

Question: Skills for Growth or Skills for Development?

A persistent theme over the past years in public discussion has been the state of skills in the South African society and economy. One of the important markers in these discussions has been much reference to skills development as one way of supporting economic growth. This is an important and complex issue. It is not one that can be approached in terms of a simple relationship between skills and growth.

The argument goes that greater investment in skills development to enhance labour productivity will lead to exponential growth in Foreign Direct Investment and thus economic growth. This argument seems oblivious of a number of critical factors.

Firstly, the South African skills development system is historically and continues to be skewed towards skilled and high skilled labour and inimical to the absorption of low skilled labour. Since South Africa is a developing country, with a large proportion of its people unemployed and possessing very low levels of skills, the privileging of high skills is inappropriate as the sole focus of human resources development.

Secondly, the dominant belief that low wages and relatively high skills are key determinants of FDI is not borne out by research. Instead, international experience shows that FDI is more likely to flow to vibrant economies with strong internal demand. For example, China's 11th five year plan tips domestic demand over exports as the key driver of future growth. Meanwhile, export-led growth, while beneficial to the balance of payment, is unlikely to immediately affect levels of unemployment, given the capital intensity of the export sector, unless labour intensive downstream industries can be developed.

Thirdly, whilst South Africa has achieved buoyant economic growth in recent times, other key economic and political imperatives such as employment growth and reducing unemployment were certainly not achieved. Evidence by Borat and Cassiem shows that South Africa has achieved economic growth (albeit modest), averaging 2.8% per annum, between 1995 and 2002. Yet, over this period high rates

of inequality do not appear to have been reduced, and official unemployment rose to over 30%.

In the case of South Africa, the reality is that a capital-intensive export-led growth model as the main focus of economic policy is ineffective to address the daunting development challenges of predominantly mass unskilled unemployment, underemployment, poverty and inequality. For example, in a highly capital-intensive economy it is only the skilled capital-intensive sectors that are reaping the benefits of exports and thus growth.

South Africa provides a text book example of inappropriate job-destroying capital-intensive production. The legacy of a resource-based economy; overlaid by apartheid policies, such as capital-intensive production, has resulted in wide spread poverty, inequality, and unemployment existing alongside globally competitive industries.

As already mentioned, the key issue with respect to skills development is that the economy's historical development trajectory has been inimical to the absorption of unskilled and semi-skilled labour. Hence, skills development in South Africa must be aligned to the broader economic and political imperatives of reducing unemployment and poverty, while fostering growth and international competitiveness. The challenges of poverty and unemployment should be foregrounded in economic policy.

The narrow focus on rapid growth in skilled labour for growth in line with IMF prophecy is closely associated with a liberal perspective and stands in a symbiotic relation with a free market economy and thus free market-led economic growth. This orientation seems to obscure the broader developmental role of the skills development system in a developing economy.

From a policy perspective, greater emphasis is needed on structural changes in production and ownership and policies that will support relatively labour-intensive activities for both local and international demand. An increase in exports should be focused on labour-intensive industries, and not merely minerals and chemicals. Politically, the state needs to adopt protective measures to protect labour-intensive industries against the pernicious effects of the trade liberalisation programme.

With regards to skills policy, the challenge is thus to develop a wide range of intermediate craft and artisanal skills for mass production manufacturing in labour-intensive industries to co-exist alongside high skills production techniques. Evidence shows that the artisanal class was not racially inclusive during the period of apartheid industrialisation as whites were moving out of industry into higher paying jobs. This partly contributed to a concentration of production in large plants with relatively little subcontracting, thereby preventing small firms from developing the skills required to supply the market.

Meanwhile, evidence commissioned by the ILO in 2002 on the skills and training acquisition of the informal economy shows that the development of relevant skills and knowledge is a major instrument for improved productivity, better working conditions and the promotion of decent work in the informal economy.

What is required is an integrated and multi-pronged skills development strategy that simultaneously supports the expansion of high skills capacity for high tech production, reinvigorate the supply of intermediate skills for mass production manufacturing, and provide basic skills and training for the disproportionate numbers of low skilled workers and unemployed operating in the informal economy.

References

1. Altman, M. & Mayer, M.J (2005) 'South Africa's economic development trajectory: implications for skills development, in: *Journal of Education and Work*, Vol.18, No. 1, March 2005, pp.33 – 56
2. Borat, H. & Cassiem, R. (2004) The challenges of growth, employment and poverty in the South African economy since democracy: an exploratory review of selected issues, *Development Southern Africa*, 21 (1), 7-31
3. Hirsch, A. (2005) *Season of Hope: Economic Reform under Mandela and Mbeki*, UKZN Press
4. Kraak, A. (2003) Skills deficit in South Africa, in: *Human Resource Development Review 2003: Human Science Research Council*
5. Liimatainen, M. (2002) 'Training and skills acquisition in the informal sector: a literature review.' Geneva: International Labour Office
6. Marais, H. (2001) *South Africa limits to change: the political economy of transition*, Zed Books

Article by: Ibrahim Steyn

MA Social Policy

Faculty of Humanities

University of KwaZulu Natal