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research

Western Cape Labour Market, Skill level and Compensation 2019

20/04/2021

1. INTRODUCTION

The Western Cape's labour force grew at 2% per annum from 2015 – 2019. If this rapid growth rate is constant, it would imply that the labour force would more than double in size in the next 36 years (Pero, 2019). Further, the Western Cape's labour force has seen a trend toward a market which is older and more educated. This trend is directly linked to the ageing of its population and decline in fertility rates. Higher remuneration rates in any labour market is directly linked to the skill level (or educational attainment) obtained by its participants. This short study therefore provides an overview of the Western Cape labour market dynamics in terms of employment, skill level and compensation, with a keen focus on the formal labour market only.

2. FORMAL EMPLOYMENT

The table below provides an overview of the formal labour market in the Western Cape. Overall, the tertiary sector employed the largest number of people, with 1.49 million employed in 2019 and equivalent to a 74.56% share of the Western Cape's labour force. Albeit less significant, the tertiary sector grew at 2.58% per annum from 2015 to 2019, the second fastest growing sector behind the primary sector (184 839 employed), which grew at an average of 4.16% per annum over the same period. Although the primary sector experienced the highest average annual growth rate of employment, it has the smallest share of the labour force, accounting for 9.24% of all those employed in the Western Cape in 2019. Furthermore, the secondary sector employed around 323 816 workers in 2019, accounting for 16.19% of the Western Cape labour force. Moreover, the secondary sector had the lowest growth rate among the three sectors, growing at an average rate of 1% per annum over the period 2015 to 2019.

TOTAL FORMAL EMPLOYMENT, WESTERN CAPE, 2019				
INDUSTRY	FORMAL EMPLOYMENT, 2019	AVE ANNUAL EMPLOYMENT (2015 - 2019)	AVE ANNUAL GROWTH (2015 - 2019)	% SHARE IN EMPLOYMENT, 2019
Primary sector	**184 839**	**185 610**	**4.16%**	**9.24%**
Agriculture, forestry and fishing	183 365	184 002	4.22%	9.17%
Mining and quarrying	1 474	1 607	-1.34%	0.07%
Secondary sector	**323 816**	**324 728**	**1.00%**	**16.19%**
Manufacturing	212 907	210 401	1.02%	10.65%
Electricity, gas and water	8 016	8 006	1.32%	0.40%
Construction	102 893	106 321	0.99%	5.15%
Tertiary sector	**1 491 150**	**1 422 923**	**2.58%**	**74.56%**
Wholesale and retail trade, catering and accommodation	404 991	377 347	4.16%	20.25%
Transport, storage and communication	84 463	81 048	1.53%	4.22%
Finance, insurance, real estate and business services	414 642	394 922	2.99%	20.73%
General government	313 194	307 643	0.32%	15.66%
Community, social and personal services	273 860	261 962	2.89%	13.69%
TOTAL	1 999 805	1 933 260	2.42%	100.00%

Source: Quantec, 2021

3. NOMINAL COMPENSATION

The table below highlights the annual total compensation dynamics across the different sectors within the Western Cape. In 2019, total annual nominal compensation (wage bill/nominal wage) across all industries in the Western Cape reached a value of ZAR353.31bn. Expectedly, the tertiary sector attracted the highest nominal wages, with a wage bill valued at ZAR267.10bn (accounting for 75.60% of the total Western Cape wage bill) in 2019, three times that of the secondary sector wage bill (ZAR68.54) and 34 times that of the primary sector (ZAR7.67bn). Moreover, the tertiary sector wage bill grew at an average annual rate of 6.56% from 2015 to 2019, higher than the compensation growth rate of the secondary sector (5.55%) and the primary sector (4.49%). The primary sector wage bill accounted for the smallest share (2.17%) of the total wage bill of the Western Cape, while the secondary sector accounted for 22.23% in 2019.

