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SET 7 – HEARING 1 – DAY 1

**COMMISSION OF INQUIRY INTO
HIGHER EDUCATION AND TRAINING**

PARTIES PRESENT:

The Chairperson
Commissioners
Head of Evidence Leaders
Evidence Leaders
Experts
Secretariat

WITNESSES:

Dr. V.J. Reddy – HSRC
Dr. M. Rogan – Rhodes University
Ms. B. Mncwqango – HSRC
Adv. D. Tshidi – Financial Services Board

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SESSION 1 – 27 FEBRUARY 2017

ADV. K. PILLAY SC: ...essentially they will be addressing us on skills supply, demand and absorption of graduates in South Africa.

JUDGE: Would you please place your names on record?

5 DR. V. REDDY: V.J. Reddy.

DR. M. ROGAN: Michael Rogan

MS. B. MNCWANGO: Bongiwe Mncwango.

JUDGE: yes, is each of you going to give evidence?

10 DR. V. REDDY: Two of us will give evidence and three of us will answer questions.

JUDGE: I see, alright well does any of you have any objection to taking the oath, no, in that case I shall swear you in. Do you swear that the evidence you will give will be the truth, the whole truth and nothing but the truth, if you do say so help me God.

15 **DR. V. REDDY [d.s.s.]**

DR. M. ROGAN [d.s.s]

MS B. MNCWANGO [d.s.s.]

JUDGE: Thank you Chair.

20 ADV. K. PILLAY SC: Dr Reddy will you be the primary presenter in relation to the first presentation.

DR. V. REDDY: Yes.

ADV. K. PILLAY SC: Right perhaps Dr Reddy we could start out by you just explaining to the commission what it is that you do at the HSRC?

DR. V. REDDY: I am the executive director of one of the research

programs, namely education and skills development and in terms of my presentation here today I was the principle investigator of the labour market intelligence partnership project, called LMIP, the LMIP was a study commissioned by the Department of Higher Education and Training, it was a big four year study and its primary objective was to try and understand the issue of what are the skills needs in the country and it is in relation to that that I will be, my presentation will take place.

JUDGE: Thank you.

ADV. K. PILLAY SC: Thank you Doctor if you can then begin with the presentation and we will pose questions as and when they arise.

DR. V. REDDY: Thank you. I could say this is a new experience for all of us so we might not exactly follow your rules please keep us in line.

JUDGE: There are no rules, you can be as flexible as you like, you say what you think is necessary and we will ask questions when we think that is necessary.

DR. V. REDDY: Okay thank you. So as I said the work that, the research that we are presenting evidence from today relates to the labour market intelligence partnership and within that bit and in keeping with the brief that your letter stated we want to present, and we will do a two part presentation, the first part of it relates to research to be conducted on skills supply and demand in South Africa and in which we have written this report which we will also give the commission copies of the skills supply and demand report and the second part we will focus more pointedly on the issues of labour market absorption of graduates.

Again as a starting point there is huge amounts of research and

we tried to pull some information that we think might be relevant to the commission itself. Just as a starting point to say that the reason that the issues of supply and demand and labour market intelligence is important and of importance to government is that in a sense the challenge for government to anticipate what are the skills needs in the country and to plan accordingly and often times, and you can either do the anticipation beforehand and be proactive about planning or you wait for market failure and respond to that.

JUDGE: This is all about turning unemployment into employment.

10 DR. V. REDDY: Even before that it is just about how do you offer, how do you get people skill educated, skilled and trained so that they can take their place in the economy and in society so before, I mean we will look at employment and unemployment but just even before that, so the role of government then is to anticipate what are the needs and given
15 South Africa and the role of the interventionist state rather than just responding to failures as other developed economies would do there is a sense of anticipating and planning for the future and the issues about skills planning take on a number of dimensions in South Africa, if you are in Europe you have high levels of education and training, most of the
20 jobs you have skilled and capable people in the jobs and they often times if there is a new industry that comes up that they would look at what additional skills that we need. In South Africa given the levels of poverty, inequality and unemployment the notion of inclusive development is an important one in that in any decisions that we make in
25 this society it is not for a few but for the broader society.

JUDGE: Well is this an ideal or is it a practical thing, in other words are you striving for an ideal where you should be looking at what is practical in a restricted society?

DR. V. REDDY: I would like to answer perhaps that it is a practical, that
5 the research that we did is embedded in the context that we live in and so the kinds of analysis that we have done is very much driven by the realities of our context and perhaps later on when I make some recommendations you will see how the way we have approached it is different from other countries so it is ideal for South Africa not a global
10 ideal because we have a particular set of conditions here. So in addition to the poverty, inequality and unemployment the country has low levels of education and skills and we see this throughout the system, it is improving but improving slowly and this low level of education and skills impacts on productive economy.

15 Now in terms of our presentation we look at jobs and skills and the notion of jobs and employment, unemployment issues and as the letter asked to look particularly at the University and the Tvet enrolments and successes and then we also look which is a new feature of understanding our system is where do these skills and education go to,
20 what are the kinds of, where do people work having been through a tertiary qualification and at times I will try to explain the terms as we use it in our sector so tertiary qualification is anybody that has a qualification post matric, post grade 12 so we will try to structure the presentation that way and then again we will comment on occupations and higher demand
25 as the brief indicated.

Firstly just to look at the labour force and the jobs and the skills and to understand our context. Now if we look at South Africa and what we have on this slide is a slide to show us and we tried to describe that in terms of the terminologies that we have used we tried to differentiate
5 between different groupings and so we have the, what we call, the employed population and in 20, this is a graph that shows from 2010 and 2014 and we want to show how things are moving or improving, so in 2014 which is the data that we had, 15.1 million people were in employment. 5.1 million people were unemployed and 2.4 million people
10 were what we call discouraged job seekers and the way, and we draw this data from the Stats SA data and in essence it means the 2.5 million are not even looking for work.

So if we look at the definitions of unemployment and what we call an expanded definitely, in 2014, 7.5 million people were unemployed
15 and 15.1 million were employed and this 22.6 million people constitute who would form part of the labour force, some of them are employed, some of them are unemployed and so we see this big difference and the striking feature is the levels of unemployment in South Africa which is just not good at a personal level, not good for the economy and not good
20 for the society. Now the next slide is that we, as we repeating that we had 15 million that are employed and the high levels of high unemployment especially for youth and youth is defined as people between 15 and 34 years old and so we have 5 million people that are unemployed. We also have people that might be employed but they very
25 much ...[intervenes]

COMMISSIONER ALLY: Doctor.

DR. V. REDDY: Yes sir.

COMMISSIONER ALLY: I have asked the Chairperson and we have spoken and he has given me what the answer is, I would just like to
5 know how you transpose that, in other words you say 15 to 34.

DR. V. REDDY: Yes.

COMMISSIONER ALLY: Is regarded as the youth that are unemployed, we know that in South Africa it is against the constitution to be working at
15.

10 DR. V. REDDY: Yes.

COMMISSIONER ALLY: Now however I am told that the UN, it is UN definition and that is what you use, how do you then transpose it to South African circumstances where you then still indicate and a lot of you researchers do that that show the age of 15 and yet it is not an age that
15 is relevant to South Africa?

DR. V. REDDY: Can I just check whether Michael and Bongji will pick up on that from the Stats SA.

COMMISSIONER ALLY: That is fine.

DR. M. ROGAN: Sir you are correct that we include that age because of
20 the international convention, in practice it does not really fit into the data at all because ...[intervenes]

ADV. K. PILLAY SC: Dr Rogan I am sorry to interrupt you, may I ask that you just put yourself on record please.

DR. M. ROGAN: Oh sure, just by saying my name. Michael Rogan

thanks, sorry new experience. Ja so it is a sort of thing we use but in practice for example with the labour force we do not find 15 year olds so we keep the category for international comparisons but the statistics reflect exactly what you said, there are no 15 year olds in the labour
5 force however if there were to be a 16 year old that claims they are looking for employment and unable to find so because they have left school we would pick that up but the numbers there are also very low so in practice you are correct.

COMMISSIONER ALLY: Thanks Doctor.

10 DR. V. REDDY: I suppose I should say my name again, Vijay Reddy, we will get it right. And so as I said when we look at this labour force we have 3.2 million people in vulnerable sectors and the important thing, so it is a very fragile labour force but in addition to that we constantly have newcomers into the labour force and they are not getting jobs or there
15 are no jobs ...[intervenes]

JUDGE: I am sorry what is a vulnerable sector?

DR. V. REDDY: People that working with, in very low wages, those in the informal market, those that say people that are working informal traders etcetera so they would have no benefits in their jobs and earning
20 very low wages.

MS. B. MNCWANGO: Bongzi, just to add on that, those are sectors which are also characterised by high levels of insecurity.

JUDGE: I am not too sure how you draw the line, is a taxi driver in the vulnerable sector?

25 MS. B. MNCWANGO: It is, it could be described that way but based on

our data we focus on the formal sector drawing evidence from Stats SA data.

JUDGE: Is a junior advocate in the vulnerable sector?

MS. B. MNCWANGO: No.

5 JUDGE: Not, well there you are.

DR. V. REDDY: Maybe also to add that for example if you are fruit picker and it is a seasonal job and so that would be a vulnerable sector as well because you do not, we use the Stats South Africa definitions and every quarter they collect this information and so based on whether
10 you have been working in the last six weeks or so you collect this information.

JUDGE: I see thank you.

DR. V. REDDY: Okay so the point to also make is that while we have 15 million employed and 7.5 million unemployed we also have that the new,
15 the labour force, the number of new people coming into the labour market is growing at twice the rate that jobs are being created which means that this unemployment is going to increase unless there is major boost to create new jobs in the country. So it is a pretty fragile situation and then if we look at the skills level of those that in the labour force and
20 the graph on the right hand side shows that and we have differentiated and categorised people that are employed and people that are unemployed and what are their education levels so this is only people that are the 22.6 million.

We notice in this graph that of the people that are employed 20
25 percent of them have a tertiary qualification in other words something

post Grade 12, a degree, a diploma. And 32 percent have completed a secondary education but also we have that in this labour force, 33 percent have not completed Grade 12 and 14 percent have some sort of primary level of education. Looking at this profile of education and skills
5 it is lower than most productive economies, if you want productive vibrant innovative growing economy in general the skills level and the education levels are much higher than what we have here and so the challenge for the country is to grow its education level of all of the population and the newcomers in different schooling.

10 Then if we look at the unemployed because this is a very vulnerable group again and needing attention, 7 percent of the unemployed do have a tertiary education and Dr Rogan will talk later about the type of skill that they have because what does it mean to have this tertiary education and not to be in job. One third of them have
15 completed Grade 12 but obviously not having the skill to take the place in the labour market or there are no jobs and again we want to refer to the type of jobs later. And you will see a big group, 47 percent of the unemployed do not have a secondary education and 12 percent of primary education so of course those that have less education are more
20 prone to not being able to find jobs and that is a concern so raising the level of education and skills is a critical dimension.

ADV. K. PILLAY SC: I am sorry I have a little bit of a difficulty here, that left hand column that is surely not in millions.

DR. V. REDDY: No percentages.

25 JUDGE: Yes that is what I thought because ...[intervenes]

DR. V. REDDY: Yes, oh sorry I have got millions at the top there sorry.

JUDGE: Yes you have indeed.

DR. V. REDDY: Yes sorry, good catch, it is the percentage, thank you.

So from the set we will just present some initial findings that while over
5 the last, from 1994 the education level in the country has increased and
that is a good thing but it is still quite low to stimulate the economy and
one needs a far higher level of say tertiary education people in particular
subject areas to stimulate the economy and to create jobs. And also if
we look at this education level ...[intervenes]

10 JUDGE: Sorry does that then, does that include secondary completed
and secondary not completed?

DR. V. REDDY: Sorry what?

JUDGE: You said there the lower level of or we need tertiary education
so that excludes secondary completed and secondary not completed?

15 DR. V. REDDY: No, the next point that I make is that I am saying that
we need to raise the level of education and skills in the country and that
any skills policy then we cannot have a single response to the situation
of education and skills that we need a differentiated response and it
means increasing tertiary level education, it looks, if we look all around
20 the, all groupings need to be raised, we need to raise the level of tertiary
education of our population, we need to organise particular skills
program for those that are less than Grade 12 so we need a
differentiated skills response to the education level of our workforce, that
would be the main point that I would make Judge.

25 COMMISSIONER ALLY: I am not sure whether you will deal with it in Dr

Rogan's presentation and maybe in this week we get to speak to Chamber of Commerce and one of the Unions but you see the question I pose is why it is the way it is, now South Africa seems to have a formal sector that has the company's and then you have your informal sector
5 which you categorise as vulnerable in that you are not sure whether the sustainability of that particular industry is, the sustainability is high or low. Now people all the years as I have known and experienced employment is that there are people out there that can do the work, there were sometime that research was done and said no you needed a matric
10 or post matric qualification in order to do the work, now my father finished a Standard 6 and got to level of a general foreman in Murray and Roberts so was able to do certain work at that particular level without NCV or nated program, when my brother came in he went through his NTC1, 2 up to 6 and so forth.

15 The difference between my father and my brother was that my father had more experience in the work that he has done and all the employer was interested in was that paper. I am not sure whether a study has been done in terms of comparing those with the paper, if you have the paper whether you can do the job and whether in industry today
20 we are still having gaps there and therefore the picture that is presented is what it is because of the gap that we have.

DR. M. ROGAN: You are asking one of the key questions there really, I will cover a bit of that in my presentation as well but I would also just point out there have been quite a few changes in the industry in South
25 Africa, particularly in manufacturing and if you think of the rate of global

integration of South African firms. Often times whether or not those qualifications are related to skills they are required as part of international standards for manufacturing and production. You know I think there are also some social changes that we do not understand fully, 5 a new generation of South Africans enters the labour market in a completely different country than the previous generation and often times they have very little social connections to the workforce and I think many of them see some time of education or a piece of paper as being a way to get your foot in the door so the data that I present later will suggest 10 that they are correct in this assumption but there is still lots of holes in the pathway between these types of vocational training in the labour market but the questions you ask are questions we ask and do not often come up with satisfying answers to.

JUDGE: May I stop you for a moment because I am trying to assimilate 15 the graphs that you presented here, when I look at the bottom of or the note at the foot of the graph on the previous page, labour force growing at twice the rate as the jobs being created, that presents a very serious question in my mind but I cannot quite reconcile it with the previous graph, the gap between the working age population and the employed 20 population, I cannot, I am trying to see how that also reflects that the labour force is growing at twice the rate of the jobs being created because I would have expected a much steeper climb in unemployment in those circumstances, if the labour force is growing at twice the rate of the jobs of the creation of jobs or is there no correlation in the previous 25 graph, the jobs gap between the working age population and the

employed population with the labour force growing at twice the rate of the jobs being created.

COMMISSIONER ALLY: Sorry Doctor

DR. V. REDDY: Can I just ...[intervenes]

5 JUDGE: You see we are, I am sorry to say but understandably it is happening, we are being plunged into a maras of statistics and graphs in this commission, everybody has a graph to present and that, there is nothing wrong in that but we have to try and assimilate what the real thrust of these graphs is, when you put in footnotes like this one it
10 undoubtedly has a very serious implication but I am trying to reconcile it with the graphs that I see.

DR. M. ROGAN: The reason the graph, the line in the graph is not as steep as you would expect is probably related to two things, one is that this is a very short period of time presented in this particular graph and
15 the second is that a large number of young people do not actually end up in the strict labour force so we use two definitions of the labour force, one is the narrow and that is related to the unemployment figure which we see in the newspapers of 26 percent overall but we also have the broader definition which also includes people who say they would like
20 employment if you come to their house and ask them but having demonstrated any sort of activities or efforts to look for employment so a lot of the confusion in some of these labour force statistics comes in switching back and forth between these two definitions and as labour economists we spend most of our lives debating which one is more
25 appropriate to reflect the situation in South Africa. So it is unsurprising

that sometimes the graphs do not speak to each other but it is down to largely those two factors.

JUDGE: Well then it is not unsurprising that I am getting a little confused as well but as to your first point that this represents a short time, short
5 stretch of time, if the statement is that the labour force is growing at twice the rate as the jobs being created then I would expect that to be reflected in any period of time where there are at least two years involved and where we have a period of five years and if this statement is true then it is true I assume over each of those five years.

10 DR. V. REDDY: Can I just try interpreting?

JUDGE: Yes.

DR. V. REDDY: If we look at 2013 to 2014 in terms of the employed, we are going from 14.9 to 15.1 million so there is 200 000 new jobs and if we look on ...[intervenes]

15 JUDGE: Yes, well there are 200 000 not, 200 000 new jobs or 200 000 people employed?

DR. V. REDDY: 200 000 more people employed so there will be new jobs that would be there that ...[intervenes]

JUDGE: Well no what you are saying is that there are half of those, if
20 what is stated on the following page is right then that represents, alright sorry I am grappling.

DR. V. REDDY: Okay, let me try the teacher in me again, I was once a maths teacher. So you are going from 14.9 to 15.1 so it means 200 000 people, more people are employed which means there is more jobs that

they would be doing and that has been counted in the formal economy.

JUDGE: Yes.

COMMISSIONER KHUMALO: So this is a potential?

DR. V. REDDY: No, no these are people in the labour ...[intervenes]

5 COMMISSIONER KHUMALO: Actual.

DR. V. REDDY: Actual workers, these are people in jobs. Then if you look at and add up 4.9 plus 2.3 which will make 7.2 million people that are not in jobs, they cannot find jobs so there is no jobs for them so these are the people that are still waiting and from 2013 to 2014 we go
10 from 7.2 to 7.5 so unemployment has increased by 300 000, that 300 000 more people unemployed in 2014 then there were in 2013.

JUDGE: Yes.

DR. V. REDDY: So I think you know if we are saying that the labour force is growing at twice the rate that means the number of people
15 coming into this market is now growing at almost twice the level as new jobs so in the longer term we would get closer to, here we have got 200 people new jobs, 300 000 more people unemployed so your increase in terms of the unemployment versus the number of new jobs that are there.

20 JUDGE: Alright thank you.

DR. V. REDDY: Okay.

ADV. K. PILLAY SC: Doctor may I just ask about the distinction between the unemployed and the discouraged job seeker, what is the distinction between the two?

DR. V. REDDY: Let me pass to the experts Miss Mncwango.

MS. B. MNCWANGO: The unemployed are people at a time when they were interviewed indicated that they are without jobs so those are our unemployed and the discouraged work seekers are people who at a time
5 of the interview indicated that they are without jobs but they are also not taking any active steps to look for employment so we categorise as unemployed, if you are really without a job and you are doing something to find a job but we refer to you as discouraged if you are not doing anything to look for employment and most of the time the reasons given
10 for not looking for jobs is because people argue that there are no jobs so there is no reason for me to look for employment so ja, so you have got unemployed, people without jobs and are actively searching for employment and have got discouraged without jobs and they have been discouraged for searching further for employment.

