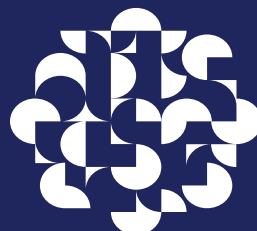


Skilled Immigration in South Africa

An input into the Operation Vulindlela review of Critical Skills and General Work visas

By Zaakhir Asmal, Haroon Borhat, David de Villiers and Lisa Martin

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May 2023



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Abstract

Currently, the process of obtaining Critical Skills Visas and General Work Visas is perceived to be lengthy, onerous and ineffective at solving short-term skills shortages. The administrative process represents a significant barrier to entry. A consequence identified in the Economic Reconstruction and Recovery Plan (ERRP) is that the growth of multiple economic sectors is constrained by insufficient skills (Republic of South Africa, 2020). This is further exacerbated by skilled emigration and competition for scarce skills between countries. Operation Vulindlela has engaged with the Department of Home Affairs (DHA) in order to undertake a comprehensive review of the regulatory framework and processes for the Critical Skills and General Work visas in order to improve the efficiency of the policy framework and processes. Within the context of this review, this paper considers a number of issues related to the need for high skilled immigrant labour to be imported into the country against a backdrop of high unemployment. Specifically, this paper considers the following as inputs into the broader work being done by Operation Vulindlela: Evidence of the benefits associated with skilled immigration in countries; An analysis of firm experiences with the visa application process using responses from a survey of firms; A review of the operational and structural inefficiencies within the current visa application processes in South Africa, taking into consideration the nature of unemployment in South Africa and the role of Employment Services of South Africa (ESSA) data and the Critical Skills List in skilled immigration visa application assessments.

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1. Introduction

Operation Vulindlela has engaged with the Department of Home Affairs (DHA) in order to undertake a comprehensive review of the regulatory framework and processes for the Critical Skills and General Work visas in order to improve the efficiency of the framework and processes. Improved efficiency in this regard would serve to minimize short-term domestic skill shortages. Currently, the process of obtaining Critical Skills Visas and General Work Visas is perceived to be lengthy, onerous and ineffective at solving short-term skills shortages. The administrative process represents a significant barrier to entry. A consequence identified in the Economic Reconstruction and Recovery Plan (ERRP) is that the growth of multiple economic sectors is constrained by insufficient skills (Republic of South Africa, 2020). This is further exacerbated by skilled emigration and competition for scarce skills between countries.

Within the context of this review, this note considers a number of issues related to the need for high skilled immigrant labour to be imported into the country against a backdrop of high unemployment. Specifically, this note considers the following as inputs into the broader work being done by **Operation Vulindlela**:

- a. Evidence of the benefits associated with skilled immigration¹ in countries
- b. An analysis of firm experiences with the visa application process using responses from a survey of firms
- c. A review of the operational and structural inefficiencies within the current visa application processes in South Africa, taking into consideration the nature of unemployment in South Africa and the role of Employment Services of South Africa (ESSA) data and the Critical Skills List in skilled immigration visa application assessments

2. Background and Framework

Table 1 summarises two specific visas issued to foreign nationals for the purpose of working in South Africa on a short-term basis. These are (i) the Critical Skills visa and (ii) the General Work Visa:

- (i) The Critical Skills Visa

The Critical Skills visa is a combination of the previous Exceptional Skills and Quota Work visas (DHA, 2022). This visa is issued in accordance with the critical skills list, which identifies occupations in high demand, as well as scarce skills. The visa is issued for a 12-month period, after which it needs to be renewed annually. To obtain this visa, applicants need to complete 13 requirements, which include²:

- A completed online application form
- A medical report not older than 6 months
- A radiological report not older than 6 months
- Police clearance certificate issued by the police or security authority in each country where the applicant has resided for 12 months or longer after the age of 18 years, in respect of criminal

¹ In this regard we note that it is important to note that the Critical Skills and General Work Visas cover work permits rather than longer-term and permanent immigration – in this regard, there is a dearth of literature/data relating to work permits in particular. The difference between these two phenomena will be taken into account as far as the data allows for this.

² The number of requirements can increase for each of the visa types. Should the applicant have a spouse or child that will be residing with them, applicants need to provide additional documentation which can increase the number of requirements. But for a single applicant with no child or spouse moving with them, the baseline number of requirements is 13 for the critical skills visa, and 15 for the general work visa.

records or the character of that applicant, not be older than six months at the time of its submission

- Proof that the applicant falls within the critical skills category by specifically indicating the occupation/critical skill for which the application is being made. The occupation/critical skill must be on the critical skills list.
- Proof of evaluation of the applicant's foreign qualification by the South African Qualifications Authority (SAQA)

(ii) The General Work Visa

General Work Visas are a temporary visa issued to foreign workers - only if it can be proven beyond a reasonable doubt that South African citizens or permanent residents with the relevant qualifications, skills and experience are unable to be appointed to the position (DHA, 2022). Prior to the application for the visa, the prospective employer must apply to the Department of Employment and Labour (DEL) for a certificate which confirms:

- That a diligent search was performed, and the employer is unable to find a suitable candidate with the relevant qualification, skills and experience
- That the applicant's skills are in line with the job offer
- That the salary and benefits of the applicant will not be inferior to the average salary and benefits of similar positions in South Africa
- That the contract of employment, signed by both the employer and employee, is in line with South African labour standards and is conditional on the approval of the visa
- Proof of evaluation of the applicant's foreign qualification by SAQA
- Full particulars of the employer, including proof of registration of the business with the CIPC, if applicable

The DEL makes use of the Employment Services of South Africa (ESSA) database to check for an available South African candidate that is suited to the job vacancy. Should they be unable to find a match, they will provide the required certificate to the employer and a recommendation to the DHA to approve the visa application.

The general work visa is valid for the duration of the contract of employment; however, it may not exceed a period of five years. Once the employer receives the certificate from the Department of Labour, the applicant must complete further requirements, which include:

- Completed application form
- Proof of financial means
- A radiological report
- A police clearance certificate from each country in which they have resided for 12 months or longer since the age of 18 years

Table 1: Summary of Critical Skills and general Work Visa Applications in South Africa

Process/Visa Type	Critical Skills Visa	General Work Visa
Responsible Government Department	Department of Home Affairs	DHA with recomm. from DEL
Data Used	Critical Skills List	ESSA database
Number of Requirements	13	15

Note: The number of requirements include personal documentation required from the applicant, such as medical records and police clearance, as well as requirements related to the vacancy being applied for, such as proof of evaluation of the applicant's qualifications and undertakings by the employer to take on certain responsibilities for the applicant. The number of requirements can increase for each of the visa types, should the applicant have a spouse or child that will be residing with them.

South Africa's international migration policy was set out in the Department of Home Affairs' 1999 white paper and implemented through the 2002 Immigration Act (Act 13 of 2002) (Department of Home Affairs, 2017). Since then, migration policy as a whole has remained relatively protectionist, despite the lack of skilled workers available to meet South Africa's labour market demands (Boynton, 2015; Sulla & Zikhali, 2018; Zhou, 2020). This is worsened by the fact that the number of skilled emigrants exceeds the number of skilled immigrants (Halstein, 2021:4). South Africa's current legislation relevant to highly-skilled immigrants seems nonstrategic in that it does not aim to address labour shortages – particularly those that are pressing in the short-term.

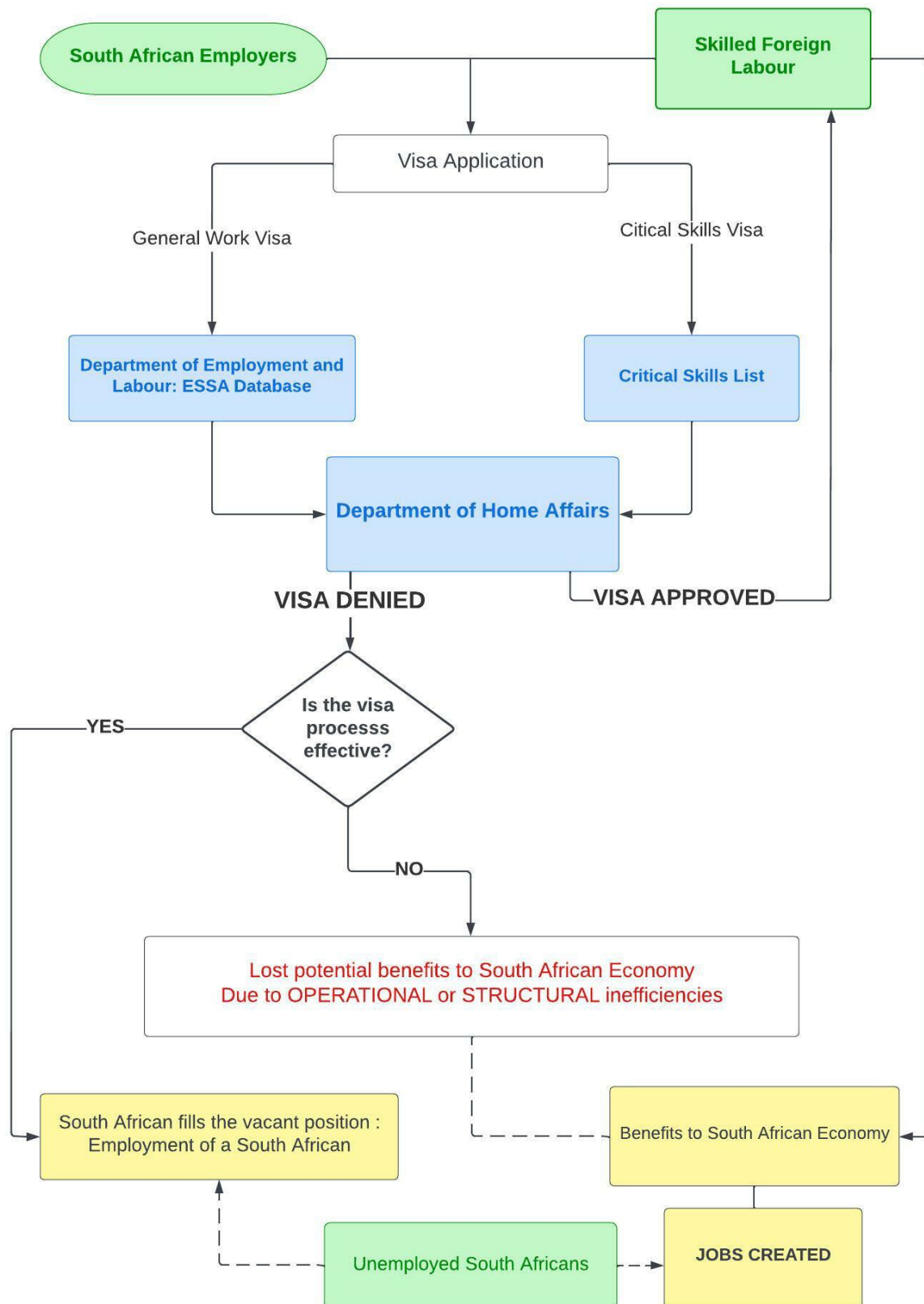
Part of this may stem from the reality of high unemployment in the country – and perceptions about this when contrasted against stated skill requirements by businesses. In this note we therefore aim to provide inputs related to the need for high-skilled immigration in the country (noting that this is short-term and not long-term) in a country with a history of, and continued high rates of, unemployment. Specifically, we aim to provide a perspective on the need for these skills from companies, the potential positive and negative effects of such immigration, and whether these skills requirements are actually in tension with the high unemployment experienced in the country.

Within this context, the aim of this note is to provide inputs that can be used to support the review of the regulatory framework and processes for skills visas being undertaken by Operation Vulindlela. Ultimately, these inputs must be viewed considering the following narrative: Reform is required to South Africa's immigration policies and processes so that the benefits of skilled immigration to South Africa can be enhanced, while simultaneously ensuring that South Africans are not prejudiced by such immigration. If we accept that these visas enable skills that are beneficial to the economy to be brought into the country, we must look to minimize inefficiencies and blockages to allowing such labour into country where such labour would not have a negative impact on the country's unemployed population. To extent that the current process does not allow effective and efficient importation of critical skills into SA, we should adapt these processes to encourage such immigration.

