

Theme 2

Collaborative and integrative efforts for a future-ready workforce – bridging the skills gap in sustainable economic growth

Background

- South Africa has identified inclusive economic growth, industrialisation, employment and inequality as its key priority areas in advancing its G20 presidency theme of solidarity, equality and sustainability.
- Goal 2 of the African Union’s Agenda 2063 is aimed at realising the aspiration of well-educated citizens and a skills revolution underpinned by science, technology and innovation. It focuses on seven targets:
 - (a) Enrolment rate for early childhood education is at least 300% of the 2013 rate
 - (b) Enrolment rate for basic education is 100%
 - (c) Increase number of qualified teachers by at least 30% with a focus on Science, Technology, Engineering and Mathematics (STEM)
 - (d) Universal secondary school (including technical high schools) with enrolment rate of 100%
 - (e) At least 30% of secondary school leavers go into tertiary education with at least 40% being female
 - (f) At least 70% of secondary school students not entering the tertiary sector are provided with a range of options for further skills development
 - (g) At least 70% of the public perceive quality improvements in education at all levels¹
- Africa has the youngest population in the world, with 70% of sub-Saharan Africa under the age of 30. Of the total expected increase in the global working age population by 2050, 85% will be in Africa. The working age population (15 – 64 years) will almost double in

¹ <https://iprt.uneca.org/agenda/agenda2063/overview/19>

Africa by that year, from 849 million in 2024 to 1,56 billion in 2050. Those new entrants to labour markets will be more educated than previous generations, as young Africans completing secondary or tertiary education more than double, from 103 million to 240 million between 2020 to 2040.²

This presents the continent with the opportunity to reap a demographic dividend over time by deriving the benefits of an interplay between changes in a population's age structure, demographic transition and rapid economic growth. A possibility of a large demographic dividend is the region's rapidly decreasing child mortality, rapidly increasing female school enrolment, increasing demand for family planning, renewed high-level political support for tackling demographic challenges, and rapid economic growth. Whether this results in a demographic dividend or disaster largely depends on the ability to develop a population possessing skills that match opportunities.

- The population of sub-Saharan Africa (in particular Chad, Mali, Niger, Nigeria and South Sudan) are forecast to continue growing until at least 2100, with an up to eight-fold increase in current population sizes by 2100. Of the 420 million young people in Africa today, more than 140-million are unemployed and another 130 million are underemployed or in working poverty. Each year, more than 12 million young people seek formal employment, but less than three million wage jobs are created.³
- The significance of youth unemployment extends beyond national labour policies. The lack of productive employment prospects for young people has a profound impact on critical global issues such as poverty and migration and increases the risk of social discontent.³
- To succeed in the 21st century labour market, one needs a comprehensive skill set comprising:
 - (a) foundational and higher order skills – cognitive skills that encompass the ability to understand complex ideas, adapt effectively to the environment, learn from experience, and reason. Foundational literacy and numeracy as well as problem-solving, communication and informational analysis are cognitive skills
 - (b) socio-emotional skills – the ability to manage relationships, emotions, and attitudes
 - (c) specialised skills – acquired knowledge, expertise and interactions needed to perform a specific task, including the mastery of required materials, tools or technologies. This includes technical, cognitive and entrepreneurship skills
 - (d) digital skills – cross-cutting skills that draw on foundational, higher order, socio-emotional, specialised and digital skills, and describe the ability to access, manage,

² <https://www.oecd.org/en/about/news/press-releases/2024/07/Investing-more-in-skill-development-is-key-to-making-African-economies-more-productive-.html>

³ <https://www.tandfonline.com/doi/epdf/10.1080/13676261.2021.1939287?needAccess=true>

understand, integrate, communicate, evaluate and create information safely and appropriately¹¹

- Skills development can contribute to structural transformation and economic growth by enhancing employability and labour productivity and helping countries become more competitive.⁴ Across the world, investment in education and skills development – from preschool through to post-secondary education and vocational training – has high returns. The wage penalty for low literacy is nine percentage points in Ghana. In Brazil, graduates of vocational programmes earn wages about 10% higher than those with a general secondary school education.
- Education, or the transmission, acquisition, creation and adaptation of information, knowledge, skills and values, is a key lever of sustainable development. As a fundamental human right enshrined in a number of international normative frameworks, and built into most national legislation, the right to education enables the realisation of other economic, social and cultural rights, as well as being a catalyst for positive societal change, social justice and peace.⁵
- The United Nations (UN) Sustainable Development Goals (SDGs) have received considerable attention since their adoption in 2015. But halfway through their implementation period, there is little indication that the ambitious agenda will be accomplished by 2030. The key to achieving the 17 SDGs is enhanced world development that provides the resources needed to move forward on the goals, but there is a fundamental challenge. Economic development depends on the skills of each society, which means that high-quality, equitable education is paramount.⁶
- Beyond its well-established socio-economic role, education has a crucial socialisation function by shaping personal collective identities, forming responsible citizenship and promoting critical social participation based on principles of respect for life, human dignity and cultural diversity^{1.3}
- A strong education system broadens access to opportunities, improves health and bolsters community resilience – all while fuelling economic growth in a way that can reinforce and accelerate these processes. Moreover, education provides the skills people need to thrive in the new sustainable economy, working in areas such as renewable energy, smart agriculture, forest rehabilitation, resource-efficient city design and sound healthy ecosystem management.
- Within the next five years (2023), 54% of the workforce will require significant upskilling and reskilling (World Economic Forum, 2018).⁷