15 DR. V. REDDY: Just coming back to that question you would see in the debates about when, it is a contested definition about what the unemployment rates are and one could use the, is it 25 percent or 37 percent and so we have a narrow definition of unemployment where the statistic that is used in the narrow definition is just people that are
20 unemployed and looking for jobs and then the broader, wider, broader definition, expanded definition is where both those that are looking for jobs and those that are not looking for jobs are considered so in terms of the literature this is how we differentiating between the two.

COMMISSIONER KHUMALO: Just on your response Miss Mncwango,
25 you saying during the interview you mean your research interview on this

issue not a job interview.

DR. V. REDDY: No not a job interview.

MS. B. MNCWANGO: No not a job interview, when Stats SA conducted interviews in the different households.

5 JUDGE: Oh okay.

COMMISSIONER KHUMALO: Oh in the household.

MS. B. MNCWANGO: Yes.

COMMISSIONER KHUMALO: And it was randomly selected group or what was the process?

10 DR. M. ROGAN: Yes we are talking about the national labour force so it is a random stratified representative sample of about 70, 75 000 South Africans across the country and that is the survey that we used to come up with the unemployment in South Africa as a whole.

JUDGE: Can you please explain to me if the labour force is growing at
15 twice the rate of the jobs being created, how will it help to increase the education level unless you also, how will you stimulate the economy by increasing the education level while the labour force is growing faster than the number of jobs, there may be a correlation but I am not sure that it is obvious to me.

20 DR. V. REDDY: I think our position is that education is a necessary but not sufficient condition for a job and so the debate about which comes first, is it about job creation or is it about education and I think our position would be that the higher the levels of education then you can also become an entrepreneur and be able to stimulate into small

businesses, into building up other kinds of businesses to create, so you can become a job creator as well as take a place in the labour market.

JUDGE: According to some of the reading that I have done, one of the problems with force feeding the education sector and with the idea of
5 producing more and more graduates has been the number of disappointed graduates has increased in countries like Venezuela where you have graduates who cannot find work, do we not face that possibility and danger?

DR. M. ROGAN: The entire next presentation is going to come into that
10 in great detail maybe we can suggest that we address that then.

JUDGE: Thank you.

DR. V. REDDY: Moving on from the first finding of ours which is the importance of that the key challenge for the country is that we need to raise the levels, all levels of education and skills for different groupings.
15 The next set of slides, a few slides that I want to refer to is to look at the structure of the economy itself and what is the demand for skill because if want to supply and increase graduates and just looking at it in terms of that demand. Again just as for information we described the economy in terms of the kinds of, in this literature we look at how the different
20 sectors and there are particular defined industrial sectors that we look at and at the, in 2014 if we look at what has been the contribution, the sectoral contribution to GDP it is that the financial and business services contributes 22 percent of that GDP.

Government services 17 percent, wholesale and retail traded 15
25 percent manufacturing at 14, mining at 8, agriculture at 3 percent and

utilities like electricity and water etcetera at 3 percent as well and construction at 4 percent so on the one hand and what our long term view tells us, while this is a snapshot, what our long term tells us is that the sectors like agriculture, mining, manufacturing are contributing less, these are declining sectors and it does become a concern in terms of how jobs are looked at and I will come back to that point.

JUDGE: And is that something that is dealt with in the National Development Plan?

DR. V. REDDY: The?

10 JUDGE: The fact that these are declining sectors.

DR. V. REDDY: I am not sure about that and we will need to have to check that.

DR. M. ROGAN: I would just answer that the NDP addresses those in very broad strokes, they would not necessarily leave the reader with a specific idea of how that is going to be addressed.

JUDGE: Yes thank you, alright so these are declining sectors, now by that are you suggesting that they will decline in measurable quantities over the next 10 years, 20 years, 50 years, how important is this, the fact that there is this decline?

20 DR. V. REDDY: I will also look at that in the next slide, in the next two slides so we have and then if we considering the economy we need to consider what contribution each of the sectors make to the economy and then we look at people that are employed or see employment by the sector and that is the right hand side and if you look at the employment, community and personal services which includes people in government

25

work constitutes 21 percent so 1 in 5 people that are in work are working in the community and personal services or within the public service.

JUDGE: Sorry how do you work that 21 percent out, where do I find it?

DR. V. REDDY: On the right hand side.

5 JUDGE: Oh in the dark blue.

DR. V. REDDY: Is it dark blue?

JUDGE: Ja that is financial and business services sorry that is the 22 percent where is the 21 percent?

DR. V. REDDY: The table Chair on the right hand side of the page, the
10 table.

JUDGE: Oh that one I see, I beg your pardon thank you.

DR. V. REDDY: So sectoral contribution and on the right hand side if we look at the different sectors so the left hand side is the contribution to GDP and the right hand side is the jobs that are in that sector and the
15 work that is done. Again just over one fifth of the people in employment work in the wholesale and retail trade that is 22 percent. The government services or public services 21 percent, 13 percent of people work in the manufacturing sector, 13 percent in financial services so just to also point out that financial and business services contribute 22
20 percent to the GDP but there is not a commensurate number of people that are working in that sector so it is 13 percent and so we also have to consider that if you have an expansion of a sector is it going to be capital intensive or labour intensive, is it going to involve people to get jobs or if we move towards automation digitisation it means people are going to be

losing jobs as well if you do not have the appropriate skills so it is just important to balance the contribution to the GDP and the kinds of jobs that are created.

Again you see on the table that agriculture absorbs 5 percent of the people in employment, mining and coring 2 percent and the utilities 1 percent. So following from that if we get to the next slide and Judge you asked this question, how does the long term view look in terms of the sectoral GDP growths, what are the patterns that are tellers and what is the kinds of predictions of how jobs and where jobs would be created.

10 And if we look at that next graph then the trends of sectoral GDP growths ...[intervenes]

ADV. K. PILLAY SC: Dr Reddy I am sorry before we get to the next graph may I just ask on the previous graph what the correlation between the two is, what should we hope to see between central contribution to

15 GDP and percentage employment by the sector?

DR. V. REDDY: I do not know what we expect to see but okay if we seeing that there is very few people we would think that the ideal for the country is to have skills biased employment rather and where you are going to absorb new skills so you are going to decrease your

20 unemployment rates and so when you get to places where there is very few people needed to raise the GDP it means you are not going to be employing a whole range of people but of course not every, I mean the financial sector by nature of the work that they do will not you know employ a number of people and later on in the presentation what we

25 raise is the paradox of the South African setup because on the one hand

you have this there are certain sectors that require high skills like the financial services etcetera and where there are shortages of jobs and you do not have enough people and on the other hand you have a number of low skilled people who and you also have a decline of what
5 we call low wage jobs, the agricultural sector, the mining sector where people without having lower skill but had jobs in those sectors and so that is the kind of paradox and the complexity in which we have to deal within the South African setup and it is a challenge and Judge asked earlier whether about the ideal and what are we aiming for, I think it is,
10 this is the reality it is a paradox and a skills paradox, jobs paradox and it is like the number of other paradoxes in the country and you have got these two seemingly contradictory things but the response of the state has to be to both the groups.

COMMISSIONER ALLY: And this is to all three of you, the presentation
15 that we received from Department of Higher Education and Training they, I think it was their Seta sector or UIF sector indicates that presently at Nedlac they are running a skills development plan for the country and I would just wanted to know whether you have any knowledge of that and how that is interpreted by you in relation to what you are presenting
20 because you are giving the numbers as they are and the trends and whether the intervention that is being proposed will assist in terms of arresting the situation that we have.

DR. V. REDDY: Just give me one second I just want to find one piece of information here, I am not aware of this latest I mean the Seta sector has
25 been going through a number of changes so I am not aware of that one

and how it impacts, what we can say is from our research where we looked at the kinds of programs that the Seta's conduct and what I was looking at here is that if we look at, one of the points that we make about, if we feel that the Seta's are not addressing people that have less
5 than Grade 12 and that is a big challenge and given that close to half the employed do not have Grade 12 certificates and the Seta's are responsible for creating workplace opportunities to raise skills.

Workplaces should be offering general training to raise the level of education. Analysis of the figures to show that in 2010, 0.74 of the
10 unemployed population attended Seta supported training and this rolls to 1.6 percent in 2014 so just from our analysis we think that it is a major flaw that given the levels of the unemployed and they have less than Grade 12 that the Seta's should be having far more programs addressing that group.

15 COMMISSIONER ALLY: Well we are aware of the flaw in the system of the Seta's, what I was referring to it would seem that they have moved beyond that at a macro level in terms of what Nedlac is dealing with because they are aware of this and would want to use the funds or surplus funds that are available from UIF and from Seta's for that
20 particular purpose hence the skills development plan, the National Skills Development Plan which was envisaged from the NDP so the question I was asking is whether this national skills development plan would be able to arrest the numbers that you are indicating at the moment because it is bleak and I was just wondering whether you had engaged
25 with this plan to be able to make an assessment or analysis of that.

DR. V. REDDY: Okay as we have indicated we have not engaged with a plan but my opinion would be that if they are dealing with this group of undergrad Grade 12's and there is an increased level of education and training that is admirable and it is part of improving the education levels
5 but at the same time job creation has to take place for people to find having the education and training is one aspect but there needs to be jobs created so that they can take their place in the labour force.

JUDGE: I think that is the obvious conclusion that one must draw like in the German system where you would have from your education, the start
10 of your education that you have various streams that take you in a certain direction which then allows them to create these jobs along the and those jobs made available by the industry because they are part of that particular system.

DR. V. REDDY: If I may continue and I think coming back to the
15 question the Judge asked about which are those sectors that we see either declining or improving and we find that if we look at the graph and what we plotting here, we have the different sectors again and we showing the average growth rate over different periods, 1994 to 2000, 2001 to 2007, 2008 to 2014 and the 2008 to 2014 will also capture some
20 of the global recession and its impact on jobs. So with agriculture we have had a slow growth rate of, in the last 2008 and 2014 of less than 3 percent average growth rate for that period. If you look at the mining and two of those bars go below zero and that is being that the growth rate is negative that we have lost, there has been massive losses of
25 jobs.

JUDGE: Sorry what is utilities?

DR. V. REDDY: Things like the Eskom's and the electricity, the water, those kinds of sectors.

JUDGE: Now why have they been negative?

5 DR. V. REDDY: There has been, you probably will have automation, mechanisation and people will lose jobs in that sector so you getting towards ...[intervenes]

JUDGE: So it is not a trend that you are likely to reverse?

DR. V. REDDY: Not in the utilities but we make, okay let us look at
10 manufacturing and the concern is that manufacturing over the last 2008 to 2014 has had very little growth and so manufacturing and if you look at countries that have shown growths in economy, sorry the economy grows they have invested and it is the growth of the manufacturing sector that has led to better growth so the concern is in the
15 manufacturing sector, we have lost jobs and given the number of people that are unemployed with low levels of skills we think it is important that places like agriculture, manufacturing, that is where the stimulus should be for what we call low wage jobs so that people can take their place in that economy.

20 So you have again construction between 2001 and 2007 had a boost because it was the pre World Cup period so people were employed so it is how you are going to create those kinds of pockets of boosting the economy and in, the challenge then is in boosting the economy or creating these special intervention projects, it is have both
25 the high skilled jobs and jobs that people with low skills can take their

place. Do you want to add something?

JUDGE: And the transport decline is that due to the Gautrain and to building roads?

DR. M. ROGAN: I think I can address that by sort of making a couple of
5 statements about this graph, the first one is if you notice it ranges on the
left hand side from negative 2 percent to 10 percent so the changes you
see in the graph are fairly exaggerated and may actually fall within a
range of statistical significance. The other thing is that each one of
these broad sectors has a different story behind it so for example Dr
10 Reddy just mentioned the boom in construction was very likely due to the
World Cup as well as that period contained a strong expansion of the
housing market therefore you see that.

Other sectors such as utilities for example tend to be cyclical so
it is very difficult to capture what is happening long term when there are
15 lots of ups and downs and usually it is only when you speak to people on
the ground that you identify both what has happened and what is
expected in that particular sector. The final thing is people who forecast
growth in these sectors for a living often disagree with one another
because essentially any time you make a forecast you are basically just
20 taking an educated guess about what happens in the future based on
what has happened in the past so you are sort of extending the historical
data so I mean those exercises I feel are fraught with difficulties.

JUDGE: Well alright now thank you, you have told me two things, the
one things is that this graph maybe because of its limited scope both in,
25 well its limited scope it may be misleading.

DR. M. ROGAN: In certain respects it captures exactly what we would expect, if we look at manufacturing for example, Dr Reddy has mentioned why that is important to employment but that sharp decrease there in the final period we know that is where the international trade agreement which protected a large section of our manufacturing industries was removed almost overnight so in a sense that tells you exactly what has happened, I think what we would rather suggest is that each one of these can give you a broad sense of what is happening but to answer the detailed question sir there is sort of a story behind each one.

JUDGE: Now none of these really answers the question that I put because my question was really in relation to what is going to happen in the next 10, 20, 30 years rather than what has happened in the last 40 years and now you are telling me that it is almost impossible to predict these things.

DR. V. REDDY: Well in addition to this graph we have more detailed explanations of each of the sectors on page 62 in our full report which we can have there. The purpose, we just wanted to illustrate a few points out of this graph and as I said we will come to the point about the things like agriculture where you could have low wage jobs and so to your question about in 20, 30 years I think what the economists are suggesting and what industrial policy suggesting is that there has to be a stimulus around manufacturing, that is the sector that has the potential, most of the South East Asian economies have shown that that is where they have invested in, in order to grow the economy so I think the kind of

broad strokes is to grow the economy so I think the kind of broad strokes is that if you are looking at manufacturing there are the sort of concerning one is that if you look at government services and that you will see that increase and it is again telling us be aware that you are not
5 creating, that the job creation is totally in the public services and government services because this is not a sustainable trajectory to hold. Some of these broad ...[intervenes]

JUDGE: In a developing society like ours where there are so many societal problems that need addressing, surely it is understandable that
10 government services would increase.

DR. V. REDDY: Then I would say that in addition to that the other sectors have to increase because you are not going to draw, you cannot export and you cannot sell goods and services that will grow, you also need to grow the economy.

15 JUDGE: Yes what you are saying is that government services do not contribute greatly to the GDP or that they are of less importance in the GDP or what?

DR. M. ROGAN: Relative to their employment shares yes but they still do increase to GDP but I think what we would be interested in is per rand
20 what the contribution would be and the suggestion there is that other sectors would contribute more to GDP per rand invested so to speak. I also wanted to try and address your question about what happens in the future a little more directly. If you take a look at the manufacturing sector a large part of that in South Africa I mean we all know this is the
25 automotive sector so there is a great deal of interest for a range of

reasons on what happens to the manufacturing, the automotive manufacturing sector in South Africa and if you were to ask someone who is an expert in that sector what is going to happen in employment or growth they will almost always prefer to answer in scenarios.

5 Government has invested a huge support package in that sector but it tends to run on five year increments so someone who is trying to explain to you the future of automotive manufacturing in South Africa would prefer to give you a scenario where growth remains steady and government support package remains constant, they would prefer to give
10 you another scenario where growth increases and perhaps the support packages enhanced in a particular way so it ends up being the case that there are quite a few variables that people like to predict but one of the ones we do have some confidence in is automotive sector because it is well established and government support in that sector has been fairly
15 constant over a period of time now.

DR. V. REDDY: Just coming back to the question Judge and I think this is where yes what are the sectors where it is going to increase and we are asking the question if you looking at the private economy, now government has invested and there have been a number of strategic
20 projects that are government driven in order to stimulate the projects, sorry to stimulate the economy, the strategic integrated projects is one of them where there is about and these are big infrastructure projects that have been initiated by government. You have the new growth path and you have different, both nationally and provincially and also at metro
25 levels there has been various stimulus packages in order to create jobs.

But of course while on the one hand there are these initiatives on the other hand the GDP growth is so low that I suppose National Treasury cannot give the sort of amounts of money that is needed to create a whole lot of new jobs and absorb people that are unemployed
5 into those jobs so again the intention and to create the government initiated projects for job creation are there and it is very good on paper, there isn't the money that is then put in terms of making it work.

JUDGE: Thank you.

COMMISSIONER ALLY: It just seems to me Doctor that I recall putting
10 to somebody in 2005 from transport what is your 20 year vision in respect of transport taking into account that in my time your coal and your steel was transported by rail, we then had a shift that the rail was just left behind and so we had your lorries taking all these heavy duty appliances and so forth on the roads which damaged our roads so at
15 that particular time nobody seemed to have an idea of what we were talking about and hence we are where we are because the rail in moving forward you knew that you had to reconfigure and manufacture new gauges because the new locomotives would not be able to run on those particular gauges so it would seem to me somewhere that the strategies
20 amongst the various sectors were not talking to each other in terms of moving forward hence our continual stalemate in terms of growth.

Then you have the issue of beneficiation that they always talk about that goes nowhere because every year you have a conference and they talk about beneficiation and we go nowhere so that the growth in
25 those industries goes nowhere because you are not taking it further all

you are doing is talking about talking, is that your analysis of what is happening also?

DR. M. ROGAN: I would be offering an opinion it is not an area in which I work but I mean I think there is always a problem of different groups not speaking to each other and particular I think there is a gap between the private sector and the public sector. Others may recall the Transnet commission, the large study to address these very issues in 2007/2008 that involved topics such as beneficiation but it also had a lot to do with the transport infrastructure and the upgrading of our harbours so we have evidence that much of that did happen, where I am from in the Eastern Cape we have a brand new harbour and we have a number of export processing zones and many of which are largely empty so the question is why are they still empty and one gets the sense from speaking to a different role players that they have not been speaking to each other as much as possible but there is nothing scientific I think that we can add to that other than it being a perception and something that does come up from time to time.

COMMISSIONER ALLY: But just speaking about the Koega Development situation, if you recall when it started off everybody said it is a white elephant and therefore for years remained a white elephant until recently and part of that, except that, well part of that is that you had to have an increase in the manufacturing of your automotive area from Uitenhage coming through to St George's or the Koega area as well as coming down from Durban in order to be able to export these but is it not that it would seem that you were dumped with a certain thing and those

that believed it is a white elephant will not follow it and therefore you will not get growth in that area.

DR. M. ROGAN: Ja I think that is entirely plausible, it also probably works on short, medium and long term projections as well, I imagine a
5 number of manufacturers who would wait to see who goes first and if there is evidence that they are serious about creating this transport linkages then people would be, other firms would be willing to invest.

