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**THE SUPPLY AND DEMAND FOR SKILLS:
TOWARDS A FRAMEWORK FOR ESTABLISHING A CREDIBLE
INSTITUTIONAL MECHANISM FOR SKILLS PLANNING IN
SOUTH AFRICA**

July 2017

A paper prepared for the EU/South Africa Skills Dialogue on Skills Planning



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The Supply and Demand for Skills:
**Towards a framework for establishing a credible institutional
mechanism for skills planning in South Africa**

Professor Mike Campbell

July 2017

A paper prepared for the EU/South Africa Skills Dialogue on Skills Planning

Introduction

This paper sets out a proposed framework for providing information and analysis on the supply and demand for skills. It is a contribution to the Skills Planning Dialogue between the EU and South Africa which is designed to assist the South African Government in **‘establishing a credible institutional mechanism for skills planning’ which will ‘provide information and analysis on the supply and demand for skills’**.

The Human Resources Development Strategy (HRDS) commits the Government to this objective in its strategic priorities (strategic priority 2.1) in order to ensure that ‘we can increase the number of appropriately skilled people to meet the demands of our current and emerging economic and social development priorities’ and that ‘skills development programmes are demand-led through substantive and systematic input from employers in the determination of skills demands for the country’ (strategic priority 2.2). This will improve the employment outcomes of post-school education and training programmes (strategic priority 2.3) and ensure that FET and HET are responsive to the skills demands arising from South Africa’s social and economic development imperatives (strategic priority 2.4)

The National Skills Development Strategy (NSDS III, Section 4.1) similarly identifies the establishment of a ‘credible institutional mechanism for skills planning’ as one of eight national goals, and the White Paper on Post-School Education and Training, in its discussion in Section 8.2 of ‘central skills planning’ makes an identical commitment. Outcome Five of the Department of Higher Education’s Medium Term Strategic Framework, relating to the development of a ‘skilled and capable work force to support an inclusive growth path’ also refers to ‘the establishment of a credible institutional mechanism for labour market and skills planning’.

The LMIP has undertaken extensive work on this issue and in particular on the LMI and indicators that would be required to fulfil such a function. However, the development of this work, its ability to provide a systematic and coherent institutional mechanism for skills planning, as well as its opportunity to be successfully implemented, **could benefit from the establishment of a conceptual, analytical and policy driven framework for understanding ‘the supply and demand for skills’**. This would enable greater clarity, enhanced insight and an improved understanding of the issues and measures that need to be established. It should provide a ‘lens’ through which to view proposals for skills measures and indicators and to identify priorities and gaps in them. It should also provide the framework within which to develop strategies, policies and tools to address the skills deficiencies which are identified through the information and analysis.

Above all, **the South Africa-EU Skills Dialogue work on Skills Planning**, whose remit is to ‘establish a credible institutional mechanism for skills planning’, also requires it to be informed by a strong conceptual understanding of ‘skills supply and demand’ in order to fulfil its remit.

This paper sets out to provide such a framework that will inform the above agendas. In short it provides a **logic and system wide** perspective. The final section briefly identifies the kind of metrics

of skills supply and demand that would flow from adopting such a framework and indicates how they could be used.

The Supply and Demand for Skills

The articulation, meaning, definition and measurements that can be used to understand skills 'supply and demand' are often as unclear as the use of the term 'skills' itself. South Africa is not alone in this regard.

This paper provides an important opportunity to consider what we actually mean by supply and, especially, 'demand' and how they can be conceptualised, understood and measured. This is essential if we are to establish a credible institutional mechanism for skills planning that provides information and intelligence on such 'skills supply and demand'. It is essential that we know what we need to measure and how these measures relate to each other in order to provide a basis for public policies and tools to ensure that:

- **we have the skilled people we need** to meet the demands of a changing economy;
- **skills developments are demand led**; that FET/HET are responsive to demand;
- **skills supply and demand are effectively aligned**;
- **the employment outcomes of education and training are positive**.

We may also want to stimulate greater or more appropriate skills demand, or, for that matter, to manage skills demand more effectively. It will also help us to understand whether, to what extent, and in what way(s), skills demand is 'too low' (or whether the supply of skills is too high). It should help us determine the key metrics that could enable us to measure skills supply and demand, its relationship to other crucial skills variables, most notably skills 'imbalances' and the extent to which current skill levels fall short of that which is 'desirable'.

