

# **Skills Shortages in South Africa: Key Issues**

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## 1. Introduction

### 'Skills Shortages'

This concept conveys the idea that, demand for certain skills exceeds supply.

- Labour supply refers to the individuals who participate in the labour market with given endowments of human capital, whereas
- Labour demand refers to the private and public entities that employ individuals.

Intermediating between these is the set of institutional arrangements that help form and shape the link between labour demand and supply, including educational institutions in civil society, training providers in the private sector and the public sector.

South Africa's skills policy regime is intricately linked to our history as an Apartheid state, the legacy this presented in the labour market, and the efforts post-1994 to solve the iniquities of *Bantu* education. At the same time, South Africa's highly isolationist geo-political and economic policies were substantively transformed in the democratic era, forcing firms to become more competitive and export oriented. This often had the effect of reinforcing capital-intensive technological change, and otherwise inducing a thorough reorganisation of the forms and methods of production, with its resultant skills implications.

### Skills development was facilitated by at least four important policy documents

- the Skills Development Act (1998)
- the Skills Development Levies Act (1999)
- the National Skills Development Strategy (2001), and
- the Human Resources Development Strategy (2001)

## 2. The Post-1994 Policy Environment

### The mismatch between labour demand and supply

As a democratic nation, South Africa found itself in a situation where:

- **reintegration into the international economy mandated skills biased changes to the methods of production and the world of work.** The result: *too few workers with adequate skills, or labour supply was not able to match labour demand.* At the same time,
- **we faced an unemployment crisis of historic proportion.** The result: *labour demand was not large enough to absorb the supply of labour.*

As Kraak (2004) notes, **the Skills Development Act (SDA, 1998) was successful in establishing a single national regulatory framework** consisting of a National Skills Authority (NSA) and twenty-five Sectoral Education and Training Authorities (SETA).

**These in effect:**

- **linked the training programmes at the national level with those at the sectoral level** (ibid, 2004).
- Furthermore, **the Workplace Skills Plans that all firms are required to submit to the SETAs, link the firm level to the sectoral level.**

The importance of this relationship between micro (firm) level data, sectoral aggregation via the Sector Skills Plans, and national aggregation is perhaps one of the most under-valued aspects of the SETAs' work, for it represents a highly coherent framework for (firm-level) data collection that facilitates both the analysis and implementation of policy.

### **The new institutional framework**

With the new institutional framework established under the SDA of 1998, the path was set for a substantive change to skills development and the method of training workers. However, enterprise training in South Africa was also at historic lows up to this point, and the **Skills Development Levies Act (1999)** sought to correct this by creating a national levy system applicable to all enterprises based on taxing one percent of payroll expenditure.

## **3. Intermediating between Demand and Supply**

### **The Institutional Context**

Institutions are a key part of the strategy to improve the mismatch between labour demand and supply. The key to doing this is to understand the

interconnection between the broad (economic, social and skills-based) policy processes and the labour market outcomes.

Kraak (2005: 57) notes that due to the rise of the new global economy, characterised by high-quality, high value-added export-oriented manufacturing and services, **a key quality of human resource development is the attainment of high participation rates in general education and training, particularly the development of multi-functional skill capabilities.** These are only achieved *“with high levels of general education upon which appropriate forms of vocational and career-oriented training can be optimally built”* (ibid: 57).

With respect to a more specific labour market context, Kraak and Young (2005: 17) put forward the position that the key to a successful human resource development strategy is:

- a multi-layered and differentiated emphasis that promotes high, intermediate and low skills simultaneously,
- ‘joining up’ so as to promote social inclusion, access to education and training for more people, and increased employment.

They distinguish this approach from the ‘high-skills thesis’, because it starts from the premise that high skills alone are the most important to develop. The authors note that the NSDS is in fact trying to impact all levels of skill; it is a very ambitious project with many structural and institutional obstacles (ibid: 17).

