



THE C ENTRE FOR D EVELOPMENT AND E NTERPRISE

## CDE IN DEPTH

ISSUE 5 / FEBRUARY 2007

# SKILLS, GROWTH, AND MIGRATION POLICY

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Overcoming the 'fatal constraint'



CDE IN DEPTH provides South African decision-makers with detailed analyses, based on original research, of key national policy issues.

Series editor: Ann Bernstein

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# SKILLS, GROWTH, AND MIGRATION POLICY

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Overcoming the 'fatal constraint'



The Centre for Development and Enterprise  
*Johannesburg, South Africa*

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## Executive summary

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South Africa suffers from a serious shortage of skilled people. This is a major constraint on our prospects of achieving the kind of sustained economic growth that will reduce poverty and open the way for much wider participation in the economy. The government's Accelerated and Shared Growth Initiative for South Africa (AsgiSA) recognises skills shortages as one of six 'binding constraints' on growth, one that is serious enough to warrant its own programme, the Joint Initiative on Priority Skills Acquisition (JIPSA). JIPSA's head, Deputy President Phumzile Mlambo-Ngcuka, has even described the skills shortage as a potentially 'fatal constraint' on AsgiSA.

In this report, CDE reviews skills issues as they have developed up to this point. The review, conclusions, and recommendations are motivated by the conviction that, in the long run, national success stories are driven by the development of a country's own human capital, by all means, across all fronts – including education, training, and the encouragement of enterprises – and using all possible resources. CDE is convinced that a well-managed, positive immigration policy has a vital role to play in such a broad national effort, and we place special emphasis on this aspect of the policy debate.

Concern about the state of South Africa's skills pool and the more general issue of human capital development is not new. Largely driven by the twin (though not necessarily related) motives of concern about the high levels of emigration of skilled people, and redress for the previous exclusion of black people from skills acquisition, the issue has been around since the mid-1990s. The imperative of greater and more broadly shared economic growth has increasingly come to shape the debate about skills. More specifically, developments on both the demand and supply sides of the skills equation over the past two years have elevated this issue on the national policy agenda.

### On the demand side

- Faster rates of economic growth and enhanced business confidence have fuelled the demand for skills, while the government's ambitious infrastructure investment programme that is part of AsgiSA will sustain and accelerate demand even further.
- The government has been forced – not least by political unrest about poor service delivery – to recognise that its ambitions to drive economic growth through the 'developmental state' are doomed to failure unless the numbers of skilled

people available to the public service at all levels are rapidly and significantly increased.

## On the supply side

- Continuing emigration has made it clear that the ‘brain drain’ is not a symptom of Afro-pessimism, but a response to an increasingly attractive and accessible global market for skilled people.
- Demographic pressure on the existing skills pool, in the form of an ageing and shrinking white population, is also making its presence felt.
- The failure of the public education system at all levels to deliver quality outputs has reached crisis proportions.
- The unintended consequences of transformation policies, including the encouragement of early retirement and the pressures of Black Economic Empowerment, placing a premium on black people with skills in the private sector, have increased pressure on the already limited pool of skills produced by our flawed education and training systems.
- Unjustified fears about competition from skilled immigrants and an immigration system that is flawed in conception and dysfunctional in practice are negating our ability to recruit the skilled people we require from abroad.

The pressure created by these powerful supply and demand drivers calls for an unambiguous response. However CDE’s review of research, debate, and policy development in skills and skills-related areas reveals that there are other pressures on policy-making, clouding the debate and diluting the responses. These come in the form of faulty assumptions and inappropriate priorities in the way we think about skills. Among the most important negative influences on policy-making are:

- *Too narrow conceptualisation of skills.* Many participants in the debate tend to link skills to actual job vacancies and concrete projects, whether a refinery shut-down or an upcoming infrastructure project. While individual cases are obviously relevant, and examples can have powerful illustrative value, we tend to lose sight of the wood by focusing on the trees. In reality, our skills crisis is much wider and deeper. We not only lack people to *fill* jobs, but also to *create* jobs, and to revolutionise the delivery of quality education and other services that will equip our own people with the skills they need to sustain economic growth.
- *A failure to realise just how long it will take to reform and reinvigorate our public education system,* to the point where graduates will enter the job market with the literacy and numeracy needed to acquire marketable and productive skills.
- *The insistence that ‘the skills are there; they’ve just got lost’.* When the government says that we must look for skills among ‘people who have wrongly deployed themselves in the labour market’, and that ‘our priority is to recruit scarce skills within South Africa rather than go abroad’, they are expressing a double misapprehension. If we could recruit the skills here, they would not

be scarce; the ‘wrongly deployed’ argument misinterprets the nature of our economy. The truth is that we live in an enterprise economy (albeit a less than perfect one) where both the market and government-sponsored opportunities are there to be taken advantage of. Some people – teachers and nurses for instance – avail themselves of these opportunities and their original skills are ‘lost’. Some emigrate, others withdraw from the labour market in other ways, or don’t provide what the market wants. We need lots of people to compensate for the consequences of opportunity and mobility.

- *Avoidance of the key fact that we face not only a skills shortage (numbers of qualified and experienced people) but a skills quality deficit*, resulting in the unemployment of ‘qualified’ people at both school-leaving and tertiary level. This unpalatable fact is beginning to edge into the skills debate; up to now usually via the euphemism ‘mismatch’, but recently with increasing boldness. However, the subject remains fraught with racial and political overtones and the vested interests of educational providers, all of which encourage evasion and the dilution of measures to cope with the problem.
- *The false belief that we can predict and quantify skills needs precisely and in fine detail*. This is seen to destructive effect in the ‘skills quota’ principle that has dominated immigration policy since the passing of the Immigration Act in 2002. Despite a broad and authoritative international consensus that the skills needs of a modern, open, flexible economy cannot be predicted with any degree of accuracy, the myth persists that immigration to South Africa must be micro-managed in terms of categories and numbers. The skills quotas that accompany the act provide for more than 46 000 ‘vacancies’ divided into six categories and 54 subcategories ranging from 100 to 5 000. Whether or not the skills quota provisions were inserted into the act at the last moment precisely to frustrate the larger-scale importation of skilled people, they have certainly had that effect. Bureaucratic delays in publishing the quotas and in administering the permits associated with them have both played a part, but the principle itself remains a bottleneck.
- *The assumption that South Africans need protection from foreign competition in skilled employment*. This is rarely, if ever, argued through and justified. What we do know is that immigrant entrepreneurs create jobs for South Africans, and that the importation of key skilled people – such as maths teachers – would equip South Africans with the skills they need for employment, and the South African economy with the skilled people it needs to move to higher levels of growth.

In response to the pressures of increased growth expectations, and fears about the viability of its developmental state ambitions, the government has made increasingly emphatic rhetorical commitments to addressing the skills crisis, and has set up JIPSA as a new practical response. However in CDE’s view, the negative influences listed above continue to hinder effective action.

- *Despite high-level promises to consider importing skills, government statements are confusing and ambiguous*. There is much defensive and conditional rhetoric about how immigration is a ‘last resort’, and even the statements made in favour of importing skills lack urgency and conviction. There is no public effort

to be proactive and persuasive on this issue. Hence initiatives such as that of the Minister of Public Service and Administration, Geraldine Fraser-Moleketi, in late 2005 to recruit teachers and administrators in India are easily diluted or defeated outright, whether by vested interests, flawed legislation and bureaucratic incapacity, or all of these.

- *Besides JIPSA's short-term intervention, the government's main efforts to address skills shortages are not new; they rely on the efficacy of the Department of Education's strategies to produce quality from a low baseline, the recapitalisation of Further Education and Training colleges to bear fruit, and the National Skills Development Strategy, with its 25 SETAs, to realise its potential. The most optimistic statement that can be made about all these strategies is that they are not quick fixes, and that the road to broad-based quality outputs will be a long one.*
- *While JIPSA should be judged only within its own terms of reference – a short-term initiative to acquire priority skills – we have to ask if this is enough. The high-profile emphasis on priority skills should not obscure the fact that South Africa is short of all skills, starting with basic literacy and numeracy. Secondly, JIPSA's preoccupation with 'vacuuming' the economy to find 'lost' skills probably owes more to nation-building priorities than skills and growth. A reliance on 'retirees and mentors' raises many questions about whether this is a sustainable approach to our current, never mind medium-term, skills needs. The principle appears to be that for up to three years in an undefined range of state jobs, two people should be employed, that suitable mentors and candidates for mentoring can be found, and that, within a short time span, there will be a stable and self-sustaining platform of skills in the targeted areas (mainly in local government). Even if all of these conditions can be satisfied, it is difficult to see how this strategy could succeed in more than a small specialised area of South Africa's skills shortages. It is certainly difficult to see it being replicated across the economy.*

CDE's review of current developments in skills, growth and immigration leads us to reaffirm our recommendation for a more open, more flexible, more energetic market-driven immigration policy as a key part of a long-term strategy to develop South Africa's human capital as broadly and deeply as possible. A good first step would be to abandon faulty thinking and misguided priorities, including the following harmful misapprehensions:

- *We are only short of some skills; in fact, we are short of skills across the board, including people with the skills to create more jobs.*
- *We are in a short-term emergency situation; in fact, developing and retaining our own human capital will be a long-term process.*
- *We can recruit scarce skills inside the country; in fact, 'scarce' means there aren't enough skilled people in the country, and in the short term we have to recruit them elsewhere*
- *Graduate and matriculant unemployment can be explained by a mismatch of skills; in fact, many young people are unemployed because the education*

system has failed to provide them with the literacy, numeracy, and life skills they need to meet employers' requirements.

- *We can predict our skills needs in micro-managed categories and types*; in fact, we should be flooding the country with a wide range of skills.
- *Importing skills is a last resort*; in fact, importing skills can and should be a rational, well-managed strategy to compete vigorously in the global market for talent that will contribute greatly to South Africa's human capital development and therefore to accelerated and shared economic growth.

If we can rid ourselves of these myths, the way will be open for a more transparent and systematic debate on the place of immigration in helping to address the skills crisis.

## Recommendations

As part of this debate, CDE would like to see:

- A new more positive attitude to immigration as an essential ingredient in achieving South Africa's economic growth and development goals
- an end to sector-specific immigration quotas and burdensome certification processes;
- an end to ambiguity and changing goalposts in government attitudes to immigration, to be replaced with an energetic, unambiguous campaign to communicate the positive aspects of recruiting foreign skills within the relevant government departments, in the ruling political party, and in society at large;
- a large-scale effort by all South African institutions (including Investment South Africa, embassies, Marketing SA, and organised business) to encourage skilled foreigners to come to South Africa and help build a great African success story;
- overseas recruitment drives by appropriate government (and other) institutions to attract a wide spectrum of skilled professionals, IT experts, teachers, doctors, nurses, and entrepreneurs (big and small) to South Africa. In Moeletsi Mbeki's words: 'We need to flood the market.'
- the transfer of responsibilities for immigration management to a new and autonomous government institution established and run along the lines of the South African Revenue Service (SARS).

CDE believes these initiatives would go a long way towards kick-starting the sputtering skills revolution the government has been talking about since 1997, and establish immigration as an essential part of a well-founded, long-term, and multipronged strategy to recruit, develop, and retain skilled people.

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The government should lead a campaign to communicate widely and unambiguously to all South Africans that immigrant skills are a form of investment in our country which we urgently need

MAIN REPORT

# SKILLS, GROWTH, AND MIGRATION POLICY

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Overcoming the 'fatal constraint'

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The managed importation of skilled people from abroad will not threaten black South Africans, but will improve the education and training system that is currently failing them, manage development projects that will improve their lives, and create businesses that in turn will expand opportunities for employment

# Introduction

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South Africa's skills shortage has many faces; the anger of a township resident who lives in unsanitary conditions because the municipality has no engineers; the frustration of an employer trying to navigate a skilled recruit through the immigration bureaucracy; the exodus of young South Africans who have discovered the global market in skills; and the disappointment of others at home who believe themselves to be qualified but can't find a job. They are the human faces of South Africa's failure to develop, recruit, and retain the skills and wider human capital essential for sustainable and shared growth.

