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# MINISTERIAL TASK TEAM ON SETA PERFORMANCE

REPORT FOR THE MINISTER OF HIGHER EDUCATION AND  
TRAINING, HON B NZIMANDE (MP)

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## 1. INTRODUCTION

The Ministerial Task Team on SETA Performance was established by the Minister of Higher Education and Training in March 2011. The work of the Task Team was undertaken over thirteen months - from March 2011 to May 2012, with the brief to:

- Assess the performance of the SETAs, drawing on previous and current reports and performance management information as well as interacting directly where necessary with DHET, SETAs and stakeholders;
- Analyse the work done, and recommendations arising out of, reports from the HSRC focusing on the impact of the work of the SETAs, research reports commissioned under the Presidency (such as the Singizi report) and NEDLAC, and take these into account in making recommendations on how to improve performance of SETAs;
- Assess SETA governance structures and processes to address the following specific challenges in particular:
  - Diffused focus and multiple objectives
  - Conflation of governance and operational roles and responsibilities. How to strengthen governance, professionalise boards and monitor governance practice
  - Uneven strategic sector planning, research capability, operations management, administration and financial management across the SETAs
  - Poor monitoring and evaluation and inadequate management information in the SETA system
  - Inefficiencies in work planning, service delivery and performance management across the SETAs
  - Difficulties in addressing cross-sectoral skills development and training requirements
  - Negative public perceptions;
- Develop long-term and sustainable solutions to the governance problems of SETAs, taking account of stakeholder views;
- Assess the capacity and readiness of SETAs to implement NSDS III and to achieve the objectives set by DHET;
- Propose mechanisms to obviate barriers to SETAs being able to implement NSDS III;
- Develop mechanisms to ensure that all forms of corruption are eliminated from the SETA system; and

- Provide a report to the Minister in which information on the above issues is documented with recommendations that can assist DHET in ensuring improving performance of SETAs in the short, medium and long-term.

The Ministerial Task Team began its work by establishing three sub-committees to conduct focused analysis of various key areas: Planning and Delivery; Compliance and Governance; and Funding and Financial Management. Each of the three sub-committees consequently produced a detailed report related to the three areas of focus. The three sub-committee reports have informed the final report of the Task Team.

Additionally, research was commissioned and undertaken by the Task Team which included:

- A desk-top review of the existing legislation framing the issues discussed in this report, documents which considered the South African experience as well as research about international trends pertaining to these issues;
- Data analysis on SETAs (with data provided by DHET and then an analysis undertaken by the team).
- A desk-top review on financial management.
- Literature review on governance and compliance issues;
- An audit of allocation of the discretionary funds during the NSDS III.

Members of the Task Team also went further by conducting a series of interviews, with various key stakeholders and focus groups such as:

- SETA representatives, including among others SETA CEO's, Chairpersons, Deputy Chairpersons and executive managers focused on governance and compliance issues;
- Affected key individuals including Departmental officials, SETAs, Quality Assurance Bodies, the Office of the Auditor General, and individuals involved in the sector.
- The National Skills Authority which includes all the stakeholders.
- The business and labour social partners.
- The Portfolio Committee on Higher Education and Training.

The key recommendations were presented to various affected groupings (amongst others SETA CEOs and Board Chairpersons and the National Skills Authority) and where possible their comments were addressed.

The Task Team notes the following processes currently underway:

The system is moving towards a coherent framework for post-school education and training - this is clearly outlined in the recently released Green Paper on Post-schooling.

There is a shift, from an FET system tied to an NQF Band to a post-school system, which allows for a more comprehensive approach to meeting the needs of both

young people leaving school (those that have not yet completed Grade 12 as well as those that have) and both unemployed and employed people.

There is a commitment to address both the need for improved quality of existing providers as well as to establish additional types of providers (also set out in the Green Paper on Post-schooling).

The nature of qualifications is being reviewed, with a shift to more relevant, flexible qualifications, focusing on general education skills and abilities (that is the skills required to adapt and translate knowledge into changing contexts).

There are proposals to simplify the system - including changes to the NQF, a shift away from onerous requirements for accreditation, and from stand-alone unit standards being registered to only Awards and Qualifications being registered on the NQF.

Related to the above, the newly established Quality Council for Trades and Occupations (QCTO) is developing guidelines for the quality assurance processes of work-related training and is entering into agreements with SETAs to act as Development Quality Partners and Assessment Quality Partners thus changing the role of SETAs in the quality assurance process.

There is a focus on the development of better links between education institutions and industry.

There are processes underway to review the funding formula of the post-school system

After applying our minds, we have developed the analysis and key recommendations elaborated below. Our recommendations are based on an analysis of the original intention of the system, the problems that have been experienced to date, and the lessons we have learnt about the difficulties of setting up new institutions. We have attempted to find ways to consolidate and improve on the current system, suggesting changes where absolutely necessary, and establishing continuity wherever possible, despite problems, rather than creating new structures and systems.

## 2. HISTORY AND OVERVIEW

### *Introduction*

The system and institutions related to skills development were established because of a concern relating to the absence of skills development for workers, and the struggle that young people and the unemployed faced in accessing the labour market. It was also due to the lack of mobility that individuals experienced in the world of learning and work that the need for our skills development interventions arose. To address this, the Skills Development Act was promulgated in 1998 with the following key imperatives:

- To develop the skills of the South African workforce;
- To increase the levels of investment in education and training in the labour market and to improve the return on that investment;

- To encourage employers to play a more proactive role in skills development activities for existing employees, for new entrants to the labour market to gain work experience, and to assist people struggling to find employment;
- To encourage workers to participate in learnerships and other training programmes;
- To improve the employment prospects of people previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education; and
- To ensure the quality of education and training in and for the workplace.

(Skills Development Act, 1998 as amended (SDA)).

Within this context the Sector Education and Training Authorities (SETAs) were established to replace the old Industry Training Boards. The SETAs have been reorganised a number of times since inception: on 01 April 2005, the 25 SETAs underwent restructuring resulting in the formation of 23 SETAs. On 01 April 2011, the 23 SETAs were restructured resulting in some SETAs remaining unchanged, other SETAs merged and new SETAs formed. There are currently 21 SETAs under the Department of Higher Education.

SETAs are stakeholder bodies, with employer and trade union representatives on their boards. They were set up through a levy-grant system, through which employers pay 1% of payroll costs - 80% of which goes to the SETA. The SETAs distribute some of the money back to employers upon receipt of training plans and reports, and the rest is supposed to be spent on discretionary projects in the sector. The system was intended to create an incentive for employers to train, to support training, and to supply information about the training needs of each sector. The remaining 20% of the skills levy goes to a *National Skills Fund*, which was intended to fund training for disadvantaged groups, particularly the unemployed. The legal mandate of SETAs is listed in Appendix 1.

The Skills Development Amendment Act 31, passed in 2003, introduced a number of significant changes to the SDA - the key objective of which was to strengthen the Minister of Labour's powers to influence the work of and to hold to tighter account the SETAs.

Amongst other key functions, the Skills Development Act (SDA) section 10(1)(a) requires that each SETA develop a sector skills plan. Sector skills plans are five-year plans which must include a sector profile, an analysis of the supply and demand for skills in the sector, and the identification of priority skills needs in the sector. Sector skills plans should also show the link between skills development activities in the sector and government priorities as articulated in the National Skills Development Strategy, the National Human Resources Development Strategy, the Industrial Policy Framework and more recently the National Growth Path and National Development Plan and other relevant industry or sector growth strategies.

SETAs are then required to submit annual updates, which are described as revisions of the 5-Year sector skills plan. These updates provide SETAs with the opportunity to update and align information with changes that might have occurred in the sector after the submission of the 5-Year sector skills plan or previous annual updates. The 5-Year

sector skills plan and annual updates are intended to provide signals to education, training and skills development providers and learners about skills that are currently needed or alternatively those that are being oversupplied. It is also expected that these documents will indicate those skills that will be needed in the future in different economic sectors.

The 5-Year sector skills plan and annual updates are intended to inform the development of annually produced three-year strategic plans. They outline key strategic interventions to address identified skills needs and constraints to effective recruitment, utilisation and development of skills. These strategic plans are a requirement in terms of the Public Finance Management Act (PFMA), and are for a period of 3 years, linked to Medium-Term Expenditure Framework and the Sector Skills Plans are for 5 years linked to the National Skills Development Strategy. The strategic plans also form the foundation of the Service Level Agreements which SETAs are required to sign with DHET each year (Section 10 A(1)(a) of the SDA): in terms of section 10(1)(h)(ii) of the SDA each SETA must submit these strategic plans as well as reports on the implementation of its Sector Skills Plan and service level agreement to the Director General on an annual basis.

The Skills Development Levies Act 9 of 1999 (SDLA) then established the system of levy financing to fund skills development. It provides for the allocation of grants by SETAs. This Act was intended to provide incentives for employers to adopt a pro-active approach to skills development within the framework of the Skills Development Act.

Regulations set out how the SETAs disburse training grants to employers, training providers and workers (defined in section 1 of the Skills Development Act) to include employees, unemployed persons and work seekers within their sector. The current framework for allocating grants by SETAs is provided by the Grant Regulations, 2005<sup>1</sup> as appear below:

**Mandatory grants:** The Grant Regulations make provision for the submission of workplace skills plans and annual training reports by registered levy paying employers. In terms of these Regulations SETAs are required to allocate mandatory grants to employers who submit these plans and reports. Initially it was intended that SETAs would review the workplace skills plans to determine whether they were consistent with priorities. However, this role was removed from SETAs by Treasury and SETAs were instructed to pay the grant on receipt of the workplace skills plan in response to the myriad complaints about the time lag that the assessment took and the view that SETAs did not have the capacity to assess the number of workplace skills plans submitted.

**Discretionary grants:** These grants are paid to employers to cover the cost of learnerships, learnership allowances, skills programmes and apprenticeship training. Discretionary grants can also be paid to education and training providers and institutions towards other activities that implement a sector skills plan.

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<sup>1</sup> Sector Education and Training Authorities (SETAs) Grant Regulations regarding monies received by a SETA and related matters (GN R713, GG 27801 of 18 July 2005).

The total skills development levies collected within all economic sectors increased from R 4 426 003 billion in 2007 to R 8 609 811 520 billion in 2011– This figure is set to exceed R10 billion for the 2011-2012 financial year<sup>2</sup>.

The National Skills Fund received 20% of that levy, amounting to R 1 721 962 304 in 2010-2011. The total expenses for 2010-2011 were R 633 million (less than 40% of the levy grant allocation). Given that the NSF also earned a sizeable R380 million in investment income from the R 6.5 billion accumulated monies in investment accounts, the picture is rather alarming.

### **Overview of challenges**

There is much publicity about the challenges facing – or caused by – SETAs. These are considered in more detail in this report as an explanation for the recommendations we have made as a Task Team. This section provides a broad overview of some of the challenges.

