



The Centre for Development and Enterprise

**BECOMING 'THE WORLD'S MOST PROMISING
EMERGING MARKET'**

*Is government's White Paper on International
Migration good enough?*

Prepared by the Centre for Development and Enterprise
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CDE'S RESPONSE TO THE WHITE PAPER ON INTERNATIONAL MIGRATION IN RESPECT OF SKILLED MIGRATION

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Executive Summary

The White Paper on International Migration has profound implications for economic growth, job creation and the future welfare of all South Africans. CDE's analysis focuses specifically on the issues of skilled migration. While recognising elements of the challenge facing the country, the White Paper fails to acknowledge the depth of the skills crisis already widely apparent. It does not provide clear policies to ensure that South Africa has every chance to become a winning economy. South Africa needs an unambiguous policy now to ensure that the skills-needs of the economy will be met and that our human resources are sufficient to meet the enormous challenge of the 'African Renaissance'. It seems clear that the president and the cabinet will have to intervene in this area of critical importance to national economic growth and development.

Areas of agreement

CDE welcomes many aspects of the approach taken in the White Paper. It is a policy document which on balance, is sophisticated, based on sound analysis and logic, and has confronted certain intractable problems of policy implementation which governments seldom acknowledge.

Particular points of agreement and endorsement include:

- *the recognition that the challenge for the country is to formulate policy that takes advantage of the positive aspects of globalisation including the unprecedented movement of people with skills, expertise, resources, entrepreneurship and capital;*
- *the proposal for the establishment of a specialised Immigration Service, including border control, to take over the existing functions of the police and army;*
- *the commitment shown in the document to the goals of GEAR and its respect for the private market as the engine of sustainable progress in the country;*
- *the realism it evinces in respect of resource constraints and strategic impediments to policy implementation and its judicious avoidance of an approach based on bureaucratic regulation alone;*
- *its determination to establish a system which will restore effective management of immigration after a long period in which government has substantially lost control of the process;*
- *the principle of relatively unrestricted visa-based entry to a broad general category of persons, from tourists and students to investors, traders and job-seekers for a period of three months, renewable for a second period, and the opportunity for such persons to apply for work permits and investor permits should relevant opportunities arise for them;*
- *the delegation of responsibilities and management to companies, by authorising them to issue 'corporate work permits, subject to negotiated guidelines and limitations;*
- *the provision made for special applications on merit and the recognition that conventional vocational qualifications are no longer a guide to the effective skills of applicants and their potential contribution to the economy; and*
- *the suggestion that applications for the right to employ people will not be subject to delays in the processing of documents by the Department of Home Affairs.*

Major reservations

Notwithstanding the above areas of agreement, CDE has major reservations in respect of certain conclusions and proposals in the document and aspects which stand in sharp contrast to the sound analysis in the remainder of the document.

The opening sections of the White Paper establish many of the principles which will guide the drafters of a new migration policy. Although important principles with which CDE agrees are established, there are fundamental problems with the White Paper's approach from the outset. In particular the failure to recognise the impact of the AIDS crisis on South Africa's

skilled workforce compounded by the exodus of skilled people draining this country's human resource pool. The latter problem is not even mentioned until page 33 point 10. Of most concern is what is left out in the narrow policy parameters established in the White Paper CDE would argue for the importance of devising a migration policy within the context of government's broader policy goals. Thus the White Paper's proposals need to be assessed within the context of the following critical national issues:

- *the imperative of economic growth;*
- *the rising importance of human resource capacity;*
- *South Africa's continuing haemorrhaging of highly skilled professionals;*
- *the need for new entrepreneurship;*
- *the need to reject any notion of a 'fixed cake' of employment or business opportunities as irrational in the light of how economies grow.*

Despite fully acknowledging the difficulties, the White Paper contradicts itself by making unrealistic assumptions about the ability of statutory bodies and state agencies to predict the manpower needs of the economy, and as a consequence suggests interventions by government which will prejudice investor and business confidence:

- *policing of immigration laws jointly with the policing of labour laws and regulations will carry the risks of bureaucratic procedures which are restrictive rather than facilitative with respect to the utilisation of foreign skills;*
- *an additional tax in the form of a training levy imposed on the employment of foreigners will add to the already high costs of recruiting and employing expensive foreign skilled labour and as such will be a tax on South Africa's economic recovery and growth;*
- *the recommended use of NEDLAC as the body to determine targets and quotas for skilled immigration will subject forces of supply and demand to institutional interests and negotiated compromises that will introduce serious economic distortions;*
- *the White Paper accepts very doubtful assumptions that future skills-needs of the economy can be quantified and predicted by functionaries in other state departments not bound by the goals set out in the White Paper and also accepts such calculations as the basis for approvals and consultative inputs in its own decision-making;*
- *the suggestion of a priority status for immigrants from Africa – affirmative sourcing of immigrant skills – is problematic both in terms of South Africa's skills-requirements and the development needs of countries in sub-Saharan Africa. If South Africa is to meaningfully increase its human resource capacity it will have to look beyond Africa, at the East and Eastern Europe, as well as the developed industrial economies themselves;*
- *there is the danger of bureaucratic rigidity. The White Paper endorses the principle of flexible regulations rather than legislative prescription in the administration of immigration. International evidence suggests however that even where laws and regulations are rationally based and positive, administrative procedures in the processing of applications for work permits can be introduced which slow down or distort the decision-making process quite substantially. There are reams of examples from private sector agencies of an unresponsive and unnecessarily complicated system at present, notwithstanding the fact that the Department of Home Affairs has recognised these shortcomings in the White Paper. These and other factors suggest that a culture of decision-making in the department has assumed a life of its own. The Minister has not been able to impose his authority and leadership on his own department; and*
- *CDE is concerned at the suggestion that appeals against decisions by the Head of the Immigration Service and the Minister can be rejected without furnishing reasons for such rejection. This would not accord with even the minimum requirements of transparency and good governance.*

Overall assessment

CDE's overall assessment is that

the White Paper is a flawed document which lacks coherence. It does not provide the unambiguous policy prescriptions or the basis for the clear rules which are required of a system to ensure that South Africa is supplied with the skilled professionals and entrepreneurs that it desperately needs.

CDE would advocate the immediate lifting of all restrictions on skilled people from anywhere in the world moving to South Africa. The country's focus on illegal generally unskilled migrants has drawn attention away from the real crisis issue – the enormous and growing shortage of managerial and other skills which undermine the country's prospects for sustained economic growth. Economic growth requires as many skills as we can grow, hire or import.

By protecting uncompetitive local labour migration controls are not helping that labour in the long run. The answer to labour vulnerability which is compatible with economic growth is to train local workers and job seekers rather than keeping out competition which is at best only a short term palliative in any case.

Government's immigration policy must be more effectively positioned as a facilitator of national economic growth. To this end, CDE would strongly recommend that consideration be given to the following adaptations to the policy framework set out in the White Paper

Recommendations

- *The president and cabinet should publicly acknowledge the depth of the skills crisis and its negative consequences for all South Africans. This crisis has three consequences for migration policy:
 - the doors of the -country must be opened to as many skilled professionals and entrepreneurs as we can attract to come here;*
 - it is a fallacy to think that there is a contradiction between equal opportunities for all South Africans irrespective of colour and the active participation of employers in the global marketplace for skilled personnel. In fact the opposite is the case. Those who argue against opening our doors to as many skilled people we can attract are denying South Africans without jobs or skills all the new opportunities that will inevitably arise from a new wave of skilled immigrants across our borders; and*
 - the international experience is clear Governments in countries that are losing skilled migrants as we are need to consider whether they are doing enough to keep such skills in the country.**
- *There should be clear rules for administrative decisions. The procedures and controls established by the Department of Home Affairs should all be tested against the principles of the White Paper and not emerge in co-operation with control functions imposed by other departments not bound by the White Paper principles, for example the Department of Labour*
- *The proposed additional training levy will be a tax on efficiency and economic recovery and should be eliminated since it counteracts the beneficial effects of recent reductions in company tax.*
- *The White Paper should not invest NEDLAC, a negotiating body intended to resolve conflicts of interest, with executive or advisory authority in respect of the determination of immigration targets and quotas.*

- *The White Paper should abide by its own analysis and not assume that current data of sufficient validity or sensitivity to operational skills-needs exists as a basis for correctly assessing the complex, market-driven permutations of immigrants skills required to benefit the country and its economy.*
- *Affirmative action should be pursued within other domains of policy and not imposed as a criterion likely to distort the optimal flow of valuable skills to an economy with unpredictable and changing skills-needs.*
- *The Immigration Review Board should be strengthened to give it wider powers to determine general quotas, guidelines and criteria in respect of the issuing of work permits to foreigners. It should also be given wider access to the full economy by including on it, in addition to NEDLAC and the Department of Labour the Departments of Finance and Trade and Industry as well as direct representation by small and large business and individual experts who are not linked to or associated with other departments or to any political parties. At least an advisory role for Chambers of Industry and Commerce and sector-based employers associations is also necessary.*
- *The reputation of the Department of Home Affairs has suffered badly because of difficulties encountered by important investors in South Africa, in securing necessary production, managerial and professional skills. This suggests that much firmer ministerial intervention than has hitherto been exercised will be required to provide the persuasive reassurances on which confidence can be rebuilt. If the cabinet is serious about our economic recovery and sustained growth, it will ensure that the Minister has full backing in turning immigration policy into an instrument of economic progress.*

The White Paper is not good enough

Many specific recommendations in the White Paper seem to be based on the assumption that skilled immigrants are a threat to the interests of formerly disadvantaged South Africans. This assumption is simply absurd in the light of the facts:

- *the entry of skills will increase the capacity of the South African economy to expand and provide more job opportunities for all residents;*
- *the entry of skills is necessary to expand the capacity of the country to train and educate all its citizens to world class standards;*
- *even the substantially underestimated official statistics on emigration after 1994 show an average net loss of over 4 000 largely skilled persons per annum. On the basis of reports from countries receiving South African emigrants it is widely accepted that the official emigration figures cover about one-third of the true extent of emigration.*

'What are we afraid of? Fewer skilled first world people want to work in South Africa than the numbers of skilled people who are leaving; immigrant skills are more expensive than local recruits, if they are available; and the notion of South Africa being overrun by British accountants or German doctors is quite absurd. We are hardly the world's most popular destination for the kind of people that would reduce the opportunities for the new middle classes in South Africa.