From its first days in office in 1994, the democratic government recognised the legacy of apartheid in the fields of education and training and, over a period of years, framed policies to address it. Twelve years later, however, as policy-makers focus on ambitious targets for growth, employment and poverty reduction, the government is again talking about a skills crisis

The launch of the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) in February 2006 and its partner programme, the Joint Initiative on Priority Skills Acquisition (JIPSA), one month later placed skills at the centre of the policy debate on economic growth. Statements by senior government leaders and policy-makers indicate that they regard the development, recruitment, and retention of skilled people in both the public and private sectors as the most important factors in achieving a higher rate of economic growth. As Deputy President Phumzile Mlambo-Ngcuka put it at the JIPSA launch:

...it should be noted that skills are not just one of the constraints facing AgsiSA, but a potentially fatal constraint. That fact should be admitted with emphasis. We have to overcome the shortage of suitable skilled labour if our dreams for the economy are to be realised; the task is huge.<sup>1</sup>

CDE has worked on migration issues since 1994, believing that they are vital to growth and development in South Africa. The organisation has spent considerable time and resources participating in the South African debate on a new migration policy for a democratic developing country and on making sure that we are informed by leading international experts on what has become a pressing global policy issue. Our central concerns can be simply expressed: What kind of migration policy would best serve South Africa's need for higher economic growth? What kind of migration policy will contribute to infrastructural development and expanding quality opportunities in education and training for all South Africans? Responses to these challenges must be sought while at the same time maintaining our commitment to the principles in the new constitution and an emerging human rights

'We have to overcome the shortage of suitable skilled labour if our dreams for the economy are to be realised; the task is huge'

culture. (see box, **CDE and migration policy**, this page). All our work has led us to conclude that it is in the best interests of everyone in this country that South Africa adopt a positive attitude to migration and urgently implement an active and effective recruitment strategy for foreign skills across a wide range of areas from health to project management to small entrepreneurs. There is a global market for talent, and South Africa needs to be an active player, not a victim.

These concerns shape this report, which is not an exhaustive treatment of all skills issues but an argument for widening the debate on skills, freeing it from some misconceptions that have shaped it up to now, and giving a central role to skilled immigration in the suite of policies aimed at boosting economic growth by expanding our pool of human capital.

It will address the following questions:

- What do we mean when we talk about skills in the context of growth, and why are they so important?
- How have we become aware of a skills shortage in South Africa? What are the drivers, size, and consequences of this shortage?
- How has the government responded to issues of skills and economic growth?
- What role can and should migration play in the response to skills shortages?

There is a global market for talent, and South Africa needs to be an active player, not a victim

## CDE and migration policy

CDE's numerous publications since 1994 in the field of international migration have been based on careful research and policy analysis, informed by international expertise and a keen awareness of the emergence of a global market in skills. These publications have included a book produced by CDE's executive director and a leading international expert on migration, numerous responses to draft legislation and regulations, as well as contributions to informing and extending public debate on migration issues. These publications have been backed up by numerous opinion pieces in newspapers.

CDE is currently managing a major research project on skills and immigration policy which has already resulted in the publication of a study of the economic roles of immigrants in a medium-sized South African industrial town, and will soon result in a similar, though much larger-scale, study of immigrants in Johannesburg.

Some of CDE's publications on migration are listed in an appendix.

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# What do we mean when we talk about skills?

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At first sight, to talk about skills in the context of economic growth is relatively straightforward. At its simplest, skills are competencies that possess economic value, and they are acquired through education, training and experience. According to one study of the 'brain drain' in southern Africa, definitions of skilled persons 'tend to focus on people who have received some sort of specialised training that results in superior competence, talent, or abilities that are applied in professional occupations.'<sup>2</sup> Thus, when we define skills in order to measure resources, needs and shortages, we tend to do so in terms of formal qualification – what we can put in a curriculum and reward with a certificate.

For instance, the South African Standard Classification of Occupations (SASCO) comprises eight categories, the first three of which call for significant levels of education and training, and all but one are skilled to some degree. A workable summary of detailed technical classifications might include 'high-level and general managers; scientists, engineers and those with professional technical skills; professionals in education, health and welfare; professionals in administration ... literature art and sport (and) ... certain blue-collar technical workers.'<sup>3</sup>

## The hidden issues

This emphasis on classifying and counting qualified people is understandable. Knowledge-based policy has to rely on research, and research deals with what can be readily and rigorously measured. However skills defined in terms of formal qualification form only part of 'human capital' – the stock of economically valuable qualities in the workforce. Human capital also encompasses knowledge, abilities, values, habits, and attitudes that are less easy to define and measure. Economies need a broad and deep endowment of human capital to function well. Overemphasis on formal education and certification and narrow definitions of skills can conceal some tricky issues.

- **Entrepreneurship:** Some skills are not easy to define and measure. The annual Global Entrepreneurship Monitor (GEM) surveys, which record and analyse rates of new venture creation in a range of countries, have done valuable work in drawing attention to South Africa's 'entrepreneurship deficit'. In its latest report (2005), GEM records further declines in South Africa's rankings against all countries and against other developing countries.<sup>4</sup> However, in policy terms, entrepreneurship tends to be excluded from the mainstream debate on the part played by skills in growth and employment creation, and treated as a 'survival' skill or skill of last resort for unemployable young people. This is partly because

Economies need a broad and deep endowment of human capital to function well

researchers have found it difficult to isolate the elements of successful entrepreneurship except in rather vague terms of character and attitude. Indeed, for some it is inappropriate to talk in terms of 'skills' for entrepreneurship. On the whole, the skills and growth debate, from training to immigration, tends to be about people qualified to *fill* jobs rather than people with the qualities to *create* them. In this respect, our thinking about skills and growth-supporting qualities tends to pay only lip service to, or ignore altogether, a key ingredient of the recipe for growth. We need creative ways of integrating entrepreneurship with skills and immigration debates

- **Experience:** Another quality that is difficult to measure is experience. It is widely recognised that the integration of workplace experience with theoretical knowledge is important for skills development, and the debate about skills in South Africa has belatedly come to include experience, with increasing prominence given to demographic concerns about the ageing of the skills pool and the effects of early retirement and other consequences of transformation policies. Indeed, 'mentoring' has become a buzz-word and a universally recommended panacea for skills shortages in South Africa. However, experience has been too easily accepted as a commodity that is quickly and readily transferable rather than something that is built up over years of career progression. While there will always be success stories of individual development, it is open to question whether this approach can be mobilised quickly, cost-effectively, and extensively enough to provide the answer to South Africa's skills shortage, especially in a context of low educational achievement.
- **Generic and crossover skills:** A key issue that is underplayed in our skills debates is generic skills, which are applicable across a diverse range of general occupations and specific jobs and which make for workplace productivity and efficacy. These include, for instance, the ability to communicate orally and in writing and to work in teams, as well as to be self-motivated and take responsibility. Linked to experience are the crossover skills and qualities that combine with specific professional qualifications in senior roles. The wide range of human qualities that make a good general manager – effective decision-making, and the ability to deal with conflict, for instance – are hard to pin down, but however they are defined it is clear that we generally lack people with those qualities, especially in the public service. High levels of corruption in some departments and the widespread suspension of erring public officials illustrate this deficiency. However, the intangibles of successful management do not appear in any micro-managed list of 'priority skills'. Experience, career progression, and crossover skills all combine in defining what some consider to be one of our most critical shortages – that is, of people to fill positions for which a professional qualification such as engineering is essential, but who also have management, marketing, project management, or other value-added skills and experience.
- **Mobility:** An important feature of dynamic, growing economies is that experience, life-long learning, opportunity, and enterprise propel people into new occupations and different roles in the economy. It is important when assessing a country's skills pool and skills needs to remember that we cannot assume that people will stay forever in the roles for which they originally acquired skills, or even start their career there. The way in which people use experience in the teaching profession for upward mobility in the private sector, either in corporate

The skills and growth debate tends to be about people qualified to *fill* jobs rather than people with the qualities to *create* them

or entrepreneur roles, is a case in point. The skills market is far more fluid than South African policy-makers have been willing to accept, and any assessment of needs, shortages, and priorities needs to take this into account.

- **Quality:** Perhaps the trickiest issue of all is the meaning of the qualifications that are used to quantify skills resources, needs and shortages. The politically sensitive question of quality – in which many stakeholders have vested interests – is often sidestepped with the euphemism ‘mismatch’. This term is sometimes used to explain why graduate unemployment has increased dramatically since the mid-1990s at a time of widely publicised skill shortages. The argument goes that our institutions of higher education produce people with skills that the labour market does not need. This is simply not true, since the biggest contribution to the pool of graduate unemployment comes from graduates (mainly from tertiary institutions other than universities) in business and commercial subjects. There is a counter possibility that mismatch disguises a quality issue – that is, that some institutions of higher education, including some universities, certify many people who lack the language, analytical, and research skills, as well as life or work readiness skills that those with qualifications in these fields should have. This is linked to assertions that a school matriculation certificate is often no guarantee of even basic educational achievement.

So far this argument lacks a substantial research base, but it is making its way into public debate. Strong versions of it were expressed by the head of the Services Sector Education and Training Authority (SSETA), Ivor Blumenthal, and a skills development officer for the Chamber of Mines, Vusi Mabena, at parliamentary hearings on youth unemployment held in May 2006. Blumenthal declared that SSETA was spending more on retraining and re-education than on skills training for specific jobs, and that no value could be placed on matric certificates and even three-year degrees.<sup>5</sup> Mabena asked why business should have to do the work of the state in educating recruits before they could be trained. Ms V Mathebula, research manager of the Umsobomvu Youth Fund, a government-backed organisation aimed at combating youth unemployment,<sup>6</sup> confirmed that graduates were often insufficiently literate and numerate. These telling but anecdotal warnings are beginning to be confirmed by research. In a welcome break with past reticence, research on graduate unemployment commissioned by JIPSA has cautiously acknowledged that South Africa suffers not only from a skills *shortage* (quantity) but also a skills *deficit* (quality). Much will depend on how openly this issue can be researched, debated, and addressed at a policy level.<sup>7</sup>

The skills market is far more fluid than South African policy-makers have been willing to accept

## The South African context

While useful generalisations can be made across countries about skills and growth, policy issues can only be dealt with in particular economic and political contexts. In this respect, discussions of skills and growth in South Africa have to take cognisance of certain realities. Three in particular stand out:

The first is that there is a global market in skills (see box, **The global market in skills**, page 14). Countries seeking higher levels of economic growth have no option but to compete in this market in order to retain as much of their own human capital as they can, and to recruit from elsewhere when it is necessary to boost their own pool

## The global market in skills

An influential Washington think-tank, the Migration Policy Institute, has named the growing competition for skilled workers and foreign students as one of the top ten migration issues of 2005, and concluded that 'the United States can no longer assume it will, by default, attract the world's best and brightest workers and students as it did for most of the 20th century'.<sup>8</sup> This is because other developed countries, including Germany, the United Kingdom, France, the Netherlands, Canada, and Australia, have stepped up the tempo of competition, and are making it easier for highly skilled workers to enter.

The most recent country to do so is France, which, in June 2006, adopted an immigration law that creates a new kind of residence permit – named a 'skills and talent permit' – for foreigners with qualifications judged to be important for the French economy.<sup>9</sup> Three months previously, the United Kingdom introduced a points-based immigration system designed to make it easier for highly skilled young workers to enter the country,<sup>10</sup> and in November 2005 the United States increased its number of visas for highly skilled people from 65 000 to 95 000 a year.

Australia, like many other developed states, has an ageing population, and its economy is in its 15th year of growth. The 2005 – 6 immigration intake (excluding humanitarian and refugee numbers) was between 130 000 and 140 000, double the numbers of the mid-1990s.<sup>11</sup> Like the United States, Australia increased its skilled work permit quota in 2005 by 20 000.<sup>12</sup> Although traditional immigration countries such as the United States, Canada, and Australia feature prominently in the movements of skilled migrants, the global market in skills extends further than the developed West.

