

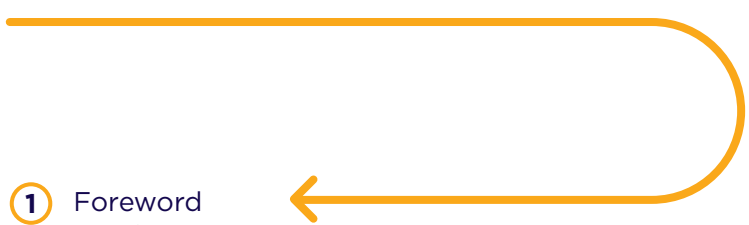
CONNECTING THE DOTS

SKILLS & EDUCATION



A Barloworld Logistics **foresightreport**

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→ 1 Foreword

To gain a better understanding of this skills issue, its primary causes and the affect it has as a constraint to our South African economic development and employment potential, we present the results of an additional study, the **foresightreport**.

The **foresightreport** endeavours to seek answers to key questions and identify and promote possible solutions. We trust that this report will form a platform upon which to stimulate discussion and action by the identified parties as to the way forward. The research and surveys looked at the role of education and formal training programmes, together with the roles and responsibility of government and the corporate world in providing relevant skills development opportunities.

In compiling this foresightreport we also canvassed the views, perceptions, concerns and aspirations of over 700 university undergraduate and post graduate students. South Africa's future clearly lies in the hands of its youth.

Not only do the youth make up a significant and vocal part of our population, they also represent a large and growing proportion of our nation's unemployed. Unsurprisingly, the findings of this research provided much food for thought and we seek to present a summation of the challenges. We suggest actionable ways forward to establish and implement a clear, workable and coordinated strategy from which all may prosper.



The FORESIGHT team

2 Introduction

With unemployment sitting at an eight year high of 26.6%, few can argue that South Africa is in crisis. This figure means that currently 5.6m of our people are jobless. Of the youth aged between 15 and 24, a total of 37.5%, or 3.2m are neither employed nor enrolled in education or training. Young people, women in particular, are the most vulnerable, resulting in a global youth unemployment rate that is almost three times higher than the rest of the population.

You only need to glance at pavements and playing fields teeming with restless youngsters to see the bleak, real world ramifications of these statistics.

Today, the majority of our unemployed youngsters are unskilled and increasingly angry. Spanning cultural, racial and income groups, the growing discontent and simmering fury is palpable. Earlier this year, the local and international community

watched, as waves of violent protests struck South Africa's most revered universities and townships.

While there has been no shortage of solutions proffered by both government and the private sector – with more accessible education always sitting top of the list – now is the time to develop tangible, sustainable change.

3 Relevant expertise

In South Africa, we should be asking whether today's school leavers and graduates are emerging from their education and studies with the smart capabilities and reputable skill sets that are immediately useful to local and global employers.

Could it be because there is a fundamental flaw in the way that both government and private sector stakeholders, are approaching the problem?

Having recently conducted research into tertiary education and skills training with key student groups, we believe that this may be the case. More specifically, we suspect that instead of there being a shortage of jobs (which is the often cited reason for skyrocketing

unemployment), there is more likely a chronic shortage of the actual skills that are needed to drive the modern economy forward, both in South Africa and abroad.

In other words, if our students were receiving practical skills training and education that is targeted and specific to roles that exist today and will exist in the future (or will exist in the fast evolving business environment) – would they be more likely to find steady and rewarding employment?

Whilst the initial motivation and focus of this study was to gain a better understanding of the shortage of 'skills' in South Africa, it soon became apparent that this challenge is not just a local concern. Instead, it is a concern

that affects most parts of the world, developed and emerging markets.

Indeed, gaps have emerged between education and training and the ever growing needs of a globalised, fast changing technical world of work. This has resulted in a new generation of required skills and ever changing designations, but it has also created a worldwide increase in unemployment, which negatively impacts economic growth.

In this **foresightreport**, we examine this challenge from a multinational and global perspective, before analysing the findings of our research in South Africa.

→ 4 The global skills conundrum

Skills – “The ability to do something well; expertise or a particular ability...”

The Oxford English Dictionary

To put the South African skills shortage into perspective, it is important to review opinions and commentaries on this subject from a global viewpoint.