There is a strong and widely supported view that the mandate of SETAs is too broad and that it is therefore impossible for SETAs to carry out all their responsibilities. This is exacerbated by the fact that their roles are often expanded with limited sense of the implications that this has on existing work (detailed research findings on this problem are found in Appendix 3). There has also been uncertainty about the way in which SETAs are organized, with questions about whether they are aligned with other economic strategies, bargaining council arrangements, organization of related data, etc. There have also been questions about the extent to which their organisation enables economies of scale (research findings on this area are in Appendix 4).

However, suggestions to reduce the number of SETAs have been met with concerns about the delays this creates in terms of actual delivery (transitions often stop work for a lengthy period) as well as a fear that it will further remove the SETAs from the stakeholders.

There are also a number of challenges pertaining to the way in which skills planning is undertaken and the limited amount of skills development that appears to be supported. The data used for skills planning are often inconsistent and in some cases not valid. Targets are often unrealistic and focused on immediate shortages rather than projected needs. There are concerns about how monies are spent and the extent to which the grant system is being used to steer priority skills training as was initially anticipated (detailed findings about planning are found in Appendix 5).

Other issues pertaining to SETAs relate to quality assurance arrangements and quality itself. There have been concerns about the multiplicity of quality assurance systems and processes which have been developed, the onerousness of the requirements, and a concern that this does not appear to have developed the capacity and quality of providers. The funding mechanisms appear to suffer from the same difficulties, with providers expressing frustration at the way in which learners and programmes are funded. It would appear that many providers are still weak and/or inadequately resourced, and there appears to be little relationship between the quality assurance

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<sup>2</sup> Based on unaudited figures received

systems of the SETAs and improved quality of provision (detailed consideration of these issues can be found in Appendix 6).

There have also been numerous governance challenges such that the fiduciary duties of the Boards and Executives of SETAs have been confused with the critical importance of stakeholder participation in the strategic activities of SETAs. This has resulted in the worst of both worlds – poor corporate governance of SETAs and inadequate strategic focus on demand-led skills development. Further, a study commissioned by the World Bank suggests that fiduciary governance in many SETAs has been poor (Falkov, Marock, Johanson 2010). There is evidence of gross negligence and weak financial accountability and oversight in certain SETAs; lack of documentation for National Skills Fund income and expenditure; significant variations in SETA senior staff remuneration; lack of qualified senior management; and inadequate performance management (Appendices 7 to 11 provide detailed analyses of these areas).

With respect to funding systems there is little credible evidence to suggest that mandatory grants, which constitute 50% of the total SETA-based skills development funding, are being utilised as intended. There is very little research and empirical evidence about the impact that the discretionary grants or the National Skills Fund have had on skills development and on the objectives for the system.

There are also real concerns about the way in which SETAs report to DHET and the extent to which this enables accountability. Thus while there are a range of reporting requirements resulting in a lot of work, it does not appear that there is information that is provided in a consistent manner across SETAs that enables DHET to establish whether the performance of SETAs is at an acceptable level.

Equally, the public service has largely remained outside the skills development system and processes experienced in the private sector. Legislatively, the SDA and the SDLA exempted government from paying a levy. The result of this has seen public service training remaining disjointed, uncoordinated, unresponsive, and destructively competitive - with little or no impact on service delivery. In *Measuring the impact of assessment of skills development on service delivery in government departments*, Pundy Pillay et al found that, “national government departments as a whole are spending a considerable sum of money on training (R1.8 billion in 2009/10). Second, most national departments are spending more than the mandatory 1 per cent. Third, more than 215 000 person equivalents (or head counts, as some individuals would have attended more than one programme or course) attended some form of skills development programme. Fourth, there is substantial variation across departments in terms of program per capita costs”. However, their study further found that despite these expenditures, “very little work has been done to develop the necessary institutional mechanisms to measure the efficiency and effectiveness of training. Amongst the government departments that were part of the survey, there is hardly any data on the impact of training in terms of public service productivity, increased occupational mobility or earnings. Finally, in all cases evaluated here, no formally-defined institutional mechanisms exist for assessing the impact of training”.



In the final analysis, having looked specifically at SETA performance issues, is the need to conceptualize a new National Project for South Africa. Such a National Project must be premised on the need to build a learning culture that will re-inculcate a sense of learning, development, and knowledge acquisition for self-worth, growth, and the building of an information driven society.

The above overview has sketched in broad terms the range of challenges and perceived and real problems with the SETAs and the skills development system in general. In the next section we make 17 recommendations that we believe can address the most pressing of the challenges discussed above. Each recommendation is followed by a motivation and discussion of the issues that are addressed in the proposed change.

It is necessary to make one overarching comment before we list the recommendations. While the recommendations are discrete, they cannot be taken in isolation. Each recommendation has consequences that are addressed in other recommendations. It is necessary to clarify this, as the Task Team has been careful not to change parts of the existing system without thinking through the implications of those changes. In each instance where changes have been proposed, we have attempted to accommodate the removed or altered functions elsewhere in the system. The Recommendations need to be understood holistically.

### 3. KEY RECOMMENDATIONS

#### *Role of the SETAs*

##### **Recommendation 1:**

**The SETAs need to have a tighter focus that must be reflected in their vision, mission, governance structure and strategy. The Task Team recommends that this focus should be on skills development (including planning, enabling provision, allocation of grants and quality assurance related to same) in established (small, medium and large) businesses/workplaces (for employed and unemployed people that wish to enter the sector) relating to sector priorities and the transformation charters for the various sectors.**

This would mean that SETAs should:

- \* Access workplace information and engage with stakeholders to support planning in the sector.
- \* Support programmes at all levels of the NQF as required by the sector.
- \* Work with providers to ensure that they understand the needs of employers within their sector.
- \* Support capacity development initiatives to support providers to conduct high quality, relevant education and training (including enabling providers to work with employers to provide on-the-job training where relevant).
- \* Work with employers to improve the quality of workplace experience (where integrated into a programme or offered as an internship to graduates).
- \* Support employers - particularly emerging SMMEs - in the training needs required to meet broader employment creation opportunities. This needs to be innovative and creative financial support that places job creating opportunities above the quantum of levies paid.
- \* Support cooperatives, especially their related capacity building initiatives. This also requires an evaluation based on job creation potential rather than the quantum (or lack thereof) of levies paid.
- \* Engage with relevant departments and/or responsible agencies for skills development activities with respect to broader priorities (such as the creation of SMMEs, ABET, Youth and Community Development) to both explain the demand in the sector and to indicate what supply strategies are being put in place to support provision in the sector.

### Discussion

The research and the consultations conducted with role players suggest that the scope of SETAs is either unclear or too broad.

Firstly, the mandate is viewed as being too large, not clearly defined, and constantly shifting. This elastic mandate is a problem that was evidenced in both the formal policy documents that speak to the role of SETAs as well as the political and social pressures placed on SETAs.

Secondly, the mandate needs to be understood relationally in terms of other entities operating in the skills development terrain. A theme emerging from the data was that this was not clearly defined. There is a need for the SETAs' mandate to be understood in relation to, and as part of the DHET and the government more widely. For example the role of SETAs in small business development as compared to the mandate of the Small Enterprise Development Agency (SEDA), which falls under the auspices of DTI, is unclear. Similarly, the role of SETAs in relation to redress activities (ABET provision, skills required as part of poverty alleviation activities, or that relate to a rural development programme) needs to be looked at in relation to other campaigns and programmes in these areas.

The relationship between SETAs and the providers in their sector may also require consideration: interviewees suggested that the SETA ETQAs work with providers to ensure compliance (and this is discussed in more depth in the section of this report that looks at quality) but that there has been little work done with respect to developing the capacity of providers and of ensuring that providers understand the skills needs of their sector and the implications of this for programming. Recent research commissioned by the Swiss-South African Cooperation Initiative (SSACI 2011) shows that as part of the commitment to the NSDS III, SETAs have increased their work with FET Colleges. However, these are currently taking the form of ad-hoc partnerships and the need to understand this work within the mandate of SETAs remains.

Further, it is noted that the issues highlighted relating to mandate and the need to focus are consistent with international trends where it was found that skills related sectoral intermediaries are primarily focused on supporting and enhancing productivity and economic growth activities in the sector ( Appendix 1 elaborates on international trends.) The narrower focus of SETAs proposed in Recommendation 1 above necessitates a refinement of the focus of the NSF to clearly differentiate their respective roles and to ensure that broad national and economic imperatives that fall outside of the new scope of SETAs are nevertheless effectively addressed.

### *The National Skills Fund (NSF): Role and Funding*

#### **Recommendation 2 (a):**

The NSF must continue to be responsible for funding broader national priorities that are not covered by the SETAs. Where appropriate, the NSF should provide monies to other government departments and agencies (such as Seda, NYDA, DBE, DPW) that have a mandate to deliver in terms of these principles and therefore have the capacity to integrate skills development into broader programmes.

**Recommendation 2 (b):** The NSF levy allocation should be increased from the current 20% to 30%.

**Recommendation 2 (c):** The structure and location of the NSF should be revised in order to ensure that it has sufficient capacity and appropriate accountability to perform its revised mandate.

This would mean that:

- \* The NSF should have a distinct mandate to fund societal needs.
- \* The NSF should primarily fund development needs through existing agencies and departments who can support smaller projects.
- \* The NSF should also have the flexibility to support emerging economic sector priorities that are not reflected in sector skills plans. This is considered critical to enable the skills development system to respond to national imperatives for growth and job creation.
- \* The NSF should engage with the SETAs (as per recommendation 1) so that their understanding of the sector can assist with the way in which programmes are defined, and should pay particular attention to ensuring that support for SMMEs and Cooperatives is expanded, with an emphasis on the youth wherever possible.

#### Discussion

While the Task Team's Terms of Reference did not include a review of the NSF, it was not possible to separate out the role of SETAs from the NSF. They constitute two parts of the same system and clarifying the relative functions of the two components of the system was deemed essential to our task. The media, NSA, National Treasury and national stakeholders have raised numerous complaints about the NSF system including ineffective disbursement and monitoring systems. The core complaint has centered on the accumulation of unspent funds within the NSF. A review of the use of NSF revenue

shows that the 2010–2011 revenue was R2.1 billion, the operating expenses were R560 million (excluding salaries, management and SARS collection fees etc.) leaving a surplus for that year R1.4 billion. When accumulated funds from previous cycles and investments are taken into account the NSF is sitting with net assets of R6.6 billion, a figure set to rise to R7.4 billion for the 2011-2012 year. The fact that the NSF has not been spending all its funds may imply that there should be no increase in the allocation to the fund. However, given that broader national imperatives and strategic areas of economic development fall outside the scope of SETAs, it is necessary to ensure that the NSF has a larger resource allocation. The administrative implications for ensuring that the NSF functions effectively are discussed in later recommendations.