⁴ <https://www.worldbank.org/en/topic/skillsdevelopment>

⁵ https://www.un.org/millenniumgoals/pdf/Think%20Pieces/4_education.pdf

⁶ <https://www.imf.org/en/Publications/fandd/issues/2022/06/basic-skills-gap-hanushek-woessmann>

⁷ <https://blogs.worldbank.org/en/digital-development/three-ways-shift-learning-maximize-skilling-sustainable-development>

- Skills development coupled with better jobs increases productivity – each additional year of education can boost African learners' earnings by up to 11,4%, the greatest return to education than in any other region.

Complication

The covid-19 pandemic

- The past three years have been shaped by a challenging combination of health, economic and geopolitical volatility combined with growing social and environmental pressures. These accelerating transformations continue to reconfigure the world's labour markets and shape the demand for jobs and the skills of tomorrow. They drive divergent economic trajectories within and across countries, in developing and developed economies alike. The Fourth Industrial Revolution, changing worker and consumer expectations, and the urgent need for a green energy transition also reconfigure the sectoral composition of the workforce and stimulate a demand for new occupations and skills.⁸

Skills levels

- More than 80% of the entire working age population in Ghana and more than 60% in Kenya cannot infer simple information from relatively easy texts.
- Workers lack the specific skillsets required by existing jobs, while not enough quality jobs are available to give workers an incentive to further build their skills. Over 80% of African youth in school aspire to work in high-skilled occupations, but only 8% find such jobs.⁹
- In the end, a cycle of insufficient supply of skilled workers and low demand for skills created by new jobs keeps economies largely informal. An estimated 82% of all workers in Africa are employed in informal, mostly low-paid, low-quality and low-protection activities, compared to 56% in Latin America and the Caribbean and 73% in developing Asia.
- Skills shortages prevented 45% of employers in the Asia-Pacific region filling vacancies. In India, this number soared to 61% of employers, while in Brazil 68% had trouble recruiting the right workforce. Developing nations must narrow the skills gap and “produce more workers capable of doing talent intensive jobs that require higher qualifications”.¹⁰
- Three key issues are: (1) skills differences account for three-quarters of cross-country variations in long-term growth; (2) the global skills deficit is immense, as two-thirds or more of the world's youth do not reach even basic skills levels; and (3) reaching the goal of global universal basic skills would raise future world GDP by \$700-trillion over the remainder of the century.

⁸ https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf

⁹ <https://www.oecd.org/en/about/news/press-releases/2024/07/Investing-more-in-skill-development-is-key-to-making-African-economies-more-productive-.html>

¹⁰ <https://www.theguardian.com/sustainable-business/2014/oct/07/the-challenge-of-filling-the-skills-gap-in-emerging-economies>

NEETs

- The International Labour Organisation (ILO) reported that one in five young people, or 20,4% globally, were not in education, employment or training (NEET). Two of three were also female.
- The consequences of high NEET rates are twofold. Firstly, on an individual level, absence from both education and employment increase the risk of poverty and permanent disengagement from the labour market. Secondly, on a country level, high NEET rates are a loss in terms of unused labour supply, low productivity and lower GDP output.¹¹
- There are currently around 1,3 billion young people globally, of whom 267 million are classified as NEET. Progress is stalled and uneven: in 2015, the global NEET rate was around 21,7% compared to 22,4% in 2020. In 2020 more than one in five young people in the world were categorised as NEET, the vast majority of them, young women (14% of young men compared to 31,2% of women). The NEET status also appears to be more permanent for young women than for young men. While developed countries reduced their NEET rates in a concerted effort after the economic recession of 2008, in developing countries the numbers (both rates and counts) are still growing. The highest NEET rates are in southern and northern Africa and in southern Asia.¹²

Artificial intelligence and frontier technologies

- As businesses adopt frontier technologies, tasks such as information and data processing are increasingly automated, reconfiguring labour markets and changing the skills needed for work¹⁴
- The effective use of technologies ('effective' in terms of being competitive in world markets) requires skills, and the move from simple to complex technologies requires more, better and more diverse skills.¹³

