

Graduate Unemployment in the Face of Skills Shortages: A Labour Market Paradox

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Why are so many Graduates Unemployed?

In South Africa most of us grew up believing that a tertiary qualification (more specifically, a university degree) was a magical key to a well-paying job and a bright future.

This belief may account for the increasing number of eager young minds enrolling at universities, colleges and technical institutions and the increasing number of graduates heading out into the job market.

What it does not explain is why more and more of those graduates are finding that, despite having a tertiary qualification, both the good job and prosperous life they aspire to elude them.

It is, however, an issue that is explored in this policy document by (1) examining labour market trends in SA; (2) seeking an explanation for the unemployment problems and (3) drawing conclusions.

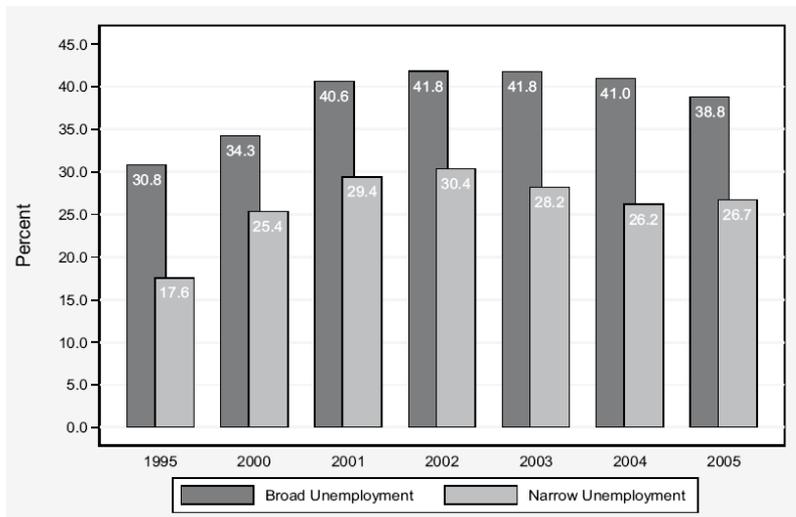
Although graduate unemployment remains small relative to overall unemployment, the actual unemployment rate of this group has increased by almost 50 per cent between 1995 and 2005, which makes it the fastest growing unemployment rate among all the education cohorts.

The Job Market and Labour Force are Changing

There is an undeniable link between the levels of poverty and unemployment in South Africa. Despite the ANC government's commitment to lowering unemployment, formal employment continued to fall, or at best stagnate, following the elections towards the latter part of the 1990s.

As a result, unemployment continued to increase, as is shown in Figure 1.

Figure 1: Unemployment Rates, 1995 and 2000 to 2005



Source: *Own Calculations, OHS 1995 and LFS 2005(2) (Statistics South Africa)*

At the same time, there has been an increased demand for labour:

In tandem with this, the increased cost of employment, both in terms of wage and non-wage costs, have put pressure on employment levels, especially for low-skilled workers.

When looking at the labour force over the past ten years, one finds that:

- **It has become younger.**
- **It has become better educated.**
- **The number of tertiary graduates has expanded** in line with the average growth of the labour force. It rose by 356 000 over the decade.
- **Job creation disproportionately** benefited those with secondary and tertiary education. Within tertiary education those with degrees benefited most.

- **The unemployed are becoming younger.** Young adults under 35 years account for 75.7 per cent of the change in unemployment between 1995 and 2005. This is a very worrying trend as young people may become disillusioned, and as a result the economy may be damaged and the skills base outdated and eroded.

It is especially concerning to note the rapidly rising unemployment among labour force participants with secondary and tertiary qualifications. The bulk of these being those with diplomas or certificates.

There are many Graduates, but there is a Lack of Skills

Firms, policymakers and government agree that skills shortages are probably the most important obstacle to accelerated growth in South Africa. It is, therefore, crucial to understand the nature of skills shortages and find both short and long term solutions to these problems.

In response to this issue, the Joint Initiative for Priority Skills Acquisition (JIPSA) was established to identify urgent skills needs and provide quick, effective solutions. Some of their proposals included implementing specialised training plans, bringing retirees and expatriates back into the job market and attracting new immigrants.

Already Home Affairs is planning to revise the immigration policy so that experienced immigrant labour may be brought in.

Delving deeper into the problem, the DPRU recently conducted a survey with 20 of South Africa's top firms. Subjects covered ranged from the graduate unemployment problem to the quality of education, learnerships and their experiences with the SETAS.

Responses indicated that firms are not able to use graduates to fill their skills requirements because:

- **Skill and experience are sought in employees.** Graduates may have the qualifications but not the practical skills and experience.

- **The wrong types of graduates are being produced.** We need more technical graduates. This is illustrated by the low enrolment levels in engineering sciences and at Further Education Training (FET) colleges.
- **Shortage also exist at management level** and graduates are simply not suited for these positions.
- **Suitably skilled staff are often poached** by other companies or emigrate.
- **Graduates are not of a high enough quality.**

Many Graduates are Unemployed, because they have:

1. Chosen the Wrong Field of Study

Having studied the current situation and some industry insights into the problem, there are a variety of causes that contribute to the problem of graduate unemployment.

