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Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



## 2018 GLOBAL COMPETITIVENESS FACT SHEET



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## 1. BACKGROUND

The Global Competitiveness Report is published annually by the World Economic Forum (WEF), which ranks countries and releases information regarding their economic competitiveness based on a Global Competitiveness Index (GCI). The 2018 index comprises 98 indicators derived from a combination of data gathered from international organisations and WEF's Executive Opinion Survey.

The indicators of the GCI are organised into 12 pillars, which reflect the extent and complexity of the drivers of a country's productivity and competitiveness ecosystem. The pillars are: *Institutions; Infrastructure; ICT adoption; Macroeconomic stability; Health; Skills; Product market; Labour market; Financial system; Market size; Business dynamism; and Innovation capability*. In acknowledging the extent to which rapid technological change is gathering pace global-wide, the report accentuates how productivity remains the most central determinant of long-term growth and income, and sheds light on a newly emerging set of factors critical for productivity in the current era of the Fourth Industrial Revolution (4IR).

## 2. PURPOSE

The purpose of this fact sheet is to provide a brief analysis of South Africa's ranking in terms of global competitiveness, specifically in relation to areas pertaining to Skills and the Labour Market. The fact sheet also presents the summary comparative analysis of the global rankings and corresponding scores of all the 12 pillars for the country.

## 3. NEW CONCEPTS AND BENCHMARKS

The new GCI 4.0 has been introduced to benchmark the drivers of long-term competitiveness by incorporating the notion of the 4IR into the definition of competitiveness. The index uses a new progress score which ranges from 0 to 100. The frontier (100) corresponds to the goal post for each indicator and typically represents a policy target. The score indicates current progress of an indicator against the frontier, hence a country should aim to maximize its score on each indicator.

## 4. SURVEY METHODOLOGY

The Executive Opinion Survey is used as the key element of the Global Competitiveness Report series. The 2018 edition captured views of 16 658 business executives across 140 economies between January and April 2018. Rankings of the pillars and analogous indicators were determined largely by perceptions of business executives from Partner Institutes; consequently, they do not necessarily

