

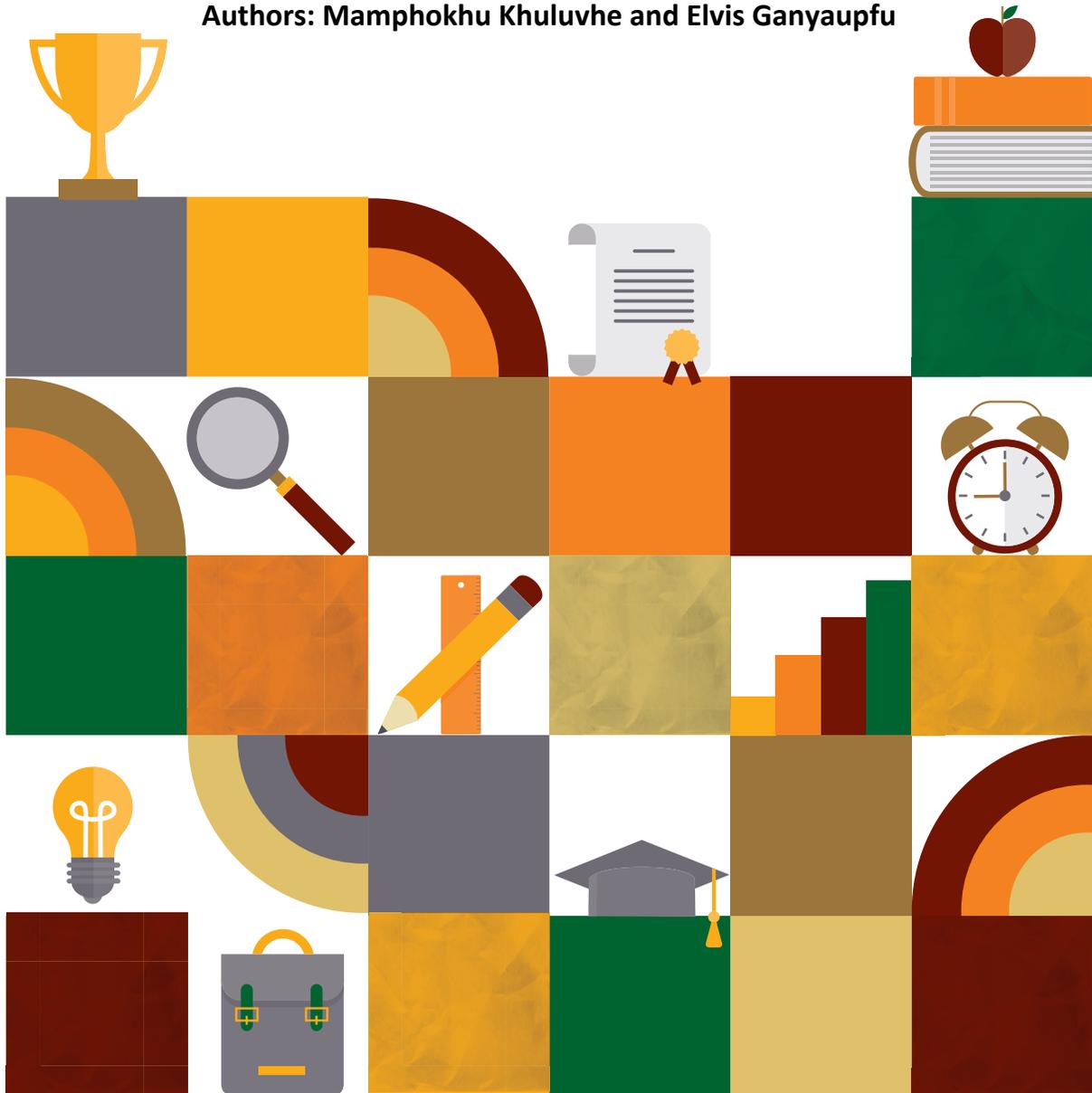
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FACT SHEET