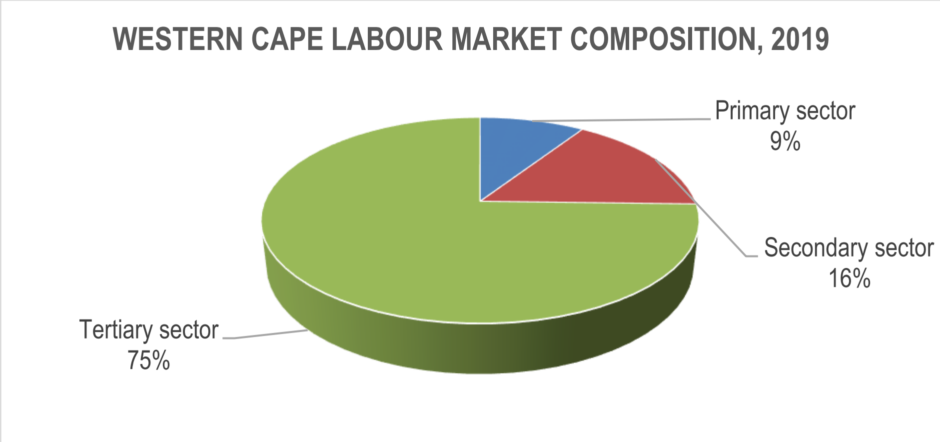
NOMINAL COMPENSATION IN FORMAL SECTOR BY INDUSTRY, WESTERN CAPE, 2019				
INDUSTRY	TOTAL NOMINAL COMPENSATION, 2019 (ZARbn)	AVE NOMINAL COMPENSATION (2015 - 2019) (ZARbn)	AVE NOMINAL COMPENSATION GROWTH (2015 - 2019)	% SHARE OF TOTAL NOMINAL COMPENSATION, 2019
Primary sector	**7.67**	**7.27**	**4.49%**	**2.17%**
Agriculture, forestry and fishing	6.74	6.29	4.78%	1.91%
Mining and quarrying	0.94	0.98	2.66%	0.27%
Secondary sector	**78.54**	**72.47**	**5.55%**	**22.23%**
Manufacturing	59.09	54.45	5.37%	16.72%
Electricity, gas and water	6.25	5.65	7.82%	1.77%
Construction	13.20	12.37	5.41%	3.74%
Tertiary sector	**267.10**	**241.31**	**6.56%**	**75.60%**
Wholesale and retail trade, catering and accommodation	48.68	44.76	5.94%	13.78%
Transport, storage and communication	22.38	20.31	6.24%	6.34%
Finance, insurance, real estate and business services	67.46	61.72	6.22%	19.09%
General government	104.36	92.69	7.19%	29.54%
Community, social and personal services	24.21	21.83	6.42%	6.85%
TOTAL NOMINAL COMPENSATION	353.31	321.05	6.28%	100.00%

Source: Quantec, 2021

4. SECTOR-SKILLS COMPOSITION

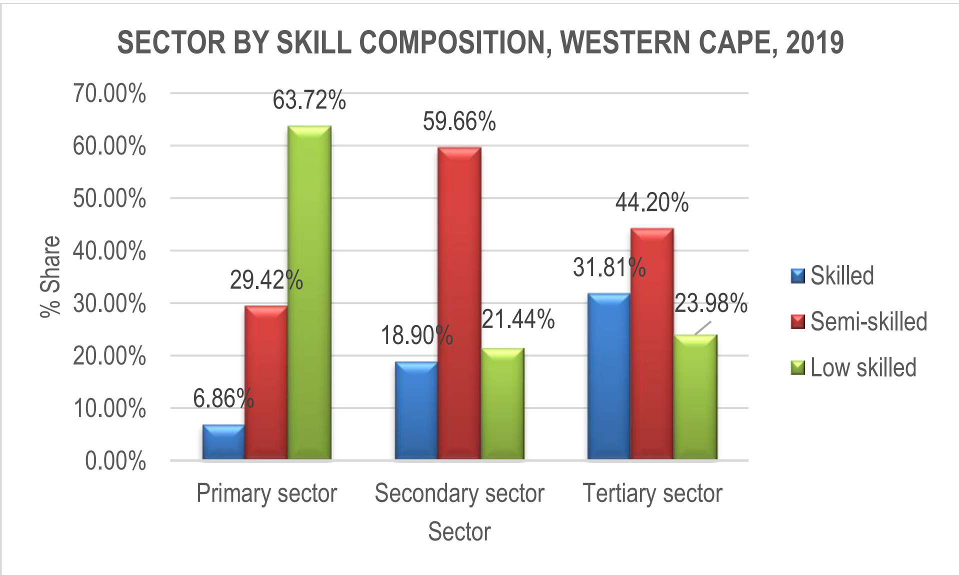
4.1 SECTOR PERSPECTIVE

As noted above, the Western Cape labour market is vastly dominated by workers within the tertiary sector, attracting 75% of all employees in 2019. The secondary sector followed in a distant second at 16% of the Western Cape labour market, while the primary sector was the smallest employer of the labour market, comprising of 9% of the Western Cape labour market.