The Supply of Skills

The supply of skills available to South Africa, the skill levels of the workforce, ultimately depends on the millions of education/training decisions made by individuals, employers and government over time. They are the outcome of processes where (at least beyond compulsory education), provision is made available through the State and/or through the market, in the form of a volume of college places, university places and training opportunities (available free, subsidised or at market prices) which individual students/workers access through choice or previous attainment/qualifications and which may, or may not be, sufficient, in quantity and quality, to meet the 'demand' for skills acquisition from citizens/employers.

The consequent supply of skills is most often measured in terms of qualifications acquired and numbers trained. The volume and level of skills acquisition is effectively determined by the volume and level of provision made available, unless places are left empty/unfilled. Given the value of education/training and the limited resources available to Government, this is rare (especially if places are subsidised) except in cases where the quality of provision is (or is perceived to be) low. A more likely outcome is an excess demand for places, so that some demand is unmet.

The demand for skills acquisition depends on the actual (or perceived) benefits that are anticipated to be likely to accrue from investing (time, money and effort) in the acquisition of those skills. In other words, the demand for skills acquisition is **an investment** which individuals/employers make and is expected to yield a return, whether at individual, employer, government or societal levels. This approach is often referred to as the **'human capital'** approach.

The volume and composition of the demand for skills acquisition will thus reflect the myriad of decisions of individuals, employers and government as they seek to secure (or maximise) a return on their investment, in the form of future earnings, employment, productivity and so on. In principle, demand will increase up to the point where the costs of skill acquisition are equal to the expected benefits, or more formally, up to the point where the Net Present Value of, or (internal) Rate of Return on, the anticipated returns exceeds the cost of capital/borrowing (or the returns from alternative investments). If the demand for skills acquisition exceeds these levels then the current level of demand for skills acquisition is too high, whereas if they are less, then the current demand for skills acquisition is too low. **Note that the terms supply and demand here refer to the supply, or provision, of education and training, and the demand for skills acquisition, by learners.** The supply of skills made available to the economy and society, is determined by the outcome of the interplay between these two forces, but ultimately by demand.