The Middle East and the oil states of the Gulf in particular are magnets for skills to feed an average economic growth rate of 5, 9 per cent among the Gulf Cooperation Council members (Qatar achieved 8, 8 per cent). Private sector employment in these states is dominated by expatriates: 90 per cent in the United Arab Emirates, and 82 per cent in Kuwait. As one South African observer notes, 'You run into South African nurses all over the Gulf: ditto engineers, IT professionals, and hotel and catering managers ... periodically we see a renewed focus on "Omanisation", "Saudiisation" and so on, but when growth and strategic objectives beckon, this region goes for skills and experience every time.'<sup>13</sup>

According to the Migration Policy Institute, a key aspect of the new generation of skilled immigration policies is the competition for foreign students, or what one authority calls 'designer immigrants'.<sup>14</sup> In 1999 some 26 per cent of the American pool of doctorates in science and engineering were foreign-born but domestically trained.<sup>15</sup> Traditionally the United States and the United Kingdom have dominated the competition for foreign students, but they are being rivalled by Australia. Since 2001 Australia has made it easier for these 'designer immigrants' to move from study to the job market, and the quality of Australian higher education has made this an attractive option, especially for Indian and Chinese students. In 2006 Australia had 7 universities in the top 100 in the world, and 13 in the top 200. No South African university is ranked in the top 200.<sup>16</sup>

of skills. South Africa, like other countries has to choose the terms on which it will engage with this market.

This competitive environment exists because of the pull of wealthy developed countries that can selectively offer comparatively secure and well-remunerated quality of life to individuals in order to fill their own skills needs. They do this because:

- demographic changes are causing demand for labour at all skills levels in the ageing and contracting populations of the developed world (especially in Europe);
- it is difficult to predict skills needs accurately under conditions of cyclical growth and rapidly evolving technologies, and immigration can rapidly fill shortages;
- the education and training systems of developed countries do not make the best of their own human capital;
- the circulation of skilled people among developed countries has ‘knock-on’ effects; for instance the United States attracts research scientists and medical personnel from European countries, which recruit from developing countries in turn.

No ambitious middle-income developing country can afford to ignore the global skills market, although their policy-makers often tend to think only in terms of defensive measures against the threats of skills loss through ‘poaching’, and not the opportunities that the market brings.

While initially South Africa’s response to the global skills market was defensive, protesting our vulnerability as a source for scarce skills to certain developed countries, South African leaders have recently acknowledged the potential of the global market in addressing the country’s skills needs. However, these statements have tended to be isolated expressions of intent without much in the way of operational content or strong leadership. Indeed, although such statements have come from some of the highest ranks of government, they tend to be diluted if not contradicted from elsewhere in the government, the bureaucracy, and the ruling alliance. This ambiguity means that we are failing to exploit the global skills market in our strategies to develop human capital.

The second major reality that conditions the skills and growth debate in South Africa is the historical legacy of discrimination and exclusion that has left South Africa’s pool of skilled human capital disproportionately located in the white population. This in turn has two negative effects:

- It means that South Africa’s skills pool is vulnerable to erosion by emigration and ageing. South African whites are well-equipped linguistically (even if English is not their first language) and culturally to fit into the main Anglophone developed countries; indeed, many hold British or other EU passports. In demographic terms, besides showing the ageing characteristics of an affluent population in a developed economy, the white population is therefore subject to erosion by the emigration of young people. In the longer term, the wider and more inclusive development of skills should more than compensate for these losses. However the underperformance of South Africa’s educational system – which bears most heavily on poor African children – means that the reliance on vulnerable white skills will continue for a significant period. It would also be wrong to assume that

No ambitious middle-income developing country can afford to ignore the global skills market

only whites are prone to emigrate. *All* skilled South Africans are well-equipped to fit in with developed Anglophone countries, and research has shown that skilled South Africans of all colours are prepared to consider emigration. A study<sup>17</sup> by the Southern Africa Migration project (SAMP), published in 2000, reported that 69 per cent of skilled whites and 68 per cent of skilled blacks surveyed had given emigration some thought. Based on all the questions in the survey a composite statistical index was drawn up of respondents' potential to emigrate. Thirteen per cent of skilled whites fell into the 'very high' and 'high' categories, and six per cent of skilled blacks fell in this combined group.

- It also sets up difficult choices between making the most of existing skills for growth and delivery and giving priority to transformation goals of making the workforce representative of the country's demography. The extent to which transformation goals have prevented the best use being made of South Africa's existing human capital is a politically sensitive and bitterly contested issue, which is unlikely to generate the kind of research evidence that would resolve it conclusively. At least the current momentum created by AsgiSA and JIPSA has brought to light creative possibilities for working across this divide, but we will consider later how productive they are likely to be.

The third reality we face is that the South African government has chosen the high road of skills to address the country's problems of poverty and unemployment. This involves two strategies. The first is to seek higher levels of economic growth through competitive, export-led growth. In this logic, skills are associated with productivity, the effective management and organisation of work, the ability to work with ever more sophisticated knowledge- and technology-based processes, and the ability to add to them through innovation, research, and development. All of these are associated with the ability to attract direct foreign investment in a competitive global environment

The second strategy is that of the developmental state. In this logic, the state is an active promoter of economic growth, by investing heavily in infrastructure to facilitate economic activity of all kinds. This goes with the delivery of services – especially health, education, and housing – that will enable previously excluded people to gain access to the labour market. This strategy requires people with technical skills to participate directly in infrastructure projects and service delivery, as well as skilled, experienced managers to organise all aspects of policy implementation.

Without the necessary skills, both strategies will fail – an eventuality which the government explicitly recognises. As one review has put it, the supply of skilled labour will:

‘... set the boundaries within which a knowledge intensive growth trajectory can be realised. Hence the direct implication for human resources development is that unless the skills of the SA labour force can be rapidly upgraded, the development path that government has chosen will be unattainable.’<sup>18</sup>

‘Unless the skills of the SA labour force can be rapidly upgraded, the development path that government has chosen will be unattainable’

# Discovering the skills shortage

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Expressions of concern about South Africa's skills pool are far from recent, but they have emerged more frequently, urgently, and forcefully over the past 18 months. This is because escalating demand driven by more rapid growth has coincided with continuing supply pressures. These are caused by the pull of the global skills market and our own inability to develop, utilise, and retain enough human capital from our own resources.

Factors contributing to the higher demand for skills include:

- higher levels of growth in the South African economy and globally, especially in the commodity sector (see box: **Business voices on skills shortages**, page 18);
- the government's stated commitment to expenditure on growth-oriented infrastructure;
- the government's concerns about political unrest at the local level, sparked by discontent at poor service delivery attributable in part to shortages of skilled municipal staff. This kind of protest action began in September 2004 and has continued intermittently ever since;
- most recently, concerns about vacancy rates and a lack of capacity in several national government departments.

It is important to recognise how important the government's concern about its own shortfall in capacity has been in moving the skills issue up the policy agenda.

We cannot assume that people will stay forever in the roles for which they originally acquired skills, or even start their career there

## Skills and the developmental state

The pressures caused by higher economic growth and community-level political unrest have exposed the alarming lack of human resources in the public service, and threatened to make a mockery of claims that South Africa is a 'developmental state'. Indeed, signals of the threat and potential consequences of skills shortages in the public sector are numerous and ominous. (See box: **Government voices on skills**, page 19). For instance, the most recent report (2006) of the Public Service Commission identifies huge capacity constraints at all levels of government. It concludes that 'addressing the capacity challenge in the public service requires dedicated leadership from the executive and senior management levels.'<sup>19</sup> The problem, which the commission fails to take adequately into account, is that there is a distinct shortage of leaders of any description in most government departments. In most departments many key posts are vacant; in numerous instances senior officials under disciplinary or other charges remain suspended for periods of up to three years while the

## Business voices on skills shortages

- 'As good as skills development legislation is, we still have a dearth of really good technical training programmes at skilled worker level. . . . Because many of the new learnership systems haven't been properly implemented yet and are still in a transitional phase, the delivery of skills isn't where it should be.'  
– *Martin Wescott, MD, PE Corporate Services, May 2006.*<sup>26</sup>
- 'The shortfall of welders in the country has been estimated at as much as 12 000 by some. . . . In 2004 Kumba resources hired welders in Germany to upgrade furnaces in South Africa because the skills were not available in South Africa. . . . as few as six people obtained internationally recognised welding qualifications in South Africa – compared with 2000 in Germany – in the last five years. Half of the handful who qualified in South Africa are now employed abroad.'  
– *Jim Guild, executive director, Southern African Institute of Welding, February 2006.*<sup>27</sup>
- 'With the onset of mass retirements due to the age profile of engineers, there would only be a net gain of 20 to 30 engineers a year for the next five to ten years.'  
– *Alysson Lawless, former president, SA institute of civil engineers, October 2005.*<sup>28</sup>
- 'South Africa has 37 government departments and 284 municipalities. Government departments, in particular need about five chartered accountants each. They are presently nowhere (near) that number.'  
– *Patrick Maranya, project director, South African Institute of Chartered Accountants, September 2005.*<sup>29</sup>
- 'It is clear that developing countries like South Africa will experience the [age] shift as the existing technical skills base is similar to developed countries. This presents a daunting task, considering we are confronted by a huge scarcity of economy critical technical skills.'  
– *Dudu Nyamane, human resources director, IBM SA, September 2005.*<sup>30</sup>
- 'We have to address the skills constraint at the low end fairly easily as it only takes a few months to train a bricklayer or a plasterer, but to train a project manager to handle a multi-billion rand project takes many years . . . once my generation retires, we [will] have a gap. We lost around 60 000 highly skilled people in the 1990s to places like the Middle East and Ireland, as there were not enough jobs here to keep them busy.'  
– *Mike Lomas, CEO, Group 5 Construction, July 2005.*<sup>31</sup>
- 'Sasol cannot find the mechanics, welders and riggers it needs as it alters its refineries to meet government demands to phase out leaded fuel. "We will have to import, for the peak of the workload, about 2000 qualified artisans.'  
– *Jannie van der Westhuizen, human resources director, Sasol, February 2005.*<sup>32</sup>
- 'In every single boardroom I go into, executives always come up with the same, number one obstacle- skills. And it's all so unbelievably simple: skilled migrants create jobs . . . You bring in an IT person or even a dentist, and the next day they've created six jobs'.  
– *Iraj Abedian, former chief economist, Standard Bank, May 2002.*<sup>34</sup>

## Government voices on skills

- ‘Honestly, I have a lot more confidence in Eskom than in all of the municipalities put together. Local government is useless. It’s a fact! A metro can handle electricity supply, but small municipalities can’t.’  
– *Alec Erwin, Minister of Public Enterprises, July 2006.*<sup>36</sup>
- ‘It is clear ... we won’t make much progress [with the government programme of action] if the system of local government is weak.’ (The president) added that the government was ‘not going to find all the skilled people in South Africa. The skills are not there. We might have to look at the amended immigration regulations and ask, ‘can we import these skills’.<sup>39</sup> ... ‘On the scale of one to four – four being excellent and one being the worst – the average manager’s capacity level was 1,6. How can we count on management to lead us when their skills levels are so low?’  
– *President Thabo Mbeki, June 2006.*<sup>40</sup>
- ‘The skills of councillors themselves need to be sharpened. Project Consolidate is a prelude to the ushering in of a season in which we will have a local government system which has the requisite capacity to discharge its mandate.’  
– *Sydney Mufamadi, Minister of Provincial and Local Government, May 2006.*<sup>37</sup>
- ‘The Department of Foreign Affairs has an important contribution to make in sourcing and attracting scarce skills from the international community ... skills are required in infrastructural development in government, private sector and state owned enterprises, the expanded public works programme and public services and social services delivery.’  
– *Deputy President Phumzile Mlambo-Ngcuka, March 2006.*<sup>38</sup>
- One of the key hurdles crippling service delivery in the public service is the shortage of appropriate skills ... where skills are not available, South Africa may recruit from other countries it has bilateral agreements with – for example, India, Cuba and Iran. SA also has technical cooperation agreements with the United States, Sweden, and Germany that provide developmental aid to South Africa to allow workers to focus on specific projects.’  
– *Geraldine Fraser-Moleketi, Minister of Public Service and Administration, May 2004.*<sup>41</sup>

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investigations drag on. The number of vacancies in key departments can be broken down as follows:

- **Home Affairs, 2004:** 22 per cent of posts vacant, including 34 per cent of highly skilled supervisory posts and 54 per cent of IT posts. *Thirteen out of 42 ‘senior management’ posts vacant.*<sup>20</sup>
- **DTI, 2005:** 34 per cent of posts vacant, including 41 per cent of highly skilled supervisory posts, 54 per cent of international trade and economic development posts, and 63 per cent of trade facilitation posts. *Fifty-eight out of 177 ‘senior management’ posts vacant.*<sup>21</sup>

- **Science and Technology, 2005:** 33 per cent of posts vacant; 39 per cent of highly skilled supervisory posts vacant. *Twelve out of 59 'senior management' posts vacant.*<sup>22</sup>
- **Education, 2005:** 18 per cent of posts vacant; 26 per cent of highly skilled supervisory posts. *Thirteen out of 85 'senior management' posts vacant.*<sup>23</sup>
- **Defence, 2005:** 19 per cent of posts vacant; 54 per cent of professional posts vacant.<sup>24</sup>
- **Transport, 2005:** 213 out of 551 posts (39 per cent) vacant; 35 out of 90 'senior management' posts (39 per cent) vacant ; *90 out of 198 'highly skilled production' posts (45 per cent) vacant.*<sup>25</sup>

In 2005, officials of the Department of Provincial and Local Government told a parliamentary portfolio committee that there were serious skills and capacity shortages in local government. This self-assessment is supported by the following figures reported in the *South Africa Survey, 2004/2005* of the South African Institute of Race Relations (SAIRR): of the 284 local authorities in South Africa:

- 203 could not provide sanitation to 60 per cent of their residents
- 182 were unable to provide refuse removal to 60 per cent of houses,
- 155 could not provide water for 60 per cent of properties
- 122 could not provide electricity to 60 per cent of homes
- 116 were unable to provide housing for 60 per cent of their residents.<sup>42</sup>

In 2005, the Minister of Provincial and Local Government, Sydney Mufamadi, summed up this dire situation when he pointed out that '61 per cent of municipalities perform 50 per cent or less of their constitutionally mandated functions.'<sup>43</sup>

As we have seen, similar percentages have also emerged at higher government levels. According to the auditor-general, 'in 61 per cent of the central government's departments there was no alignment between strategic plans and annual and financial reports.'<sup>44</sup> Besides this, the ability of government departments to submit financial reports is limited, and the situation is getting worse. The auditor-general is flagging more and more failures in the financial reports of government departments – up from 150 in the 2002–3 financial year to 300 in the year to March 2005. The number of 'qualified' audit reports (which occur when the auditor-general discovers these failures) on provincial departments of education, health, and social development is still rising, with health departments showing the biggest decline in standards of financial management in 2006.<sup>45</sup>

'Sixty one per cent of municipalities perform 50 per cent or less of their constitutionally mandated functions'

## Pressures on supply

Intensified demand pressures on the government and business have in turn focused attention on factors that exacerbate and prolong our weak supply of skills.

Unintended consequences of government transformation policies began with a *migration of skilled whites* out of the state and parastatal sectors in the first burst of employment equity zeal. A second wave saw the departure of much of the thin layer

of skilled blacks out of both the trade unions and government to the private sector, driven by the demand caused by BEE and affirmative action policies. The politicisation of government posts has made a bad situation worse, as Mamphela Ramphele, former vice-chancellor of the University of Cape Town, formerly one of the managing directors of the World Bank, and currently executive chair of the black economic empowerment company Circle Capital Ventures, trenchantly pointed out in her Steve Biko memorial lecture in September 2005:

The appalling skills gaps in the civil service and the unsustainable vacancy rates reflect not only lack of skills but the corroding effect of politicisation of appointments at many levels of our civil service ... there are too many skilled professionals being denied job opportunities at the various levels of government because they are outside of party political networks that have captured civil service jobs for patronage. Comparative analyses worldwide point to the importance of limiting political appointments based on loyalty to the top layer. Strict professional competency criteria need to be applied for the rest of the system to ensure efficiency and effectiveness. We need to strengthen professional recruitment, promotion, training and retention of public officials at all levels. Mediocrity has to be rooted out, and meritocracy promoted.<sup>46</sup>

*Emigration and the brain drain* continue to erode South Africa's skills base. According to SAIRR, population pyramids reveal that there has been a large scale emigration of whites between the ages of 25 and 34, the most economically active and skilled group. SAIRR reviewed household surveys from 1995 to 2005 and concluded that the white population had declined by 841 000 in that period.<sup>47</sup> Statistics surveys, including census tallies, have been criticised for undercounting whites. However figures from receiving countries such as the United Kingdom and Australia confirm that large-scale emigration from South Africa has taken place in this period. About 1,3 million whites are aged between 40 and 60 (about 30 per cent), and they will retire over the next 15 to 25 years. The point is not that this accumulation of skills and experience is irreplaceable, but that it will not be replaced overnight.

The effect of emigration is intensified because the historical concentration of skills in the white population is perpetuated by the *problems in our education system* today. White students are two to three times more likely than Africans to graduate from universities in the fields of engineering, commerce, and management sciences, sectors which are crucial to the country's economic growth strategies.<sup>48</sup> The continued dominance of white graduates in these disciplines is linked to the poor performance of African students in mathematics and science at school levels. Whites are three times more likely to obtain higher grade passes with an A, B, C, or D symbol than Africans. These racial imbalances are attributable to the fact that the majority of black South African children attend schools that are dysfunctional.

The extent of South Africa's losses of both white and black people can be gauged from research on their *contribution to receiving countries*. Research based on British census figures has shown that the number of South African-born people in Britain grew from 67 918 in 1991 to 140 201 in 2001 – an increase of 106 per cent. South Africa was one of ten countries (out of 56 studied) whose numbers in Britain more than doubled. South Africa has a high proportion of new immigrants in the United

'There are too many skilled professionals being denied job opportunities at various levels of government because they are outside party political networks that have captured civil service jobs for patronage'

Kingdom who are employed (sixth out of 56), and are classified as high earners (11<sup>th</sup> out of 56, where all countries scoring higher, with the exception of India, are developed members of the OECD).<sup>49</sup> However, even these figures might be an underestimate. Another study based on both South African and British statistics estimated that between 1989 and 2003 a total of 219 856 South Africans emigrated to the United Kingdom.<sup>50</sup>

Supply pressure is also visible in the *ageing of qualified artisans* in key sectors essential to South Africa's economic growth. According to Dr Con Fauconnier, former president of the Chamber of Mines, the current average age of a qualified South African artisan is 54 years. This means that, by 2015, unless radical measures are taken to remedy the situation, artisans available to South Africa's industrial and commercial sectors will be in dangerously short supply.<sup>51</sup> According to Fauconnier, South Africa is currently training 10 percent of the number of artisans it trained three decades ago.<sup>52</sup> In the same vein, Jake Olivier, general manager of the steel company Mittal South Africa, has stated that the country will have to increase artisan training tenfold in order to meet the requirement set by AsgiSA. He has cautioned that 70 per cent of current artisans would leave the industry during the next five to six years – a period that will play an important role in meeting 2010 Soccer World Cup targets. In order to meet the demands of manufacturing, resources, and construction industries, 10 000 to 12 000 artisans would have to be trained every year.<sup>53</sup>

The cumulative effect of these supply pressures is a failure to make good use of the full resources of South Africa's existing and potential human capital: we don't develop enough of the skills the economy needs and can absorb, and we don't retain enough skilled people, or use them productively enough. While no country in the world can claim to make the 'best possible use' of its human capital (far fewer people would be able to migrate if this were the case), South Africa's failures in this regard are notable.

We don't develop enough of the skills the economy needs and can absorb

## Putting numbers to the skills shortages

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It is particularly difficult to come up with authoritative figures for skills shortages for the whole economy, and even shortfalls in particular categories are difficult to generate and agree on. Aside from the methodological difficulties of enumerating from a variety of indirect sources, as we have already seen, definitions of what a 'skill' is and what constitutes a 'shortage' are rarely uniform, especially when vested interests and political sensitivities are involved.

The case of teacher shortages illustrates all too well the effects of political sensitivities and vested interests on the way in which skills shortages are understood, and on policy responses to them. In particular, the ill-fated attempt by the government to recruit maths and science teachers from India illustrates these issues (see box: **'Shortage? What shortage?'** page 26).

The argument that surfaces in this case study – that there cannot be a shortage in a given skills category because there are more 'qualified' people than unfilled posts – constantly bedevils the policy debate about shortages. This is especially true when immigration is a recommended policy response to skills shortages. Arguments along these lines are usually based on no more than ledger calculations; little or no effort is usually made to locate the personnel involved; interrogate the quality of their skills, their employment history, and their aspirations; and whether they are employed elsewhere in the labour market, have emigrated, or are dead.

The Human Sciences Research Council (HSRC) has a different take on teacher shortages. It has estimated that, by 2008, South Africa will be short of 15 090 educators if the current learner-to-educator ratios of 40:1 for primary schools and 35:1 for secondary schools are maintained.<sup>54</sup>

To achieve a learner-to-educator ratio of 35:1 for *both* primary and secondary schools (which is still undesirably high), the projected shortfall would more than double to 34,000, according to the HSRC study. The study also found that it would 'probably not be possible' to meet the recruitment needs of new educators from new graduates for the period ahead, nor could the shortfall *be met from the community who have teaching qualifications but who are not working, or seeking work, as educators*<sup>55</sup> (emphasis added).

Despite the difficulties of estimating the extent of shortages, some generalisations can be confidently made:

Unlike most OECD countries, where up-skilling focuses on science and technical skills, South Africa is faced with the need to develop skills in a broader range of occupational categories. In other words, the fact that skills shortages also occur in

By 2008, South Africa will be short of 15 090 educators if current learner-to-educator ratios are maintained

### ‘Shortage? What shortage?’

On 3 November 2005 it was announced that the Minister of Public Service and Administration, Geraldine Fraser-Moleketi, would visit India as part of a high-profile government initiative to recruit skilled people for the public sector. Engineers, maths and science teachers, financial managers, IT experts, and certain health professionals were targeted.<sup>56</sup> A week later, teachers had been dropped from the list, and only ‘education management and support’ experts were to be sought in order to develop a framework for the evaluation of teachers, provide training, and help design the curriculum.<sup>57</sup>

According to the *Financial Mail*, this about-turn was due to pressure from the South African Democratic Teachers’ Union (SADTU) on the grounds that SADTU ‘cannot agree that teachers should be recruited from outside South Africa’.<sup>58</sup>

SADTU’s president, Willie Madisha, claims that South Africa has 50 000 unemployed teachers who need to be employed before foreign recruitment can be considered. Madisha says SADTU has done research by comparing the number of teachers trained in recent years with the numbers placed in jobs, and found the difference to be 50 000. From this rather tenuous basis he also concludes that some of them could teach maths as some of them ‘did maths and science at school’.<sup>59</sup> He also says existing teachers should be given a chance to retrain as maths teachers – a process on which he sets a five-year time frame.<sup>60</sup>

SADTU, however, is not the only obstacle to importing foreign teachers; the department of education is opposed to it too. Its director-general, Duncan Hindle, has stated: ‘We don’t have vacancies that we are unable to fill ... so the supply is adequate. If there were vacancies we were unable to fill, then we could recruit from elsewhere because we would want to ensure that there is a maths teacher in every classroom.’<sup>61</sup> In addition, the director-general of the Department of Public Service and Administration, Richard Levin, has stated that there are ‘1 000 unemployed maths and science teachers in Limpopo’.<sup>62</sup>

However, the economist Iraj Abedian has replied that ‘the fact is [that] a number of those teachers are ill-qualified to be at school at all. I would pay them to stay home. If there is a price to pay to get the system going, let’s pay it.’<sup>63</sup>

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The country is faced with the need to raise skills levels across all occupations

intermediate occupations such as craft workers means that the country is faced with the need to raise skills levels across all occupations.<sup>64</sup>

Other estimates are more ambitious. According to an HSRC study conducted in 2003, South Africa had a shortage of 350 000 to 500 000 in managerial and technical sectors in 2001.<sup>65</sup> This closely matches an earlier figure of 300 000 to 500 000.<sup>66</sup> This figure predates the upturn in our growth rates and the expectation of even higher ones, and hence presumably seriously understates rather than overstates the problem.