Source: Quantec, 2021

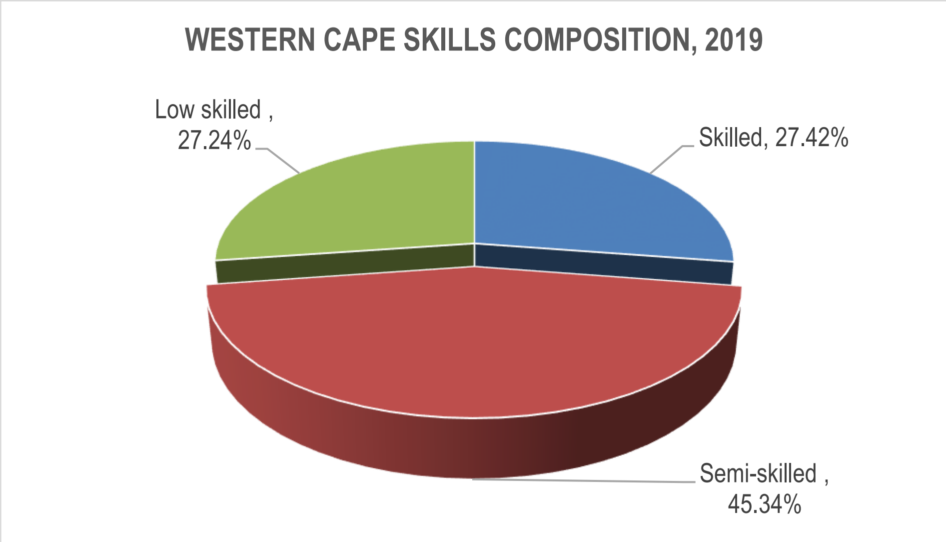
Furthermore, the graph below shows the composition of skill level within each sector in the Western Cape. The primary sector is mostly composed of low-skilled workers, with 63.27% of all workers in the primary sector being considered as low-skilled. Following this, 29.42% of workers in the primary sector are semi-skilled and 6.86% are considered skilled employees. A different picture emerges when considering the secondary sector, where the majority of workers within this sector are semi-skilled (59.66%), while 21.44% are low-skilled and 18.90% are skilled. A similar picture transpires when the tertiary sector is considered, with the majority (44.42%) of workers considered semi-skilled, while 31.81% are skilled and 23.89% are low-skilled.



Source: Quantec, 2021

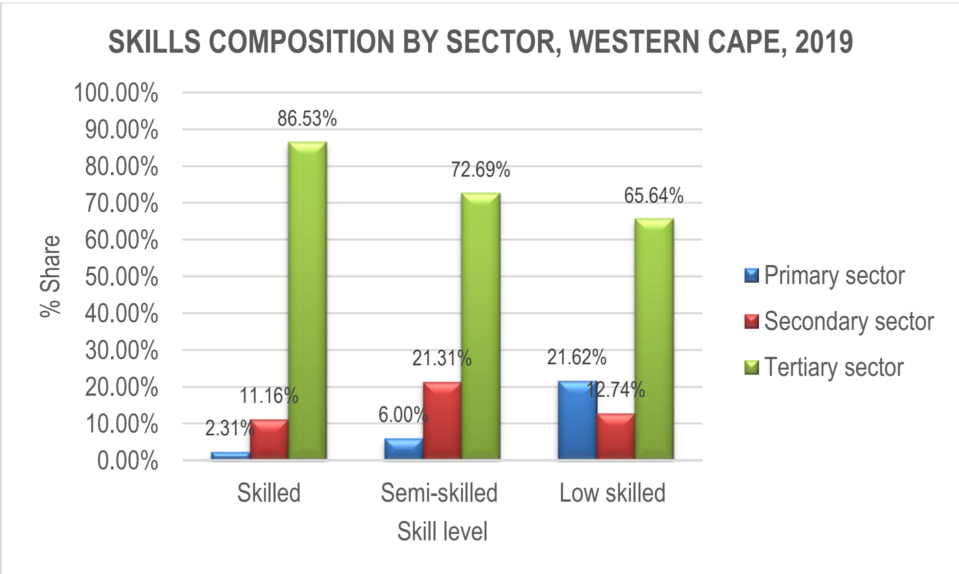
4.2 SKILLS PERSPECTIVE

The Western Cape labour skills pool is dominated by workers who fall within the semi-skilled category, with 45.34% of the Western Cape labour market considered as semi-skilled employees (denoted by the maroon segment). Following this, 27.42% of the labour market are classified as skilled workers (blue segment), while 27.24% are classified as low-skilled workers (green segment).



Source: Quantec, 2021

Furthermore, the graph below shows the breakdown of the skill level within each sector of the Western Cape. As is shown below, of all skilled labour in the Western Cape, the tertiary sector holds the majority share of 86.53%. A further, 11.16% of skilled labour is situated within the secondary sector and only 2.31% of all skilled labour in the Western cape is found within the primary sector. Expectedly, the majority of low skilled workers are within the primary sector, while the majority of semi-skilled workers are employed in the secondary sector. 5