**Many of the present obstacles faced include an inherent weakness of the new state institutions, the three most important implications of which are:**

- the strong emphasis on state planning in a context characterised by weak national information systems;
- an expansion and bureaucratisation of the new institutions with insufficient regard given to society's capacity to manage and steer the new structures; and
- the continuation of a 'voluntarist' and 'short-term' employer mindset towards enterprise training (ibid: 16).

Central to understanding the institutional limitations is the fact that *“(w)hile the policy framework has been detailed in defining the planning architecture, it has been extremely thin on developing much needed capacity”* (ibid: 16). Consequently, there has been **an overemphasis on the planning perspective and the outputs of the NSDS**, accompanied by an **under-emphasis of the process of implementation and the capacities required** (ibid: 16). This can be seen in the expansion and bureaucratisation of structures accompanied with the NSDS.

Kraak and Young (2005) consider the final problem facing the NSDS to be the continuation of a 'voluntarist' and short-term' mindset towards enterprise training among employers. Here, McGrath (2004) makes a contribution to the debate by discussing **the challenges posed by combining skills development and enterprise promotion policies**.

He considers this within the context of a 'joined-up' policy environment, and so evaluates the success of the major government departments (including the Department of Trade & Industry (DTI), Department of Labour (DOL) and Department of Education (DOE)) and the level of co-ordination between them. This is perhaps an under-valued feature of the post-1994 environment, where the simultaneous promulgation of numerous Acts in different but

related departments, such as the DTI, the DOE and DOL, has served to combine and create a fairly complex regulatory environment.

### **Policy co-ordination**

While policy co-ordination is of course necessary, it is also a difficult task at the best of times, and this contribution points to further examples of co-ordination failure.

For example, the author notes that different notions exist between government departments regarding SMME training needs:

- the DTI historically favoured internships for micro, small and medium enterprises, while
- the DOL identified learnerships as the appropriate instrument (ibid: 200)

There is also **a degree of policy incoherence between the DOL and the DOE that constrains the ability to move to a more inclusive higher-level skills economy** (ibid: 203). Education policy does not appear to regard skills development for enterprise development as a priority and therefore the DOE is not in consensus with the national policies of the DOL, which has undermined the prospect of government creating a coherent strategy on skills (ibid: 209).

## **4. Discussion**

**Perhaps the most critical needs among SA's skills development institutions are:**

- Effective inter-departmental collaboration, and
- A more streamlined bureaucracy

### **Lack of learnership integration**

We have seen that the broader skills development framework draws together the DoL, DoE, DTI and the DHA. The lack of co-ordination between the Department of Labour and the DoE is perhaps the most critical issue at this point. The various organs of state are not doing enough to integrate the learnerships with the National Qualifications Framework (NQF), and without doing this, the system becomes highly sub-optimal. After all, the broader education policy context in SA was formulated precisely to allow for programmes such as learnerships to be formally recognised (through the NQF), allowing qualified individuals a significant degree of transferability associated with their newly acquired skills. Without this, the foundation of the system is compromised, and this cannot be allowed to continue.

### **List of scarce skills – lack of synthesis**

Another critical disjuncture (see Daniels, 2007) is the lack of synthesis between the Department of Home Affairs (DHA) recently published list of scarce skills and the Department of Labour's published list of scarce skills. While it must be acknowledged that the DHA's intention is to help the country import needed foreign human resources rather than identify scarce skills *per-se*, a closer look at the content of that legislation demonstrated

that even in this regard it fails. It has unambiguously made importing skilled individuals harder. The fact that this list is so explicit then also raises the question of whether the DHA has identified the correct occupations, and in this regard it seems *not* to be the case. Here the comparison with the Department of Labour's list is instructive (see Daniels, 2007), and from this one can deduce that 'high skilled', 'intermediate skilled' and 'low skilled' occupations all have shortages in certain sectors.

### **Our skills development regime**

**The two most important principles surrounding our skills development regime are:**

- Availability of skills training to economically active (aged 16-64) individuals, including the unemployed and extending to highly skilled professionals, and
- Transferability of skills training once a qualification has been achieved.