Figure 1 further lays out the logic of the need for reform in the regulatory framework and processes related to the Critical Skills and General Work visas in a country such as South Africa which both experiences skills shortages and has high levels of unemployment. The figure also links the different component parts of the note to this logic. These are the literature review, and an analysis of the operational and structural efficiency of the visa application process that makes use of firm survey results and a consideration of the tools and systems currently used by government departments to approve visa applications.

The framework is based on the premise that there can be benefits to the economy from skilled immigration to the country, in order to address (short-term) skills shortages (these benefits are discussed in the literature review in Section 3), and that therefore the framework and processes to allow such immigration (in the form of the Critical Skills and General Work visas) must be reformed to minimize operational and structural inefficiencies so as to maximize these benefits to the South African economy. In Section 4, we analyse responses from a survey of employers (firms) administered through Business Leadership South Africa to assess what current inefficiencies are perceived by employers in the current process for the obtaining of these visas.

Figure 1: Conceptual Framework – Processes and Inefficiencies of the General Work and Critical Skills visas in South Africa



3. Literature Review: The Effects of Immigration on a Country's Economy

A large focus of the immigration debate globally has typically been on low-skilled labour. This has however begun to change as more countries explore the potential gains to be made by updating their immigration policies in order to attract additional high-skilled immigrants. Czaika and Parsons (2015) characterise the redesign of immigration regimes as a global competition to attract internationally mobile human capital. Most OECD countries expect growing shortages of highly-skilled labour, and have therefore introduced policies aimed at facilitating the recruitment of such workers (Chaloff & Lemaître, 2009:4).

High-skilled immigrants, especially Scientists, Technology professionals, Engineers, and Mathematicians (STEM workers) differ from low-skilled immigrants in a number of ways, the main difference being that the latter are typically employed in elementary occupations. Highly skilled workers have significant human capital and high levels of educational attainment. Another important distinction is that high-skilled workers tend to be highly mobile internationally, frequently moving between companies and countries (Chiswick, 2011). The flexibility of high-skilled immigrants results in a stabilising effect as they move between target countries, adapting to labour market demands and shortages in relevant sectors.

In the second half of 2016, critical skills visas made up just 6 percent of temporary residence visas issued in South Africa (Department of Home Affairs, 2017). There is much scope for critical skills to be imported into the country to the benefit of the country's economy. South Africa experiences skills shortages along with a high level of unemployment of the general population. While, in the long run, a concerted and co-ordinated effort should be made to align the stock of skills available in the South African population to the skills needs of South African employers, in the short-term adjustments to immigration policy and processes could provide a solution that addresses immediate skills shortages. This must also be viewed in the context of South Africa experiencing large outflows of emigrants, which worsens the country's immediate skills shortage problem (Rasool et al., 2012). Further, as the country continues to become more integrated into the global economy, businesses involved in internationally competitive industries can also be expected to experience increasing skills shortages (Segatti & Landau, 2011). These skills shortages can often only be effectively addressed by the importation of the relevant skills as they arise in the short-term.

This section considers the potential benefits of skilled immigration on a country's economy – and specifically South Africa's economy. In our discussion we define immigrants as individuals who travel to a host country for work. The review focuses on high-skilled labour, i.e. professionals and technicians with specialised training or a learned skill-set – noting that this is the type of labour that immediate improved immigration policies and procedures would aim on bringing into the country more easily. Where possible, we also limit our review and analysis to immigrants making use of temporary work and critical skills visas in order to work in South Africa on a short-term basis only. Critical skills visas are valid for a period not exceeding five years.

We divide the discussion into two key effects of skilled immigration into a country: (i) the effect on the labour market, and (ii) the effect on the broader economy.

3.1 Labour Market Effects

The participation of skilled immigrants in a host economy will, naturally, impact the native labour market. McConnell, Brue, and Macpherson (2003:299) identify (i) employment effects and (ii) wage effects as primary channels through which immigration affects the labour market.

The substitution of immigrant for non-immigrant workers is known as the **employment effect**. This shifts the supply outward, but not necessarily implying that immigrants replace non-immigrants on a one-for-one basis. Moreover, Johnson (1980: 341) finds that illegal low-skilled immigration into the US displaces low-skilled non-immigrants who in turn achieve higher levels of educational attainment. Immigration led to increasing returns to education for non-immigrants. A study on the Australian labour market by Crown, Faggian and Corcoran (2020) found that the Australian temporary work skilled visa programme (similar to the visas we are considering for South Africa) induced non-immigrants to specialize in certain occupations related to communication and cognitive abilities. i.e. occupations at a higher skill level. Furthermore, according to Chiswick (2011), in OECD countries with an increased demand for STEM migrants a shift towards the improvement of tertiary education for natives has been observed.

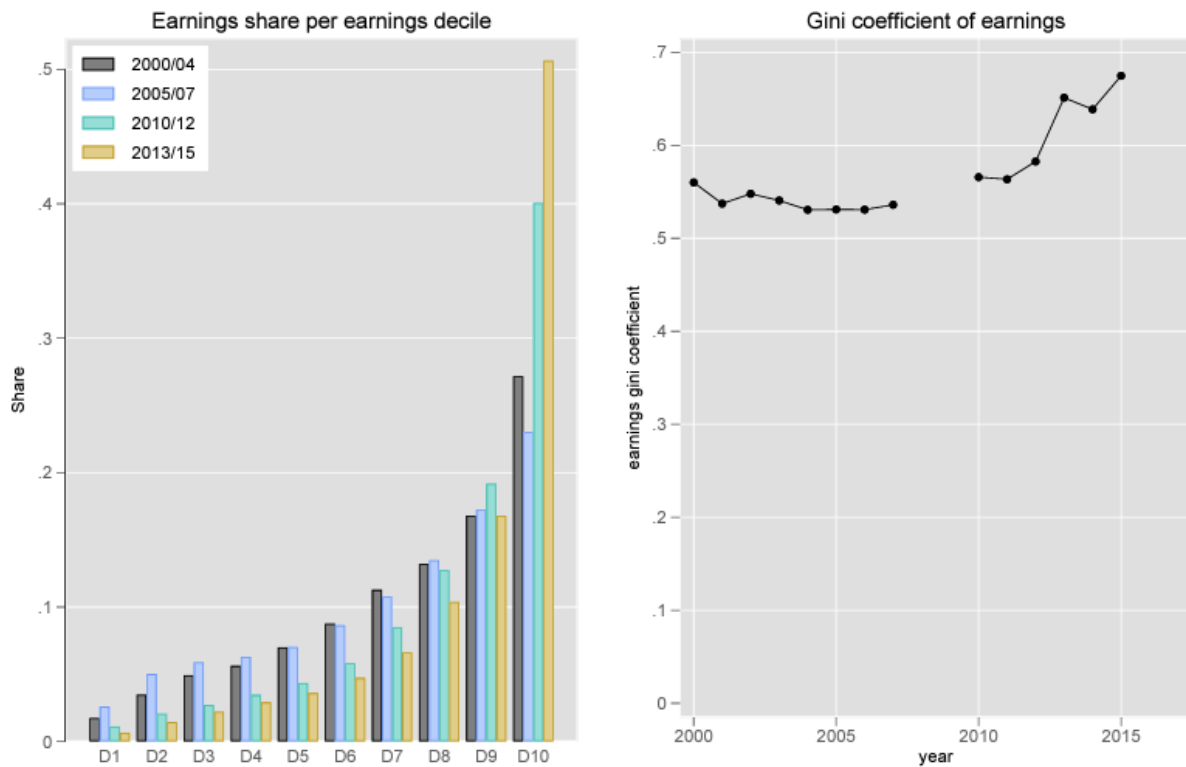
A study on the German labour market by Vella (2021) found that immigration (although not exclusively high-skilled immigration) decreased labour market participation. The negative labour market participation effect is a consequence of non-OECD workers – typically low-skilled or asylum seekers – which generally begin with low participation rates that are slow to rise. The study also found that migration increased job offerings and reduced employment. This is further split into asymmetric labour market responses in the form of a ‘job-creation effect’ and a ‘job-competition effect’. The former impacts aggregate unemployment as unemployment declined among non-immigrants, while the latter is an increase in unemployment experienced by immigrants. In the case of the ‘job-competition effect’ for foreign labourers, this was mostly driven by workers from non-OECD countries. Such negative impacts on labour market participation are unlikely to be observed in the case of high-skilled immigration only such as those the Critical Skills and General Work visas would enable.

The increased supply of high-skilled workers within a host economy also has potential **wage effects**. Pero, Shih, and Sparber (2014) found that the H-1B visa program, granting entry to and increasing the number of foreign-born college-educated (mainly STEM) workers, were associated with significant increases in wages paid to college educated non-immigrants in the US. Furthermore, increasing the supply of high-skilled workers could benefit low-skilled workers by increasing low-skilled wages and increasing supply of high-skilled employees could decrease high-skilled earnings (Chiswick, 2011). Crown, Faggian and Corcoran (2020) found that the share of temporary skilled visa holders had positive outcomes for non-immigrant wages. In particular, the increase in wages was typically experienced by those individuals considered low-skilled, while high-skilled natives experienced no significant impact on their wage outcomes. Vella (2021) also found that immigration (although not exclusively high-skilled immigration) increased wages in the German labour market. The wage effect is explained by companies expanding, investing, specializing and becoming more productive as a result of increased migrant labour.

In South Africa – which is one of the most unequal countries in the world – such an effect on wages through increased skilled immigration could be positive for reducing inequality in the country. In 2014,

South Africa had a Gini coefficient of 0.66 (Bhorat et al., 2020; Hundenborn et al., 2018). Specifically, labour market income accounts for over 80% of South Africa’s income inequality (Hundenborn et al., 2018). To illustrate this, Figure 2 presents the share of earnings per earnings decile in South Africa between 2000 and 2015, as well as the increasing Gini coefficient over time. The income share of higher deciles has been increasing over time.

Figure 2: Wage inequality in South Africa, 2000-2015



Source: Bhorat et al. (2020)

The potential wage effects for low-income South Africans, as noted in the literature, thus could serve to reduce labour market – and overall – inequality in South Africa through increased wages for low-skilled wages and lower or no significantly different wages for high-skilled South Africans.

3.2 Broader Economic Effects on the Host Economy

The participation of high skilled immigrants in an economy can also have broader economic effects. By meeting the demand for certain scarce skills in the destination country, high-skilled migration allows for investment and productivity in the sectors that they participate in by bringing with them technology and entrepreneurship (Holen, 2009). The participation of high-skilled immigrants in a host economy often results in increased innovation (Czaika, 2018; Glennon, 2020; Wigger, 2021).

High-skilled migrants also have the potential to positively impact an economy via fiscal channels (McConnell, Brue, and Macpherson, 2003:299). While high-skilled employees earn more, this means that they pay more tax to the host economy (Holen, 2009; Chiswick, 2011). Moreover, high-skilled

workers receive fewer social services. Because shorter-term migrants do not receive the same welfare benefits from the state as long-term immigrants, the outcome is an overall positive fiscal effect resulting from short-term high-skilled immigration.

Conversely, in countries where stricter immigration policies make the necessary skills too difficult for companies to obtain, offshoring becomes a substitute for immigration. A study on the US labour market by Glennon (2020) found that stricter regulations on the H-1B skilled immigration visa resulted in increased offshore employment for multinational companies. This was achieved through either establishing new branches in alternative countries or increasing employment at an already-established branch. Nonetheless, the result is the potential loss of productivity within the intended host economy.

Remote work is also an alternative to immigration. Due to the COVID-19 pandemic, working remotely has become more prevalent, more so for highly skilled workers. This enables firms to hire workers from a wider/global pool of candidates. As a result, the use of remote workers in foreign countries instead of doing business in a host country may become more frequent, and companies may choose not to have offices in countries with stricter immigration policies. This could have a similar result as offshoring.

3.3 Key Implications for South Africa

South Africa's current migration policy limits the ability of South Africa to take advantage of global opportunities, especially in respect of attracting human capital. This hinders potential economic growth, because growth is driven by a country's productivity, and productivity in turn depends on the economy-wide stock and quality of human capital (Halstein, 2021:5). The status quo is characterised by an immigration process that is slower than what it needs to be in order to attract highly skilled immigrants.