DR. V. REDDY: If I may go onto the next slide as a way to, again these are just information to understand our labour force in terms of the
10 sectors that they work with. Another kind of way in which we categorise people in the labour force is what kinds of occupations that they do and in an hierarchical order we have those that are managers, professionals, technicians and associate professionals, clerical support workers and it goes down to elementary workers. Now in terms of the people that are
15 employed we have just over a million that are employed as managers and these would be people say parliamentarian and Judges, you know the Judges would be professionals and Advocates, professional and so you have professionals that is just over a million then we have technicians and associate professionals and these would be your largely
20 what you would call people working in, graduating from technical and vocational education institutions and being able to take a midlevel job within the company and the various sectors.

Again the highest employment is those in elementary occupations, those with low levels of education and skill and there are
25 over 4 million people that are in elementary occupations. Judge earlier

you asked whether it is good that government is supporting workers, now one of the things has been the number of elementary workers that work in the kind of government workers, cleaners and sweepers is the, if we look at the number of how the structure of the economy has changed
5 and people that have, I mean these people have been given proper decent jobs, working for municipalities and so we have seen the highest growth in terms of jobs created within those kinds of sectors so it does create for a, it is important for our society and as I said there is a small, about 1 million people in what we call manager jobs, managers,
10 administrators.

I think Commissioner Ally you asked earlier about the notion of the qualification and the ability to do the job and to what extent are they commensurate and you mentioned your father. Now when we analyse those people that are managers in the sector only 44 percent had a
15 tertiary qualification, in other words you know the 56 percent had less than Grade 12 and I think that, I have not done any studies but my opinion is that for those that are older and would probably be white and be part, in a small closed economy not having the qualifications and if you working with social networks allows you to get the jobs and also you
20 are working in an environment where there is a transfer of skills amongst people it is easier to do that but in an environment where you have, the system is massified by more people so it does become a kind of a tool by which to differentiate people so at the moment there are just 44 percent have a tertiary qualification whereas with professionals and
25 working in that arena three quarters of them have some sort of tertiary

qualification so again it depends on the kind of jobs that one does.

And of course we would like, linked to these sort of tertiary qualifications would be more managers with higher qualifications etcetera. So the points that we wanted to make out of the analysis of the economy and the demand for skill is, and some of it is repeating but we, the poor growth rates lead to poor employment rates as well. And then the sectors where people work and the types of work, jobs that they are doing are changing and one of the things is that with the absence of low wage jobs in the manufacturing sectors there is a structural shift towards the services economy and the high dependence on the high skill financial services so we have this high dependent on the financial services which require high skills but we do not have enough people to take these jobs in the high skilled area and so again having more people that have the qualifications I think the Judge asked about if we have people with degrees we can compare with different countries but our own tertiary qualification level is much lower than most other countries so we still have vacancies in the financial services and this is part of that paragraph so then you have unemployment but the skills based of what is required for this job and the unemployed are very different.

And again we repeat that the employment growth in the state sector is not sustainable, there would come a time where we need to cap those jobs there. We also point to the fact that there is this structural mismatch between demand and supply in that there is a demand for our high skilled workers and a supply of low skilled workers and again the responsibility of the state are to both groups and the point that we

wanted to make there is that not only to, that the state in terms of its responsibility is not only in the high skilled workers it is about jobs for low skilled workers and that the economy must respond and the state must respond to those twin challenges of both the high skills based and
5 creation of low wage jobs to absorb the large numbers who are unemployed.

And furthermore I think, sorry I might get the title wrong about the lead evidence Advocate Pillay I think asked about labour intensive and capital intensive so our position is that while you have the
10 modernisation and while you have the mechanisation if we do not consider the fact that people are going to be without jobs and in the streets it is not going to be a society that we want so balancing both of them is critical for how expansion takes place and growth takes place. The next section that I just wanted to present some information about is
15 these skills supply from our schools, from our Universities and Tvet colleges.

Now it is often, no it is well known statement that one of the constraints, one of the key constraints for the success of the post school education and training sector is the quality of our education from the
20 schooling sector, that we cannot look at the PSET sector without looking at what is the quality of education that comes from the schooling sector and what, just to illustrate that and we have far more in our report if we look at the schooling sector itself that we have the bars on the graph, they yellow bars, that we have about 140, 150 000 people that graduate
25 with a bachelors pass and therefore can gain access into either

Universities or Tvet colleges so that is the one thing and it is good to see, and that number is expanding.

But within, I think there is about 6, 700 000 students that write the matric exam or Grade 12 exam and if we look at it there is about 50
5 000 students that get above 50 percent in mathematics. Now mathematics scores, language scores and the way the performances is key for how you take up any area of study in the PSET sector or even if you go to the workplace, numeracy skills and literacy skills are key but from the various studies that we have done we see that there has been a
10 slight improvement but it is not at a level that we can be comfortable about so that becomes the key constraint for how the PSET sector works.

JUDGE: I am sorry I do not quite understand, what is the N?

DR. V. REDDY: Number.

15 JUDGE: Just number is it, alright.

DR. V. REDDY: Yes sorry.

JUDGE: And the maths greater than 50 percent it represents?

DR. V. REDDY: Those, about 50 000 people scored over 50 percent in the matric examination in maths ja.

20 JUDGE: Sorry I am trying to read that into this graph, I see yes the 50 000 in 2014.

DR. V. REDDY: Yes sorry.

JUDGE: Yes I see, alright.

DR. V. REDDY: And that number is just about 53 000 in 2016 so it has

not grown massively.

COMMISSIONER KHUMALO: Is it embedded in the bachelor passes, is it part of the bachelor passes, do we say the bachelor passes on N is 50 percent of the maths?

5 DR. V. REDDY: Okay let us, I think we first have to look, the number of bachelor passes are the yellow bars and so each year about 150 000 pass with a bachelors pass and ...[intervenes]

COMMISSIONER KHUMALO: With maths?

DR. V. REDDY: They may or may not have maths they could have
10 maths or mathematical literacy, they have some form of maths but of that group and while we can applaud the 150 000 people that pass with bachelors passes only 50 000 score over 50 percent in mathematics, this means there is a very small pool of people that can go into engineering or medicine or health related or science or the science you know the
15 technical kind of subjects so we have a pool that is very small to enter into the technical subjects post Grade 12. Looking at the skills supply at the Universities and Tvet colleges and again ...[intervenes]

JUDGE: I am sorry just, I scored over 50 percent in mathematics but I never had, I would never have had a hope of going into any technical
20 field whatsoever so I am not sure what the significance of 50 percent is.

DR. V. REDDY: But, okay sorry Judge you did not like to go into a technical subject or did you think you did not have the capability?

JUDGE: I had no inclination.

DR. V. REDDY: Ja so it is about an inclination not about capability.

JUDGE: Oh no capability as well with all due respect, although I got over 50 percent that, I had no capability for mathematics of any sort so I just do not know what the significance of the 50 percent is, I could understand if you are talking about 80 percent that would be different.

5 DR. V. REDDY: It would be a very depressing graph.

JUDGE: I assure you I did not get to 80 percent.

DR. V. REDDY: No I am sure you would have managed technical subjects, I think the point about the mathematics it is a proxy for analytic skills, it is about a proxy about how one approaches and problem solving
10 and various analytical kind of skills and we could have different points about passes and if you follow the newspapers in December and the 30 percent pass or 20 percent pass we did look at 60 percent and as well which is much lower I think it is about 35 000 people that get over 60 percent in mathematics in matric which means that it is such a small pool
15 but we chose 50 percent because Universities are more, we used the kind of cut off points that Universities would take for the different subject area, science based subject areas.

DR. M. ROGAN: Speaking from a University lecture point of view you will be aware that government is quite keen to increase the enrolment in
20 the science, engineering and technology fields and many of these fields have a certain criteria for these maths scores in matric so I would suggest that 50 percent is quite a low sort of pass rate if one is considering engineering and things like that, so it is a very low marker of what is possible in terms of signing up for particular subjects which lead
25 to careers which we know that we need more of.

JUDGE: My son who is very intelligent capable fellow got a distinction for maths in matric and could not get through first year engineering.

DR. M. ROGAN: Mm ja.

JUDGE: Because of his lack of adaptability in mathematics, anyway, it is
5 one thing to learn what you need for matric it is quite another thing to apply it.

DR. M. ROGAN: Ja.

JUDGE: Ja.

DR. V. REDDY: I think at the moment the best sort of predictor about
10 how one is going to perform in science based careers is your mathematics performance, it might not be in every case and the range of issues that ...[intervenes]

JUDGE: But the fact of the matter is that too few people are getting
15 anywhere in maths, there just does not seem to be any progress in the mathematical field amongst our students.

DR. V. REDDY: Well I ...[intervenes]

COMMISSIONER ALLY: Well that is what your statistics show that over
15 150 000 you have got 50 000 people that are passing maths over 50 percent now the point I think you were making with that maths is the
20 availability of those people for the STEM programs.

DR. V. REDDY: Yes the pool yes.

COMMISSIONER ALLY: And that is the point you were making about that.

JUDGE: It is also disturbing that you tell me that in 2016 there were 53

000 which is considerably less than what there was in 2013.

DR. V. REDDY: 13 yes, Commissioner Ally that is true I think I just got a little bit carried away in my own response because I coordinated the trends in international maths and science study which we released in
5 December and the finding of that is that if you take a long term view and you look from 1994 to when we did the study in 2015 we have seen slight improvements, we still at the bottom of the lead table, the countries that participated so we chose to look at the positive about so the question is that are we improving any bit in terms of this matric pass rate
10 but at the Grade 9 level we have shown some improvement and we hope that that is going to improve but you absolutely, the purpose of that slide is to show that the pool that is available for STEM subjects which we show later is critical for the growth in our economy is very limited and so the challenge is how do we, that even those 50 000 people that might
15 score over 50 percent and if the Judges son gets an A and does not pass in first year engineering now that is a terrible, terrible loss and so how then do Universities support students so that, I mean we cannot lose anybody, there is such a small pool and it is a very precious pool and how do we make sure that they go through the system successfully.

20 JUDGE: Is this a convenient moment to adjourn for tea?

ADV. K. PILLAY SC: Thank you Chair it is a convenient time.

COMMISSIONER KHUMALO: Yes Judge I wanted to check if the pool that is potentially STEM material are you able to quantify what it would be to get them to where they should be in terms of growth in the country,
25 can we deal with it when we come back.

DR. V. REDDY: We will adjourn for a quarter of an hour thank you.

MEETING ADJOURNS

MEETING RESUMES

JUDGE: Yes, Thank you Dr Reddy?

ADV. K. PILLAY SC: Thank you Chair, Dr Reddy, I believe you are busy
5 with the slide, dealing with enrolments at public universities and TVET
colleges.

DR. V. REDDY: Commissioner Khumalo had asked a question, I was
just trying to interpret, is your question what number of high school
students that pass with over 50 percent? Is that it?

10 COMMISSIONER KHUMALO: Yes, according to your last graph, I just
want us to quantify that if they were going to go, and in the context of our
commission to say how much that all costs.

DR. V. REDDY: Oh, the cost. A very tough question. I think the - I think
that we would say something like, in order to increase that number from
15 50 thousand to more, it is not a small, it is not an easy task, and it is not
something that one could just increase overnight and that investments
made from early childhood education is what is going to incrementally
increase that number. So it is something that we need far more of
students. So we need to improve the levels of maths education in
20 schools, and in order to get the kind of levels that we want at grade 12
the investments might need to be done right from early childhood
education.

COMMISSIONER KHUMALO: But on the actual graph, of where it is
now, what has just been presented, that group that is necessary for
25 scares skills, it is ready for varsity, is it not?

DR. V. REDDY: Are they ready for varsity?

COMMISSIONER KHUMALO: Mm.

DR. V. REDDY: Potentially, because as the Judge said, his son had an A and did not [inaudible]. I think they would be, this 50 thousand would
5 be people that would potentially be accepted into course, technical courses at the traditional universities, universities of technology, at technical vocational education and training, colleges and people at universities might say, well the schools did not prepare them well enough and we need to do more with them.

10 COMMISSIONER KHUMALO: Okay. But it is just that I was wondering if we add another pool to this, or what we actually have now is ready for higher education and are we able to say how much would those cost from Grade 12, an investment that is needed for them to move forward? Unless it is outside of your scope?

15 DR. V. REDDY: It is outside of my knowledge and my scope but - do you have something from the university.

DR. M. ROGAN: Michael Rogan. I do not think we usually cost things that way, in terms of the investment from the beginning of school to the end. You know, I am not sure we would say it would cost anything extra,
20 as opposed to training these people to study something else at university, or technical college. So I think it would be difficult to put a figure to that, that would be my sense. But I think what Dr Reddy is saying is, in our field of skills development we do not view it as a cost issue that way.

25 DR. V. REDDY: The slide we were referring to is to, just to understand

the, what I want to do in the next few slides is to talk about the enrolments at universities and TVET colleges and the success rates at both these institutions, and to look at the kinds of challenges that they have within that. Now in the slides itself we see that the university sector
5 in 2014 and 2016 is around a million students in the whole sector, both the public and the - in the public university sector, and that includes the traditional universities and the universities of technologies, and the growth rate from 2010 has been from about, close to 900 thousand to a million and it is a slow growth rate of about 1.6 percent.

10 The TVET colleges on the other hand, since 2010 has undergone rapid expansion, and in 2010 there were 360 thousand students in the TVET sector and in 2014 it is 700 thousand, and so they have undergone an annual growth rate of about 23 percent. So we have seen massive expansions within the TVET sector, and the TVET sector
15 is a very important sector, or the skills gained through TVET qualifications are very important for the growth of the economy. It represents the sort-of technical vocational skills. These are about professionals, as the associate professionals they would be able to be at the middle level and contribute to production in the country.

20 Now while it is admirable that the TVET Sector has gone from 350 to about 700 thousand, when we analyse the type of qualifications or the type of courses that students are registered for, we found that 60 percent of the students are registered for courses that will, when they complete would be equivalent of a matric. So only 40 percent have,
25 what we call, a tertiary qualification. So when we are counting those in

tertiary qualification just 40 percent are in this qualification. Many students might have a grade 12 certificate, but when they go to the TVET sector we, and we call the zigzagging, that instead of linearly moving with their qualifications and improving it, they go backwards and then try
5 to gain a more skills based qualification.

Then if we go on to the next slide and we look at the enrolments and graduations, and what we want to do here is to drove down in terms of content areas of qualifications. A million, and the university sector and the TVET sector classify the qualifications in three broad areas, the
10 business, economics and management studies, secondly the science engineering and technology, and thirdly the humanity sector. What we see again, and we are giving the 2014 figures, that of the million, close to million people that are at university, 42 percent register for what we call a humanities qualification. I just thought that it was curious within
15 humanity, I mean we can go even further than that, and we have a category of law, which we refer to in our, and it is an increasing number of people that are registering for law qualifications, which might please you or not please you.

But some 42 percent register for qualifications in humanities, 30
20 percent in science, engineering and technology, and 28 percent in business, economics and management science. So those are the broad categories, and if we drill down even further within the set category, 16 percent register for science qualifications. 8.5 percent of the million for engineering qualifications, and this was a surprise for me, 5.8 for health
25 and related clinical, health related clinical subjects.

Then, within the humanities itself, and again we try, there is about 21 subjects, and we tried to get them into some category that is meaningful. The performing arts, and I am a scientist by training and I know we get criticised saying maths and science is not the only thing
5 that is important, there is a whole range of other subjects. So the performing arts at the moment is 1.4 percent. Education is a big sector of the humanities at 17 percent, and these include the students that are registered at Unisa and other humanities and social science at 23 percent.

10 So we have, you know, just giving a feel about how the university sector looks and the kinds of subjects that the students study. Now what we have got here is the enrolment figures for 2014 in the first column, and there is about a million of them. Then we also have the graduation, who graduated and finished their qualification in 2014. 185 thousand
15 people completed their qualifications at universities in 2014. These would be both degrees, and diplomas and post-graduate degrees. But again, just a sense of the numbers of people that complete their qualifications.

Again we see that the, in terms of percentages, of all the 185
20 thousand people that qualified, about 80 thousand gained qualifications in the humanities, 55 thousand in science engineering and technology, of which 29 thousand in sciences, 14 thousand in engineering and 12 thousand in the health fields. So the graduation figures of all those that graduated, 27 percent came from business economics and management
25 sciences, 30 percent from science and engineering and technology and

43 percent from the humanities. That is just, as a picture of the type of subject areas that they qualify or register and complete.

Now, I will make the point later. The next thing is to look at TVET colleges, what kind of subjects do they register in, and in the TVET
5 sector they offer qualifications in three main areas, the engineering and the services, the hospitality, tourism, the whole range of services and the business qualifications. Now it is difficult to quantify the whole of the TVET sector, it is a very difficult sector to say - because people go for one-year qualifications and they look at success rates.

10 So to actually get a sense of the whole thing is a bit difficult, and we have taken two qualifications that they have, the national qualification, vocational program four. These people would qualify, would achieve a qualification that is equivalent to a matric, just to give you a sense of how it works, and then the NATED six program, the
15 technical qualification where people would qualify with a diploma and you would say they have a tertiary qualification.

So in 2014 7500 students registered at the TVET colleges for engineering and NCV four and one in five passed and completed. So a concern in terms of qualifications. In terms of the services, 4000
20 registered and close to half completed and qualified. In the business sector, and that seems to be a popular one, it is 9700, with 39 percent completing.

If we look at the NATED qualifications and this would, people would be, would graduate with a higher qualification and they would take
25 the jobs as associate professionals, you know, we have better look, the

engineering looks better, 15900 would have registered and half qualified. The services 4600 and business 36 thousand and of course a big issue, if we look overall at the TVET sector is, as I said, the first issue is that most people are registering for qualifications that leads them up to a
5 matric equivalent and not a tertiary and secondly that the issue about success rates are very limited and a concern is in terms of the quality, or the internal efficiencies in terms of people successfully completing their programs.

COMMISSIONER KHUMALO: Have these figures been revisited since
10 2014?

DR. V. REDDY: No. We used the Department of Higher Education and Training figures and there is a lag-time before we can get the latest figures. But we do know, for example, in terms of the TVET sector this year, or the last two years there has been a drop in enrolments in the
15 TVET sector. So we have not seen the latest figures as yet. One of the problems is that, to try and build up the information system in this sector is quite difficult. The figures for the higher education system is much better and far more reliable.

COMMISSIONER KHUMALO: What is the status of this information
20 now? What was and potentially?

DR. V. REDDY: It is - these are audited figures and so it has the status of the accepted figures.

COMMISSIONER KHUMALO: There are no other ones done after this?
Or they are in the process?

25 DR. V. REDDY: They are in the process.

COMMISSIONER KHUMALO: Okay.

DR. V. REDDY: We could ask them to, if there is preliminary figures that they have, the un-audited figures, perhaps, if that is required.