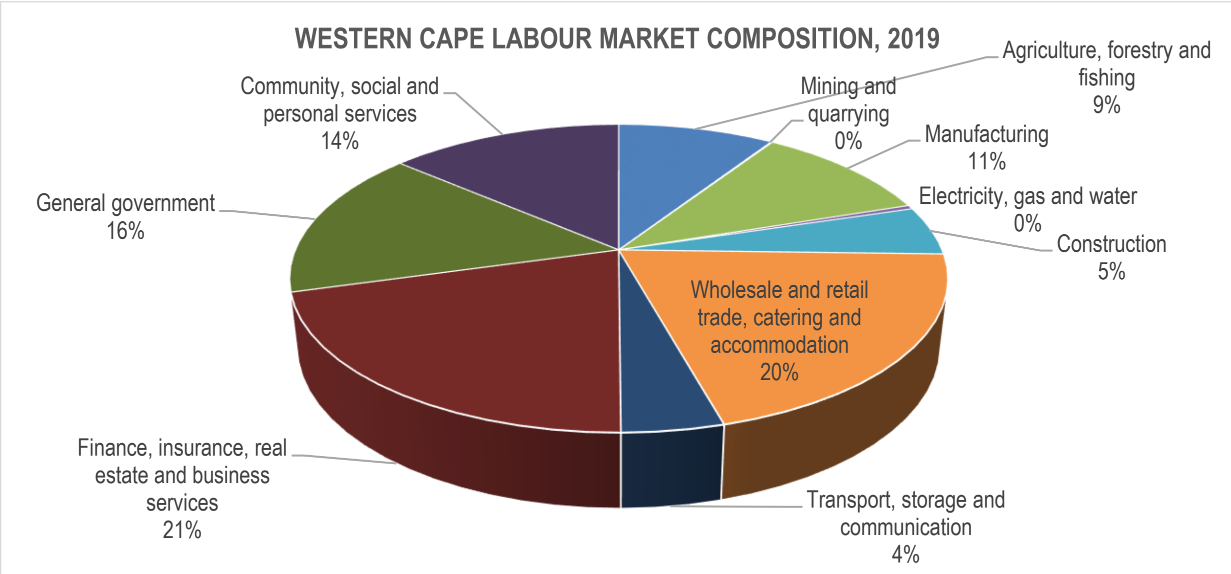


Source: Quantec, 2021

5. SUBSECTOR SKILLS COMPOSITION

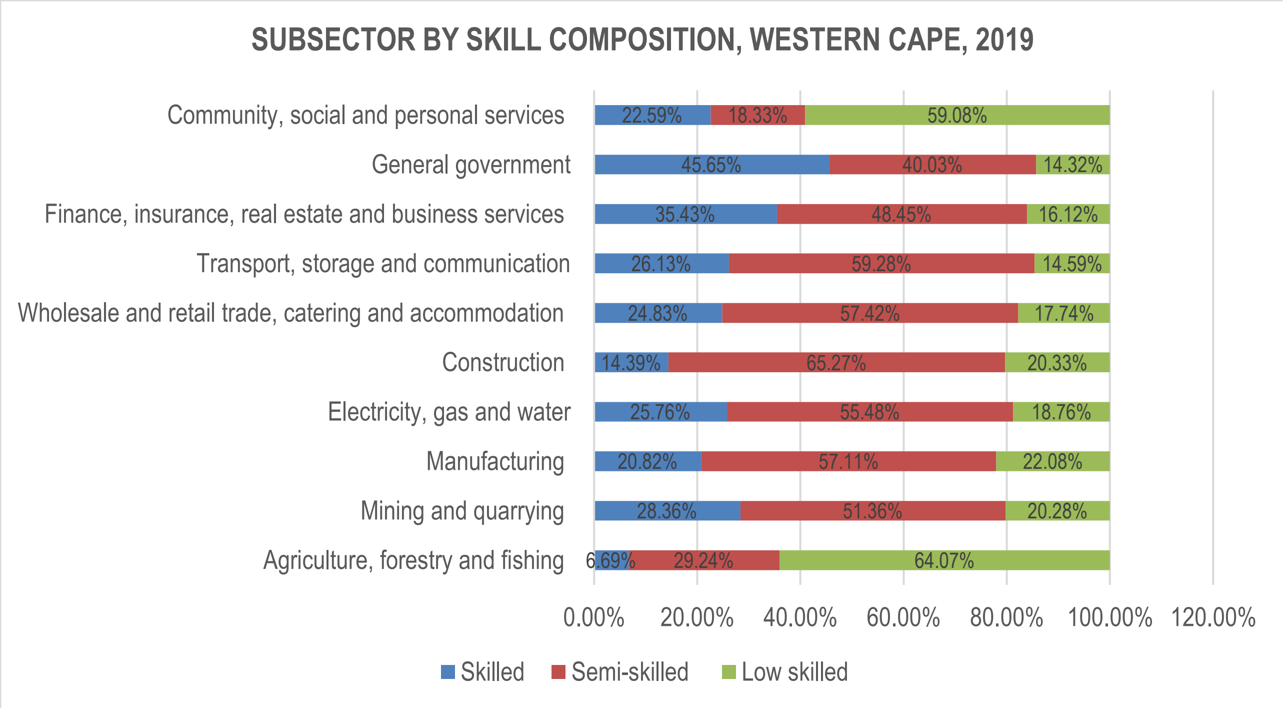
5.1 SUBSECTOR PERSPECTIVE

The graph below decomposes the labour market by size of employment of each subsector in the Western Cape. It is evident that the majority (21%) of the labour market is saturated in the finance, insurance, real estate and business services subsector. This subsector is closely followed by the wholesale and retail trade, catering and accommodation subsector, where 20% of the Western Cape labour market is employed. The general government subsector comprises of 16% of the labour market, followed by the community, social and personal services subsector which is composed of 14% of the labour market. The remaining subsectors each comprise less than 10% of the employment pool, while the mining and quarrying subsector, as well as the electricity, gas and water subsector each constitutes less than 1% of the Western Cape labour market.