South Africa currently uses a quota system for allowing high-skilled migrants into the country. This entails the government issuing a list of occupations considered 'high-skilled' or 'critical' and deciding on an annual number of visas that can be issued for each of these occupations. However, these types of lists do have some weaknesses, and tend to result in inefficiencies regarding the approval of work visas in some cases (Rasool et al., 2012; Zhou, 2020). For example, the list of occupations and the quota attached to each can easily become outdated as skills needs continuously change. It is also a complicated and time-consuming process for employers to obtain visas for immigrant who do not match a critical skill occupation listed by the government, as they must perform a 'diligent search' for workers within the country and prove that they could not find a suitable match within the republic.³ Furthermore, the evaluation of each skilled applicant's qualifications by SAQA, as required by policy, adds substantial time delays and costs for those applying for visas (Rasool et al., 2012). This creates limitations for the supply of skilled labourers to meet labour market demands.

Overall, the literature review findings suggest potential positive effects for low-skilled workers and unemployment, resulting from improved high-skilled immigration. As South Africa's unemployed population consists mostly of low-skilled workers, high-skilled immigrants do not pose a threat to employment, but instead may have a valuable role to play in terms of wages.⁴ The potential productivity

³ Act 13 of 2003.

⁴ We explore the nature of South Africa's unemployment in an Appendix below.

and wage impacts that high-skilled immigrants could have on low-skilled workers should be noted, as South Africa suffers from amongst the highest levels of inequality globally.

The potential innovation, technology, and investments in new and expanding businesses could provide further employment opportunities for South Africans. According to the OECD/ILO (2018), high skilled immigrants increase GDP by 2.8 percent and GDP per capita by 2.2 percent, on average. In terms of expanding business and providing opportunities for South Africans, high-skilled workers potentially raise the number of employed native-born workers.

The potential fiscal impacts are also worth noting. Temporary high-skilled workers are likely to earn higher incomes, which would mean higher taxes, while receiving limited welfare benefits from the government. According to the OECD/ILO (2018), although immigrants made up only 7 percent of the population in 2001, they accounted for 13.3 percent of taxes paid⁵. Similar results were also found for VAT contributions in 2001 and 2011. Additionally, it is reasonable to assume that high-skilled immigrants are mostly demanded by larger – often multi-national – companies in South Africa. Should policy remain strict, causing additional costs for these firms, the country may lose potential income and productivity to offshoring and investments of these firms elsewhere.

4. The Efficiency of the Visa Application Process in South Africa: Evidence from a Survey of Firms

A survey was sent to a number of Business Leadership South Africa (BLSA) member companies in order to explore issues that these companies have been having with the current immigration policies and processes of South Africa. Responses were received from 49 companies. Records which answered less than half of the questions in the survey questionnaire were removed, which resulted in 5 company responses being removed to leave 44 responses in total. The survey provides feedback on various issues related to company needs for skilled labour from abroad as well as the current migration policies and procedures to bring a skilled immigrant into South Africa for work at a local company⁶.

The survey responses indicate that, in the past, 45 percent of these companies have applied for a general work visa and 45 percent have applied for a critical skills visa. Furthermore, most of the respondent companies would prefer South African employees, and when asked what their reason was for employing foreign workers, only 2 of the 44 companies reported that they prefer foreign candidates when hiring workers, while 66 percent stated that they only hire foreign employees when there is no suitable South African candidate available⁷.

The fact that respondents are still applying for foreign labour visas is an indication that there is a skills gap that needs to be filled, and currently cannot be filled by South African labour. South Africa suffers from high unemployment rates, and many of these individuals do not fall within the highly skilled or STEM categorisations that skilled immigrants do. The South African unemployed typically lack the skill-level, specialisation or experience required to fill the vacancies that these companies are trying to fill.⁸

⁵ This includes immigrants of all skill levels.

⁶ The survey questionnaire can be found in Appendix A.

⁷ A detailed summary of the survey answers not included in the discussion in this section can be found in Appendix B.

⁸ For a detailed profile of the unemployed population of South Africa, see Appendix E.

Although filling high-skilled occupations with South African labour is important, improving the education and skill sets of South Africans to match the needs of these companies will be a long-term process. This solution would require improving the current stock of skills and skills mismatch in South Africa through improving the supply of skilled labour being produced in South Africa, while simultaneously improving the economy and labour demand in order to generate more jobs for the unemployed. However, in the short-term, skilled immigration can be used to alleviate the skills gap problem. An efficient visa application to ensure that immediate skills needs can be accessed quickly and easily will assist in addressing these gaps where they exist.

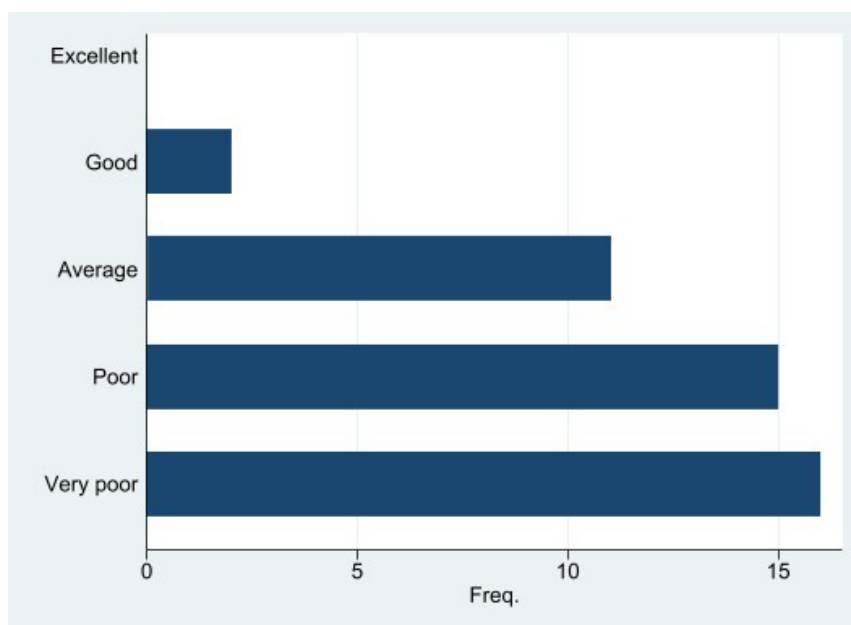
In order to effectively import skills that are required in the country and address skills shortages in the short term, it is necessary to either improve on the operational efficiency of the current visa application system, or to structurally change the system completely. This section focuses on the perceptions of the operational efficiency of the visa application process using respondents’ answers regarding their experience with the process of applying for these types of visas. In the next section, structural challenges of the current visa application processes and companies’ responses to survey questions about alternative visa systems are explored.

Operational Efficiency of Visa Processes

Survey respondents were asked questions on their perception of the operational efficiency of the visa application process. Questions were focused on the experience of the respondents when dealing with the current visa application process. The overall efficiency of the process was rated; however, the process was also broken down further into factors such as the complexity and length of the visa application processes.

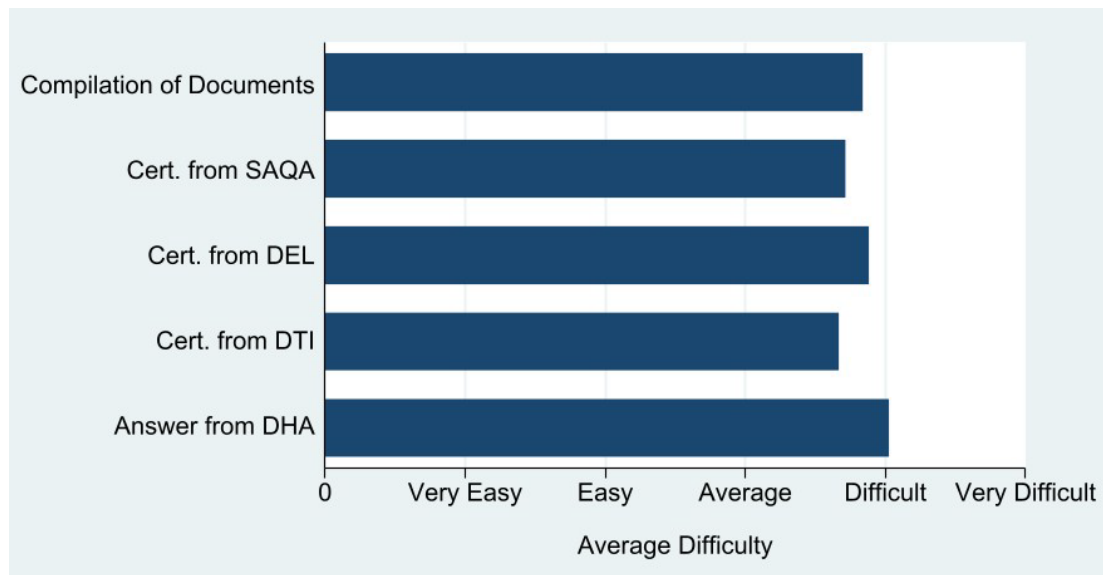
Based on the experience of the businesses, the average rating of the efficiency of the application process for these types of visas is “Poor” (Figure 3). The results from this section of the survey indicate that the application process is perceived to be lengthy and complex by employers. This makes it more difficult for companies to successfully obtain the skills and experience that they need from abroad when these skills cannot be sourced from the local pool of labour.

Figure 3: Perceived efficiency of application process



Regarding the complexity of the process, when asked to rate the application process in terms of difficulty, most responses ranged from average to very difficult for all steps of the application process. The results are presented in Figure 4, with each level of difficulty being assigned a value from 1 to 5 (equal to Very easy, Easy, Average, Difficult, and Very Difficult). The average rating of all components of the application was between 3.7 and 4, while the median rating of all but one of the parts of the application process was 4 ('Difficult'). Obtaining the certificate from the Department of Trade, Industry and Competition did not have a median rating of 'Difficult', but was still rated above average difficulty (3.5). With regard to the steps involving the Department of Employment and Labour, the Department of Trade, Industry and Competition and the Department of Home Affairs, there were no companies which had an easy or very easy experience. The only part of the process that had any 'very easy' responses was the compilation of documents, which is also the only step that is completely controlled by the company/applicant.

Figure 4: Average difficulty of completing each component of the application process



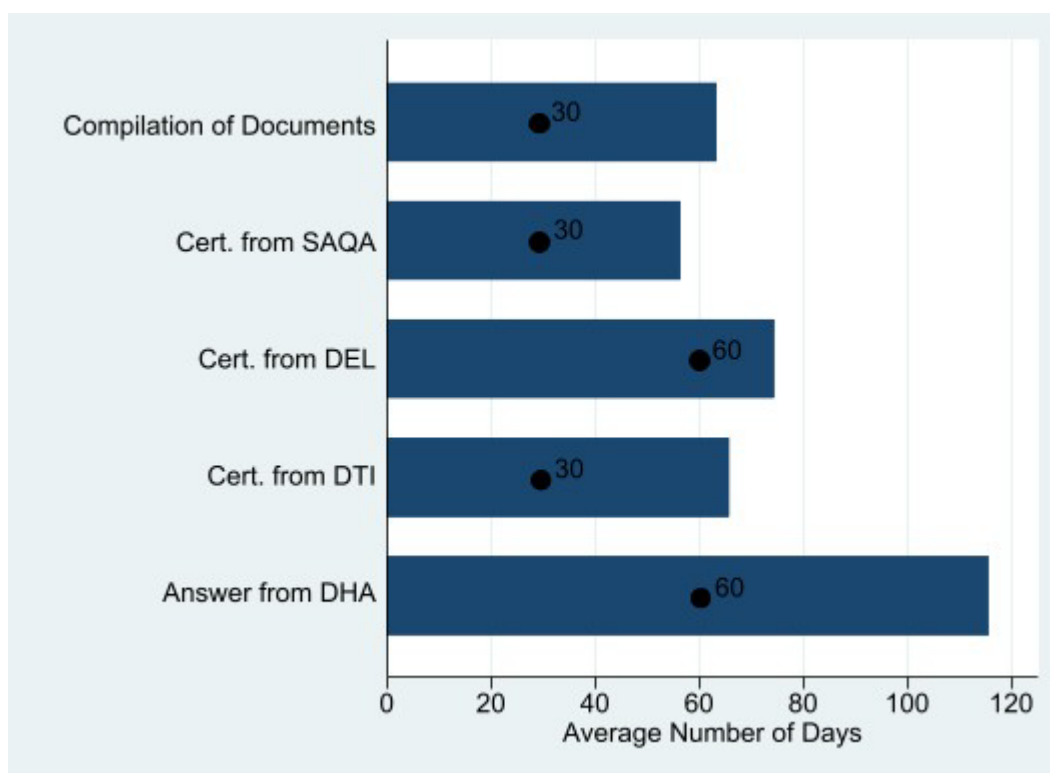
Respondents were also asked how long each step of the visa application took on average. The average (represented by a bar) and median (represented by a dot) times for each component of the application process are presented in Figure 5.⁹ The average time taken is around 2 months for each of the five potential components of the application process. However, some of these components can be done simultaneously, for example, the compilation of documents and obtaining the certificate from SAQA. In the event of a General Work visa, where the DEL component is included, this results in an estimated total average processing time of 6-8 months from the start of the initial compilation of documents. In the event of a Critical Skills visa, the result is an estimated total average processing time of 4-6 months.