Estimates such as this may have helped to create a sense of urgency among policy-makers, but they are rarely quoted, and public discussion tends to focus on specific quantities in specific categories of occupation and qualification. This is because specific professional associations (such as engineers and accountants) undertake their own research, individual companies and industrial sectors are vocal about their own needs, and the cabinet and government departments respond to specific

pressure points (such as unrest about service delivery in municipalities). Also helping to fragment the discussion is the desire to plan and control policy on the basis of things that are precisely known, and hence are manageable. All this is understandable, but there is a danger that the bigger picture can be lost in refinement of micro statistics about this or that category of skills that is worrying a large corporation or government planner. And the bigger picture is that:

We are desperately short of the hard skills of technical expertise and the soft skills of language and numeracy, as well as the essential but harder to define qualities that experience, generic skills and cross-cutting expertise bring to qualification. We lack these elements not only across all professional managerial, technical and artisan fields, but also in the vital area of entrepreneurial skills and qualities.

# The government and its skills policies

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In 1997 the then Minister of Labour, Tito Mboweni, launched a comprehensive skills development strategy aimed at 'kick-starting the skills revolution which is needed to help South Africa compete globally'.<sup>67</sup> Nine years later, the government is hammering home the message that what we need is ... a skills revolution (see box: **A tale of two launches**, page 29).

## Stalled revolution I: skills development

The government's concern with skills, then, is not new. Having decided early in the democratic era to base its growth and development plans on an export-oriented, high-value-added vision of the economy, building the foundations for a larger skills pool was an immediate policy concern. However, the National Skills Development Strategy and Skills Development Act (1998), meant to catalyse the skills revolution, have been slow and uncertain in delivery.

The sprawling empire of skills development, with its 25 Sector Education and Training Authorities (SETAs), financed by a payroll levy, is so extensive that no comprehensive review of its performance is publicly available. However, such evidence as exists provides cause for concern.

One study<sup>69</sup> conducted in 2005 surveyed learnerships across the 25 SETAs, but struggled to access authoritative information. Eighteen of the 25 responded to the request for information on completed learnerships (up to June 2004); three reported none completed, and two could or would not supply contact details for completed learnerships. In other words, just more than half were able to co-operate fully with the assessment. The researchers estimated that 10 342 learnerships had been completed by mid-2004 in terms of a system that had been put in place in 1999. Of the 5 767 completed learnerships that could be sampled for interview, 4 160 had come through the Financial and Accounting Services Seta (FASSET), which interned university graduates completing articles.

The researchers found that the role of the SETAs:

... is a complex and vexed one that has had mixed success so far ... Certain SETAs have been innovative in their leadership and have managed to meet the expectations put on them by participants and the department of Labour alike. Other SETAs have failed woefully, and are not in a position to either administer the learnerships or monitor the performance of learners during the skills development phase.<sup>70</sup>

The sprawling empire of SETAs is so extensive that no comprehensive review of its performance is publicly available

## A tale of two launches

Tito Mboweni launches the skills revolution in 1997 ...

Introducing the Skills Development Bill in Parliament in September 1997, the then Minister of Labour, Tito Mboweni, said:

‘Decades of underinvestment in skill development has resulted in a skills profile in which only 3 million people are skilled or highly skilled, while 7 million are semi-skilled or “unskilled”, and 4 million are unemployed. This profile compares poorly with those of other middle-income and advanced industrial countries. For instance, South Africa has 3,7 per cent professionals in its labour force as compared to 7,8 per cent for middle-income countries and 10,5 per cent for advanced industrial countries. The same shortage is evident in respect of craft and related trade workers where the figures are 12,4 per cent, 18,3 per cent, and 16,5 per cent respectively.

‘The South African economy can no longer absorb large numbers of relatively low skilled labour. In the 20 years from 1973 to 1993 the proportion of highly skilled jobs (needing at least a post-matriculation diploma) rose from 10 per cent to 17,3 per cent, [and] the proportion of skilled jobs from 28,6 to 34,3 per cent. However, the proportion of semi-skilled and unskilled jobs declined from 61,3 to 48,4 per cent.’

... Phumzile Mlambo-Ngcuka launches the skills revolution in 2006

Launching JIPSA in February 2006, Deputy President Phumzile Mlambo-Ngcuka declared: ‘Nothing short of a skills revolution by a nation united will extricate us from the crisis we face’.<sup>68</sup>

It is clear that skills development will be a long haul indeed

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In summary, then, just more than half the SETAs could co-operate fully with the research, completed learnerships were meagre, and successes were heavily concentrated in one industry and involved already highly educated people. Bearing these aspects in mind, the researchers’ conclusion that ‘many challenges of course remain; this is to be expected of a national intervention of this size and complexity’<sup>71</sup> errs heavily on the side of kindness.

At any rate, it is clear that skills development will be a long haul indeed. Media reports certainly do not create the impression of a skills revolution in full swing. For instance, the head of one SETA recently offered the following verdict on the first five-year cycle of the National Skills Development Strategy:

The first NSDS chased numbers: the target was 80 000 learners, but the country ended up with 60 000 higher skilled people still unemployed. The new NSDS focuses on taking in learners, ensuring they complete their learnerships and find jobs.<sup>72</sup>

Another report notes that the minister of labour, Membathisi Mdladlana, has referred allegations of corruption at the tourism, hospitality, and sport education training authority (Theta) involving at least R13,7 million to the Scorpions for inves-

tigation.<sup>73</sup> In addition, the Construction Education and Training Authority (CETA – one of those that could report no completed learnerships) has disclosed that it believes up to 40 per cent of claims related to training are fraudulent. The authority's council has selected an auditor to fully investigate these suspicions. The fraud identified by Ceta ranges from claims for 'ghost' trainees and charges for full-term courses that were shorter to unacceptably high instructor:trainee ratios, when Ceta's requirement was 1:25.<sup>74</sup> Ceta's shortcomings have led the national organisation of master builders to consider running its own training scheme, despite funding Ceta through the skills levy.<sup>75</sup>

The impression left is of an expensive, time-consuming, and wasteful learning curve, marked by widespread incapacity and worrying instances of corruption. The verdict of wastefulness and ineptitude is shared by a leading business newspaper which has warned the government's latest skills initiative, JIPSA, against making 'a blind commitment to ... mistakes such as the SETAs. If they can't be fixed so that they do provide the training and skills we need, businesses should not have to cough up the skills levies that fund the SETAs' wastefulness.'<sup>76</sup>

Certainly some of Mboweni's remarks of 1997 make ironic reading nine years on: 'A national payroll levy at this stage of the skill development process in South Africa must be viewed as a temporary measure, which should build a "training culture" within industry and create more systematic approaches to training. *The success of the levy will be determined by the speed with which it becomes redundant*, by improving the private sector's response to training'<sup>77</sup> (emphasis added). Far from becoming redundant, nine years down the line the system that the levy supports has hardly got off the ground and in May 2006 an influential black business lobby, the president's black business working group, was urging that the payroll levy be raised from 1 per cent of payroll to 3 per cent.<sup>78</sup>

It will take decades before current educational reform and training initiatives reach the required levels of success

## Stalled revolution II: immigration and the skills shortage

Any fair-minded assessment of South Africa's skills situation has to acknowledge that apartheid left us with the legacy of a dangerously shallow pool of human capital. There are only two ways to overcome this handicap

One is to dramatically upgrade our educational and training systems in order to rapidly broaden our skills base and improve its quality. This is essential, and a range of relevant reforms and policies is being pursued. However, the record of skills development and, more particularly, of our education system in the first 12 years of democracy makes it clear that it will take decades before current educational reform and training initiatives reach the required levels of success. Moreover, these initiatives themselves are constrained by a lack of skilled educators, trainers, and mentors.

The other solution, which is complementary to the first, is to recruit skilled people abroad. It is as vital to do this in the short term as it is to develop our own human capital in the long term.

CDE has consistently argued for more flexible and market-driven immigration policies, to boost skills and growth. We have done so principally on the grounds discussed elsewhere in this document, of our deficit of productive skills, and our

continued vulnerability to the 'brain drain.' However, we have also pointed out that there are other arguments to be made in favour of the positive effects of more open immigration:

South Africa attracts far less foreign direct investment than it needs. This problem has multiple causes, some of which are being directly addressed by sound macroeconomic policies. Others that are directly or indirectly linked to investment will be impossible to change in the short to medium term if only our internal options and resources are considered. One of these is our low savings rate; another is the small proportion of economically active people who pay income tax; and a third is our relative shortage of medium-level entrepreneurs – what the IMF has called our 'missing middle'. Productive immigrants could alleviate each of these constraints in the short term:

- Productive immigrants pay tax, not least because the conditions of their work permits would make it unwise for them to evade tax.
- Immigrants tend to save a great deal, because they have to rebuild their security in a new country.
- A large proportion of the medium-sized factories, building firms, and specialised commercial ventures in South Africa have been started by immigrants.

For these reasons, South Africa's need for skilled immigrants is far larger than only the demand created by employers' immediate shortages of skilled labour. Rather, we should aim to expand the pool of skills and entrepreneurial energy in the economy as a whole. After all, it is a generous supply of the latter that gives an economy real drive.

In this context, the types of people who migrate to new countries have demonstrated universally that they are energetic, risk-taking individuals who work extremely hard to establish themselves in their new domiciles. Indeed, there are few successful economies aside from some far Eastern ones that do not owe a large measure of their economic progress to immigration. The immigrants who have been most useful in this regard are of three kinds: people with high academic, scientific, and technical qualifications; people with special craft skills and vocational experience (such as the wine-makers who came to South Africa with the Huguenots), and people who may not have had particular qualifications but who have excelled at starting small businesses that have grown into large industries. The contributions of the last category of people are unpredictable – they cannot be identified in advance – but these types of entrepreneurs (often starting from very humble beginnings) have made massively valuable contributions to the economy of this country as well as others.

Indeed, South Africa is testimony to the benefits of immigration. Here we refer not only to immigrants from western nations, but to the enrichment of South African society and its pool of talent throughout its history. People of Malay extraction, people from India and Pakistan, from Eastern Europe, the Middle East (Lebanon) and the Far East have all contributed significantly to South Africa's skills base. Most recently we have benefited from the immigration of people from African countries to our North. Our universities in particular have benefited from the appointment of academics from various African countries, some of whom have rapidly become public figures.

South Africa's need for skilled immigrants is far larger than only the demand created by employers' immediate shortages of skilled labour

The potential of immigration to contribute to the skills revolution that all are agreed South Africa needs has not gone unnoticed by policy-makers. The president and some other senior government figures have publicly acknowledged this at least since 2001, as the following statements show:

*'... much more needs to be done to improve our skills base....Immigration laws and procedures will be reviewed urgently to enable us to attract skills into our country.'*

– President Thabo Mbeki, State of the Nation Address, 9 February 2001.

*'...Within the next three months, the Cabinet will finalise its work on the Immigration Regulations, among other things to ensure that we access such scarce skills from the rest of the world as may be required for our accelerated development.'*

– President Thabo Mbeki, State of the Nation Address, 21 May 2004.

*'...To increase the numbers of skilled workers we have met the target set by the Growth and Development Summit, and trained more than 80 000 learners. We have also released the draft immigration regulations for public comment.'*

– President Thabo Mbeki, State of the Nation Address, 11 February 2005.

*'It is not correct to assume that every job occupied by a non-South African means one job less for a South African. We need managed immigration that can contribute to stimulation of economic growth, development and create jobs for South Africans.'*

– Mpho Scott, chairman, Home Affairs Portfolio Committee, 17 May 2002.

The truth is however, that rhetorical acceptance of the need to import skills, even at a high level, has invariably been obstructed or derailed because the government and ruling alliance are far from united about accepting the merits of immigration as the catalyst that our skills revolution so urgently needs. The progress of immigration reform since 1994 demonstrates this.