Confidence is one of the characteristics of success in the international economy. We must not be frightened of competition but embrace it. South Africans are as good as anyone in the world given the opportunities and freedom to prove it. The African Renaissance will fail if we do not have the confidence to recognise that we need skilled immigrants to create a larger scope of opportunity than we have at the moment. Skills and experience that have been acquired at a cost to governments elsewhere in the world are the most important form of foreign direct investment, even more valuable than its monetary equivalents. Along with tourism, skilled immigration is one of the most readily achievable ways in which the nation can be enriched.

The Minister of Home Affairs is quite correct when he says that the White Paper is not yet good enough. CDE would therefore appeal to the President, the Minister and the Cabinet as a whole to demonstrate their commitment to our basically sound economic policies by:

- *recognising the deepening skills crisis that faces South Africa;*
- *adopting a clear-cut and unambiguous new migration policy that encourages and welcomes the foreign investment which skilled immigration implies;*
- *opening the door to any skilled, entrepreneurial and honest person who wants to come to South Africa;*
- *implementing an effective communication strategy to inform and educate South Africans about the benefits for all of such immigration;*
- *by so doing counteract the fearful and insecure 'insider-outsider' concerns which are an undercurrent in policy thinking both inside and outside of parliament; and*
- *insisting on effective and transparent implementing machinery*

Such a new immigration policy will impose a great burden of leadership but leadership is the one resource with which South Africa is well endowed. Strong political leadership is crucial to the new policy's success. Political leaders must:

- *differentiate clearly between skilled and unskilled migration, and also legal and illegal migration into South Africa;*
- *adopt CDE's recommended approach to skilled migration as this is essential for economic growth. As part of successfully selling and implementing the policy, leaders must:*

inform the public about how the country can benefit from skilled newcomers;
underscore and stress the need for migration to stimulate economic growth;
assure the public that skilled migrants do not take jobs from South Africans as we have yet to produce sufficient skilled people for all our economic and educational needs;

reassure citizens of the government's commitment to effective education and training for all South Africans;

explain that migrants will have to obey the laws, support themselves and pay taxes;
educate South Africans about the inevitability of increased migration in a world of more porous borders;

ensure through authoritative research, that the public debate is about facts rather than rumours, myths or speculation unsupported by evidence; and

assess whether the government as a whole is doing enough to keep skilled people in the country;

- *formulate an effective and workable policy with respect to unskilled migration. Again we would refer to CDE's cost effective and detailed proposals in this respect; and*
- *reassure South Africans that this will be done and then actually implement a 'get tough approach (within the constraints of the constitution and the bill of rights) with respect to illegal immigrants.*

The politics of migration revolve around an exceptionally sensitive set of public issues. What South Africa requires now is a clearcut and unambiguous policy, supported by strongly reasoned arguments which are publicly backed by all members of the Cabinet.

AN ASSESSMENT OF THE WHITE PAPER ON INTERNATIONAL MIGRATION IN THE CONTEXT OF GROWTH AND DEVELOPMENT

The assessment that follows is focused specifically on the issue of skilled migration. It does not deal with the matter of illegal entry of unskilled aliens and border controls. It deals only with issues of immigration which relate to the growth and development policies of government, and as such is concentrated on the criteria to be imposed in respect of work permits for persons who legally seek entry in order to pursue business and occupational interests in South Africa.

POPULATION MOVEMENT, IMMIGRATION AND PROGRESS

The sweep of history has an emphatic message in respect of the growth and development of nations and peoples – new ideas and stimulation, new skills and experience, new technologies, trade goods, financial resources and other forms of enrichment from across national boundaries have more often than not been crucial factors. It is equally true that nations often tend to be hostile to foreign influences and resources, but the societies that have been confident enough to overcome this resistance and to absorb the inflow of resources creatively have reaped a rich reward. Almost without exception, countries that have fallen behind in the race for development are those countries that have isolated themselves, placed undue emphasis on local self-sufficiency, neglected trade across their borders, failed to attract external capital and failed to secure the most important bounty of all – the entry of energetic and skilled foreigners with new ideas, foreign contacts and a willingness to take risks.

Among the external resources for development it is the human resources that have left the most enduring benefits, because human resources reproduce themselves, they seek opportunity, expand it once achieved and become role models for local people. Consider the United States. It is inconceivable that the USA could have grown to become the greatest economy the world has ever known without wave upon wave of immigration, each one of which added to the store of entrepreneurial, cultural, intellectual and technical resources that have produced a sustained and continually revitalising economic miracle. Many of the immigrants were despised, some were ridiculed and others were hated as enemies, but their contributions transformed the host country. Each immigrant group, from the West African slaves, the impoverished Southern and Eastern Europeans, the refugees from famine in Ireland and equally impoverished Latin Americans, to the often brilliant immigrants and refugees from formerly hostile countries like Germany, Russia, Japan and India, has made a signal contribution. Immigrants have built the USA into the great power it is today.

In the global economy today, economic growth and competitiveness is increasingly determined by high level skills inputs, the value added by innovations in management, production systems and technological innovation and by the levels of entrepreneurship and new risk ventures. South Africa's economy has to draw on international resources for these inputs to growth and therefore the country's immigration policies are a vital aspect of strategies for economic growth and investment.

This fact has once again been highlighted by the recently published results of the 1999 school-leaving examinations.¹ While they suggest that the steady deterioration in performance of the past few years has been almost halted, the brute fact remains that less than one-sixth of the output of our public schools is formally eligible for higher education and even fewer are able to cope with it. Even if progress is sustained from now on, it will be at least a decade before we will begin to be self-sufficient in high level skills-output.

South Africa cannot afford to wait that long to become competitive in human resources. A recently released official report by the Council on Higher Education sounds 'a wake up call to the nation' according to one newspaper report.² It refers to a recent survey involving 273 major employers, 76% reported that they were experiencing a shortage of professional workers. The same survey predicted that in the period 1998-2003 job opportunities at the professional level would grow by between 16 and 18% while those for unskilled workers would decrease by about 35%. The higher education system thus faces an enormous challenge to produce the numbers and types of graduates required by the labour market.

The report notes that the school system's present production of matriculants with qualifications required for entry into science and technology suggests that any hope of a continued substantial growth in these fields could be misplaced. Statistics show that student enrolment in higher education declined by 7% (41 000) in 1999 from 1998. 'The decline could have unfortunate social and economic consequences since labour market trends predict a sustained growth of 5% in the demand for high level skills'³

One contributory factor is that dramatic improvements in the schooling system have not been realised. The National Council on Higher Education used the 1994 total of 89,000 school leavers obtaining full matriculation exemption to predict that by 1998 130,000 candidates with full matric exemptions would be produced. In reality the number of candidates obtaining full exemption has declined since 1994 – from 89 000 in 1996 to 69 000 in 1998.⁴ As a journalist from *The Star* reminds us, 'Poor schooling means both poor university enrolments and more dropouts and that, in turn, means inadequate labour skills to drive the South African economy at a vital stage in the country's development.'⁵

In addition to this, the country is losing skilled people all of whom are desperately needed if we are to achieve our growth and development goals. There are now more opportunities for skilled black South Africans than the education system can meet – and this mismatch will expand with increased economic growth. In the words of the Department of Education publication released on 24 July 1997 '[there is] a chronic mismatch between higher education's output and the needs of a modernising economy'⁶

South Africa needs an unambiguous migration policy now to ensure that the skills-needs of the economy are met and that our human resources are sufficient to meet the enormous challenge of the African renaissance. We have to position ourselves to become a winning nation and that will require an influx of skilled foreigners as a matter of urgency

The White Paper on International Migration, therefore, has profound implications for economic growth, job creation and for the future welfare of all South Africans. It is potentially the most important policy initiative in a field relevant to the economy since the start of the Mbeki presidency. It will very substantially help to determine whether or not the growth policies of the second democratic government succeed. As we will point out, the White Paper, while recognising elements of the challenge, fails to acknowledge the depth of the skills crisis already plaguing the country and does not provide the clear policies to ensure that South Africa gets the skills that it needs. The president and the cabinet will have to intervene very firmly indeed in this area of critical importance to national economic growth and development.

CONSULTATIVE PREPARATORY WORKSHOP

When the White Paper appeared CDE considered that it was an utmost priority to make a full and considered response to the policies proposed. To this end CDE convened an expert workshop on the White Paper on 4 November 1999, under the title *Becoming the 'world's most promising emerging market' Is government's White Paper on International Migration good enough?* The Minister of Home Affairs, senior officials from his department, the Chairperson and members of the Portfolio Committee on Home Affairs, a number of senior representatives from the private sector and from the foreign business community, representatives of other relevant national departments and semi-state agencies as well as prominent economic policy analysts attended the workshop. (See Appendix A for a full list of participants) The inputs made at the workshop have contributed meaningfully to the assessment that follows.

Although the discussions at the workshop ranged fairly widely and covered immigration issues in considerable detail, the following are the major points of relevance to the evaluation of the White Paper that follows.

- The Minister of Home Affairs, in his address to the workshop, reassured the audience that he was fully aware of the importance of skilled immigration for South Africa as it confronts the critical challenge of growth. After providing a persuasive rationale for the concepts contained in the White Paper he responded to questions from the delegates. In these responses he was receptive to appeals from business representatives for a greater flexibility by his department in the processing of applications for work permits for foreign employees required by business, to the extent that he announced the re-introduction of a 'hot line' to the department in respect of urgent applications. He seemed to regret the general impression in the business community that there is currently a breakdown in functioning of the department and that even under more normal conditions the department was too rigid, circumspect and concerned with procedural complexities to address the needs of the economy. He was, however, unable to explain why he had not exercised the leadership required to ensure a restoration of functions. The contrast between his position and that of some senior officials in the department, on the one hand, and the testimony given by businessmen and representatives of foreign chambers of business at the workshop about the rigidity of official responses to applications for work permits on the other, points to a situation of disarray in the department.
- The representatives of both local and multi-national business, in their turn, gave uniform testimony of serious difficulties and delays in the responses to applications for work permits for foreign employees.