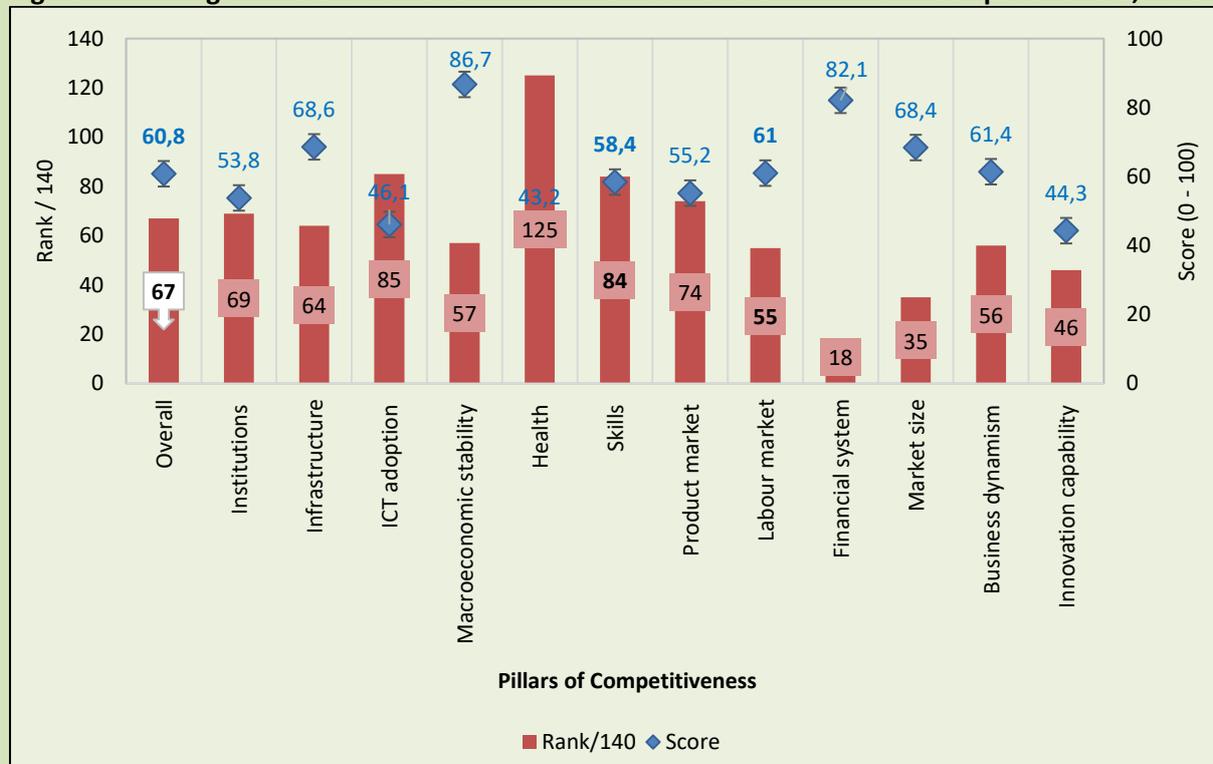


reflect the actual situation. Partner Institutes typically include universities, research organizations, business associations, competitiveness councils, and survey companies. Business Leadership South Africa and Business Unity South Africa were the Partner Institutes from which business executives were surveyed for rankings for the 2018 edition.

## 5. FINDINGS

### 5.1. South African Position and Rankings of 12 Pillars

**Figure 1: Rankings and Scores of South Africa in relation to the 12 Pillars of Competitiveness, 2018**



Source: *The Global Competitiveness Report (2018), World Economic Forum*

South Africa ranks 67<sup>th</sup> out of a total of 140 countries in terms of its overall global competitiveness ranking. The country's global competitiveness overall ranking has consistently worsened over the past three consecutive years from 47<sup>th</sup> position in 2016 down to 61<sup>st</sup> position in 2017 and further down to 67<sup>th</sup> position in 2018. The major strengths of South Africa are its sound and well-balanced financial systems which ranks 18<sup>th</sup>; a large market size, which ranks 35<sup>th</sup>; innovation capability which ranks 46<sup>th</sup>; and good infrastructure which ranks 64<sup>th</sup>. South Africa's weaknesses in terms of competitive performance are on the health pillar which ranks 125<sup>th</sup>; ICT adoption which ranks 85<sup>th</sup>; and the skills pillar which ranks 84<sup>th</sup>.



## 5.2. Skills

The skills pillar captures the general level of skills of the workforce and the quantity and quality of education. While the concept of educational quality is constantly evolving, important quality factors include *developing digital literacy, interpersonal skills, and the ability to think critically and creatively*. Figure 2 presents South Africa's global rankings and analogous scores of 9 indicators which measure competitiveness of the skills pillar.

**Figure 2: Rankings and Scores of the Skills Indicators, 2018**



Source: *The Global Competitiveness Report (2018), World Economic Forum*

South Africa's global ranking of the skills pillar improved by one position from 85<sup>th</sup> position in 2017 to 84<sup>th</sup> position in 2018. In this pillar, *mean years of schooling*<sup>1</sup> ranks highest at 53<sup>rd</sup> position; followed by staff training which ranks 55<sup>th</sup> and ease of finding skilled employees which ranks 77<sup>th</sup>. The worst indicators are the digital skills which ranks 116<sup>th</sup>; pupil-to-teacher ratio in primary education (107<sup>th</sup>); quality of vocational training (98<sup>th</sup>) and skillset of graduates (85<sup>th</sup>); which are regarded inadequate for the progress of a successful economy in the 4IR.

<sup>1</sup> Mean years of schooling refers to the average number of completed years of education of a country's population aged 25 years and older, excluding years spent repeating individual grades.