Furthermore, the acknowledgement that South Africa has pervasive skills shortages implies that closed-economy solutions to the problem are necessary but not sufficient; firms must therefore have the option to import scarce skills and to do so quickly and efficiently. Finally, we discuss the issue of including measures of productivity into the skills development regime.

## Skills training

**As far as availability of skills training is concerned, there are two dimensions to the problem:**

- Training the unemployed, and
- Training the employed – from low- to high-skilled

**For the unemployed, it is imperative that SETAs spend their budgets to develop general and specific training programs.** It cannot be stressed strongly enough that training for the unemployed is a public good in the classic sense, which means that the market is unlikely to provide it, and therefore the state must take the lead in this regard.

- Without developing suitable programs, possibly one of the most powerful abilities of the SETAs to effect meaningful change in the national labour market is compromised.
- These initiatives must be well targeted, and this could be better achieved if SETAs pooled financial resources for this purpose and developed cross-SETA training programs.

**For those already working, it is more important for training programs to be linked into the National Qualifications Framework (NQF) for non-professional workers.**

- This is the key to upgrading the skills set of low- and semi-skilled workers.
- At the same time, it increases the transferability of these skills.

Note that SETA training initiatives are already designed to integrate with the NQF. However, anecdotal evidence of inter-departmental acrimony between

the DOL and DoE has prevented this very important component of the skills development regime from performing optimally. Practically, this means that training providers struggle to accredit their training programs.

**A key policy recommendation is to fast-track the bureaucratic process accrediting these training programs.**

### **Sharing information and initiatives across the SETAs**

Administratively, the existence of so many SETAs raises the question of duplication of effort. It seems clear that this is evident in training the unemployed for example, where

- **information and initiatives across the SETAs would be much more effective than individual SETAs developing programs individually.**
- Additionally, and perhaps more fundamentally, **cost-saving interventions such as sharing information systems could go a long way to increasing the efficacy of the SETAs and the numerous tasks they are mandated to perform.**

This is not to disregard the activities that are clearly unique to individual SETAs, but since all of them are governed by the same information procurement protocols – that is, soliciting information from member firms – **there is no reason why this process cannot be standardised and possibly centralised.** This would serve the dual purpose of eliminating the possibility of fraudulent companies seeking reimbursement for training initiatives from multiple SETAs.

## Immigration of skilled workers

Regarding immigration of skilled workers, there are important economic principles at play here.

- Effectively, the skills development regime (legal and institutional) in SA starts from the premise that we have a (inherited) problem with skills in this country.
- The major way this is addressed is through the SETAs and the general education system.

However, this framework – even if optimally administered – can only solve the problem in the medium- to long- term. They are closed-economy solutions. In order to speed up the process, you need to import skills; this is an open-economy solution. **Both closed- and open-economy solutions to the problem of skills shortages are necessary in South Africa.** At the moment, the DHA is actively undermining (explicitly or implicitly) the potential of firms to import scarce skills. This completely negates the effort to alleviate the constraints faced by firms and the country more generally. **A key recommendation is therefore to drastically reduce (with a view to eliminating) restrictions on skilled foreign immigrants working in South Africa.**

## **5. Conclusion**

The need to focus on productivity as a critical component of the definition of skills shortages must be reiterated. When diagnosing occupational skills shortages, it is impossible to know whether the constraints faced by firms are binding in any way other than notional. This is a big part of the reason why the DoL can identify one set of numbers concerning skills shortages, and the DHA can identify a completely different number: the methodology is too arbitrary. Consequently, new information must be sought from firms in their Workplace Skills Plans, which should include a section devoted to productivity. Further research needs to be conducted on this, but one potential example is to ask firms that identify particular skills constraints to quantify the expected productivity losses associated with specific occupational skills shortages, and / or estimate the expected productivity gains that would be experienced should that skills shortage be alleviated.