They were at pains to point out that business rationality would always ensure that local employees would be preferred over more expensive foreign skills but that local skills shortages and the necessary alignment of management approaches in local multi-nationals with that of their overseas operations made the speedy issuing of work permits to foreigners essential. The strong impression was gained that foreign direct investment could be placed in jeopardy if the current constraints on access to foreign skills were to continue.

- The accounts of difficulties experienced left the impression that, quite independently of and in sharp distinction to the forward-looking policy orientation reflected in the White Paper, a culture of rules, formalities and procedures has taken root in the department which is unduly restrictive in its effects on the economy. This left some of the business participants with the impression that even if legislation were to change, the interpretation of laws and the surrounding regulations in the Department would continue to be restrictive.
- A submission made by the Vice-Chancellor of the University of the Witwatersrand was a telling illustration of the fact that high level skills, expertise and intellectual resources, as formed and developed at the tertiary educational level has to occur in a seamless interchange between countries and continents. In order to maintain standards and international competitiveness, and to transmit such skills to a local economy, a university cannot afford the luxury of local preferences in its appointments. Difficulties experienced by universities in obtaining work permits for foreign academics were placing the competitiveness of universities in jeopardy. This point has been echoed in remarks by the Deputy Vice-Chancellor of the University of Natal, David Maughan Brown, who has said that 'a considerable number of academic staff from his university had emigrated and that while the university had attracted many talented people from outside South Africa, the outflow is a loss not able to be compensated by the inflow'.⁷ Unless universities enjoy free access to available international academic talent they will fail in their service to the society and the economy. This was particularly the case with universities in a country at the margins of international advances in theory and technology, like South Africa. Academics, by their nature, are trainers of a majority black student community.
- Inputs made at the workshop by the Department of Labour were guided by the assumption that quotas should limit the entry of foreign labour and that targets should be set on the basis of empirical reviews of skills needs in the economy.
- In this respect the positions taken paid scant regard to the point made by senior economists to the effect that any review of skills-needs in the economy would inevitably reflect immediate past patterns rather than emerging needs in a rapidly changing economy. The emphasis on the need for categorisations of skills-needs as a basis for targets or quotas also overlooked the fact that the modern economy generates rapidly-changing needs for skills within new categories which cannot be captured by even the most detailed classifications of types of skills. Furthermore, many of the specialised skills required in today's production systems and service lines are not accommodated by formal qualifications and certificates of a type which are likely to be specified in reviews of skills-needs. The economists and other experts stressed that no bureaucratic 'intelligence' system can be flexible enough to respond to the skills requirements in rapidly changing economies.

- The inputs made by the representatives of the Portfolio Committee on Home Affairs, as expected and quite appropriately, tended to emphasise the need to protect local job seekers and entrepreneurs from competition from imported foreign labour. In justifying their caution in respect of more flexible policies of entry for foreigners, the parliamentary representatives, however, failed to provide any convincing evidence of damaging competition, tending rather to give anecdotal examples of fraudulent entry into the country or criminal activities of illegal foreigners. Document fraud is essentially a matter for the law-enforcement agencies and not a matter to be regulated by policy. The cases of delinquency of which MPs are aware would inevitably be exceptions to the more general patterns. It is also important not to overlook the fact that, by contributing to economic growth and job-creation, foreign employees and entrepreneurs would expand economic opportunity for local labour and business in both direct and indirect ways.
- A perception appeared to exist among some representatives of the Portfolio Committee that a more flexible approach to the entry of foreign skills was part of an agenda to pack the higher levels of the economy with white appointees, and that this would frustrate the progress of affirmative action in South Africa. CDE and other delegates were at pains to point out, however, that flexibility would apply equally to applicants from African countries and that a wealth of entrepreneurial and intellectual talent existed in Africa which was just as valuable as that available from the more economically advanced countries. Furthermore, this flexibility would help create more jobs and economic opportunities for all South Africans.

The workshop reflected the variety of policy positions taken in respect of immigration and more than adequately conveyed the need for a protection of the interests of the formerly disadvantaged members of the South African labour force. A broad consensus emerged that illegal immigration and any associated criminality should be combated, but no convincing evidence was adduced to support policies which would restrict the entry of persons who through their skills, occupational experience and entrepreneurial energies would provide resource inputs for growth and job creation in the South African economy

CDE RESEARCH AND FINDINGS ON MIGRATION POLICY

CDE's response to the White Paper is the product of considerable research on international migration and South Africa's policy in this field. The insights derived from this extensive project are a vital dimension of this evaluation. This work is captured in the following publications:

- CDE Research no 6: *People on the Move: Lessons from international migration policies* June 1997.
- CDE Research no 7: *People on the Move: A new approach to cross-border migration in South Africa* June 1997.
- *CDE Response to the Draft Green Paper on International Migration* June 1997. and
- *Migration and Refugee Policies: An overview*, a CDE book edited by Ann Bernstein and Myron Weiner, published by Pinter Press, London 1999

Our conclusions from this extensive body of work can be summarised briefly

No migration policy will work perfectly – there will always be ways in which people can slip through the system. However, it is essential for citizens of a country to believe that the government is regaining control of the migration process. This requires a decisive choice about migration and leadership from politicians.

CDE's analysis and orientation is clear. We are in favour of migration as a phenomenon – many migrants are the risk-takers of their communities, people with the drive and need to work hard. This philosophy should apply to rural-urban migration within SA and to migration across our borders. SA will not become a successful world competitor as a closed, protectionist, narrow society. Diversity, openness and the opportunity to maximise the energy and unforeseen talents of people are required to build a great society and encourage entrepreneurial growth. This does not mean an open invitation should be issued to everyone in Africa to migrate to the southern tip. States have a right to secure their borders and keep out undesirables – criminals, vagrants, drug-traffickers, gun-runners, cross-border cattle rustlers and so on – and to do this effectively. A clear distinction needs to be made between crime control and migration issues. Strict and tough crime control measures should not be used, mistakenly, as tools of migration control.

CDE's proposals address the central challenge of migrants seeking medium to long-term work and residence in South Africa. We advocate a two-tiered approach to migration policy – for skilled and unskilled migrants. (We will not deal with unskilled migrants here – our detailed policy approach can be found in CDE Research no 7: *People on the Move: A new approach to cross-border migration in South Africa* June 1997.)

With respect to skilled migration, CDE advocates the immediate lifting of all restrictions on skilled people from anywhere in the world moving to South Africa. The country's focus on illegal, generally unskilled migrants has drawn attention away from the real crisis issue – the enormous and growing shortage of managerial and other skills which undermine prospects for sustained economic growth. The definition of 'skilled persons' should be expanded to include not only the traditional professional, technical, managerial and investor categories but also entrepreneurs of all kinds who have some demonstrated skills in the creation and management of either formal or informal enterprises. It is an illusion to think that tough restrictions on getting into SA will help neighbouring countries keep skilled people. If denied the opportunity to move to SA when and if they want, many skilled people will leave the continent altogether.

South Africa is perennially short of skilled and entrepreneurial people. Economic growth requires as many skills as we can grow, hire or import. It is a fallacy to think that there is contradiction between equal opportunities for all South Africans irrespective of colour and the active participation of employers in the global marketplace for skilled personnel. By protecting uncompetitive local labour, migration controls are not helping that labour in the long run. The answer to labour vulnerability which is compatible with economic growth is to train local workers and job seekers rather than keeping out competition which is only a short term palliative in any case. Therefore, it is essential that companies, universities, cities, government departments, parastatals and any other employers are free to buy in talent as and when they deem fit. The economic expansion that this talent will help South Africa to create and sustain will in turn help to create the resources necessary to train and educate more and more South Africans.

Political leadership is crucial. A liberalisation of controls on migration into SA will not be immediately popular, but if political leaders are prepared to spend some effort in pointing out the complexities of the problem, CDE is convinced that opposition will begin to abate. And they will have a far better chance of doing this if the government

- distinguishes clearly between legal and illegal immigration and skilled and unskilled migrants; and
- commissions authoritative research on the impact of all migrants in South Africa as this will help to undermine many of the myths about migrants that feed xenophobia.

CDE's policy package is designed to stimulate economic growth and strengthen the economy by enlarging the pool of skilled people and entrepreneurs and by promoting a more efficient labour market. Our proposals accommodate regional pressures for migration while limiting claims on public resources until immigrants have demonstrated their capacity to make a contribution to the country

SOUTH AFRICA'S CORE POLICY CHALLENGES AND THE LIMITATIONS OF THE WHITE PAPER

In the opening sections of the White Paper (*preliminary considerations; the existing policy framework; and the need and parameters for a new policy*) the drafters establish many of the principles which will guide their formulation of a new migration policy. Although there are important principles established here with which CDE agrees, it is important to note three fundamental problems with the White Paper's approach from the outset.

First, the White Paper argues that 'the Department of Welfare has acknowledged that our present population and its projected growth at the present growth rate are such that one can consider that the South African population cannot be supported by the country's available resources' and that therefore one should assume that our migration policy should reflect the notion that further population growth through migration is not desirable. (page 11, point 5) Whether or not these assumptions are true is a different debate but we should not allow this argument to be used to counter our urgent need for skilled migrants. Surprisingly the White Paper does not mention the fact that the country is in the grip of a serious AIDS epidemic which will result in a significant decline in the current South African population. (See Box on *AIDS, Skills Shortage and Economic Growth*, page 8)

The second area of concern lies in the White Paper's establishment of four main policy parameters. The first three 'policy parameters' are sound and fully supported by all CDE's research. These are:

- 'the migration system should enable government to retain control of who may enter the country and the conditions and length of his or her stay' (p.17);
- 'under present circumstances it is not possible for South Africa to deal with the "push" factors acting in the rest of the continent nor build a migration system predicated on the improvements of these factors' (p.17); and
- 'the migration system must not heavily rely for its success on actions taken to secure the country's land and sea borders from people willing to cross them illegally' (p.18).

