



LMIP POLICY SUGGESTIONS

2014

Each month, since May 2014, the LMIP has produced evidence-based policy relevant insights to inform the development and operation of the skills planning mechanism. This document consolidates those insights and highlights key findings from the LMIP's research.

May 2014

The Contours of the Skills Planning Mechanism: South Africa does not have an institutional structure to track changes in the labour market and thus lacks a credible mechanism for skills development. From an analytical study which reviewed (i) past planning practices in South Africa; (ii) how other countries approach skills planning and the production of labour market intelligence and (iii) the White Paper for Post School Education and Training the LMIP proposed a model to guide the development of a new framework for skills planning and labour market intelligence in South Africa. For labour market intelligence, the study investigated how data was collected and analysed and the type of labour market intelligence produced. In building the skills planning mechanism the study investigated how labour market intelligence was utilised to inform the decision making process. To build the credible skills planning mechanism LMIP recommends:

1. Emphasis be given to a demand driven approach to planning in which the strategies for skills development are linked with those for economic development. Industrial priorities must play a more significant role in driving the skills agenda in South Africa.
2. DHET must be able to produce valid and recent information regarding supply (using data from HETIS, EMIS, Unemployed, Work permits), current demand (using data from StatsSA, job vacancies, scarce skills list) and future demand of skills (using data from new business and government growth initiatives). LMIP supports the White Paper on PSET proposed Central Skills Planning Intelligence Unit.
3. The skills planning mechanism emphasises the relationship amongst government departments and social partners and the mediation of the integrated plan for national development with institutional, enterprise and sectoral plans. We recommend that the successor to the National Skills Authority play an important quality assurance role in validating sector skills and enrolment plans and its alignment to national plans and priorities.

The forthcoming paper, *Pro-Poor Growth Dynamics and the Skills Intensity of Growth* examines the role and impact of human capital accumulation on the pro-poor growth trajectory since 1994. It finds that in the period 1995-2012, employment for university degree holders outstripped that for FET certificate holders and school leavers. Degree holders enjoyed higher returns to education in the form of higher earnings, followed by certificate holders and then by those with only school-level certification. With regard to poverty and welfare effects, there was a pro-poor impact for degree holders that were not matched by certificate holders at lower income percentiles. Perhaps the most important, and arguably novel result from the study, was that of all the educational levels accumulated, it was only the possession of a higher education degree, which had a positive and significant impact on economic growth. Put another way: the possession of an FET certificate had no significant impact on economic growth for the period under review.

On the basis of these findings, of labour market absorption rates skewed towards university degree holders, it becomes important to focus the skills debate on the quality of FET and schooling provision and the nature and relevance of the curricula offered within the FET sector in particular. If expectations for massification of TVET are to be achieved, it is thus essential that the DHET ensures that there is a more optimal fiscal return on their massive investment in this part of the higher educational system.

June 2014

The Contours of the Skills Planning Mechanism: The LMIP undertook a database audit in twenty government entities including national government departments, provincial government premier's offices, and local government authorities. The aim was to investigate the relevance of identified databases to skills planning particularly on the demand side as well as to assess options for integration with other databases. The audit revealed that databases have different levels of relevance and usability:

- Datasets that is relevant and immediately usable, such as the Quarterly Labour Force Survey, Quarterly Employment Survey and General Household Survey from StatsSA.
- Datasets that are highly relevant and require some preparation, such as the Unemployment Insurance Fund database from the Department of Labour.
- Datasets that contain relevant variables but are currently undergoing validation and cleaning before they can be utilized, such as the population register in the Department of Home Affairs.
- Datasets that are in an early stage of evolution and will require further development (e.g. in terms of completeness) before they can be used, such as a new farmer database in the Department of Agriculture, Fisheries and Forestry.

It is recommended that DHET pursue collaboration and implement MoAs as appropriate to formalize database development and sharing with other government entities, to broaden the base of data available for skills planning.

Occupational Shifts and Shortages: Skills Challenges Facing the South African Economy: This LMIP report examines labour demand trends and returns to skills (i.e. wages) during the 2000s. The report's key finding is that:

- Global competition, increasing capital intensity and technological change, along with primary sector job losses, have all contributed to greater skills intensity in employment over the period.

The effect of this has been:

- A rise in relative wages of more highly skilled workers and putting pressure on the relative wages of those in occupations that is more vulnerable to these forces.

This reconfirms the view that:

- The current growth path exacerbates the mismatch in the skills profiles of labour demand and supply, and reinforces inequality.
- Unemployment cannot be effectively addressed without a significant reorientation of the growth trajectory towards activities and sectors that demand lower skilled workers.
- Where employment and remuneration have been under particular pressure – in routinised and onsite occupations – a range of policies may be required to support job creation, with a focus on improving training in these lower- and middle-tier occupations essential to coping with competitive and technological pressures.