COMMISSIONER KHUMALO: With the authenticity of the status quo
5 and for evidence in the commission I think it would help.

DR. V. REDDY: Okay. We would ask the head. What we then looked at in the next figure is to say, you know, if we look at the skills that are required for the economy and what are these kind of people that are coming out of the TVET, sorry from the post-school education and
10 training sector, and what are the numbers that we have, and we have chosen the particulars, a few areas, the business sciences, science itself, engineering, teacher education, since this is a qualification that is, there is always a need for teachers and computer and informatics. What we tried to differentiate was the different levels of qualification, whether it
15 was a university degree, a university diploma, a NATED 6 qualification or an equivalent of a matric. You will notice that in a year there would have been over 60 thousand business science qualifications. Now the one thing I must just caution, we do not know, we do not have full information at the moment, whether these are absolutely new graduates that come
20 into the system, or those people that are in work and improving their qualifications. Especially with the Unisa qualification.

So we see that the business sciences we have over 60 thousands qualifications at different levels. The sciences is just over 25, about 26 thousand people that, you know, qualified with sciences, of
25 which 21 thousand with university degrees and 7800 university diplomas.

So that is our kind of skill pool. Engineers, in total it is 20 thousand at different levels of qualifications and therefore being able to take up jobs at different levels. In terms of the degree, 7800. Initial teacher education, new teachers and because the Department of Education offers the Funza Lushaka bursary it has been a boost in terms of getting new teachers. So 17 thousand new teachers and computer and informatics is close to 7000 people with qualification.

So this just give a sense of the kind of skills that are coming through our TVET sector, sorry, our post-school education and training sector. So we say that, and these are some of the things that we just, just to consolidate, that the constraint for the post-school education and training system is the inadequate policy of basic education, and if we want to improve the success rates at the post-school education and training, if students came through with much stronger matric passes, especially in the language and literacy and numeracy and mathematics it would enhance their chances at the university. But of course that does not mean that the universities themselves could not do a whole lot more in order to improve success rates. As I said, the TVET sector is expanding and it has expanded, there has been a massive expansion and as in all systems, if you have massive expansions you have drops in quality.

JUDGE: Well now, may I just ask you in relation to that very point. That is a fairly high rate of expansion over a period seven years, whatever it is.

25 DR. V. REDDY: Well 2014, yes.

JUDGE: Five years, alright. But what is the percentage, if you take out the business, what is the expansion in the TVET sector, in the engineering and services sector?

DR. V. REDDY: Judge [inaudible] to the graphs in the document.

5 JUDGE: Yes, yes. Because it does seem to me that there is a huge emphasis on business in the TVET colleges and as frequently as one hears people complaining that they cannot get jobs from the TVET sector, you find they have a business qualification.

DR. V. REDDY: Yes, if I can make one point? In the university sector
10 enrolments is guided by the national plan for higher education in that 30 percent of enrolments should be in the sciences, 30 percent should be for businesses and 40 percent for humanities. In the TVET sector they do not have a plan to guide enrolments. So it is the student's choices in terms of when they come in there, and if we look at the - just give me a
15 second ... [intervenes]

JUDGE: So if the average rate over the whole sector has been 23 percent since 2010, what has the average rate been, for example, in the business sector, or in the engineering and services sector?

DR. V. REDDY: Okay. With the qualification that we have limited data
20 on this, because of the sector, for the NCV program, the engineering in 2010 there were 4200 writing the exams and in 2014 7500. So it is close to double for the NCV program. In terms of Level 6, the diploma, in 2013 there were 18600 and that dropped to 15900 in 2014.

JUDGE: What about the business?

25 DR. V. REDDY: Business at the equivalent of NCV program 4, there

were 4000 that wrote in 2010 and 9800 in 2014. At the NATED program there were 22 thousand that wrote in 2013 and 36 thousand in 2014. So there has been the massive expansion in terms of business qualifications. One of the recommendations that we have made to the
5 Department of Higher Education and training is that there need to be a, like for the - well two recommendations we have made from this analyses, is the universities should change their enrolment patterns to 35 percent for science, 30 percent for business and degrees humanities to 35 percent.

10 That there should be a reconfiguration of the emphasis given to this sector, and for the TVET sector we are suggesting again that they start working with an enrolment plan and with the, you know, what is suitable for set, for the science and engineering and what should be the services and what should be the businesses. We have not prescribed
15 anything, we just painted the picture. But we do think that there needs to be a plan with regard to enrolments. So a bit of direction of students into particular fields.

As we said here is that, in terms of the education skills we improved access and it has been at schooling where you have, both at
20 the primary and secondary school high enrolment rates. At the university there is a million students and TVET colleges the expansion, but quality remains elusive in all institutions. So the big challenge is that once we have got the people into these institutions how do we ensure that quality improves.

25 The last part of my presentation, and I will try to go over it

quickly, and then Mike Rogan will take over, one of the interesting things is, that we asked was, having this education, where does it go to? Is there any link between the education and labour market? Do people take up jobs that are relevant to their qualifications? Because if there is
5 an investment made in terms of training an engineer, do they work as an engineer.

In order to do this, and Mike will deal with a more nuanced picture, but we used, in this report, the data from Stats SA and report of the labour force survey and just looked at the employed people and to
10 get a sense of, with their qualifications where did they go to? What we did was, firstly to find out which sectors do people that have either a degree or a diploma. By the way, we said that the employed is 15 million people. 3 million of the people that are employed have either a degree or a diploma qualification. In other words, what we call a tertiary
15 qualification.

Of that 3 million 1.2 million have degrees, that is in our whole labour force and 1.8 million have a diploma, and we were able to, with the data that we had, was to say, where do these people work. Now if we look at the graph that is given there, of the 1.2 million degrees, 50
20 percent of them work in community, social services, and that is largely in the public services. So the investment that is made in degrees, half of them work in community and social services, and 25 percent of the degrees work in the financial services sector.

Which means three quarters, 3 out of 4 work in just two sectors,
25 and there is very few people with these sort of degree qualifications in

the other sectors, and then we will come back whether this is a problem or not, or whether that is the normal pattern. We did look at some other countries, I think in the UK, 14 percent of the degree qualifications do work in the public services as well. So it is a big employer of university
5 qualifications.

If you look on the right-hand side, at that column, similarly, the technical vocational qualifications, 43 percent in the government services and 18 percent, that is 51 percent, over half of them work in those two sectors, we would have expected people that gained technical
10 vocational qualifications to be working more in manufacturing, in construction, in mining and quarrying(?), because these are the kind of technical subjects, but it is just half of them that work in the other sectors.

So that raises some questions which will come up in terms of
15 work conditions, are there work conditions in government that are far more favourable, and people make their choices to work within that sector, rather than in the other sectors, because again, what is the returns on education, and where do they work.

COMMISSIONER KHUMALO: In terms of the previous slide, when you,
20 we had different categories, you said it is engineering, business, you remember the curriculum?

DR. V. REDDY: Mm.

COMMISSIONER KHUMALO: So in this, in that, according to that slide, so financial will be people from business?

25 DR. V. REDDY: Well there are some surprises there. If I can just go

through the presentation and then we also, within the document we give you the details of, and we can come back to that.

COMMISSIONER KHUMALO: But they would have studied for them to be identified like this?

5 DR. V. REDDY: Sorry?

COMMISSIONER KHUMALO: No, I am saying the community and social services, a person under that, the 43 would have studied what at TVET? Remember according to that graph, the previous graph?

DR. V. REDDY: Okay, I will tell you right now.

10 COMMISSIONER KHUMALO: This one [inaudible] if you have got a specific curriculum that speaks to what is out there, you know, in the Tvet's?

DR. V. REDDY: Okay, I will come back to that question while - I will just give you the picture for the whole lot and then I will come back to the
15 question with the specifics. If we look - ja, so we have looked at the sectors then, like we said, we also categorise people by their occupations. Of course, if you look at the next slide, so we have got, if people have degrees they are working in the, as managers and senior officials, 25 percent work in that kind of category of jobs, 51 percent work
20 as professionals, which means they are using their skills within that range and 11 percent as technicians and associate professionals. So over 85 percent are at least in the kind of occupations that is commensurate with the qualifications.

If we look at the TVET qualifications, the 1.8 million, they are
25 spread out in the two, in the five categories. They work as managers,

they work as professionals, they work as technicians and associate professionals, they work as clerical support workers, and they work as sales and service workers. So there is a far more spread within that, and the interesting question is, are they using, are their jobs
5 commensurate with their level of qualifications, or are they under-employed. So this again gives us some signals and this is the high level, and Mike will be dealing more with the specifics, but at a high level it gives a signal about the kinds of jobs people do and the kinds of sectors they work with.

10 Then let us look at engineering as a specific qualification and within the documents we have got all the qualifications and we will tell you in a moment, for those that are working within government services, which sector would they have qualified in, and if we look at engineers. People qualify as engineers, but 31 percent, close to one third work in
15 the financial services sector.

So yes, Commissioner Khumalo, there would, people from business would also work there, but your engineers are more attracted to the financial services sector, than to manufacturing or construction. So they qualify in Engineering but the subsequent work is in a range of
20 other qualify, other jobs and it is considered globally, it is considered that engineering is one of those most versatile qualifications, and this is a global phenomenon, it is not only in South Africa. People that qualify, many people that qualify as engineers move to the financial services sector. So we find ... [intervenes]

25 COMMISSIONER KHUMALO: Ja just, I was referring to, is it slide 17, on

those enrolments and graduations when I was saying, from that, to produce that, you know, is it consistent with what is envisaged, so to speak?

DR. V. REDDY: Sorry?

5 COMMISSIONER KHUMALO: No, I am saying, we are saying engineering services, business, and then we spread it in terms of sectors. So I wanted to see if the Tvet's are covering enough that is necessary for these results in the current slide?

DR. V. REDDY: Just to differentiate, slide 17 are people that are
10 enrolled at the university at, in 2014. In terms of these slides here, these are people that are employed. So it will be the whole work force.

COMMISSIONER KHUMALO: But there would have been those, because there is a slide ... [intervenes]

DR. V. REDDY: They would not be counted in that slide 17.

15 COMMISSIONER KHUMALO: Because it is TVET, colleges, enrolments and graduation 2014.

DR. V. REDDY: Yes. So some of them would be, once they, if they got a job, once they have got - if they are in a job when the survey was conducted then they counted.

20 COMMISSIONER KHUMALO: Yes, and I am saying, I am not talking numbers here, I am talking the curriculum, the national curriculum, the program, and I am saying does it cover, if it is limited to this, what the different sectors require?

DR. V. REDDY: We have not done the analyses of the requirement of

the curriculum, the curriculum requirement. But what we do have is that, for example ... [intervenes]

COMMISSIONER KHUMALO: Because my worry is that we have percentages that actually reflect less than what, I mean, the national
5 development plan requires, and I am saying, if the problem is at the Tvet's it needs, through your slides to be identified. That is the point.

DR. V. REDDY: Okay, okay, and the response to that is that, we have far too, there are too few graduates from the TVET sector to meet the needs of our economy. So as we said, in terms of where they go to, and
10 the engineers - we have the same detailed analyses for each, every qualification and where are they working and the jobs that they do. This is just to illustrate with the engineering qualification that people that qualify as engineers do not necessarily work as engineers. Which leads to the implication that if you look at the skills needs of the country, and if
15 say the NDP said we need a 100 engineers, to work as engineers. In terms of graduation we might need 300, because not all of them are going to work in the sectors that they require. So the requirements from skills planning is that we need to train far more engineers, because they do not work as engineers and they move into different areas, then it is
20 required - you cannot just look at it and say there is a job for 100 engineers, therefore we should train 100.

We know from this pattern that they move to other areas, so we might have to train, and the challenge for the higher education sector is to train far more than is required in these kind of set areas. So this
25 repeats it, that, the same points and I would not go over it because of the

time, but as the high proportion of set graduates from both higher education and TVET sector prefer to work in the financial services, rather than things like manufacturing and construction where we would think their skills would be used. So it have ... [intervenes]

5 JUDGE: But Doctor, perhaps that is the facts as they are, have you drawn, so you have not done the study as to why that is as it is. My recollection, when I tried to, when I started an MBA in 2001, the majority of our class mates were engineers, and one of the reasons for that was that there are higher paying jobs in the financial sector than there is
10 within their own strings.

DR. V. REDDY: That is true.

JUDGE: And therefore the question rather is, are we packeting them correctly, or paying them correctly and the problem is, our economy cannot take them all within that because we cannot pay them, and as
15 you made, your conclusion was, if your economy is not growing you would not be able to get more and more people in the streams that we want them in?

DR. V. REDDY: Yes and what, we have not done the detailed study, but of course individuals will make choices about which is going to offer you
20 the best conditions of service. I mean the market, it is a free market economy, or the economy. Individuals will make choices, and I think Mike will refer to some of the details in his own studies that are there. Again just to reinforce the comment that we made before is that set qualifications at both the university and TVET are very- very versatile
25 qualifications, they are in high demand and it is an area that we need to

invest in gravely for our set of skills in the economy.

Just one last slide I think, there. The letter had asked us to talk a bit about occupations in high demand and I was not clear what I should talk about. But just to say, in order to try to identify which are those
5 occupations that is needed most by the economy, the Department of higher Education and training has published a list in 2014 and in 2015. So they need an occupations in high demand in order to plan for enrolments.

The Department of Home affairs also needs a list of, what are
10 those shortages that we have in the economy, in order to help them give visas for people to work in the country, and so, and I must say that these methodologies are still at a fledgling stage they, we have been working, has been working through those methodologies and the 2015 list is a very, very long list, and of course in the country, given the various
15 shortages, there is shortages of every level of occupation, anaesthetist, a theatre nurse, a judge, an advocate, a maths and science school teacher.

So the moment the list is too vast, we would say, for any planning purposes, or for any decision making purposes, because
20 almost every job is on the list. But that is what a bit, maybe you would ask us more questions here. And just in terms of our sort of final, or my final comments. So given the situation about the nature of the economy with its high skilled demand, high skilled jobs and its unemployed with low skills, what are the three main things that we would say.

25 So we said, you know, we need to look at, you cannot separate

skills development from jobs. Both need to go hand-in-hand. And that the economy, and as we grow the economy and all, as we create new jobs, there should be jobs that are both for participating in the global competitive environment and jobs for those that, the low-wage jobs, to
5 respond to the local context so that people are not in unemployment. So that was the first thing.

The second thing that we have said is that, every level of education and skill needs improvement. Whether it is the ECD sector, the schooling sector, the TVET Sector or the higher education and
10 training. Everyone is a priority and therefore you have our total sympathy as you make your decisions. But we recognise, and we cannot separate any - and in terms of looking at this, we would say that you know, you have got to look at the whole picture rather than only one sector in isolation. Whether it is the university sector, it cannot be a
15 decision only about one, because every one of them are important to have needs and how one prioritise it.

And then the third point is that, short of centralised plan, the Soviet Union Star centralised planning, but how do we match fields of study with the work that people do, so it equally needs to look in terms of
20 the conditions of work, and if you want somebody to work as an engineer then you have got to make the work conditions attractive in order to - so that free choice would ensure that people work in those areas. And I think from my side I would stop at this point and Mike Rogan takes over.

ADV. K. PILLAY SC: Thank you Dr Reddy. Dr Rogan, can we begin with
25 your presentation then?

DR. M. ROGAN: Thank you. Is someone able to load the next set of slides? Ja, thank you. Alright, so it is Michael Rogan. So the focus of this last set of slides is trying to present evidence on what happens to people when they leave the universities and TVET colleges, and I would
5 like to preface the testimony by saying that you may be surprised that we do not know as you think that we should about this particular topic. It seems like the sort of thing we ought to know, and it seems like the type of thing that ought to be easily to find out, alright, what happens to people when they leave our public universities.

10 So the evidence I will be presenting comes from really the only two sources we have on this. The first is the labour force survey again, which Dr Reddy has discussed from the previous presentation. This has the advantage that the numbers we get from it are representative of South Africa, the work-force as a whole, the trade office, these data are
15 not very nuanced, they just give you broader pictures.

Now as of 2016 we have about six or seven studies which have been more detailed in South Africa. So the other part of my evidence will be based on a syntheses of these six or seven studies which actually found graduates from these universities and then followed them a few
20 years later to ask questions, which were far more nuanced, but not necessarily representative. So that is the sort-of texture of the evidence that I will be, to which I will be speaking today.

Much of this is available in two reports,, both of these have been submitted to the commission here as evidence. They are predominantly
25 presenting information from a study we did under the labour market

intelligence partnership, in two Eastern Cape universities. But they also make reference to all of the studies which I will be discussing here. So for further information or detail I would direct the commission to these two reports. So starting off fairly broadly, here is what we know about
5 starting off with university graduates and the labour market. I think we can classify it as good news and bad news. The good news is that the unemployment rate amongst university graduates in South Africa is actually very low and it is consistently been less than 5 percent and this compares very favourably with countries around the world, including
10 OECD countries. If you consider that our overall unemployment rate is about 25 percent, 5 percent for graduates, it is quite low.

There also very little evidence that this has changed much over time. We know that the number of graduates that have enrolled have increased in the past 20 years, but the unemployment rate has remained
15 relatively low, at around 5 percent. So we consider this to be very good news indeed. It is only slightly higher for younger graduates, and here we are talking about recent graduates, who perhaps graduated in the past five or ten years, it only increases to about 10 or 12 percent of this younger cohort, but again, that is very low by international standards.
20 On ... [intervenes]

COMMISSIONER KHUMALO: Sorry Mr Rogan, on this study, is it, I know it is random, but did you do the government only or you includes the private sector and informal sectors?

DR. M. ROGAN: Alright, so this is all types of employment, and I am
25 going to move later in the presentation to try and suggest whether some

of this employment is relevant to what they studied, and where they end up working. But at the moment this is just ... [intervenes]

COMMISSIONER KHUMALO: So they were followed everywhere?

DR. M. ROGAN: These one were not followed, these comes from the
5 labour force survey. So this is representative for the graduate work force as a whole.

COMMISSIONER KHUMALO: Okay. So private sector is included?

DR. M. ROGAN: Ja, all types of jobs. Some of them could be informally employed as well. Ja, right. And again, I would stress that these are
10 graduates of all ages. So if somebody is 64, about to retire but they have a university degree they are included in these statistics, along with people who just graduated from universities. Unemployment among black graduates is also quite low and has been decreasing, and I will give some more evidence on this later. Obviously this is of interest in
15 South Africa because we have an expectation of transformation from our higher education sector as well. So on a very broad glance these are the good pieces of news, about graduate unemployment in South Africa. But there are a few pieces of bad news to report as well.