AIDS, Skills Shortage and Economic Growth

- Metropolitan Employee Benefits estimates that 20% of South Africa's workforce will be HIV positive by 2005, increasing to 22,5% by 2010.⁸
- ING Barings estimates that 12,1% of highly skilled workers, 21% of skilled workers and 29,4% of semi- and unskilled workers in SA will be HIV positive by 2005.⁹ Their report points out, 'The cost of supporting and replacing a highly skilled worker with HIV/AIDS will be substantially above those for semi- and unskilled workers.'¹⁰
- Both Metropolitan and ING warn that the effect of the epidemic will be to accentuate the skills shortage and could slow economic growth.¹¹
- The *Financial Mail* notes, 'It's a difficult thing to measure with any degree of certainty, but studies of Tanzania, Cameroon and Zambia suggest that over 20 years, AIDS shrank economic growth to three quarters of what it could have been'.¹²
- In Zimbabwe, AIDS had wiped out an estimated 1 million people by 1990. Among the casualties identified by a researcher was company profits. Firms face declining productivity, higher employee benefits and loss of skilled staff. The biggest cost is absenteeism.¹³
- In 1999 the Swaziland education ministry reported three to four AIDS deaths a week among the nation's 8000 teachers.¹⁴
- Estimates suggest that the availability of skilled labour in Botswana will be reduced by 33% as a consequence of AIDS by 2021.¹⁵

The White Paper's fourth policy parameter states that: 'the development of a migration system is closely interrelated to the management and regulation of labour dynamics and requires an interface with labour institutions' (p.19). This is a complex area and one which we deal with fully in the course of this detailed response.

It is then on the basis of these four 'main policy parameters' that the White Paper proceeds to put forward a new migration policy for the country. The problem with these four parameters is not what they deal with but what is left out. This is too narrow a base off which to develop a migration policy for a country with South Africa's economic and development challenges.

And this leads onto our third area of concern. It is truly worrying that the first time the White Paper mentions the exodus of skilled people draining this country's human resource pool is only on page 33, point 10. Surely the current skills crisis in South Africa should have been a primary concern in drafting this White Paper?

In the next section we will spell out the wider policy framework within which CDE will argue the country's migration policy must be placed.

CDE'S POINTS OF DEPARTURE FOR THE EVALUATION OF THE WHITE PAPER

CDE's assessment of the White Paper is rooted in a comprehensive and well-researched analysis of policy needs in South Africa at the present time.¹⁶ The points of departure, which this analysis implies, include the following:

- **The utter imperative of economic growth**

CDE's primary basis for evaluation is the requirements for more rapid economic growth and the fixed investment such growth implies. Given the reality of rising unemployment and the associated poverty which is affecting the ability of the government to address critical social needs and to supply services on a sustainable cost-recovery basis, CDE is convinced that policies which facilitate growth and job-creation have to take precedence over all other considerations in the assessment of government policy

Most expectations are that GDP growth in 2000 will be in the region of 2,5% to 3,5% per annum (note forecasts by ABSA¹⁷ and the Minister of Finance).¹⁸ CDE is concerned that an improvement up to these levels, after average growth of much less than 2% in 1997 1998 and 1999 (up to the third quarter), may induce a sense of complacency. Yet even sustained growth at 3,5% will be insufficient to start reducing unemployment, and the increased tax revenue implied, although able to reduce stress in meeting recurrent costs in the state budget, will still be well short of the fiscal resources needed to lift state capital expenditure to levels typical of more successful developing economies. The economic empowerment of all South Africa's people requires sustained growth of 5% per annum and more, as anything less will fail to reduce the existing unemployment backlog.

- **The rising importance of human resource capacity**

Human resource capacity and the skills required for competitiveness and flexibility of production strategies are rapidly taking precedence over other inputs to growth in the global economy and in South Africa. South Africa's economy has a major distortion in that its position on the international Human Development Index is well below its relative position in terms of GNP and core economic indicators. The discrepancy is aggravated by the fact that an ongoing shift up the skills ladder is taking place in formal employment; a tendency which will intensify as a consequence of the computerisation revolution and the increasing importance of more skill-intensive sectors in the global economy

In the current and future economy the main asset of working people will shift from the occupation of a job to what has been referred to as 'human capital portfolios' held by human capital entrepreneurs' South Africa faces a major threat to prospects for economic growth because its educational system is simply not keeping pace with the heightened demand for flexible skills required in new production systems.

At present, enrolment not only in established universities but even in technikons seems to be declining.¹⁹ This apparent decline must be seen in the light of the fact that it has been estimated by Professor CF Crouse that the number of science graduates has to increase by over 4% per annum to ensure economic growth at a sustained level.²⁰ This stark discrepancy is made even more serious by the fact that, as the 1998 National Budget notes, 'The long term trend in net emigration, however, continues to act as a drain on the supply of skilled labour.'²¹ (See box on *South Africa's Brain Drain*, page 11)

A study by P-E Corporate Services among 750 companies suggests that between 1993 and mid-1997 the proportion of organisations that experienced shortages of skilled staff rose from 8% to 42%. In 1997 the shortage of senior, middle and supervisory managers was estimated at between 300 000 and 500 000. Deloitte and Touche also estimated in 1997 that 75% of newly qualified Chartered Accountants look for work abroad. Even at the modest rates of growth in 1996 of around 3%, a shortage of skills accounted for some 3,4% of capacity under-utilisation in industry²²

All these skills constraints will be hugely aggravated by HIV/AIDS. With current rates of infection, the indications are that by the year 2010, there will be around 2,5 times the number of deaths in the highly productive age category of 35 to 44 years than in the 60 to 69 year age group, as a consequence of AIDS. Hence South Africa will not only have the challenge of training but also the challenge of replacing the trained people who die of AIDS.²³

- **Facilitating the confidence in the economy required for higher levels of investment**

South Africa has to rebuild investor and business confidence as a critical priority. Not only must the level of new fixed investment and entrepreneurship be raised, but also existing businesses must have the confidence to expand. Among other factors, such confidence depends substantially on the image of the state as an agency able to perform the tasks it has set itself on a sustainable basis and on the image of public administration as being supportive of private enterprise by limiting undue interference in the market.

- **The need for new entrepreneurship**

Over the past decade the economic expansion of the USA and many other successful economies has been driven as much by the emergence of new small and medium enterprises (SMEs) as by the expansion of existing enterprises. Small and medium enterprises have accounted for the lion's share of employment creation.

The skills needs and shortages referred to above have all been estimated in respect of the large corporate sector in South Africa. As such they leave out of the reckoning the skills and aptitudes required to drive new business ventures, particularly those in the SME sectors. Given the fact that South Africa does not have the skills required to service existing production, it follows that it does not have the requisite skills that a dynamic growth of new, small, technological or professional service enterprises would require.

South Africa's Brain Drain

The magnitude of South Africa's 'brain drain' is disguised by serious data deficiencies. Between 1994 and 1997, for example, according to *The Indian Ocean Newsletter* while 5 500 South Africans told the authorities that they had emigrated to Australia, the Australian authorities said that 9 000 arrivals from South Africa had been registered during that period.²⁴ In 1998, Australian government figures indicated that about 4 700 South Africans settled in their country while Stats SA recorded that only 1 492 people emigrated to Australia in the same period.²⁵ Recent material published by the Development Policy Research Unit of UCT revealed that between one eighth and one fifth of South Africans with tertiary education now live abroad. The authors compiled their data by looking at figures on the immigration of South Africans to Britain, the United States, Australia, Canada and New Zealand. 'In the nine years from 1989 to 1997, nearly a quarter of a million – 233 609 – South Africans arrived in these countries. The official government emigration figure, 82 811²⁶ for the same period, led the researchers to conclude that the true scale of the brain drain has been underestimated by two thirds.'²⁷

'The problem is not solely one of high emigration. Immigration is falling and it is historically unprecedented for South Africa to have such limited immigration of professionals.'²⁸ It has been calculated that emigration of graduates lowered gross domestic product by 0,37 percent a year. In 1997, for example, R67,8 billion of investment in human capital 'abandoned the country'. 'The major cost to the country is in lost production and the export of human capital in the form of education, training and experience.'²⁹

What the above factors mean is that:

- official statistics are near worthless; and
- South Africa has seen a significant exit of people, principally skilled people, over a long period of time.

South Africa has a low and declining rate of formal (legal) immigration. We have never attracted so few migrants. As one commentator noted in 1998, 'Nineteen ninety-seven was the fourth successive year in which this country experienced a net loss of people through emigration. This has not happened since World War 2. Until now there have never been more than two years of net emigration in a row.'³⁰

	Immigrants	Emigrants	Net gain/loss ³¹
1989	11 270	4 911	6 359
1990	14 499	4 722	9 777
1991	12 379	4 256	8 123
1992	8 686	4 289	4 397
1993	9 824	8 078	1 746
1994	6 398	10 235	-3 387
1995	5 064	8 725	-3 661
1996	5 407	9 708	-4 301
1997	4 103	8 946	-4 843
1998	4 371	9 031	-4 660
Jan-May 1999	1 692	4 313	-2 621

The official statistics reveal a substantial net loss of skilled professionals. Stats SA figures for 1998 show a net loss of persons in the professional, semi-professional and technical occupations of 1 796³², with a net loss of 1 373 in 1997. Between January and April 1999 the net loss of people in this category was 732.³³

These statistics are underestimates as they do not take into account what has been termed 'grey' emigration, whereby people leave on holiday and simply do not return, or return as occasional visitors, thereby cutting out the red tape involved in emigration. A spokesperson for the Central Statistical Services has stated, 'We can't tell – we can only tell people who go formally.'³⁴ The Department of Home Affairs admits that the flight of skills is far more acute than it appears. According to a spokesman for the department, 'The records we collect are not a true reflection of the situation... When people leave the country they are required to fill in a form stating the reason they are leaving. We have found that the figures at Stats SA often differ vastly from those at individual embassies.'³⁵

In many countries it is the immigrants who have driven small entrepreneurship. They have generally not competed with locals for business opportunities but have brought new perspectives to bear in identifying opportunities for new wealth and employment creating ventures.

