

# The future of work in South Africa

The Fourth Industrial Revolution (4IR) is both a threat and an opportunity for South Africa. With rising unemployment, rampant inequality and a 43% decline in average GDP growth over the past decade, the country urgently needs to rekindle economic growth and create high-quality jobs in large numbers. At the same time, it must put in place measures to mitigate the impact of 4IR or risk falling even further behind.

McKinsey estimates that the inevitable advance of digitisation, machine learning and automation could displace as many as 3,3 million existing jobs by 2030 – mostly in the retail and manufacturing sectors. But in the same time, South Africa has the potential to create up to 4.5 million new jobs across many sectors as a result of productivity improvements, strategic policy implementation and the evolution of technology. That's a net gain of 1.2 million jobs.

The analysis shows that technology-related gains through productivity improvements, strategic infrastructure development, and the evolution of technology could triple South Africa's productivity growth, more than double growth in per capita income, and add more than a percentage point to its real GDP growth rate over the next decade.

Thus, while the advance of technology could be disruptive, it primarily represents a substantial opportunity for the country, but all role players need to act swiftly and decisively to capitalise on this. With foresight and a commitment to act, South Africa can capture the opportunity offered by the 4IR, manage the risks and ensure that the gains are broadly shared.

- There are **significant opportunities across sectors**. For example, **retailers** can introduce digital technologies and automation into their operations to reduce costs and enhance customer experience. They can turn e-commerce from a threat to a growth opportunity. And they can embrace digital tools and advanced analytics that allow retail teams to work more smartly and make decisions that are more fact-based. Automation is a significant part of the solution for the **mining sector** as well. The analysis shows that South African mining companies can drive real gains in productivity within the space of a few years if they step up technology adoption, with the potential to increase margins by 15 percent in some commodities. And across Africa, early adopters **across retail banking** are already seeing operational performance improvements through end-to-end

digitisation of customer journeys and automation of back office processes.

- **The 4IR will bring with it new opportunities for women in particular.** McKinsey's analysis estimates that technology adoption could increase the percentage of women in South Africa's workforce to 45 percent by 2030 – nearly two percentage points higher than today – and create 1.6 million new jobs for women. This is in part because factors traditionally considered physical barriers to women's participation, such as working with heavy machinery, will be removed. Digital and internet technologies will also make reskilling more accessible and enable flexible working.
- Technology-enabled jobs will require **higher skills levels and greater application of expertise and management**, which will necessitate a **significant investment in human capital**. This must come from both government and business. Educational institutions too have a key role to play in evolving an understanding of the 4IR and its implications for training. McKinsey estimates that there will be a demand for an additional 1.7 million employees with higher education by 2030 and unless South Africa's graduate conversion rate improves, much of that demand will go unmet – resulting in a serious skills shortfall across the economy.
- As technology changes the world of work in South Africa, leaders in both the public and private sectors need to take action and adapt. **Collaborative action** is going to be critical if South Africa is to realise these gains. Government, business, educational institutions and individuals all have a role to play. If all role players can work together in bold and imaginative ways, they can harness digitisation to catalyse a skills revolution in South Africa – and create millions of a new, high-quality jobs.

# Harnessing technology for growth and jobs

## South Africa needs to reignite growth and job-creation

**2%** average GDP growth rate 2006–2018 – a 43% decline on the previous decade

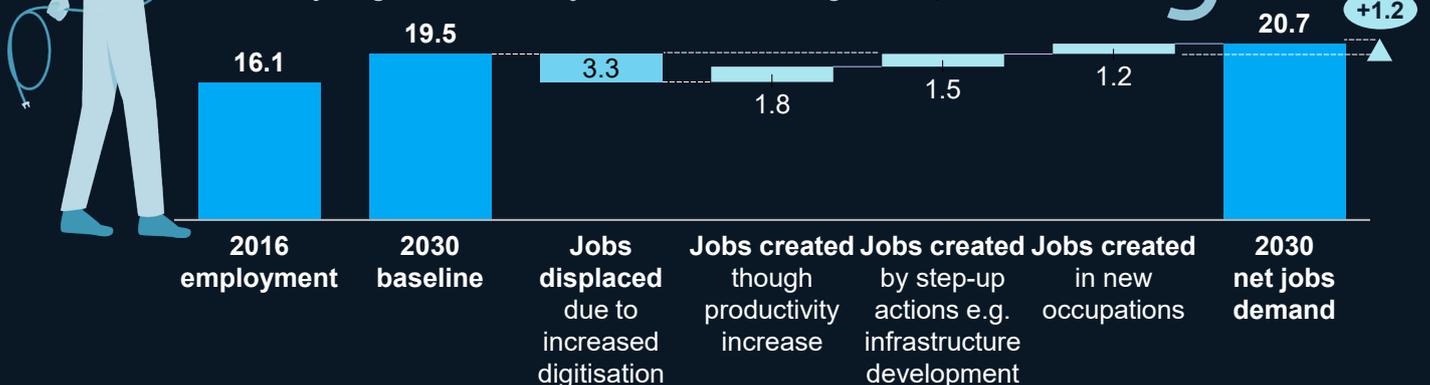
**29%** unemployment in 2019 – highest in a decade

## Digitisation could provide a major economic boost



## Digitisation could result in a net gain of more than 1m jobs by 2030

Potential jobs gained and lost by 2030 as a result of digitisation, millions



## New opportunities for women

Digitisation could create **1.6m** jobs for women – and boost empowerment



## New demand for graduates

Tech-enabled jobs will require higher skills, resulting in demand for an additional **1.7m** graduates



## To seize the opportunity, action is needed by government, business and individuals

### National

- Embrace digitisation
- Invest in human capital
- Mitigate jobs impact of automation
- Foster a step-up in job creation

### Business

- Rethink strategy
- Upgrade workforce planning and reskilling
- Embrace new ways of working

### Individuals

- Focus on skills, not just certification
- Embrace lifelong learning
- Target high-growth sectors and roles
- Find opportunities for entrepreneurship