Source: Quantec, 2021

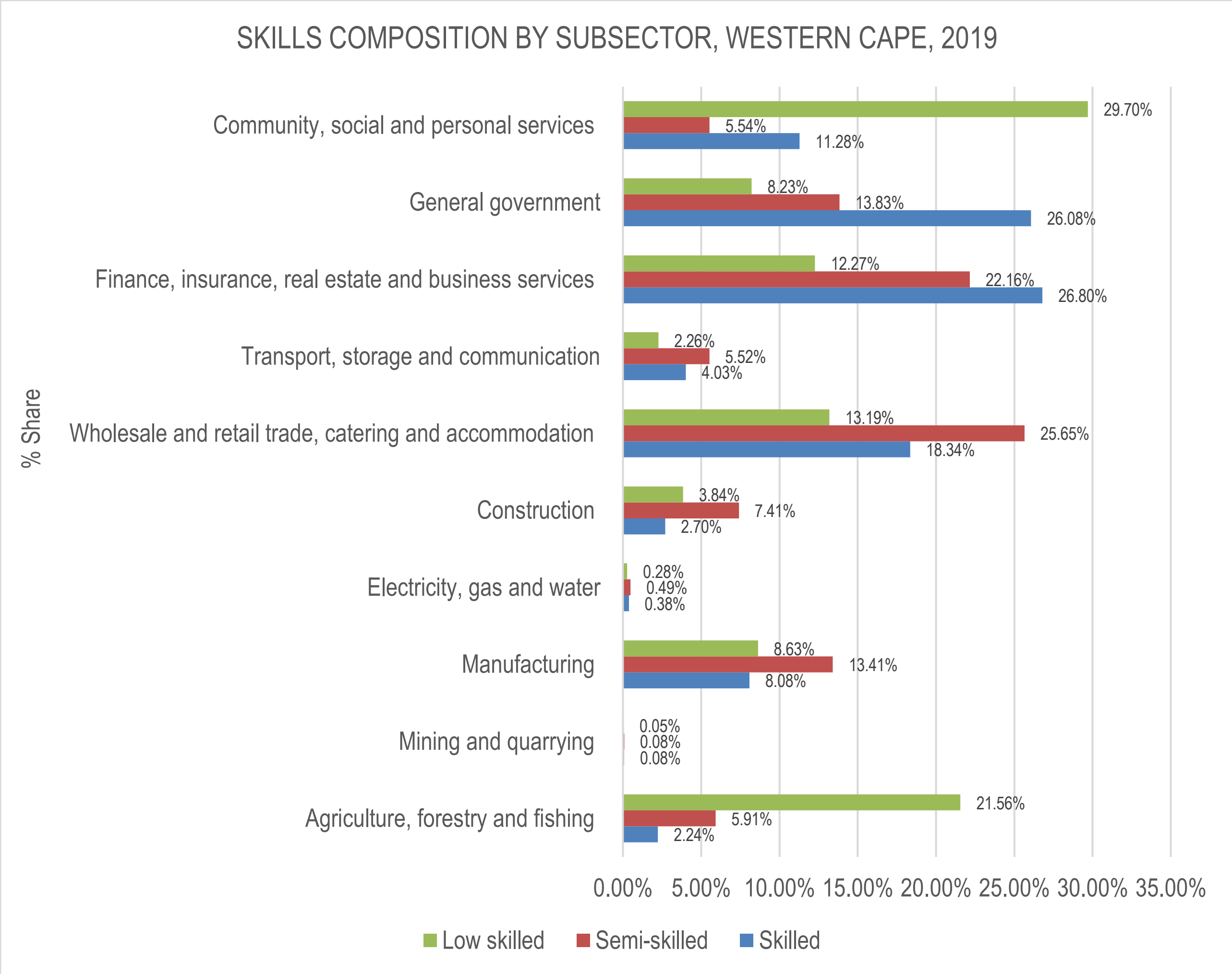
Furthermore, the graph below shows the composition of skill level within each subsector in the Western Cape. The agriculture, forestry and fishing subsector, as well as the community, social and personal services are the two subsectors with the largest number of low-skilled workers, comprised of 64.07% and 59.08% low-skilled workers, respectively. Moreover, 65.27% of the construction subsector is composed of semi-skilled workers, while 20.33% are low-skilled and 14.39% are considered skilled. The manufacturing subsector follows a similar employment structure, where 57.11% of workers are semi-skilled, while 22.08% are low-skilled and 20.82% are skilled.