The following are extracts from publications and reports from the World Economic Forum (WEF) and other leading commentators regarding key areas requiring active change and investment.

The World Economic Forum says:

“When any government or industry plots overall economic and social strategies, it is essential to recognise the skills and human capital necessary to achieve strategic goals that must provide and sustain growth and development. This requires constant adjustment to education and on-going training processes, facilities and focus.”

“Connecting education and employment: Employers need to collaborate with schools and universities on the development of curricula and a shared practical knowledge of the market. The education system also needs to change to allow a focus on lifelong learning.”

“Better forecasting of industry and labour market trends is vital to allow governments, businesses and individuals to react quickly to change.”



The World Economic Forum has identified three major pressure points in the chain of education:

- › Skills and human capital;
- › Job growth and technological change;
- › Skills gap and skills churn.

“In many countries there has been a reported drop in unemployment numbers since the global financial crisis, but there is some evidence that this is not so much due to jobs growth, but because the long-term unemployed are giving up on trying to find a job,” notes Keith Breene, Senior Writer, Formative Content, WEF.

Breene points out that the types of skills that employers need are changing all the time. He believes that employees are under pressure to continually learn and adapt to evolving and emerging industries.

An area which requires disrupting is ‘education and labour policy’, with the WEF underscoring the need to dramatically change existing approaches and policies to ‘make them more reactive and relevant to the ever-changing market realities.’

Business leaders and managers are unable to find the right candidates for many positions across industrial and commercial ventures, a problem that will continue to increase, as the need for specialisation and current work-related skills increases.

The WEF notes that close to 90% of the required job creation must take place in the developing world, primarily in Africa and Asia, as this is where the projected needs will be most dramatic.



5 Entering the digital economy

Although 29% of the African population can access online, the global average is 46%, where the African continent is catching up fast. Meir Brand, MD of Google Europe, Middle East and Africa (EMEA) has stated that

“Technology is changing industries at a rapid pace and the labour market is therefore entering a period of uncertainty,” notes Brand. “Managing this transition is an important challenge, as is preparing for the future beyond an expected increase in automation.”

“As technology further reshapes business needs, both individuals and countries will have to address ongoing skills gaps,” Brand writes. “Traditional education is often badly equipped to develop dynamic skills in students.

Most schools and universities are teaching a 20th century education to young people who will need cutting edge 21st century skills. This is an issue that calls for long-term commitment to reform from successive generations of political leaders.”

‘Africa is going digital, and fast, with almost half a billion Africans expected to be online by 2020.’

The digital skills gap is a global challenge. In both the US and the UK, much has been written about the lack of digital skills, at all levels. A recent US survey noted that 78% of job opportunities on offer “call for some fluency with technology”. The survey also noted the increasing need for computer literacy, especially Microsoft’s Excel and Word; SAP SE or Oracle,

skills that are critical for office and administrative positions, retail supervisor and store managers, among others.

These are skills that we take for granted, daily.

As both the public and private sector in South Africa look to incorporate digital skills and IT expertise into education at every level, it is worth paying attention to key insights and learnings emerging from developed markets, that could potentially enable enterprising African students to harness digital in new and transformative ways.



6 The South African perspective

From the overview of the global issue of skills, education and employment, we can now review these issues from a South African perspective, to identify the similarities, particular views and circumstances.

South Africa is part of the global village and if we are to remain competitive as a nation providing growth, employment and sustainability for the economy, we need to develop practical and relevant solutions to the skills, education and employment challenges, identified in the **foresightreport**.

Basic education within South Africa is producing poor results. Therefore, it is critical that key stakeholders within the education and formal sector, develop a much needed, successful way forward.

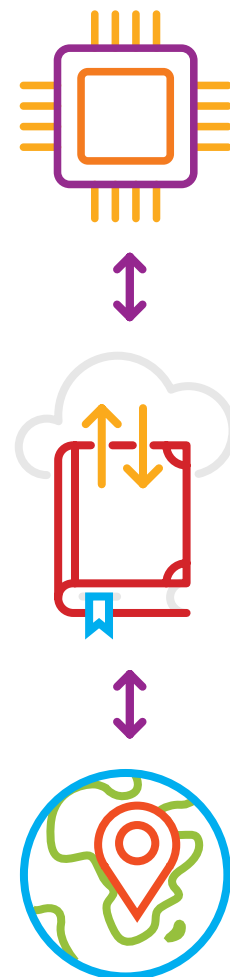
Writing in the Business Day, Google's Meir Brand rightly points out that more Africans online means greater

opportunities for businesses and digital entrepreneurs; 'and, if nurtured right, a growth engine for economies across the continent.'