- **CDE rejects any notions of a 'fixed cake' of employment or business opportunity as irrational in the light of how economies grow**

One of the major considerations which is always raised in discussions of immigration policy is whether more open opportunities for immigration will reduce the opportunities available for South Africans. While this viewpoint has a certain mechanical logic to it in a static situation, it is an illogical view within the dynamics of economic growth as it always occurs. It is a view which comes close to that of the archetypal peasant who fears that his neighbours' successes will subtract from his or her own prospects of success.

Productive immigrants contribute to an increase in the size of the cake of opportunity and as such increase opportunities for local people in a country, not always in the short term but more or less always in the medium and longer term.

A similarly restricted view is that immigrants are undesirable if they do not contribute *directly* to the creation of work for locals or directly to their training. If one takes an extreme example: an immigrant from a foreign country who starts a small factory and employs only people from his or her own family. The restricted employment is unfortunate, but the lack of direct job creation and resource transfer is a minor factor compared with the many economic benefits that increase the resources available for the population as a whole. The immigrant will pay income and company taxes and levies, the business started will add to the goods and services available for local consumption or export, and the new company will purchase raw materials and services from other local companies, which will be employing local people.

Professor Charles Simkins pointed out at the workshop that a technically or professionally qualified person generates between R750 000 and R1,5 million more than that generated by a matriculant in his or her lifetime. The money generated goes into circulation, creating market expansion and enhanced job creation as it circulates. One may take this argument further.

A skilled immigrant is a form of direct foreign investment. What that immigrant is bringing into the country are the costs to the government and to himself or herself of his or her training and education. A graduate immigrant hence will be bringing in an equivalent of several hundreds of thousands of Rands. Even an initially unemployed immigrant with no formal qualifications but with drive, motivation, skills or equivalent experience is actually transferring valuable resources from the country of origin to South Africa, especially if the experience is not of a type which can be gained in South Africa. He or she is expanding the cake of the local economy without the economy having to spend the costs of acquiring the education training or experience he or she brings.

The argument is frequently made that allowing skilled migrants in freely will decrease the incentive in government and the private sector to train South Africans up to the levels of skill required. CDE would endorse the view that no greater priority exists than the training of South Africans and CDE supports all efforts aimed at upgrading South African education as a matter of national urgency. The problem, however, is that if a system has a shortage of skills it will by definition have an even greater shortage of trainers. If there is a decline in the level of enrolment in universities and technikons then it means that the deficit of trainers is likely to increase yet further. This problem has existed for a long time in respect of artisans. The number of apprenticeship contracts completed has dropped from some 9 300 in 1978 to 3 960 in 1998, according to the Department of Labour.³⁶

CDE, therefore, is convinced that there is no escaping the need to import skilled or occupationally experienced people as rapidly as possible. Without the acquisition of immigrant skills the hope for a truly successful South Africa and in turn our 'African Renaissance' will be dashed.

- **The government has to be seen to be re-establishing control over cross-border movement**

Notwithstanding the need to attract skills and entrepreneurship, CDE accepts that a situation of widespread illegal immigration cannot be allowed to continue, because it strengthens the already existing image among investors that government in general is unable to exercise legitimate authority in a range of areas of administration and social control. CDE is in no way pleading for an 'open border' policy

THE WHITE PAPER – TEST CASE FOR GOVERNMENT'S COMMITMENT TO ECONOMIC GROWTH

Against these points of departure, CDE's assessment of the White Paper may be summarised as follows. It incorporates many of the principles on which an effective policy could be based, but by making proposals which contradict these principles, it produces a set of recommendations which, taken as a package, fall hopelessly short of the migration requirements for economic growth. The net effect is a policy that is ambiguous and an approach that will not ensure that South Africa gets the skills that it desperately needs.

On the positive side, CDE welcomes many aspects of the approach taken by the Ministry of Home Affairs and the Task Team responsible for the White Paper. It is a policy document which in some respects takes the issue of the skills-needs of the economy seriously and which, on balance, is sophisticated, based on sound analysis and logic and which has confronted certain intractable problems of policy implementation which governments seldom like to acknowledge. As such the White Paper is an advance on previous approaches in respect of international migration. It also avoids some of the major pitfalls that tend to characterise this vexed area of policy formulation.

CDE particularly welcomes the fact that the Minister of Home Affairs, in his presentation at the workshop of November 4, admitted that the current approach by the Department of Home Affairs was often unduly 'tough' to use his own words in replying to a question, and that because of countervailing needs and

pressures, this field of policy formulation is so complex that the White Paper in his view was 'not yet good enough' to serve the needs of a growing and dynamic economy

He went on to say *'if we apply our minds to the conflicting interests, pressures and demands placed on the migration system, it will be a tremendous achievement if together we succeed in implementing the many suggestions set out in the White Paper ... there are countervailing pressures and even philosophies of government constantly at work to build a migration system shaped by principles different from those embraced in the White Paper'*³⁷

This honesty is the best possible basis for rational policy formulation. At the same time the Minister's comments illustrate the fact that quite fundamental policy ambivalence and contradictions in respect of flows of foreign skills into the country exist in South Africa's policy-making fraternity. Forms of xenophobia are clearly not limited to the grass roots but pervade views at very high levels of influence. The Minister was not able to give the assurance that he would or could confront the pressures which have introduced large contradictions in the White Paper.

The defensiveness and possibly even hostility to the resources offered by skilled foreign immigration within the governing party is such a severe threat to the viability of the government's own plans for economic growth that this White Paper and the government's response to it is a test case and a challenge in respect of the coherence of government thinking on economic development. A full response to the White Paper by government, and motivated support for its progressive aspects, is therefore utterly essential.

POINTS OF AGREEMENT AND ENDORSEMENT

In studying the White Paper, the following aspects deserve special mention for their sound basis of analysis and their potential to achieve the best outcomes possible for the country:

- The recognition that the 'challenge for South Africa is to formulate policy that takes advantage of the positive aspects of globalization, including the unprecedented movement of people with skills, expertise, resources, entrepreneurship and capital which will support the country's efforts at reconstruction, development and nation-building.'³⁸
- The priority given to the skills needs of the economy in general even though this is not placed within the context of a serious and deepening crisis which makes these needs even more pressing and at no point are these needs quantified in any way
- The proposal for the establishment of a specialised Immigration Service, including border control, to take over existing control functions from the police and the army, in order to allow the development of the specialised skills and knowledge necessary for the establishment of control functions which support the more responsive aspects of the proposed policy as far as the needs of the economy are concerned.
- The recognition that in the short to medium term, nothing will significantly reduce the factors in the neighbouring regional economies which push people to migrate to South Africa in search of opportunity

- The respect shown for the constitutional rights of foreigners in the country and the attempts to reconcile those rights with necessary limitations.
- The commitment shown in the document to the goals of the macro-economic policy, GEAR, and its respect for the private market as the engine of sustainable progress in the country. Within this context CDE also welcomes the recognition in the document that emerging trends in the tourism industry have to be facilitated.
- The realism it evinces in respect of resource constraints and strategic impediments to policy implementation and hence its judicious avoidance of an approach based on bureaucratic regulation alone.
- Its honesty in conceding the failures in past attempts to deal with the problem of illegal immigration, and in identifying the reasons for these failures.
- Its recognition that even resource-rich governments in highly developed countries are unable to regulate immigration effectively through technocratic formulae, points-systems for immigrants and other laws or regulations which assume the availability of up-to-date and refined information on manpower needs of complex economies. Similarly, its recognition that governments cannot predict investment trends and anticipate entrepreneurial requirements is to be commended.
- Its acceptance of the principle of privatisation of certain functions in the administration of the system. Its intended reliance on flexible regulations in preference to prescriptive laws for the management of immigration (however, there is danger associated with such flexibility if the bureaucracy exercises its judgements in a restrictive manner).
- Its determination to establish a system which will restore effective management of immigration after a long period in which government has substantially lost control of the process.

Hence, CDE wholeheartedly endorses the following proposed measures in the document:

- The principle of shifting away from an unrealistic approach based on border-control to one based on the appropriate administration of immigration in co-operation with stakeholders and communities of interest within the country
- The principle of relatively unrestricted visa-based entry to a broad general category of persons, from tourists and students to investors, traders and job-seekers for a period of three-months, renewable for a second period, and the opportunity for such persons to apply for work permits and investor permits should relevant opportunities arise for them. CDE believes that this approach will encourage immigration to come out into the open so that effective management will be restored.
- The concessions made for the reuniting of families divided by the single labour-migrant patterns of the past.
- The introduction of the principle of aligning policy with labour market forces and of using market-based instruments to regulate the flow of immigration (see below, however).
- The delegation of responsibilities and management to companies, by giving them the responsibility for issuing 'corporate' work permits, subject to negotiated guidelines and limitations.

- The provision for investor-permits linked to capital investment and job creation thresholds, and the flexibility of allowing exceptions to the thresholds in respect of special investments which do not meet normal capitalisation requirements, as well as the provision made for self-employed applicants to be considered for work permits.
- The provision made for special applications on merit and the recognition that conventional vocational qualifications are no longer a guide to the effective skills of applicants and their potential contribution to the economy
- The similar principle of issuing permits to persons of exceptional skills and demonstrated abilities.
- The suggestion made that applications for the right to employ people will not be subject to delays in the processing of documents by the Department of Home Affairs. (See below, however, for a discussion of the culture of decision-making in the Department and for comments on the proposal that such employment will be subject to consultation on guidelines with the Department of Labour.)
- The automatic right to a Permanent Resident's Permit for those who have held temporary permits for five years.
- As already stated, the establishment of a professional Immigration Service with the possibility this holds for the administration of the system to move closer to the goals of the policy to operate to the greatest possible benefit for the economy. In this respect, however, CDE would emphasise the fact that because of the inevitability of wider pressures operating on an immigration service from within the Department, the government at large and various lobbies and pressure groups, such a professional service is a necessary but not sufficient condition for the delivery of an effective service for the economy

In the light of these intentions, CDE believes that the general objectives and approaches outlined for the enforcement of the laws and regulations in support of dynamic economic growth could be achievable on a sustainable basis, subject to the important reservations expressed below.