The first is that almost every study of graduates, whether it is
20 done through the labour force survey or whether it is a smaller study which is followed graduates has found higher rates of unemployment for women and black Asian and black Indian and coloured graduates, so there are some disparities in the probability of employment amongst graduates themselves. Probably the strongest piece of evidence we
25 have, and one of the most recent, is that there are very differing rates of

unemployment by type of university. So we find this all over the world. People who go to elite private universities have much lower unemployment rates than those who go to public universities. In South Africa the big disparity is between, what we call the historically advantaged institutions and the historically disadvantage institutions, and it largely is defined along where these universities were in South Africa's historical higher education landscape.

We find large differences in the probability of unemployment between these two types of universities. I will present some details on that as we go on. Something that might be occurring to you, based on Dr Reddy's presentation is, what about fields of study, would we not like to know whether engineers have a higher rate of employment than accountants or a pharmacist, and the bad news is, from the labour force survey we are not able to make a more distinct comparison. So there we have to rely on the smaller studies, and that is simply to do with sample size.

I give an example in this slide here. If we are looking at recent graduates who were between the ages of 21 and 24, we only have 62 people in the labour force survey to represent that entire group. Obviously we cannot split that down into smaller categories such as whether they studied engineering and things like that. So as part of the testimony here I would like to emphasise, there is some uncertainty over whether field of study and particular degree choice are linked with different probabilities of unemployment. But I get to more of that a little bit later.

So the big question we ask in the research we do is, why are some graduates unemployed versus others who are able to find employment? There is some evidence that humanities and arts graduates are more likely to be unemployed than other categories, such as education, science and engineering. But not all the studies agree on this, so this is a contested point. Some studies find no difference amongst the brought groups of subjects.

As I mentioned earlier, there is very compelling evidence that the type of university you attend has a big say in whether or not you find a job. So one of the more recent questions we have been addressing in the research community in South Africa is, what is it about these graduates from the historically disadvantaged universities, which makes them less likely to be employed after they graduate?

Some of the theories which have been put forward and tested in the research that has been done is again, field of study. Is it the case that students who go to these historically disadvantaged universities are studying the wrong thing, they are studying humanity subjects instead of engineering subjects. Is that part of the problem? Another one is, is it just a problem of matching? So it is not the case that they are studying the wrong thing, perhaps it is the case that everyone is studying exactly what they should, but they are not identifying the opportunities in the labour market to the same extent as their compatriots in the historically advantaged universities.

So the problem there is a very different type, if that is indeed the case. we need to find a way to connect graduates with the employment

opportunities associated with what they study. Another theory put forth in the literature is one about signalling and we have some evidence to corroborate this from the employer's side research. Is it the case that some employers receive negative signals about these historically
5 disadvantaged universities? They do not trust the quality of degrees from them and therefore there is a perception problem? We do see some evidence of that when we do interviews with firms and employers themselves. They do not have faith in the degrees or the pieces of paper which were provided by some universities versus others.

10 The final possibility which is explored in the research that we do is whether it is a lack of social networks, and this is somewhat related to the problem of matching, it is the case that you are studying the correct subject, there is a demand for it, that type of degree in the labour market, but you do not have the social networks to get your foot in the door, or
15 find out about opportunities, and in reality it is probably a combination of these four factors, which explain why graduates from the historically disadvantaged universities are less able to find employment.

Some studies tend to come down on one explanation more than the other, but I think you can appreciate it is not as simple as it being
20 one explanation or another. I think there are flavours of all of these problems, which help explain why going to one university is, leads to a greater chance of being employed, than going to another one.

So looking at the figures from the labour force survey, to give you a sense of what we can say, these are the unemployment rates for
25 black graduates and for white graduates. So you remember at the

beginning the solid line, the darker red line at the top are the unemployment rates for black university graduates in South Africa, in the lighter red dotted line at the bottom is the unemployment rate for white graduates at South African Universities, and you can see, we are
5 covering the time span, 2000 to 2015, the most recent data we had.

COMMISSIONER ALLY: Doctor and black? Is it as defined in the Employment Equity Act, or is it “black” as in African?

DR. M. ROGAN: Ja, this is a good point. This particular study, not my own, but a colleague’s was looking at black African specifically, ja. But
10 you are right, some studies do combine the groups. Let me just get to that page myself. So you will recall at the beginning I said one good piece of news in South Africa is the unemployment rate for black graduates is decreasing, and you can clearly see that from 2000 until about 2005.

15 Since then the unemployed have remained, if we take to the survey has marginal error the unemployment rates have remained largely unchanged for black and white graduates. But clearly the case that, that overall figure that I gave you at the beginning of a five percent unemployment rate for graduates in South Africa is different for different
20 types of graduates and compelling evidence in almost any study that black graduates are more likely to be unemployed than white graduates, despite the disclaimer that there was progress, which we would expect in the first part of the 2000. So that obviously leads to the question well is it because these graduates are going to historically disadvantaged
25 universities or the historically advantaged ones. So the next graph you

have in front of you looks at both race of all four race groups in South Africa, and what type of university they attended.

I will just make two quick points here. The top line, the dotted red line, yes, those are black graduates that attended an historically disadvantaged university, and you can see the shape is very similar from the graph before. So the unemployment rate is much higher for black graduates who went to historically disadvantaged universities. If you would like to compare that, it is just under 15 percent in 2015, you can see there.

If you would like to compare that to black graduates who went to historically advantaged universities, the Cape Town, Stellenbosch, Wits, University of Pretoria, Rhodes university, etcetera, you can see it is still higher than for white graduates, but, rather than close to 15 percent it is about 7 percent. So there is a big difference, even with, among black graduates on which type of university you attended. But certainly black graduates who attended a historically disadvantaged university are at the highest risk of unemployment. White graduates consistently less than 5 percent. So the unemployment rate for a white graduate is indeed very, very low, even by international standards.

If you turn to the next graph there, this is all from the same study, a colleague of ours who has worked under the labour market intelligent partnership. Here we are looking at different types of qualification holders. The bottom line, the dark red one, is the one you have already seen for university graduates. Those are people with degrees or greater. So those are bachelor's degrees or masters degrees

or higher, and there you can see what we are really talking about, is the low unemployment rate for these particular types of graduates.

The next line-up in the middle, this denotes diplomats. These are people who received post-graduate diplomas or certificates. The vast majority of these are at the TVET colleges, although some of them are taking some sort of diploma or they received some sort of diploma or certificate at a university. Unfortunately it is not possible to untangle them in the data we have at the national level.

Then finally the top line is the one we see in the newspapers on a fairly regular basis. That is the unemployment rate for the labour force as a whole, and so you can see it tops out at about 25 percent, but stays about there. So the lesson here, or the finding here is quite clear, there is a large difference in the risk of unemployment between TVET completers versus university graduate degree holders.

Often times when we are in conferences or meetings such as this, when we talk about the high unemployment rate amongst TVET completers, so here you can see it is anywhere between 15 and 20 percent. People often ask is, well if it is that high why would people get a TVET qualification, and you can see, the answer is actually quite clear, because if you look at the working age population as a whole, those without any qualifications will obviously have an even higher risk of unemployment.

So what I would take from this is that certainly the unemployment rate of 16 or 17 percent for people with certificates and diplomas from the TVET sector is way too high to be acceptable, but still

it shows that some of these people are getting jobs after getting some sort of TVET qualifications.

COMMISSIONER ALLY: Doctor, and this is posed to all three of you, in the age of recruitment agencies and the types of questions asked in the
5 interviews, have you found that the questions are phrased in a manner that determines where you came from, or are the questions objective, and will not take into account where you come from? Because that will perhaps highlight where we are in our recruitment of graduates and employees, as opposed to where we come from, but has there been an
10 extensive study of the kinds of questions asked by these interviewers, inter alia these recruitment agencies?

DR. M. ROGAN: So I would lump(?) the research into not just recruitment agencies but employers and recruitment agencies at the same time, and we also had evidence from, responses from job seekers
15 themselves about how the whole recruitment process as a whole goes, and that is where a lot of evidence in favour of the signalling theory comes from. They feel discriminated against, because they feel as though the employers do not value the qualifications, they have as much as they do compared to people who have qualifications from
20 Stellenbosch, UCT, Wits, and in particular both firm level surveys and job seekers surveys seems to suggest that there is a real problem between firms and having some type of confidence in the certificates from the vocational education in particular.

COMMISSIONER ALLY: I am more interested in because what you, the
25 response you are giving seems to be a subjective response from

interviewees, I was trying to get at whether a study has been done of the types of questions employers and recruitment agencies are asking. So from an objective point of view, you can then determine whether the subjective is related to the objective, because subjectively if you never
5 got the job you are going to say, that is because I am black, or that is because I went to UWC and not to Wits or whatever it is. So I was just trying to discern whether one can draw a distinction between the subjective and the objective?

DR. M. ROGAN: I think the methodology would prevent you from doing
10 that, purely because we do not have the type of sample which would allow us to do that, and secondly it would be difficult to distinguish the questions that are opposed to job-seekers versus what is on their CV. Which is fairly standard. One other thing I would add is that, in the particular study we did in the Eastern Cape, we asked graduates who
15 were successful in the labour market how they got their jobs and amongst the sample from Rhodes University the vast majority got their jobs through some sort of social network, whereas the University of Fort Hare graduates that we interviewed, the vast majority found it through some sort of formal job seeking thing. Signing up with the recruitment
20 agency, responding to advertisements in the newspaper and things like that.

MS. B. MNCWANGO: Mike just touched on ... [intervenes]

COMMISSIONER ALLY: Thank you. Just put yourself on record Ms Mncwango.

25 MS. B. MNCWANGO: Bongwiwe Mncwango, okay, maybe not directly

responding to your question, but I just want to add on what Mike has touched on, on the importance of job-searching methods what we should also keep in mind. Because most of the studies are indeed, we have got a lot of evidence showing that most people find jobs through networks.

5 So those people with no social capital are already excluded from the system on the basis of having no networks.

DR. V. REDDY: Dr Reddy. If I can add one more piece of information. In a study a colleague of ours, Xolani Ngazimbi did, where she interviewed a number of employers, and in particular HR departments

10 about how you recruit, and many of the recruiting practices is to go to the top 5 or top 6 universities. So the companies have already decided this is where we are going to go.

Also in terms of their bursaries. Because they do offer, companies do want to get your studies in and they go already to

15 universities, try to target the better performing students and they were quite clear in this interview that they would go to, to the top performing universities, because those are the ones that they would invest in. so it is again a case where the, you know, the inequalities are increased by the practices that happen.

20 COMMISSIONER ALLY: Thank you.

DR. M. ROGAN: But I think it is important to note - Michael Rogan again. I think it is important to note that the question you are asking is something of a black-box in research and it has largely to do with the difficulty of unpacking those, exactly those types of relationships. So the

25 previous slide was the first one that gave any sort of evidence on

unemployment rates amongst Tvet's, completers or graduates, and it is important to say at this point that even less is known about the TVET sector, compared with the higher education, university sector in terms of what happens in the labour market.

5 There is almost no data available to researchers to analyse what happens, the department of higher education and training is very aware of this and it is something that they are urgently trying to address, you know, there is simply no tools to use to answer the key questions we have about the TVET sector. This means that we rely on, to a large
10 extent anecdotal evidence, and I think it came up earlier in the testimony here, the sense that people do not get jobs after vocational training, and also this palpable sense that many employers do not trust the qualifications they get.

To the extent that this is the case, it is almost impossible to say,
15 but almost everyone in South Africa has heard some sort of version of this explanation. So in terms of what we do have to analyse, this leaves us with a number of very small studies, which have usually try to do the same thing that we have done, that is to try and trace these graduates, find them five years or so after they qualified and see what the outcomes
20 have been.

It is very difficult to synthesise them the way I have done for the university sort of topic, because they vary so much in terms of what they are looking at. So for example, some will focus on NCV124, the next will focus only on NATED completers, and they are so diverse that it is
25 difficult to get a bigger picture.

If I had to sort-of say, there is one sort-of common finding that these studies come up with, is that there are also differences in the probability of employment within TVET graduates. We cannot say much more than that. The slide you have in front of you is done by a colleague
5 of ours who followed up NATED graduates to see whether they were employed. She looked at a number of different things, but the biggest one was probably race, and here she found that about four years after they completed their qualifications just over half were currently employed, but this differed quite a bit by race, and you can see there,
10 about 90 percent of the white completers from the NATED course were employed when she interviewed them and found them, and this compared very poorly to only 40 percent of black completers. So a huge disparity in the probability of employment within the TVET sector, and unfortunately we know very little about that.

15 So the remaining slides are going to be focussed on the study which we conducted ourselves. We obviously feel more comfortable discussing this, and we know it in detail, and as I alluded to earlier, we followed graduates from Rhodes University and from the University of Fort Hare, and we were able to gain full access to the university data
20 basis and therefore draw our representative samples. So we feel relatively confident in our results, relative to other types of studies of this nature. The obvious caveat is that we are only looking at two universities here, so we are not looking at the university sector as a whole in South Africa.

25 The first slide in this section is probably the most telling. The

light grey bars are the unemployment rates for graduates from the university of Fort Hare and the black bars on the graph are the unemployment rates for the Fort Hare - sorry, the Rhodes University graduates.

5 So if you look to the far right of the graph, those are all graduates from those two universities. So you can see, the Fort Hare sample had an unemployment rate of about 20 percent, whereas the Rhodes sample had an unemployment rate of only six percent. So unemployment for Fort Hare graduates of the exact same age was about
10 three times higher.

 This does not compare perfectly with the first graph I showed you, because that was showing you unemployment rates for all graduates in the South African Labour market. These graduates are quite new, they only been in the labour for about four years. Some of
15 them even less if they qualified with another type of degree afterwards.

 So it fits broadly with the national picture, and as well as with the studies which suggests that graduates from the historically disadvantaged universities have a much smaller chance of finding employment. But I think the difference between the two is sobering and
20 somewhat worrying, that there can be this level of disparity within the graduate labour market in South Africa.

 So the four bars to the left then, present unemployment rates by a broad area of study. So you would be comparing here mostly between the same colours of the bar graph. So for example, the question might
25 be, at Rhodes University where some graduates are more likely to find

employment than others. So for example, 9 percent of humanity graduates at Rhodes were unemployed, compared to about 4.6 percent of those who study some sort of science, engineering or technology degree.

5 So the first conclusion you might draw is that, at Rhodes University Humanity's graduates are more likely to be unemployed. Which is what the graph suggest but with this type of survey you always have to factor in the margin of error you get from a sample and if you factor that in there is literally no significant difference between any of the
10 subjects. So we did not find the greater risk of unemployment between humanity's graduates and other types of graduates.

 You will see that the unemployment rate is zero for education graduates at Rhodes that is sort of an anomaly. That is only because at Rhodes University we do not have a typical BA degree. We retrain
15 teachers, so they are literally employed when they come and they go back to their jobs when they leave. So it is not a fair reflection on an education degree.

 At Fort Hare on the other hand, you can see the unemployment rate for those who did a traditional B-Ed, there is only about 9 percent,
20 8.8 percent. That is the only statistical finding we could make at Fort Hare, was that education graduates were more likely to find work. But you can expect that, since many of them actually entered with bursaries which placed them conditional on accepting the bursary into a teaching profession, and I think we can all understand, teachers are always more
25 likely to find employment given the shortage of teachers and the good

sort of connections between our universities and schools.

So again, no higher risk for Humanity's graduate versus a Business or a science graduate from Fort Hare. So the only thing that we could really say from this graph in the end is that Rhodes Graduates
5 were much more likely to be employed. Amongst the Fort Hare sample the only group that seemed to do better in the labour market were those who study the classic teaching degree.

COMMISSIONER ALLY: This study, because I found out during this commission that East London changed to Fort Hare, whereas during my
10 time in the early 80's it was part of Rhodes. Does this sampling take that into account, or is this just the recent study of, well four years ago or how is the sampling done?

DR. M. ROGAN: Ja, that is a good question. All of these graduates received their bachelor's degree in either 2010 or 2011. So that was
15 probably five years after there was any overlap between Fort Hare and Rhode on the East London campus. So there are two quite distinct samples of graduates. So if you click to the next slide, this is the outcome of the statistical model which we used to try and explain which graduates were more likely to be unemployed, and as you can imagine,
20 there are lots of things that act at the same time to explain why someone might be, are more likely to be unemployed, relative to a graduate, he was able to find a job.

So it becomes quite complicated with the modelling. So I will simply flag your attention to three findings, and those are the squares in
25 the graph there. The blue diamonds represents factors which impact on

unemployment amongst the Rhodes sample and then the red diamonds are the ones that explain unemployment amongst the Fort Hare sample. So really the only factor, and it is the square to the furthest right of your screen there, the only thing we could find which explained a higher risk
5 of unemployment at Rhodes was being a black graduate. So there was only a racial component.

Black graduates, irrespective of what they studied, how well they did, what type of background they had, that was the only factor that came out. We can speak about that a little bit later, but it is not an
10 uncommon finding in this particular body of research.

But remember, the unemployment rate at Rhodes University is so low, we should really draw our attention to what is explaining unemployment amongst the Fort Hare graduates where, you know, roughly one in five were unemployed. There we find a gender
15 disadvantage and that is the top square, irrespective of what you studied, again, how well you did, what your race group was, women with Fort Hare degrees were significantly more likely to be unemployed than men, and perhaps even more worrying, those that came from poorer schools.

20 So imagine, these are now students which have, despite a poor background in terms of schooling they went to the free, the no-fee schools. Despite getting a degree, no matter how well they did in that degree, even if they studied an engineering or a science degree, having that poor schooling background carried with, that disadvantage carried
25 with them into the labour market, and they were less likely to find

employment.

I think that is really what spoke to the heart of the paper that we wrote, based on the study, is trying to conceive of how in 2015 or 2014 when the study was conducted, a poor schooling background could not
5 be completely erased by a successful university outcome. There we were able to speak to things like social networks as well in the survey, but I think it forces us to ask some very important questions about the role of the university and the way it connects both with the labour market, but also back into the challenges that we experience in the
10 schooling system.

COMMISSIONER KHUMALO: But Doc, just on that, you are saying, so the failure to get employment, where is it determined, is it maybe the quality of the CV that goes out or the interview, or what happens, how is that determination made?

15 DR. M. ROGAN: Ja, you mean why are they more likely to be unemployed, coming from a poor school, is that what you are asking?

COMMISSIONER KHUMALO: No, you are saying despite the success at higher education, but if there is a historical poor training, you know, so I am saying, how is that determination made? Is it at an interview, at a -
20 because you are saying it reduces your likelihood of employment.

DR. M. ROGAN: Ja, ja.

COMMISSIONER KHUMALO: So I am saying when, at what point does it reduce?