While many young Africans are on a path to success in this virtually-driven environment, the majority still lack the digital skills required to truly harness the Internet's massive potential.

As Brand notes, most educational institutions in Africa are 'ill-equipped to provide young people with the key skills they need to take advantage of the fast-developing African digital economy'. More worryingly, teachers and educators themselves have little to no digital skills or expertise. This is something that both the education and private sector needs to urgently address through targeted and measured interventions.

While many young Africans are on a path to success in this virtually-driven environment, the majority still lack the digital skills required to truly harness the Internet's massive potential.



7 Oversupply or undersupply?

Our research involving 700 undergraduates and graduates revealed that most students are concerned that there is an oversupply of graduates in the job market today, particularly amongst those outside of the professions (lawyers, accountants, doctors, nurses, engineers, etc). On the other hand, the business sector maintains that there is a shortage of qualified candidates to pick from.

This again begs the question as to whether the problem lies with a lack of opportunities, or rather a lack of relevant and applicable skills and expertise.

Without doubt, if there was a stronger link between national and industry specific economic planning, and education and training, it would ensure enough of the correctly qualified or skilled people would be ready to fill the employable ranks. Moreover, we could sustain economic growth by firstly ensuring fulfilment of national and industry strategies, and by bridging the current mismatch of resources and requirements.

While skills are admittedly not a panacea for unemployment as a whole, the right skills

and expertise will surely make a profound impact on soaring joblessness.

The Manpower South Africa's annual Talent Shortage Survey, revealed a significant increase of 23% in the difficulty experienced by employers to fill vacancies. In 2014, 8% were recorded, where 2015 revealed a staggering 31%.

The 2015 Manpower Survey, sampling 750 businesses, revealed that the following positions were the most difficult to fill:



South African employees are experiencing the following difficulties:

When employers were asked why they couldn't fill jobs, the survey found 52% of them cited environmental or market factors, 47% mentioned a lack of technical competencies or hard skills and 46% cited a lack of available applicants or no applicants at all for the position.



Notably, 30% of local employers cited the lack of industry-specific qualifications or certifications in terms of skilled trades as a challenge, while 26% mentioned a lack of candidate experience. In addition, 19% of employers identified organisational factors as a hurdle, while 15% cited industry-specific qualifications and certifications in terms of professionals as a challenge.

“South Africa’s continued skills deficit is compounded by a lack of technical skills, which is having a negative impact on employment across many sectors of the country’s economy,” commented Lyndy van den Barselaar, Managing Director of Manpower South Africa, following the release of the latest annual report.

How important is the gap between formal education and employability? Increasingly, being ‘well’ educated is no longer the primary criteria and employers are less inclined to be wooed by degrees and qualifications. Instead, employers are now

placing greater emphasis on an individual’s ability to deliver and perform. Wages and salaries are calculated according to the value derived from the work delivered.

Those selected for corporate training are invariably determined by a combination of factors which include sufficient knowledge or aptitude to justify an investment in their continued education and skills development.

Undeniably, given the ever increasing percentage of unemployment, neither commerce nor industry can bear the cost and

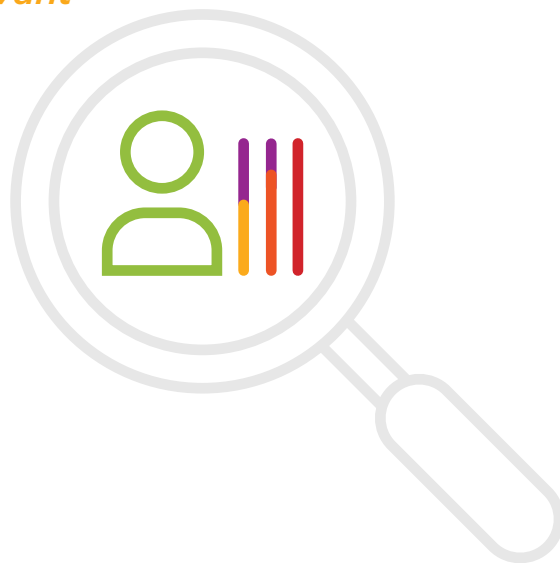
responsibility of bridging the gap between education, training, apprenticeships, internships and mentoring. A strong, active approach needs to be implemented now, to break the back of current levels of unemployment.