2020 GLOBAL COMPETITIVENESS

SOUTH AFRICA'S PERFORMANCE ON THE PATH TO RECOVERY

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1. BACKGROUND

The Global Competitiveness Report is published annually by the World Economic Forum (WEF), which ranks countries based on progress scores derived from annual assessments of drivers of productivity and long-term economic growth. Competitiveness generally refers to a country's productivity level determined by a set of institutions, policies and factors of production. Preceding editions of the report successively released information regarding each country's economic competitiveness based on a Global Competitiveness Index (GCI). The 2020 release of the report is a special edition which assesses each country's readiness to both transformation and recovery from the combined effect of health and economic shocks experienced by countries globally, and the accelerated effects of the 4th Industrial Revolution (4IR) on trade, skills, digitisation, competition and employment.

Taking into account the global outbreak of the COVID-19 pandemic and the deep economic recession experienced by the global economy, the assessment of competitiveness of economies focused on elaborating priorities for recovery and revival, together with building blocks of transformation. Recommendations of the edition are grouped into the following four broad areas of action:

- a) reviving and transforming the enabling environment,
- b) reviving and transforming human capital,
- c) reviving and transforming markets, and
- d) reviving and transforming the innovation ecosystem.

The key area of interest relevant to the mandatory work of the Department of Higher Education and Training (DHET) is the revival and transformation of human capital.

2. PURPOSE

In line with the WEF's 2020 Global Competitiveness Report – Special Edition¹, the purpose of this Fact Sheet is to provide a brief overview of South Africa's global standing in relation to readiness for economic transformation, the transformation of education curricula and investment in skills.

¹ http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf

3. METHODOLOGY

3.1. Data

The WEF used primary and secondary data to compute the 2020 performance to recovery scores. In 2020, the Executive Opinion Survey was the source of primary data which consisted of 80 questions that respondents were asked to evaluate the situation for specific domains at country level and provide insights into eight themes. These themes include macro-financial and business environment; social cohesion and well-being; governance and institutions; connection, access and infrastructure; innovation capability and new products; education system and skills; labour market and employment, and cross-cutting focus on equity and social justice dimensions.

Most questions required respondents to evaluate, on a scale of 1 (considered among the worst in the world) to 7 (considered among the best in the world), the performance on various topics of the country where a respondent operates. Questions were organised into 10 topical areas, namely infrastructure; technology; financial environment; trade and investment; competition; business operations and innovation; security; governance; human capital; and risks and emerging technologies.

In South Africa, the WEF partner institutes from which experts were surveyed were Business Leadership South Africa (BLSA) and Business Unit South Africa (BUSA). The survey captured views of 14 303 business executives surveyed across 142 economies between February and July 2020. Following the data editing process, a total of 11 866 responses from 126 economies were obtained. Results from the survey complemented other statistical secondary data to provide a more complete assessment of the business environment and drivers of productivity.

To supplement the primary data collected via the WEF Executive Opinion Survey, secondary data were collected from several international organisations, namely:

- Economist Intelligence Unit,
- Inclusive Internet Index,
- Institute for Health Metrics and Evaluation (IHME),
- International Air Transport Association (IATA),
- International Energy Agency (IEA),
- International Labour Organisation (ILO),
- International Monetary Fund (IMF),
- International Telecommunications Union (ITU),
- International Trade Centre (ITC),
- International Trade Union Confederation (ITUC),

- International Union for Conservation of Nature (IUCN),
- Organisation for Economic Co-operation and Development (OECD),
- OXFAM (Commitment to Reducing Inequality Index),
- Transparency International (TI),
- United Nations Development Programme (UNDP),
- Conference on Trade and Development (UNCTAD),
- United Nations Educational, Scientific and Cultural Organisation (UNESCO),
- World Bank (WB),
- World Economic Forum (WEF),
- World Health Organisation (WHO), and
- World Intellectual Property Organisation (WIPO).