July 2014

Contours of the Skills Planning Mechanism: The subject of scarce skills is hotly discussed in the policy arena and the media. A scarce skill is simply defined as a situation in which the demand for a specific occupation outstrips the supply of this occupation at a specified price (or wage). A scarce skills list is important to inform how lists for visas are constructed and the priorities for post-school education and training programmes. The LMIP has completed a study, Powell M, Paterson A and Reddy V (2014) *Approaches and methods of understanding what occupations are in high demand and recommendations for moving forward in South Africa*. The report attempts to unpack the complexities surrounding the methods and approaches that can be used to identify occupations in high demand, and develops a set of recommendations for moving forward.

- A proposed methodology for identifying scarce skills in high demand has been developed, building on existing structures and data collection methods in South Africa. This is an ambitious methodological approach that contains a number of stages and processes.
- The proposed methodology attempts to be cohesive and comprehensive and encompasses the structures and processes involved in labour market analysis in South Africa.
- The proposed methodology will be resource intensive and government must provide the budget to develop and build the necessary structure and capacity to support effective implementation.
- For the scarce skills list to have credibility, it is important to have consultations and buy-in from stakeholders.
- The process of determining a scarce skill list is not a totally scientific process, but is also used to support political decision making processes. That is not to deny the importance of evidence based policy making, but to highlight that government will need to take leadership in this process and determine the way forward.

Interactive Capabilities of Post-School Sector Education and Training Organisations: A body of research emerging from an LMIP study on interactive capabilities and networks can provide *complementary* labour market intelligence to inform the ways in which post-school education and training organisations respond to the demand for skills identified through such a methodology.

Universities or colleges or firms will not *automatically* respond to a call to produce the number and kind of qualifications and skills that may be required at different levels for occupations in specific sectors, to meet firms' current and dynamic future skills needs. Three reports have been completed that investigate the capabilities of universities, TVET colleges and private providers to form strategic linkages and networks with firms to address skills demand in sectoral systems of innovation.¹

The case studies highlight the economic challenges currently faced in each sector, which require new kinds of skills development. Hence, meaningful skills planning require a contextualised analysis of routine skills needs, but more significantly for economic and social development, of the shifting skills needs required for growth, competitiveness and inclusion.

¹ These are: (1) Il-haam Petersen and Glenda Kruss (2014), *Understanding interactive capabilities for skills development in sectoral systems of innovation: A case study of the sugarcane growing and milling sector in KwaZulu-Natal*; (2) Simon McGrath, Glenda Kruss and Il-haam Petersen (2014), *Understanding interactive capabilities for skills development in sectoral systems of innovation: a case study of the Tier 1 automotive component sector in the Eastern Cape*; (3) Michael Gastrow, Glenda Kruss and Il-haam Petersen (2014), *Understanding interactive capabilities for skills development in sectoral systems of innovation: A case study of astronomy and the Square Kilometre Array telescope*

Mechanisms that facilitate better communication of skills needs and more effective interactive capabilities of universities and colleges are identified in each case, with the intent that these could be extended on a wider scale. Comparative analysis allows us to identify *emergent trends that can be grown and strengthened* across the organisations of the post-school system more widely. For example:

- Private sectoral intermediaries play a core role in sector-specific skills development, particularly skills upgrading, to build on the basic qualifications of universities and TVET colleges. Possible areas for intervention include funding support to private sectoral intermediaries, and enhancing the capabilities of SETAs to play their roles as brokers between industry, government and PSET organisations.
- In public higher education and TVET colleges, existing mechanisms to promote graduate employability development, placing students in firms as interns and involving firms in course design and review can be up-scaled and extended to more departments in more universities, universities of technology and colleges
- The critical role played by individuals, informal exchange and tacit knowledge in building strategic partnerships with firms points to a critical means of encouraging interaction, and hence, the need for institutional support to academics, lecturers and managers in terms of time and funding

The analysis also allows us to *identify existing gaps and blockages* that need to be addressed, to promote skills planning and development. Here we describe an instance of each:

- A lack of competences and interactive capabilities block the participation of TVET colleges in skills development networks with firms. Important areas to enhance interactive capability include strengthened and expanded management cadres; new NQF level 5 vocational programmes; and revised staff employment conditions and remuneration.
- There is scope for government departments to engage strategically with shifting sectoral initiatives, which may require policy and legislative support to address gaps. For example, legislative support for biofuels could support diversification in the sugar sector, which could create jobs and would require new kinds of skills.

