OPINION / COLUMNISTS

NEVA MAKGETLA: Skilled people should be encouraged to come to SA

Skills premium established under apartheid is being reinforced by visa regulations

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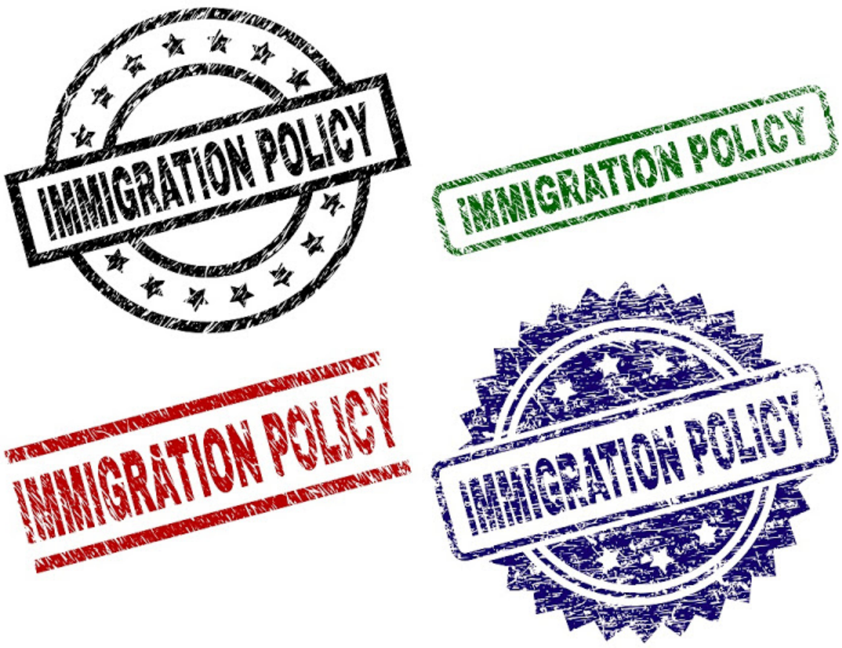

Picture: 123RF/Evgeny Malkov

Apartheid laws created a skills shortage to maintain "European" pay for people with qualifications. As a result, SA still has one of the most unequal systems of pay in the world. If we're serious about tackling this legacy, we should be trying to flood the labour market with skilled people. That is the only way to reduce the extraordinary premiums for qualifications that restrictive laws entrenched before 1994.

Instead, the regulations on work visas for highly qualified people aim explicitly to maintain the apartheid skills premium by restricting visas for qualified foreigners. They in effect use apartheid-era practices to sustain SA's profoundly inequitable pay systems, even though delinked from overtly racial policies.

The visa regulations are particularly misplaced because SA has experienced a net outflow of skills over the past 25 years. Our universities graduated 3-million people from 1994 to 2017, but only 2-million are now resident in SA. Since we cannot realistically stop people from leaving, we surely should welcome offsetting inflows of highly qualified personnel. It is as if we set restrictive quotas for vital industrial inputs while allowing the same products to be exported on a large scale to other countries.

A peculiarity of the current visa regulations, which predates the democratic era, is the incorporation of a system designed to let guilds protect their members from competition. If foreign professionals don't fall under the critical skills list, the regulations let them work here only if the relevant professional association certifies that they will earn at least the going rate in SA. In other words, the rules exclude skilled people precisely in cases where their employment would reduce the pay gap and by extension income inequality.

Again, suppose skills were a product. Would we let an association of local producers set a quota on imports unilaterally, without consulting users or consumers? True, occupations on the critical skills list are exempted. But that does not affect the broader skills shortage, and by extension overall pay inequality.

And SA's pay inequality remains extraordinary. In the mid-2010s the International Labour Organisation (ILO) found that in a sample of upper middle-income economies the best-paid 1% received less than 10% of all wage income. In SA, their share was close to 20%. In 2017, PwC found that median pay for JSE CEOs exceeded R430,000 a month. Meanwhile, according to labour force surveys, the median pay for formal wage earners was just R4,200 a month, while the median formal entrepreneur earned about R12,000 a month.

SA's outlier pay inequality outweighs its equally unusual rate of joblessness. If SA reached the employment levels of other countries at current rates of pay the economy would still be more inequitable than if, instead, pay differentials were compressed to global norms.

In addition, restrictions on the import of skills is a blockage to growth. The premiums paid to professionals and artisans raises costs for all producers, reducing competitiveness and deterring investment. Moreover, the hurdles to getting visas make it harder for foreign investors to bring in their own managers and skilled personnel, which often forms a precondition for large projects.

Obviously, the first-best solution to the skills shortage is to improve general education and introduce flatter work organisation. But making it easier for highly qualified foreigners to work in SA should not hinder those strategies. On the contrary, increasing the pool of professionals and artisans facilitates skills transfer and, as the economy grows, expands the resources available to upgrade education.

The nature of inequality is that some people benefit. That is why rich people lobby against progressive taxation, big companies against stronger competition laws, employers against the minimum wage — and professionals against potential competitors. However, if we are serious about achieving a more equitable, inclusive and competitive economy we should be seeking to promote, not deter, immigration by artisans and people with tertiary degrees in all fields.

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