DR. M. ROGAN: That is the mystery. But it is very likely to be related to
25 the fact that if you came from a no-fee school and you came from a poor

schooling background chances are your family has less of a connection to the labour market, your parents are less likely to be employed, if you come from those schools, and I think it probably plays out in the social networks. You may be the first person in your family to go to university, 5 you may be the first person in your family to enter the labour market, and I think that probably explains why you still have a disadvantage versus someone sitting next to you, where everything is the same, you studied the same thing, at the same university, you are the same gender, you are the same race, but that person is more likely to have a job versus you, 10 and the only difference is you came from a poor school.

So that is the explanation. Your social networks, your ability to understand and navigate the complexities of recruitment, the labour market, what is expected of someone entering a job for the first time? Those types of social factors I think probably play out. But we get to that 15 conclusion by holding constant and removing all the other possible factors which could explain it. So for example, if you came from a poor schooling background there is a good chance you do not do as well at university, as someone who came from a strong schooling background. But in a statistical model we are able to hold that constant and see which 20 factor still stand out as explaining a higher probability of unemployment.

COMMISSIONER KHUMALO: It has nothing to do with academic excellence of the ... [intervenes]

DR. M. ROGAN: We have controlled for academic excellence at school and at university. So holding those two factors constant there is still a 25 higher risk, even if you did just as well as somebody else. And that is,

you have put your finger on what is the worrying aspect of this.

COMMISSIONER KHUMALO: Okay.

DR. M. ROGAN: I am getting close to the end, but this is just to say, we ran one more complicated model where we combined all these factors, not just at the same time but with each other, to see if we could find any other reasons that a person might have a higher risk of unemployment and we have got two factors that came out, those are the two squares in the slide.

The one is amongst the Rhodes sample, being a black female, so not being a black or female, but being a black female carried an extra risk of unemployment, and again, the same principle applies, holding all other factors constant, how well you did at school, how well you did at university, what you studied. So again, this sort of fits in with the broader research in the country which shows that, even if you can control the things that should matter in getting a job, we have some disparities in opportunities for employment in this country.

And then finally the bottom red triangle with the diamond, with the square around it, at the Fort Hare, amongst the Fort Hare graduates, being a female and coming from one of those low quintile schools carried an extra risk compared to boys who went to those low quintile schools. So we got some structural problems in getting people through the university into the labour market, and some of them are not related to the sort-of technocratic responses, that might sort-of present themselves when we talk about scarce skills, types of curriculum and things like that. We have got some underlying inequalities which come up when you do a

study like this.

COMMISSIONER ALLY: Amongst the employer associations and discussions, I am not sure whether you have access to that, what is the response to research of this nature?

5 DR. M. ROGAN: When I present this in front of employer bodies they often speak of soft skills, but to me that does not explain exactly what is happening here. So when you do employer surveys, whether it is qualitative or quantitative, you often get sort of contradictory, sort of findings so on the one hand you get people who are adamant, employers
10 who are adamant that people are studying the wrong things and they are not coming with the skills they expect and they have to invest.

But then that usually get shouted down, especially when you are in a focus group, and you get this other group of employers who insist do not worry about teaching them things and training them, we will take care
15 of that. You teach them how to learn at universities. It is the soft skills, the willingness to learn, communication, those types of things which are important. And the problem with the employer perspective is, we do not have a representative, scientific sort-of way of looking at it, but that is where the intricacies sort of come up. But you get some sort of
20 unevenness in employer responses in my perspective.

COMMISSIONER ALLY: But you see what you present here are biases within the industry, such as gender as well as race bias, that is coming out, because you have held certain things constant and sought to find out where the problem might be, and what has come out seems to be
25 biases whether gender or race, and you were saying, when presenting

this the employer's response would rather be, the soft skills rather than answering whether these gender and race biases are happening or not. Is that the case?

DR. M. ROGAN: Correct, ja. These biases are not addressed in any
5 employer type research that I have come across. Again the difficulty is, I think all of us in this room have something in their mind which they think might explain it, but all this research does is strip away the things that we can say explain it. So, that leaves us with some unanswered questions about what explains it.

10 There I often go back to the four, sort-of groups of theories which explain why these graduates from places like Fort Hare in particular are more likely to be unemployed. So I would argue that, it does not seem to be what they are studying, because we are able to control for that. What we cannot control for is what, how employers perceive these types of
15 graduates, discrimination on the part of employers, we cannot control for that, and anything that affects the knowledge of some people about what is available in the labour market.

 So anything to explain social networks and matching, it goes both ways, employers knowing about the availability of people with these
20 skills from universities, with which they do not have a pre-existing relationship and may actually harbour some suspicion about. So these are the possibilities which remain after a model like this. But it is difficult to get the sense from the employer's side, what it is about these particular groups which is missing, because this type of model exposes
25 some of those.

Alright, so this last set of slides, I think there are just three more in this presentation, tries to now get at the issue of, well if we are finding that graduates by enlarge gets jobs, even with the unevenness of some being more likely than others, is the relevant question not whether they
5 are getting the right types of job, and this is what we were speaking to earlier. Is an engineer ending up as an engineer? Is a pharmacist training as a pharmacist and working as a pharmacist?

The problem is, internationally there is no agreed measure on how to do that. I can give some detail, but I think it is beyond the scope
10 of what we are talking about today. It is very-very difficult to identify whether someone is in the right job for a graduate. So what we did in this study, and there is almost no research if any, in South Africa, to answer this question, the slides already presented has a very broad picture from the labour survey is as close as we can get with the data
15 that we have, but when she presented that it brought up all the questions that we naturally have about that.

What we can say is that there are a number of measures available to us, that help us chip away at that, to see if people are likely in the correct jobs. So we can look at things like whether they are
20 satisfied with their employment, whether they report themselves that they are using the skills that they picked up at university, we can use earning as a way to triangulate, because we know a graduate should not be working in a part-time job for R20.00 an hour. So we can use a number of pieces of evidence to try and see which graduates actually end up in
25 the right places.

One of the key pieces of work that sort-of showed us how this is done internationally was actually done by the person sitting to the left of me, perhaps she would like to speak to this, or would you like me to just carry on?

5 MS. B. MNCWANGO: Bongiwe Mncwango. Okay, so in this slide we are presenting views of people that are employment, regarding what, regarding their working conditions. So what we did was to ask people that were employed, people that indicated to be employed in our sample to subjectively share with us, you know, their views of the employment
10 and job conditions.

So we had a few sets of items, and we largely draw these items from international well-established literature, in trying to get just their perceptions about their jobs and this in this light we have broken it down by the level of education.

15 Firstly we have got one question on job security, to what extent do you feel that your job is secure? A very interesting finding there. You can see that those people with low levels of education are far more likely to feel that their jobs are secure. Then we come to - and by security we are speaking about steadiness, you know ... [intervenes]

20 COMMISSIONER ALLY: Sorry Ms Mncwango, the statement you made now, should it not be, the lower your education the more insecure you are, not secure?

MS. B. MNCWANGO: It is the other way around. Okay, but ja. So I just wanted to make that clarification that by security we meant, to what
25 extent do they feel that they will have a job the next day.

And then the second one speaks to the issue of earnings. To what extent do they feel that their income is high. People were quite conservative here, counter intuitively. Still people with low levels of education felt that their income was not that high, you know, compared to
5 people with matric, or equivalent level of education and then it comes to the issue of benefits. The benefits, the pay and benefits I receive are fair for the work I do. Here, interestingly, people with high levels of education are much more satisfied in terms of their salaries and the benefits overall. So this one was much more broader than the ones
10 specifically asking about income, perceptions on income.

Then we came to the opportunities for advancement. To what extent do they feel that they exist, they are there, or they are there, and again, I do not have to repeat that again tertiary, people with high levels of education reported more, reported that they are experiencing more
15 opportunities of advancement in their positions, it goes without saying, as well, with the extent to which they found their jobs interesting, the extent to which they found their jobs useful to the society, again my job gives me a chance to improve my skills, it is still people with high levels of education that are able, that are saying that they are able to improve
20 skills in their current jobs.

The work that I do makes full sense, makes full use of my knowledge and skills. Whatever I have learned in university or TVET colleges, whatever knowledge I have gathered I am able to apply it in my current job. If you compare that 88 percent to that 43 percent of those
25 with less than matric, you can see that people with high levels of

educations, so each and every year, you know, of education added actually improves one's experience of work.

DR. M. ROGAN: It is Michael Rogan again, thanks. So these measures are important because they are internationally tested and we can use
5 them to compare the South African graduate labour market with other countries and these are available for the first time in South Africa, and it is just to say that we use these questions in our study of the two Eastern Cape universities, to help test whether our measure of, if you are in the right type of job was accurate or not, and that is what I am presenting in
10 my last slide here.

This is quite a convoluted graph, and I apologise for not including more aids but this is a similar type of statistical model, but this time, rather than trying to unexplain whether graduates were employed or not we are using it to determine whether graduates are in the wrong
15 jobs. That is jobs for which their qualification is not required, they are over qualified, and in which they are not using the skills that they have acquired in university.

I am not going to go into great detail, except to suggest that, if you look at the left-hand side of the table where it says Quintiles 124,
20 and you go across, you can see that one of the most significant findings is that, irrespective of which subjects you studied, how well you did, race, gender, all of the things we talked about in the last model, the school you attended has a significant impact on whether you are in the right type of job.

25 So graduates who went to these low quintile schools, quintiles

124, they end up in non-graduate jobs, where they are not satisfied, they are not using their skills, they report that they do not even need a university degree for that job, and as you can imagine their earnings and satisfaction levels are very low.

5 So this is one of the most sort-of impressive findings for me in terms of this type of model. You do not usually expect to find a finding or an impact this strong. So again, the message is that not only our university graduates from these low-fee schools or no-fee schools, having a harder time finding jobs, when they do find jobs they are not as
10 relevant to their qualifications as other students.

COMMISSIONER ALLY: Doctor, I am just trying to find some kind of explanation, and perhaps there is not. The study of Rhodes and Fort Hare Students, was it done in the environment of the Eastern Cape, or these students were outside of the Eastern Cape as well? Because
15 perhaps the explanation I am looking for, which is not there, would be that the Eastern Cape is saturated and does not have a growing economy and hence people being in jobs that they do not necessarily, that they have not necessarily studied for, but you are indicating that it goes beyond the Eastern Cape, is it?

20 DR. M. ROGAN: Yes, the vast majority of our respondents were from outside of the Eastern Cape. Even if they went to High School in the Eastern Cape, they generally tendered to be employed, either in Gauteng, the Western Cape or KZN, right, ja. Which is what you would expect, given the context of the Eastern Cape. Dr Reddy?

25 DR. V. REDDY: I wonder Mike, if the key point from this slide is that

class matters, and they, you know, the quintile 124 schools, these are the poorer schools, is an indication of the class status of people, and so if you are in a working class environment of poorer class, unfortunately that disadvantage, despite working through university and succeeding, 5 but when you get to the labour market, that disadvantage still persist and exacerbating any qualities in our society, despite education.

DR. M. ROGAN: It is Michael Rogan. And it is not to say the university has not helped people from these backgrounds, they are still much more likely to find employment than people that they attended school with, 10 who did not go to university. It is just to say that compared to people who went to, for example, former Model C schools and people who went to private, elite schools, they are much less likely to find employment?

This is my last slide then. I think what I would like to impress upon the commission is that when thinking about what happens to 15 graduates when they leave our universities and TVET colleges, there is a lot going on below the surface. There is a lot of heterogeneity in the outcomes, and I think we need to take that into account and I think our study shows is that a lot of our historical, the legacy of our past sort-of impacts on which graduates find work and which do not and whether 20 they find relevant work.

So while a snapshot has shown that our graduate unemployment rates are certainly not a problem, they are well within the sort-of range of international norms and are actually quite low. So if you took it at a, just a glance you would think we are okay, but I would just, I would like to 25 impress upon you that it is important to look a little bit below the surface

to see there is a lot of diversity and experiences of the university graduates of South Africa, and in particular by institution, race and schooling history.

I think what is left, and I think you could appreciate that this is not a certainty, but I think that what is left is matching these particular graduates in the right places. It could down to social networking, it could be down to perception of employers, and it could be down to the experiences you have from a family that does not have as firm a grasp on the labour market. Those are the things which we, for which we cannot control, and those are factors which are left unexplained. But seen likely to be explained in the results we have here.

I would end with a comment - we actually need much better data. You will recall that I started by saying, we are not as confident as we should be, for something as important on, as whether our tertiary sector leads to relevant employment, and there are examples of other countries, for example the UK, where they link schooling, administrative records to tertiary institutional records and then they link that one more time into the tax database. So we can see exactly which learners from a very young age make it through the system, what they study. We can answer all the questions we probably have on our minds about what is actually happening in the labour market for South African graduates. Simply by adapting some data approaches which has been used in other countries.

For those who are interested in reading further. The studies which I have attempted to summarise are reference here, all of the

details are in these reports and papers here, and so all that remains is to say, thank you for having us, and we appreciated the opportunity. Thank you.

JUDGE: May I just ask you something about a factor which does not change, well it is common not only to South Africa and its neighbouring countries but to the whole world and that is gender. You mentioned something of gender attitudes in your surveys here, but what I would like to know is, are we any worse or any better than the rest of the world when it comes to gender attitude? In relation to employment.

10 DR. M. ROGAN: Ja;.

JUDGE: And education.

DR. M. ROGAN: It is a difficult thing to quantify, because of the ways different countries do that type of thing, but what I would say is that there is an interesting difference in South Africa, the public sector seems to be much better than the private sector in terms of gender equity, both in employment and in pay. I think that is probably explained by the fact that the regulations are much more clear and enforceable in the public sector and there is a lot more transparency in terms of pay grades and equal opportunity sort-of requirements in recruitment.

20 So if we were to compare South Africa to another country I think that means then that we would need to be careful, how would we compare ourselves to another country which have a much lower rate of public sector employment. If the interest is really about discrimination and unfair employment practices through the lens of gender I think we would want to look more closely at the private sector and define the

25

metric, because the other issue is that ... [intervenes]

JUDGE: Well essentially what I am asking you is this, do we, are we falling short in relation to gender discrimination in education? And if so, what metrics are you using to determine if that is the case?

5 DR. M. ROGAN: Ja, sure. I think Dr Reddy is going to start with the education metric.

DR. V. REDDY: To indicate in our report that if we look at both the university and the TVET sector we find that the female students, the numbers of female students, participation has increased to the point
10 where there is a higher participation by females than males in both the sectors. However ... [intervenes]

JUDGE: Now can you say that that is comparable with the rest of the world, or you do not find it in Chad but you might find it in Ecuador? How do you quantify that sort of thing?

15 DR. V. REDDY: I think that it depends on the nature of the society that and I do not have the evidence in front of me, that in sort-of a more lower income countries there would be a higher participation of males than females because, you know, the link between lower income countries and gender is also quite prominent.

20 JUDGE: Do you know what the position is in the OECD countries?

DR. V. REDDY: It would be that the participation rates are similar for both males and females at the tertiary sector. But what we do have, just to sort of push the point a little bit, that participation is one level, but if we look at the fields of study, we see that the gender pattern persist, for
25 example in the technical subjects, in engineering based subjects, there

are more males than females, in the humanities and education and social science. So the kind of stereo typical image patterns that we have about gender patterns related to science education and technology, those patterns still persist and sit.

5 JUDGE: No, that may be, that may be a matter of choice, because women prefer to do certain things and me prefer to do certain things, not that women are excluded from doing other things that they wish. Is there any indication that women are excluded from doing engineering in South Africa, if they wish?

10 DR. V. REDDY: Not as far as I know. I mean the requirement to enter into an engineering faculty is based on your matric results.

JUDGE: Well again, I am feeling for some way of determining whether we are falling materially short of where we should be, accepting that there is gender bias in countries all over the world to a greater or a
15 lesser extent. Are we worse?

DR. V. REDDY: My sense of the issue is that, with regard to education we are similar to other countries and the greater discrimination is not in terms of the education and the educational institutions, but rather it is the labour market and access to labour market, and existing in the labour
20 market where there is far more gender disadvantages and there is ...
[intervenens]

JUDGE: Now is there, was there evidence, I did not pick it up, was there evidence of a higher rate of female, unemployed female graduates?

DR. M. ROGAN: No, we did not present evidence of that at the level, but
25 that would be something that would be relatively straight forward. I

would think that the rate of female unemployment is probably slightly higher, but not much. Because as you suggested, there is also a higher rate amongst female graduates of labour market inactivity, which is a voluntary opting out of the labour market. Ja. But those figures could be provided relatively easily. But we did not present on them today.

JUDGE: Alright, thank you very much.

COMMISSIONER ALLY: I am a bit confused with your response. You presented the Eastern Cape survey and study regarding females, hence my point to you that there appears to be a gender bias. I understand that it is difficult to transpose that to the whole of South Africa, but you were giving a sense of, in one of, from one of the provinces or two universities in the province that gender bias does appear, am I correct?

DR. M. ROGAN: The reason that there could be a discrepancy at the national level, about which I was speculating, and the study we have is that women have certain advantages in higher education in terms of enrolment and performance. So what our models did was actually controlled for those, and you also have a selection bias which determines whether parents send their sons and daughters to university, coming into higher education.

So what we are saying is, controlling for factors which are not considered in an [indistinct] view we find a gender disadvantage. But at Rhodes we found no gender disadvantage, it was just race, whereas at Fort Hare we found the opposite.

COMMISSIONER ALLY: Yes. Thank you.

ADV. K. PILLAY SC: Thank you Chair, we have no questions.

JUDGE: Thank you very much indeed for a very thorough and interesting presentation.

DR. M. ROGAN: Thank you.

ADV. K. PILLAY SC: Thank you very much.

5 JUDGE: We will adjourn for half an hour.

MEETING ADJOURNS

MEETING RESUMES

JUDGE: Yes Miss Pillay.

ADV. K. PILLAY SC: Thank you Chair the next witness is Advocate Dube Tshidi who is the Registrar for Pension Funds, the regulator for all
10 pension funds in South Africa.

JUDGE: Good afternoon Mr Tshidi.

ADV. D. TSHIDI: Good afternoon Justice.

JUDGE: Do you have any objection to taking the oath?

ADV. D. TSHIDI: I do not have.

15 JUDGE: Do you swear that the evidence that you will give will be the truth the whole truth and nothing but the truth, if you do raise your right hand and say so help me God.

ADV. D. TSHIDI: The whole truth and nothing else Judge.

ADV. D. TSHIDI: [d.s.s.]

20 JUDGE: Thank you.

ADV. K. PILLAY SC: Thank you Chair. Mr Tshidi maybe we should begin with you just describing what it is, what your role is as the registrar of pension funds?

ADV. D. TSHIDI: I am the CEO of the Financial Services Board on the

side of administration and the registrar of pensions, capital markets, insurance, collective investment schemes, financial institutions and brokers as well, that is on the regulatory side, thank you.