August 2014

Contours of Skills Planning Mechanism: The Labour Market Intelligence Partnership (LMIP) proposed a credible skills planning mechanism consisting of two dimensions: (i) a labour market intelligence system (LMIS) concerned with the collection, collation, analysis and dissemination of information and (ii) a decision making process, based on labour market intelligence to determine where and how resources are allocated for skills development. In order to achieve this, we propose a National Skills Planning and Intelligence Unit (NaSPIU). The broad functions of such a unit would be to:

- Develop a scarce skills/ occupations in high demand list;
- Develop Key Indicators of Skills Planning to support the skills planning processes at the national, sectoral, occupational, provincial, employer and provider level;
- Establish how data will be collected, collated and analysed in a format that can inform the planning process;
- Track occupational and other skills trends in the labour market;
- Understand the supply of skills at different levels, covering formal institutions, private training providers and the workplace;
- Provide indicative forecasts of future skill requirements;
- Identify the skill implication of government's industrial and trade strategies;
- Track regional dimensions to skills in demand;
- Monitor the implementation progress of different skills strategies.

The proposed National Skills Planning and Intelligence Unit should be established and start off with the following sub-units: (i) Skills Planning and Liaison sub-unit; (ii) Research and Analysis sub-unit and (iii) Labour Market Intelligence and Reporting sub-unit.

The LMIP report, *Towards understanding the distinctive nature of artisan training*, outlines key historical events together with a macro-economic analysis of the shifts and shape of artisan skilling and employment over the last few decades. The aim is identify implications for artisan development in South Africa. The report makes three important contributions:

- (i) It brings a historical lens to bear, going back to the 17th century to trace the specific trajectory of artisan skilling since the colonial period. The analysis illustrates the relationship between artisan skills production and the country's economic growth path. It maps how systematic racial exclusion in the political context and a discourse about skills shortages in the labour market have been important historical drivers of the nature of artisan skills production.
- (ii) It considers the distinctive features of artisan training in South Africa, highlighting the depth and extent of a largely negative discourse about vocational education and training.
- (iii) The future of artisan skills production has to take shifting sectoral and employment trends in the economic structure into account. In particular, shifts away from employment in the primary and secondary sectors, and a shift towards employment in the informal economy, are critical contextual realities for artisan skills planning in the present and future.

September 2014

Key Indicators of Skills Planning (KISP) project: Indicators are an indispensable component in the skills planner's toolkit. They are designed to succinctly anticipate, reveal, or diagnose changing conditions in the labour market. International comparative analysis reveals that there is a growing preoccupation with skills planning indicators, given the salience of skills to economic growth and global competition. Indicator selection is usually informed by current policy priorities. For instance Australia and New Zealand depend heavily on *immigration* as a skills source, so have indicator systems dedicated to early identification of skills needs and selection of international talent. On a different policy agenda, Ethiopia has committed to a suite of *decent work* indicators. The EU has developed a system to enhance *labour mobility* across member states with existing data from member states compiled for indicator use. In South Africa, the LMIP's 'Key Indicators of Skills Planning' (KISP) project is focused on the *supply-demand* nexus which generates a mis-/matching between work-seekers and jobs. In this model, indicators relevant to supply, current and future demand, matching and contextual intelligence are needed, as reflected in the following examples:

1. *supply* e.g. enrolment and graduation rates from post-school education and training institutions
2. *current demand* e.g. hard-to-fill vacancies
3. *future demand* e.g. anticipated changes in occupational demand
4. *matching* e.g. placement of pre-graduates by enterprises
5. *contextual intelligence* e.g. skills in demand in the global labour market, and other indicators that provide contextual understanding

The new LMIP report titled '*Growth, Employment and Skills: The New Growth Path Revisited*', attempts to quantify the NGP's job creation projections and in particular to assess their feasibility given South Africa's existing growth trajectory. The report suggests in the first instance, that the NGP has set ambitious employment targets to 2020 for the economy and policy makers to achieve. In particular though, a careful reading of these employment projections, suggest that they would require a fundamental sectoral restructuring of the South African economy – away from tertiary sector jobs to those within Manufacturing. Indeed, the NGP in many senses a growth path designed to generate a quantum leap in the output and employment contribution of manufacturing jobs. However, the forecasts in this LMIP paper suggest that only two sectors, namely Financial & Business Services and CSPA, can reasonably be expected to reach their NGP job creation targets. Moreover, Manufacturing job creation is forecast to fall well short of the NGP targets – constituting (with Construction) a shortfall of some 1.25 million jobs. Within this 1.25 million job shortage, over a quarter of these jobs would need to emanate from higher education trained individuals. The results suggest that, unless a structural transformation takes place within the South African economy, the main job creation industries have been, and are expected to continue to be, the Financial and Business Services and public sectors.