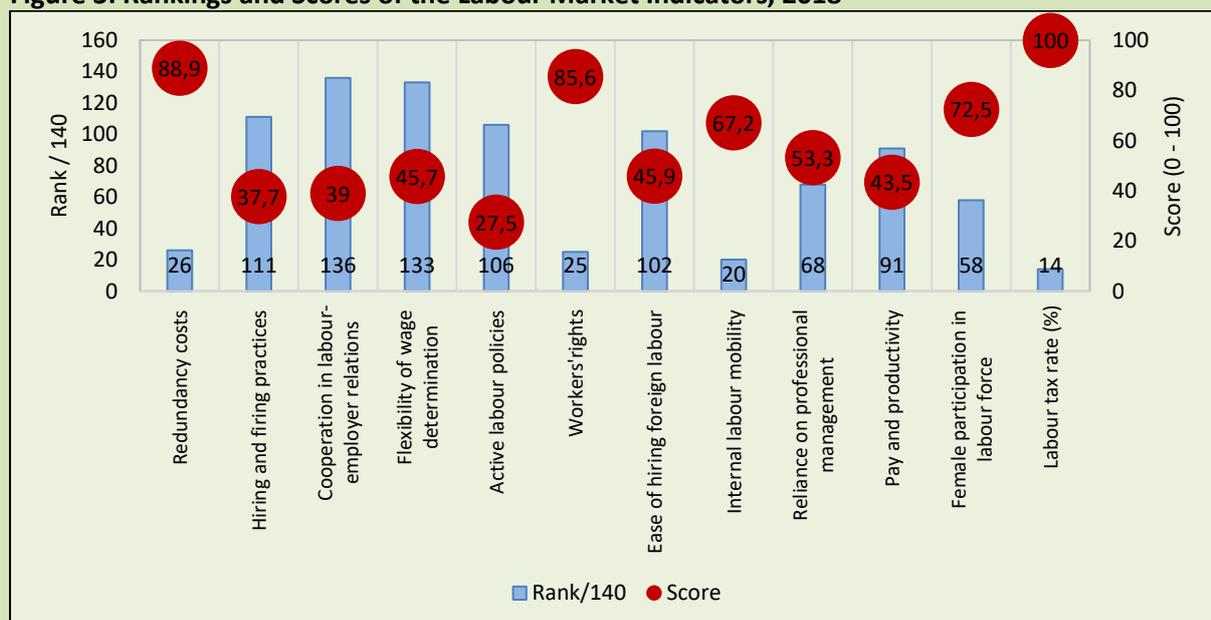


The 2013 White Paper on Post School Education and Training (PSET) in South Africa recognises vocational training and graduates’ skillset as critical instruments for responding to the needs of the labour market and the economy. The global ranking of the quality of vocational training at 98th position reflects that the business community perceive the performance of South Africa’s Technical and Vocational Educational and Training (TVET) sector as comparatively being below average by global standards. Congruently, the global ranking of skillset of graduates at 85th position suggests that graduating students from secondary education and universities do not possess the skills needed by businesses as perceived and evaluated by the business community, hence the need for a strong response to the needs of the labour market and economy, and linking education and work as underscored by the 2013 White Paper Post School Education and Training (PSET) in South Africa.

### 5.3. Labour Market

The labour market pillar captures “flexibility” (the extent to which human resources can be reorganized) and “talent management” (the extent to which human resources are leveraged). A well-functioning labour market fosters productivity by matching workers with most suitable jobs for their skillset and developing talent to reach their full potential. By combining flexibility with protection of workers’ basic rights, a well-functioning labour market allows a country to be more resilient to shocks and re-allocate production to emerging segments; incentivize workers to take risks; attract and retain talent; and motivate workers. Figure 3 shows rankings and scores of twelve indicators measuring labour market competitiveness.

**Figure 3: Rankings and Scores of the Labour Market Indicators, 2018**



Source: *The Global Competitiveness Report (2018), World Economic Forum*



The top three highest competitive labour market indicators in South Africa are the labour tax rate which ranks 14<sup>th</sup> with a score of 100; internal labour mobility which ranks 20<sup>th</sup> with a score of 67.2 and workers' rights which ranks 25<sup>th</sup> with a score of 85.6. Worst performance exists in the cooperation in labour-employer relations (136<sup>th</sup>); flexibility of wage determination (133<sup>rd</sup>); hiring and firing practices (111<sup>th</sup>); active labour policies (106<sup>th</sup>) and ease of hiring foreign labour (102<sup>nd</sup>).

## 6. CONCLUSION

South Africa's overall global competitiveness has consistently declined over the previous three successive years between 2016 and 2018. From the Post-School Education and Training (PSET) standpoint, the country's skills pillar was the third worst pillar after health and ICT adoption pillars in terms of global competitiveness. In respect of the skill pillar, digital skills, pupil-to-teacher ratio in primary education, quality of vocational training and skillset of graduates were ranked as the skills indicators with relatively lowest competitiveness in South Africa.

In order for South Africa to improve the quality of vocational training in the country, efforts would need to be directed towards addressing the following challenges in the TVET sector:

- The confusing mix of overlapping and competing programmes and qualifications,
- Insufficient responsiveness of TVET programmes to the needs of the labour market,
- Poor certification rates and massive delays of examination results due to different examination results documenting processes, and
- Inadequate skills and qualifications of lecturers and limited support for students in academic difficulties.

South Africa's 2018 global rankings on skillset of secondary and university graduate suggest the need to need to improve the distinct skills needed by businesses and improve digital skills of the population in areas such as computer skills, basic coding, and digital reading. Improvements in digital skills need to be achieved by expanding enrolment and graduation in ICT programmes offered at universities and TVET Colleges and ensure that ICT graduates have access to workplace training in ICT work areas.