Immigration reform in South Africa since 1994 has been slow, fraught with political partisanship that has often seemed to have little to do with the merits of policy options, lacking in transparency at key moments, and dogged by bureaucratic incapacity (see box: **How not to deal with important legislation**, page 33).

It has taken longer than eight years for the full apparatus of current legislation to be delivered, following the publication of a Green Paper on International Migration in November 1997. Landmarks have been the passage of the South African Immigration Act (13) of 2002, its amendment in 2004, and the publication of its accompanying regulations in December 2002 and again in July 2005. The process was completed – for the time being at least – by the publication in February 2006 of skills quotas for the purpose of issuing permits to skilled foreigners who may enter the country without a job offer. However only five months later, Mbeki signalled that the skills quotas would be revisited yet again.<sup>79</sup>

The issue of skills quotas lies at the heart of the legislative and bureaucratic flaws which have obstructed the importation of skills that could drive the skills revolution. In the draft legislation approved by the president and cabinet, quotas played a minor role. However, after amendments inserted at the last minute by the parliamentary

The government and ruling alliance are far from united about accepting the merits of immigration as the catalyst that our skills revolution so urgently needs

## How not to deal with important legislation<sup>80</sup>

*A summary follows of the parliamentary passage of the Immigration Bill. The first phase was marked by lengthy delays and confusion, and the final phase by extreme haste and other forms of confusion. Painstaking consultation until mid-May 2002 was followed by an unprecedented display of ruthless majority power thereafter. It illuminates the complexities of the relationship between the IFP and the ANC, but also provides a textbook example of how not to make a law.*

**1997–2001:** Five-year consultative process on immigration policy, including Green Paper on International Migration, 1997; White Paper on International Migration, 1999; draft Immigration Bill, February 2000; international consultative conference, July 2000; extensive interdepartmental and public consultation, NEDLAC input, and cabinet processing, including a full-day cabinet workshop, 2000; further cabinet deliberations, 2001 – 2.

**24 October 2001:** The chair of the Home Affairs Portfolio Committee, Aubrey Mokoena, rules that the Bill is to be ‘read aloud line by line, in order for the committee members to know it backwards and forwards, as the cabinet does’.

**13 March 2002:** Mokoena is called before the Parliamentary Rules Committee and instructed to expedite the processing of the Bill in order not to miss the Constitutional Court deadline of 2 June 2002 for amending the Aliens Control Act.

**19 March 2002:** The Minister of Home Affairs, Mangosuthu Buthelezi, introduces the Bill to the portfolio committee and emphasises that it has been approved by the cabinet.

**6 May 2002:** Mpho Scott replaces Mokoena as chair of the Portfolio Committee on Home Affairs.

**9 May 2002:** The ANC majority on the committee introduces major changes to the version of the Bill approved by the cabinet.

**15 May 2002:** The ANC and IFP complete inconclusive negotiations on the changes to the Bill.

**16 May 2002:** The ANC majority on the committee, ignoring the emphatic objections of the Department of Home Affairs, votes through a significantly different version of the Bill based on a quota system for skilled immigration.

**17 May 2002:** Buthelezi introduces the amended bill to the National Assembly. He emphasises his disapproval of the committee’s amendments, and points out that these were made against the advice of the Department of Home Affairs concerning its capacity. He argues that the amendments subvert government economic policy by reflecting a ‘command economy philosophy’. The Bill is passed by the National Assembly, and referred to the National Council of Provinces (NCOP).

**21 May 2002:** The Minister of Trade and Industry, Alec Erwin, attempts to have the quota provisions removed from the Bill in the NCOP.

**22 May 2002:** Erwin’s intervention fails because of the need for the Bill to be passed into law in time to meet the Constitutional Court deadline of 2 June 2002.

**23 May 2002:** The NCOP passes the Bill. Recognising its deficiencies, the chair of the Social Services Select Committee calls upon the Minister of Home Affairs to ‘come back to

Parliament with an amendment bill' as soon as possible. Buthelezi points out that substantive amendments cannot be made without proper consultation.

**29 May 2002:** In response to a parliamentary question, President Mbeki comments that the Immigration Act 'may not address all the matters that we wanted.'

**30 May 2002:** Mbeki signs the Immigration Bill into law.

**December 2002:**<sup>81</sup> The Immigration Regulations are published.

**February 2003:** The regulations are challenged on the grounds that they were not made available for public comment before being gazetted.

**June 2003:** The Constitutional Court approves the Immigration Regulations.

**February 2004:** The Immigration Amendment Bill is published.

**October 2004:** The Immigration Amendment Bill is passed.

**July 2005:** The new Immigration Regulations come into effect.

**8 February 2006:** Quotas are published for specific professional categories and occupation classes.

**Mid-2006:** The Minister of Home Affairs announces that the quotas are to be reinvestigated.

**31 August 2006:** The Immigration Amendment Bill 28 of 2006 is published in the Government Gazette.

**October 2006:** Public hearings are held on the Immigration Amendment Bill; the Portfolio Committee continues its deliberations.

**November 2006:** The Immigration Amendment Bill is passed by the National Assembly, and referred to the NCOP.

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portfolio committee on home affairs, which was heavily influenced by organised labour, skills quotas have assumed a central position in skilled immigration.

Under the act, the Department of Home Affairs, in consultation with the Department of Trade and Industry and the Department of Labour, is obliged to create annual numerical quotas based on skills and/or qualifications, with the added proviso that applicants must have five years' experience so that they do not compete with newly qualified South Africans. Foreigners may apply for work permits under these quotas. The department will assess whether or not each applicant fits a quota description. If not, or if the annual quota applicable to that foreigner has been exhausted, skills certification, as under the Aliens Control Act, may be applied for.

Shortly after the act was passed, CDE noted concerns emanating from government departments themselves about the capacity of the bureaucracy to administer the enormously expanded role of the skills quotas that had been inserted into the legislation (see box: **Differing assessments of state capacity**, page 35).

## Differing assessments of state capacity

The joint trade union movement submission on the Immigration Bill (April 2002) recommended that work permits should be issued under a system of annual skills quotas. The submission suggests that in setting up annual skills quotas, the Department of Home Affairs should have to consult with the National Skills Authority, the Department of Trade and Industry, and the Department of Labour.<sup>82</sup>

The Department of Labour did not respond to these suggestions. The attitude of the Department of Trade and Industry is probably reflected in the unsuccessful attempts by the then minister, Alec Erwin, to have the entire quota system removed from the Bill.<sup>83</sup> According to the then Minister of Home Affairs, Mangosuthu Buthelezi, 'government is ill-equipped to determine the skills our country needs ... in the modern labour markets, assessing immigration applications on the basis of skills is extremely difficult, and demands massive administrative capacity.'<sup>84</sup>

An official Home Affairs document (May 2002) pointed out the problems with quotas: 'Quota systems were contemplated by the DHA between 1995 and 1998, and after long study they were disregarded because they do not meet South African needs, [and] they require an enormous amount of administrative capacity to administer ... Moving to a system in which quotas are established to cover the entire field of human activities will require ... monumental data-gathering and processing capacity ... government would need to employ a great deal of capacity which the DHA does not have ... One cannot even begin identifying how the system ... would eventually work ...'<sup>85</sup>

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These concerns were all too valid. The skills quotas were enshrined in an act that was passed in 2002 and amended in 2004, and whose regulations were promulgated in December 2002 and July 2005. It took until February 2006 to publish these quotas and to begin to act on them, during which time the process of skilled immigration was stalled. Whichever starting date we choose, this is bureaucratic ineptitude of a high order.

However, the problem with skills quotas is not confined to bureaucratic capacity. The principle of quotas relies on the assumption (often unspoken, and usually without any effort to justify it) that a country's skills needs can be accurately estimated in fine detail. This assumption is contrary to many analyses of both skills and immigration policies. As one study puts it, writing about the National Skills Development Strategy, but in terms directly relevant to the skills quotas of the Immigration Act:

The prominence given to skills training forecasting in the NSDS is difficult to understand in the light of general scepticism in the international literature since the 1970s about national manpower requirements projections in countries at all levels of development. Not only have the margins of error in forecasts proved unknown yet suspected to be wide, but the usefulness of such skills forecasts at the micro level of decision-taking to invest in skills formation is questionable.<sup>86</sup>

Immigration policy in South Africa has clearly not taken this 'general scepticism' into account. The skills quotas as published in February 2006 allow for 46 500 skilled people to enter South Africa without a firm job offer (providing they are registered with the relevant professional body, and have at least five years' relevant experience).

The occupations deemed to be 'scarce and critical' for the purposes of the quotas are divided into six broad categories, of which the biggest is 'science and engineering', which is itself divided into 32 subcategories. Just more than 27 000 places are reserved for this category. Included in this number are 5 000 construction and civil engineers, but only 100 chemical engineers. Apparently the South African economy can absorb 200 astronomers, the same number of astrophysicists and 150 geophysicists. By contrast with the 27 000 places and 32 subcategories of the engineering quota, the category of 'educational professionals' contains only one subdivision, namely 'maths and science teachers', and 1 000 places. Given the critical need to boost the achievement of African students in maths and science at all levels of a failing education system, this paltry figure probably owes more to the protectionist instincts of teaching unions than the economic needs of the country. However, at least 1 000 maths and science teachers find a place in the quotas. The number for doctors and nurses is zero. There is a quota for 'health and medical science professionals', but the 5 150 places on it are taken up by biological science technicians, 'bio-informatics', biomedical engineers, and 'combinatorial and computational chemistry'.

One of the smallest categories (only the education category is smaller) is 'management and commerce professions', for which there are 1 500 places. The assumption that there is no shortage of managerial talent in South Africa is belied by a World Bank global survey which has found that one important factor reducing South Africa's competitiveness as an investment destination is the high premium paid for skilled and educated workers, and particularly for management and professional skills. According to the World Bank, returns from schooling in South Africa are very high. Controlling for other factors, an additional year of education is associated with an 11–12 per cent increase in wages. By comparison, returns for an additional year of education are in the order of 5 to 7 percent in developed economies. Wages are higher for managers and skilled workers in South Africa than in other middle-income developing countries. The median monthly wage of a manager in South Africa is about \$1 850 a month – more than twice as much as in Poland (\$740 a month), and more than three times as much as in Brazil (\$540 a month).<sup>87</sup>

Since they were published in February 2006, the quotas have been criticised on a number of additional specific grounds.<sup>88</sup> These include a lack of co-ordination with JIPSA; a lack of consultation other than among three ministries, namely Home Affairs, Labour, and Trade and Industry; and a lack of transparency about the research on which the quotas were based.

One recent study of the economics of migration in South Africa notes the obstructive effects of the quota system, and concludes:

If emigration stays steady at 2003 levels, then about 9000 professional immigrants are needed annually to maintain the existing skills balance. Yet in 2003 South Africa attracted just 500 skilled immigrants. *This raises*

At least 1 000 maths and science teachers find a place in the quotas. The number for doctors and nurses is zero

*serious questions about the need for sector-specific quotas and burdensome certification requirements*<sup>89</sup> (emphasis added).

This sobering verdict addresses only the status quo, and not the need to redress the damage of the outflow of many years. These figures comprising the balance sheet of loss to emigration and a trickle of skills entering the country throw the figures of the skills quotas into sharp – and bizarre – relief. Given that we attracted only 500 skilled immigrants in 2003, the quotas seem outrageously optimistic – at least without an aggressive recruiting campaign, of which there is no sign. At another level, they assume a level of knowledge, understanding, and even control of our economy that is completely out of touch with reality.

Nothing illustrates better the failure of vision and leadership that have characterised immigration policy since the mid-1990s. From beginning to end, skills quotas provide a damning case study of the ambiguities, contradictions, and bureaucratic incapacities that bedevil any well-intentioned effort by any highly placed policy-maker to use skilled immigration to address our lack of developed human capital. The quotas are narrowly politically inspired, designed to protect us against phantom armies of skilled immigrants. They are based on flawed and archaic ‘planned economy’ assumptions, fine-tuned by narrow and opaque consultations and hidden research. And, in the end, they are beyond the capacity of our bureaucracy to administer in a timely and efficient manner.

