

# Vocational education can drive economic growth

Vocational education and training (VET) can significantly benefit individuals and businesses, but VET is not getting the traction and recognition needed to attract a large number of students, according to a new report from the City & Guilds Group.



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The report explored the state of vocational education and training in four countries: South Africa, the United Kingdom, India and the United States. It highlights how VET can have a significant impact on economies across the world. For example, in the UK, a 10% increase in professional and technical skills over the next ten years could increase UK GDP by £163bn by 2025. In the UK and US, a 10 percentage point increase in the number of 16-18 year olds enrolled in vocational education could lead to a 1.5 percentage point reduction in youth unemployment.

## High unemployment rate

In South Africa, the unemployment rate in 2013 was 25% - five times the world average for unemployment. Youth unemployment, at 54%, was more than double the general rate. Therefore increasing investment in VET could see significant returns for South Africa's economy.

Speaking about the research, Mike Dawe, director of international at the City & Guilds Group said, "The report indicates that vocational education can help to fill skills gaps, boost productivity, enhance industries and increase employment - all of which have a significant impact on individuals, businesses and the economy as a whole."

"However, there is an ongoing challenge in South Africa, where vocational institutions and technical and vocational education and training (TVET) colleges find it difficult to attract large numbers of students. People still see university study as the first prize and vocational options as second-choice at best - or they don't even know what vocational options are out there."

## Benefit employers

Increasing investment in VET will also benefit employers, who are concerned by skills gaps. In each of the countries studied in the report, the worry over the long-term impact of skills gaps was prevalent. PwC's most recent case study of South African CEOs found that 36% were "extremely concerned" about the availability of key skills, compared to a global

average of 17%.

While the challenge to increase uptake of VET in South Africa is extensive, progress is being made. South Africa has one of the highest rates of public investment in education in the world. At about 7% of gross domestic product (GDP) and 20% of total state expenditure, the government spends more on education than on any other sector, according to Brand South Africa. Government spending on basic education during 2015/16 is estimated at R203,468bn.

Over the next three years, roughly R640bn will go towards basic education. The challenge is making sure that sufficient funding is directed toward all aspects of education - not just academia, but VET too.

## **Social and economic aspirations**

In seeking to meet both social and economic aspirations, the South African government has outlined a strategy to achieve a more integrated approach to post-secondary education, including VET, over the next 20 years. The South African government intends to increase workplace training, starting with government agencies and departments who will be encouraged to offer workplace training for vocational students. This is a first step towards fostering more workplace training in the private sector.

"Even though there is a lack of data proving the benefits of vocational education in many contexts around the world, national governments have realised the significant role vocational education and training plays in their countries' futures," added Dawe. "The proposed changes to enhance the South Africa system could have a really positive impact, particularly if they are aligned to long-term planning. The commitment from the government is encouraging and South Africa has a huge opportunity ahead of it. We're keen to see how we can support the government during these upcoming developments."

## **Key findings**

The benefits of vocational education and training to national economies:

- Increasing vocational skills by 10% could boost UK GDP by £163 billion by 2025.
- Cebr estimates that a 10 percentage point increase in the number of upper secondary school pupils enrolled in vocational education could lead to a 1.5 percentage point reduction in youth unemployment rates in the UK and US.
- UK apprenticeships have a return on government investment of £16 to £21 for every £1 invested.
- India is in a unique position demographically to provide skilled labour where the rest of the world is forecast to experience a skills shortage; as such, there is an active target to skill 500 million workers by 2022.
- Unemployment in South Africa was 25% in 2013 and youth unemployment was 54%. VET may play a role in reducing these figures.

Vocational education and training benefits employers:

- The net annual business benefit of training an apprentice in the UK in 2013/14 was £1500 per annum.

- A survey of South African CEOs found that 36% were 'extremely concerned' about the availability of key skills, compared to a global average of 17%.

Vocational education and training benefits individuals:

- Nine years after enrolment, US apprentices will have earned \$60,000 more than their similar counterparts who did not participate in an apprenticeship.
- In the UK, level 3 apprenticeships or vocational qualifications may increase wages by up to 22% and employability by up to 15%.
- Those who earn a certificate or diploma level qualification (in any subject) in South Africa can expect average wages that are around two times more than peers who only complete high school.

Vocational education and training is often a small proportion of overall education:

- Less than 1% of 15-24 year olds in the US are involved in an apprenticeship scheme.
- According to one estimate, only 6.8% of India's labour force have received or are receiving vocational training of any kind.

There are significant obstacles to vocational education and training:

- Globally, the stigma of vocational education often reduces it to a second choice to academia.
- There is a lack of data proving the benefits of vocational education in many contexts around the world.
- Complex systems like those in the UK, US and South Africa may hinder employer involvement and deter candidates.
- In India, key challenges to implementing VET include a lack of coherent delivery mechanisms and obsolete curricula.

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