National education and skills development systems

- Provision of equitable and accessible education is a challenge in many low-income and middle-income countries.
- Africa's Development Dynamics 2024 finds that the quality and quantity of education in Africa remains low compared to other world regions. In 2021, on average, African governments allocated 3,7% of their GDP to education, or 14,5% of their total public expenditure. These are slightly below the international benchmarks of at least 4% of GDP

¹¹ https://africa.unwomen.org/sites/default/files/2022-10/UNW%20NEET%20South%20Africa_0.pdf

¹² <https://www.tandfonline.com/doi/epdf/10.1080/13676261.2021.1939287?needAccess=true>

¹³ https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.ilo.org/media/307166/download&ved=2ahUKEwjBoKmV2PWJAXrWkEAHay1BHsQFnoECCwQAQ&usg=AOvVaw3tszLqQCZfVeo_g9i11HLP

and 15% of total public expenditure. Sixteen of 42 African countries with available data for 2020-23 did not meet these international benchmarks.

- The education systems in many developing countries do not provide the right kind of training to fill the skills gap. Ample anecdotal evidence supports this claim. For example, developing countries do not have enough resources to purchase tools to build modern skills. In two of the fastest growing emerging economies in the world – Turkey and Brazil – nearly 10% of companies report that poorly educated workforces are the main constraint to their growth. This is particularly apparent when it comes to filling jobs that require technical skills, especially engineers, technicians and IT staff. In Brazil, 71% of companies are struggling to recruit for such posts and in India it is 48% – despite the country’s Indian Institutes of Technology.¹⁴
- Technical and vocational education and training (TVET) systems in many low and middle-income countries do not match skills and labour market needs and are unprepared to meet the large rise in demand for TVET in the coming years. This is according to a new joint study by the World Bank, the ILO and UNESCO.¹⁵

SAIs and skills/human resource development (HRD)

Efficacy of skills policies in countries

- How SAIs support their governments to ensure a future-fit workforce as a critical driver of sustainable economic growth.
- Limited resources available to education makes it ever more critical to optimally leverage state expenditure for education to drive the highest possible return on investment – SAIs have a role in ensuring optimised efficiency and effectiveness when government budgets are spent on education.
- Governments account for large proportions of employment in developing economies. Their human capital management policies and approaches therefore tend to have wider-ranging implications on the national talent pool. SAIs, provide assurance on the existence, completeness, validity and implementation of talent management policies. In doing so, they play an important role in risk mitigation for mandates, culture, environment, work norms and standards, competence and performance management using best-practice policies and practices.
- Skills development is a complex challenge that involves multiple state and non-state actors. It is most effective when approached in an integrated manner. SAIs, having access to the various actors in the network of skills development, are among the few actors able

¹⁴ <https://www.theguardian.com/sustainable-business/2014/oct/07/the-challenge-of-filling-the-skills-gap-in-emerging-economies>

¹⁵ <https://www.weforum.org/stories/2023/09/technical-vocational-training-systems-sustainable-development-goals/>

to provide an integrated picture of the effectiveness and efficiency of the overall skills development effort.

Skills in government

- The quality and scale of the skills pool has a direct impact on the quality of skills recruited into government to drive professionalism and use state resources effectively, efficiently to drive national developmental aspirations. Governments' ability to take on and implement SAI recommendations is dependent on the capabilities of the people within government;
- Skills play such a critical role in developing nations and yet cannot be quantified on any balance sheet. This raises the need to consider whether governments are capitalised with an adequate human capital base to deliver on their electoral mandates. If they are not, it presents a risk that ought to be mitigated, yet the area of human capital tends to fall outside traditional audit capabilities, even though staff costs account for the largest proportion of expenditure by governments.

Skills within the SAI

- How SAIs meet their own skills demands in labour markets where appropriate skills, and the means of developing them, are scarce.
- The impact of artificial intelligence and frontier technologies on ways of work and on skills required by audit teams vis-à-vis SAIs' ability to maintain their capability profile on the cutting edge of skills requirements.

Key questions

1. Did we overlook any aspect of the theme that has relevance for SAIs and the governments/citizens we serve?
2. What are the SAI's current experiences of the challenges regarding this theme topic (practical examples that affect the citizen's experience)?
3. How are SAIs dealing with these challenges or what future solutions can be put on the table?
4. Which experts do SAIs use/ benchmark with in dealing with these challenges – be specific with names and organisations?
5. What key success factors have SAIs identified that they can replicate to drive progress?

Preparation for the initial theme discussions on 5 and 6 February 2025

- Designate a focal point in your SAI for communication regarding the theme development process and send these details to SAI20-25@agisa.co.za
- Prepare a concise country paper utilising the theme outline above as the framework
- Respond to the five key questions above
- Submit the country paper, together with the responses to the key questions, to SAI20-25@agisa.co.za on or before 28 January 2025