Source: Quantec, 2021

5.2 SKILLS PERSPECTIVE

From a skills perspective, the picture deviates slightly from what was evident when considering the labour market from a subsector perspective. From the graph below it is evident that out of the skilled worker pool in the Western Cape, the majority of skilled workers (26.90%) are employed within the finance, real estate and business services subsector. The general government subsector followed in a close second, employing 26.08% of all skilled labour in the said province, while wholesale and retail trade, catering and accommodation followed in a distant third, employing 18.34% of the skilled labour force. The wholesale and retail trade, catering and accommodation subsector was the largest employer of semi-skilled workers (25.65%), followed by the finance, real estate and business services subsector (22.16%) and general government subsector, which employed 13.83% of all semi-skilled workers in 2019. Furthermore, the majority of low-skilled works were employed by the community, social and personal services subsector (29.70%), followed by the agriculture, forestry and fishing (21.56%). The wholesale and retail trade, catering and accommodation subsector was the third largest employer of all low-skilled workers, employing 13.19% from this labour segment in 2019.



Source: Quantec, 2021

6. NOMINAL COMPENSATION BY SECTOR AND SKILL LEVEL

The table below shows the value of the total wage bill (ZARbn), average annual growth in the total wage bill,the number employed and the per capita earnings for each skill level within each sector of the Western Cape in 2019. From the table it is evident that within the primary sector, the semi-skilled pool of workers had the largest share of total compensation, with the total wage bill reaching ZAR2.88bn in 2019. Moreover, overall semi-skilled worker compensation in the primary sector grew at an average annual rate of 4.42% per annum from 2015 to 2019. Furthermore, there were 54 380 semi-skilled workers employed in the primary sector in 2019, with a per capita income of ZAR52 977.94 per annum earned in 2019 (ZAR4414.82 per month). Semi-skilled workers in the secondary sector followed a similar trajectory, attracting the largest wage bill of ZAR38.15bn in 2019, with an average growth rate of 5.92% and a per capita (193 194 workers) income of ZAR197 563.56 per annum. As expected, skilled workers in the tertiary sector accrued the largest wage bill of ZAR138.10bn, growing at an average annual rate of 5.99% per annum from 2015 to 2019 and a per capita (474 396 workers) income of ZAR291 114.56 in 2019.

NOMINAL COMPENSATION BY SECTOR AND SKILL LEVEL, WESTERN CAPE, 2019				
SECTOR	VALUE OF WAGE BILL (ZARbn), 2019	AVE ANNUAL GROWTH IN COMPENSATION (2015 - 2019)	NUMBER EMPLOYED, 2019	PER CAPITA INCOME, 2019
LOW-SKILLED				
Primary sector	2.67	5.05%	117 772	22 683.64
Secondary sector	12.23	6.01%	69 430	176 200.56
Tertiary sector	28.75	6.59%	357 639	80 392.42
SEMI-SKILLED				
Primary sector	2.88	4.42%	54 380	52 997.94
Secondary sector	38.15	5.92%	193 194	197 463.56
Tertiary sector	100.25	7.36%	659 117	152 093.97
SKILLED				
Primary sector	2.12	3.91%	12 687	167 072.04
Secondary sector	28.15	4.88%	61 192	460 108.35
Tertiary sector	138.10	5.99%	474 394	291 114.56

Source: Quantec, 2021 and own calculations

7. NOMINAL COMPENSATION BY SUBSECTOR AND SKILL LEVEL

7.1 LOW-SKILLED

The table below shows the value of the total wage bill (ZARbn), average annual growth in the total wage bill,the number employed and the per capita earnings for each subsector of low-skilled workers in Western Cape in 2019. From the table it is evident that low-skilled workers in the community, social and personal services subsector accrued the largest wage bill of ZAR9.94bn in 2019 and had the second fastest growth in its wage bill of 7.13% per annum from 2015 to 2019. Moreover, with the largest number of low-skilled workers (161 796) being employed in this subsector, it had the second smallest annual per capita income of ZAR61 455.47 (or ZAR5121.29 per month) in 2019. Manufacturing attracted the second largest wage bill of ZAR9.46bn among low-skilled workers, growing at an average annual rate of 6.23% from 2015 to 2019. Moreover, with 47 004 low-skilled workers being employed in the manufacturing subsector, the annual per capita income reached a value of ZAR201 329.23 (or ZAR16 777.44 per month) in 2019.