Other areas of concern are that the NSF (as is the case with the SETAs) tries to work nationally, provincially and locally and directly supports a range of sectors which it has little knowledge of and experience in. For example, the NSF will directly allocate monies to each individual Expanded Public Works Programme (EPWP) project rather than allowing the Department of Public Works (DPW) to manage this process as part of its existing systems and procedures. Similarly, the NSF currently directly funds enterprise development programmes and provides monies to Provinces to do this rather than allocate the monies to the bodies in government that support SMME development as a comprehensive package which includes, but is not limited to, training.

The refined focus and proposed modus operandi will ensure that there are fewer but larger grants that support an integrated skills development approach through supporting the targeted interventions of existing agencies and enabling funding for the development of strategic sectors of the economy.

In order to fulfill its mandate, the NSF will require additional administrative capacity and the exact lines of accountability will need to be reviewed. The MTT does not believe that the NSF should be a line-function section of the DHET but should have sufficient accountability and capacity, with a CEO, that will enable it to be responsive.

### **Role of the NSA**

#### **Recommendation 3: The National Skills Authority (NSA) should be disestablished.**

\* The skills development and human resource development institutional landscape is currently composed of a wide range of existing structures that duplicate functions. As a consequence, it has become increasingly unclear what role an institution such as the NSA can effectively play.

### **Discussion**

In terms of the Skills Development Act, the NSA must advise the Minister on: national skills development policy; national skills development strategy; guidelines on the implementation of the national skills development strategy; the allocation of subsidies from the National Skills Fund; and any regulations needed. It is also supposed to report to the Minister on the progress made in the implementation of the national skills development strategy and to conduct investigations on any matter arising out of the

application of this Act. The Authority has powers of entry to SETAs and to question and inspect them.

However, the NSA has not been able to fulfill all the roles adequately, partly because it has not had any institutional capacity, and partly because of its stakeholder composition. More importantly, the DHET and its officials - from Ministerial Advisors to the Director-General and line function managers – are de facto contact points for the Minister on various skills development initiatives. Beyond the DHET, there is NEDLAC – which is South Africa’s premier social dialogue and consultative forum - made up of the social partners, namely, government, business and labour, and includes community constituencies; there is now the National Human Resource Development Council (HRDC) – over and above the National Planning Commission. The landscape as elaborated above by default obviates the need for the NSA as is conceptualized currently – thus the recommendation to disestablish it.

#### ***Role of the skills levy and grant mechanism***

##### **Recommendation 4:**

##### **Change the function and amount of the mandatory grant.**

\* The focus would be on ensuring that workplaces have the systems to submit accurate and comprehensive information relating to all training that is taking place in the workplace, current levels of skills, experience and qualifications of employees in the workplace, as well as skills priorities for the short as well as medium term. Submission of this information would entitle the employer to receive a 20% mandatory grant. The remaining 30% that had been within the mandatory grant should form part of the discretionary grant allocations so as to enable the SETA to play an increased steering role.

#### ***Discussion***

SETAs currently give the mandatory grant to employers on the basis of submission of the Workplace Skills Plans and the Annual Training Reports. There are serious problems with the current system.

- There is a concern that the workplace skills plans and annual training report generally do not provide reliable data about the sector or even the workplace (there are some exceptions to this). This concern relates to the format of the workplace skills plans and annual training reports (i.e. what information companies are supposed to provide), the accuracy and comprehensiveness of information provided and the number of enterprises, which are actually completing and submitting workplace skills plans and annual training reports - with real concerns that this number has been dropping for larger enterprises rather than increasing and that for small businesses the numbers that complete are insignificant compared to those that pay the levy.

- Another problem is that SETAs lack the capacity to evaluate the annual training report against the workplace skills plans. As indicated, because of this, National Treasury has instructed SETAs to pay employers based on submission of reports, not evaluation of them.
- Further, the system encourages gaming - workplace skills plans contain mainly easy targets, so that they can easily report on meeting them in their annual training reports.
- In addition, both documents only report against training planned and conducted against money from the mandatory grant. This means that the reports do not provide a comprehensive picture of either workplace training needs or what training is currently being conducted in the country.
- In sum, workplace skills plans themselves are developed largely for compliance purposes and to access mandatory grants (described as 'an ATM of a special kind' by one commentator), and therefore not as scientifically – that is empirically researched – as necessary. This means that the sector skills plans flowing from the workplace skills plans are themselves fundamentally flawed and unreliable.

Greater elaboration on this recommendation is contained below:

- The purpose of the workplace skills plan and the annual training plan must be able to provide the SETA, as well as the national department/agency developing the scenarios, with detailed workplace data. This should include an indication of who the current workforce is and their level of qualification and experience, and it should indicate all training provided in that year (whether funded and not funded by the levy). This information must be provided in a consistent manner<sup>3</sup>. Some SETAs have successfully completed this activity and their experience and methodology should be shared with those SETAs which have not yet done this. Some interviewees suggested that this information is most usefully presented in terms of individual employee's training records for the year (reflected in a standardized format) which the SETA can then consolidate. Information should then be provided (on an aggregate level) of the training that is planned for the forthcoming year against the priorities for the workplace. This priority section should specify what training is needed, how the training will assist the enterprise, whether it is needed in the next year, or within the next three years, and whether the enterprise is planning to use external public or private providers to deliver the training, and which one(s), or whether they are planning to use in-house capacity.
- A key underlying theme for the development of the new instrument should be to balance what data employers can reasonably provide, and by when, with the national imperative to collect useful and accurate information on the labour market. The new instruments' format and approach should be coupled with intensive support to enterprises to enhance their capacity to plan training interventions against organizational goals or objectives.

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<sup>3</sup> For example, there is a need for a clear decision as to whether OFO codes are to be used - if so, this will necessitate that SETAs work intensively with employers to accurately map occupations to the OFO codes.

**Recommendation 5:****Strengthen steering through tighter use of an increased discretionary grant.**

This will be achieved by:

- \* Increasing the discretionary grant (as per Recommendation 4).
- \* It should be aimed at steering the development of skills in the sectors—ensuring that sector specific needs are addressed by employers. It cannot be used for *ad hoc* activities. It should be targeted at substantive training for employed people in the different sectors as well as unemployed people entering the sectors in line with agreed upon sector priorities.

Discussion

Expenditure across the SETAs over the past years shows a very small percentage of money is used for qualifications. The increased discretionary grant must fund training for medium-term needs, i.e. qualifications, and not short term courses, research, and other activities.

- Funding mechanisms must be both responsive to the differing time frames (short, medium and long term) and differentiated across the system. For example, funding mechanisms must ensure the long-term stability of the overall system whilst enabling short and medium-term priority areas to be addressed. This suggests that long-term priorities (as well as certain medium term priorities) should be the responsibility of the fiscus and should be integrated into subsidy and funding formulae. Particularly with regards to medium term imperatives, funding from the levy-grant system should complement this programme funding through their discretionary grant funding (discussed further below) and through their contributions to National Student Financial Aid Scheme (NSFAS) where programmes are consistent with sector priorities. This is critical to ensure that it becomes possible for learners to progress into, for example, a post-graduate programme in a priority field by accessing a bursary (the current system makes accessing of full bursaries very difficult at these levels). This approach, of SETAs giving monies to the NSFAS to complement the monies from the fiscus will ensure that bursaries are centralized within the NSFAS and can be efficiently managed.
- Programmes intended to support existing businesses (for both existing workers and potential new entrants) that culminate in either Qualifications and/or Awards (including for example recognised vendor specific qualifications not registered on the NQF) in these fields of learning should be funded by the SETAs using their Discretionary Grants. This is consistent with the current framework within the NSDS III which emphasizes the importance of funding what are referred to as PIVOTAL programmes, that is professional, vocational, technical and academic learning which culminates in qualifications which have integrated both learning at education institutions and work-based learning.

- A greater diversity of funding mechanisms should be utilized to promote the development of programmes that will meet the supply side priorities. Starting new programmes is costly and cannot be adequately funded through bursary style funding. SETAs need to be able to partner with public and private providers in order to fund the start-up costs of programmes and subsidize programmes through periods where learner numbers may not be viable.

### *Funding Allocations*

#### **Recommendation 6:**

**The SETAs should receive a reduced allocation of 70% of levy monies from SARS, with an increased allocation of 30% received by the NSF. The SETAs should continue to disburse the monies received directly to employers:**

\* In line with the tighter focus espoused in Recommendation 1, the SETAs must be more accountable, including, providing justification on budgetary expenditure and/or utilization.

\* The 30% received by the NSF as per Recommendation 2 is to be allocated to National Priorities.

### *Discussion*

SETAs have built up considerable capacity with regards to disbursement of monies to employers, with increasing positive relationships with employers. While there have been problems, marked improvements have been seen over the years. It is important to build on strengths wherever possible, and to limit the need for new institutions and systems—which take a very long time to become functional. The centralized mechanism for disbursement—the NSF—remains critical to the system but has so far proved the weakest part - where the greatest amounts of money lie unspent. There is therefore the realization by the Task Team that serious efforts are needed to strengthen the capacity of the NSF not only to spend funds better, but to more meaningfully respond to national priorities with impact. Funding allocations to the NSF are thus increased to 30%, largely due to the importance of the work the institution needs to undertake in its reconfigured form. This should ensure that national developmental and economic priorities are prioritised in the usage of 30% skills development monies. The NSF would continue to ring-fence the current special allocation granted it and continue to disburse it according to special considerations. It is further recommended that the NSF be reconstituted and reconfigured to be able to respond to the increased mandate it would be bearing (see Recommendation 2(c)).

**Recommendation 7:****Maintain the current amount of the levy.**

The levy should not be increased. It could be reviewed based on improved research evidence in the coming years.

Discussion

The National Skills Survey of 2007 undertaken by the Human Sciences Research Council indicates that already in 2007 employers had increased their training expenditure as a percentage of payroll from 2.1 per cent found in the 2003 National Skills Survey to 3.0 per cent in 2007. In the public sector, a recent study by Pillay et al also found a similar trend with national government departments spending more than the 1% as mandated by the SDA. Thus both public and private sector employers' training expenditure as a percentage of payroll is well above the minimum 1% stipulated by the law. However, on the other hand, as elaborated elsewhere in our report, spending on training by both SETAs and the NSF has been well below par with billions remaining unspent year on year. Informed by this picture, the Task Team felt it necessary to recommend that the 1% levy be maintained at its current amount – with our focus largely being on improving spending in the right areas for improved impact.

