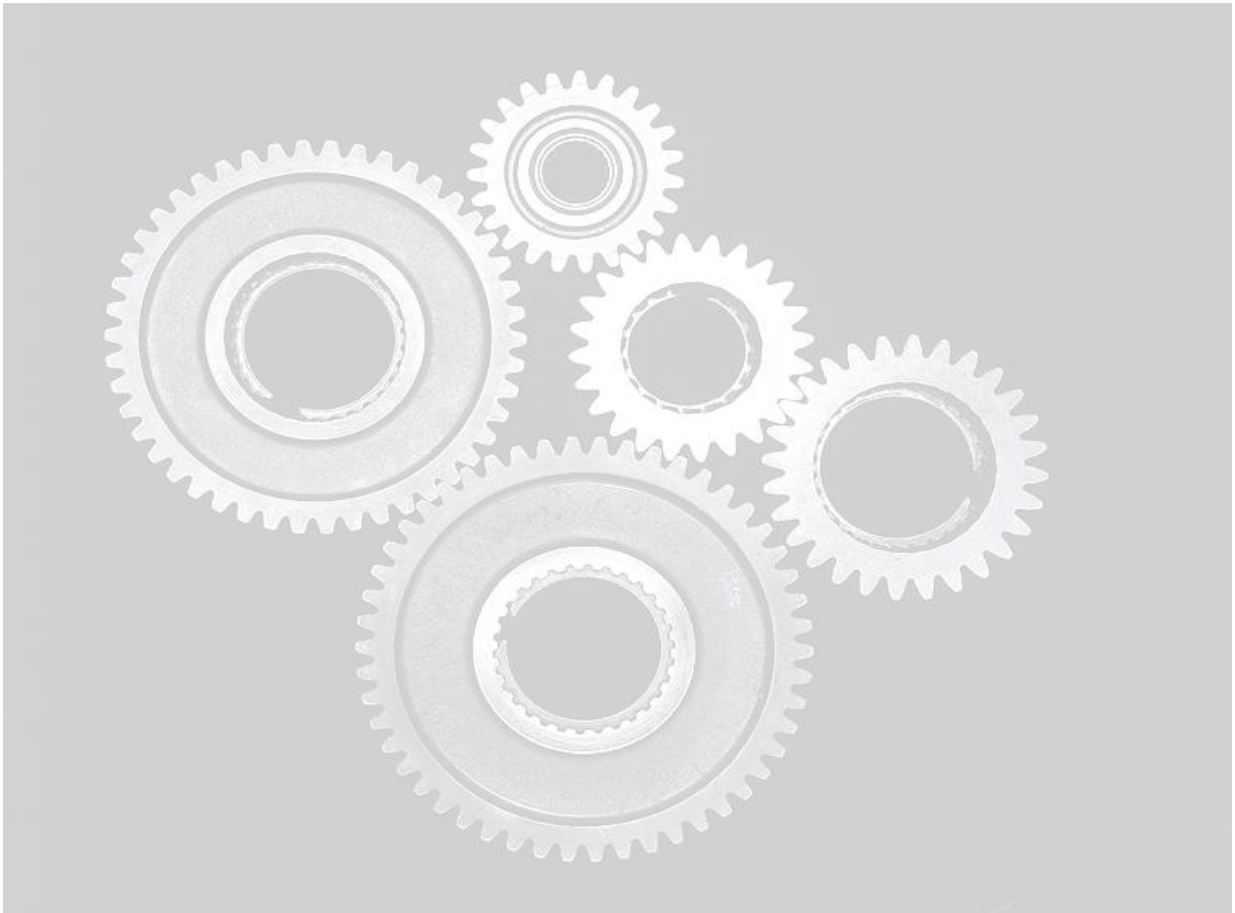


Fast Facts: Steel Industry Research Report 2009



Steel loses its shine

Steel loses its shine

The South African steel industry is strategically important as a supplier to the mining, construction and manufacturing industries. Yet the industry lags behind when it comes to the skills development and training required to drive growth, once the economy climbs out of recession.