## APPENDIX

Scores were computed on scales of 1 to 7 for the year 2017, and 1 to 100 for the year 2018.

Key for traffic lights: Red shows a drop (-), while Green (+) shows an upgrade in the ranking, while the number adjacent to the traffic light shows the number of shifts in the position/rank.

### Appendix 1: Global Competitiveness Pillars Position Shifts (2017 vs 2018)

Pillar	2017		2018		Position Shift	
	Score	Rank/137	Score	Rank/140	Rank	
Overall	4.3	61	60.8	67		-6
Institutions	3.8	76	53.8	69		7
Infrastructure	4.3	61	68.6	64		-3
Technology readiness <sup>2017</sup> /ICT adoption <sup>2018</sup>	4.6	54	46.1	85		-31
Macroeconomic environment <sup>2017</sup> /Macroeconomic stability <sup>2018</sup>	4.5	82	86.7	57		25
Health and primary education <sup>2017</sup> /Health <sup>2018</sup>	4.5	121	43.2	125		-4
Higher education and training <sup>2017</sup> /Skills <sup>2018</sup>	4.1	85	58.4	84		1
Goods market efficiency <sup>2017</sup> /Product market <sup>2018</sup>	4.5	54	55.2	74		-20
Labour market efficiency <sup>2017</sup> /Labour market <sup>2018</sup>	4	93	61	55		38
Financial market development <sup>2017</sup> /Financial system <sup>2018</sup>	4.4	44	82.1	18		26
Market size	4.9	30	68.4	35		-5
Business sophistication <sup>2017</sup> /Business dynamism <sup>2018</sup>	4.5	37	61.4	56		-19
Innovation <sup>2017</sup> /Innovation capability <sup>2018</sup>	3.8	39	44.3	46		-7

### Appendix 2: Global Competitiveness Labour Market Indicators Position Shifts (2017 vs 2018)

Indicator	2017		2018		Position Shift	
	Score	Rank/137	Score	Rank/140	Rank	
Redundancy costs	9.3	27	88.9	26		1
Hiring and firing practices	2.9	125	37.7	111		14
Cooperation in labour-employer relations	3.1	137	39	136		1
Flexibility of wage determination	3.4	132	45.7	133		-1
Pay and productivity	3.5	99	43.5	91		8
Reliance on professional management	4.6	43	53.3	68		-25
Effect of taxation on incentives to work <sup>2017</sup> /Labour tax rate <sup>2018</sup>	3.7	83	100	14		69
Female participation in labour force	0.8	72	72.5	58		14



### Appendix 3: Changes in Definitions and Naming Conventions of the Skills Pillar Indicators

Year 2017 Indicators: Higher Education and Training	Year 2018 Indicators: Skills
Secondary education enrollment rate (gross %)	Mean years of schooling
Tertiary education enrollment rate (gross %)	Extent of staff training
Quality of the education system	Ease of finding skilled employees
Quality of maths and science education	School life expectancy (years)
Quality of management schools	Critical thinking in teaching
Internet access in schools	Skillset of graduates
Local availability of specialized training services	Quality of vocational training
Extent of staff training	Pupil-to-teacher ratio in primary education
	Digital skills among population

### Appendix 4: Definition of Terms/Indicators for the Skills Pillar

#### Mean years of schooling

Average number of completed years of education of a country's population aged 25 years and older, excluding years spent repeating individual grades.

Sources: *United Nations Educational, Scientific and Cultural Organization (UNESCO, 2015); Wittgenstein Centre for Demography and Global Human Capital.*

#### Extent of staff training

Response to the survey question "In your country, to what extent do companies invest in training and employee development?" [1 = not at all; 7 = to a great extent] weighted average or most recent period available | 2017 – 2018.

Source: *World Economic Forum, Executive Opinion Survey.*

#### Quality of vocational training

Response to the survey question "In your country, how do you assess the quality of vocational training?" [1 = extremely poor among the worst in the world; 7 = excellent among the best in the world] | 2017–2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*

#### Skillset of graduates

Average score of the following two Executive Opinion Survey questions: "In your country, to what extent do graduating students from secondary education possess the skills needed by businesses?" and "In your country, to what extent do graduating students from university possess the skills needed by businesses?" In each case, the answer ranges from 1 (not at all) to 7 (to a great extent). | 2017–2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*

#### Digital skills among active population

Response to the survey question "In your country, to what extent does the active population possess sufficient digital skills (e.g. computer skills, basic coding, digital reading)?" [1 = not all; 7 = to a great extent] | 2017–2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*



### **Ease of finding skilled employees**

Response to the survey question “In your country, to what extent can companies find people with the skills required to fill their vacancies?” [1 = not at all; 7 = to a great extent] | 2017– 2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*

### **School life expectancy**

Total number of years of schooling (primary through tertiary) that a child of school entrance age can expect to receive. | 2015

This indicator assumes that the probability of a person being enrolled in school at any particular future age is equal to the current enrolment ratio at that age.