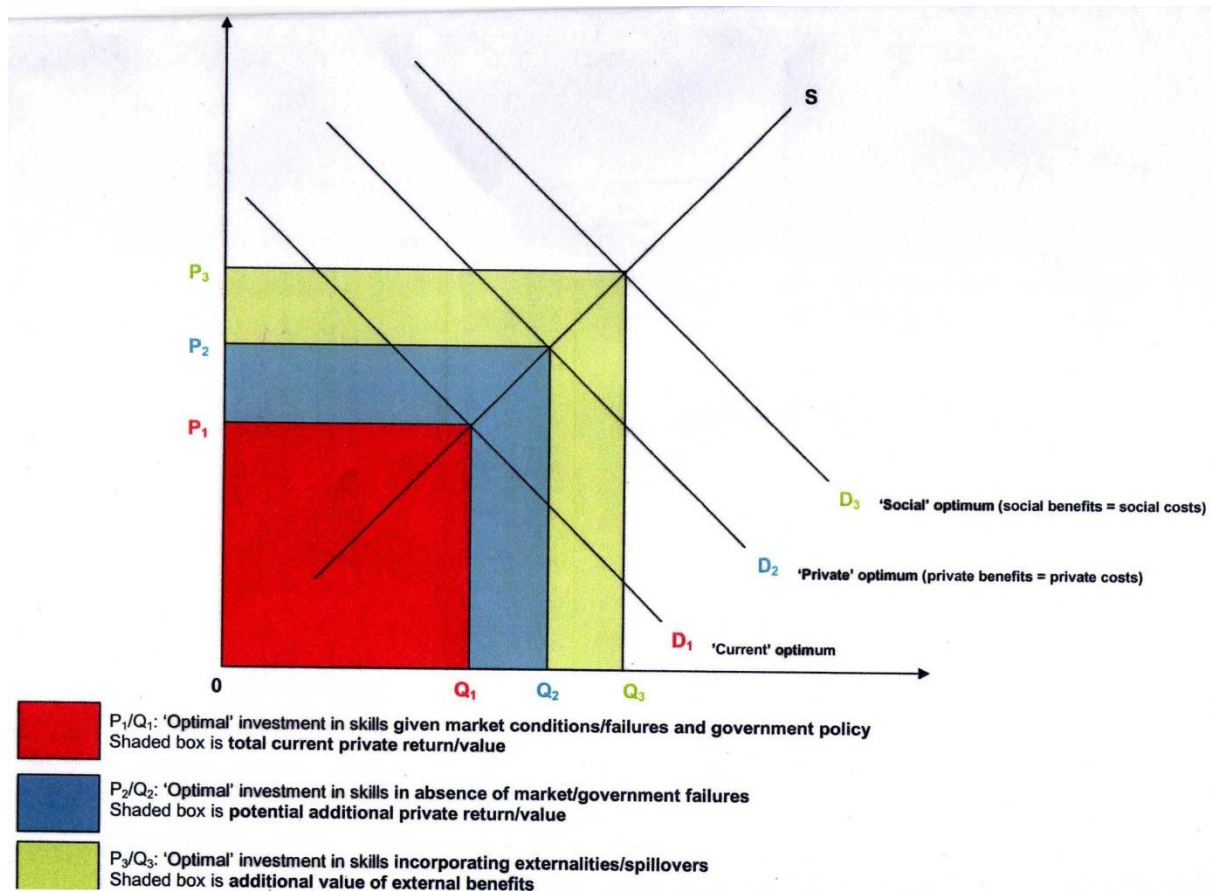
But will the outcome of these decisions by individuals and employers lead to an outcome where the supply of skills is in any sense **'optimal'**? If markets worked **'perfectly'** (information is costless and instantaneously available; economic agents are rational; competition is perfect; and all resources are perfectly mobile) then the 'optimal' level of skills supply will be achieved as market signals direct resources (both supply and demand) to their most efficient uses. This is represented in figure 1 below by the demand and supply curves D_2/S and the optimal level is given by P_2/Q_2 with the value of skills (the stock of human capital if you will) being the sum of the red and blue boxes.

Markets fail, however, to a greater or lesser extent (information is imperfect or asymmetric; agents' behaviour is less than fully rational/bounded; there is a degree of monopoly/monopsony; factor mobility is restricted); and/or there are government failures (in policy/delivery which distort markets or which have unintended consequences). In consequence, the best that can be achieved will be less than the optimum level as demand and supply are both lower. This is represented by the demand curve D and by P_1/Q_1 , with the value of skills/stock of human capital being the red box – this is less than the optimal level, by the size of the blue box. This can be thought of as the real, or empirically measured, level of actual demand.

Moreover, even if markets were to work optimally as set out above, the level of skills supply achieved will still be sub-optimal from a **societal perspective** if (a) any of the components of the market display the characteristics of **public goods** (non-excludability and non-rivalry) leading to non or under provision without public intervention/provision (e.g. labour market information; qualification); (b) positive **externalities** arise from the acquisition of skills, creating spill over effects which display the characteristics of merit goods. This would lead to skills being under supplied, as (some of) the benefits from them will also accrue to other individuals or employers who do not pay for them. In other words, there will be a divergence between private and public/social costs and benefits. Hence the socially optimum level of skills supply is represented by the demand curve D_3

and by P_3/Q_3 , with the value of skills/stock of human capital being the area of the green, blue and red boxes. This is greater than the privately optimal level, by the size of the green box.

Figure 1: Markets, Market Failure and the Optimal Demand for Skills



Hence, the demand for skills acquisition can be observed (in equilibrium) by the volume of skills levels acquired and the extent to which it diverges from an optimum level can be estimated. It is important to **note that the optimum skills level is not the highest possible level**, but the one which is consistent with economic conditions i.e. it is not always desirable to increase the supply of skills!

The **levels of skills supply** depend ultimately on the 'returns' from the investment in skills acquisition i.e. earnings and employment for individuals and productivity/profitability for firms. The demand for skills acquisition will **shift** to the right as the returns increase due to labour market and economic conditions increasing the demand for skilled labour.. In other words, people and employers will acquire more skills and skills supply will increase, if it is beneficial to do so. We will deal with this crucial demand side agenda below.