October 2014

The role of attitudes in shaping individual behaviours and hence, labour market outcomes, has been neglected in discourses of education and skills development. For the first time in South Africa, the LMIP collected data on attitudes to employment and unemployment, using the South African Social Attitudes Survey 2013. Public attitudes to the labour market are shaped by perceived opportunities and constraints, which in turn, frame expectations and aspirations of labour market participation.

1. Education remains an important currency in the labour market.

South Africans are aware of the challenges that individuals face as they try to find work. A large proportion of the respondents attributed unemployment to the quality of education. The youth were more likely to be concerned that the quality of education was a key obstacle to the job market. This suggests that the current education system might not be equipping them adequately to find suitable employment. However, there were dissenting voices from a minority of respondents who attributed failure to get work, particularly amongst the youth, to lack of motivation, work ethics, and willpower.

2. The use of social networks shows that formal structures for job seeking are not efficient.

There was widespread dissatisfaction with government support for those at risk of being permanently excluded from the labour market, that is, 'drop outs', or those who lack formal credentials. The older segment of the population, who were more likely to be low skilled, felt excluded from interventions of job creation and skills development. They indicated that the skills they possess are no longer appreciated and rewarded in the labour market. A common barrier faced by rural residents was a lack of information on job opportunities. This explained the complete reliance on informal methods, including the use of social networks as a platform to seek employment. The methods of job seeking used by different sub-groupings, particularly the poorly educated segments of our communities, need to be taken into consideration. Particular attention should be paid to mechanisms to access Public Employment Services and to create more platforms that break down literacy and language barriers.

3. Unemployed youth hold a very positive outlook about prospects of finding employment.

The level of optimism about finding employment was closely related to the level of education completed, with the least educated being the most pessimistic. The youth were more likely to have a positive outlook about finding employment, but these tended to drastically diminish during their mid-20s, a critical age of self-assessment. This positive finding places a burden on the state to realise those dreams and expectations.

4. There are layers of disadvantage, which calls for selective and targeted policies that will benefit the most vulnerable.

This project represents the first ever initiative to try to understand diverse public perceptions of prospects in the labour market. The public has, hitherto, been assumed to be passive. Yet the behaviour and beliefs of groups differing by age, race, education and gender, determine how, and if at all, they go about searching for work or engage in further education. Skills planners need to remain cognisant of these perceptions and behaviours, particularly of the most vulnerable, as they have a bearing on efficacy of labour market and education and training interventions.

The focus of LMIP research on Employability and Curriculum Responsiveness in the Post-School System is to understand how different sectors interact with public and private training providers to shape the employability of graduates. A range of cases have been examined, but here we focus on one case, the sugar industry. The industry is highly organised along the entire value-chain from crop through to processing, and manages its own skills development at each stage and at different levels.

A key feature of this system is that research into industry skills needs, dissemination and training are all part of a single entity and housed on a single campus, so that the trainers, scientists and extension officers are all interacting on a regular basis and there is significant sharing of infrastructure and

resources. For example, scientists can be directly involved in teaching about new disease control techniques by popping out of their laboratories and participating in a class down the corridor. Qualifications and courses offered by the research institute are constantly adjusted depending on needs and new developments. There is no interest or incentive to align the qualifications with the National Qualifications Framework because they are highly regarded across the industry, locally and globally.

While it is not easy to replicate the degree of organisational coordination of the sugar industry in all sectors, there are emergent policy considerations, particularly in the context of the formal transfer of agricultural colleges to the DHET. These are:

- Retaining and encouraging a strong link between the work of extension officers and the trainers/lecturers in the college is a critical mechanism for ensuring that colleges remain directly connected to the needs of farmers.
- Where agricultural colleges are located on research farms, there needs to be careful thought about how to maintain the synergies that are possible with the presence of the researchers on or near college grounds.
- College staff should retain strong linkages with DAFF staff and farmers in order to realise the potential responsiveness that the sugar industry is able to demonstrate in their model.
- For the wider TVET system, the research suggests that focused institutions have a greater chance of developing close and sustainable relations with industry than large multi-purpose colleges. Colleges or campuses should specialise and focus on a key local sector/s.
- Formal recognition of qualifications carries little weight if industry or the profession/occupation does not recognise the value of the qualification. Recognition and trust in qualifications may be more important for individual mobility than their status within the bureaucracy, and this could be prioritised when new programmes are developed.