**Recommendation 8:**

**The public sector should be brought into line with the private sector for comprehensive skills development purposes. Every public sector employer in the national, provincial, and local spheres of government must be compelled to budget and pay a skills development levy in a manner pre-determined by a national policy directive for the public sector.**

- \* It is important to have similar mechanisms in the public sector as exist in the private sector in adopting a holistic approach to skills development.
- \* There will need to be accountability for the 1% budgeted for skills as per S30 of the Skills Development Act by all public sector departments/entities.
- \* Pending the recommended amendment of S4 of the Skills Development Act ensuring the payment of levies by all public sector departments/entities to relevant sector specific SETAs, the MTT recommends an interim accountability mechanism for each public sector department/entity to account for the 1% budgeted for skills development to the requisite SETA.

### Discussion

The public service is a major player in the South African economy and no skills development strategy can be successful if this sector is not integral to the procedures. Already, the current system requires government departments to align with the key parts of the strategy. Chapter 7 of the Skills Development Act (Sub-section 30 and 30A) and Chapter 1, sub-section 4 of Skills Development Levies Act 9 of 1999 already compels national and provincial government departments to budget 1% of their payroll for skills development. Furthermore, the Public Service Act as amended, which governs national and provincial government departments, and in particular the Public Service Regulations of 2001, Section B places the responsibility for training with the Heads of Departments in government. Section B, B.4 states that “A head of department shall ensure that sufficient funds are available for the training of employees at all grades”. The Municipal Systems Act as amended already provides for a municipality to “develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, and for this purpose it must comply with the Skills Development Act, 1998 (Act 81 of 1998), and the Skills Development Levies Act, 1999 (Act 9 of 1999)”. It further provides that “A municipality may in addition to any provision for a training levy in terms of the Skills Development Levies Act, 1999, make provision in its budget for the development and implementation of training programmes”, and that “A municipality which does not have the financial means to provide funds for training programmes in addition to the levy payable in terms of the Skills Development Levies Act, 1999, may apply to the Sector Education and Training Authority for local government established in terms of the Skills Development Act, 1998, for such funds”.

However, national and provincial government departments “may contribute funds to a SETA” - they are currently not compelled to contribute the budgeted 1% to a SETA.

As a consequence, over R3 billion is currently budgeted by national, provincial, and local government departments for skills development, but this largely remains outside of the ambit of the SETA system. This bifurcation of the system between public and private sectors is not helpful in terms of developing a comprehensive skills planning and development mechanism. This recommendation implies that there needs to be a repeal of Chapter 7 of Skills Development Act, sub-section 30 and 30A; and Chapter 1, sub-section 4 of Skills Development Levies Act 9 of 1999 – to compel national, provincial, and local government departments to contribute funds to a SETA.

We furthermore suggest that:

- A percentage of the 1% training budget should be allocated for Learnerships/ Internships/ Artisans/ Apprenticeships mainly targeting unemployed learners, aimed at enhancing placement within related departments. The allocation of such funding for bursaries, learnerships and internships will, in the medium to long term, address the recurrent skills shortages by providing a skills supply pipeline for departments.
- A percentage of the 1% training budget to also be allocated for generic in-service management development and training programmes such as skills programmes, short courses, certificates and diplomas, and other programmes that are accredited, including those offered by providers under Palama’s auspices, and in line with Personal Development Plans and aligned with the strategic objectives of the department and the WSP. Such training would also need to respond to competency

areas identified by the DPSA through HR Connect and include management of people, strategy, policy, change, projects, and finance. The allocations above should also cater for compulsory and mandatory public service training programmes such as the Breaking Barriers to Entry Programme, Graduate Internship Programme, Public Service Induction Programme, Anti-Corruption, and Wamkelekile SMS Induction Programme; and for a comprehensive leadership development programme “all the way up and down” – covering administrative staff, junior and middle managers, and senior managers in the public service.

- The focus on employees at all occupational levels and in all occupational classes, with special focus on scarce and critical skills, women, people with disabilities, and more importantly the unemployed youth should remain central in the budget allocation.
- The allocation of funding for this type of training for employees creates an environment wherein government departments are able to deepen the skills pool, provide access for more opportunities for training and development, career advancement and address key issues in their skills retention strategies.
- The allocations for generic in-service training should seek to align with the DPSA frameworks and resultant training interventions which seek to develop leadership and management competencies across the entire public service.
- A percentage of the department’s budget over and above the 1%-or-more must be allocated for pre-service training in the form of bursaries for students who are studying towards any Public Service related occupation requiring a formal qualification registered as a whole qualification from NQF Level 5 upwards. These bursaries must prioritize scarce skills and be aimed at removing barriers to entry into public service employment, particularly for unemployed youth. It is expected that departments will allocate funds over and above their 1% to this category.

### *Skills planning*

#### **Recommendation 9:**

**There needs to be a national central mechanism/body through which skills demands in the short, medium, and long-term are analyzed.**

\* The national central body would ensure that it makes effective usage of workplace information that is collected by the SETAs and should both guide, and be informed by, SETA engagement processes with stakeholders in the sector focused on determining skills priorities for the sector (for the short as well as medium and where possible long term). This recognizes the role that SETAs will continue to have in supporting planning processes.

\* The forecasting and planning process by the national central mechanism/body must be separated into short, medium, and long-term horizons taking cognizance of the levels of certainty and the kinds of projections that are possible and the qualifications and programmes that will be required.

\* The exact nature and structure of this national central mechanism has not been proposed by the MTT on the grounds that there are a number of processes underway that propose a central body for skills and vocational education. One possible location would be the national Institute proposed in NSDSIII, although the function could equally be outsourced to a university or an entity such as the HSRC. Given the overall lack of clarity about these structures, the MTT focused on clarifying the task required to be completed, rather than the structure.

**The SETA's role in the planning process will change and will be:**

\*primarily aimed at supplying sector specific quantitative data to the national central body to ensure the provision of comprehensive information on what is taking place in the workplace (both in terms of what training is taking place, the kinds of skills that are in the workplace, and where there are skills gaps), and

\* consulting the necessary stakeholders in order to attain more qualitative information about the skills that will be required in the short, medium, and long term (this will both be informed by analysis undertaken by the national central body and will in turn inform the work that is done by this central body.)

Discussion

During interviews, focus groups, reviews of research undertaken, and in particular the report of the team that conducted the recent (2010) review of sector skills plans, a number of concerns were indicated about the way in which sector skills planning is implemented:

- There continues to be inadequate information available on demand and what this means for supply. This has implications, in particular, for learners and providers, and it is suggested that this has resulted in South Africa inadvertently slipping into an approach to training delivery that rests on what providers are most willing to supply, with all the problems inherent in this approach.
- There are also concerns about the way in which targets are agreed upon, and the extent to which they address sector priorities. SETAs could meet, or exceed, targets but the skills developed do not support growth, job creation, or improved productivity in the sector. Related to this, there is also widespread confusion about the relationship between the various planning and prioritization processes (and the tools used for these) including at the workplace level (the workplace skills plan and annual training report), sector level (the sector skills plan, service level agreement, and performance agreement), and national level (the National Skills Development Strategy III). There is also uncertainty about how these skills development processes relate to broader national processes such as the National Growth Path, the Industrial Policy Action Plan, and National Development Plan etc.
- The Sector Skills Plan Review Team (2010) also indicated that the sector skills plans lacked cohesive analysis and that there are concerns about the quality of

the plans. This was partly attributed to the way in which labour market information is utilized, the lack of currency of the data, the extent to which the plan allows for the identification of priorities for the sector, and whether ultimately this analysis of the data is in fact translated into the strategic plan of the SETAs.

- SETAs used different methodologies, and had different interpretations of their data such that it is not possible to compare across the different sector skills plans. As an example, it was highlighted that there is incorrect or inconsistent use of the Organising Framework of Occupations (OFO) categories, resulting in limited ability to compare occupations across sectors
- The quality of the other planning tools has also been highlighted and in particular there is a concern that the workplace skills plans and annual training report generally do not provide reliable data about the sector or even the workplace (there are some exceptions to this).
- There was limited forward looking analysis and so there was very little planning against future trends

The recommendations contained above are to address these. Brief elaborations of these are contained below:

- The planning process should indicate the priorities for the *long-term*. This should involve a visioning process and should therefore not be too specific. This process should be led by DHET and should support the work of the Human Resource Development Council South Africa and the National Planning Commission. As indicated this would involve an understanding of the broad imperatives for human resource development within South Africa and would consider all levels of the education and training system and the kind of economy and society we are building.
- The medium-term planning process should involve the development of scenarios which indicate key trends with respect to skills imperatives. These scenarios should be developed by drawing on high quality analyses of economy-wide and labour market trends with particular attention to the manner in which growth and job creation will be driven in particular economic sectors (bearing in mind the key 'jobs drivers' identified in the National Growth Plan) and should reflect a deep understanding of education and learning. This process should be led by DHET, possibly supported by an external agency, in collaboration with the economic development departments. The SETAs should provide workplace data that supports this economy wide analysis and in turn be provided with sector briefs based on this analysis which they should use to inform stakeholder engagement. DHET should ensure that capacity is put in place to develop these scenarios. This research and analysis capacity could be internally developed or be commissioned from reputable economic and labour market research agencies such as a university, a research institute, or research council – whichever is the most appropriate.

- This work should be assisted by the increased collaboration between the Economic Development Department, the Department of Trade and Industry and DHET working with StatsSA, the Department of Labour, the Department of Home Affairs, the Department of Science and Technology, the Department of Basic Education, and the Department of Public Service and Administration, and should aim to ensure that a coherent set of data is collected which can be used for the analysis. This will require alignment of various datasets to ensure that common categories and definitions are used for purposes of comparison.

It is recommended that once the analysis is completed (including a broad understanding of the skills needs across the economy) and the scenarios have begun to take shape, the agency should then produce “sector briefs” which would then provide the basis for effective SETA engagements with their constituencies. The SETA engagements would focus on the economy-wide and sectoral skills needs established and set out in the draft scenarios and would ask industry to consider the extent to which these resonate with their understanding of the sector. This would enable stakeholders to engage around these skills needs and develop a set of priorities with regards to the meeting of these skills needs.

Ultimately these engagements could also consider and review evaluation reports and explore their implications for the sector skills development strategy – What needs to be interrogated is whether these needs are being addressed? What needs to be changed if they are not?

Based on this engagement, the scenarios for the medium term should be refined, and there should be a process in place to annually reflect on the assumptions set out in these scenarios, to consider what in fact has taken place, and the implications of this for demand. This should be done nationally as well as in the context of the SETA engagement forums that are in place.

Short-term (between 1 year and 5 years) planning should have reference to the scenarios and in particular the data provided in the revised workplace skills plans and annual training reports, as well as if required, workplace surveys, coupled with additional information such as tracking of vacancies. The short-term will primarily focus on existing and anticipated shortages in the workplace as well as with regards to new sectors that have been identified and are emerging and requiring new and/or additional skills.