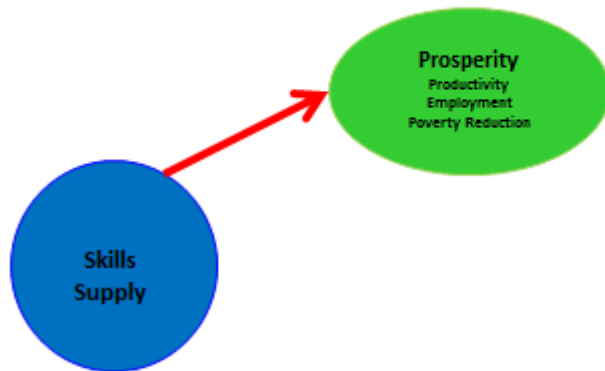
There are **two other important issues** to address. First, there is a difference between the demand for skills acquisition and the 'need' for it i.e. between effective demand (need backed by resources) and latent demand (need without resources), which raises important **distributional and equity issues**. 'Who' acquires skills is important, especially in a society and economy which is deeply unequal and where reducing poverty and inequality are key strategic policy goals. Consequently, increasing skills acquisition amongst the least well off in particular, is a vital dimension of increasing skills supply.

Second, articulating the different **components of skills acquisition**-individual, employer and government- is necessary for both measurement and policy purposes.

The role of skills policy and planning with regard to the supply of skills, is to achieve the socially optimal level by tackling market failures and externalities on both the supply and demand sides of the education and training 'market'. **The role of an institutional mechanism for skills planning is to provide the information, analysis and measures so as to enable the identification and measurement of the extent, and ways in which, skills supply is 'deficient'.**

Raising levels of skills supply is at the heart of much skills policy and measurement and figure 2 illustrates this initial component of our framework.

Figure 2: Skills Supply



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Raising skill levels is designed, not only to raise the employment and earnings of those who acquire the skills, but to increase employment, productivity and economic growth in the economy as a whole whilst also reducing poverty and inequality.

Skills Mismatches

However, **raising skill levels on their own will not necessarily have the desired economic effect, for individuals, businesses or the economy.** Unless the skills acquired (in both **volume and type**) are actually those required in the labour market, then they will not necessarily lead to desirable outcomes, as individuals do not acquire the skills they need for the jobs that are available and employers do not get the skills they need from their actual and potential workforce. In other words, there will be a **'mismatch' between the skills required and the skills available, between the demand for skills and the supply of skills.** For skills acquisition to be beneficial, there needs to be a 'match' between the skills acquired, the available skills supply, and the skills that are needed in the labour market: the demand for skilled labour, **employer or labour market demand.** This demand is articulated in the number and type of **jobs** available in the economy.

Now, if labour markets function 'perfectly', if there are no market failures, there would be no such skill mismatches. The volume and pattern of labour demand relative to available supply, would adjust relative wages up and down, to ensure that more or fewer skills of different types are acquired and made available. However, **a wide range of potential market failures** occur in reality in the labour market and at the intersection of the skills and labour markets - imperfect and/or asymmetric information; degrees of monopoly; irrational behaviour; limited labour mobility; positive and negative externalities; and government/public failure: some or all will play a role in creating market failures.

The consequence of such failures is then a '**mismatch**' between skills demand and skills supply. Such imbalances or lack of alignment, can take several forms.

