant application as well as the need to submit it in-person at a South Africa Social Security Agency (SASSA) office after a child is born. Parents cannot apply for the CSG during pregnancy.

Rates of stunting remain high, affecting children from all socioeconomic backgrounds. Malnutrition is a leading cause of early childhood mortality, and it has profound impacts on children's

¹ Lancet, 2023.

² Grade R is the one year of pre-school before entering primary school.

long-term health development, and productivity. Estimates from 2016 found that 27 percent of children under-five in South Africa were stunted (DoH, 2019), and while this may be an overestimate, it is the only nationally representative stunting figure available.³ In 2016, children from the poorest quintile of households were almost three times as likely to be stunted as those in the richest quintile of households. The estimated under-five stunting rate in South Africa was more than double the average rate for Upper Middle-Income Countries (UMICs) (Table 1). Access to maternal and child health care services has improved, but significant quality gaps are leading to poor maternal and child health outcomes. Nutrition interventions remain fragmented and uncoordinated across multiple departments.

In terms of other health outcomes, the under-5 mortality rate (U5MR) and infant mortality rate both improved between 2010 and 2020. The U5MR reduced from 52 deaths per 1000 live births to 32 deaths per 1000 live births in this period though it is still three times the U5MR for UMICs, which was 11 deaths per 1000 live births in 2020 (Table 1).

Table 1: International comparison of selected early childhood and maternal outcomes

Key Indicators	South Africa	Regional comparators			Selected actual & aspiring UMICs			UMIC
		Kenya	Namibia	Nigeria	Peru	Sri Lanka	Vietnam	
(1) Under-5 mortality rate per 1000 live births (2016-2020)	32	42	40	117	13	7	21	11
(2) Under-5 prevalence of stunting (2013-2020)	27%	19%	18%	35%	11%	16%	22%	11%
(3) Maternal mortality (deaths per 100,000 live births)(2017)	119	342	195	917	88	36	43	41
(4) Adolescent fertility rate (births per 1000 women ages 15-19) (2019)	71	73	60	104	55	20	27	29
(5) Total fertility rate (births per woman) (2021)	2.4	3.3	3.3	5.2	2.2	2.0	1.9	1.6

Source: 1. UN Inter-agency Group for Child Mortality Estimation (2021); 2. UNICEF-WHO-The World Bank (2021); 3. WHO, et al. (2019); 4. World Bank Open data (2022); 5. World Bank Open data (2023)

On the education side, early childhood learning outcomes are low, pointing to deficiencies in cognitive and socioemotional development children experience in the early years. More than 55 percent of children ages 50–59 months who were enrolled in an early learning program in 2022 did not meet the expected early learning standards. Household poverty emerges as a common denominator that is highly correlated with poor early childhood outcomes.

³ For example, smaller surveys such as the 2021 Thrive by Five Index finds that approximately 5.7 percent of children aged 4 to 5 years in Early Learning Programs had stunted growth.

A positive aspect is that there is almost universal access to grade R - a one-year pre-primary class before starting Grade 1 which is free for children in Quintiles 1 to 3 public primary schools. Access to ECD for younger children ages 0-4 years old has slightly improved, in part through the provision of government subsidies to ECD providers serving poor children. However, gaps in the targeting and uptake of the ECD subsidy - including due to the complicated application process - have meant that ECD services for young children have not expanded to the level expected and children from poor households continue to be excluded. The low quality of ECD services, driven by limited training and support for ECD practitioners and poor working conditions are also critical constraints to ECD service expansion.

Progress for children who are of school age:

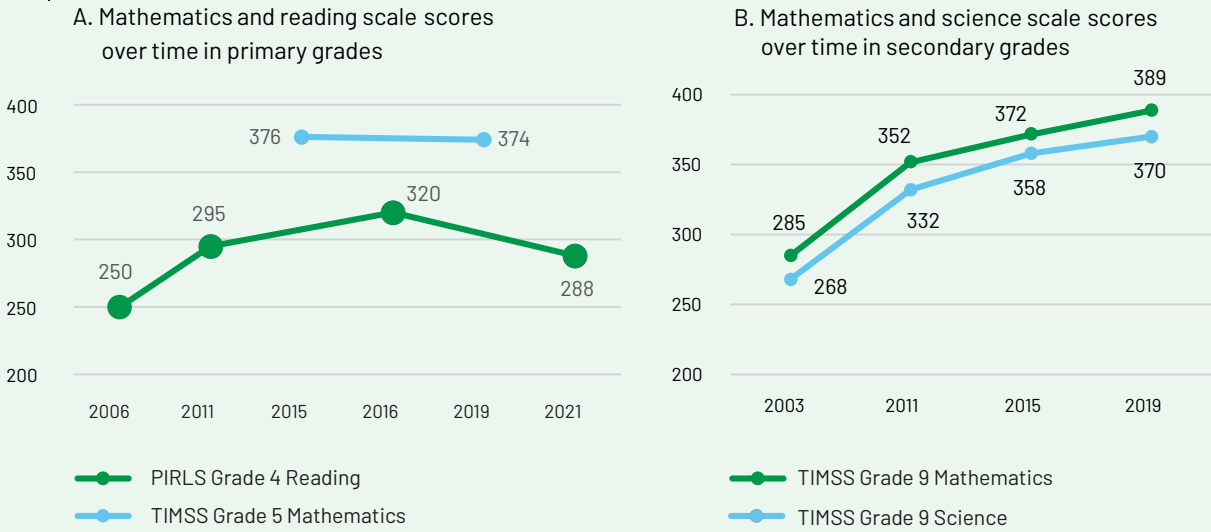


The basic education system in South Africa has about 24,800 public and independent (private) schools, which together enrolled more than 13.4 million learners and comprised about 400,000 teachers in 2022 (DBE, 2022). Progress in improving access to primary and secondary schooling has been remarkable with near universal access for boys and girls through to grade 10. The Government sought to address historical biases in spending in the early 2000s through the designation of the poorest three quintiles of schools as “no-fee schools”. In addition, the Government provides daily meals to over 9 million children through the National School Nutrition Program (NSNP), and the Learner Transport Program seeks to ensure that children from remote areas arrive at school safely. These pro-poor spending patterns and progressive programs are likely to have contributed to the country's success in expanding access.

The pressure to continue to expand access to primary and secondary education looms large with an estimated additional 1.2 million learners expected to enter the schooling system by 2030. This expansion is a result of demographic growth (1.8 percent per annum) as well as migration from previous homelands to urban areas, putting pressure on the education systems of provinces such as Gauteng, and Western Cape (inter-provincial migration) and KwaZulu-Natal (intra-provincial migration). The costs of the expansion are not just related to the almost 20,000 new classrooms that need to be built but also to an increase in the teaching workforce by about 25,000 teachers. The challenge to continue to build new schools and hire more teachers is compounded by the need to also upgrade existing schools, mostly in Limpopo, Eastern Cape, KwaZulu-Natal, and Mpumalanga provinces, to meet the minimum norms and standards in terms of school infrastructure. For example, in 2021, on average, 22 percent of latrines in schools did not meet minimum acceptable standard of ventilated improved pit (VIP) toilets; one quarter of schools did not have access to adequate water; and 3 percent of schools did not have access to any power source.

In addition to expanding the network of schools and upgrading existing schools, the Government of the Republic of South Africa has set its sights on improving learning levels, which are very low. Learning poverty⁴ was estimated at 78 percent in 2016, slightly lower than the average for Sub-Saharan Africa at 86 percent, but significantly higher than the average learning poverty for UMICs, estimated at 29.5 percent. In 2021, learning poverty increased to 81 percent, meaning that only 19 percent of children in Grade 4 in South Africa could read for meaning in any language.

Figure 2: Trends in learning outcomes using TIMSS and PIRLS (various years)



Source: Reddy et al., 2019a; Gustafsson, 2020; Mullis et al., 2023.
 Note : The mean PIRLS score for 2011 was initially estimated at 323. Revised scores were estimated at 295, with an overall positive trend between 2006 and 2016.

According to two international learning assessments, learning levels improved substantially between 2000 and 2015 in primary grades, albeit from a low base, but have since stagnated on one of the assessments. According to the Trends in International Mathematics and Science Study (TIMSS) in 2019, 63 percent of South African Grade 5 children could not do basic mathematics (see Figure 2). These children were not able to add and subtract whole numbers, had no understanding of multiplication by one-digit numbers and could not solve simple word problems. South Africa was ranked third last from the bottom among 64 countries included in the 2019 TIMSS. Moreover, progress in learning outcomes at Grade 5 level has been stagnant since 2015, showing the urgent need to accelerate the pace of change.

On reading, South Africa participates in an international literacy assessment-Progress in International Reading Literacy Study (PIRLS)- which shows a significant improvement

⁴ Learning poverty means being unable to read and understand a simple text by age 10. The indicator brings together schooling and learning indicators. It begins with the share of children who haven't achieved minimum reading proficiency (as measured in schools) and is adjusted by the proportion of children who are out of school (and are assumed not able to read proficiently).

between 2006 and 2011 on reading levels of students in Grade 4 and some improvement between 2011 and 2016 (left panel of Figure 2). However, reading levels declined by 32 points to 288 points in 2021 with South Africa being ranked at the bottom of 57 countries, with the largest decline of scores observed between 2016 and 2021. This is mainly a result of COVID-19 school closures, wiping out a decade of slow progress and moving back towards 2011 levels of reading achievement.