This recognizes that the needs indicated by workplaces represent the shortages that are currently being experienced. These may be for people with qualifications and/or specialized skills, experience, or even profiles. These would be needed immediately, which has implications for the way in which supply can most effectively be addressed.

Finally, there should be an overarching plan that highlights how the SETAs will address the imperatives emerging from the scenarios for the medium term, and then on an annual basis. This should be updated to indicate how the SETAs would continue to support these medium term imperatives whilst responding to immediate shortages. There is a sense that there is improved alignment between the sector skills plan and the strategic plan and the service level agreement. However there are still a number of questions about how the different plans match up with respect to timing as well as the

exact purpose of the service level agreements and the performance agreements. There are review processes underway in the Department and these will be drawn upon in the development of implementation strategies for the recommendations in this report.

### ***Supporting improved supply***

#### **Recommendation 10:**

#### **Supply needs to be conceptualized and supported.**

This will be achieved through:

\* DHET, working with SETAs would map out supply against demand (using an economy wide lens with nuance being added at the sector level) and establish where there is insufficient capacity to deliver this supply and determine strategies to address this.

\* SETAs, together with DHET, will play a proactive role in working with providers to understand long-term, medium term and short term priorities and to consider how these can be addressed given the duration of different programmes (including education and training as well as experience). SETAs, together with DHET, will support the capacity development of providers in line with these priorities.

\* The funding of providers needs to take account of planning, development and quality assurance cycles required for ensuring sustainability.

### ***Discussion***

There have been numerous concerns raised about the limited role played by the SETAs in terms of support for providers. Further there are problems created in the system where short-term needs derail providers from providing programmes that are of a longer duration.

There are also challenges created by the existing sector based planning processes, as many programmes are required across sectors making planning against capacity difficult at a sector level.

More detail about these recommendations is contained below:

- Planning for supply should map the status of supply against the demand set out in the vision, the medium term scenarios and the shortages established, and indicate how far off existing supply is from demand. This analysis would need to set out the possibility that in terms of current supply trajectories the demand is likely to be met (this would consider current input; levels of throughput; educators in

place; facilities available; funding available; etc) for the short, medium, and long term demands established. This would also indicate where in the short term, and even for some fields the medium term, certain skills should be primarily imported whilst capacity is developed. It is also suggested that, even in the longer term, there may be a need to import skills, for example, if an area is so specialized there may not be more than a limited number of people who specialize in that area internationally. Again, support would need to be provided to workplaces to enable them to maximize skills transfer to South Africans in those areas where skills do need to be imported, particularly in the short term.

- The planning process will take into account key sources of data, including: the National Learner Records Database, the three Quality Councils, and other supply data within and external to DHET. The DHET, or an agency established for this purpose, would need to ensure that the data is analysed and used to allow for a comprehensive understanding of supply.
- The plans should also be informed by, and in turn inform, annual meetings, and ongoing interaction, with higher education providers, and separately, further education and training providers – where SETAs brief the providers on these demands and consider ways in which these can be addressed in current plans and how future plans could be adjusted to address these imperatives. The importance of the role of SETAs in providing this information to providers, and working with providers to ensure that training meets the needs of the labour market, cannot be overstated. Again, there may be a need for a cross-sectoral approach here.
- Quality assurance remains key to improving the supply side of the skills development process. The Task Team is cognizant of the evolving role of the QCTO and the roles played by the other quality councils. The relationship between SETAs and the quality councils needs to be fostered and strengthened where necessary.

#### **Organisation of the SETAs**

##### **Recommendation 11:**

**Once the mandate of SETAs is finalized there should be a review of the implications of this for the organization of SETAs. Such a review must seek to better streamline and reduce the number of SETAs over the medium to long term. Subject to the finalization of the review, a moratorium needs to be put in place regarding changes to the SETA landscape as it currently stands.**

#### *Discussion*

An analysis was done of the alignment between the current scope of SETAs and the 9 Standard Industrial Classification divisions for all economic activities in South Africa. While it is acknowledged that these SIC codes are relatively outdated, they nevertheless represent the categories in which data is collected on general economic activity in South Africa.

There are numerous issues about the way in which the SETAs are organized. There are debates as to whether these are organized in a manner that best enables stakeholder engagement or whether current arrangements increase the burden on stakeholders. The extent to which the arrangements also assist or complicate the ability to analyse data pertaining to the sectors and thus understand trends in this regard is also in question. Equally important is whether current arrangements make coordination more difficult or not and whether they increase the overall costs associated with administering the SETAs or not.

While there were intense debates around the way that SETAs should be organized at the time of the establishment of SETAs, some of the original logic of their establishment may have in any event been diluted over time as SETAs have been merged or disestablished primarily on the basis of levy income, sustainability, and governance issues. This has led to problems with employers registering with incorrect SETAs through SARS, and of employers being approached by multiple SETAs to submit workplace skills plans and annual training reports to them. The concept of “one employer one SETA” seems to have been lost, particularly where SETAs cover multiple SIC major divisions. A case in point relates to municipalities, which are being approached by the EWSETA and the SASSETA to submit plans to them, despite the fact that municipalities pay levies to the LGSETA. There is also intense pressure on skilled personnel in trade unions and employer organizations who are required to represent their organizations on multiple SETAs.

Furthermore, at the inter-SETA level the mandate is also not always clear. While SETAs relate to particular sectors of the economy, it is not clear how cross-sectoral needs are properly managed and planned for.

Further areas to examine as part of the proposed review are that:

- Similar to government clusters, SETA clusters should also work on overall strategic projects and objectives that will benefit such cluster.
- Shared services for SETAs, for functions that are common and cut across all SETAs, could be created.

### **Programmes**

#### **Recommendation 12:**

**(a) There needs to be a diverse mix of programmes that meet long, medium, and short-term priorities.**

**(b) There is a need for a focus on occupational programmes that develop academic skills required in the medium to long term.**

**(c) Short courses (not accredited) should be allowed (and offered by both public and private providers) but funded by employers.**

### *Discussion*

There is a challenge with respect to the programmes that are supported. These include the reality that there is significant change each year suggesting a relatively unstable environment where different types of programmes are prioritised at specific points. These kinds of fluctuations create a great deal of instability in the system as providers need to up- and down-scale at short intervals. The fluctuations also suggest a complete absence of demand information in relation to skills delivery, and an incredibly difficult environment for learners to make informed choices about training options linked to employment opportunities.

In addition, a number of other key points are highlighted:

- Of real concern is the proportion of programmes resulting in qualifications over time. Thus while actual numbers in learnerships have stayed consistent and apprenticeships have increased (though they have both dropped since 2008/2009) they are proportionately much smaller.
- Further, the large emphasis on ABET programmes, though proportionately there has been some drop over time, poses a question as to whether this does indeed address the skills needs identified in the various planning documents, or whether SETAs are focusing rather on what is clearly a national priority but may not address priorities for sector growth. There is some evidence from interviews that suggests that some SETAs target 'easy victories', i.e. programmes that allow them to meet headcount targets rather than programmes that meet critical skills needs.
- In terms of unemployed beneficiaries of programmes, there are also similar fluctuations in absolute and programme specific numbers. In the most recent period, the unemployed people on skills programmes make up almost 29% of all the beneficiaries while in the early years the focus was entirely on learnerships (and it is noted that in actual numbers there has been almost no growth since 2006/2007). Further, while it is positive that, in line with the shift in policy, since 2007/2008 there is an increased focus on apprenticeships in actual numbers, it however seems that there has simply been a shift from learnerships to apprenticeships rather than an actual increase in the numbers of unemployed accessing programmes that culminate in a qualification. For example in 2007/2008 there were 73 755 learners in learnerships and apprenticeships combined while in 2010/2011 there were 62 490 learners showing a net decrease in learners.
- It needs to be noted that the above mentioned points do not suggest that there should be only one type of programme supported. The Task Team is also not saying that there is no role for short courses, but rather points to the imperative to clarify which, and when, short courses have value (and then who should fund them), which, and when, programmes leading to Awards should be supported (again including the possibility of funding), and where there is a need to specifically focus on the provision of qualifications.

- It is also interesting to note that, during the period 2006 – 2011, 30% of places on all training programmes went to unemployed people

In addition, there is a need to consider the implications of the planning processes for programmes. It is suggested that there is a need to consider the following:

The **long-term vision** should focus on broad targets such as improving general education with an increased percentage of learners attaining Grade 12 with good passes in Mathematics, Science, and English; ensuring that a greater number of individuals access a post-schooling option(s) and attain qualifications that are at an intermediate and higher level, with an increased number of these graduates being in science and technology fields as outlined in the National Human Resource Development Strategy. Based on current documents and trends nationally and internationally these qualifications would need to focus on generic skills with the understanding that employees need to build the capacity to adapt and respond to uncertainty, given the large number of factors that change in the workplace, such as the technology that is used.

Planning for the **medium term** (10 years) will be based on the developed scenarios to provide a focus to the outputs outlined in the Delivery Agreement between DHET and the Presidency which talk to “increased access for different target groups to programmes (5.2) leading to intermediate (in particular in needed areas – artisans (5.3)) and high level learning in needed occupational areas (5.4)”. This is to be coupled with an “enhanced research, development and innovation in human capital for a growing knowledge economy (5.5).” Thus the scenarios will spell out the fields of learning which are likely to be prioritised. The fields of learning should specify the kinds of occupations (but this should not be narrowly linked to an occupation but rather a cluster of occupations), and therefore which qualifications (and these should include sufficient levels of education to ensure that learners qualify with the ability to adapt and apply their knowledge in different contexts) are most likely to be needed. Ultimately these priorities should be linked to a strategic plan which outlines the education and training interventions that will therefore be required. This could translate into the imperative for a 4 year occupational qualification or the imperative that there be greater numbers of undergraduates in a higher education programme so that it becomes possible to encourage increased numbers of post-graduate and ultimately doctoral students. This will not be translated into the actual numbers of individuals required but rather into fields, occupations and qualifications that should be prioritised for levy-grant funding. This approach should be coupled with additional support to workplaces to enable them to provide high quality skills development interventions which will build on these broad occupational qualifications and ensure that workers have the necessary skills to ensure productivity and growth, leading to greater opportunities for job creation.

**Short-term shortages** can be addressed through a combination of skills programmes leading to awards, and certain shorter qualifications. In addition, the list of shortages, or scarce skills, should form the basis for the list which is made available and which signals for the Department of Home Affairs those occupations which are required and where scarce skills permits should be made available. The importation of skills should be coupled with the capacity development strategy that is in place to address the medium term imperatives within this field of learning so that it is possible to address these skills

imperatives over time. Individuals that are imported could also augment the capacity building effort.