These are the findings of the Steel Industry Survey 2009, carried out by executive search firm, Landelahni Business Leaders.

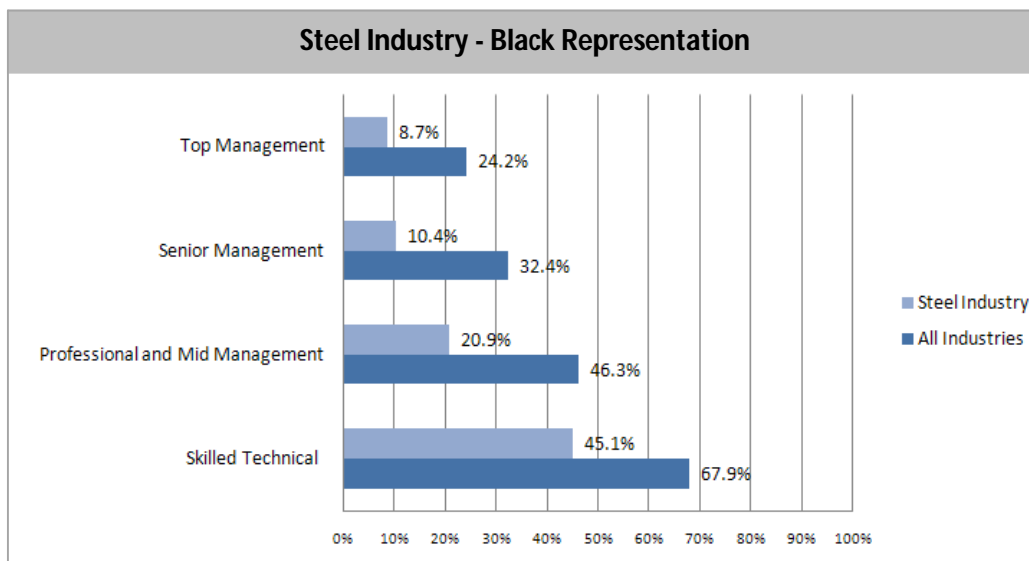
Contributing only 1.6% of South Africa’s GDP, steel accounts for 8.8% of the total sales value of the country’s manufacturing industry. SA is a net steel exporter, ranking ninth in the world, and ranking number 21 among the top steel-producing countries.

Steel consumption reached an all-time high in 2007, driven by construction and infrastructure investment and growth across the globe, prior to taking a dive as the recession bit.

The economic slowdown has brought breathing space to companies employing large numbers of engineers and artisans, but scarce technical and engineering skills are still in demand. The skills shortage in SA will continue to be exacerbated because, although there has been a rise in engineering graduates over the past three years and a concerted effort is being made in the area of artisan training, there are still too few technical skills available. Moreover, engineers and artisans – at an average age of 55 – are aging out of the market.

Employment equity

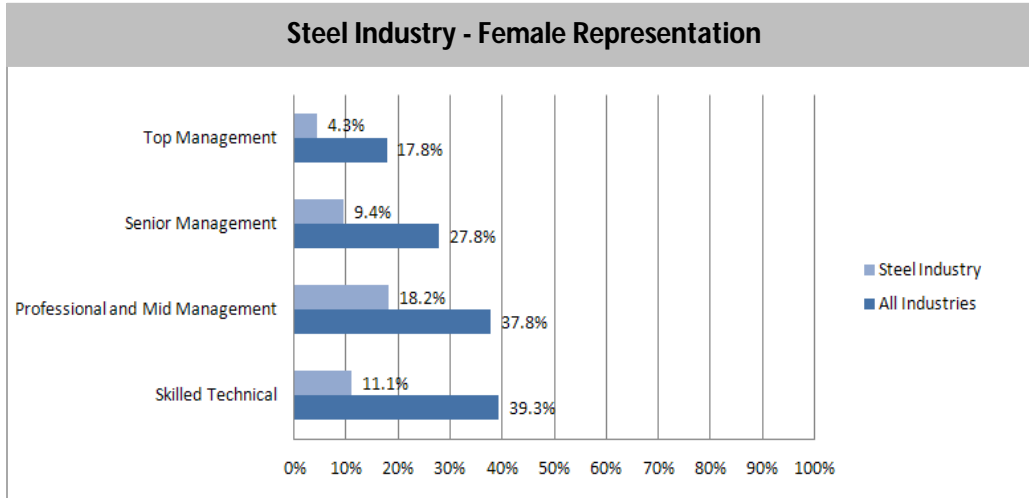
With regard to employment equity, the steel industry lags behind the all-industry average in core operational functions at all levels – from top management to skilled technical staff. However, surprisingly, it is above the all-industry average for support functions, perhaps indicating that transformation is beginning to take place in this area.