The average scores for Grade 9s in science and mathematics show an upward trend since 2003 though the improvements in recent years have been minimal (right panel of Figure 2). Despite these improvements, before the pandemic 59 percent of Grade 9 learners had not acquired basic mathematical knowledge and 64 percent had not acquired basic science knowledge. There is also a significant difference in learning levels of students by socio-economic status with students attending quintile 5 schools serving the wealthiest population far outperforming their peers in quintiles 1-4 schools, and girls outperforming boys throughout the education cycle. Provinces that have higher levels of poverty, including Limpopo and Eastern Cape, also have worse learning outcomes than more affluent provinces such as Western Cape and Gauteng.

Van der Berg et al. (2016) posit that the Department of Basic Education has not had sufficient focus on ensuring that all children acquire foundational reading skills and because so few children can read for meaning by the end of Grade 4 (age 10), they are not able to progress successfully through the education system. In response, President Ramaphosa mentioned in his State of the Nation addresses in 2019 and 2020, that all children should be able to read for meaning by age 10, but this has not been accompanied by a nationwide measurement of reading in early grades, nor a scaling up of evidence-based early grade reading programs across the country.

In their report, Van der Berg et al. (2016), identify four binding constraints to improved learning outcomes for the poor in South Africa which remain true today. This includes (i) weak institutional functionality given the decentralization of educational powers to provinces in South Africa, and consequently that policy implementation is largely a provincial competency, the quality of policy implementation depends to a large extent on province-level functionality. Given that the quality of provincial and local governance is uneven and too often of an unacceptably low standard, this then leads to large differences in how the same policies are implemented in different provinces; (ii) undue teacher trade union influence in the South African context, which interferes with the ability of the system to act in the best interests of children. It also undermines efforts to implement higher levels of accountability and compromises capabilities in the sector; (iii) weak teacher content knowledge and pedagogical skill, especially teachers who are in the poorest four quintiles of schools, which perpetuates a cycle of poor educational outcomes for students, further entrenching their poverty and weak labor market status; and (iv) wasted learning time and insufficient opportunity to learn in the early stages which could have their roots in both a lack of capacity (teachers lack the content knowledge and pedagogical skill to teach some content areas) and a lack of accountability (no monitoring by the principal or district officials).

Addressing these binding constraints requires building the capacity of teachers as well as the bureaucracy of the education system, and improving accountability measures in the system to ensure that teaching and learning are happening in the classroom. With close to 50 percent of teachers projected to retire by 2030, there is an opportunity to change the way individuals are selected to enter the teaching profession, how they are trained and supported in the classroom, and how their performance can be objectively measured. There is a general misconception amongst the public that teachers are not well-paid in South Africa, but a

recent study (Spaull et al., 2022) found the average government teacher earned R42,688 per month in salary and benefits in 2019 – putting the average teacher in the top 5 percent of the income distribution in South Africa. Given the relatively high wages plus benefits of teachers in South Africa,⁵ there is also an opportunity to attract better talent to the profession.

Young people need more opportunities to pursue further education and training without having to complete 12 years of education in South Africa. While little over half of youths have obtained a Matric certificate, Gustafsson (2022) suggests this is not very different to outcomes in other UMICs. What is unusual in South Africa is that there is no national qualification below Grade 12, serving as a fallback for those not reaching Grade 12. There needs to be more opportunities for learners who do not want to pursue academic secondary and university degrees, to enroll in more practical vocational or technical subjects and trades. The Government is moving in the right direction in this regard with the forthcoming introduction of the General Education Certificate (GEC) for Grade 9 students, which is intended to formally recognize the achievements of learners at the end of the compulsory phase of schooling. Learners could then pursue further education and training, either through vocational training in the basic education system itself, or the Technical Vocational and Education Training (TVET) system which falls under the Department of Higher Education and Training (DHET). Details of this transition from academic secondary to more technical and vocational training still need to be worked out and defined by the Government but should be seen as a step in the right direction. Similarly, there should also be more opportunities for youth to re-enter the education system through the expansion of second chance education programs.

Lastly, young people in schools need support to deal with vulnerabilities interlinked with poverty such as the lack of a stable home environment, sexual harassment and violence, trauma, gender-based violence, and substance abuse. While the DoH and DBE jointly launched the Integrated School Health Program in 2012 to provide various preventative and promotive school health and nutrition services that can foster health and well-being of learners, the Demographic and Health Survey (DHS) of 2016 showed that 30 percent of female and 44 percent of male adolescents had not heard about family planning in the last six months at school. The high level of adolescent fertility (71 per 1000 women aged 15-19) and mental health disorders (about 20 percent of teenagers) in 2019 (DoH, 2023) also indicates that more needs to be done to support all adolescents on reproductive health and well-being related issues in school.