JUDGE: So everything gets run past you and nothing gets past you.

5 ADV. D. TSHIDI: I did not get that one.

JUDGE: Do not worry.

ADV. D. TSHIDI: Thank you.

ADV. K. PILLAY SC: And one of the specific reasons which we have asked you to testify about, one of the reasons why we have called you to
10 testify Mr Tshidi is to discuss the question of unclaimed benefits within registered pension funds ...[intervenes]

JUDGE: Perhaps you could just tell us first how many pension funds are there in South Africa?

ADV. D. TSHIDI: 3500.

15 JUDGE: It shows our ignorance, I asked my colleague here how many he thought and he said about 20 and I said I think it is closer to 50.

ADV. D. TSHIDI: Oh no 3500 and those are the ones that are regulated by the FSB but there are also those that are not regulated by the FSB amongst them is the Telkom, Post Office and the Government
20 Employees Pension Fund.

JUDGE: Yes, so Telkom and the Post Office and the GEPF are not ...[intervenes]

ADV. D. TSHIDI: Not regulated by the Financial Services Board.

ADV. K. PILLAY SC: Now in relation to the 3500 pension funds we

asked you Mr Tshidi to conduct an exercise, just to give us an indication of the amount of unclaimed benefits generally across the funds, what the total is and how the spread, how that amount is spread across the various funds, but before we get there perhaps we could start by you just
5 indicating your understanding of unclaimed benefits and the rules which pertain to those funds.

JUDGE: Mrs Pillay you have used two expressions, unpaid benefits and unclaimed benefits in the last two sentences.

ADV. K. PILLAY SC: I apologise Judge I do mean unclaimed benefits.

10 JUDGE: Thank you.

ADV. D. TSHIDI: Right the unclaimed benefits before I come to the quantum it is, I mean as the name suggests it is benefits that were identified, the amount is identified and the owner is also identified, the only problem is the amount and the owner are not coming together for
15 one reason or the other, that is unclaimed benefits, but the benefit remains in place and it belongs to a specific individual, whether the individual is alive or the descendants there is no evidence of knowing where they are, at least up to now but it also raises a question of whether various entities have done their tracing work as serious as they
20 should have.

JUDGE: At what stage does a benefit, do you treat a benefit as being an unclaimed benefit?

ADV. D. TSHIDI: An unclaimed benefits qualifies to be an unclaimed benefit after a period of about 4 years.

25 JUDGE: Right.

ADV. K. PILLAY SC: Can I just check that Mr Tshidi, in terms of rule pension funds 126, circular 126 which as you know contains the rules for dealing with unclaimed benefits, it described an unclaimed benefit as a benefit which has within a period of 24 months from the date it has
5 become legally due and payable not been paid by the fund in respect of a member of beneficiary.

ADV. D. TSHIDI: Well we have used the 24 months just to try and push the pension funds administrators to go and do their work and after the 24 months they come back and say we have not found anybody can we now
10 help ourselves with the money, we said no you keep it for the next four years.

ADV. K. PILLAY SC: In terms of PF circular 126 when does the fund, when is the fund entitled to take over an unclaimed benefit?

ADV. D. TSHIDI: You mean a pension fund, a pension fund is never
15 allowed to take over it must keep it separate as unclaimed benefits until valid claimants come forward and say I have a valid claim please pay so we are trying to keep this amount for as long as it is possible.

JUDGE: Do the trustees have any discretion to deem benefits forfeited to the fund?

20 ADV. D. TSHIDI: They do not have that power to do that.

JUDGE: I see.

COMMISSIONER ALLY: Just before, sorry Miss Pillay, Miss Pillay was asking about whether it accrues to the fund or not. The point you made when responding to circumstances of Circular 126 was this that some of
25 these pension funds would say when can we make it our own and you

said no that is why you moved to four years so can you clarify that response with what Miss Pillay was asking.

ADV. D. TSHIDI: The clarity on this one is, remember once a benefit is calculated and the owner is identified it remains in the normal fund in
5 case the person reappears after the 24 months, once the person, nobody comes up within the 24 months we have given instructions for every administrator to create an unclaimed benefit fund within its administration so the money moves out of the normal pension provident fund into the unclaimed benefits section fund that is created within the
10 administrator and the reason for that is if you leave it in the normal fund administrators monthly they charge service fees, they will include unclaimed benefits so you have to protect unclaimed against administrators charging administration fees even though they are not administering anything and in that process deplete the actual claim itself.

15 JUDGE: Now what happens to benefits such as interest or whatever else might become a benefit in members?

ADV. D. TSHIDI: I cannot get that sorry Judge.

JUDGE: I am sorry, what happens to the interest on the money or the benefits which might accrue to that particular contribution?

20 ADV. D. TSHIDI: What happens to the benefit eventually?

JUDGE: No do the benefits fall into the unclaimed benefits fund or do they fall into the general fund?

ADV. D. TSHIDI: No, no they fall into the unclaimed fund which maybe is general but within one pension fund administrator because I am going to
25 talk about the general fund later as we move on but for now it is general

in the sense of one administrator like Old Mutual they would have a fund, they administer many funds but every administrator will create a separate unclaimed benefit to house all the unclaimed benefit coming from all the funds that are administered by Old Mutual just for an
5 example.

ADV. K. PILLAY SC: Mr Tshidi what happens if a fund is ultimately liquidated or deregistered, what happens to the unclaimed benefits then?

ADV. D. TSHIDI: That is one of our problems that a lot of the amounts that are unclaimed is because of amongst other things (1) the original
10 fund was cancelled (2) the employer is no more in existence so the former members have just lost track and yet the money is in that administrator general unclaimed benefit fund.

ADV. K. PILLAY SC: And if the fund is liquidated what happens?

ADV. D. TSHIDI: Remember when the fund gets liquidated unclaimed
15 benefits will shift from normal fund into the unclaimed if the amounts are not claimed they will get into the central unclaimed benefits within an administrator.

ADV. K. PILLAY SC: And that only happens if there is a liquidation.

ADV. D. TSHIDI: Yes.

20 JUDGE: Do you know what is the longest unclaimed benefit in this country?

ADV. D. TSHIDI: Sorry Judge.

JUDGE: What is the longest unclaimed benefit in this country, the oldest?

ADV. D. TSHIDI: Can you ...[intervenes]

ADV. K. PILLAY SC: The longest unclaimed benefit, what is the longest period in which they were unclaimed.

ADV. D. TSHIDI: To keep it, I think we keep it for as long as there are
5 potential claims.

JUDGE: No, no I asked you do you know what is the longest one in this country, I mean are there benefits that accrued in the 1930's that have never been claimed?

ADV. D. TSHIDI: You mean going back?

10 JUDGE: Yes.

ADV. D. TSHIDI: They go back to the beginning of the Act, remember the Pension Fund Act is, the first Act 1956.

JUDGE: 56.

ADV. D. TSHIDI: And that is when it brings to another problem, the ID
15 numbers of the time and the ID numbers of today, different ID numbers and many of those records have got the old ID numbers and it makes it impossible to trace members today or their descendents.

JUDGE: Yes thank you, sorry Miss Pillay.

ADV. K. PILLAY SC: But PF 126 was only introduced in March 2007 Mr
20 Tshidi which meant before that funds were allowed to have rules in terms of which unclaimed benefits after a period of time reverted into the main fund.

ADV. D. TSHIDI: Yes that was an effort to try and clean up the unclaimed benefits but I think over time we realised that is an unjust way

of doing things say if we know an amount belongs to Mr Gutumela it will always remain to Mr Gutumela until there is clear evidence of having looked all over to look for Mr Gutumela and you cannot find Gutumela, you cannot find descendents then comes the end of the matter but that
5 end of the matter needs to be dealt with in terms of legislation to say we have done everything, what else.

ADV. K. PILLAY SC: But at the moment that is not provided for in legislation.

ADV. D. TSHIDI: No it is not provided for.

10 ADV. K. PILLAY SC: And so the position at the moment is that those funds will continue being in the unclaimed benefits portion administered by the administrator.

ADV. D. TSHIDI: Correct.

ADV. K. PILLAY SC: *Ad infinitum.*

15 ADV. D. TSHIDI: Forever but I think we have a way of dealing with unclaimed benefits particular for your interest here but it will require some legislative amendments and possibly some political policy.

COMMISSIONER ALLY: Some lobbying.

ADV. D. TSHIDI: Yes, well maybe yes.

20 ADV. K. PILLAY SC: I am not sure Mr Tshidi do you want to deal with quantification first or do you want to deal with your proposal first as to how we can put in place measures to access that.

ADV. D. TSHIDI: I can deal with both, I mean quantification it is simple, as of last week the total unclaimed benefits amount in the pension space

only it is R42 billion and I am just saying R42 billion because it is 41.6 but R42 billion.

JUDGE: What do you mean in the pension space only?

ADV. D. TSHIDI: It means I am not looking at the insurance, I am not
5 looking at other industries because they have got their own unclaimed
benefits, I am just looking at pensions, and even with pensions I am not
even looking at the suspense accounts in the offices of the pension fund
administrators they all have suspense accounts and you know what they
throw into the suspense account is monies they do not know to whom it
10 belongs.

JUDGE: Well I thought that was the unclaimed benefits.

ADV. D. TSHIDI: So finally, finally it may be shift onto unclaimed benefits
but for now not, they remain in suspense account.

JUDGE: Well so how much is in the suspense account or do you not
15 know?

ADV. D. TSHIDI: I have not calculated that as yet.

JUDGE: Have you any idea at all?

ADV. D. TSHIDI: I do not but we can do it, it does not take long.

JUDGE: Is it within your domain?

20 ADV. D. TSHIDI: Yes, yes.

JUDGE: Yes, alright well anyway, yes.

ADV. D. TSHIDI: So that is the quantum, how do we deal with this
...[intervenes]

ADV. K. PILLAY SC: Before we deal with the mechanism that you

suggest Mr Tshidi may I just ask you a question around other forms of unclaimed benefits in respect of and I know that this does fall within your domain because you are regulator in respect of certain of them, insurance etcetera, perhaps you can give us an idea of what kinds of
5 unclaimed benefits are out there.

ADV. D. TSHIDI: We did our calculations of the unclaimed benefits in the insurance area, I cannot recall the exact billions of rands but there were also a number of billions of rands there and the reason being that what happened there it is, if you recall there was an exercise called
10 demutualization which was done by Old Mutual and the Sanlam's and all that. Many people were policy holders with those institutions but when the demutualization took place all these things were transferred in, were converted into shares and then eventually converted into money but people never knew about it, you know the country is quite big, some
15 people did not know and the money remains there unclaimed and uncollected so you have another amount of money there.

COMMISSIONER KHUMALO: Advocate I wanted to check, on other sources and pension, to the banks there are unclaimed maybe accounts there?

20 ADV. D. TSHIDI: I cannot believe that there are not but I do not regulate banks at this stage that is the central bank but I cannot believe that there are no unclaimed benefits there taken from my person experience, you know people used to have these little booklets on banking where they would write and stamp and write and stamp and I forgot about my little
25 book but as you move from one place to the other and you pack the little

book emerges, when I opened it, it had R12 000 in it. I went to the bank
say what happened to this money and they say oh we have allocated the
account number to somebody else, I said no I do not worry about the
account number the money and then they said it will take a long time to
5 trace what happened to the money so there are unclaimed benefits
everywhere.

JUDGE: Might I just ask you, you said that the GEPP is not regulated by
the FSB, your R41 billion does that include the GEPP or not?

ADV. D. TSHIDI: No it does not.

10 JUDGE: Because we have been told there is about half a billion rand in
unclaimed benefits in the GEPP.

ADV. D. TSHIDI: It does not include it.

JUDGE: It does not include the Post Office either.

ADV. D. TSHIDI: Yes.

15 JUDGE: Which goes back to the year to.

ADV. D. TSHIDI: Sorry.

JUDGE: that goes back a long way.

ADV. D. TSHIDI: Yes.

JUDGE: And does it include Telkom, these cannot be small funds I
20 would imagine?

ADV. D. TSHIDI: Well it is small funds and big funds.

JUDGE: Ja.

ADV. D. TSHIDI: Yes. I think once we have dealt with the legislative
issues you know I can at some stage I have just taken the top 100 funds

just to see where the big amounts of unclaimed benefits are located and then you see because it is always big funds, the mines and all those things because some of the people come from outside our borders and all that, that is where you get the bulk of the monies there.

5 JUDGE: But these things do fall under you.

ADV. D. TSHIDI: Yes.

JUDGE: Yes, who looks after the Telkom and the Post Office?

ADV. D. TSHIDI: Post Office it exists in terms of its own Act but the offices are in Pretoria same as GEPF, I believe you had the principle
10 officer of the GEPF here testifying as well.

JUDGE: Yes, and Telkom, who controls the Telkom fund?

ADV. D. TSHIDI: Sorry.

JUDGE: Who controls the Telkom fund?

ADV. D. TSHIDI: Telkom we can also get to the principle of so we do not
15 regulate Telkom as well but we have the contact details of all the funds.

JUDGE: Yes.

ADV. K. PILLAY SC: So the amount of R42 billion that you gave us that excludes the GEPF..

ADV. D. TSHIDI: It excludes GEPF yes.

20 ADV. K. PILLAY SC: Perhaps then we can turn to the model that you are suggesting.

ADV. D. TSHIDI: What I think should happen.

ADV. K. PILLAY SC: Yes.

ADV. D. TSHIDI: And this I am still discussing with National Treasury, I

think what should happen and I have tried to propose an amendment into the Pension Funds Act which will possibly go to parliament this year if it is not kicked out of the omnibus. In there I am proposing that a central fund gets created and I am not saying national fund because the moment you say national there is government connotation, government wants to, I am saying central fund and once you create that central fund you will issue a directive that says all unclaimed benefits that within the retirement, the pension space, all of them must be transferred into the central fund, all, so that eventually you have this amount of 42 or whatever it will be at the time housed in one fund.

Once that is done you create a board of trustee, a governance board of trustee of independent people first to invest the money with an Asset Management company so that the money can grow and from the returns of the investment you allocate a percentage of the growth to be spent on tracing the people. Now if we can manage for purposes of this sitting, if we can manage to say either than the percentage of the growth being used for tracing purposes maybe another percentage of that growth must be used to make donations to the Universities for the benefit of the students because after all this unclaimed monies are monies belonging to the parents or former deceased parents of students one way or the other, it will be a good way of benefiting children out of this. So if we can achieve those two things that as far as I can see will help, that is one aspect. Secondly ...[intervenes]

COMMISSIONER KHUMALO: Just, sorry Advocate on that aspect, is there anything in the legislation that is prohibiting searching, tracing

currently?

ADV. D. TSHIDI: The creation of the central fund?

COMMISSIONER KHUMALO: No, no the tracing of the unclaimed benefits.

5 ADV. D. TSHIDI: No there is nothing that prevents the tracing now but it is not done as it is supposed to because remember it does not benefit anybody if it sits there, it sits there and we keep on telling ourselves there is no administration costs taken but we do not know it could be, if you do not get the control of the money you can only hope that it has
10 been governed properly in the meantime it is not because it does not even form a part of the financial statements of the administrators.

COMMISSIONER KHUMALO: So if it is in the central fund you think maybe there will be a budget for the tracing or is the budget and impediment now because we can trace where it is now.

15 ADV. D. TSHIDI: If you centralise all the unclaimed benefits into one fund the first thing you do you create a board of trustees and you amongst the functions that you want them to perform would be to invest that amount with the idea of attracting growth on the amount, remember this amount R42 billion is the capital amount, you invest the capital
20 amount you get growth, from the growth you say X percentage of the growth will be spend by the trustees of that fund to trace members, they can employ any other company to go and trace né, that is one portion of the growth.

The second portion of the growth you may say we will allocate X
25 amount, X percentage to the Universities for the benefit of students to

help the Universities with all these fee story right. And then the third element, the third part of the growth you capitalise so that the capital grows as well. Now we must also take into account that we can go and trace and trace and trace, at the end of the day there will still be a huge amount left behind and say this is simple, the people, this money belongs to people who are simply untraceable then at that point in time again you need, maybe you do one thing in legislation, you need legislation to say this is how the ultimate amount will be dealt with.

JUDGE: Now Mr Tshidi may I take you two steps back and let us just start with difference between a central fund and a national fund because I noted that you were very particular to label this a central fund and not a national fund.

ADV. D. TSHIDI: Ja.

ADV. K. PILLAY SC: Because of the anxiety of placing outside of government funds or money to which government has access. Now can you just explain to me why there is that imperative to ensure that the money is not viewed as national funds to be accessed by government.

ADV. D. TSHIDI: Well you know we have got sentiments of corruptions and all this, they will be saying this is another vehicle to make room for potential corruption and all that which is unfounded but if you say central it will be a central fund registered as a normal fund with the office of the registrar of pension fund and it will also be regulated like any other fund, clean.

ADV. K. PILLAY SC: And why the need for an independent board of trustees?

ADV. D. TSHIDI: All the funds have got independent boards of trustees even those that are functioning well, the regulator cannot form part of that and regulate at the same time so you need an independent board but this would be not in terms of trustees appointed by employer and
5 appointed by members, this would be trustees in my view who will possibly be experts in various areas like asset management or management of asset, governance, communication and all that because on communication itself administrators will tell you we have done our every best to find members we have not succeeded and for them having
10 done everything means advertising in the newspapers, we know people in the rural areas you think they wake up in the morning to go and buy newspaper, of course not, so whether you are advertising newspapers you are not reaching anybody so you need communication as form of the trustees to try and use the unusual means of communicating with people
15 across the country.

ADV. K. PILLAY SC: And who will the trustees be appointed by?

ADV. D. TSHIDI: We will possibly have to put it in legislation that the trustees would either be appointed by the registrar or by the Minister.

ADV. K. PILLAY SC: And that is the Minister of Trade and Industry or?

20 ADV. D. TSHIDI: No that would be Minister of Finance.

ADV. K. PILLAY SC: Of finance.

ADV. D. TSHIDI: Yes.

ADV. K. PILLAY SC: And I noticed that your first priority for percentage of growth was to locate the members whose unclaimed benefits sit in the
25 central fund.

ADV. D. TSHIDI: Yes.

ADV. K. PILLAY SC: Why is that your first priority?

ADV. D. TSHIDI: The tracing of members.

ADV. K. PILLAY SC: The tracing of members.

5 ADV. D. TSHIDI: Well you see if you do not do that and prove that you
have done some work to find the rightful owners of the money you can
never use it, that is the reason, you have to start first by looking for
them, if you do not find them then you start saying this is evidence this is
what I have done and I have succeeded here, I have not succeeded here
10 what then?

ADV. K. PILLAY SC: And one of the striking features of your strength,
central fund is that it preserves the unclaimed benefits so in other words
you can only dispose of growth, percentage of growth.