⁹ Responses were grouped into time categories due to the differing nature of responses. Some respondents responded with an exact number of days, while others gave less precise answers such as a week, or up to a month, for example. Table C.1 in the Appendix presents the frequency of respondents' answers in each time category. The midpoint of each time category was used to calculate averages.

When compiling documents, two-in-five respondents (39.5 percent) reported an average of over 2 weeks but less than 3 months. One in ten (10.5 percent) respondents experienced an average time between 3 and 6 months, and 5.3 percent experienced an average time longer than 6 months. The other components of the application process appear to be more concentrated around the time periods of 2 weeks-1 month and 1-3 months. There appears to be a considerable delay in the process due to the additional requirements of the application, which are out of the control of the applicant. These are the acquisition of the certifications from the South African Qualifications Authority (SAQA), the Department of Employment and Labour and the Department of Trade, Industry and Competition. Following this, the application then needs to be submitted to the Department of Home Affairs, which is likely to take another 1 to 3 months according to respondents.

However, it is critical to note that the final step in the visa process – namely ‘Answers from the DHA’ take a significantly higher time (at almost 4 months) than most of the other steps in the visa process. This involves the DHA fulfilling additional requirements for the possible visa issuance – relating to for example the acquisition of various certificate from government departments – before either approving or rejecting the application.

Figure 5: Average and Median Time taken for each component of visa application

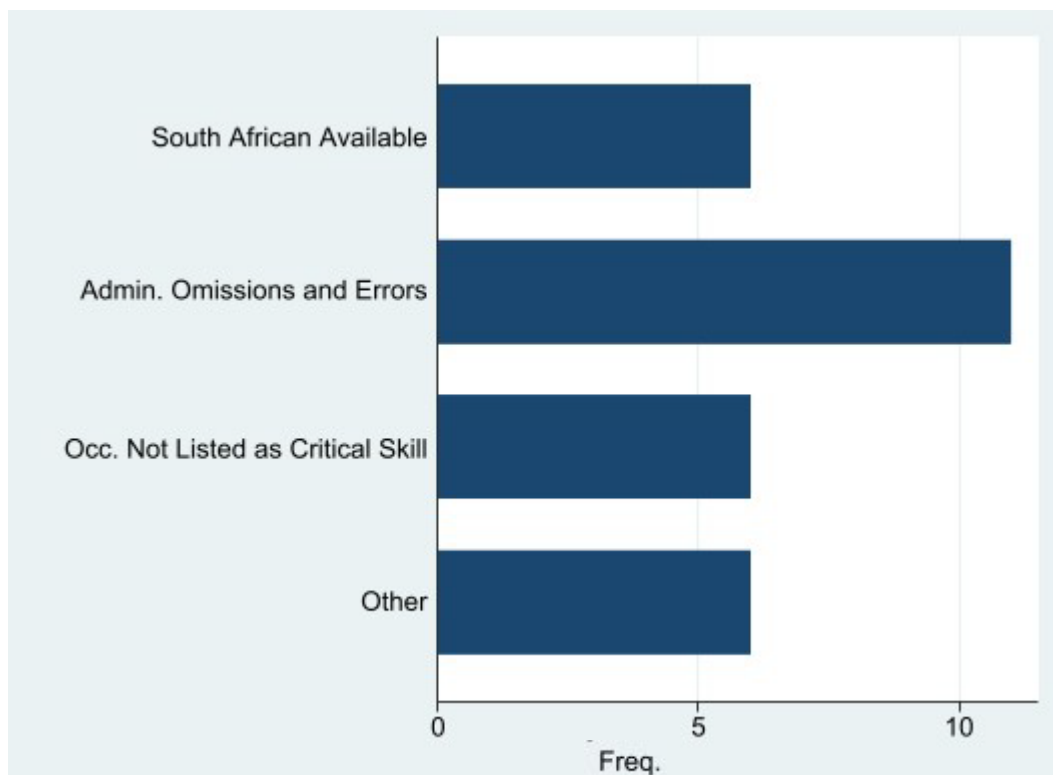


Note: Table C.1 in the Appendix presents the frequency of respondents’ answers in each time category. The average is calculated using the mid-point of each time category. For a period greater than 6 months, a full year is assumed to be the end-point of the range (that is, if a response was that a component took longer than 6 months, we took this to mean it took between 6 months and a year for the purpose of our calculation). A small number of respondents did not respond to the question for each component or indicated that they did not know how long the step/component took as they outsource the application admin or require the employee to complete that component of the application themselves. Averages and medians are calculated only for the responses that were actually received.

Respondents were asked to suggest ways of improving the application process, and the common themes within responses include simplifying the process, moving the entire process to an online system

and clearer communication from the DHA. This is with regard to giving feedback to applicants as to why the visa application was unsuccessful. For unsuccessful visa applications, only 55% of businesses stated that they understood why their application was unsuccessful. According to the survey results, about half (48%) of the companies aware of why the visa application was unsuccessful have reported that it was due to administrative omissions or errors in the documentation. Just over one quarter (26%) of the companies have been informed that a South African would be able to occupy the position, and just over one quarter (26%) have been unsuccessful due to the occupation not being listed as a critical skill when a Critical Skills visa has been applied for (Figure 6). One respondent reported that it was indicated that an occupation quota was reached, and five companies reported ‘other’ reasons. These include one candidate being unable to demonstrate competency, a waiver being required for the certificates needed and an incorrect critical skills list code used (this was later rectified, and the visa was granted).

Figure 6: Known reasons for visa application rejections



In terms of moving the system online, currently the system is only partially online. Applicants can download the application form and make their visa appointment and payments online, but the bulk of the process occurs in person with applicants still needing to take all documentation to the physical appointment. An e-visa system – in which the entire process is completed online – can provide certain benefits, and is used by countries such as Australia, Turkey and Moldova. The launching of the Moldovan e-visa system in 2014 resulted in a number of benefits to the government, which included the complete removal of costs related to visa stickers, between 20 and 24 working days’ worth of time saved on administrative process such as scheduling of appointments and scanning applicants’ documentation, and an increase in the annual consular fees collected (Cucos, 2015). Applicants also benefitted by saving transport and time costs related to the application process. However, according to Cucos (2015), the main concerns of countries when considering the shift to e-visas is identity theft, forgery of documents, no collection of biometric data and poor ICT infrastructure. While the issues of

identity theft and forgery are easier to solve, the collection of biometric data and ICT infrastructure would require working with other countries where the application for the South African visa would be taking place.

5. Structural Challenges and Proposed Solutions

The previous section considered operational inefficiencies in the application process for the Critical Skills and General Work visas. Structural challenges in the current process of obtaining the Critical Skills and General Work visas can however be observed at both the micro and macro levels. At the macro level, the first concern is the efficiency levels and turnaround times of the government departments involved, which speaks to the broader, generic structural challenge of state efficiency. Second, the intrinsic assumption in the entire architecture of the granting of skilled worker visas for both programmes, is that the state can and should be the final decision-making authority in terms of matching labour demand and labour supply. This would assume perfect, granular and regularly updated labour market information from the state in relation to labour demand. It is not at all clear that we currently can claim this for South Africa or indeed for almost any developing country.

Micro level concerns revolve around the datasets currently being used as instruments for decision-making by the DHA and other government departments to grant or not grant skilled worker visas. The concerns around the various datasets and lists being used, such as the ESSA database or Critical skills list, include the following:

- *Systems Challenges:* This relates to the current system or tools used by government departments during the application process. For example, the ESSA database is currently an incomplete, Excel spreadsheet-driven system which is manual in nature. This database consists of information in 2 parts¹⁰. First, details of work seekers, including their locations, qualifications and previous work experience. Second, when an employer wishes to apply for a visa for a foreign worker, they are required to first register the vacancy with ESSA. ESSA is then tasked with searching for a suitable South African candidate within the work seekers database¹¹, or confirming that there is no suitable South African candidate. A recommendation regarding the availability of a South African is then sent to the DHA, which in turn makes the final decision on whether the visa can be approved.
- *Relevance:* For Critical Skills visas, the list of occupations and the quota attached to each can easily become outdated as skills needs continuously change. Furthermore, the process becomes more complicated and time-consuming for employers attempting to obtain visas for immigrants who do not match a critical skill occupation listed by the government, as they must perform a 'diligent search' for workers within the country and prove that they could not find a suitable match within the country.¹² For the DEL's ESSA database, the data can quickly become outdated, since it requires the individual who registered as a work-seeker to continuously update their profile. This includes qualification and occupation information, which then needs to be verified by SAQA or other relevant parties once entered into the system.
- *Accuracy:* This relates to the lack of granularity of the databases and tools being used. For example, the data collected by the ESSA system is not granular and does not include the

¹⁰ For a detailed explanation of the information included in each of the two parts of the database, see Appendix D.

¹¹ The ESSA database is used first, followed by other labour market datasets available to the Department of Labour and Employment.

¹² Act 13 of 2003.

nuances and details of specific skills that each individual has acquired. For example, the work seeker information is self-reported by the work seeking individual and is regularly incomplete as individuals often do not provide detailed information about their work experience or the nature of their qualifications. This limits the matching capabilities of the system and hinders the effective importation of skills where they are required in the short term.

Further, even if perfect, granular and regularly updated labour market information was available to make such assessments relating to visa approval on the basis of a search for unemployed labour in response to a vacancy, the structural nature of unemployment in South Africa suggests that the skills that firms are looking to bring into the country would not be likely to be found in the South African labour market. In addition to high overall unemployment, South Africa faces skills shortages. In particular, the following are key characteristics of the unemployed population which make it unlikely that the skills needs of businesses looking to fulfil short-term skill shortages at a technical or professional level would be able to found in the short-term¹³:

- The unemployed are predominantly young (and with that youth, inexperience), and have low levels of educational attainment that are below the level typically expected by employers for high-skilled occupations¹⁴. Looking at the levels of educational attainment in the labour force however also makes clear that the bulk of the unemployed – across all ages – do not have high levels of educational attainment.
- Close to two-thirds (65 percent) of the unemployed graduates are under the age of 35 and thus not likely to have the level of experience required by employers for specialist high-skilled positions¹⁵. Over two-in-five unemployed graduates have never worked before. This supports the suggestion that many of these unemployed graduates would not have the skills and experience required to take up the jobs that employers are recruiting skilled immigrants for.
- The largest proportion of the unemployed population is made up of elementary workers (27.2 percent)¹⁶. The second and third largest percentage of the unemployed is made up of individuals working in sales and services, and crafts and related trade. The skilled immigrants that the Critical Skills and General Work visas will be used to bring into the country to address short term skill shortages are more likely to fall within the professional, management and technician roles, which make up the smallest proportions of the unemployment. Therefore, this data suggests that the skilled immigrants would not compete for employment against approximately 90 percent of the unemployed population.

While South Africa suffers from high unemployment rates, the available data suggests that many of these individuals do not fall within the highly skilled or STEM categorisations that skilled immigrants required to address pressing short-term skill shortages do. Thus, they are not competing for the same vacancies as these immigrants would be required for. South Africa suffers from a substantial unemployment problem among lower-skilled workers, as well as a shortage or skills gap for specialized skills. The solution to this skills shortage problem in the longer term is to improve the current stock of skills and reduce skills mismatch in South Africa through improving the supply of skilled labour being produced in South Africa; in the shorter term, however, skills shortages can be addressed through the importation of skills that are demanded but not in supply in the labour force.