Now, more than ever, a strong need exists for students, employers, and educationalists to align education and skills training with the real world of work.

Question:

31% Of employers find it difficult to fill existing vacancies.

Does the challenge exist due to lack of opportunities or lack of relevant skills and expertise?



→ 8 The 'job' mentality

An observation of the research made us pose this question: Does high unemployment create a negative 'job' mentality?

Seeking a 'job' is about the immediate need for an income, irrespective of the work or task involved in a society where unemployment is high. A 'work mentality' is associated with secure employment that creates value, adds rewards to performance and establishes an opportunity for sustained income and a career assisted by the ability to gain greater skills.

The 'job' mentality is arguably an inhibitor to increasing employment opportunities and economic improvement - both in the commercial and industrial sectors.

These perceptions are most prevalent when an employee is not performing work that inspires them - they're not following their dreams.

Whereas a 'job' is merely a means to earn an income, with the least effort and minimal interest.

This work ethic is often symptomatic within developing nations, influenced and perpetuated by the lack

of job opportunities available to unskilled individuals. However, in some instances when 'jobs' are secured, the opportunity for self improvement and growth is not seen or taken. This possibly relates to an apparent lack of motive or incentive to work better on a 'job' or for an individual to seek continual



improvement and thus secure advancement and a more rewarding future.

Does this then lead to a need for employers to break this mould by inspiring and motivating employees?

As previously identified, it is difficult without improved education and skills and a greater availability of

employment opportunities to effect this change - and with it a lower level of unemployment and the resulting need to just take 'jobs'. Whilst this job mentality relates primarily in areas of the currently less educated and lower levels of skilled employment, it can also manifest itself in higher levels of employment where individuals do not see the benefit of a different approach, combined with a lack of commitment to a course of personal development and self-motivation.

To break this apparent limitation to employability, society needs to maintain and exhibit standards supported by a growing economy in which education, training and skills are critical.

As witnessed in countries such as Singapore, to have a strong vision of an educated and prosperous society rewarded by their skills and ability requires committed leadership with a national vision.

This vision and strategy is necessary to achieve a change in the fortunes of the unemployed and the development of the country itself.

9

Education and career selection

Interestingly, our research involving the new entrants to the employment market hints that students select degrees or areas of study with poorly formed or vague ideas of where their studies will lead them and which roles they ultimately see themselves fulfilling. Moreover, they have a shallow understanding, at best, of what certain roles really require.

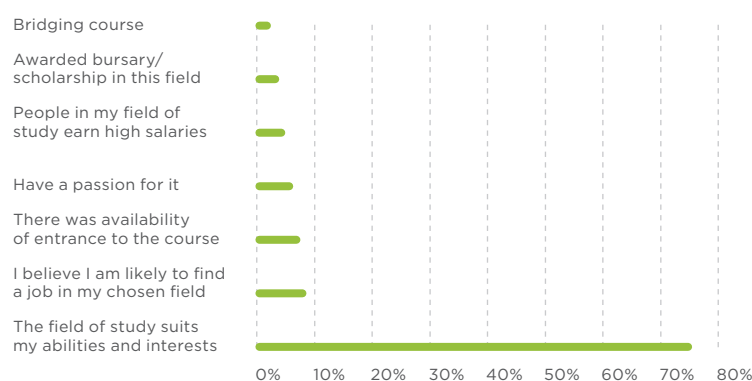
Take, for example, a degree in Supply Chain Management and/or Logistics. Students enter this field without understanding that there are many different activities performed within these industry sectors. Supply Chain “Management” and Logistics “Management” differ greatly from performing or providing logistical services that require very specific tactical and operational expertise.

Ambitions to be involved in the managerial and strategic aspects of this industry can only be achieved over time and with experience, whereas the many sectors of business activity in logistical services is vast and fairly accessible for newbies. Little appears to be known of the diverse business activities they can or should pursue, and students also appear to have scant knowledge of the players with whom they intend to seek employment.