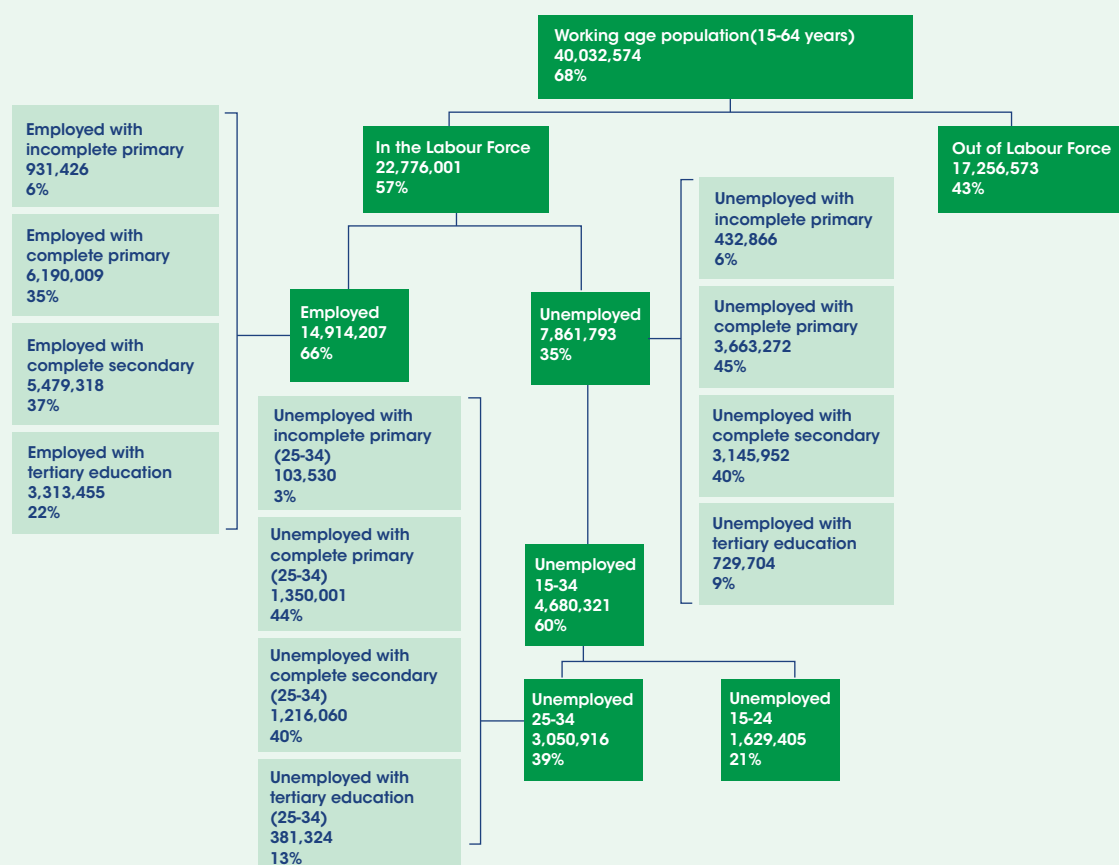
Progress for youth moving to adulthood:



Transitioning from education to work constitutes a major challenge for youth in South Africa. The overall unemployment rate reached 35 percent in the first quarter of 2022, with women being 4 percentage points more likely to be unemployed than men. Though women have higher education attainment rates than men, only 44 percent of workers are female, earning 25-35 percent less than men due to being clustered into lower-skilled occupations and less productive industrial sectors. Young people are also more likely to be unemployed. In 2022, 4.68 million South African youth (aged 15 to 34) were unemployed representing about 60 percent of all estimated 7.86 million unemployed South Africans (see Figure 3).

⁵ <https://businesstech.co.za/news/government/647819/how-much-money-teachers-really-earn-in-south-africa/>

Figure 3: South Africa Labor Force Participation 2022



Based on Labour Force Survey, 2022, Q1. <https://www.statssa.gov.za/publications/P0211/OLFS%20Trends%202008-202203.xlsx>