NOMINAL COMPENSATION BY SECTOR AND LOW-SKILLED WORKERS, WESTERN CAPE, 2019				
SECTOR	VALUE OF WAGE BILL (ZARbn), 2019	AVE ANNUAL GROWTH IN COMPENSATION (2015 - 2019)	NUMBER EMPLOYED, 2019	PER CAPITA INCOME, 2019
Agriculture, forestry and fishing	2.59	5.10%	117 473	22 039.31
Mining and quarrying	0.08	3.76%	299	275 832.78
Manufacturing	9.46	6.23%	47 004	201 329.23
Electricity, gas and water	0.77	8.59%	1 504	514 835.77
Construction	2.00	4.18%	20 922	95 402.59
Wholesale and retail trade, catering and accommodation	5.43	6.30%	71 852	75 532.72
Transport, storage and communication	2.21	6.80%	12 324	179 093.48

Finance, insurance, real estate and business services	3.50	6.20%	66 832	52 424.54
General government	7.67	6.24%	44 835	171 077.33
Community, social and personal services	9.94	7.13%	161 796	61 455.47

Source: Quantec, 2021 and own calculations

7.2 SEMI-SKILLED

The table below shows the value of the total wage bill (ZARbn), average annual growth in the total wage bill,the number employed and the per capita earnings for each subsector of semi-skilled workers in Western Cape in 2019. From the table it is evident that semi-skilled workers in the general government subsector accrued the largest wage bill of ZAR35bn in 2019 and had the second fastest growth in its wage bill of 8.06% per annum from 2015 to 2019. Moreover, with the third largest number of semi-skilled workers (125 380) being employed in this subsector, it had the third largest annual per capita income of ZAR279 120 (or ZAR23 259.99 per month) in 2019. Manufacturing attracted the second largest wage bill of ZAR28.12bn among semi-skilled workers, growing at an average annual rate of 5.75% from 2015 to 2019. Moreover, with 121 585 semi-skilled workers being employed in the manufacturing subsector, the annual per capita income reached a value of ZAR231 249.17 (or ZAR19 270.76 per month) in 2019.

NOMINAL COMPENSATION BY SECTOR AND SEMI-SKILLED LEVEL, WESTERN CAPE, 2019				
SECTOR	VALUE OF WAGE BILL (ZARbn), 2019	AVE ANNUAL GROWTH IN COMPENSATION (2015 - 2019)	NUMBER EMPLOYED, 2019	PER CAPITA INCOME, 2019
Agriculture, forestry and fishing	2.57	4.58%	53 623	47 912.48
Mining and quarrying	0.31	3.35%	757	413 232.50
Manufacturing	28.12	5.75%	121 585	231 249.17
Electricity, gas and water	2.83	8.43%	4 447	635 646.28
Construction	7.21	5.69%	67 162	107 287.25
Wholesale and retail trade, catering and accommodation	24.01	6.65%	232 561	103 236.37
Transport, storage and communication	11.65	6.85%	50 070	232 698.28
Finance, insurance, real estate and business services	25.27	7.66%	200 897	125 805.14
General government	35.00	8.06%	125 380	279 120.00
Community, social and personal services	4.32	5.81%	50 209	85 997.03

Source: Quantec, 2021 and own calculations

7.3 SKILLED

The table below shows the value of the total wage bill (ZARbn), average annual growth in the total wage bill,the number employed and the per capita earnings for each subsector of skilled workers in Western Cape in 2019. From the table it is evident that skilled workers in the general government subsector accrued the largest wage bill of ZAR61.69bn in 2019 and had the second fastest growth in its wage bill of 6.84% per annum from 2015 to 2019. Moreover, with the second largest number of skilled workers (142 979) being employed in this subsector, it had the fourth largest annual per capita income of ZAR431 471.61 (or ZAR35.955.97 per month) in 2019. Finance, insurance, real estate and business serives subsector attracted the second largest wage bill of ZAR38.69bn among skilled workers, growing at an average annual rate of 6.84% from 2015 to 2019. Moreover, with 146 913 skilled workers being employed in this subsector, the annual per capita income reached a value of ZAR263 319.21 (or ZAR21 943.27 per month) in 2019.

NOMINAL COMPENSATION BY SECTOR AND SKILLED WORKERS, WESTERN CAPE, 2019				
SECTOR	VALUE OF WAGE BILL (ZARbn), 2019	AVE ANNUAL GROWTH IN COMPENSATION (2015 - 2019)	NUMBER EMPLOYED, 2019	PER CAPITA INCOME, 2019
Agriculture, forestry and fishing	1.58	4.62%	12 269	128 519.52
Mining and quarrying	0.54	2.11%	418	1 298 653.11
Manufacturing	21.51	4.53%	44 318	485 320.75
Electricity, gas and water	2.65	6.97%	2 065	1 283 656.17
Construction	4.00	5.54%	14 809	269 819.37
Wholesale and retail trade, catering and accommodation	19.25	5.01%	100 578	191 363.90
Transport, storage and communication	8.53	5.29%	22 069	386 361.87
Finance, insurance, real estate and business services	38.69	5.35%	146 913	263 319.21
General government	61.69	6.84%	142 979	431 471.61
Community, social and personal services	9.95	6.00%	61 855	160 908.40