It must be asked why these quotas are necessary at all. They are symbolic of the conflicted, ambiguous and hesitant approach to migration that is holding back the country’s economic growth and in turn holds back mass black advancement. Instead of spending the time and energy of key state officials in devising complicated quotas that are nowhere near being filled, a much better use of everyone’s energy would have been to launch well targeted recruitment campaigns for a wide diversity of skilled foreigners to come to South Africa and help train South Africans, start new businesses, run existing ones, manage development projects and make a really significant contribution to building a great country. If the time ever came that SA had too many engineers, entrepreneurs, artisans, IT experts, development project managers then would be the time to debate the need for or efficacy of quotas. To do so now, when South Africa is being held back by the shortage of skilled people across the board, reflects a fundamental and possibly fatal error of judgement. The boldness demonstrated by the government with respect to fiscal discipline and macroeconomic strategy has been ill-served by the timidity and lack of leadership shown in this critical field of immigration policy.

The quotas are narrowly politically inspired, designed to protect us against phantom armies of skilled immigrants

## AsgiSA and JIPSA: responding to the ‘fatal constraint’

AsgiSA – the government’s new flagship economic growth initiative – recognises skills shortages as one of the general restraints to growth, and in particular that:

For both the public infrastructure and the private investment programmes, the single greatest impediment is the shortage of skills

– including professional skills such as engineers and scientists, managers and financial personnel, project managers and skilled technical employees such as IT specialists and artisans.<sup>90</sup>

Despite this, AsgiSA itself is not a vehicle for planning and implementing initiatives to address the skills shortage. Its launch document makes it clear that action will be located elsewhere, in the existing framework for education and skills (the Ministry of Education and SETAs) to deal with the ‘quality of education, adult basic education, further education and training and artisan skills.’<sup>91</sup> Insofar as the government’s new-found recognition of the scale and urgency of the skills challenge has given rise to initiative and innovation, it is through JIPSA. If we are to assess the degree of commitment to the development and acquisition of skills in operational and delivery terms, we must look to JIPSA.

At the outset, we have to be clear about JIPSA’s nature and envisaged role. Its brief is to provide ‘scarce and priority skills,’ and its remit is a short-term one. JIPSA aims to develop, produce and acquire skills for the South African economy in terms of the following scheme:

- Short-term objectives: strategy for the employment of graduates; recruitment of retired experts and recruitment of expert mentors.
- Medium-term objectives: recruitment of South Africans abroad; importation of scarce skills; establishment of skills data base; utilisation of underused training facilities.
- Long-term objectives: improvement of maths and science schooling; increased supply of engineers; maintenance of the national system of innovation.<sup>92</sup>
- These objectives are to be pursued in the three priority skills areas: engineering and planning; artisan and technical; financial and management. The following sectors are targeted: government and parastatal infrastructure development programmes; the expanded public works programme (EPWP); municipal service delivery; the AsgiSA priority industrial sectors of business process outsourcing (BPO); and tourism.

JIPSA is ambiguous at best about the merits of importing skills

JIPSA has clearly been crafted with a view to communicating the urgency of the skills situation and building a coalition of interests on the issue by exploiting the potential for high-profile, quick-return initiatives such as the deployment of ‘retirees’

However, despite the energy and bustle of its launch, and perhaps reflecting the need for political consensus-building, JIPSA appears upon critical appraisal to be a rather ambiguous and half-hearted initiative:

- it overestimates the quantity and quality of skills ‘lost’ somewhere in the South African economy and it exaggerates the contribution to accelerated growth that could be made by finding and using them
- it is unduly conservative in defining the range of skills we need;
- it is hazy, but probably far too optimistic on time scales for developing skills and human capital; and
- it is ambiguous at best about the merits of importing skills.

## The potential of 'lost skills'

One of the major sources of ambiguity around JIPSA is the impression created by government sources that when we tot up the potential of retirees, people who have 'wrongly deployed themselves', and the diaspora, we aren't really short of skills at all. Despite the widespread recognition of failure to deliver quality at all levels in the education system, the myth persists that the skills are there; they've just *got lost* somehow, and can be shepherded back to their 'proper' place. As one JIPSA source puts it: 'Our priority is to recruit scarce skills within South Africa, rather than going abroad for talent.'<sup>93</sup>

This is a particularly good example of confused thinking about skills shortages and immigration: if it were possible to recruit the skills within South Africa, *then they wouldn't be scarce*. In the same vein, at the launch of JIPSA the deputy president referred to hopes for addressing the skills shortage through 'those who had *wrongly deployed themselves in the economy*'<sup>94</sup> (emphasis added). This is wishful thinking born of a residual belief in the planned economy, and misconceptions about how people make life choices.

The truth is that our labour market is more complex and sophisticated than our policy-makers believe, which leads to misunderstandings about available skills. We live in an enterprise society (albeit a less than perfect one), not a planned economy. People are individuals, not units of labour, and when they 'wrongly deploy themselves' it is because that's what they choose to do in a free society which offers them opportunities. The truth of the matter is that in our growing economy, both the market and government sponsored-initiatives such as affirmative action and BEE – not to mention personal development, career progression, and the demand for cross-over skills – throw out all sorts of opportunities for those that do have marketable skills. Under these circumstances it is never going to be easy to predict what people will make of their opportunities, no matter what they initially train for. In order to cope with this, we need to be open and ready to exploit the global skills market.

The truth is that our labour market is more complex and sophisticated than our policy-makers believe

Despite these misgivings, the potential of such sources of skills as retirees and the diaspora should not be dismissed. But how much of a contribution can they really make?

According to an article in *Business Day* (22 May 2006), JIPSA requires that the government should 'talk to these people who have been retrenched, retired early, or who are not fully occupied but have definite skills to offer this country'<sup>95</sup>. The primary purpose of this project, according to Joel Netshitenzhe,<sup>96</sup> head of the presidency's policy unit, is 'to train South Africans so that they can acquire the skills for them to participate in the economy.' This training would necessitate 'recruiting retired, skilled professionals who were lost during the downsizing of government departments in the 1990s.'<sup>97</sup> These retired experts would contribute to project implementation and the development of the capacity needed to sustain these projects.

The Development Bank of Southern Africa (DBSA) will manage the project, effectively acting as a broker between those with skills to offer and 'customers' in the public service (notably in local government) with skills needs. AsgiSA's launch document envisages an enlistment of 150 professionals. The Freedom Front initially provided the DBSA with a list of 400 retirees, and this is expected to double. Key skilled people under this scheme include water and waste managers, town clerks,

and legal advisers to local government. The basis of employment is expected to be temporary and project-based although why this is the case is not made clear. In a separate initiative, former municipal workers met the provincial premier of Free State in an effort to assist with service delivery in the municipalities. This forum has communicated their willingness to 'raise service delivery to acceptable standards, and educate and motivate staff members.'<sup>98</sup>

In brief, it appears that expert retirees, presumably predominantly white individuals who have vacated their jobs in the course of 'transformation' initiatives, will be seconded by the government to train graduates, facilitate the implementation of projects, and develop sustainable capabilities within the various sectors. The short-term objective which entails training and development was initially expected to run for 18 months, with the overall project having a three-year life span. However, in response to a question in parliament in May 2006, Mbeki stated that, given the importance of the JIPSA project with regard to 'this 18-month time frame, I think, let's give it a little bit more time. We will get these priority skills addressed.'<sup>99</sup>

The retiree/mentor initiative is in some respects the dream home-grown solution, involving welcoming back into the fold those who felt excluded by affirmative action in the civil service inherited from the apartheid state (in order to transfer their skills to those who were previously excluded by apartheid). Symmetry and emotional satisfaction aside, how much can such a short-term expedient involving a few hundred people contribute to the massive long-term problems of under education and underskilling right across the economy?

Even in the niche area of local government delivery, some questions have to be raised:

- Is a policy of short-term contracts for retirees a sufficiently robust basis for putting local government delivery on a sound and sustainable basis?
- Will the 'young graduates' who acquire some workplace skills and experience from their mentors be fully equipped after a short period of shadowing?
- And if they are, will they be tempted away by other opportunities in the economy?
- Will those supposed to be mentored and trained, be willing and eager to acknowledge their lack of skills and accept training from the new mentors
- For what sort of period is it acceptable to pay two individuals per job in a variety of state positions?
- The underlying principle seems to be that our 'system' of skills production will soon be self-sustaining, and all we need is a couple of years before the retirees can gracefully re-retire. However, the greatest cause for concern is that this - whatever its merits and good intentions - is a niche scheme that will earn political plaudits but have little or no effect on the core of the economy, where growth must be accelerated and jobs created.

Another fundamental feature of the JIPSA programme is the ideal of attracting back to South Africa a proportion of those skilled people who have left. There may be good reasons for tapping this source of 'lost skills,' such as cultural familiarity with South Africa (though this should not be too lightly assumed), and compatibility of

Is a policy of short-term contracts for retirees a sufficiently robust basis for putting local government delivery on a sound and sustainable basis?

qualifications. However, these advantages tend not to be thought or argued through, but merely taken as given. In any case, the number of skilled people who can be mobilised in this way appears to be small. One organisation active in this field is the Come Home Campaign (CHC), which was established in March 2003 by the trade union Solidarity and the Company for Immigration (CFI) at a conference of the Federation of Afrikaans Cultural Societies (FAK). The CHC claims that more than 80 per cent of South African emigrants want to return home, but admits that during the past two years only 1 200 have done so.<sup>100</sup> Another initiative aimed at persuading South Africans abroad to return home and tries to help them find employment is Homecoming Revolution, which is funded by the private sector.<sup>101</sup> While there is clearly no harm in encouraging returnees, the evidence thus far suggests that such initiatives can only go a small way towards addressing skills shortages.

## Categorising skills

As we have already seen, an unhelpful tendency in South African approaches to skills shortages – especially in relation to immigration – is to categorise skills narrowly, and estimate our needs conservatively. Unfortunately, JIPSA has failed to make use of the heightened awareness and growing urgency of skills shortages to be more innovative. Disappointingly (but perhaps unsurprisingly, given its mandate), JIPSA is focused on filling skilled jobs mainly provided by AsgiSA's infrastructure programme, and shortfalls in the developmental state's capacities.

As a result, little attention is paid to two key issues. The first is the skills required to *create* jobs; if we are to reach and sustain higher levels of economic growth, and make sustained inroads into unemployment, we need to look into the future beyond AsgiSA's infrastructure programme, when we will probably not be able to rely on the government and big business to create jobs, and the momentum of job creation will have to be maintained by new small and medium-sized businesses. We have to give people the skills they need to create those kinds of businesses.

The second concerns the skills we are short of – in the health and education sectors for example – but are not deemed as 'priorities' under JIPSA's mandate. Of course we need an immediate surge in the supply of engineers, project managers, and other specialists, or deadlines for the 2010 World Cup could be in jeopardy, and the government's infrastructural investment plans will not hit the ground running. However, it is also true that without more entrepreneurs we will continue to have unacceptable levels of unemployment; and without an immediate injection of qualified, experienced, productive, and motivated teachers of language and mathematics into the public education system, we risk being mired in a cycle of dysfunction for many years to come. The same is true of health workers and an increasingly embattled public health system.<sup>102</sup>

While there is no harm in encouraging returnees, the evidence thus far suggests that such initiatives can only go a small way towards addressing skills shortages

## Time frames

Although the main thrust of JIPSA is in the short term, with its retiree and diaspora focus, it also includes policy initiatives with longer time frames. Two of the main foci are overhauls respectively of Further Education and Training (FET) institutions

and of maths and science education. On the whole, JIPSA's public documents are reticent about precise time frames, but it is clear that both these major strategies will require years to be effective on any major scale. The FET overhaul is a medium-term goal that requires several years for the mooted improvements in institutions and mechanisms to produce the increased numbers of artisans and technicians, and several years more for these systems to settle down and become sustainable. Improving maths and science education is a long-term concern that, even in a best-case scenario, will only see incremental annual changes and will take several school generations for the entire system to perform adequately. In any case, improvements in FET and maths and science education will take us only to the point where young people with better qualifications *begin* their careers, and start to acquire tertiary education and job experience.

What we risk through mismatched time frames is a 'missing middle' between the short-term initiative involving retirees and the slog through school generations to improve the education system. The importation of skills however, can be put into action quickly, fill this missing middle, and help push us towards the sustainable expansion of our skills pool.

