

COMMENT

The good news or the bad news?

Remuneration packages have quadrupled while investment in bursaries has also increased in the construction industry. But how good is this news?



Hillary Erasmus

Don't be fooled by a drop in demand for skills in 2008 – the skills shortage is expected to continue for 10 years.

By June 2008, there was a decrease in demand for staff in the infrastructure sector, including the construction industry. Does this mark the beginning of end of the skills shortage? According to Sandra Burmeister, CEO of Landelahni Business Leaders, there is little room for complacency. "There has been such a shortage that a marginal reduction in demand does not significantly impact the availability of skills," she says. The shortage is compounded by the fact that it shares the same pool of engineers with the mining and manufacturing industries. Infrastructure and mining involve long-term projects with a concomitant long-term need for skills. The infrastructure sector is looking at a R22-billion spend in projects throughout Africa but it is competing for skills needed for the bigger R300-billion spend in the mining sector. "We are not going to see any fundamental shifts in the skills demand for the next 10 years," says Burmeister. How does this affect small construction projects? Luring skills will be a challenge. "In projects, scale attracts interest. People are drawn to the 'sexiness' of the project." In fact, in a recent global construction survey by KPMG, 84% of participants expressed dissatisfaction with how the industry was addressing the shortage.

In South Africa, poor delivery by Sector Education & Training Authorities (SETAs) and the low graduation rate exacerbates the shortage. Although there has been a slight upward trend in engineering graduates from 1998 to 2004, with a marked increase of 1 000 in 2005 and 2006, the bigger picture is still dismal. South Africa's 11,5% graduation percentage is well below the 25% international level. Where to from here?

Burmeister is emphatic the private sector needs to up spending on training and education. "Building your pipeline is key." The Landelahni Infrastructure Survey 2009 indicates the construction industry has taken a step in the right direction by increasing the number of bursaries and attracting students to the sector. The industry has surpassed all others and bursary spend, as a percentage of payroll, is at its highest levels since the early '90s. However, with the economic slowdown, budgets will be cut and Burmeister predicts training will be on the top of the trim-down list. She is, however, confident experienced leaders in the sector, who recognise downturns are cyclical, will not cut their losses by diluting training and skills development. She urges the private sector to make more of an effort for themselves, rather than relying on government, which she says already invests more in terms of bursaries than the private sector. A suggestion is for the private sector to share funding and invest in upscaling the existing training facilities.

This implies a need for a shift in the significant payroll increase over the past two years. Taking into account all a company has to spend to attract skills over a single year – including incentives, retention and sign-on bonuses – a 15% premium is being paid, she says. Is this sustainable? "Further investment and spend in skills development is not just a scorecard measure; it's an economic imperative for a sustainable infrastructure sector," concludes the survey. The 2007 Merseta report indicates there is an R8-billion shortfall for training artisans over three years – there will be demand for 50 000 artisans but, at a pass rate of 42%, 120 000 need to be trained. Increased investment by government and the private sector should not only target current needs in relation to economic growth but also in replacing the ageing workforce.

Although, globally, small businesses provide 60% of all new employment, small and medium contractors have little capacity to train and develop staff. This shifts the onus to large contractors, listed companies and parastatals. The pay-off? Achieving a balance in the supply:demand ratio, which will be more cost-effective over the long term. With the end of the year upon us, executives are looking forward to their bonuses. Burmeister believes these should be based on success in implementing skills-development programmes rather than profits. As we all head off on hard-earned holidays, there will be plenty of time to mull over this controversial but valid suggestion. I would like to thank all who have given their time and shared their knowledge through this magazine over 2008. Wishing you all a restful and happy holiday season.

Editor

Hillary Erasmus