RESERVATIONS IN RESPECT OF IMPORTANT ASPECTS OF THE PROPOSED POLICY

Notwithstanding our overall endorsement of the core principles on which the White Paper is based, CDE has major reservations in respect of certain conclusions and proposals in the document; aspects which stand in sharp contrast to the sound analysis in the remainder of the document. These contradictions reflect possibilities for official action that could nullify some of the major advances in official policy that the White Paper introduces. The major difficulties are:

- A. Claimed threats to local interests posed by immigration and foreign participation in the local economy have not been quantified or established.**

The points made in section 3.1 of the White Paper detailing ways in which illegal aliens are alleged to compete with South Africans for scarce resources, seem to be largely speculative and are probably an overstatement of the situation. It is a pity that the White Paper was not able to refer to specific evidence for the assertions.

- It is extremely doubtful, for example, that illegal aliens have many children who compete for places in schools because available research suggests that most of them are single adults.³⁹ There are instances of children who commute across borders to attend South African schools but they are not resident aliens and such problems are surely a matter for school authorities to deal with.
- Illegal aliens certainly do use South African clinics and hospitals, but it is precisely at such service points that they would be able to be identified if the proposals for the general use of identity documents are implemented.
- It is extremely unlikely that such aliens acquire benefits like housing subsidies or formal land rights, and if they do they should be easily identified. In fact, most illegal aliens stay in rented accommodation or in shack settlements, and are not known to displace South Africans in respect of opportunities for home ownership.
- CDE has not been able to find documented evidence that illegal aliens are more prone to crime than South Africans themselves. If they obtain documents fraudulently, this is as much a commentary on the susceptibility to corruption of our officials as it is on the aliens. In any event it would make no sense whatsoever for a Ministry with goals, responsibilities and a mission of its own to adopt policies which are more properly the functions of law-enforcement agencies.
- The informal sector and cross-border trading activity of immigrants probably adds more value to our economy through positive impacts on our balance of payments than it subtracts through competition with local labour. In any event it is unwarranted to assume that entrepreneurial competition damages an economy, which the White Paper itself acknowledges.
- The major problem may be that to a limited extent in overall terms, illegal aliens may replace South Africans in the unskilled job market. Where no South Africans are available for such jobs, as in unskilled agriculture in certain regions, they are a benefit to the economy. The major possible threat lies in instances where they undercut South Africans in direct competition mainly for casual employment. In this latter context, however, no comprehensive documented evidence of the extent of the practice seems to exist, and CDE would argue that it is impossible to assess how serious the problem actually is. Furthermore, it is possible that certain marginal enterprises have been saved from competitive failure by the opportunity to employ labour at relatively lower costs.

The main point that CDE would like to make in this regard, however, is that the major activity of illegal aliens, namely informal trading activity and cross-border import-export ventures, undoubtedly contributes to South Africa's National Product and, because the foreigners probably export more than they import, this activity probably strengthens our balance of payments. CDE makes this point in order to motivate a later recommendation that formal criteria in assessing skills have to be flexible and should fully accommodate experience-based business skills.

The urgent need for research: CDE welcomes the fact that the new approach will be based on wide consultations with the relevant communities of stakeholders, as well as the fact that part of the department's task will be to counsel community organisations to combat rising xenophobia among unions and other communities of stakeholders. One of the basic problems in this area of counselling is the absence of reliable

and credible information on the extent and activities of illegal immigrants. For this reason CDE would have welcomed stronger proposals in the White Paper for authoritative and nation-wide research into the actual extent of damaging competition for scarce resources caused by illegal immigration.

B. Despite fully acknowledging the difficulties, the White Paper contradicts itself by making unrealistic assumptions about the ability of statutory bodies and state agencies to predict the manpower needs of the economy, and as a consequence suggests interventions by government which will prejudice investor and business confidence.

While the White Paper correctly concludes that immigration for purposes of employment cannot be technocratically rationed and made subject to quotas in respect of which no adequate data exists, it seeks to replace such controls with various different mechanisms or sets of guidelines, each of which either contradicts the acceptance that state agencies cannot predict manpower needs or else, in CDE's view, is deeply problematic from a perspective of growth and investor confidence. We will deal with each of these in turn:

- *Policing of immigration laws jointly with the policing of labour laws and regulations will carry the risks of bureaucratic procedures which are restrictive rather than facilitative with respect to the utilisation of foreign skills.*

First, the White Paper proposes in section 6 point 4.4.2 and elsewhere, that the control of migration be managed in alignment with the policing and administration of South Africa's labour laws, and to that end, in section 7 point 8.4 and section 11 point 3, it proposes that the new Immigration Service Inspectors cooperate with and strengthen the labour inspectorate in ensuring that all employees, those on work permits among them, are subject to the same laws and agreements pertaining to conditions of service and remuneration as defined in Industrial Council and Department of Labour regulations.

At a time when keynote viewpoints expressed within government itself are raising the issue of whether our labour legislation is not too rigid and a factor contributing to low competitiveness and sluggish job creation, and reviews of labour legislation, albeit on a limited basis are in progress, it would seem to be unfortunate that a different Ministry proposes to link a major objective to precisely this controversial labour legislation and to its control and administration. South Africa has to decide whether it wishes to join the global world of market-driven production or whether it wishes to become an inspectorate-managed economy like some more sluggish, bureaucratically-entangled European economies, which although still very affluent, are performing relatively poorly in attracting new investment. In South Africa labour interests and the labour administration are entitled to have their mission and goals and to see to their realisation, but in a developing economy and new democracy would it be wise to facilitate the spread of inspectorate-based intervention in the marketplace beyond what is absolutely necessary?

- *An additional tax in the form of a training levy imposed on the employment of foreigners will add to the already high costs of recruiting and employing expensive foreign skilled labour and as such will be a tax on South Africa's economic recovery and growth.*

In section 7 point 8.5.1 and elsewhere, the White Paper proposes to raise the cost of employing foreigners with legal work permits by legislating for an amount, determined by regulations, to be paid into the *National Training Fund* by the employers. In section 7 point 8.6 it proposes, after five years, to raise or lower the regulated amount in order to establish a 'market mechanism' to influence the extent of employment of foreigners.

One of the problems which we may very confidently predict is that when our economy recovers and achieves the potential to sustain rates of growth above 3% per annum, a critical shortage of skills will become a much greater constraint on growth than it already is, and as it has been in the past. At precisely this point employers will be attempting to overcome some of the constraints by attracting expensive foreign skills, a form of indirect foreign investment. Yet at the same time they will be expected to pay an additional tax, in the form of the training levy, as a ratio of the high rates of remuneration they will be paying to attract the scarce skills.

In effect this will be a punitive tax on the recovery of the South African economy. If such additional costs were to be a punishment for breaking the law and employing illegal foreign labour it might be morally and functionally justified, but what is proposed is an additional tax for legal behaviour in pursuit of profitability and growth.

If South Africa were comparable to Canada, Australia, New Zealand, the USA and Europe; very attractive and high-productivity economies in which skilled immigrants are prepared to work at standard or below standard rates in order to enter the countries, the costs of additional levies can be easily absorbed. But South Africa is not a popular destination for people with scarce or valuable skills, and for this reason the most valuable skills have to be bought at a premium. These costs, in the context of very slowly rising productivity, will translate into reduced profitability for companies needing specialised skills and thus reduced growth.

Furthermore, this tax, unlike others, will be unpredictable, because in section 7 point 8.6, the White Paper states that the department will raise or lower the rate in order to control the rate of employment of foreign workers, after a relatively short period of five years. Unpredictable taxes raise business risk, and this is the last thing the South African economy needs. Furthermore, the fact that the skills required are difficult to classify or predict in advance raises the question of the validity of the data on the strength of which any increases in levies will be based. Calculations of levies that are based on non-relevant categorisations will introduce distortions in business operating costs.

For all these reasons, the principle of using training levies as a disincentive for the use of foreign skills will be a case of double jeopardy as far as business operating costs are concerned. At the very time when shortages of skills are raising the costs of production, the training levies will magnify the effects of such costs. This is in direct contradiction of the government's goal of increasing South Africa's international competitiveness.

- *The recommended use of NEDLAC as the body to determine targets and quotas for skilled immigration will subject forces of supply and demand to institutional interests and negotiated compromises that will introduce serious economic distortions.*

In section 6 point 4.4.7 as well as section 7 point 8.6, it is suggested that in the granting of applications for permanent residence, the procedure will be limited by a 'quota' determined each year by NEDLAC on a sector-by-sector basis. While NEDLAC has performed a role in reconciling conflicts of interests between organized employers and unionized labour around certain policy issues, such 'corporatist' institutions reflect the views of an elite in the business and labour sectors in a developing country economy. NEDLAC has an inevitable bias towards the interests of established business and big labour, simply because it is drawn from the associations which tend to over-represent the larger business enterprises. The entrepreneurial sectors at the cutting edge of competitive growth, and which in the USA and many developing countries have created the bulk of new job opportunities in recent years, are relatively under-represented. CDE cannot support the principle of compromise quotas determined after negotiation by NEDLAC as a basis for determining dynamic growth needs.⁴⁰

- *The White Paper accepts very doubtful assumptions that future skills-needs of the economy can be quantified and predicted by functionaries in other state departments not bound by the goals set out in the White Paper and also accepts such calculations as the basis for approvals and consultative inputs in its own decision-making.*

In section 7 points 7.1, 7.2 and 8.5 and elsewhere, extensive provision is made in the White Paper for either consultation with or approval and certification by the Department of Labour in respect of applications for corporate work permits for the employment of foreign labour by companies. CDE accepts that the activities of one government department cannot contradict the policies of another. However, this dependence on another department for approvals and inputs means that the outcome of the new dispensation cannot be evaluated in the absence of a policy statement by the Department of Labour itself on the views it will take in respect of work permits for foreign workers. Regrettably, CDE has to record this as a signal weakness in the White Paper.