As part of the survey, respondents were presented with potential alternatives to the current immigration system structure: A quota system, an employer pre-authorisation process and finally a

¹³ For a detailed profile of the unemployed population of South Africa, see Appendix E.

¹⁴ See Table E.2 of Appendix E.

¹⁵ See Figure E.4 of Appendix E.

¹⁶ See Figure E.6 of Appendix E.

points system – and asked whether they would be in support of these alternatives. The quota system entails a system in which companies apply annually for a set quota of positions that could be filled. The pre-authorisation system is a two-fold process in which the employer submits a work authorization application in South Africa and, once approved, the applicant files a simple entry visa application in his current country of residence. The points system would be a system similar to other countries that already have a points immigration system in place, in which applicants are awarded a number of points for achieving certain criteria and should the requisite points be achieved – the individual is granted an immigration work visa. The results of this section of the survey are presented in Table 4.2.

Table 4.2: Results of responses for each alternative immigration system

	Quota System	Two-fold System	Points System
Yes	21	38	17
No	23	5	8
Unsure			8

Less than half (48 percent) agreed with the implementation of a quota immigration system where companies would apply annually for a certain quota of positions that are allowed to be filled by foreign workers. Of those companies that agreed with a prospective quota system, 71 percent were also in agreement with organisations committing to a minimum number of local employment and/or investment targets in order to be eligible to access a quota. Of all options presented, respondents were more likely to have strong opinions on the proposed quota system. Many of the respondents not in favour argued that each sector – and business – has its own skills needs and that these change frequently, which requires flexibility that a quota would work against. Many of these businesses were in favour of the granting of visas to foreigners on a case-by-case basis, noting that each application is unique. However, some businesses were in favour of the quota system, thinking that it might reduce backlogs, help companies to plan and improve efficiency of the process. One respondent in favour of such a system highlighted the need for skills transfer and suggested that the quota of foreign workers should be reduced over time in line with such a skill transfer.

A second alternative was a system in which the employer applies for work authorization and only once that is approved does the prospective employee apply for an entry visa. While the majority (38 respondents) voted in favour of this proposed system, those who disagreed generally felt that it would lengthen the process and be duplicative. The final alternative was a points system, which 17 respondents were in favour of. However, a number of employers refrained from answering this question, stating that they would require more information about how the system would work. Those who were not in favour of a points system were concerned about it being overcomplicated or were concerned that such a system would not necessarily solve the critical skills shortage.

6. Key Findings

Based on these results the following seem to be key findings from the survey of firms as well as a consideration of the tools and systems used in the visa application process:

- South Africa suffers from high unemployment rates, and many of these individuals do not fall within the highly skilled or STEM categorisations that skilled immigrants do. The South African unemployed typically lack the skill-level, specialisation or experience required to fill the vacancies that these companies are trying to fill.
- Most survey respondents highlighted the following issues with the operational efficiency of the current process to facilitate visas for foreign employees when needed: the length of the process can at times span more than a year, with most of the components in the process taking at least 2 months on average, and the difficulty of the process further hinders the ability of businesses to bring in foreign labour when needed.
- Most respondents suggested that these issues could be remedied with the following measures: streamlining the process, moving the process to a completely online system and providing clearer communication from the Department of Home Affairs and other departments involved.
- At a micro level, the structural challenges faced by the current visa application system can be categorised as *systems challenges*, *Relevance* and *Accuracy*. These challenges refer to the tools being used by the various government departments in order to make the visa approval or rejection decision. In addition to the decision-making systems in place, there are clear issues surrounding how the information being fed into these decision-making tools are kept up to date, as well as the level of granularity of the information being used to make these decisions.
- Even if granular and regularly updated labour market information was available to make the correct assessments relating to the approval of visas, the structural nature of unemployment in South Africa suggests that the skills that firms are looking to bring into the country would not be likely to be found in the South African labour market.
- Of the potential alternatives to the current visa application system, respondents most preferred the pre-authorisation two-fold system, while the least preferred alternative was a points system. However, many respondents noted that they had refrained from answering this question, stating that they would require more information about how the points system would work. Finally, although respondents appeared open to the idea of a quota system, this was the alternative option which respondents had the strongest opinions about.

7. Conclusion

South Africa both has a high overall unemployment rate and a shortage of critical skills. These two facts are often seen to be in conflict with each other. This note has provided inputs related to the need for high skilled immigrant labour to be allowed into the country against the backdrop of high unemployment. Specifically, we have considered the need for - and use of – efficient Critical Skills and General Work visa processes in South Africa.

The literature has shown that these visas have the potential to provide skills that are beneficial to the SA economy, accompanied by other positive knock-on effects of immigration. These were discussed under the categorisations of labour market effects and broader economic effects. The literature notes labour market effects in the form of an employment effect and a potential positive effect on wages of low-skilled native workers. With regards to the broader economy, higher productivity and innovation within companies can stem from access to more highly skilled workers, which will have positive outcomes for those sectors and the economy. Furthermore, higher earning skilled immigrants will also provide net positive fiscal effects to the government via higher taxes with limited welfare benefits. Therefore, we should aim to minimize inefficiencies and blockages to allowing such labour into country.

While South Africa suffers from high unemployment rates, many of these individuals do not fall within the highly skilled or STEM categorisations that skilled immigrants do and would not be competing for

the same vacancies as these skilled immigrants. The South African unemployed typically lack the skill-level, specialisation or experience required to fill the vacancies that these companies are trying to fill. A long-term solution would be to improve the current stock of skills and skills mismatch in South Africa through improving the supply of skilled labour being produced in South Africa, while simultaneously improving the economy and labour demand in order to generate more jobs for the unemployed. However, in the short-term, skilled immigration can be used to alleviate the skills gap problem in the short run.

Unfortunately, in South Africa, the process of obtaining Critical Skills and General Work Visas suffers from operational inefficiencies and structural challenges. A recent survey of firms has highlighted that the current processes of obtaining the Critical Skills and General Work visas for a foreign employee is both lengthy and complex, creating limitations for the supply of skilled labourers to meet market demands. Specifically, longer delays were noted in dealings with the Department of Employment and Labour and the Department of Home Affairs. Suggestions from firms in terms of improving the visa application processes include the need to simplify the process, move it completely online and finally to improve communication and feedback between government departments and the applicants.

Structural challenges of the current Critical Skills and General Work visa application process can be broken down into systems challenges, relevancy and accuracy at the micro level. Systems in place and tools used for finding South Africans that are qualified to apply for job vacancies are well-intentioned, but the current data used to make such assessments is not available at a level that would ensure that firms can source their skills needs from the South African population efficiently and can contribute to persistent skills shortages due to inefficiencies in matching local work-seekers with work opportunities. Systems in place and data used for both the Critical Skills and General Work visa applications can quickly become outdated and lacks the granularity necessary for effective decision-making. Suggestions from firms in terms of improving the visa application system are that firms would be interested in a system where the employer obtains pre-authorisation for the visa, and this is followed by the prospective employee applying for a simple entry visa. Employers appear open to a quota system in which they could obtain annual pre-approval for a certain number of visas for positions that can be filled each year, but are sceptical of how it would be implemented. A small percentage are open to a points system; however, some employers are unsure and have stated that they require more details of how the system would work before agreeing

Overall, there is a clear need to either improve on the operational efficiency of the visa system in South Africa, or to structurally change the system completely in order to effectively import skills that are required in the country and address skills shortages in the short term. In essence the choices for government would include:

- I. Reducing the role of the state or at least the manual components of the visa application process. This could involve moving to an e-visa system and/or improving the content and credibility of the ESSA and other databases.
- II. Minimising the role of the state even further in trying to predict labour needs. For example, through the issuing of quotas to firms, which would allow such firms to decide on their specific skills needs. Such a quota system would need far more detailed discussion and design to ensure that the ultimate aim of immigration policy is fulfilled.

What is clear; however, is that the current system is viewed by the majority of firms as being inefficient, time-consuming and ultimately inaccurate in fulfilling their and the country's scarce skills needs.

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Appendix A: Operation Vulindlela Survey Questions

1. The foreign workers employed by your organisation are typically (please tick all that are applicable):

a.	Fixed duration employment contracts	
b.	Seasonal workers	
c.	Permanently employed	
d.	International assignments of 5 years of less duration	
e.	International assignments permanent/indeterminate	

2. To the extent that your company employs personnel on an intra-company transfer visa, do these personnel have an active employment contract in another country? (In other words, was their employment elsewhere terminated when they took up employment in South Africa?)

a.	Yes	
b.	No	

3. Select the statement that best matches your organisation's experience:

a.	My company hires foreign workers when no South African meets the requirements	
b.	My company prefers foreign labour	
c.	My company has no preference	
d.	My company makes regional office appointments	

- 5.1. Follow-up question: If your company prefers foreign labour (b), could you provide a reason for this?

Skills transfer to ZA, skills shortage, work ethic/attitude, foreigners more willing to travel for long periods

4. How does your company ensure that South African workers are not prejudiced by the employment of foreign workers?

a.	Quota-based recruitment policy	
b.	Employment-equity based recruitment policy	
c.	Skills-based recruitment policy	

d.	Agreements with organised labour	
e.	Bargaining council agreements	
f.	Other	

If Other, please specify:

--

5. Please select the visa categories for which your organisation has applied in the past three years.

a.	General work visa	
b.	Critical work visa	
c.	Intra-company transfer visa	

6. On average, how many days does the application process take from compilation of documents to the final decision? Please specify the average number of days for each step of the application process.

		Average No. of Days
	Compilation of documents	
	Obtaining a certificate of evaluation from SAQA	
	Obtaining a certificate from the Department of Employment and Labour	
	Obtaining a certificate from the Department of Trade, Industry and Competition	
	Processing of application by the Department of Home Affairs	

7. For applications that were unsuccessful, are you aware of why these applications were unsuccessful?

a.	Yes	
b.	No	

7.1. If yes, what were the reasons? Choose all that are applicable.

a.	It was indicated that a South African would be able to occupy this position	
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b.	Administrative omissions, errors in application documentation	
c.	Occupation quota reached	
d.	Occupation not listed as a critical skill	
e.	Other	

If Other, please specify:

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8. Based on your experience, how would you describe the overall efficiency of the process of applying for work visas in South Africa?

a.	Very poor	
b.	Poor	
c.	Average	
d.	Good	
e.	Excellent	

9. How do you think this process could be improved, i.e. made quicker, more effective or less onerous, while still achieving its objectives? What changes would you like to see in the process to obtain authorization for non-South African residents to work in South Africa?

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10. What has been your experience with the current process of applying for work visas? Please select one option that applies for each step in the process:

Compilation of documents		
	Very easy	
	Easy	
	Average	
	Difficult	
	Very difficult	
Obtaining a certificate of evaluation from SAQA		

	Very easy	
	Easy	
	Average	
	Difficult	
	Very difficult	
Obtaining a certificate from the Department of Employment and Labour		
	Very easy	
	Easy	
	Average	
	Difficult	
	Very difficult	
Obtaining a certificate from the Department of Trade, Industry and Competition		
	Very easy	
	Easy	
	Average	
	Difficult	
	Very difficult	
Processing of application by the Department of Home Affairs		
	Very easy	
	Easy	
	Average	
	Difficult	
	Very difficult	

11. Do you believe that the requirement to advertise a vacant position in a national publication is effective in preventing the employment of non-South African residents where a South African candidate is available?

a.	Yes	
b.	No	

11.1. Please provide a reason for your answer.

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12. How long do you believe an intra-company transfer visa should be valid for? (This is a class of visa to allow individuals to be moved between locations within a company, thus not intended for permanent transfers to South Africa).