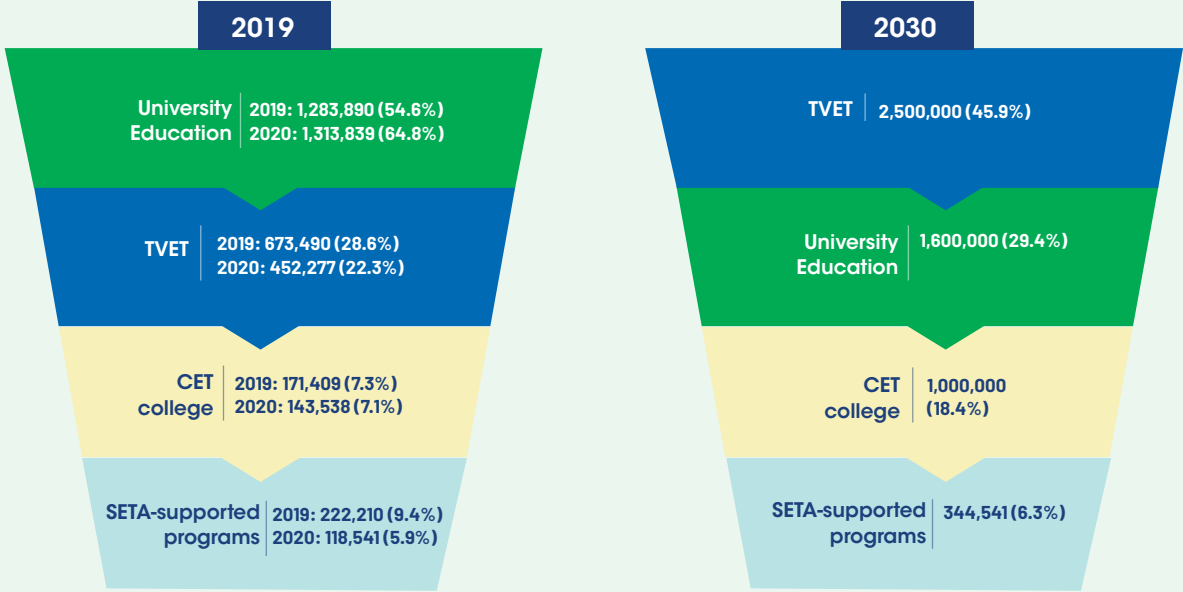
Unemployed South Africans tend to have less education than those who are employed. For example, 22 percent of those who are employed have completed tertiary education and 9 percent of those who are unemployed have completed tertiary education, which includes graduates of TVET colleges. Among the 3.05 million young South Africans aged 25 to 34 years, almost half (47 percent) only completed primary education. This suggests that the Government needs to expand its focus on creating high-quality skills development offers for youth who have left school without completing secondary education, including TVET qualifications and workplace-based learning (WBL) opportunities with lower entry requirements.

While the returns to tertiary education are very high in South Africa, the sector does not produce skills needed by the labor market in sufficient numbers and access remains highly unequal, with those from low socio-economic status groups largely excluded. Part of that exclusion results from the unequal outcomes of secondary schools, though factors such as the costs of tertiary education contribute. Female youth have lower enrollment in Science, Technology, Engineering and Mathematics (STEM) fields, reducing their employment prospects. On the positive side, tertiary education has been successful in racial inclusion with TVET colleges and universities steadily increasing the enrollment of Black African Students to 92 percent and 76 percent of all students enrolled, respectively, in 2019.

As mentioned in the previous section, the focus of post-secondary education and training (PSET) since 1994 has been on attaining a university degree. This is apparent in the large numbers of students enrolled in university education in 2019 (about 1.3 million) compared to other types of PSET such as TVET and Community and Education Training (CET) colleges and in workplace-based learning (WBL) programs under the Sector Education and Training Authorities (SETAs), which together enrolled about 1.07 million students. This profile of enrollment which is skewed towards university education does not mirror the need for increased PSET opportunities at lower levels to cater for the large group of youth who have not completed secondary education, nor is it aligned with labor market needs. However, there are some concerns in government about the quality and the appropriateness of the courses offered in TVET colleges which have limited the expansion of this sector.

Against this background, the Government's intention within the National Development Plan (NDP) to boost enrollment in TVET, CETs and WBL relative to tertiary education appears justified and rational (Figure 3). The NDP envisages an increase in the combined enrollment in TVET, CET and WBL training to increase from 1.07 million in 2019 to 3.85 million by 2030, which is a very ambitious target that would require a substantial increase in funding to the PSET system. Information on employment outcomes of TVET and CET graduates is sketchy, but available studies suggest that less than half of TVET graduates enter employment. This is a result of poor quality and irrelevant courses still being offered in some TVET institutions, but also by the limited access to financially supported training opportunities. The Government must contend with increasing access to TVET, CET and WBL opportunities while at the same time, strengthening the quality and relevance of these programs as well as ensuring that individuals can enter these opportunities with minimal entry requirements.

Figure 3: PSET enrolment in 2019 and NDP enrolment targets for 2030 by sub-system



Source: PSET Monitor (Khuluvhe et al., 2021)

While these supply-side challenges to improve employment are being addressed, the country's macro-economic challenges and ability to attract foreign direct investment, and the ability to fund its own public investment programs to generate sufficient new jobs is paramount. Currently, the lack of demand for jobs in the formal labor market will require unlocking the job creation potential in the informal sector and the township economy. The NDP envisaged that 90 percent of employment creation by 2030 will take place in micro, small and medium enterprises, many of which will be in the informal sector. While gearing the training system to support skills for this sector is critical for South Africa, there should also be a razor focus on developing high-level skills to support economic sectors of growth in the country, including renewable energy, the gig economy and others.