## JIPSA and the importation of skills

We have already noted that the high-level endorsement of the principle of importing skills has not previously been carried through with firmness of purpose and decisive action. Regrettably, JIPSA has not overcome this deficiency, and there are as yet no signs of the radical departures we need. JIPSA's operating principle is that it will co-ordinate and accelerate existing skills initiatives. However, no initiative currently exists to facilitate the inflow of foreign skills other than to marginally improve existing legislation by 'revisiting' the skills quotas'. There is a danger that skills importation will remain what it has been in the past, a rhetorical commitment, to be whittled away with the kind of qualifications and caveats that are already emerging from the heart of JIPSA, as the following quotation shows:

In many of these skills there is a global shortage, so importing is not necessarily a solution. We can't afford to pay top dollar for these skills – it would cause distortions and make certain projects impractical.<sup>103</sup>

This really depends on where we envisage recruiting. In fact, as we have seen, management and executive skills command a higher premium in South Africa than in most other middle-income developing countries (let alone poorer ones), and importing them into South Africa could lower their price. We know too that teachers in India are currently paid a fraction of what we pay in South Africa and no premium for their skills would be necessary.

Sometimes ambiguity reigns within the same statement. Quoted in the media after a meeting with the president's International Investment Council, the Minister of Trade and Industry, Mandisi Mpahlwa, emphasised the council's conclusion that the country's economic growth hinged on the development of skills and *the country's ability to source skills from abroad*.<sup>104</sup> However, he went on to say: 'We need to be specific about the type of skills we want. *These skills need to be tied to specific*

For what sort of period is it acceptable to pay two individuals per job in a variety of state positions?

*investment plans' (emphasis added).* Why should this be so? Clearly, in the minister's mind, the dead hand of the quota system will rule, and we will focus on short-term, project-led labour importation rather than longer-term human capital gains from immigration. We have to face the fact that economic growth will not depend solely on project-led, centrally planned strategies: enterprise – both corporate and individual – must carry it on and sustain it. For this we need all sorts of skills and qualities that are not possible to quantify. We have to think in terms of skills to create jobs as well as skills to fill jobs

In a similar vein, the Minister of Home Affairs, Nosiviwe Mapisa Nqakula, remains focused on skills quotas. Five months after the publication of the quotas, she said that, as part of JIPSA, the extent of the skills scarcity was “being investigated’ and that ‘once these have been determined, I will be able to publish a new list of scarce skills for quota work permits in terms of which foreigners can come into the country to seek employment.’<sup>105</sup> This seems a very small return on promises to make skills acquisition a priority.

## Is JIPSA well-meaning, but more of the same?

CDE has followed the progress of immigration ‘reform’ since it began, and has published numerous research reports and commentaries as a contribution to the public part of the process. Because JIPSA seems to be in danger of slipping into the pattern of previous abortive attempts at increasing the contribution of imported skills to growth, it is worthwhile revisiting some of our major findings and recommendations.

All CDE’s research indicates that the idea that we should only tap the world skills market in order to fill a temporary shortage in certain closely defined occupational categories is dangerously mistaken. This is a ‘labour recruitment’ approach, when it should be a ‘human capital’ strategy. This approach remains the bedrock of many assumptions, as this quote from recent research commissioned by JIPSA makes clear:

Recently steps were taken to simplify the immigration process for foreign workers with key skills. This reflects the severity of the scarce skills problem in South Africa. However such initiatives *have to be* seen as short term measures aimed at relieving immediate shortages in the market *and should only be considered in cases where skills shortages are hampering company growth* <sup>106</sup>(emphasis added).

On the one hand, this approach is overambitious – in hoping that we will be largely self-sufficient in skills much earlier than is feasible, and in believing that we can quantify and specify what is needed in the kind of planners’ dream that the recently published skills quotas represent. On the other, it is over defensive in believing that our underskilled, previously excluded, presently unemployed population needs to be protected against skills from overseas. Instead, they need to be exposed to a flow of skills and the resulting expansion of opportunities that will kick-start the much-delayed skills revolution, speed up the vital upgrading of our educational and training systems at all levels, and boost economic growth.

The idea that we should only tap the world skills market in order to fill a temporary shortage in certain closely defined occupational categories is dangerously mistaken

## Summary of key findings

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This review of research findings, debates, and recent policies relating to growth, skills, and immigration leads CDE to the following key points:

- Our skills shortages are broad and deep, and we have to understand – painful as it might be for all concerned – that we face a deficit of quality as well as a shortage of numbers.
- We have not fully faced the fact of how long it will take to build our skills base. We would be making a grave error if we thought that all we need is to quickly produce a lot more people with dubious qualifications. Or that the private sector can be bullied into retraining the people who emerge from our schooling and training system without useable skills.
- The South African state has far-reaching ambitions for itself that it is woefully underresourced to achieve; government ministers themselves have been telling us this for some time, and the state of many municipalities is daily living proof. The state also has far-reaching ambitions for private companies to respond to its investment plans, which they will be hard put to capitalise on fully with our present skills base and – when importing skills is permitted – the administrative incapacity of the Department of Home Affairs.
- Our approach to skills is too narrow; we need skills to create jobs as well as to fill vacancies. The needs of government and large companies do not exhaust our shortages. We lack human capital of all sorts, not only skills in narrowly defined job categories.
- We have vacillated endlessly between ringing cries to import needed skills and qualifying statements that we will only do it as a last resort, to fill vacancies in highly restricted categories drawn up on outdated assumptions about manpower planning.
- We spend far too much time calculating what skills the country needs, which would be much better spent in actually going out to recruit skills and facilitating the entry of skilled people into South Africa.
- We tend to see ourselves as victims of the global skills market; instead, we must confront it boldly and exploit it – as others do – in the national interest.

If we are to face up to the implications of these key points, and address the challenges they pose, we will have to ditch the misguided notions that cloud thinking about skills and immigration policy:

We tend to see ourselves as victims of the global skills market; instead, we must confront it boldly and exploit it – as others do – in the national interest

- *Myth: We are in a short-term emergency situation.* In fact we are in for a long haul, especially in improving the quality performance of the education system.
- *Myth: We are only short of some skills which we can pinpoint in categories and numbers:* In fact, we are short of skills across the board: as a result, competition for all skills is a major reason for the huge differentials between skilled and unskilled remuneration.
- *Myth: Importing skills should only be a last resort:* The political difficulties of making immigration an integral part of our growth plans should be faced down.
- *Myth: We can recruit scarce skills within the country:* ‘Scarce’ means there aren’t enough. Period.
- *Myth: Graduate and matriculant unemployment can be explained by a ‘mismatch’ of skills.* We have to face the fact that many of our young people are unemployed because they lack the literacy, numeracy, and life skills that their education should have provided them with. To reverse this wastage for past and future products of our education system, we need all the help we can get.
- *Myth: We can use planned economy thinking to predict our skills needs in accurately calibrated categories and types.* This can perhaps be done for individual firms and projects – like, say, the Gautrain – but not for the whole economy.

The political difficulties of making immigration an integral part of our growth plans should be faced down

Ridding ourselves of these and other myths about skills and migration can lay the foundation for a tougher and more realistic understanding of our situation, and a change of mindset about the role of skilled immigration in dealing with it. This new mindset should look to a much wider and more flexible approach to skilled immigration.

# Recommendations

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South Africa needs a well-managed migration policy that aggressively seeks human capital in much wider senses than restrictive categories of elite priority skills. We should be looking for skills, experience, and capital to *create* jobs and not just to fill them. Immigration policy should be built into long-term plans for growth and not be relegated to a short-term, reluctant last resort in response to an emergency. If we are to achieve the ‘overabundance of artisans, technicians, and managers’<sup>107</sup> that we need to develop, we need a creative combination of immigration and training.

As CDE has stated before:

South Africa is not short of job-seekers. We are short of taxpayers, people who need no support from the state and people who can create jobs for others. Our long term growth policy should look to immigration to find them. The guiding principle should be to allow entry to any person whose skills, aptitudes, lifelong learning and previous occupations show that they will be able to earn a living in the private sector, pay taxes and consume commercial goods and services. All of this will serve the national interest in economic growth and job creation.<sup>108</sup>

How can we dramatically boost the contribution of well-managed immigration policies to growth and employment creation? In the short term, we need to look at our approach to applying existing legislation and regulations, and our capacity to do so. However, we need to do this in the context of a more positive understanding of the potential benefits of skilled migration to South Africa. Such an understanding will require a determined effort of political leadership to go beyond isolated positive statements about the desirability of acquiring migrant skills to a systematic campaign of persuasion and action along the following lines.

1. The government should lead a campaign to communicate widely and unambiguously to all South Africans that immigrant skills are a form of investment in our country which we urgently need if we are to grow, develop, and create jobs.
2. This campaign should clearly emphasise the message that the managed importation of skilled people from abroad will not threaten black South Africans but will improve the education and training system that is currently failing them, manage development projects that will improve their lives, and create businesses that in turn will expand opportunities for employment.

Immigration policy should be built into long-term plans for growth

3. As part of this comprehensive public education campaign, distinguish the real problems of illegal often unskilled immigration from the totally separate issue of the country's desperate need for foreign skills acquisition.
4. Recognise and exploit the potential of the global skills market through an energetic broad-based recruiting effort, involving South African embassies overseas, Investment SA, Marketing SA, business organisations, and other stakeholders.
5. National government departments and provincial and city governments must play the global market in skills for themselves, in order to make good specific shortages in education, infrastructure development, local economic development, and other vital services and projects. Across the board, these recruitment efforts must acknowledge the breadth of skills that we need, and emphasise education, health, project management and entrepreneurship as priorities.
6. South Africa should stop wasting time on an irrelevant and unworkable quota work permit system, with its reliance on unrealistic enumeration and restrictive definitions of 'scarce skills.' Rather adopt an open and market driven basis for importing skills. Reassess this strategy in five to ten years, and decide at this stage if barriers to entry of skilled foreigners are needed
7. Capacity in the Department of Home Affairs to manage migration must be boosted by a determined education and training campaign to ensure that the department has leadership who appreciate the importance of skilled immigration to the country's future success and in turn ensures that officials in all relevant sections are positively disposed towards skilled immigration, and can manage the procedures to facilitate this.
8. Immediately improve service and delivery on work and residence permit applications by establishing an *Immigration Advisory Centre* to serve all businesses on all matters related to importing skills with guaranteed processing time lines.
9. Radically overhaul policy implementation. The key innovation should be the transfer of responsibilities for immigration management to a new and autonomous government institution, established and run along the lines of the South African Revenue Service. This Immigration Service should be responsible for all aspects of managed migration, including managing residence and work permits, refugee and asylum issues, border control and related security issues, and enforcement of the law regarding illegal immigrants.

The importance of this final recommendation cannot be overstressed. It is recognised all over the world that migration issues are among the most pressing and difficult issues that governments face, and that their importance is certain to increase. To cope with these issues, South Africa needs a stand-alone body with specialised expertise, strong management, a service ethos, and – above all – a clear understanding of the importance of migration to our prospects of economic growth.

We should distinguish the real problems of illegal often unskilled immigration from the totally separate issue of the country's desperate need for foreign skills acquisition

# Conclusion

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CDE is convinced that in the long run, great national success stories are driven by the development of a country's own human capital, by all means, and across all fronts - including education, training, and the encouragement of enterprises. Immigration does not threaten these activities, but is an added and important resource for developing them. Drawing on the global skills market will not threaten black South Africans, but will improve the education and training system that is currently failing them, manage development projects that will improve their lives, and create businesses that will expand opportunities for employment. This will require strong political leadership, and a coalition of interests whose constituents do not lose interest when their specific requirements for an industrial sector, firm, project, or government department are met. The national interest needs a national effort.

## Appendix: CDE publications on migration

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Ann Bernstein and Myron Weiner (eds), *Migration and Refugee Policies: An overview* (London: Pinter Press, 1999).

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The boldness demonstrated by the government with respect to fiscal discipline and macroeconomic strategy has been ill-served by the timidity and lack of leadership shown in this critical field of immigration policy

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