In core functions, Blacks in top management account for 8.7% against the all-industry average of 24.2%, while at the skilled technical level, the steel industry employs 45.1% blacks compared with the all-industry average of 67.9%.

Gender equity

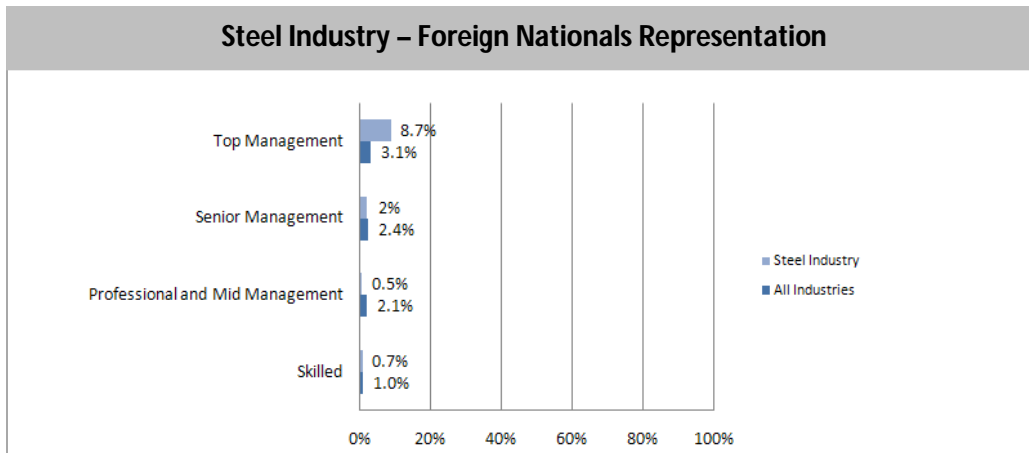
When it comes to gender equity, the position is cheerless. Women make up 4.3% of top management posts, against the all-industry average of 17.8%, while at the skilled technical level women represent 11.1% against the all-industry average of 39.3%.



Steel by its nature is a male-oriented industry, much like mining, with a large proportion of operations teams being based on remote project sites. This influences the number of women in the sector.

The steel industry has done particularly well in employment equity in support functions, and is significantly above the all-industry average, with 56.5% of top management support positions occupied by blacks, compared with the industry average of 35.8%.

The steel sector employs considerably more foreign nationals at senior management level (8.7%) than the all-industry average (3.1%), probably as a result of foreign ownership.