Given the education and training system has thus far not sufficiently responded to the needs of individuals who have not completed secondary education, several other line Departments in South Africa have offered support for vulnerable individuals through Active Labor Market Policy (ALMP) Programs. These programs are delivered by 20 different line Departments and do not operate as an integrated ALMP system, resulting in significant gaps and overlaps in coverage and inefficiencies in spending, limiting progress in addressing the employment challenges facing South African youth. A World Bank review of 106 ALMPs⁶ in South Africa suggests that the mix of ALMP programs at the national level are not aligned with the needs of the bulk of job-seeking youth. While most of the unemployed are vulnerable youth, few programs are designed for historically disadvantaged youth. Instead, most programs are designed for better-off entrepreneurs or more skilled youth. The existing ALMP programs are not designed to work together to provide a sequential pipeline of support for young jobseekers. Beneficiaries do not have an orientation to guide their journey through programs to support their job transition. Programs are often once-off rather than being linked to each other with mechanisms to transition people along a pipeline. In short, while these programs can be classified as ALMPs, they are not necessarily designed to holistically address the constraints to productive employment which individuals face nor to focus on redressing high rates of unemployment. Moving forward, the Government will need to rethink how the education, if it were to continue indefinitely, and training system as well as the ALMP system can be integrated in a way that provides holistic and structured support for individuals to enter the labor market system.

Aside from training and ALMP support, the Government has also been proactive in leveraging the social protection system to mitigate the economic impact of the pandemic, for example, by providing the Unemployment Insurance Fund – Temporary Employment Relief Scheme (UIF-TERS) to formal workers who lost their jobs and the Special Covid-19 SRD R350 grant to support informal sector workers. This grant has reached about 7.5 million individuals by October 2022 and if the Special COVID-19 SRD-350 is made permanent, at least 41 percent of all South Africans would be covered by some form of social assistance. While the social security system in South Africa has provided income support for the poor and vulnerable, it has been criticized from several quarters- particularly the Special COVID-19 SRD-350 grant- for: (i) not being fiscally sustainable and would require cuts in other areas such as health and education; (ii) signaling a growth path built on consumption demand and recovery aimed at households rather than firms, i.e., not giving space for employment targeted incentives for firms; and (iii) embarking on a fiscally unsustainable spending path that would eventually need to be rolled back and could result in political destabilization. Proponents of the grant indicate that it could be better targeted and linked more effectively to labor market intermediation services to support beneficiaries to re-enter the labor market.

⁶ World Bank, 2021b. Enhancing Public Support to Youth Employment Toward an ALMP System in South Africa



Policy priorities for human capital development

To effectively respond to the multi-dimensional challenges outlined above, there is need for a coordinated and whole-of-Government effort to build and protect South Africa's human capital and utilize it effectively. This policy note recommends the following priority actions within each phase of the life cycle with emphasis on cross-sectoral collaboration to improve efficiency and maximize impact.

During early childhood:

- *Increase funding going to ECD in South Africa.*

If early childhood is a priority in South Africa, then funding needs to increase across all relevant sectors. With less than 2 percent of public spending going to ECD in 2021/22 and the high levels of poverty in the country, the Government cannot ensure that children's needs in terms of adequate nutrition and early stimulation are met. The difference between per child annual public expenditure on ECD programs versus school-based Grade R is significant, with only R4500 spent per child in ECD programs compared to R7300 for children in school-based Grade R and this figure is larger for children in Grades 1 in public schools.

- *Ensure young children are well-nourished and healthy.*

By allowing women to apply for the child support grant (CSG) while they are in their second trimester of pregnancy, children and their mothers can receive support during the critical first year of their life. The CSG application could be processed during the pregnancy and the approval could be conditional on the provision of the birth certificate. This would also necessitate further improvements in the speed at which birth certificates are issued. In addition, health workers should be encouraged to provide information on the CSG to eligible expecting mothers during antenatal care visits, and the CSG application form could be made available at all health facilities.



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Evidence from other countries has shown that linking child grant programs with information about stimulation as well as improved health and nutrition services yields better child development outcomes. In South Africa, this could involve regular home visits by trained Community Health Workers (CHWs) to CSG beneficiaries, or group meetings with community facilitators to talk with new parents about adequate health, nutrition and early stimulation for children through games, play and storytelling, both of which have shown significant improvements in parenting practices and child cognitive, language and socio-emotional development outcomes. This approach would require better integration and coordination of services across the social development, health, and education sectors on the ground, including by strengthening collaboration among community-based health and social workers and ECD providers to ensure holistic support is provided to young children.

At the system level, strengthening coordination between relevant Departments and Programs will also be important to improve the targeting and impact of nutrition investments. Government should consider establishing the multi-sectoral Food and Nutrition Security Council recommended by the National Food and Nutrition Security Plan for South Africa 2019-2023 released by the President in 2017. The Council will be responsible for strengthening coordination, the alignment of policies and strategies, and the implementation of services and programs to address food and nutrition security. The multisectoral nature of nutrition programs requires strengthened linkages between multiple departments and the system to work towards holistic planning, budgeting with adequate and efficient allocation, implementation to achieve nutrition outcomes and consistent reporting on key indicators to course correct as needed.

- *Provide more children with early stimulation and learning opportunities.*



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The ECD subsidy provided to early learning programs to help reduce the cost burden on households is a key program aimed at improving access to ECD services. Simplifying the registration and eligibility requirements for the subsidy and providing additional financing for ECD would expand the pool of registered early learning programs that could qualify for subsidies. This would, in turn, support poor parents to send their children to these programs.