ADV. D. TSHIDI: Ja, you want to make sure that you preserve the
15 benefit itself but it must also have some kind of growth that is why you
invest it, you allocate certain amount for tracing, allocate possibly for
fees and allocate it back to the capitalise.

ADV. K. PILLAY SC: And in your view why is it important to preserve the
benefits, the unclaimed benefits?

20 ADV. D. TSHIDI: Because one day a claimant may come with a valid
claim and say where is my money but you should have gone all the way,
all the way to say we have now come to a point where we are saying we
cannot find it.

COMMISSIONER ALLY: Well Mr Tshidi all said and done you have been

in this industry now for some time, what is all the way to you, because you would seem to think that some of these funds have indicated that they have done the work but you believe they have not done the work so with your experience what does all the way mean?

5 ADV. D. TSHIDI: What is the last part, in my view what?

ADV. K. PILLAY SC: In your view what does it mean by saying you must have done everything necessary, now in law that everything necessary means a lot of things, with your experience what do you mean by everything necessary?

10 ADV. D. TSHIDI: Okay in my view and remember these unclaimed benefits do not necessarily belong to people in the urban areas, it is mainly people out there in the rural areas, it is people outside the borders of the country, it is people who are not as blessed as some of us able to read and all that therefore you need to move around, you need to
15 go and visit various Churches where there are people, there is a Church, where there are people there is some kind of governance be it the traditional whatever, go there and try and say we have this problem are there, because you will have the names, we have the names of the people and see how far you get. All I am saying is making, talking over
20 the, I mean writing adverts in the newspapers and, it is not going to help us and we have not even touched the issue of cellphone communication because cellphone it has also reached many, many people which can be another thing of saying there are unclaimed benefits from the following funds and the employers to those funds are the following.

25 If you have any idea if your dad, your grandfather, your mum,

your grandmother worked somewhere along please help us to trace your mum or your grandmother or your grandfather or if you are a descendent of those to come forward. I am now in the process of trying to communicate with Vodacom to get on that system off using cellphone
5 system to send messages over the cellphones.

COMMISSIONER ALLY: Now you have spoken about Telkom and Post Office and GEPF of your purview, what about the Master and the Guardian Fund, do you have any knowledge of those?

ADV. D. TSHIDI: Those are not regulated by the FSB they are the
10 master of the High Court and I must say also that if you get the view about Guardian Fund is that once your money gets in there it is gone and this is precisely why we have made sure that no pension money gets into the Guardian Fund we would rather create a separate central fund where we will manage it.

15 JUDGE: From my own experience it is very difficult of find either the Master or his files.

ADV. D. TSHIDI: Thank you Chair yes.

COMMISSIONER KHUMALO: On the legislative, potential legislative amendments that will guide us from this do you think it should be
20 legislated that there must be a fund or maybe the amendment should be how to unlock or to use it for a different reason, the unpaid benefits.

ADV. D. TSHIDI: Well as I said I have a, fortunately we work very closely with the officials in National Treasury, remember National Treasury is in charge of the financial legislation so I can only make
25 suggestions to them and craft it the way I want it to be included in the Bill

whether they will accept that and take it further to parliament is another issue but I am quite positive that on this unclaimed benefits they, I think Treasury is also quite positive about the creation of the central fund because this is a matter we have been talking about way back in 2004
5 that we want to address this mater.

JUDGE: Have you considered a manner by which the funds instead of lying dormant can be both preserved and used and this is the suggestion that I am putting forward that the funds are available to the state against a guarantee that payment will be made against any claim.

10 ADV. D. TSHIDI: Even if the guarantee were to come from government it would be difficult because of the way the pension fund it is structured, there is a section there in the pension fund that says every cent, every amount that gets into the pension fund or provident fund belongs to that fund, to the exclusion of any person natural and juristic.

15 JUDGE: Yes I am talking about the unclaimed fund.

ADV. D. TSHIDI: Yes.

JUDGE: I am talking about an amendment to the legislation to make provision that unclaimed funds that have lain unclaimed for a certain period may be made available for public use, educational use whatever, I
20 have not framed it, against the provision of a guarantee by the borrower that payment will be made on any claim being presented.

ADV. D. TSHIDI: Yes but Your Honour the unclaimed benefits remember the mother fund still has liability in terms of those members who are not there.

25 JUDGE: Well that will be guaranteed by the state.

ADV. D. TSHIDI: So unless you address it through legislation the trustees of that fund are going to say the liability is ours.

JUDGE: Yes of course but that will be guaranteed by the state.

COMMISSIONER ALLY: Mr Tshidi perhaps you are not understanding
5 the Chairperson. The Chairperson is envisaging an amendment to the
legislation to indicate that very issue that you provide the guarantee as
the government and any claimant who has a claim that claim must be
met by the government at any time the claim is made so you would make
an amendment to the legislation as it presently is, is there any problem
10 with that once you have amended it?

ADV. D. TSHIDI: Well if you were to do that then when the Minister of
Finance reads out the budget he must make an allocation to that effect, if
he does not make it so how is the guarantee going to be honoured.

JUDGE: Yes absolutely but we all know that this is a group of claims of
15 100 000, 150 000, 200 000, small amounts relatively speaking in the
national context and the probabilities are as an actuary you will show
that many, many of these claims will never be met and I have yet a
question in that regard and the government is never going to be asked to
pay out 5000 of these claims at one time because 5000 claimants are
20 never going to appear at one time. There might be an odd claim here or
an odd claim there which it has to meet for 100 000 or 150 000 but so
what, it means nothing in the bigger state whereas the money is
providing fruit, it is being used for a good public purpose and the
beneficiary is guaranteed.

25 ADV. D. TSHIDI: I understand that, I think we must also keep in mind

that yes we will put legislation in place but there are a lot of emotions around this issue.

JUDGE: Yes but emotions are all met by money, you can pay off any emotion if you provide sufficient money.

5 ADV. D. TSHIDI: Yes.

JUDGE: And if you guarantee that I will give you a hundred percent of your claim there can be no emotional objection to that.

ADV. D. TSHIDI: Yes emotions indeed ...[intervenes]

JUDGE: And if you provide that the guarantor is quite indisputably
10 sound then there can be no objection to that.

ADV. D. TSHIDI: Granted yes emotions are made by money but other emotions are also, remember the creation of this is also a political problem of where we come from.

JUDGE: Yes but the emotions of who Mr Tshidi, not the emotions of the
15 beneficiaries because you do not know who they are.

ADV. D. TSHIDI: Yes but you have people, Trade Unions and all that who will stand up and speak for those people.

JUDGE: And what are they going to object to that is what I am asking?

ADV. D. TSHIDI: Ja and I will tell you what they will tell you, they will tell
20 you that you know why we have unclaimed benefits is because in the past, in the past why we have wrong data is because people were not allowed to find jobs in the country if they gave the correct addresses so they came over from the rural areas concocted residential addresses which are not true simply because they wanted to find employment, that

is one. Secondly is if show you the statistics Your Honour you are going to find millions of people and this amount belongs to 4 million people, you will find 30 percent of the 4 million people they all have one birthday date because nobody cared about, they were treated like they were
5 sheep so we cannot run away from those emotions.

JUDGE: I am not but they are utterly irrelevant.

ADV. D. TSHIDI: Yes.

ADV. K. PILLAY SC: Mr Chair as I understand the point that you are making and I understand your discomfort having done this work myself is
10 that the funds belong in the fund.

ADV. D. TSHIDI: Yes.

ADV. K. PILLAY SC: And if government accesses the fund they are actually expropriating that money from the fund.

ADV. D. TSHIDI: Yes.

15 JUDGE: No it is not expropriating it that is why it gives the guarantee, if it was taking the money without an obligation to pay it back that would be entirely different.

ADV. D. TSHIDI: No I understand that but remember you are going to have people saying you used money that belongs to me and you say you
20 will give me guarantee, in the first place I should have received this money, I did not receive it because of your doings as a government.

JUDGE: So who is going to say this?

ADV. D. TSHIDI: Sorry.

JUDGE: Who is going to say this?

ADV. D. TSHIDI: Who is going to?

JUDGE: Who is going to say this that I did not receive the money?

ADV. D. TSHIDI: You have Trade Unions, you have NGO's we must not think about the NGO's that they are looking at once side of issues, there
5 are also other NGO's who will come up and raise issues. Remember this money they will tell you it belongs to the workers and nobody else.

JUDGE: Of course it does.

ADV. D. TSHIDI: So there are emotions on these things.

JUDGE: Of course it does.

10 ADV. D. TSHIDI: Yes.

JUDGE: And nobody is taking it away from the worker, it is there, it is guaranteed that is the point and it will be guaranteed with interest.

COMMISSIONER KHUMALO: Can I just go back to your proposed amendments and you were saying we must form, there should be a
15 central fund so and then we said Judge proposed the amendment as he gave the sentence the way it is, so if we are to do that not only wit the pension fund with any other surplus that is out there for the country, do you think we should also have different funds for that, for everything or the change of legislation should just guarantee access to that against the
20 guarantee from the state?

ADV. D. TSHIDI: Well ...[intervenes]

COMMISSIONER KHUMALO: Because we are not exploring pension fund only.

ADV. D. TSHIDI: Well Treasury is thinking along those lines of saying

why create a central fund for pensions, why not create a central fund for everything right, if we do that then you have a longish period to deal with it.

COMMISSIONER KHUMALO: But even if we take the fund out of the
5 equation and just amend legislation to allow access to all those unclaimed benefits, the how part of it would be as the Judge was suggesting that if there is a presentation of a claim later whether it goes back to the fiscas of the country or whatever.

ADV. K. PILLAY SC: I think, just to come in, I think there is probably
10 confusion of two models here and that is probably why we are, I think there is the Tshidi model which is preserve the fund, put it in a central fund and use the proceeds or the benefits.

ADV. D. TSHIDI: Yes.

ADV. K. PILLAY SC: The growth to fund for example tracing and other
15 social imperatives and then there is the model that the Judge suggested which is that you can access the funds as long as you provide a guarantee that should the claimant present him or herself that they would be entitled to the unclaimed benefits.

ADV. D. TSHIDI: Well look the suggestion that I have put before you is a
20 suggestion that I know will work, any other suggestion is going to be confronted by opposition in parliament.

ADV. K. PILLAY SC: And specifically by the Trade Unions.

ADV. D. TSHIDI: Because I have been in this industry for long I know
the sentiments, I know the possible reaction, this suggestion is likely to
25 work and with regard to an overall central fund, remember you have

different sectors, different pieces of legislation, you have to bring all those together, I am not saying it is impossible we can do it.

JUDGE: I have not the slightest objection to having an overall central fund, I can readily see the advantage of having an overall central fund
5 but the suggestion I am putting to you does not prejudice that at all because the borrowing would simply take place from the central fund that is all.

ADV. D. TSHIDI: Well I am starting with pension fund to sort of be some kind of study, see how we deal with it and from there we can move
10 further.

JUDGE: Yes quite so.

ADV. D. TSHIDI: Yes.

ADV. K. PILLAY SC: And there is one regulator then, it is one regulated industry that is being dealt with by the central fund, only pension funds,
15 registered pension funds.

ADV. D. TSHIDI: That is pension funds yes.

JUDGE: May I just ask you something for clarity sake because it arises out of what we have been talking about, both views or both the suggestions, in the reality of things how much a year is paid out in
20 respect of unclaimed benefits, in other words how much is claimed successfully in each year from the unclaimed benefits?

ADV. D. TSHIDI: Remember that would be from fund to fund, I will have to go and work it out and get it from the various pension fund administrators so that I can put it together and say this is what gets paid

out annually but if it was in the central fund it would be easy.

JUDGE: You know for example supposing you have got 42 billion that is going to go into the central fund as you have suggested, experience must tell how much is likely to be claimed each year.

5 ADV. D. TSHIDI: Only this year, well if ...[intervenes]

COMMISSIONER ALLY: No Mr Tshidi what the Chairperson is putting to you is that you have an amount of 40 billion, experience and you have been dealing with this a long time.

ADV. D. TSHIDI: Yes.

10 COMMISSIONER ALLY: Tells you each year how much is claimed from that unclaimed benefit.

ADV. D. TSHIDI: And I am saying I can take a guess.

COMMISSIONER ALLY: Right, now actuaries do these things so once you have the amount then you use the actuary who says in the given
15 year this is the amount you are likely to pay out from those unclaimed benefits then you are dealing practically with amounts and therefore you take it further as to how if at all these benefits can be used.

ADV. D. TSHIDI: Yes.

JUDGE: And that would be very important for parliament to know for the
20 purpose of saying well is this a viable proposition that the state can guarantee because the state does not want to guarantee something which is going to pay out 20 billion rand every year, that is pointless.

ADV. D. TSHIDI: Yes, ja.

JUDGE: Might as well leave it where it is.

ADV. D. TSHIDI: I take the point but I would only do that, I would only do what you are suggesting when the allocation of the percentage from the growth comes from not from the capital.

JUDGE: Well there is no allocation from either side because both are
5 fund, the fund remains exactly the same, nothing disappears.

COMMISSIONER ALLY: You see Mr Tshidi I think what is happening here is that we have moved to the capital, now let us take that capital, of that capital of R42 billion presently you are unable to say in the given year how much is paid out of that. Now once you have that amount
10 which you can give you can then move from there sequentially to indicate in a given year you might come down to R41 billion because you paid out R1 billion of the claims you were able to meet or find these people somehow or the other.

ADV. D. TSHIDI: Yes.

15 COMMISSIONER ALLY: And it is on that basis that we are saying practically you might be able to work with it. Now the fact of that, the capital amount of R42 billion must remain there, it might not remain there because ...[intervenes]

ADV. D. TSHIDI: You are paying yes.

20 COMMISSIONER ALLY: Exactly so what has happened is that experience has taught you that you will be paying out 200 claims a year and therefore it will not stay with the capital amount.

ADV. D. TSHIDI: Yes but I want it to grow to the capital amount.

COMMISSIONER ALLY: Growth and so forth there is no problem with

that. You see from where I am sitting I am not for one or the other, I cannot see why the two are mutually exclusive in the sense of they cannot be merged for the benefit of a social impact in our country such as education and maybe something else for that matter because it can
5 be used as a model.

JUDGE: You see let me just put one thing to you, you think that the R42 billion capital in the central fund should be invested right.

ADV. D. TSHIDI: Yes.

JUDGE: Now one way of investing money is to lend it to somebody who
10 will pay you a return.

ADV. D. TSHIDI: Yes.

JUDGE: That is what you do when you put it in the hands of funds or however you do it because they then invest it. Now in this case you are simply going to invest it in the government, the government is going to
15 borrow the money and the government is going to pay a return so what is the difference?

ADV. D. TSHIDI: Yes I hear you, there are other problems but that is fine, yes.

COMMISSIONER ALLY: Well it is good that you mention your problems,
20 you see we having in this week Treasury, I do not know whether it is from your side whether we should mention this to Treasury about your proposal or we give our proposal, the proposal that the Judge has made.

JUDGE: It is not a proposal at this stage I got it very wrong to say that, it is one way of looking at the use of unused funds in this country which is

what is part of our remit in looking at whether free education can be provided or not.

ADV. D. TSHIDI: Okay.

COMMISSIONER ALLY: So you see if we put to Treasury and they
5 come up with problems you would have sensitised us as to the problems that could be lurking in the shadows but I think we have taken this matter as far as we can, you have given what you think can be done.

ADV. D. TSHIDI: Yes.

COMMISSIONER ALLY: We have also given to you how it can be
10 amended and merged in one way or the other, is there any other, I trust you will give us the documentation that you have with you.

ADV. D. TSHIDI: Yes we will make the documentation available just and from me what I have put in place here it is what would be expected of a regulator whose function is to protect the interest of current and former
15 and deceased members so that is what I have put here and Treasury will know that this is the regulatory view.

COMMISSIONER ALLY: Yes and that your integrity remains in tact in terms of what you are proposing.

ADV. D. TSHIDI: Yes, yes.

20 JUDGE: Miss Pillay.

ADV. K. PILLAY SC: Thank you Chair we have no further questions.

JUDGE: Well then I do have some other questions. Mr Tshidi you were good enough to tell us that there are other examples of unused funds of this nature in other places, one of the sources you suggested was the

insurance industry.

ADV. D. TSHIDI: Yes.

JUDGE: Now in what form would that unused money lie or why would it be there?

5 ADV. D. TSHIDI: Well I mentioned the issue of the demutualized shares.

JUDGE: Yes that is not the insurance industry.

ADV. D. TSHIDI: Right and there are other benefits which were never paid up because again we come historically from my point where you would buy a funeral policy, you die of AIDS, HIV and the policy gets
10 repudiated, we do not bury you because you died of this and that and yet the policy should actually be dealing with putting the body in the grave irrespective of how you died, those amounts will still be there and they must be recovered and possibly others but I have asked the insurance department to put all these things together so that when we provide
15 documentation to the commission we have a holistic thing.

JUDGE: Thank you, now my colleague mentioned the Guardian Fund, that is also a source of possible unclaimed monies is it not?

ADV. D. TSHIDI: Yes but we have not thrown anything there because we ...[intervenes]

20 JUDGE: No, no I understand that. Are there any other potential black holes?

ADV. D. TSHIDI: It is the guardian fund, there are others yes, there are others that are there, again we will give you information on them, the contact details.

JUDGE: It would be most helpful if you could.

ADV. D. TSHIDI: Yes.

JUDGE: Thank you we would appreciate it.

ADV. D. TSHIDI: Yes.

5 JUDGE: And please do not misunderstand me.

ADV. D. TSHIDI: No.

JUDGE: We are not suggesting for one moment that you should breach your duty or that you are breaching your duty here and we understand that what you are doing is with the utmost regard for what your duty is,
10 we do not take any issue with you at all but we do thank you for the trouble you have taken to come and be as frank with us as you have.

ADV. D. TSHIDI: Ja thank you Judge. When she called me I wanted to refuse but I said well there is a social issue here to deal with let us see how best we can assist but I did not want to come you know that.

15 COMMISSIONER KHUMALO: Advocate I wanted to check, the amendments you are saying you have sent already are they in line with what has been discussed here?

ADV. D. TSHIDI: They are already under discussion with Treasury and the FSB.

20 COMMISSIONER KHUMALO,: With the central fund.

ADV. D. TSHIDI: Yes.

COMMISSIONER KHUMALO: Okay.

ADV. D. TSHIDI: Thank you.

NO FURTHER QUESTIONS

ADV. K. PILLAY SC: Thank you Chair we have no further witnesses lined up for today Chair so if we may adjourn until 10:00 tomorrow morning.

JUDGE: Yes thank you very much indeed. Adjourn until tomorrow
5 morning.

MEETING ADJOURNS

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SET 7 – HEARING 1 – DAY 1

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