_____ Months

13. In your view, would a system in which companies apply annually for a quota of positions that could be filled by non-South African residents be desirable?

a.	Yes	<input type="checkbox"/>
b.	No	<input type="checkbox"/>

17.1. Please provide a reason for your answer.

--

14. If you believe a quota would be beneficial, would your organisation be willing to commit to a minimum local employment and/or investment target in return for accessing the quota?

a.	Yes	<input type="checkbox"/>
b.	No	<input type="checkbox"/>

18.1. If no, please provide a reason for your answer.

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15. In your view, would a two-fold process in which the employer submits a work authorization application in South Africa and, once approved, the applicant files a simple entry visa application in his/her home country be desirable?

a.	Yes	<input type="checkbox"/>
b.	No	<input type="checkbox"/>

15.1. If no, please provide a reason for your answer.

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16. In your view, would a points-based system be preferable to the current work visa system?

a.	Yes	
b.	No	

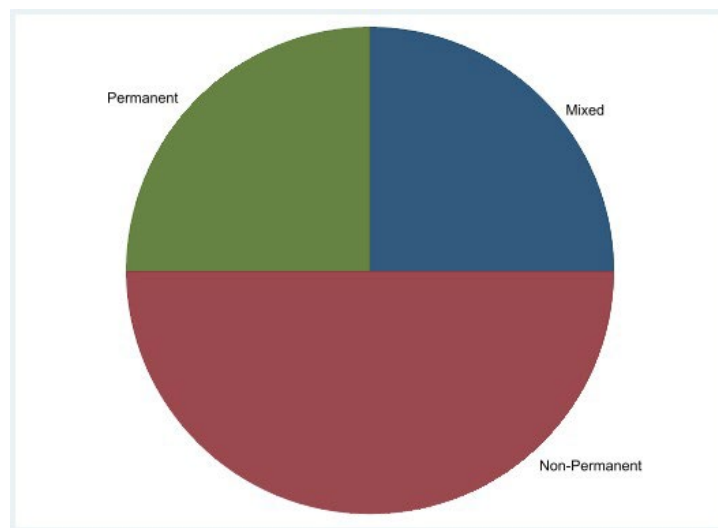
16.1. If no, please provide a reason for your answer.

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Appendix B: Survey Results – Types of Visas Applied for and the Need for Skilled Immigration

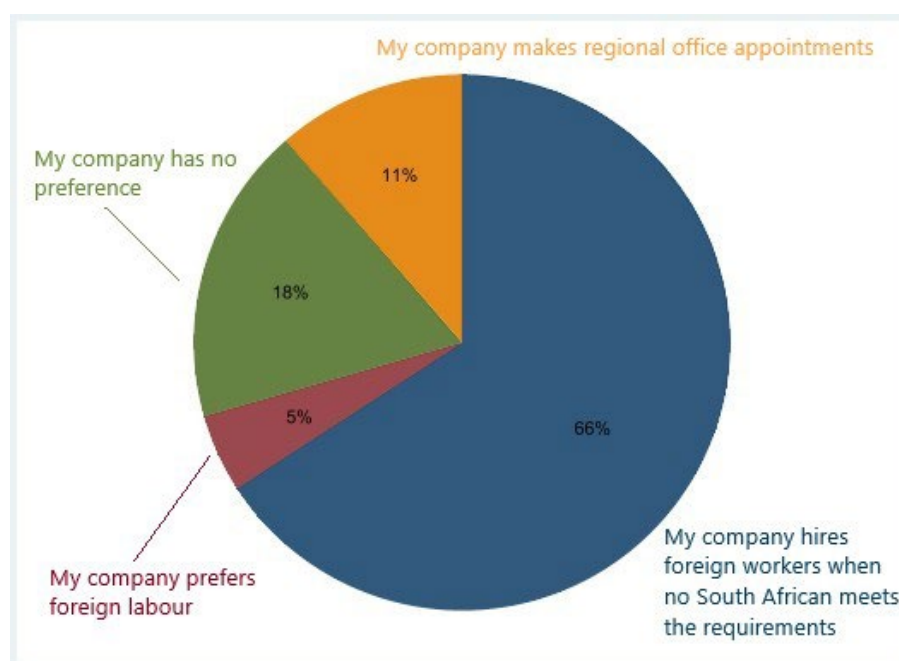
Regarding the types of visas that the respondent companies are applying for, 45 percent had previously applied for a general work visa, 45 percent had applied for a critical work visa and 45 percent had applied for an intra-company transfer visa. Of the 44 companies, only 3 did not apply for any of these visas in the past 3 years. The large majority (75 percent) of companies in the sample employ foreign workers in non-permanent positions, such as fixed-term contracts, seasonal workers, and international assignments of less than 5 years in duration (Figure B.1). One-in-four companies stated that they only employed foreign employees in permanent positions, such as permanent contracts and international assignments of permanent or indetermined duration.

Figure B.1: Typical Duration of Employment Contracts of Foreign Workers



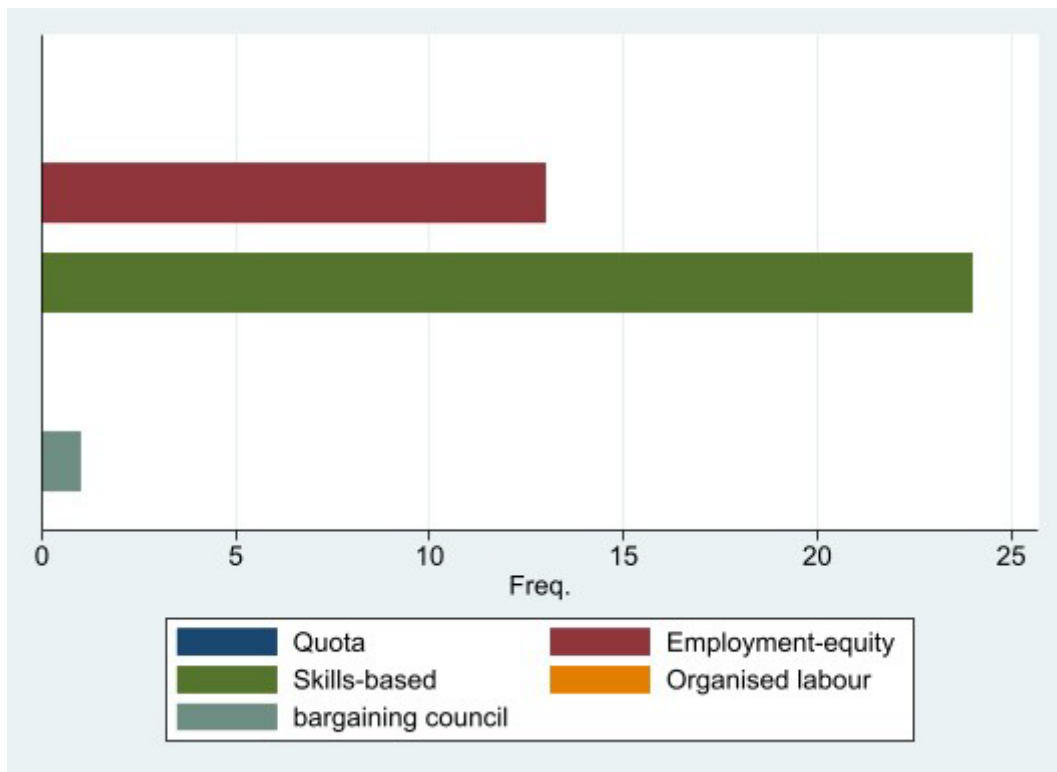
When asked what their reason was for employing foreign workers, only 2 of the 44 companies reported that they prefer foreign candidates when hiring workers, while 66 percent stated that they only hire foreign employees when there is no suitable South African candidate available (Figure B.2). One-in-ten (11 percent) companies hired foreign workers for regional offices based in South Africa, which is not under the control of the management of the South African office.

Figure B.2: Reasons for employing foreign labour



To ensure that South Africans are not prejudiced by the employment of foreign workers, 55 percent of companies indicated that they used skills-based recruitment policies and 30 percent indicated that they used employment-equity based policies (Figure B.3). Reasons provided for companies that do not have a policy in place included the implementation of exchange programmes for employees at various branches in different countries to be given the opportunity to work both abroad and in South Africa, or that the hiring and decision-making processes are driven solely by business principles and costs. More specifically, one of these respondents indicated that “since total cost of employing expatriates is much higher than the cost of employing SA professionals, we employ expatriates only when really necessary. This very simple business-driven principle removes the need for any policies, or formal agreements”.

Figure B.3: Measures to Ensure SA workers are not prejudiced by employment of foreign workers



One of the current measures put in place by the South African government, as a way of preventing the employment of non-South Africans where a South African may be available, is that employers are required to advertise all vacancies in a national publication. When asked, only 25 percent of businesses stated that they believed it is an effective preventative method. Reasons provided for why it is ineffective include that not many people read the national publications anymore, that most people use online recruitment platforms and media, and that some companies have their own advertising and recruitment systems. Furthermore, as illustrated by Figure 4, most businesses (over 80 percent) in the sample already have other policies in place (skills-based or employment-equity based), in order to ensure that South Africans aren't prejudiced.

Appendix C: Survey Results – Time Taken for Each Component of Visa Application

Table C.1: Average and Median Time taken for each component of visa application (survey responses)

Calculation using categorised responses:											
	Category midpoint (Days)	Compilation of Documentation		SAQA		DEL		DTI		DHA	
		Freq .	Freq x midpoint	Freq .	Freq x midpoint	Freq .	Freq x midpoint	Freq .	Freq x midpoint	Freq .	Freq x midpoint
Time Category											
Up to 1 week	3.5	7	24.5	1	3.5	1	3.5	1	3.5	1	3.5
1-2 weeks	10.5	6	63	0	0	2	21	3	31.5	1	10.5
2 weeks - 1 month	21	6	126	14	294	7	147	9	189	5	105
1-3 months	60	9	540	10	600	9	540	6	360	13	780
3-6 months	135	4	540	2	270	6	810	3	405	7	945
>6 months	272.5	2	545	1	272.5	1	272.5	1	272.5	3	817.5
Total		34	1838.5	28	1440.0	26	1794.0	23	1261.5	30	2661.5
Average			54.1		51.4		69.0		54.8		88.7
Median category			2 weeks - 1 month		2 weeks - 1 month		1-3 months		2 weeks - 1 month		1-3 months
Calculation without using time categories:											
		Compilation of Documentation		SAQA		DEL		DTI		DHA	
Average		63.4		56.4		74.4		65.8		115.6	
Median		30		30		60		30		60	
No. of responses:		34		28		26		23		30	
Other Responses:											
Employee*		4		3		3		2		1	
Outsource**		0		2		2		2		2	
Total no. of responses:		38		33		31		27		33	

Notes:

If the original response from the employer was a range (Eg. 5-7 days) the midpoint of the response is used for calculation purposes (in this case, 6 days). Averages using time categories and midpoints are calculated as the total of Freq x midpoint divided by the total frequency of response per time category. The averages and medians calculated without using time categories are calculated by taking the sum of all employer responses that are numerical divided by the number of responses.

**The employer could not indicate a time frame because the application process is the sole responsibility of the employee.*

***The employer could not indicate a time frame because the employer outsources the application process administration to a firm specialising in these applications.*

Appendix D: Extracts from the ESSA Database

Table D.1: Variables contained in the Opportunities Database of ESSA

PROVINCE	OPPORTUNITYNAME	OPPORTUNITY_REFERENCE	OPPORTUNITY_TYPE	OPENING_DATE	CLOSING_DATE	OPPORTUNITY_LOCATION
Name of province where job will be based	Name of opportunity provided by employer	Reference of vacancy as provided by the employer	Whether the vacancy is for a formal or informal job	The opening date of applications for the vacancy	The closing date for applications to fill the vacancy	Name of the city/town where the job will be based

Table D.2: Variables contained in the Work Seekers Database of ESSA

PROVINCE	SURNAME	FIRSTNAME	AGE	EQUITY	PHYSICALADDRESSLINE1	EXPERIENCE	WSQUALIFICATIONDESC	OCCUPATION
Name of province where job seeker resides	Surname of the job seeker	First name of the job seeker	Age of the job seeker		Physical address of the job seeker	Years of experience as entered by the job seeker	Highest qualification as listed by the job seeker	Current/past occupation listed by the job seeker