Although there is an oversupply of graduates in general, unemployment is higher for:

- **Those with a diploma or certificate** coupled with grade 12.
- **African graduates**, although this is partially explained by the massive increase in enrolment of African students at tertiary institutions.
- **Commerce students** – again, this may be because that is a field more people enrol in.

Table 1: Breakdown of Tertiary Unemployment by Type and Field of Study, 2005

Field of Study	Share (Percent)					
	2000	2001	2002	2003	2004	2005
Business, Commerce and Management Studies	30.5	26.9	28.2	27.6	28.2	28.1
Education, Training and Development	25.6	26.5	23.2	19.0	21.1	14.1
Physical, Mathematical, Computer & Life Sciences	11.3	15.1	10.5	14.4	9.8	16.5
Manufacturing, Engineering and Technology	8.6	9.2	12.4	13.7	10.8	11.6
Health Sciences and Social Services	5.8	3.4	5.7	5.5	8.3	9.7
Human and Social Studies	2.7	3.8	6.8	4.4	4.9	4.9
Other/Unspecified	15.5	15.1	13.1	15.4	16.9	15.2
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: *Own Calculations, LFS2005(2) Statistics South Africa*

It is important to note that, while labour demands for students with qualifications in social sciences and humanities are less acute, those are the fields more students keep registering for. They also keep registering for fields that do not directly prepare them for professions, which takes them longer to find jobs than graduates in economic and management sciences and natural sciences.

This raises questions as to how students are selecting their subjects.

A study by Cosser et al. (2003: 34)¹ found that 60 per cent of students chose to study something because they were interested in it, and only 23 per cent chose it because of the employment opportunities.

2. The Quality of Education is not up to Standard

The quality of education in South Africa is a concern on all levels. Fewer and fewer Matriculants are passing with exemption, and it is suggested that 82 per cent of all students entering university are functionally illiterate – that is, they do not possess adequate writing and communications skills to perform optimally at a university level.

Of further concern is the fact that, while English remains the major medium of education, with almost 95 per cent of students being taught in English, only 10 per cent speak it at home. This explains the poor academic performance

¹ Technical College Responsiveness Learner destinations and labour market environments in South Africa. Cosser, M., McGrath, S., Badroodien, A. Maja, B.

that concern employers so much.

There is a disproportionate large number of unemployed African graduates. One possible reason for this is that many of them attend HBU (Historically Black Universities – many firms do not have recruitment drives in those institutions.

Universities seem to focus on how many students they can enrol, not on how well they will do. Perhaps they should align intake according to the skills identified by JIPSA.

Combined with this, there is a high drop-out rate – one study cited at the end of 2000, confirms that, 30 per cent of first year students dropped out, and another 20 per cent dropped out between their second and third years. Of the remaining 50 per cent, less than half failed to graduate within the prescribed course period. This may be because many students are not adequately prepared and struggle with the heavy academic workload.

The quality of FET colleges is questioned. While there is a recapitalisation underway to increase the quality of education offered at these colleges, many firms who would be able to use FET colleges to train staff prefer to do their training in-house because they doubt the quality of the colleges.

3. Continued Racial Discrimination Favours Whites

Notwithstanding the fact that African students are more likely to choose study areas with lower employment, African graduates are definitely still disadvantaged in the labour market.

4. They Lack Soft Skills, Workplace Readiness and Experience

At the start of their careers many graduates lack the so-called “soft skills” such as time management, creative thinking and general communication skills. This is one of the main reasons many candidates are already unsuccessful in the recruitment phase.

Of specific concern is the fact that many of these students come from historically Black institutions, where they do not have the opportunities to develop these skills by participating in student bodies etc, as do their cohorts in historically White institutions.

Graduates often do not have enough work experience to work independently. University graduates generally do not have any chance to gain working knowledge in their fields, and even though colleges often require students to complete an internship before graduating, these are hard to come by. Again, students from historically White institutions are better off here, because they have more opportunities to gain “work” experience as academic assistants and so on.

The problem is exacerbated by the fact that many companies do not want to make an investment in training, or fear that other firms will simply poach staff once they have trained them.

5. Their Expectations are too High

Finally, the problem may not be that there are no opportunities for graduates, but rather that their expectations are too high. They expect that their qualifications will open the door to high salaries and management positions, and are not willing to start “at the bottom”.

How can we Address the Problem of Graduate Unemployment

At the heart of the matter, the current graduate unemployment problem points to a deeper, more serious and long-term problem – a problem with the education system.

It is a system that in many ways is failing learners by not preparing them adequately for tertiary study and later on for work, by not steering them towards subjects and courses for which there is a demand and in many cases, by not providing them with an adequate quality of education.

At the same time, it points to a failure of businesses to absorb more graduates into training or internship programmes and to commit to them despite their youth and lack of experience.

While no single, short-term solution will solve the problem, policies which move to increasing the quality of our education, limiting enrolment to some courses, and incentivising companies to take up graduates by,

for example, giving internships the same BEE points as learnerships will ensure that future graduates are absorbed.

If you would like more information on the information contained in this document, on the specific statistical data, or if you have any queries or questions; please feel free to contact the DPRU.