Arguably, if there was a better understanding of the many logistical activities performed in any supply chain, students would elect for more targeted

and the skills and expertise that will allow them to reach the positions of higher management and authority that most aspire to.

Reason for entering field of study



areas of study and obtain some practical experience and a more focused qualification – thus enhancing their employability.

In terms of selection, 76% of respondents in our research indicated that they had entered their specific field of study because it suits their abilities and interests. The second and third highest reasons were the likelihood of finding a job (9%), and the availability of entrance into the relevant course (5%).

It thus appears that students are beginning their studies – often at great expense – without a true understanding of the real world of work

Indeed, having interviewed students currently enrolled in courses as varied as marketing, finance and engineering, many are expecting to follow a linear path from study, to first job, to middle management and ultimately executive leadership. In reality, this seldom happens without detailed knowledge, experience and understanding of the roles and activities performed by the chosen employers.

Too often, students select their higher education based on their perception of their future career, where in fact, very little is truly known about the skill, experience and competencies required.

In addition, many students don't fully grasp or understand what suits their abilities and personality. Basing a career choice solely on intellectual capability does not automatically lead to professional success and fulfilment.

Here, an opportunity exists for potential employers to play a role in educating school leavers, university or college students, of the realities of the work function and personal qualities required for employability. It is also necessary for students to explore and 'discover' in order to obtain necessary information about their preferred vocation. Textbooks deliver the theory but so much more goes into being a great, driven and irreplaceable employee.

At the high school level, it is perhaps up to career counsellors to align personalities and latent attributes of the school leavers and students to guide them more effectively towards the employment best suited to the individual's characteristics.

To do this, career guidance providers need to have access to, and be directly involved with, commerce and industry, to better understand the responsibilities and work skills of the changing roles. They must also play an active role by mentoring and opening networking opportunities for students and school leavers to gain practical exposure and experience of career paths.



10 The entrepreneurial dream

Given the endless stream of sensational media stories that detail the rise of unicorns and entrepreneurs to positions of power and unfathomable wealth, it is unsurprising that most students are set on becoming entrepreneurs.

For many, the word 'entrepreneur' conjures images of wealth and success, to others it means being self-sufficient as an individual establishing a successful career within an existing

business and pursuing intrapreneurial aspirations. Past histories reflect a philosophy of endeavouring to keep the poor self-sufficient and thereby more easily managed, compared to today's views of entitlement, contribution and benefit from an inclusive society.

Staggeringly, over 75% of our **foresightreport** respondents indicated that they have considered opening their own business. This result ties into the study conducted by

advisory firm Ernst and Young in 2015, which found a strong push towards entrepreneurial ventures and away from formal employment in Africa. The question should be 'in what respect do they see themselves as self-employed individuals, or as builders of sustainable and viable enterprises?'

The question of definition is perhaps reflected in the commentary by Ajen Sita, CEO at EY Africa when he remarked,

“The enthusiasm that young Sub-Saharan Africans have for entrepreneurship is hugely encouraging to see... given that entrepreneurs represent more than 75% of employment in the G20 and rapid-growth economies...”

Importantly, we need to ask whether a gap exists between developed nations’ view of entrepreneurship and that of emerging nations.

Respondents in our survey indicate that the main reasons for wanting to start their own businesses was that they believe they have an idea to improve a product/service (46%) and that they have the right skills to start a business (45%).

Notably, 31% of respondents who stated they would like to start a business indicated that they have received entrepreneurial training.

However, only 18% said it was part of their coursework at university, while 58% have had no formal training, but would like to receive training in the future.

The question we must ask of such positive responses is whether the training and education has truly passed on the knowledge and skills necessary to succeed as an entrepreneur. Sadly, through lack of appropriate skills, guidance and support, most start-up businesses never achieve the desired future state.

Another key finding was that almost 70% of those who indicated that they have not thought about starting their own business would still like to receive entrepreneurial training. As food for thought, the EY Global study found that the preferred method of learning for youth wanting to start their own businesses is ‘to seek the counsel of experienced entrepreneurs to act as mentors’.

Importantly, we need to ask whether there is a gap between developed nations’ view of entrepreneurship and that of emerging nations. The potential rift here could be leading to misperceptions and also the misallocation of resources.