3.2. Computation of the score measuring readiness for economic transformation

The readiness for economic transformation score was computed by aggregating 11 priorities which assess the positions at which countries stand in the process of transforming their economies.

4. TERMS AND DEFINITIONS

4.1. Productivity

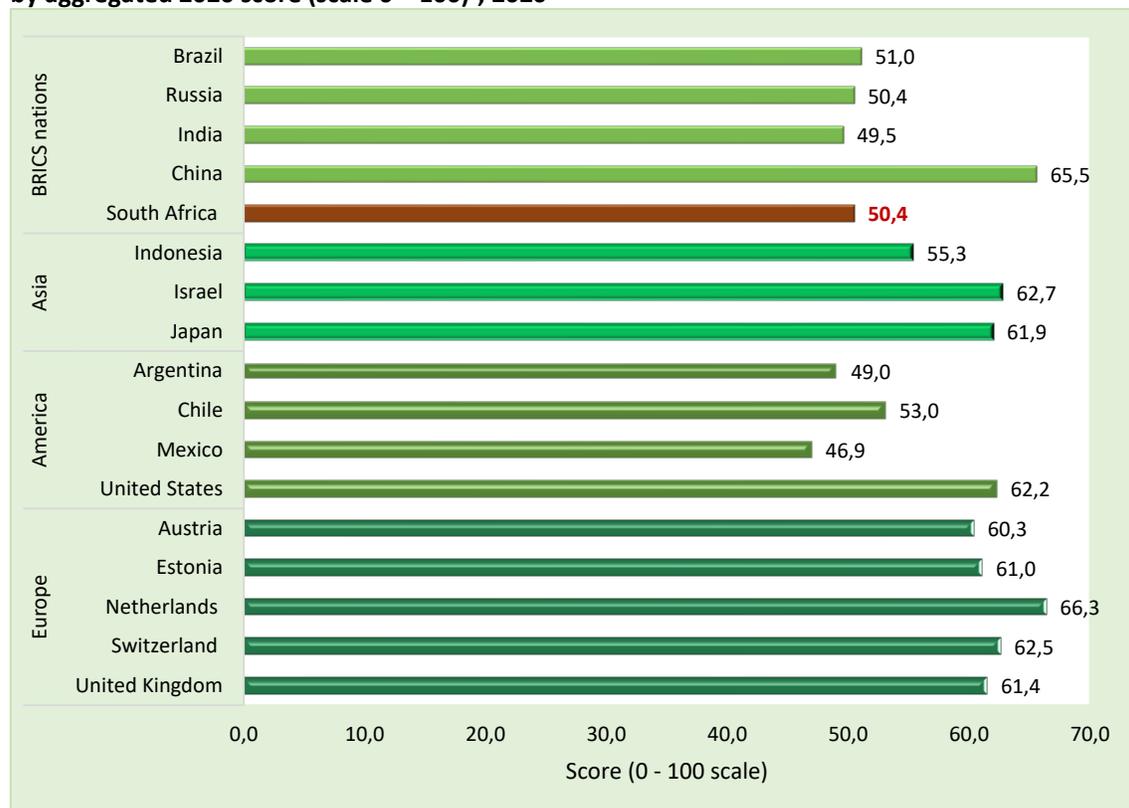
Measure of the relationship between outputs (total product) and inputs; that is factors of production, mainly labour and capital.