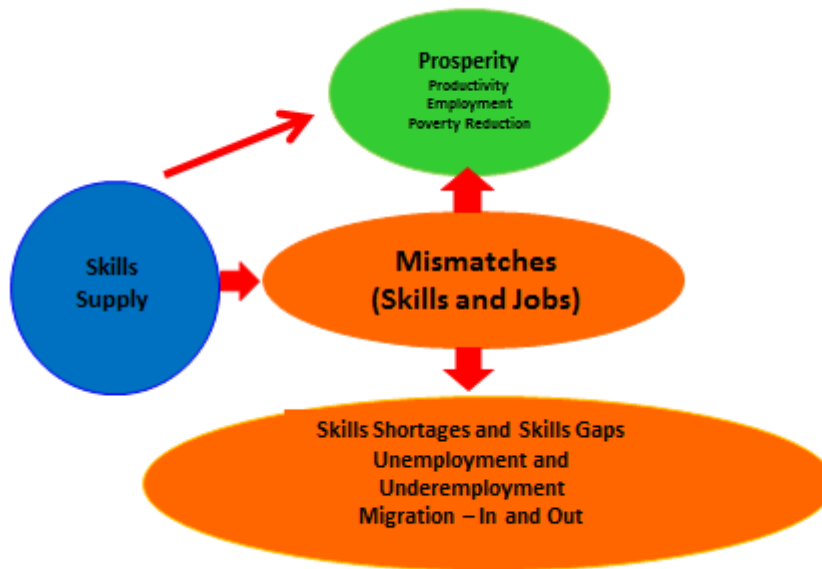
First, there are those mismatches characterised by conditions where **demand exceeds supply**. **Skills shortages**, which are often referred to as 'scarce skills' in South Africa, arise in the external labour market i.e. when employers are recruiting. **Skill gaps**, often referred to as 'critical skills' in South Africa, occur in the internal labour market i.e. when employee skills do not fully meet employer needs. In both cases demand is 'too high' relative to supply or supply is 'too low' relative to demand. Either way, some employer skills demand is unmet. We can refer to the existence of shortages and gaps generically as a situation of '**skills deficiency**'. Essentially they arise as a result of insufficient skills acquisition: there are 'too few' skills available relative to demand. Such deficiencies may occur in respect of specific sectors, occupations or geographical areas. They may also be pervasive in the economy as a whole. They can take a variety of forms: job specific or transferable skills; high level, intermediate or low level skills.

Second, there are those mismatches characterised by conditions where **supply exceeds demand**. Here, the volume of skills supply is too large relative to the demand for them. The level of labour market demand is 'too low' to employ all of the skills that are available: demand is fully met and some skills that are available are not employed. This situation is one where the imbalance is one of skills 'surplus' rather than deficit, where there are 'too many' of these skills available relative to demand. It is characterised by **unemployment** (where the skills are not used at all) and **underemployment** (where they are employed but underused in the workplace eg part time workers who want full time jobs or graduates in lower skilled jobs). Such situations can occur under two differing sets of conditions. Where those skills are no longer required in such quantities as previously due to the changing structure of the economy and technology (predominantly lower level skills), this usually takes the form of unemployment. Where the skills are not required in the quantities available because the economy cannot 'absorb' rising skill levels, because of the state of, or structure of, the economy, if this is seen as primarily a supply side issue, it is referred to as 'over education' or 'overskilling'. Note that either or both of these conditions may be sectorally, occupationally or geographically specific. The **demand side of this agenda**, we will address below, where demand is deemed insufficient.

Third, there is an important additional dimension of skills mismatches: the existence of **migration**, both inward and outward, which may operate so as to reduce the mismatches and imbalances that would otherwise exist as migrants search for the job opportunities that exist, or indeed, it may exacerbate existing imbalances if the flows are excessive or the skills possessed by migrants are not well matched to job availability.

So, figure 3 illustrates this further development of our framework, where **skills matching** is required so as to secure the potential benefits of skills acquisition on growth, employment, earnings and poverty reduction, by reducing skills mismatches.

Figure 3: Skills Mismatches



It may be, of course, that **several of these mismatches can co-exist** in the labour market at the same time, with some being dominant in some sectors or regions, with others being dominant elsewhere. Some sectors and regions may not experience them to any significant extent.

The Demand for Skills

The demand for skills, is the demand for the skills embodied in the workers that are hired. Skills are required by employers to enable workers to do the jobs that employers wish them to do, and are required by workers to enable them to do the jobs that employers require. The demand for skills can therefore be defined as the demand for skilled labour, and can also be referred to as **employer demand or labour market demand**. It is articulated by the number and type of **jobs** available in the economy.

Labour market or employer demand for skills is represented by the overall numbers of people employed, the total jobs in the economy. These can then be divided into sectoral, and especially **occupational, employment** and its change over time to see the level and changes (growth and decline) in skills required as represented by the jobs made available. The changing composition of employment enables the changing composition of skills demand to be directly observed. Vacancies arise and are filled (or not). If they are not filled, they are skills shortages (see above) and can be added to total employment to represent the component of demand that is not being met. Changes in labour demand will only lead to mismatches if the supply of skills is not responsive to them.