Sending children to ECD centres is a first step, but equally important is enhancing the quality of services which can be achieved by regularly measuring child development outcomes and strengthening the capacity of ECD practitioners. The Thrive-by-Five Index launched in April 2022, for the first time, provides nationally representative data on early learning and physical growth for children aged 50-59 months attending early learning programs. It is important that such data collection becomes a

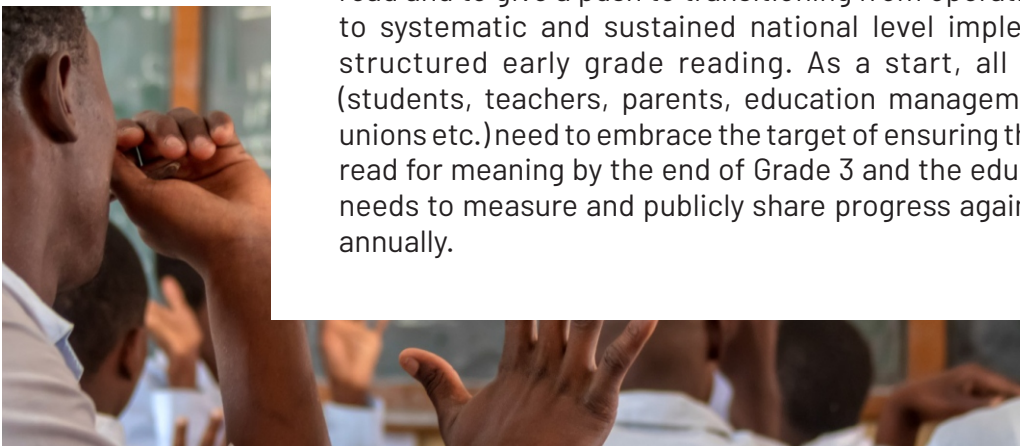
regular exercise. It is also imperative to monitor the progress of younger children and children not attending early learning programs. This could be done by adding a module on child development to an existing household survey (such as the General Household Survey). ECD practitioners are often poorly educated, and most are poorly paid, earning close to the minimum wage. A needs assessment of practitioners should be undertaken and followed by the development of a shorter, entry-level national qualification that is subsidized and widely rolled out through accredited training providers.



During the school years:

- *Keep a relentless focus on reading for meaning by age 10.*

While the rhetoric of focusing on reading for meaning has been purported in South Africa through the DBE's latest Action Plan (2019-2024) with Goal 1 aiming to 'increase the number of learners in Grade 3 who, by the end of the year, have mastered the minimum language and numeracy competencies for Grade 3', the actions taken in country have not aligned a large-scale reading and mathematics program to support young learners. A recent World Bank study (Kika et al, 2022) found that there have been about 24 early grade reading programs implemented in South Africa either as pilots or restricted to a few districts since the year 2000, but most of these programs have been at least partly, if not completely, financed by external parties. And despite being one of the few countries in the Africa region leading in effective, structured early grade reading programs that have been rigorously and independently evaluated with positive outcomes, the country has not been able to scale these programs either over time or space and lessons are not integrated into routine practice of the DBE. Recent initiatives such as the Reading Panel⁷ have sought to mobilize politicians and the business sector to raise the profile to learning to read and to give a push to transitioning from operational research to systematic and sustained national level implementation of structured early grade reading. As a start, all stakeholders (students, teachers, parents, education management, teachers' unions etc.) need to embrace the target of ensuring that all children read for meaning by the end of Grade 3 and the education system needs to measure and publicly share progress against this target annually.

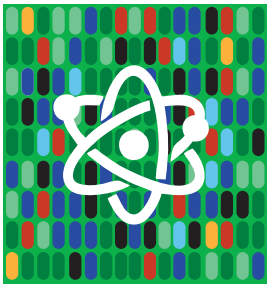


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⁷ The panel's goal is to review whether South Africa is on track to reach the 2030 goal of all children reading for meaning.

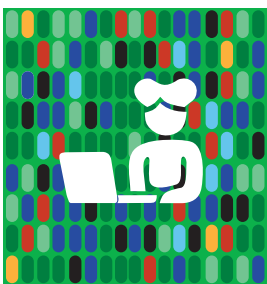
- *Continue to expand the basic education system while making improvements in the quality of teaching and learning.*

The basic education system in South Africa has a dual challenge of expanding access to education, while at the same time improving the quality of teaching and learning. The system needs to expand (in terms of infrastructure, teachers, and other recurrent costs) to accommodate approximately 1.2 million additional learners by 2030. This will require additional funding for the basic education sector. While there is some room to improve the efficiency of existing spending by hiring teachers who are better able and prepared to teach – and accountable for their performance – even just maintaining per student spending given the inevitable growth in the number of students in the system, will require additional financing for the sector. At the same time, the quality of education service delivery needs to improve which may further require additional funding.