5. SUMMARY OF FINDINGS

5.1. South Africa's readiness for economic transformation

- Figure 1 depicts South Africa's relative position, measured on a scale of 0 – 100, of its readiness for economic transformation relative to its peers in the Brazil, Russia, India, China and South Africa (BRICS) emerging economies bloc, and other economies or countries in the world.
- South Africa's score on readiness for economic transformation stood at 50.4 in the year 2020.
- Relative to other countries in the BRICS bloc, South Africa's position in readiness for economic transformation was higher than the analogous readiness position of India (49.5), while it was at par with Russia (50.4). Brazil's analogous readiness position was marginally higher at 51.0, while China's position was markedly outstanding at 65.5 both in the block and internationally.
- Compared to countries in other continents, South Africa's readiness position was higher than Mexico (46.9) and Argentina (49.0) in America, but markedly lower than most other countries such as Netherlands (66.3), Israel (62.7), Switzerland (62.5) and Japan (61.9).
- Overall, the WEF noted that the results suggest that no country is yet fully ready to transform, and among the presently measurable policies, the Nordic model stands as the most promising in shifting towards a productive, sustainable and inclusive economic system.

Figure 1: South Africa's score on readiness for economic transformation relative to other countries, by aggregated 2020 score (scale 0 – 100)², 2020



Source: The Global Competitiveness Report (2020), Special Edition, World Economic Forum