11 Nurturing enterprising minds

While it is certainly true that not every individual is cut out to be an entrepreneur, we are perhaps running the risk of wasting brilliant minds by not providing the training and guidance required to nurture true entrepreneurs.

A key opportunity exists to establish an incubator or programme, that specifically teaches the pertinent skills required by ambitious entrepreneurs, to establish their business and move their start-up to a sustainable state.

Such a programme should draw strongly on partnerships with leading companies and business personalities, with mentorship, practical training and networking all included as key components.

Our budding entrepreneurs also need to be taught the softer skills, around how to communicate, negotiate, write, handle media and service excellence. Through the acquisition of these softer skills, ambitious entrepreneurs

will begin to understand that being an entrepreneur is not a solitary journey. It requires strong people skills, the ability to recognise and work with people of a high calibre, from diverse backgrounds.

In addition to formal entrepreneurial training, there is an opportunity for companies to begin creating instructional material that guides and inspires entrepreneurs. Every sector and industry has its own unique challenges and opportunities, and leaders should be willing to part with this important wisdom in order to support the next generation of pioneers and industry disruptors.

In our view, unless there is active knowledge sharing, mentorship and communication between today's leaders and tomorrow's change makers, South Africa risks losing some of its most brilliant thinkers.



A key opportunity exists to establish incubators or programmes, that specifically teach the pertinent skills required by ambitious entrepreneurs, to establish their business and move their start-up to a sustainable future state.



→ 12 The way forward for South Africa

Having explored and outlined the challenge facing South African students, educators, government and businesses, it is clear that a multi-layered approach is required. In addition, each stakeholder has a very unique role to play, and definitive hurdles to overcome. Students, for example, need to readjust and reset certain expectations and ideas of the workplace, while educators need to become more open to the digital realm and the new set of tools it is proffering. Commerce and industry need to come to the fore in their relationship with all parties more involved and committed to the changes that need to be made.



That said, however, if we are to achieve any meaningful and sustainable change, strong partnerships and alliances will need to be formed by the parties. These partnerships can surely pave the way for targeted and structured changes to existing methodologies and programmes.



To recap, here are what we believe are the main findings of our research, and critical to the next steps:

1. Government needs to reassess its education programme to align itself to the commercial world of employment. The national curriculum should include education and exposure to the reality of employment and the skills necessary - particularly in the area of the digital economy. Government schooling should also integrate itself closer to the needs of commerce and industry.

2. Career guidance professionals need to successfully guide school leavers and existing students to effectively follow an employment and career path best suited to each individual's characteristics.

Additionally, educationalists should implement formal assessments and tests at high school level around the suitability of skills and characteristics to career paths, with structured guidance.

All school leavers should similarly have practical application and hands-on learning by completing specific work assignments, either during terms or holiday vocational programmes.

This training element needs to be structured and carefully managed at all levels, with measurement and metrics in place.

3. It is recommended that tertiary diplomas and degrees include practical work exposure, experience and projects for all students as an integral part of any curriculum, prior to a qualification being granted. This includes internships, apprenticeships, study and training programmes, and work specific projects.

4. Business needs to engage more closely and directly with schools, universities, and other educators. This engagement needs to take place at the earliest stage possible in order to provide guidance in terms of actual jobs available in fields and clarify expectations from both the employer's and potential employee's perspective.

5. There is an urgent need to establish entrepreneurial incubator and formal education and training programmes to train candidates and empower them with the business skills and practices needed to become successful entrepreneurs.

The programmes should nurture young business people and provide the technical, commercial and practical skills necessary to build and run small enterprises.

6. The youth need to become better informed about global and local economics and the real world of employment, commerce and industry.

Looking ahead, the responsibility surely sits with us all – business, educators, government and students – to change course and thus change our thinking. While government leaders, for example, speak about the importance of education, the talk does not align with actual investment and our country's overall strategic imperatives.

In short, there needs to be a key shift in the way we think about work: instead of looking for jobs, the goal should always be to build a career through which one can derive meaning, learning and satisfaction at every level. For some, this will mean plunging into new business ventures, while for others it will mean specialising and joining established companies, to take advantage of intrapreneurial opportunities.

Every stakeholder needs to commit to taking firm steps toward repairing what has become a severe rift between the education system and the real world of work.

We need to build many small bridges along the way, while keeping the vision of an inspired, skilled and productive workforce top of mind.