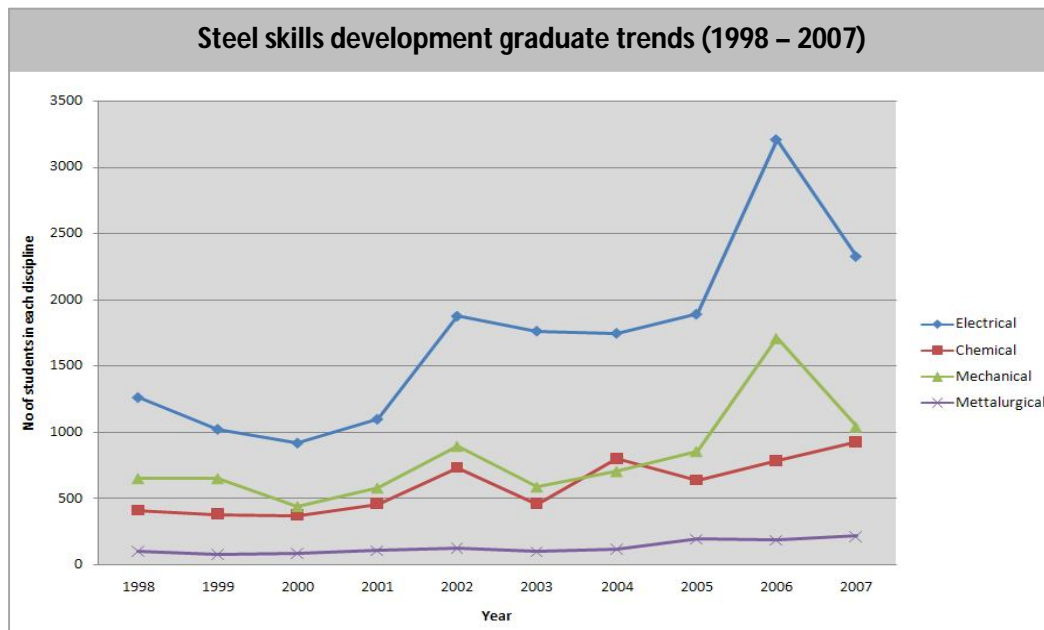
Skills Development

University and technikons enrolments across all engineering courses from 1998 to 2007 totalled 321 459, of which 41 480 graduated – a pass rate of 12.9% for degrees and diplomas.

University degree engineering enrolments over the same period totalled 103 159, with 17 143 graduates, a 16,6% pass rate (up from 2006 at 14%) compared to the 25% international pass rate. On average 1 714 engineers graduated each year over the past 10 years.

Graduates in electrical, chemical, mechanical and metallurgical engineering – disciplines which create the skills pipeline for the steel and manufacturing sectors – increased considerably over the past three years. However it is clear that progress is not nearly fast enough.

Black metallurgical engineering graduates increased from 74 to 198 between 2003 and 2007, while chemical engineering graduates increased from 232 to 712, indicating that efforts by the industry sector to increase numbers of bursaries and attract students to certain disciplines have paid off. However, the steel industry shares the limited pool of 14 474 professional engineers registered with the Engineering Council of South Africa with the mining, infrastructure, construction and manufacturing industries.



According to the Steel and Engineering Federation of South Africa (Seifsa), a total of 5 730 metal and manufacturing industry apprentices are currently undergoing training in South Africa, the highest figure in 10 years and ahead of the target the organisation set in 2008. This is an outstanding achievement in view of the harsh impact of the recession on the manufacturing sector, and illustrates the emphasis being placed by the industry on the training of artisans.

The steel industry leads with 59.7% of people at the skilled technical level receiving training in 2008, compared with the all-industry average of 44.9%. However, training in the steel industry falls behind the all-industry average at all other occupational levels.

When it comes to the training of black and female employees, the performance of the sector is poor, with no black or female top management having received training in 2008. At senior management level, 3.6% of black managers received training against the all-industry average of 43.7%, and 4.1% female managers were trained compared to the all-industry average of 33.3%.

This compares unfavourably with construction and mining, whose spend is ahead of all other industries in respect of the number of people being trained at almost every level.

Clearly, the steel industry leads when it comes to artisan training. This approach needs to be expanded to develop a pipeline of graduates. At the same time, considerable effort should be given to in-company training of employees at all levels, with the emphasis on employment and gender equity.

Only in that way can the sector ready itself to take advantage of the first signs of an impending economic upturn, which is likely to be driven by government stimulus packages and an increase in global demand.