In this respect it should be noted that even where the White Paper does not suggest that the Department of Labour necessarily has to approve any proposed guidelines or criteria, the provision for 'consultation' with the Department of Labour will tend to place informal pressure on the Department of Home Affairs to adopt

a basis of decision-making which avoids conflict within government. For this reason the policy position adopted by the Department of Home Affairs should be intrinsic to its own objectives and it should decide on the consultations it deems necessary

At the workshop on the White Paper of 4 November it was clearly apparent that the representative of the Department of Labour, while motivated by the very best of intentions, made the assumption that the Department of Labour could make appropriate assessments of the skills-needs of the economy. As already suggested, such assessments will at best be based on the needs of existing employers and not on the needs for the kind of entrepreneurship the country requires. Furthermore, there is no longer any effective method of classifying qualifications and skills in a way that would meet the needs of the economy. Skills-boundaries have become too blurred and far too many valuable skills are informal in nature for any classificatory system to provide the 'intelligence' needed for the establishment of guidelines for immigration.

C. 'Affirmative' sourcing of immigrant skills: the suggestion of a priority status for immigrants from Africa is problematic both in terms of the skills-requirements of South Africa and the development needs of countries in sub-saharan Africa.

In the preliminary considerations of the White Paper, in section 4 point 4, it is stated that a hierarchy of preference will be established as regards the countries of origin of immigrants. The 'rest of the world' outside of Africa will enjoy the lowest priority in the hierarchy hence implying that the preferred origin of immigrants will be African countries. The single most obvious characteristic of Africa is that it has a desperate shortage of vocational and technical skills. Any policy in which South Africa targets African countries in its search for skills will very quickly cripple small economies with existing skill deficits. While CDE supports a responsible and balanced policy of affirmative action inside South Africa, the suggestions contained in this section are unnecessarily limiting and have racist overtones. Africa is more likely to be a source of relatively unskilled immigrants to South Africa. Policy on these immigrants needs to be developed but it lies outside the scope of these comments.⁴¹

If South Africa is to meaningfully increase its human resource capacity it will have to look beyond Africa, at the East and Eastern Europe as well as the developed industrial economies themselves.

In all this it should be borne in mind that South Africa is not currently a desirable global destination for skilled people, hence the current significant outflow of such people. We should open our doors to skilled people who want to come here irrespective of their country of origin.

D. The danger of bureaucratic rigidity.

CDE welcomes the fact that the White Paper endorses the principle of flexible regulations rather than legislative prescription in the administration of immigration. The international evidence suggests, however, that even where laws and regulations are rationally based and positive, administrative procedures in the processing of applications for work permits can be introduced which slow down or distort the decision-

making process quite substantially. At the workshop of November 4, every private sector agency which made an input, provided reams of examples of an unresponsive and unnecessarily complicated, indeed convoluted system at present, notwithstanding the fact that the same department has recognised these shortcomings in the White Paper under discussion. The difficulties experienced by the private sector have led to the Minister instituting a 'hot line' to facilitate applications for work permits and the complexities in dealing with the department are such as to have created a new category of 'consultants' to assist employers in their dealings with the department.

The factors above as well as recent reports that applications from 1998 are not yet processed, and that lawyers are considering approaching the ombudsman⁴² in an attempt to deal with delays and non-cooperation by the department suggest that the culture of decision-making in the department has assumed a life of its own. The Minister has clearly not been able to impose his authority and leadership on his own department, a department which he has led since 1994. This means that any flexibility of regulations will provide the department with the freedom to introduce procedures which will tighten up the system of approvals rather than making it more responsive, even after new legislation has been introduced.

Clearly there is a need for the greatest possible extent of transparency in the decisions of the proposed Immigration Service. In this context CDE is concerned by the provisions in section 11 point 9.2 relating to appeals against decisions by the Head of the Immigration Service and the Minister. It would appear that it is suggested that appeals can be rejected without furnishing reasons for such rejections. This would not accord with the minimum requirements of transparency and good governance.

While appellants theoretically will have recourse to the Immigration Court, and this court will be a specialised function aimed at a speedy and relatively inexpensive legal process, such legal action will nonetheless be expensive for the small and medium size sector and probably beyond the means of many individual (as opposed to corporate) potential applicants and appellants.

Hence CDE believes that it is particularly important that all applicants and employers be fully informed of the basis of decisions taken in individual cases, and that there be open avenues of communication with and representation to the department prior to any legal processes.

CDE'S OVERALL ASSESSMENT

As indicated and detailed above, CDE welcomes this White Paper as a significant advance on previous policy in respect of immigration and the control of aliens, and believes that it goes some way towards incorporating the international experience on cost-effective and sustainable ways of administering a world-wide problem. There are however, aspects of the White Paper which are disappointing, which contradict its own sound principles and which will combine with other features of our society, economy and labour market to create a negative economic impact. The White Paper does not provide the unambiguous policy prescriptions nor the basis for the clear rules which are required of a system to ensure that South Africa is

supplied with the skilled professionals and entrepreneurs that it desperately needs. As the co-director of the International Migration Policy Programme of the *Carnegie Endowment for International Peace* has described it, the White Paper is 'schizophrenic' ⁴³

If our economy were characterised by a skill surplus and by high and rising fixed investment, many of the specific recommendations in the White Paper would be more sustainable. The reality is that South Africa has a deepening skills crisis and this must have a fundamental influence on the country's migration policy. The recovery of the South African economy needs all the help it can get, and the overall effect of the package of recommendations in the White Paper will hinder rather than provide this help.

Many specific recommendations in the White Paper seem to be based on the assumption that immigrants are a threat to the interests of formerly disadvantaged South Africans. This assumption is simply absurd in the light of the facts:

- the entry of skills will increase the capacity of the South African economy to expand and provide more job opportunities for all residents;
- the entry of skills is necessary to expand the capacity of the country to train and educate all its citizens to world class standards; and
- even the substantially underestimated official statistics on emigration after 1994 show an average net loss of over 4 000 largely skilled persons per annum.⁴⁴ On the basis of reports from countries receiving South African emigrants it is widely accepted that the official emigration figures cover about one-third of the true extent of emigration. (See box on *South Africa's Brain Drain*, page 11).

The South African economy is weakest of all in terms of critical skills in the fields of information technology specialised production processes, specialised managerial skills and entrepreneurship, and many other areas of specific vocational experience. These are all areas where skilled immigration has a treble benefit:

- it can provide scarce skills in many different areas;
- those skilled people will help create wealth, jobs and training capacity for all South Africans; and
- the costs of developing these skills will have been borne outside South Africa.

As a consequence, skilled immigration is a form of direct foreign investment in the country

The need for a shift in the balance of foreign investment has been highlighted recently by the publication of 1997 figures on investment flows in and out of South Africa. It would appear as if for every R1 of foreign direct investment coming into South Africa, South Africa invests R1, 63 abroad⁴⁵ While flows of skills are not recorded as part of these amounts, if they were to be quantified in financial terms, the balance of resource flows would be even more negative, because of the brain drain from South Africa.

The critical need for skills-flows into the country may not be very visible at our present phase of sluggish growth, but when the next economic upswing occurs, our critical shortage of technical, managerial and professional skills will be exposed as an abrupt man-made ceiling on growth.

On the basis of the specific criticisms we have noted above, we would recommend, therefore, that government's immigration policy be more effectively positioned as a facilitator of national economic growth in South Africa. To this end we would strongly recommend that consideration be given to the following adaptations to the policy framework set out by the White Paper:

RECOMMENDATIONS

1. THE PRESIDENT AND CABINET SHOULD ACKNOWLEDGE THE DEPTH OF THE SKILLS CRISIS AND ITS NEGATIVE CONSEQUENCES FOR ALL SOUTH AFRICANS.

It is essential that the South African Cabinet recognise the extent of the skills crisis in the country and its many negative ramifications through multiple areas of public policy and in particular its short and long term effect on the South African economy. Having done this the Cabinet must then inform and educate the South African public of the facts of this crisis and how this reality must affect government policy. In particular it has three direct effects on migration policy. First, it is essential that the new migration policy to be adopted following on the publication of the White Paper should open the doors of the country to as many skilled professionals and entrepreneurs as we can attract to come here. Second, the government needs to make it unambiguously clear that it is a fallacy to think that there is a contradiction between equal opportunities for all South Africans irrespective of colour and the active participation of employers (companies, universities, government, cities and other institutions) in the global marketplace for skilled personnel. In fact the opposite is the case. All those who argue against opening our doors to as many skilled migrants and entrepreneurs that we can attract, are denying those South Africans without jobs or skills all the new opportunities that will inevitably arise from a new wave of immigration across our borders. Third, the international experience is clear. Governments that are losing skilled migrants such as ours, need to consider whether they are doing enough to keep such skills in the country.