² http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf

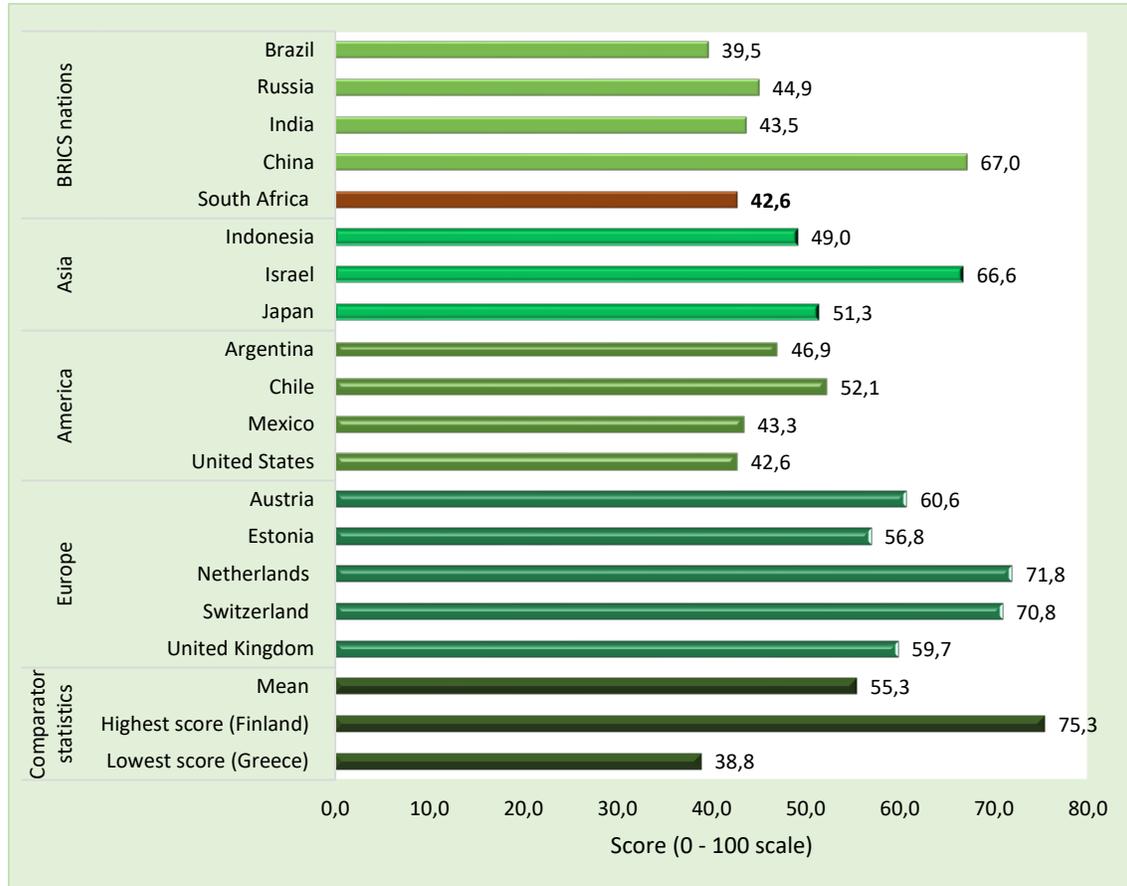
5.2. Human capital

- The value of human capital is realised in the labour market through productive employment.
- From a labour productivity standpoint, capabilities and in-demand skills of individuals in the population are a key instrument and driver of economic productivity and prosperity.
- According to the WEF (2020)³, human capital is developed through education during the first two decades of an individual's life as well as through mid-career training investments, while its value is realised in the labour market through productive employment.
- Regular updates of formal education curricula, reskilling and upskilling have become central in preparing workers for jobs in the markets characterised by ever fast-changing conditions.
- Within the medium-term time horizon, countries are expected to develop new and cutting-edge knowledge, and map and define the skills needed to drive the markets of tomorrow.

- Figure 2 presents South Africa's relative position, in its readiness for economic transformation relative to its peers in the BRICS economic bloc, and other comparable international countries.
- Based on a scale of 0-100, South Africa's transformation readiness score relating to *updating of education curricula and expansion of investment in the skills needed for jobs in markets of tomorrow* stood at **42.6** during the year 2020.
- Compared to peer nations in the BRICS economic bloc, South Africa's position in 2020 was higher than the analogous transformation readiness position of Brazil (39.5), but lower than comparable positions of India (43.5), Russia (44.9) and China (67.0).
- In comparison to comparable international countries, South Africa's readiness position was at par with that of United States (42.6), but lower than readiness positions of Mexico (43.3), Argentina (46.9), Chile (52.1) and all the selected countries in Asia and Europe.
- Despite being higher than Greece's score which stood at 38.8, the lowest among the sampled economies, South Africa's readiness score was below the 55.3 average score.

³ World Economic Forum (2020). How Countries are Performing on the Road to Recovery. The Global Competitiveness Report, Special Edition.

Figure 2: Update education curricula and expand investment in the skills needed for jobs and markets of tomorrow, 2020⁴



Source: The Global Competitiveness Report (2020), Special Edition, World Economic Forum

6. CONCLUSION

The 2013 White Paper on Post-School Education and Training (WP-PSET) in South Africa recognises vocational training and graduates’ skillset as critical instruments for responding to the needs of the labour market and the whole economy. South Africa’s transformation readiness score relating to the *updating of education curricula and expansion of investment in the skills needed for jobs in markets of tomorrow* which stood at 42.6 lower than the 55.3 average score suggests the need for improvement in the respective broad area of action. Labour market shortages in the in-demand skills needed in the new economy indicates the strong need for robust response measures that ensure consistent upgrade of education curricula with greater cadence and scaling up of reskilling and upskilling in emerging skills. In order to enhance transformation towards the jobs of tomorrow, there should be swift upgrades in technical and vocational education and training, and university education for both students and workers on a continuous basis. Policy-makers need to therefore innovate how education curricula teach the core skills that must be seeded for innovation capability through creativity and critical thinking skills.

⁴ http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf

APPENDIX: Priorities, concepts, indicators, indicators short descriptions and data sources

Appendix 1: Education curricula and expansion in investment in skills needed for jobs and markets of tomorrow

Priority	Concept	Indicator	Indicator short description	Source	Minimum-maximum values used for normalisation
Update education curricula and expand investment in the skills needed for jobs and “markets of tomorrow”	Upgrade training and education for the future of work	Percentage of firms offering formal training	This indicator is the share of firms offering formal training are the percentage of firms offering formal training programs for their permanent, full-time employees.	World Bank, Enterprise Surveys	5.0 - 100.0
		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].	World Economic Forum	1.0 - 7.0
		Skill set of the population	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].	World Economic Forum	1.0 - 7.0
		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].	World Economic Forum	1.0 - 7.0
		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 memorising; 7 = encourages creative and critical individual thinking].	World Economic Forum	1.0 - 7.0