Source: *United Nations Educational, Scientific and Cultural Organization (UNESCO, 2015).*

### **Critical thinking in teaching**

Response to the survey question “In your country, how do you assess the style of teaching?” [1 = frontal, teacher based, and focused on memorizing; 7 = encourages creative and critical individual thinking] | 2017–2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*

### **Pupil-to-teacher ratio in primary education**

Average number of pupils per teacher, based on headcounts of both pupils and teachers. | 2016

Source: *The World Bank Group.*

## **Appendix 5: Definition of Terms/Indicators for the Labour Market Pillar**

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### **Redundancy costs**

Measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. | 2017

The average value of notice requirements and severance payments applicable to a worker with 1 year of tenure, 5 years of tenure, and 10 years of tenure is considered.

Source: *The World Bank Group.*

### **Hiring and firing practices**

Response to the survey question “In your country, to what extent do regulations allow for the flexible hiring and firing of workers?” [1 = not at all; 7 = to a great extent] | 2017–2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*

### **Cooperation in labour-employer relations**

Response to the survey question “In your country, how do you characterize labour-employer relations?” [1 = generally confrontational; 7 = generally cooperative] | 2017–2018 weighted average or most recent period available

Source: *World Economic Forum, Executive Opinion Survey.*

### **Flexibility of wage determination**



Response to the survey question “In your country, how wages are generally set?” [1 = by a centralized bargaining process; 7 = by each individual company] | 2017–2018 weighted average or most recent period available

*Source: World Economic Forum, Executive Opinion Survey.*

### **Active labour policies**

Response to the survey question “In your country, to what extent do labour market policies help unemployed people to reskill and find new employment (including skills matching, retraining, etc.)?” [1 = not at all; 7 = to a great extent] | 2017–2018 weighted average or most recent period available

*Source: World Economic Forum, Executive Opinion Survey.*

### **Workers’ rights**

Score adapted from the ITUC Global Rights Index, which measures the level of protection of internationally recognized core labour standards. The scale of this indicator ranges from 1 (no protection) to 7 (high protection). | 2017

Dimensions of labour protection include civil rights, the right to bargain collectively, the right to strike, the right to associate freely, and access to due process rights. The indicator does not consider firing regulations.

*Sources: International Trade Union Confederation (ITUC); World Economic Forum.*

### **Ease of hiring foreign labour**

Response to the survey question “In your country, how restrictive are regulations related to the hiring of foreign labour?” [1 = highly restrictive; 7 = not restrictive at all] | 2017–2018 weighted average or most recent period available

*Source: World Economic Forum, Executive Opinion Survey.*

### **Internal labour mobility**

Response to the survey question “In your country, to what extent do people move to other parts of the country for professional reasons?” [1 = not at all; 7 = to a great extent] | 2017–2018 weighted average or most recent period available

*Source: World Economic Forum, Executive Opinion Survey.*

### **Reliance on professional management**

Response to the survey question “In your country, who holds senior management positions in companies?” [1 = usually relatives or friends without regard to merit; 7 = mostly professional managers chosen for merit and qualifications] | 2017–2018 weighted average or most recent period available

*Source: World Economic Forum, Executive Opinion Survey.*

### **Pay and productivity**

Response to the survey question “In your country, to what extent is pay related to employee productivity?” [1 = not at all; 7 = to a great extent] | 2017–2018 weighted average or most recent period available

*Source: World Economic Forum, Executive Opinion Survey.*

### **Female participation in labour force**

Illustrates the ratio of the percentage of women aged 15–64 participating in the labour force as wage and salaried workers to the percentage of men aged 15–64 participating in the labour force as wage and salaried workers. | 2017



Wage and salaried workers (employees) are those workers who hold the type of jobs defined as “paid employment jobs,” where the incumbents hold explicit (written or oral) or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work.

*Sources: International Labour Organization (ILO); World Economic Forum.*

### **Labour tax rate**

Labour tax and contributions are the amount of taxes (at any level—federal, state, or local) and mandatory contributions on labour paid by the business, expressed as a percentage of commercial profits. | 2016

This measure includes government-mandated contributions paid by the employer to a required private pension fund or workers’ insurance fund.

*Source: The World Bank Group.*