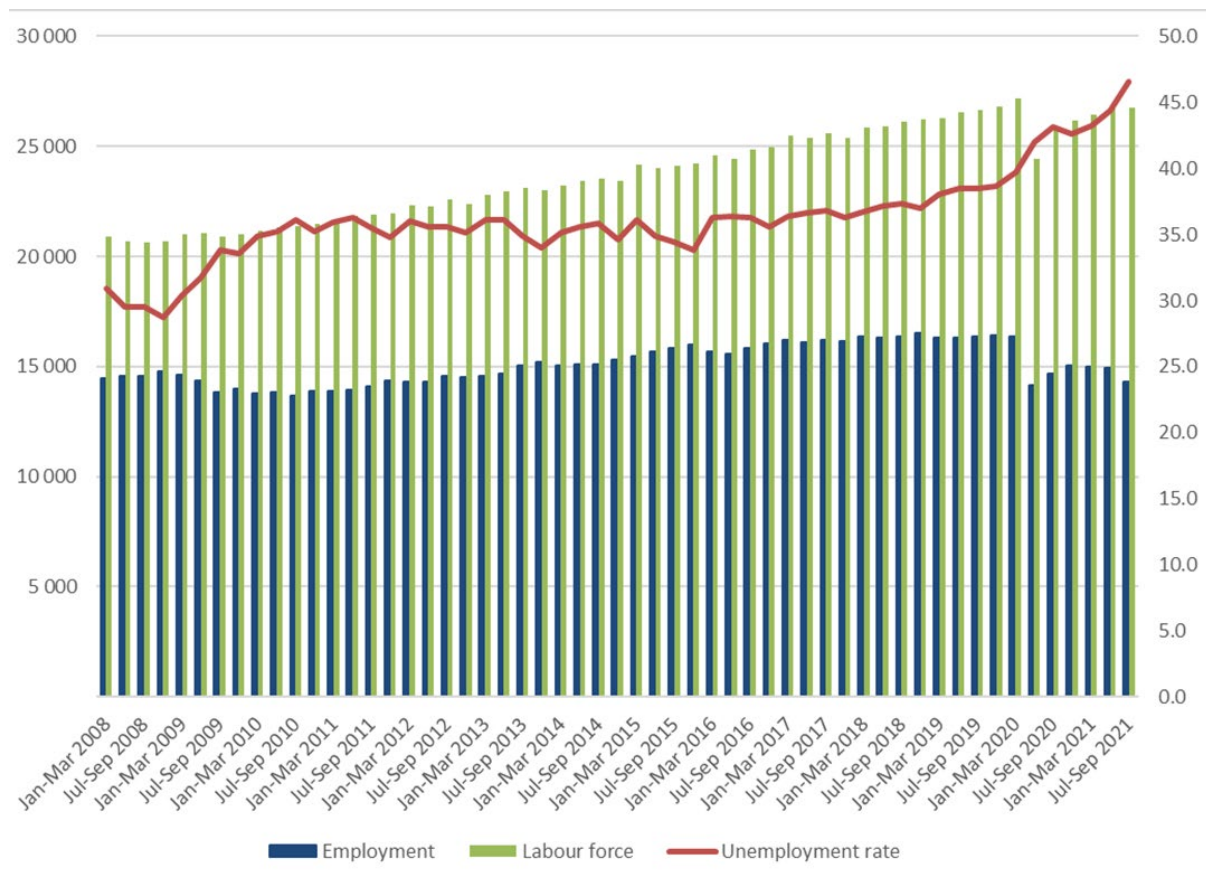
Appendix E: A Profile of Unemployment in South Africa

This note has highlighted benefits of employing foreign skilled labour. Furthermore, it has been noted that companies appear to typically make use of foreign labour only when a South African is not available to fill the vacancy, and that there are processes in place to facilitate this. This profile of unemployment in South Africa considers why it may be the case that employers cannot find the type of skilled employment they need in the local labour force - despite the high unemployment that South Africa is experiencing. We begin by exploring the current labour market trends in South Africa. We then consider composition of the unemployed population by educational attainment and occupation to show why the type of skills required by employers to address immediate skill shortages may not be found in the local labour force.

An Overview of Unemployment in South Africa

Over the period from January 2008 until September 2021, South Africa has experienced a growing labour force (Figure E.1). However, the employed population has not been growing at the same rate, and its trend has instead been relatively flat in comparison. This has resulted in an increasing unemployment rate, which stood at 34.9 percent in 2021Q3.

Figure E.1: South Africa’s unemployment rate, number of employed and size of labour force, 2008-2021



Source: Statistics SA, QLFS (2008-2021)

Between 2016 and 2021, South Africa's working age population grew at an average annual rate of 1.6 percent (Table E.1). Employment however declined over this same period at an average annual rate of 2.0 percent, contracting by 1.6 million. According to the narrow definition (which excludes unemployed individuals who are not looking for work from the labour force), unemployment increased by 1.8 million individuals over this period – resulting in the narrow unemployment rate increasing from 27.1 percent to 34.9 percent. The increase in non-searching unemployed over the same period was 1.7 million; thus, according to the expanded definition (which includes these individuals in the labour force), expanded unemployment increased by 3.6 million individuals – resulting in an increase in the expanded unemployment rate of over 10 percentage points from 36.3 percent to 46.6 percent over the 5-year period.

Table E.1: South African Labour Market. Q3 2016 – Q3 2021

	Q3 2016 (‘000s)	Q3 2021 (‘000s)	Change		
			Absolute (‘000s)	Relative (%)	
Labour market aggregates (‘000s)					
Working-age population	36 750	39 745	2 995	1.6	*
Employment	15 833	14 282	-1 551	-2.0	*
Narrow unemployment	5 873	7 643	1 771	5.4	*
Narrow labour force	21 706	21 925	219	0.2	
Expanded unemployment	9 019	12 484	3 465	6.7	*
Expanded labour force	24 852	26 766	1 914	1.5	*
Non-searching unemployed	3 146	4 841	1 694	9.0	*
LFPR (%)					
Narrow LFPR	59.1	55.2	-3.9	-1.4	*
Expanded LFPR	67.6	67.3	-0.3	-0.1	
Unemployment rate (%)					
Narrow unemployment rate	27.1	34.9	7.8	5.2	*
Expanded unemployment rate	36.3	46.6	10.4	5.1	*

Source: Statistics SA, QLFS Q3 (2016, 2021)

Notes:

1. The working-age population consists of those aged 15 to 64 years.
2. An asterisk (*) denotes statistically significant changes at the 90 percent confidence level. A t-test was used to determine whether there was a significant difference between the relative change in Q3 2016 and Q3 2021. T-tests have been used to determine significant differences between periods throughout this report.

With 12.4 million unemployed individuals in Quarter 3, 2021 (according to the expanded definition), and declining employment, it is clear that South Africa has a major unemployment problem. In a country with unemployment at such a level, immigration is often perceived negatively as taking employment away from South Africans who are in dire need of employment. In this section, we consider a number of characteristics (specifically, we consider age, education, and previous occupation) of the pool of unemployed individuals in South Africa to show why employers may not be able to find the type of skills they typically require through visas such as the Critical Skills and General Work visas in the South African labour force in the short-term. We will consider unemployment according to the expanded definition only in the remainder of this section (as this represents the full pool of unemployed individuals in the country).

Age and Educational Attainment of the Unemployed

Table E.2 shows the unemployment rates across age and educational attainment between Q3 2016 and Q3 2021. In Q3 2021, the expanded unemployment rate was 46.6, an increase from 36.3 percent in Q3 2016.

In terms of age, 15-24 year olds have the highest rate of unemployment at 77.2 percent in 2016. The 25- to 34-year-old cohort had the highest overall change in unemployment rate between 2016 and 2021 in percentage point terms (14.2 percentage points). In general, younger cohorts experience higher rates of unemployment, and this rate declines with increasing age.

In terms of educational attainment, unemployment is lowest among individuals with higher levels of attainment. In 2021, those with a degree qualification had the lowest unemployment rates (15.2 percent). This was followed by those who had a diploma (29.4 percent), completed secondary education (47.1 percent). All levels of educational attainment experienced a significant increase in unemployment rates between 2016 and 2021, with individuals with secondary education completed experiencing the largest percentage point increase (12.9 percentage points). Concerningly, the annual rate of change was largest for individuals with a degree (12.1 percent per annum).

Table E.2: Expanded Unemployment rates, Q3 2016 – Q3 2021

	Q3 2016	Q3 2021	Change	
	(%)	(%)	Percentage points	AAGR
%				
Overall Unemployment	36.3	46.6	10.4	5.1
By age group				
15–24 years	65.5	77.4	11.9	3.4
25–34 years	41.1	55.3	14.2	6.1
35–44 years	28.3	39.1	10.8	6.7
45–54 years	22.5	31.6	9.1	7.0
55–64 years	17.1	24.4	7.4	7.4
By highest level of educational attainment				
Primary or lower	38.5	48.0	9.5	4.5
Secondary not completed	44.9	55.4	10.5	4.3
Secondary completed	34.2	47.1	12.9	6.6
Diploma	20.4	29.4	9.0	7.6
Degree	8.6	15.2	6.6	12.1

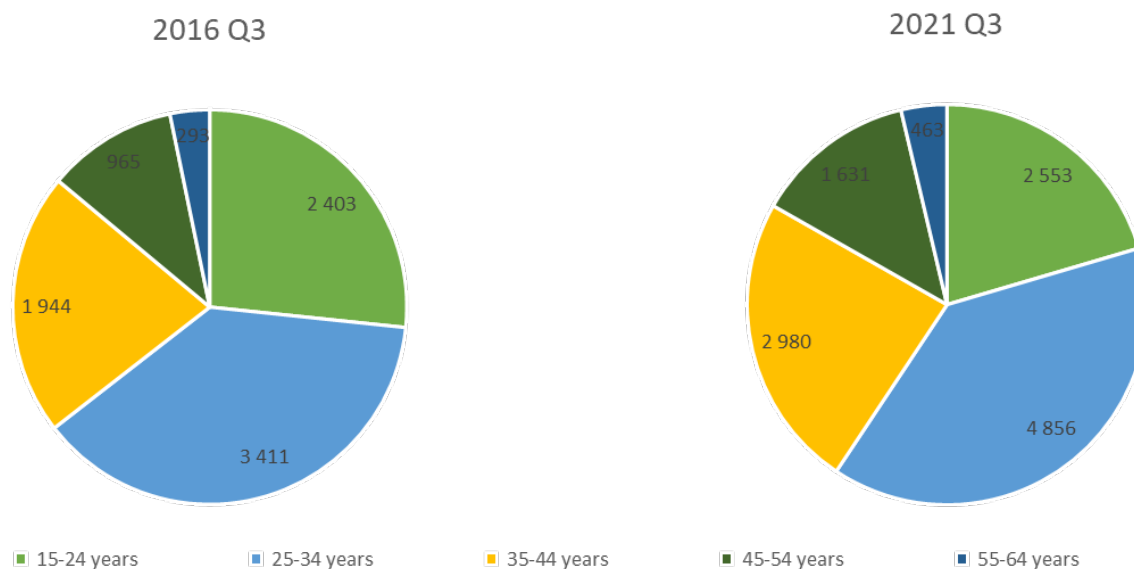
Source: Statistics SA, QLFS Q3 (2016, 2021)

These rates suggest that while unemployment is a problem across all age groups and educational attainment levels, it is the young and those with lower levels of education who make up the bulk of the unemployed. The increasing rates of unemployment among individuals with diplomas and degrees are however concerning.

Figure E.2 shows number and proportion of unemployed South Africans in different age groups in 2016 and 2021. More than half of the unemployed population are between 15 and 34 years of age. At this age, it is unlikely these individuals possess the years of experience or specialization required for the high skilled vacancies in South Africa that skilled immigrants would be required for. There is however still a substantial pool of unemployed individuals who are older and that it may be expected should be able to do the type of jobs that employers indicate they cannot find individuals in the South African labour force for. Looking at the levels of educational attainment in the labour force however makes

clear that the bulk of the unemployed – across all ages – do not have high levels of educational attainment.