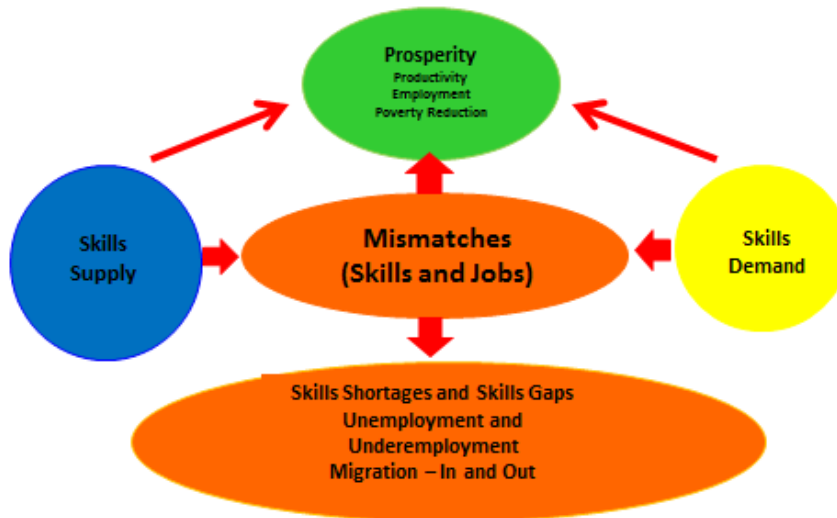
Figure 4 represents this further development of the framework.

The question is now, what drives this demand for skills? Ultimately, the demand for labour, and for the skills embodied in that labour, is ultimately a **'derived' demand**, dependent on conditions in the **product market**. Employees are only hired and their skills required and utilised, in order for organisations (primarily in the private sector but also in public and not for profit sectors) to achieve their organisational objectives. Hence the demand for skills depends on economic conditions: the size and the growth of the economy as well as its economic structure. Aggregate demand and the types of products and services produced structure the numbers and types of jobs available. It is ultimately therefore, the **'final' demand** for the goods and services the economy produces that drives jobs and skill requirements. Different economies with differing rates of growth, different economic structures and different levels of technological development generate different volumes and patterns of skills demand.

These final demand conditions are however mediated, on the supply side of the product market, by the **business strategies** (sometimes referred to as product market strategies) adopted by employers, the technology they utilise, the way they organise the workplace, and also by their their competitive positioning and ultimately their success (or not) in the national and international market place. These strategies adopted by employers are crucial, not just to the volume and type of labour/skills recruited in the first place, but how and to what extent these skills are actually then used in the workplace. This is usually referred to as **skills utilisation**. This depends to a high degree on management and leadership practices, including, but not limited to, human resource management practices, such as the extent of so called **'high performance'** working practices. Hence management skills themselves become a particularly important component of skills demand. In sum, overall skills demand, its level, structure and composition, in the final analysis depends on the economy - the nature and scale of the **economic 'pull'**.

Figure 4 then, schematically sets out the components of the skills 'system', corresponding to the three sets of 'market places', and **three dimensions of skills supply and demand**, set out in this paper: the **supply of skills** (individual and employer demand for skills acquisition); **skills imbalances** (between the skills available and the skills employers require); and the **demand for skills** (the jobs that are available and the skills needed to do them). In each market place there is a supply and demand component and it is important to distinguish between these, as well as the 3 dimensions, conceptually, for measurement purposes and for policy development. Each is interdependent, and interacts with, each other, though the drivers come predominantly as in any economy from right to left - from the economy to the labour market through to the skills market. It is however in the labour market where the imbalances between skills supply and skills demand become manifest.

Figure 4: The Demand for Skills and the Skills 'System'



The OECD, in developing its Skills Strategy, used a framework which is informed by this approach (see annex).