- *Improve the quality of the teaching workforce and institute better performance systems.*

As a start, it should become widely known that the teaching profession is well-paid and offers an attractive long-term career. Debunking the myth that teachers are poorly paid and do not have good benefits will hopefully attract more individuals with better matric grades to enter the teaching profession. To progress in the profession, teachers should participate in continuous professional development training activities and be subject to regular performance assessments. Promotions should be merit-based and not based on time spent in the profession. Teachers should be supported through peer groups and subject advisors and supervised by principals to ensure they are in classrooms and effectively teach learners.



- *Ensure adolescents have other avenues for vocational and technical training without having to complete grade 12.*

With the introduction of the General Education Certificate (GEC), learners will have the opportunity to pursue technical and vocational education through TVET colleges, and vocational training in the basic education sector itself. The links between basic education (which is a provincial mandate) and higher education and training (which is a national mandate), need to be carefully worked out to ensure that learners are clear on their options for further education and training. Simply converting existing academic secondary schools into technical or vocational secondary schools would be expensive and would not make use of the existing resources available through the higher education and training system.



During youth into adulthood:

- *Expand skills development opportunities that respond more directly to labor market needs including workplace-based learning.*

The government plans to massively expand TVET and CET alongside some moderate expansion of WBL. This provides the opportunity to improve the quality and relevance of skills training by updating the curriculum, investing in infrastructure and instructors, strengthening linkages with employers and further developing in TVET Colleges the dual training approach, which combines college-based training with learning at a workplace. A strong focus on digital skills and green skills development will assist youth to improve their employment chances, while at the same time help South Africa respond to the challenges of climate change and the rapid expansion of the gig economy. Expanding WBL opportunities, which improves the work readiness of learners, will require systematically unlocking the potential of WBL in small and micro enterprises, including enterprises in the informal sector and township economy. An expansion will need to be accompanied by increasing efficiency in the funding regime of the Sector Education and Training Authorities (SETAs). Regularly measuring employment outcomes of the different skills development programs through tracer studies will enable TVET and CET colleges to align their training supply with the changing demands in the labor market.



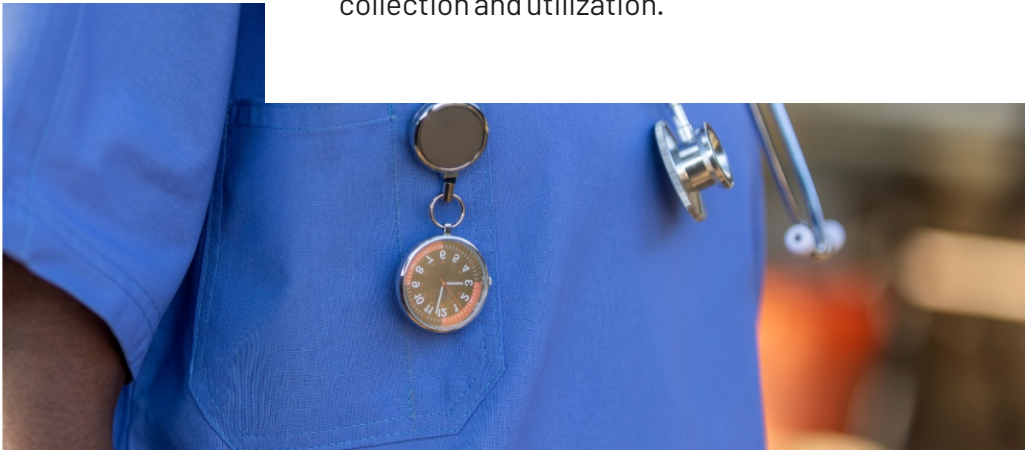
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- *Strengthen employment services and pathway development support for youth.*

Comprehensive and targeted employability programs addressing the variety of employment barriers of all different unemployed youth are required, including youth with little education and formal PSET graduates who stay unemployed after completion of their studies. Jobs and income opportunities will in most cases be in the informal sector, so entrepreneurship development interventions will need to be an essential part of most programs. Institutions in the formal PSET system will thus be required to engage in business development and incubation services at their campuses. The current landscape of ALMPs needs to be better coordinated to ensure that all youth who are in need have access to support on their pathway into the labor market. Programs need to systematically address multiple identified challenges and integrate social and career counselling and further skills development. Youth benefitting social protection programs should be systematically linked to skilling opportunities and other employability interventions to ensure that the most vulnerable are not left behind.

- *Ensure that all South Africans have equal access to quality health care.*

Across all three stages of the life cycle, addressing inequalities in the coverage of quality health services is at the core of closing inequities in health outcomes and preventing the loss of the country's human capital potential. In this regard, investments aimed at addressing inequalities in access, utilization and quality of health services will be essential for South Africa to accelerate its human capital development. Key areas for investment include improving the quantity, quality, and distribution of the healthcare workforce, accelerating reforms to health service purchasing to deliver equitable and effective coverage, and strengthening data collection and utilization.



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