Source: Quantec, 2021 and own calculations

8. COST ANALYSIS

8.1 AVERAGE EARNINGS

The table below provides a comparison of average monthly salaries of key IT personnel based within two of the most affluent municipalities in South Africa, the City of Cape Town in the Western Cape and Sandton in Gauteng. From the 16 IT designations presented, the cost of labour (salary paid) is lower in the Western Cape (denoted by the green cells) for 11 of those jobs compared to the same designation in Gauteng. For example, a data analyst is paid 39.37% lower in Cape Town compared to employing the same data analyst in Gauteng, or a salary of ZAR39 987 in Gauteng compared to ZAR24 245 in the Western Cape.

Average Monthly Salary, IT, between Gauteng and Western Cape, 2020			
Job Title	Sandton, Gauteng (ZAR)	Cape Town, Western Cape (ZAR)	% Difference
Software Analyst	23 917	30 939	29.36%
Software Developer	38 832	38 447	-0.99%
Software Engineer	43 848	40 916	-6.69%
Software Engineering Manager	82 747	81 116	-1.97%
Software Test Engineer	22 997	23 557	2.44%
Programmer Analyst	44 412	34 061	-23.31%
Research Analyst	32 058	19 837	-38.12%
Data Analyst	39 987	24 245	-39.37%
Data Scientist	65 064	47 554	-26.91%
Data Engineer	67 491	55 167	-18.26%
Data Warehouse Architect	57 194	108 333	89.41%
Data Capturer	9 774	6 335	-35.19%
IT Support	14 271	13 898	-2.61%
IT Technician	9 881	12 744	28.97%
IT Manager	38 403	34 509	-10.14%
IT Support	13 898	14 271	2.68%

Source: Indeed, 2021

8.2 RENTAL COST

The table below is table from the South African Protery Owner's Association (SAPOA) research office vacancy report[1] and provides a comparison of gross asking rentals per meter square for office space within three prime areas of each province (Cape Town ont the left most column) and Johannesburg (JHB) on the right. Overall, Cape Town's office space rental is generally more costly in the Central Business Districts (CBD), with the asking price for rentals per meter square (m^2) almost doubling that in Johannesburg's CBD. However, office space in key areas in Cape Town such as Claremont does not exceed that of say, Rosebank by much, with the median asking price per m^2 for P-grade buildings reaching ZAR225/m^2 compared to the ZAR250m^2 asked for in Rosebank, JHB. Moreover, when looking at P-grade buildings in prime areas such as Waterfront in Cape Town vs Sandton in JHB, the price is lower, with the median asking price reaching ZAR210/ m^2 in Waterfront vs ZAR220/ m^2 in Sandton.

AVERAGE COST OF OFFICE SPACE, CAPE TOWN vs GAUTENG						
	City of Cape Town (CBD)			City of Johannesburg (CBD)		
	Gross Asking Rentals (R/m2)			Gross Asking Rentals (R/m2)		
Grade	Min	Max	Med	Min	Max	Med
P	185	225	205	-	-	-
A	125	220	150	75	75	75
B	80	185	123	60	110	75
C	67	120	103	28	100	60
	Claremont			Rosebank		
	Gross Asking Rentals (R/m2)			Gross Asking Rentals (R/m2)		
Grade	Min	Max	Med	Min	Max	Med
P	255	255	255	190	264	250
A	160	223	192	120	230	180
B	130	190	160	110	212	145
C	105	125	110	135	135	135
	Waterfront			Sandton		
	Gross Asking Rentals (R/m2)			Gross Asking Rentals (R/m2)		
Grade	Min	Max	Med	Min	Max	Med
P	210	210	210	170	269	220
A	125	200	160	95	200	135
B	110	165	140	70	175	125

Source: SAPOA, Research office vacancy report, 2020

[1] https://www.sapoa.org.za/media/5633/ovs-report-2020-q1.pdf

8.3 FDI

Since 2006 there has been 4 foreign direct investment (FDI) projects into the WC worth nearly R600 million and helping to create nearly 100 permanent jobs.

Companies investing in the Automotive sector in Western Cape between January 2003 and September 2020.							
Project date	**Investing company**	**Source country**	**Destination state**	**Sector**	**Activity**	**Jobs created**	**Capex (ZARm)**
Dec-15	Tesla Motors	United States	Western Cape	Automotive OEM	Sales, Marketing & Support	5	10.07
Jul-13	Audi South Africa	Germany	Western Cape	Automotive OEM	Retail	23	187.01
Mar-10	Avis Budget Group (Cendant)	United States	Western Cape	Automotive OEM	Retail	33	182.69
Oct-06	Cadillac	United States	Western Cape	Automotive OEM	Retail	33	182.69

FDI Markets, 2020