It is also important to note, that **the benefits** (growth, employment, productivity and equality gains) **to be derived from skill development**, will only fully materialise when the skills acquired, skills supply, effectively 'match' those required by the labour market, skills demand, and when the economic pull is substantial and sustained. The link between skills and prosperity has to be secured through **a strong emphasis on skills demand** - both meeting it and building it - through action in the labour and product markets, as well as in the skills market, and through recognition of the powerful interconnections and interdependencies between demand and supply conditions, both within and between each market. Low levels of skills demand coexisting with low levels of skills supply, generates low levels of skills imbalance just as high levels of both do so. Imbalances are a serious issue, but arguably low levels of skills demand would be an even greater one. **In the end, we need skilled jobs for skilled people to do.**

Beyond Existing Demand: Latent and Augmented Skills Demand

So far we have examined the demand for skills in terms of **'actually existing' demand**, whether met or unmet; why it may be optimal or sub optimal; its potential deficiencies and imbalances with the supply of skills; and how it is determined in part by wider economic and business conditions. An implication of this is that skills demand in principle can be met through appropriate market behaviour and public policy interventions, as long as we clearly conceptualise, articulate and measure the skills demand required.

However, this skills demand, may still be an imperfect guide to what skills are actually or potentially required in certain circumstances. This is implicit perhaps in discussing skills demand 'deficiency' above in relation to the economy and business strategy. Our framework enables us to see the

connections and interdependencies between skills supply and demand and thus the system 'as a whole'. Under certain circumstances, these connections can lead to what can be called '**system failure**'.

If there are substantial market (and indeed public) failures **across the system**, for example in respect of limited/low levels of demand (especially in specific sectors or regions) these may coalesce and become pervasive, creating a potential situation of '**path dependency**' through the interaction and mutual reinforcement of low skill requirements and levels - a 'vicious circle'. Such situations may indeed cause the whole system to 'fail' because of their interaction with conditions in the skills market and labour market with equilibria well below optimum levels and with weak incentives to improve them: a so called '**low skills equilibrium**'. In short, skills demand may be 'too low'.

Under such conditions however, there will be a '**latent demand**' for skills, one which would materialise under different economic and business conditions e.g. if the economy were to be rebalanced around higher value added goods and services; one where more businesses moved up the value chain; one with yet higher levels of innovation and technological change. Such latent demand cannot be directly identified and measured except by identifying as carefully as possible the expected new/different economic conditions (eg as a result of major infrastructure investment or foreign direct investment) and their job/skills demand consequences.

Thus, there may be a view (from Government, from other stakeholders or from empirical evidence) that skills demand is in some way, 'too low' and that such demand needs to be 'augmented' by identifying latent demand as above, or through other means.

There are perhaps four ways in which Government or others might wish to '**augment**' skills demand, by raising it to a higher level:

- In respect of **International Benchmarks**: e.g. by comparison to Pan Africa, OECD or EU countries. In the UK the Leitch Review did this in respect of skills supply ('to be in the top quartile of OECD countries at various levels of skill by 2020'). This would imply that the identification and measurement of skills demand was augmented by the difference between where skills demand is now and where South Africa aspired to be in, say, 2025
- In respect of **Future Trends**: e.g. in order to meet the evolved economic and labour market requirements of South Africa in, say, 2025, based on existing trends. Skills demand here would be augmented by filling the gap between existing demand and future projected demand.
- In respect of a future scenario (or scenarios) driven by '**disruptive**' changes in society, the economy and technology which alters the previous course of skills demand. Skills demand would here be augmented by further 'beyond' or 'differential' trend shifts in demand.
- In respect of a **wider economic strategy** to transform the South African economy in order to meet Government economic development objectives, there would be a need to understand and articulate the additional skill requirements/demands implied by it. This could, for example, arise from a desire to **rebalance** the economy, or from a commitment to compete more effectively in the **global race**.

In all these cases, skills demand is increased/changed beyond current skill needs.

LMI Indicators and Measures associated with the Framework

If we adopt this framework, then it is possible to create a **simple, clear and systematic set of a relatively small number of high level metrics, i.e. measures and indicators**, of the components of the system derived from the framework. These have many valuable uses.

First, they can be **identified** and then **tracked** over time, to **identify key current and emerging issues**, monitor change, provide reporting and assess progress over time.

Second, the framework and metrics can also operate to help organise, assess and systematise the raft of LMI proposals provided by the **LMIP**.

Third, it can assist in the **review of existing Government LMI** utilised in, for example, identifying **occupations in high demand; identifying scarce skills; or informing visas in the migration system**.

