

Meeting routine skills needs in the Tier 1 automotive component sector in the Eastern Cape



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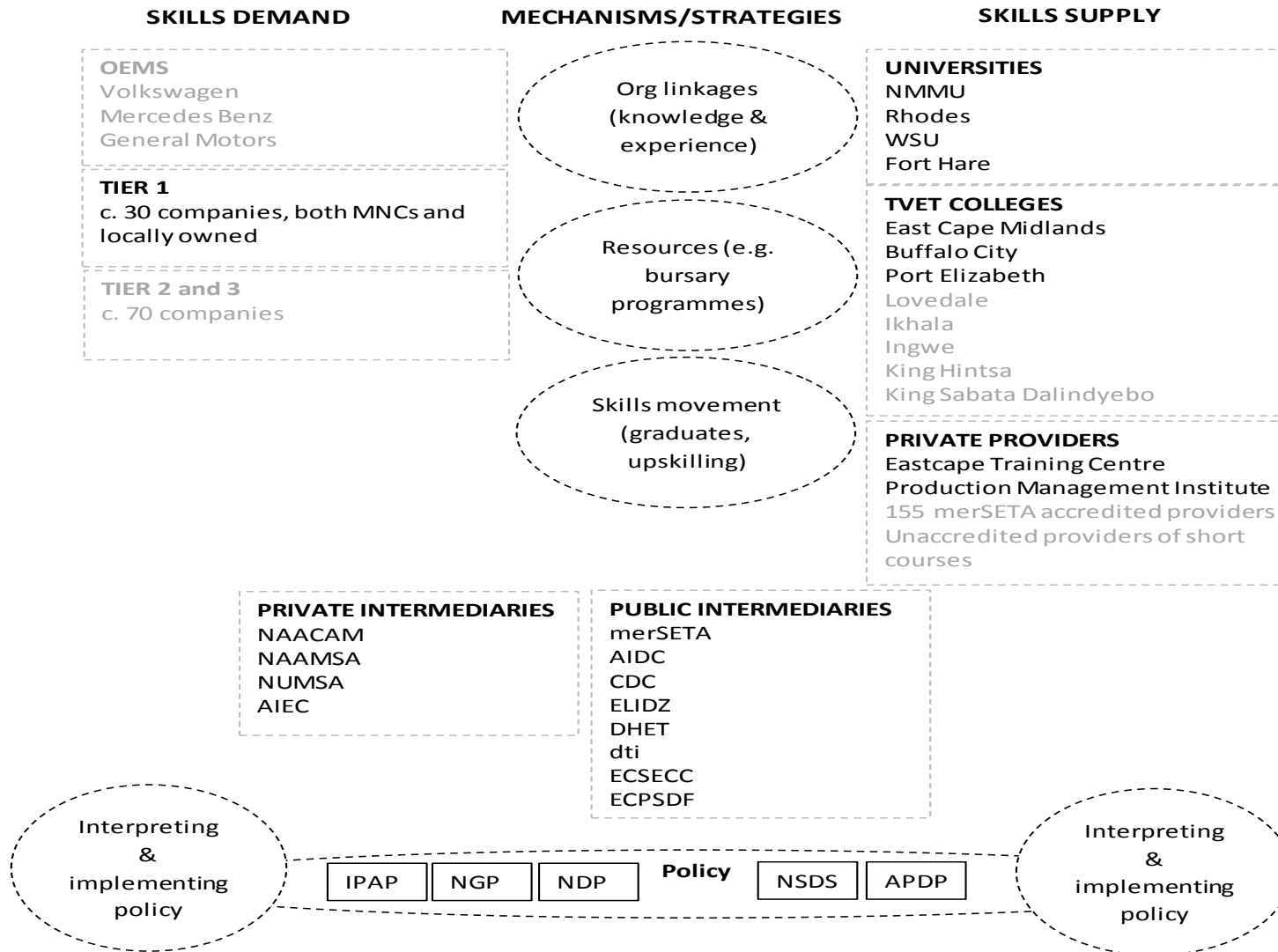
Source: Eastern Cape Automotive Prospectus (www.aidcec.co.za)

Automotive Components: Nature of the Case Study

- Focused on the Eastern Cape
- Considers the sectoral system of innovation around “tier 1 firms”: the main component suppliers to the global automotive manufacturers
- The Industrial Policy Action Plan III identified a pressing need to support the component sector to strengthen its position globally through technological upgrading of local component firms
- Many of the issues raised here are likely to be pertinent across manufacturing sectors

Mapping the Sector

CAPABILITY BUILDING PROCESSES IN THE AUTOMOTIVE SECTORAL SYSTEM OF INNOVATION IN THE EASTERN CAPE



The Power of the Automobile

- The sector is of huge economic, political and symbolic importance to South Africa
- A significant part of South African industry and of the economy as a whole
- In 2012, it contributed 7% of GDP
- Additionally, there is a multiplier effect on the development and health of a range of related manufacturing sectors
- Major employer- over 100 000 directly employed; another
- 200 000 in related services
- A vital part of South Africa's export strategy- over 50% of output exported
- The importance of the car as a symbol of modernity, and the national pride linked to having a vibrant automotive industry, should not be discounted

A Globally Disciplined Sector

- The sector is strongly disciplined by global production chains
- All the large original equipment manufacturers, and many of the component firms in the study, are multinational corporations
- The decision to stay and invest in their South African operations is subject to frequent reappraisal
- The Motor Industry Development Programme (1995-2012) was successful in that it kept the South African sector alive
- However, there is a widespread view that the sector is surviving rather than thriving and that there is little sense of innovation or evolution

The Nature of the Sectoral Skills Challenge

- There does not appear to be a critical skills shortage in the sector but this obscures four aspects of a skills challenge:
 1. some concerns about replacement skills needs at the graduate level due to demographic factors (and related equity considerations)
 2. concerns about the basic work-ready skills of new entrants at the semi-skilled level - the bulk of employment in the sector
 3. fragile reputations of many public providers with industry and limited public-private engagement (also some really strong historical and contemporary relationships but even worries in these)
 4. a static rather than dynamic view of skills needs - the sector has the skills for survival but not for success
- The latter two of these are the core policy challenges highlighted by our approach.

Strong intermediaries

- The automotive sector is characterised by a rich set of public and private intermediaries that reflect both the sector's own internal organisation and the priority placed on it by national and provincial governments
- This has resulted in a complex network of relationships and activities, with significant additional resourcing for skills development
- Key public intermediaries are AIDC and merSETA; private include NAACAM and NAAMSA
- There is a positive story to be told about intermediaries but ...

Place of Skills in Networking

- However, much of the intermediaries' activity is directed at short courses and internal skilling of existing staff
- There are good examples of working with public providers - especially at NMMU
- But, overall, there is relatively little impact on initial education and training
- The planned Auto Supply Chain Competitiveness Initiative (ASCCI) partnership between the manufacturers and component firms' industry bodies, dti, merSETA, NUMSA and individual firms has a major focus on skills development to enhance component supplier capabilities
- However, PSETI involvement doesn't appear to be seen as crucial by the key national actors

Thin networks, limited institutional and systemic capabilities



- There is a network of activities that includes public PSET institutions but the relationships appear to be relatively thin
- Firms do not seem to see PSETIs as crucial to their operations
- Public providers largely seem to lack the competences, interactive capabilities and dynamic interactive capabilities that could make them effective agents for innovation
- The study points to a policy challenge in supporting institutions to have a stronger set of competences and capabilities in order to build a more capable system