Figure E.2: Shares (and numbers – in thousands) of Age Cohorts of the unemployed population, 2016Q3-2021 Q3

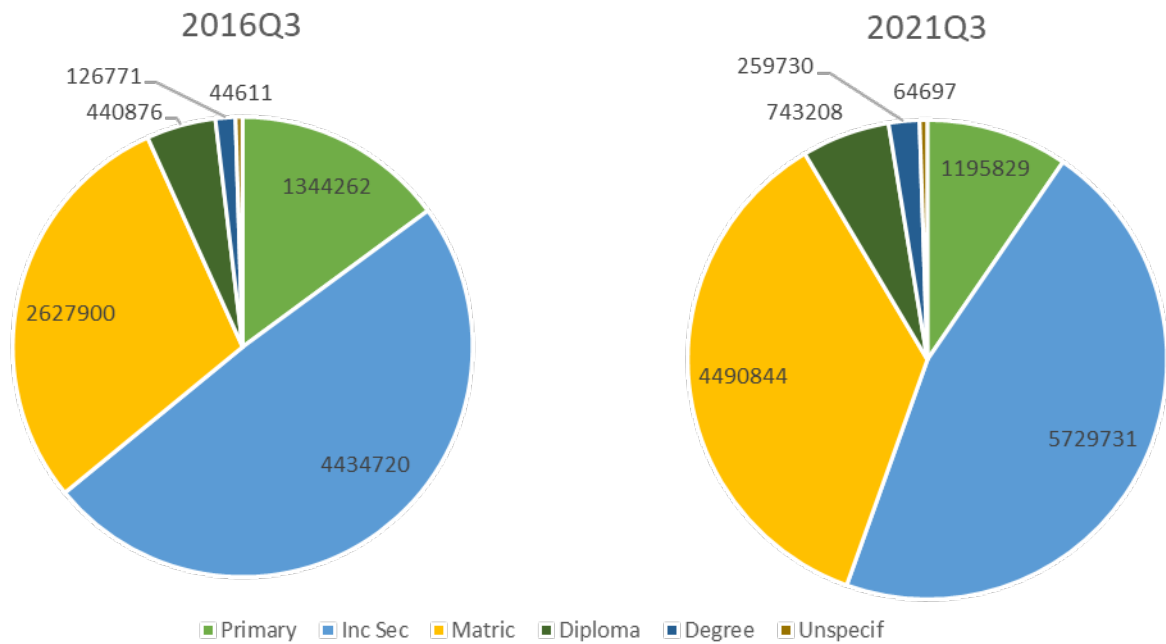


Source: Statistics South Africa, QLFS Q3 (2016, 2021)

Figure E.3 shows the number and proportion of unemployed South Africans that have obtained each level of educational attainment in 2016 and 2021. Most individuals who have been unemployed over the past 5 years have not completed secondary school. In fact, between 40 and 50 percent of the unemployed population have attended but not completed secondary school, while between 30 and 40 percent of unemployed individuals have completed secondary school between Q3 2016 and 2021.

Over the same five-year period, the percentage of the unemployed population with tertiary level education has risen slightly but remained below 10 percent. All categories – except for primary level education – experienced an increase in number of unemployed individuals over time. However, the rise in the number of unemployed individuals with secondary education is steeper than the rest. This suggests that a higher number of individuals with a secondary level of education are entering the labour force and are not being successfully absorbed.

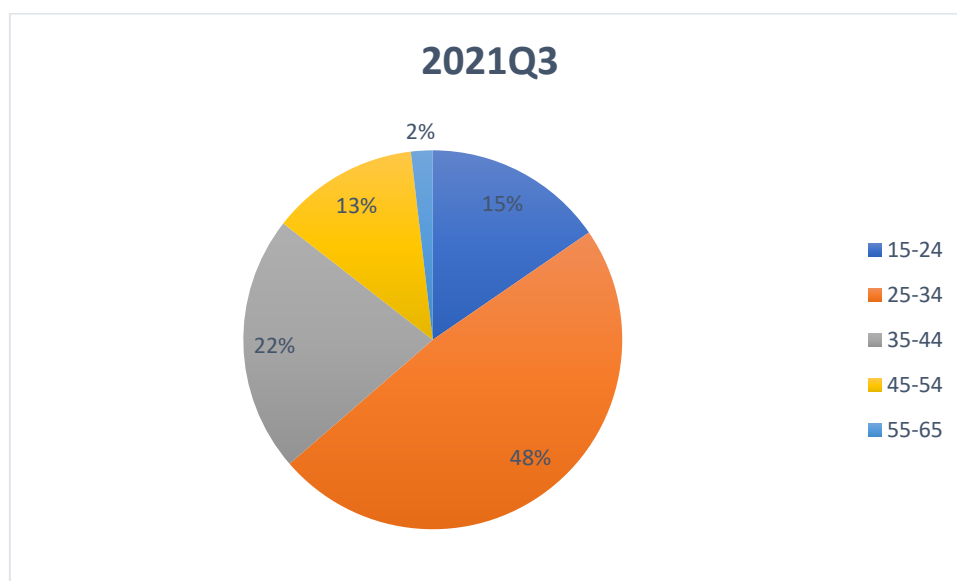
Figure E.3: Shares (and numbers) of educational attainment of the unemployed population, 2016Q3-2021 Q3



Source: Statistics South Africa, QLFS Q3 (2016, 2021)

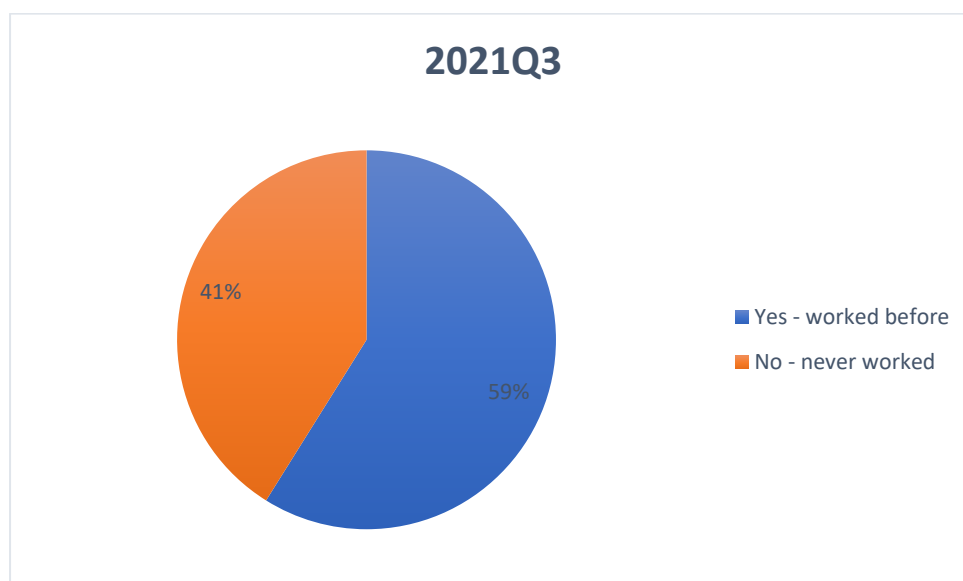
Thus, the unemployed are predominantly young (and with that youth, inexperienced), and have low levels of educational attainment that are below the level typically expected by employers for high-skilled occupations. A concerning trend however is the increase in the number of unemployed individuals with diplomas and degrees between 2016 and 2021. It may be that a number of these individuals may have skills that employers may be seeking from immigrants. To consider this, below in Figures E.4 and E.5 we show the shares of unemployed graduates (individuals with either a diploma or degree) in 2021 by age and whether they had worked before. Young graduates and those who had never worked before would suggest that these individuals do not have the required experience and have not developed their skills to the level required by employers despite having a qualification.

Figure E.4: Shares of unemployed graduate population by age, 2021Q3



Source: Statistics South Africa, QLFS Q3 (2021)

Figure E.5: Shares of unemployed graduate population by ever worked status, 2021Q3



Source: Statistics South Africa, QLFS Q3 (2021)

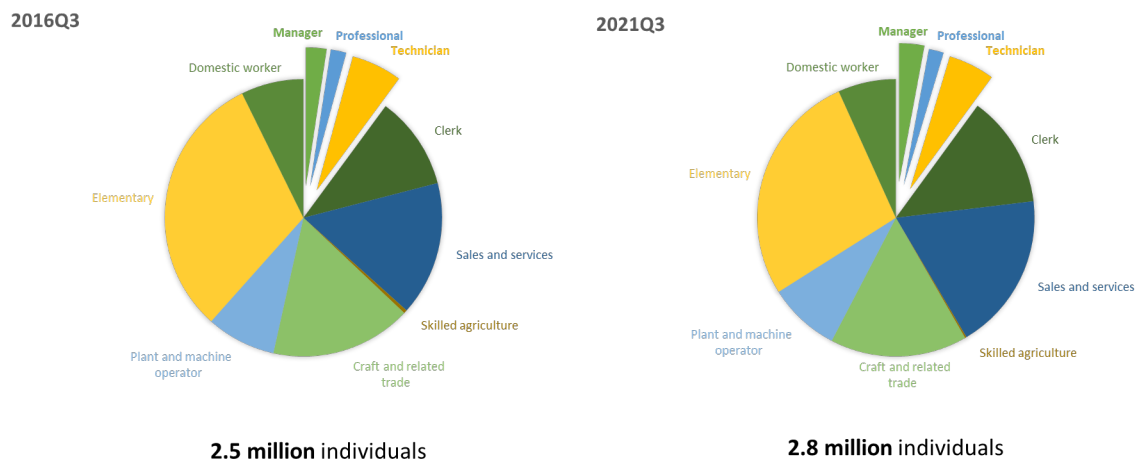
Figure E.4 shows that close to two-thirds (65 percent) of the unemployed graduates are under the age of 35 and thus not likely to have the level of experience required by employers for specialist high-skilled positions. Figure E.5 shows that a considerable proportion – 42 percent – of unemployed graduates have never worked before. This supports the suggestion that many of these unemployed graduates would not have the skills and experience required to take up the jobs that employers are recruiting skilled immigrants for. Therefore, in the pool of unemployed graduates, a considerable share are not likely to qualify for the high-skilled positions employers are seeking and looking to import immigrants to address immediate skill shortages. Among unemployed graduates who are older and who have worked before, there is thus a relatively small pool of remaining individuals. We do not have data on

the fields of study of these individuals and level of experience to consider further the nature of skills and experience in this remaining pool of unemployed graduates – it is however not unreasonable that employers would not be able to find the skills they are looking for in this pool given the specialist skills they often require and the relatively small size of this group.

Occupations of the Unemployed

Although the data is limited¹⁷, the pattern seen in educational attainment of the unemployed is mirrored by the occupations of those unemployed individuals who have worked within the past 5 years (Figure E.6). In 2021, the largest proportion of the unemployed population (for which we have previous occupation data for) is made up of elementary workers (27.2 percent). The second and third largest percentage of the unemployed is made up of individuals working in sales and services, and crafts and related trade. The smallest proportions of the unemployment are managers, professionals, technicians and skilled agriculturalists.

Figure E.6: The occupations of the unemployed population, 2016Q3-2021Q3



Source: Statistics South Africa, QLFS Q3 (2016, 2021)

The skilled immigrants that the Critical Skills and General Work visas will be used to bring into the country to address short term skill shortages are more likely to fall within the professional, management and technician roles. Therefore, this data suggests that they would not compete for employment against approximately 90 percent of the unemployed population (although it should be borne in mind that these numbers only refer to the unemployed population for which this data is available – many of the unemployed have not answered the relevant question in Stats SA’s QLFS surveys or have not worked before and thus do not have a previous occupation; nevertheless this limited data is suggestive of most of the unemployed having skills that are aligned to lower skilled occupations rather than high-skilled occupations).

While South Africa suffers from high unemployment rates, the available data thus suggests that many of these individuals do not fall within the highly skilled or STEM categorisations that skilled immigrants required to address pressing short-term skill shortages do. Thus, they are not competing for the same vacancies as these immigrants would be required for. South Africa suffers from a substantial unemployment problem among lower-skilled workers, as well as a shortage or skills gap for specialized

¹⁷ The number of individuals represented by this data is only 2.8 million – out of a total of 12.5 million unemployed individuals in 2021 (2.5 million out of 9 million in 2016)

skills. The solution to this skills shortage problem in the longer term is to improve the current stock of skills and reduce skills mismatch in South Africa through improving the supply of skilled labour being produced in South Africa; in the shorter term, however, skills shortages can be addressed through the importation of skills that are demanded but not in supply in the labour force.

Such an approach is not in conflict with high unemployment in South Africa (which disproportionately impacts the young, inexperienced and those with lower levels of educational attainment) as it can assist in boosting the economy and generating more jobs for the unemployed. Appropriate immigration policies, along with efficient processes, can thus be used to alleviate skill shortages in the short run and benefit the economy and generate jobs that are required in the country – while a longer term view can simultaneously be taken to produce the skills required in the South African economy so that reliance on such immigration is limited in the future and more South Africans can take on such high-skilled jobs in the future.



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