Fourth, LMI embedded in a consistent, clear framework has a further use, which we do not cover here, but could be the subject of another paper: its **use as/in the development of policy tools** to encourage skills developments that explicitly address the issues identified in the framework and metrics, as well as in the scorecard and audit (see below) which can be built upon it.

Figure 5 below provides an initial illustration of the key elements of such an LMI system.

Figure 5: Key Metrics associated with the Framework: initial illustration

	Supply	Imbalances	Demand	Augmented Demand
Present	<ul style="list-style-type: none"> - Workforce qualifications by level (NQF) - Provider leavers by level (school, college, university) - Training at work (numbers and volume) 	<ul style="list-style-type: none"> - Skill shortages - Skill gaps - Unemployment <p style="text-align: center;">← Underemployment →</p> <ul style="list-style-type: none"> - Migration - Gap analysis <p style="text-align: center;">← Returns/premia to quals and other skills →</p> <p style="text-align: center;">← Employment rates by level/subject (e.g. graduates) →</p>	<ul style="list-style-type: none"> - Jobs: Employment levels by occupation - Vacancies - Earnings <ul style="list-style-type: none"> - PMS - Management - Skill Use 	e.g. Benchmarks
Future	<ul style="list-style-type: none"> - Trends as above - Projections of above 	<ul style="list-style-type: none"> - Trends as above 	<ul style="list-style-type: none"> - Economic/Labour market forecasts - Drivers of change - Scenarios 	e.g. Government plans (SIPs)

Notes:

1. **Stocks and Flows:** In all cases, as appropriate, both the *stock* and the *flow* of each measure/indicator should be identified/reported, i.e. the *level* and the *change* (annual/over 5 years), in both absolute numbers and percentages.
2. **Levels:** Where appropriate each measure/indicator should be reported at national, sectoral, occupational and provincial levels, **benchmarked** against the national level.
3. **Sources** include: Official statistical data; surveys (especially of employers); management information; Tracer studies and other research; SETAs.

To these skills metrics, we need to add the appropriate **metrics for 'Prosperity'** in terms of growth (i.e. employment and productivity) and inequality/poverty reduction, which the skills agenda is designed to address.

Taken together the key metrics associated with the framework as above, could be presented as a **'scorecard' (SASS-The South Africa Skills Scorecard)** on an **annual** basis. Interpretation could be eased further for stakeholders through the use of a **5 level 'traffic light' system**-green; green amber; amber; amber red; red, for each of the measures.

Such a scorecard would also enable us to identify the extent to which the issues were system wide or more specific/particular in respect of certain sectors, occupations or qualification levels. Perhaps such a scorecard could be embedded, say every 3 years, in a more analytical, detailed assessment of the system as a whole, a **'skills audit' (SASA-The South African Skills Audit)**.

In Conclusion

There is much to be gained from clarifying our understanding of 'the supply and demand for skills' and establishing a **sound, logical framework** for it. It can provide the **foundation stone for effective skills planning**. In particular:

- It helps to develop a clear, common language and concepts that could be used by all.
- It aids the selection and collection of labour market information, measurement and subsequent intelligence, by providing a systematic framework for it.
- It helps identify the empirical scale and nature of skills supply and demand, together with their imbalances.
- Most crucially of all, it can inform priorities for action and what actions/policies are in scope to better align and adapt supply and demand.

Essentially, the framework provides an informed understanding of, and approach to, the skills agenda which can drive our intelligence, research and policy thinking on skills.

Of course, much more is required to build a credible institution for skills planning: an organisational framework; the utilisation of the framework and associated LMI to inform policy development; the establishment of appropriate policy tools and mechanisms;

effective stakeholder, especially employer, engagement; and the building of the necessary capacity and capability to deploy skills planning efficiently and effectively.

However, the framework and its associated metrics, does provide a sound foundation for the future development of skills planning in South Africa.

Annex

The framework adopted by the **OECD** in establishing their skills strategy in 2012 (disclaimer: I was a member of the OECD's Skills Strategy Advisory Board), bears some strong resemblance to the framework set out in figure 4 above, though it compresses and elides the key 'demand' side aspects of mismatch, use and demand (see figure 5 below)

Figure 5: The OECD Skills Strategy Framework