### *Reporting mechanisms for the SETAs*

#### **Recommendation 13:**

**The nature of the instruments used for reporting, as well as the number of, the relationship between, and the timing of the instruments, need to be revised to ensure that they differentiate between long-, medium- and short-term, that they are logically sequenced, and that duplication is removed.**

\* There should be an overarching plan that highlights how the SETA will address the imperatives emerging from the scenarios for the medium term and then on an annual basis this should be updated to indicate how the SETA would continue to support these medium term imperatives whilst responding to immediate shortages.

There are a range of issues raised about the planning and reporting processes that DHET has established for SETAs. Much of the planning data generated is unreliable or unusable in terms of identifying actual skills needs. Generally there is little relationship between the various planning processes undertaken within SETAs and outside of SETAs. The data on SETA performance suggested that targets set by SETAs were unhelpful in terms of measuring performance and made accountability difficult, whilst similarly making it difficult to understand impact. There are also concerns about the quality and the nature of programmes being offered.

Respondents indicated that the current guidelines from DHET align the SSP submission date with the submission date for the Strategic Plans, as required by Treasury. However, they suggest that there is still a need to bring the submission date for Workplace skills plans forward so that this data can be better used in the plans: further it was indicated that, because in the private sector training takes place by calendar year, it would be beneficial to both the SETA and employers to move the submission date for Workplace skills plans to March of each year (it is currently June). In addition, the link between the SSPs, the Strategic Plans and the Service Level Agreements is now much clearer, with the SSP (or its annual update) forming an Annexure to the Strategic Plan (which meets Treasury requirements in terms of the PFMA), and both documents providing the basis for the Service Level Agreement. The one unresolved question is whether the Annual Updates to the SSP are rolling updates (as per Treasury requirements in terms of MTEF), or discrete annual updates within a discrete 5-year period (as per the NSDS timeframe). (This issue has also been addressed in the recommendation on skills demand and supply planning.) The other question pertains to the role of performance agreements within this context and whether there is an intention to align these with the Ministerial Performance

Agreement and the Delivery Agreement with the Presidency. This aspect is not yet clear and still needs further review.

### *Governance issues*

#### **Recommendation 14:**

**For SETAs to accomplish their directives, it is necessary that staff and in particular board members improve and build their skills. New standardised training and induction programmes should be created and attendance be mandatory for all SETA board members.**

#### **Recommendation 15:**

**There is a need to reassess the intentions of the new single SETA constitution against the structures mandated - to avoid conflict and contradiction. At the core of such a reassessment should be the goal of Boards attending to what the Green Paper refers to as “strategic imperatives rather than on the operational issues”.<sup>4</sup>**

#### **Recommendation 16:**

**DHET in conjunction with the National Treasury should have a much closer monitoring of SETA’s procurement practices.**

\* An in-depth study revealing trends and beneficiaries of SETA budgets is strongly recommended.

#### **Recommendation 17:**

**Over and above the earlier recommended disestablishment of the NSA, there remains a need to streamline the current multi-layered stakeholders in the SETA**

<sup>4</sup> A range of options to improve SETA governance have been suggested over the past 5 years. The NEDLAC review (2007) proposed the establishment of a mechanism for Nedlac constituencies to support and assist the Minister to use his powers when appropriate. This would be best done by dedicated people from the constituencies who function as representatives in the proposed regulatory body. Basically it was proposed that this body would address any problems with the SETA boards where these arose, acting like an ombudsperson. Other suggestions were to reduce the number of people on the boards and to separate more clearly the policy and strategic role played by stakeholders versus the management roles such as remuneration, tenders etc. There have also been proposals that the board should include individuals that come from constituencies but that are not representatives to avoid horse trading amongst stakeholders but rather a broader strategic approach. A further option would be to select Board members on the basis of expertise and find other mechanisms for ensuring constituency representation. The Task Team was not able to deliberate these matters sufficiently in order to make a clear recommendation.

**landscape. Such an intervention must result in streamlined SETA accountability mechanisms and development of clear oversight responsibilities.**

These include NEDLAC, SETA boards (Government, Business and other social partners), SETA subcommittees, and their related accounting mechanisms such as Parliamentary Portfolio committee, DHET, and Minister of DHET.

### Discussion

There are numerous compliance and governance challenges affecting SETAs. These mainly relate to the drivers of the institutions. The indiscretions range from ineptitude and lack of expertise to flaunting of rules and regulations by officials and officers who have managed to find a way around the system for their own benefit. Research suggests that poor corporate governance (SETA Board responsibility) has undermined the strategic focus as well as the management and operational effectiveness of SETAs.

There are numerous challenges related to SETA governance structures and processes. These include:

- Diffused focus and multiple objectives;
- Conflation of governance and operational roles and responsibilities;
- Uneven strategic sector planning, research capability, operations management, administration and financial management across the SETAs;
- Lack of suitably qualified and experienced staff and management;
- Poor monitoring and evaluation and inadequate management information in the SETA system;
- Inefficiencies in work planning, service delivery and performance management across the SETAs;
- Difficulties in addressing cross-sectoral skills development and training requirements.

Further, a summary of the comments by the auditor general on the performance of SETAs over the last four financial years are outlined below:

- Lack of effective internal controls.
- Income, expenditure, cash out flow from operations and the balance of cash and cash equivalents does not reconcile.
- Limited reliance was placed on internal audits.
- Material adjustments were made to the annual financial statements submitted on 31 May 2007 which included SARS retrospective amendments and misallocation of prior year income amongst others.
- Supply chain management policies not aligned to National Treasury threshold values.
- The auditor general report to parliament on the performance of SETAs for the 2010 financial year identified some improvements in the financial and non-financial performance of SETAs. There is however a consistent trend of non-performance in other SETAs particularly those placed under administration.



Despite the mechanisms being put in place, the continued existence of multiple – and at times duplicative and contradictory - accountability and oversight mechanisms remains a challenge. At SETA level, there is the CEO, the Chairperson of the Board and various sub-committees of the board. At government level, there is the Director-General and the Minister. At oversight level is Parliament and its related oversight committees. As matters currently stand, there is also the NSA and NEDLAC. Streamlining of these layers for tighter accountability and oversight is thus recommended, in a manner that will make it easier to hold individuals to account. The Minister of Higher Education and Training is ultimately accountable for SETAs and should thus put in place mechanisms that would enhance such accountability and correct any areas of duplication in this regard.

#### 4. KEY STEPS MOVING FORWARD

In finalising the Task Team recommendations as contained in this report, there were a number of key cross-cutting implications and related interventions that the task team took cognizance of, including but not limited to:

- The **Department of Higher Education and Training** is a newly established Department – established in May 2009 – which inherited components from the Department of Labour and the former Department of Education. There are serious capacity challenges that the Department faces which are likely to continue for a reasonable period. However, the Department is in the process of putting the necessary systems and institutional mechanisms in place. This process needs to be accelerated and supported. The Department, as it establishes its own systems and institutional mechanisms, should equally explore external institutional mechanisms that could assist in speeding up service delivery to the people of South Africa. We have, in various parts of this report, outlined some of the mechanisms that the Minister of Higher Education and Training could utilize to improve these processes.
- With regards to the **National Skills Fund** however, we believe the institution remains central to our skills development interventions, but requires serious overhaul and strengthening. The increased allocation as recommended by the Task Team for the NSF assumes a different and better NSF that will be able to drive a responsive and relevant agenda of addressing national priorities, in a manner that can show impact in the shortest possible period. The envisaged NSF, as recommended here, should not have unspent funds in its budget, should have a proper Chief Executive and not be a component of a Branch within the Department – but the accountability shall remain that of the Minister of Higher Education and Training through his Director-General.
- The suite of recommendations made in this report cannot be implemented wholesale at once. There will have to be a **managed process of phasing in the recommendations** over a defined period. At the same time, taking cognizance of the variety of changes already experienced in the SETA landscape, unnecessary tinkering in areas that require serious overhaul should be avoided. It is with this understanding in mind that some of our recommendations – such as those on the organization of SETAs – could take place in the medium to long term, building up to the conclusion of the current SETA establishment; whilst others - such as those on the public service training landscape - contain recommendations for both immediate action and those over a medium term.
- There is also additional work which the Task Team would have liked to undertake which, due to the pressure of time, could not be undertaken but remain critical. As part of the cleanup with regards to the governance challenges mentioned in the report, and the concomitant accountability responsibilities of the Minister of Higher Education and Training as mentioned earlier, there is a need for an in-depth **audit of SETA procurement practices**. Such an audit should look at trends

and who the main beneficiaries of SETA funds are, decision making processes in the allocation of key contracts, and specifically the management of discretionary funds over a defined period. It is proposed that this audit be commissioned by the DHET within the next eighteen months and that the department draws on some members of the MTT to develop the parameters of the audit.

- The Task Team is aware that a number of the recommendations may **impact on or overlap with the work of other ministerial initiatives** as well as DHET functionaries. While we have consulted a number of stakeholders in the development of the report, we have not communicated the specific recommendations to anyone. This will be an important next phase, followed by the implementation of the recommendations and proposals. The Task Team members are willing to assist in taking this process forward.

## **SUMMARY OF RECOMMENDATIONS**

The following are the Key Recommendations:

### **Recommendation 1:**

The SETAs need to have a tighter focus that must be reflected in their vision, mission, governance structure and strategy. The Task Team recommends that this focus should be on skills development (including planning, enabling provision, allocation of grants and quality assurance related to same), in established (small, medium and large) businesses/workplaces (for employed and unemployed people that wish to enter the sector) relating to sector priorities and the transformation charters for the various sectors.

### **Recommendation 2:**

(a) The NSF must continue to be responsible for funding broader national priorities that are not covered by the SETAs. Where appropriate, the NSF should provide monies to other government departments and agencies (such as Seda, NYDA, DBE, DPW) that have a mandate to deliver in terms of these principles and therefore have the capacity to integrate skills development into broader programmes.

(b) The NSF levy allocation should be increased from the current 20% to 30%.

(c) The structure and location of the NSF should be revised in order to ensure that it has sufficient capacity and appropriate accountability to perform its revised mandate.

### **Recommendation 3:**

There needs to be a national central mechanism/body through which skills demands in the short, medium, and long-term are analyzed.

### **Recommendation 4:**

Change the function and amount of the mandatory grant.

**Recommendation 5:**

Strengthen steering through tighter use of an increased discretionary grant.

**Recommendation 6:**

The public sector should be brought into line with the private sector for comprehensive skills development purposes. Every public sector employer in the national, provincial, and local spheres of government must pay a skills development levy to a SETA serving the needs of its sector.

**Recommendation 7:**

Maintain the current amount of the levy.

**Recommendation 8:**

The SETAs should receive a reduced allocation of 70% of levy monies from SARS, with an increased allocation of 30% received by the NSF. The SETAs should continue to disburse the monies received directly to employers.

**Recommendation 9:**

Supply needs to be conceptualized and supported.