2. ALL ECONOMICALLY RESTRICTIVE PROPOSALS SHOULD BE ELIMINATED FROM THE WHITE PAPER.

The following suggestions and recommendations in the White Paper should be scrapped or very substantially revised to avoid harmful impacts on the economy:

- **Scrap the provisions which will give line-administrators the freedom to re-establish restrictive regulations and practices even after new legislation has been passed and which close off avenues for communication with and appeals to the new immigration service. In this respect there should be full right of appeal against decisions, based on reasons provided for such decisions as a normal procedure. Above all, there must be crystal clear rules for administrative decisions. The current performance of the departmental administration strongly suggests that the bureaucrats will exploit any leeway to restrict the flow of skills.**

- **The procedures and controls established by the Department of Home Affairs should all be tested against the principles of the White Paper and not emerge in co-operation with control functions imposed by other departments not bound by the White Paper principles. Hence the Immigration Service should not be employed as an instrument of crime-control and nor should it be blended with labour inspectorates of the Department of Labour, Industrial Councils or other agencies.**
- **The proposed additional training levy will be a tax on efficiency and economic recovery. It should be eliminated since it counteracts the beneficial effects of recent reductions in company tax.**
- **The White Paper should not invest NEDLAC, a negotiating body intended to resolve conflicts of interest, with executive or advisory authority in respect of the determination of immigration targets and quotas.**
- **The White Paper should abide by its own analysis and not under any circumstances assume that current data of sufficient validity or sensitivity to operational skills-needs exists as a basis for correctly assessing the complex, market-driven permutations of immigrants' skills which will benefit the country and its economy.**
- **Any criteria imposed in the definition of skill thresholds must be sufficiently flexible to accommodate business experience and acumen among immigrants who might not necessarily possess formal qualifications. It follows from this that criteria based on so-called skills 'needs' derived from statistical evidence will be invalid and counter-productive.**
- **Affirmative action should be pursued within other domains of policy and not be imposed as a criterion likely to distort the optimal flow of valuable skills to an economy with large, unpredictable and changing skills-needs. The provisions for appeals to a specialised immigration court, while valuable, should not be based on the assumption that such appeals will be inexpensive in time and fees for small and emerging businesses or for individual potential entrepreneurs. The right of appeals to this court should be seen as a step of last resort.**

3. DEEPEN THE ECONOMIC AND BUSINESS EXPERTISE ON THE IMMIGRATION REVIEW BOARD.

There is a need to strengthen the Immigration Review Board to give it wider powers to determine general quotas, guidelines and criteria in respect of the issuing of work permits to foreigners, and, to give it wider access to the full economy by including on it, in addition to NEDLAC and the Department of Labour, the Departments of Finance and Trade and Industry as well as direct representation by small and large business and individual experts who are not linked to or associated

with other departments or to any political parties. At least an advisory role for Chambers of Industry and Commerce and sector-based employers' associations is also necessary

4. COMBAT ILLEGAL IMMIGRATION BY RAISING THE PENALTIES FOR THE EMPLOYMENT OF ILLEGAL ALIENS, WHICH IN CONJUNCTION WITH MORE FLEXIBLE LEGAL IMMIGRATION PROVISIONS WILL ASSIST IN RE-ESTABLISHING STATE CONTROL OF MOVEMENT ACROSS THE BORDERS.

The necessary and legitimate goal of raising the costs of employing illegal foreign labour, thereby reducing the 'pull' factor in illegal immigration, should be pursued by imposing stiffer penalties on the employers of illegal workers, or by disqualifying them from employing people with foreign work permits for a period, or both. This, in combination with the greater opportunities for legal and controlled entry should reduce the inflow of illegal aliens and help to re-establish the authority of the state in this area.

5. COMBAT XENOPHOBIA BY UNDERTAKING URGENT RESEARCH ON THE EXTENT AND IMPACT OF ILLEGAL IMMIGRATION, AND PUBLICISE THE FINDINGS IN ACCESSIBLE FORMS.

Provision should be made for the funding and facilitation of thorough and totally independent, thus authoritative, research into the levels of illegal immigration and its impact in different sectors of the economy and regions of the country. Such research findings should be well publicised and form a basis of programmes to combat xenophobia and myths of immigrant threat based on exceptional cases of document fraud and crime.

6. LEADERSHIP IS NEEDED TO RESTORE CONFIDENCE IN THE PREDICTABILITY AND CONSISTENCY OF VITAL DECISIONS AFFECTING THE ECONOMY

The reputation of the Department of Home Affairs has suffered so badly because of difficulties encountered in securing necessary production, managerial and professional skills by important investors in South Africa that much firmer Ministerial intervention than has hitherto been exercised will be required to provide the persuasive reassurances on which confidence can be rebuilt. The Minister's reputation has been severely weakened by the astounding delays and CDE considers that it is essential that national confidence in such a key Ministry has to be restored by firm and decisive leadership.

The Minister will be well-advised to establish an authoritative, independent, widely representative and expert Immigration Review Board (as recommended above) immediately after new legislation is passed and that he exercise his full authority to see to it that the decisions of such a Board are respected within the department. In day-to-day decision-making in the department, much more determined ministerial intervention would also be required. If the Cabinet is serious about our

economic recovery and sustained growth, it will ensure that the Minister has full backing in turning immigration policy into an instrument of economic progress.

CONCLUDING REMARKS: *The White Paper is not good enough*

It is clear that many formerly disadvantaged South Africans perceive a more open and growth-promoting immigration policy as a threat to their hard-won opportunities. CDE is sympathetic to their concerns, but feels compelled to point out that the threat is largely non-existent. South Africa is not likely to be overrun by immigrants able to compete with newly empowered classes in South Africa. The very opposite is the case.

The *Financial Mail* has correctly asked '*What are we afraid of?*'⁴⁶ The writer points out that fewer skilled first world people want to work in South Africa than the numbers of skilled people who are leaving; immigrant skills are more expensive than local recruits, if they are available; and that the notion of South Africa being overrun by British accountants or German doctors is 'quite absurd' We are hardly the world's most popular destination for the kind of people that would reduce the opportunities for the new middle classes in South Africa.

But after the USA, Europe, Australia, South America, Middle East and the Far East have satisfied their needs, the rather fewer skilled immigrants that South Africa will be able to attract will help to create the work that our millions of unskilled, unemployed people so desperately need. CDE understands the anxiety of the new middle classes, but their caution will cost jobs and growth and in the end will restrict the very opportunities they wish to protect.

Confidence is one of the characteristics of success in the international economy We must not be frightened of competition but embrace it. South Africans are as good as anyone in the world given the opportunities and freedom to prove it. The African Renaissance will fail if we do not have the confidence to recognise that we need skilled immigrants to create a larger scope of opportunity than we have at the moment. People who argue that we have to protect local opportunity by limiting the immigration of skills or experience are condemning the future South Africa to deepening poverty Fear of immigrant skills is not only economic suicide, it is economic sabotage. It is Paul Kruger's ghost returning to haunt us.

It is important for parliamentary and government decision-makers to distinguish between the highly visible exceptional cases of which they are aware and more general evidence and trends. For every one illegal immigrant who has fraudulently acquired a work permit there are tens of Chinese manufacturers, Cuban doctors, East European computer scientists, Zimbabwean traders who earn us foreign exchange through their exports, West African, Indian and American academics who are training South Africans and many others who are serving the economy well and who have not deprived a single South African of a job, or if they have, they have added three more alternative jobs.

CDE would appeal for more facts; not policies based on fear and lack of confidence. This is a very powerful additional reason why independent research on the impact of immigration on local employee interests is a matter of the greatest urgency

In its consideration of the policy issues raised by this White Paper, the cabinet and parliamentary portfolio committee must view the economy as an expandable cake of resources and opportunities and see that the interests of its constituents would be best served by the most rapid expansion possible to achieve. The gains for these constituents which can be achieved by restricting the flow of skilled and entrepreneurial immigrants will be minimal, if any at all; but the costs of doing so will be catastrophic for the country. It is important to see migration as a valuable additional source of human capital which creates opportunities for more rapid growth rather than as a source of competition for a fixed number of jobs. Skills and experience that have been acquired at a cost to governments elsewhere in the world are the most important form of foreign direct investment, even more valuable than its monetary equivalents. Along with tourism, skilled immigration is one of the most readily achievable ways in which the nation can be enriched.

The Minister of Home Affairs is quite correct when he says that the White Paper is 'not yet good enough'. CDE would therefore appeal to the President, the Minister and the Cabinet as a whole to demonstrate their commitment to our basically sound economic policies by:

- recognising the deepening skills crisis that faces South Africa;
- adopting a clear-cut and unambiguous new migration policy that encourages and welcomes the foreign investment which skilled immigration implies;
- opening the door to any skilled, entrepreneurial and honest person who wants to come to South Africa;
- implementing an effective communication and information strategy to inform and educate South Africans about the benefits for all of such immigration;
- by so doing counteract the fearful and insecure 'insider-outsider' concerns which are an undercurrent in policy thinking both inside and outside of parliament; and
- insisting on effective and transparent implementing machinery

Such a new immigration policy will impose a great burden of leadership but leadership is the one resource with which South Africa is well endowed. Strong political leadership is crucial to the new policy's success. Political leaders must:

- differentiate clearly between skilled and unskilled migration, and also legal and illegal migration into South Africa;
- adopt CDE's recommended approach to skilled migration as this is essential for economic growth. As a part of successfully selling and implementing the policy, leaders must
 - inform the public about how the country can benefit from skilled newcomers newcomers;
 - underscore and stress the need for migration to stimulate economic growth;
 - assure the public that skilled migrants do not take jobs from South Africans as we have yet to produce sufficient skilled people for all our economic and educational needs;

reassure citizens of the government's commitment to effective education and training for all South Africans;

explain that migrants will have to obey the laws, support themselves and pay taxes;

educate South Africans about the inevitability of increased migration in a world of more porous borders;

ensure through authoritative research, that the public debate is about facts rather than rumours, myths or speculation unsupported by evidence; and finally

assess whether the government as a whole is doing enough to keep skilled people in the country

- formulate an effective and workable policy with respect to unskilled migration. Again we would refer to CDE's cost effective and detailed proposals in this respect; and
- reassure South Africans that government will implement a 'get tough' approach (within the constraints of the constitution and the bill of rights) with respect to illegal immigrants.

The politics of migration revolve around an exceptionally sensitive set of public issues. What South Africa requires now is a clearcut and unambiguous policy, supported by strongly reasoned arguments which are publicly backed by all members of the Cabinet.

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APPENDIX A***Participants at the CDE Workshop of 4 November 1999***

MG Buthelezi,	Minister of Home Affairs
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Moss Chikane	MP Parliamentary Committee on Home Affairs
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Vic Esselaar	Industrial Relations Manager, Chamber of Mines
Luanne Grant	Executive Director, American Chamber of Commerce
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Andries Nel	MP Parliamentary Committee on Home Affairs
Ashleigh Robinson	Representing Bowman Gilfillan Inc
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Claude Schraevesande	Director, Department of Home Affairs
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Luciano Servadio	Director, Seniores Italia
Yael Shafrir	Partner, Webber Wentzel Bowens
Matthew Simmonds	Research & PR Officer, Japan External Trade Commission
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