**Recommendation 10:**

Once the mandate of SETAs is finalized there should be a review of the implications of this for the organization of SETAs. Such a review must seek to better streamline and reduce the number of SETAs over the medium to long term. Subject to the finalization of the review, a moratorium needs to be put in place regarding changes to the SETA landscape as it currently stands.

**Recommendation 11:**

- (a) There needs to be a diverse mix of programmes that meet long, medium, and short-term priorities.
- (b) There is a need for a focus on occupational programmes that develop academic skills required in the medium to long term.
- (c) Short courses (not accredited) should be allowed (and offered by public providers) but funded by employers.

**Recommendation 12:**

The number of instruments, the relationship between instruments, the timing of instruments, and the nature of the instruments need to be revised to ensure that they differentiate between long-, medium- and short-term, and that they are logically sequenced, and duplication is removed.

**Recommendation 13:**

The National Skills Authority (NSA) should be abolished.

**Recommendation 14:**

For SETAs to accomplish their directives, it is necessary that staff and in particular board members improve and build their skills. New standardised training programmes should be created and attendance be mandatory for all SETA board members.

**Recommendation 15:**

There is a need to reassess the intentions of the new single SETA constitution against the structures mandated - to avoid conflict and contradiction.

**Recommendation 16:**

DHET in conjunction with the National Treasury should have a much closer monitoring of SETA's procurement practices.

**Recommendation 17:**

Over and above the earlier recommended abolishment of the NSA, there remains a need to streamline the current multi-layered stakeholders in the SETA landscape. Such an intervention must result in streamlined SETA accountability mechanisms and development of clear oversight responsibilities.

## APPENDIX 1: LEGISLATIVE MANDATE OF THE SETAS

(The Act has since been amended, but the functions essentially have stayed the same).

The current functions of the SETAs are:

- Develop a Sector Skills Plan within the framework of the National Skills Development Strategy;
- Implement the Sector Skills Plan by: establishing learning programmes; promoting learning programmes (identifying workplaces for practical work experience, supporting the development of learning materials; improving the facilitation of learning; and assisting in the conclusion of agreements for learning programmes), registering agreements for learning programmes, approving workplace skills plans and annual training reports; allocating grants in the prescribed manner to employers, education and skills development providers and workers; and monitoring education and skills development provision in the sector;
- Perform any functions delegated to it by the QCTO;
- Collect and disburse the skills development levies in its sector;
- Liaise with the National Skills Authority the national skills development policy; the NSDS; and its SSP
- Report to the Director-General on income and expenditure; and the implementation of its service level agreement;
- Liaise with the provincial offices and labour centres of the Department and any education body established under any law regulating education in the Republic to improve information about placement opportunities; and between education and skills development providers and the labour market;
- Liaise with the provincial skills development forums in such a manner and on such issues as may be prescribed;
- Appoint staff necessary for the performance of its functions;
- Promote the national standard [of good practice in skills development] established in terms of section 30(b) [of the 2004 amendments to the Act];
- Liaise with the QCTO regarding occupational qualifications; and
- Perform any other duties imposed by this Act or consistent with the purposes of this Act.

## APPENDIX 2: INTERNATIONAL LEARNING

A brief scan of international literature was undertaken in the development of this report, and it is interesting to note that many skills development systems in developing and developed countries have recently been undertaken or are currently underway. The focus of these reviews is the need to make systems more responsive to the changing economic climate, and to ensure the development of world class skills. In the United Kingdom, the Leitch Review recommended that the following principles underpin the reforms of the skills development system in that country:

- **“Shared responsibility.** Employers, individuals and the Government must increase investment and action. Employers and individuals should contribute most where they derive the greatest private returns. Government investment must focus on building a basic platform of skills for all, tackling market failures and targeting help where it is needed most;
- **Focus on economically valuable skills.** Skill developments must provide real returns for individuals, for employers and for society at large. Where possible, skills should be portable to deliver mobility in the labour market for individuals and employers;
- **Demand-led skills.** The skills system must meet the needs of individuals and employers. Vocational skills must be demand-led rather than centrally planned;
- **Adapt and respond.** No one can accurately predict future demand for particular skill types. The framework must adapt and respond to future market needs; and
- **Build on existing structures.** Don’t always chop and change. Instead, improve the performance of the current structures through simplification and rationalisation, stronger performance management and clearer remits. Continuity is important”<sup>5</sup>

In relation to the role of sectoral intermediaries specifically, the international review shows that there have been significant shifts in line with attempts to make the overall skills development system more responsive and flexible.

With regard to **scope or mandate**, the United Kingdom is a key example of the re-focusing of sectoral intermediaries on serving the interests of individuals and employers: the Sector Skills Councils (SSCs) provide employers with a voice in the design and delivery of qualifications, advise government on skills shortages through the research which they conduct, and develop priorities and targets per sector. More generally, because employers are principally going to be the point at which ‘learning’ transitions into ‘work’, their voice and role in the system needs to be clearly articulated. Much work

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<sup>5</sup> Leitch Review of Skills: ‘Prosperity for all in the global economy - world class skills’ December 2006 Executive Summary and Foreword, p 16

has gone into supporting enterprises to better engage in the skills development system, whether it be at the planning level, or in relation to the content of qualifications, or in enabling better enterprise based training.

In relation to **planning**, the emphasis in most countries is on ensuring that the skills supply system is better able to respond to the needs of the labour market. While the skills development system in most countries has long been underpinned by sectoral intermediaries representing the interests of the social partners, a more recent trend has been the fact that the employer 'voice' has been given increasing prominence: a trend noted by researchers at the University of Leicester's Centre for Labour Market Studies on *The Role of Employers in Sectoral Skills Development*

The emphasis within [the] approaches is on joint responsibility between state, employers, other social partners and individuals for skills development. Furthermore, within this multiple-stakeholder and multiple-objective approach, another prominent trend can be observed in the recent approaches to national skills formation. This involves the use of employers to spearhead a demand-led skills policy in order to ensure that training can closely support industries and those who work in them.<sup>6</sup>

The authors go on to note that simply involving employers in skills systems does not automatically result in effective demand led systems, a point which is reinforced by research in Australia showing that in fact, because of the uncertainty of prevailing market conditions, employers are very often unable to predict skills demand beyond a few years into the future, and may even in fact overstate shortages to ensure an oversupply (and therefore a greater, cheaper pool) of particular skills.<sup>7</sup>

This is reinforced by other research, which suggests that employers often focus only on immediate shortages and that, "Employers are often characterised as having a limited view of skills development, with a pragmatic focus on the short-term and shareholder value. The demand for training (or recruitment) usually occurs when there is a mismatch between business requirements and the current situation (Smith et al., 2001). In other words, employers' demand for skills is reactive, as opposed to a proactive, forward-planning approach to skills development and working to raise the level of skills and production. Thus, as well as areas of market failure, another concern with demand-led approaches to skills development is that employers will have a limited interest in high-skills or forward looking approaches to growing their sector's and their company's and employees' skills."<sup>8</sup>

However, the relation to skills forecasting is different in different sectors, principally between the public and the private sector. Such that it is easier to forecast skills needs in the public sector where there are greater levels of centralized planning with respect to expansion and changes to be made than is the case in the private sector.

<sup>6</sup> *The Role of Employers in Sectoral Skills Development: International Approaches* Dr Arwen Raddon and Dr Johnny Sung, Centre for Labour Market Studies, University of Leicester p 3

<sup>7</sup> *The Labour Market, Skills Demand and Skills Formation*; Phil Lewis, Occasional Paper 6/2008, Skills Australia and The Academy of the Social Sciences in Australia Canberra 2008 p4

<sup>8</sup> *The Role of Employers in Sectoral Skills Development: International Approaches* Dr Arwen Raddon and Dr Johnny Sung, Centre for Labour Market Studies, University of Leicester p. 17

Planning is therefore becoming multi-faceted, with key information extracted directly from employers being supplemented by other, national sources of data. There is also a recognition that 'forecasts' are very often inaccurate beyond about a 5-year period, and that other strategies, such as the scenario planning approach utilised in Australia, need to be brought in for medium- and long-term planning.

This point leads directly to shifts internationally in relation to the **mix of programmes** on offer within the post-school education system: there is a clear trend away from narrow occupational qualifications to more generic qualifications. This is largely driven by increasing uncertainties around the direction in which economies are going to grow, coupled with the realisation that detailed, occupationally-based skills forecasting simply doesn't work in anything but the immediate term. It is therefore seen as more important to give workers a solid base of generic skills which they will be able to build on through specific, usually workplace based short courses.

The strongest theme in relation to the supply and demand for skills was the need for generic skills. If workplaces need to build adaptive capacity, to respond to uncertainty across a range of different drivers, then generic skills are required. It was noted that there is a danger of focusing too much on specific skills, especially because of their rapid rate of obsolescence. We are moving to more generic capabilities in order to apply the platform technologies of ICT, biotechnology and nanotechnology across multiple sectors and industries.<sup>9</sup>

Again, sectoral intermediaries have a key role to play in relation to determining what these generic skills should look like, and feeding this information through to providers of education and training. Sectoral intermediaries are also increasingly supporting individual enterprises to develop enhanced enterprise-based training systems.

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<sup>9</sup> Critical issues facing Australia to 2025: Summary of a scenario development forum Michael Keating and Caroline Smith, Academy Proceedings 1/2011' The Academy of the Social Sciences in Australia Canberra 2011 p. 28

## APPENDIX 3: RESEARCH FINDINGS ON THE MANDATE OF THE SETAS

A number of sources indicated that the mandate of SETAs is too broad and that it is therefore impossible for SETAs to carry out all their responsibilities. There are two broad dimensions to this: Firstly, the mandate is viewed as being too large, not clearly defined and constantly shifting. Secondly, the mandate needed to be understood relationally in terms of other entities operating in the skills development terrain, and a theme emerging from the data was that this was not clearly defined.

In terms of the first point above, an interviewee articulated the problem as follows:

Whatever the social ills, the SETAs are expected to respond and solve the problem. Whether it is skills shortages, out-of-school youth, unemployment, illiteracy, or university student funding, SETAs are expected to solve the problem.

This view was supported by other interviewees. One interviewee observe that as an example of this diffusion of responsibilities her SETA was working with schools and provided funding for 500 school children in a geographical area related to the sector. The interviewee remarked that only 2 of these children had applied for bursaries to undertake studies relevant to the actual occupations in the sector.

This elastic mandate was a problem that was evidenced in both the formal policy documents that speak to the role of SETAs as well as the political and social pressures placed on SETAs.

In terms of the second point, and related to the first, it was suggested that there is a need for the SETAs' mandate to be understood in relation to and as a part of the DHET and the government more widely.

With respect to understanding SETAs mandate in relation to DHET, there are a number of dimensions. For example, the legislative mandate of SETAs versus the DHET's mandate needs to be clarified. Related to this, the role of SETAs as compared to entities such as the NSF also requires clarity in terms of their respective responsibilities with regards to wider skills development priorities.

In terms of locating SETAs mandate within an understanding of the wider government institutional landscape there are also a number of considerations. For example the role of SETAs in small business development as compared to the mandate of the Small Enterprise Development Agency (SEDA), which falls under the auspices of DTI. Similarly, the role of SETAs in relation to redress activities (ABET provision, skills required as part of poverty alleviation activities, or that relate to a rural development programme) needs to be looked at in relation to other campaigns and programmes in these areas.

There is also a need to understand the implications for the role and mandate of the SETA for the public sector, where skills levies are not paid to the SETA, which is an issue that requires further consideration.

Furthermore, at the inter-SETA level the mandate is also not always clear. While SETAs relate to particular sectors of the economy, it is not clear how cross-sectoral needs are properly managed and planned for.

The relationship between SETAs and the providers in their sector may also require consideration: interviewees suggest that the SETA ETQAs work with providers to ensure compliance (and this is discussed in more depth in the section of this paper that looks at quality) but that there has been little work done with respect to developing the capacity of providers and of ensuring that providers understand the skills needs of their sector and the implications of this for programming.

Recent research shows that as part of the commitment to NSDS III SETAs have increased their work with FET Colleges, however, these are currently taking the form of ad-hoc partnerships and the need to understand this work within the mandate of SETAs remains.

Overall then, people working in SETAs as well as the people working with or evaluating SETAs seemed to concur that the mandate needs clarifying and consolidating to enable them to operate more effectively.

## APPENDIX 4: RESEARCH FINDINGS ON SCOPE OF THE SETAS

There are currently 21 SETAs registered with the Department of Higher Education. An analysis was done of the alignment between the current scope of SETAs and the 9 Standard Industrial Classification divisions for all economic activities in South Africa. While it is acknowledged that these SIC codes are relatively outdated, they nevertheless represent the categories in which data is collected on general economic activity in South Africa. The next table shows that most SETAs cover activities in a number of major SIC divisions: in the table, a black block indicates that the majority of SETA activities are in that SIC division, a dark grey block indicates some activities and a pale grey block indicates a few activities:

SIC Major Div <sup>1</sup>	1. Agriculture, hunting, forestry & fishing	2. Mining & quarrying	3. Manufacturing	4. Electricity, gas & water supply	5. Construction	6. Wholesale & retail trade, etc	7. Transport, storage & communication	8. Financial intermediation services etc.	9. Community, social & personal services
SETAs <sup>2</sup>									
1. FASSET									
2. BANKSETA									
3. CHIETA									
5. CETA									
7. ETDP									
8. EWSETA									
9. FOODBEV									
11. HWESTA									
12. MICTS									

SIC Major Div <sup>2</sup>	1. Agriculture, hunting, forestry & fishing	2. Mining & quarrying	3. Manufacturing	4. Electricity, gas & water supply	5. Construction	6. Wholesale & retail trade, etc	7. Transport, storage & communication	8. Financial intermediation services etc.	9. Community, social & personal services
13. INSETA									
14. LGSETA									
16. MQA									
17. MERSETA									
19. SASSETA									
20. AgriSETA									
21. PSETA									
23. SERVICES									
25. CATHSSETA									
26. TETA									

SIC Major Div <sup>2</sup>	1. Agriculture, hunting, forestry & fishing	2. Mining & quarrying	3. Manufacturing	4. Electricity, gas & water supply	5. Construction	6. Wholesale & retail trade, etc	7. Transport, storage & communication	8. Financial intermediation services etc.	9. Community, social & personal services
SETA <sup>3</sup>									
27. W&RSETA									
FPMSETA									

## APPENDIX 5: RESEARCH FINDINGS ON CONCERNS WITH CURRENT PLANNING MECHANISMS

Respondents indicated that the current guidelines from DHET align the SSP submission date with the submission date for the Strategic Plans, as required by Treasury. However, they suggest that there is still a need to bring the submission date for Workplace skills plans forward so that this data can be better used in the plans: further it was indicated that, because in the private sector training takes place by calendar year, it would be beneficial to both the SETA and employers to move the submission date for Workplace skills plans to March of each year (it is currently June). In addition, the link between the SSPs, the Strategic Plans and the Service Level Agreements is now much clearer, with the SSP (or its annual update) forming an Annexure to the Strategic Plan (which meets Treasury requirements in terms of the PFMA), and both documents providing the basis for the Service Level Agreement. The one unresolved question is whether the Annual Updates to the SSP are rolling updates (as per Treasury requirements in terms of MTEF), or discrete annual updates within a discrete 5-year period (as per the NSDS timeframe). This issue is addressed further in the section on skills demand and supply planning. The other question pertains to the role of performance agreements within this context and whether there is an intention to align these with the Ministerial Performance Agreement and the Delivery Agreement with the Presidency. This aspect is not yet clear and still needs further review.

There is a concern that approved SETA plans have set very low targets which SETAs can meet, and often greatly exceed, suggesting that the targets set are often entirely unrelated to the reality of delivery. This is illustrated in the following diagram:

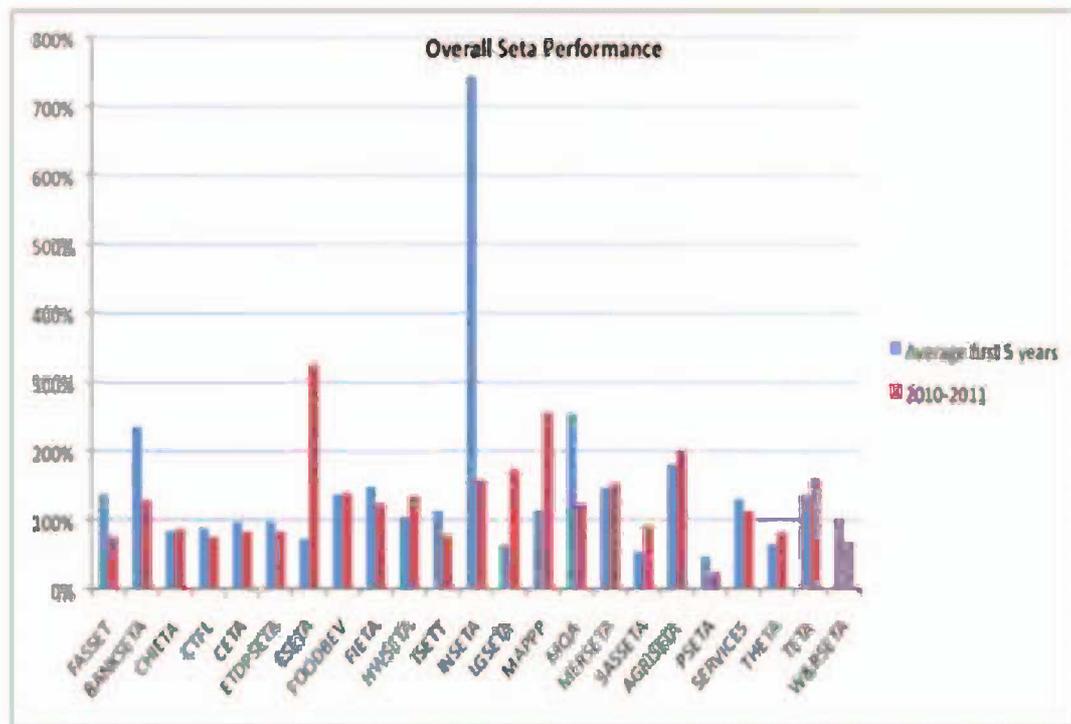


Figure 1

Figure 1 above clearly shows that the process of target setting is problematic if many SETAs over- or under-perform by such huge percentages. It is difficult to hold SETAs to account if they over perform by up to 700%.

In addition, and, related to the above, it is unclear whether targets set, and therefore programmes supported by SETAs, relate to sectoral priorities and whether they focus sufficiently on those areas where business don't routinely offer training in any event.

In other cases it is suggested that programmes supported often do not lead to possibilities for employment such that a learner can complete a qualification but find that there are no jobs that in fact relate to this qualification.

The points raised above could mean that SETAs could meet, or exceed, targets but the skills developed do not have any supported growth or job creation (and implicitly, improved productivity) in the sector.

Strongly related to the concerns about the way in which targets are set are the issues pertaining to planning. During interviews, focus groups, review of research undertaken, and in particular the report of the team that conducted the recent (2010) review of Sector Skills Plans, the following points emerged:

- There continues to be inadequate information available on demand and what this means for supply. This has implications, in particular, for learners and providers, and it is suggested that this has resulted in South Africa inadvertently slipping into an approach to training delivery that rests on what providers are most willing to supply, with all the problems inherent in this approach.

- The SSP Review Team (2010) also indicated that the SSPs lacked a cohesive analysis
- The previous point relates directly to the concerns pertaining to the Sector Skills Plans and the quality thereof: numerous issues have been raised by respondents and report writers about the quality of the labour market information utilized, the lack of currency of the data, the extent to which the plan allows for the identification of priorities for the sector and whether ultimately this analysis of the data is in fact translated into the strategic plan of the SETAs.
- SETAs used different methodologies, and had different interpretations of their data so that it is not possible to compare across the different SSPs.
- There is also widespread confusion about the relationship between the various planning tools including WSP, SSP, SLA, PA, and NSDSIII. There is also uncertainty about how these tools relate to broader national processes such as the NGP, IPAP etc.
- The quality of the other planning tools has also been highlighted and in particular there is a concern that the WSP and ATR generally do not provide reliable data about the sector or even the workplace (there are some exceptions to this). This concern relates to the format of the Workplace skills plans/Annual training reports (i.e. what information companies are supposed to provide), the accuracy and comprehensiveness of information provided and the number of enterprises, which are actually completing and submitting Workplace skills plans and Annual training reports (with real concerns that this number has been dropping for larger enterprises rather than increasing and that for small businesses the numbers that complete are insignificant compared to those that pay the levy).

Other points raised by the research include:

- There is incorrect or inconsistent use of the Organising Framework of Occupations (OFO) categories, resulting in limited ability to compare occupations across sectors
- Some SSPs had inaccurate quantification.
- There was limited forward looking analysis and so there was very little planning against future trends.
- The link to NSDSIII and other policy documents was often unclear.

The SSP Review Team also provide two primary recommendations, which are highlighted here as they indicate ways in which these concerns could be addressed:

- *Research functions:* A central agency should be appointed to undertake labour market analyses and sectoral profiles for the SETAs annually. SETAs have not succeeded in doing these research tasks over the past decade, and perhaps they should not be expected to perform such specialist research tasks. This function would best be performed through a partnership with an appropriately chosen education and training institution or science council.
- *Information gathering functions:* SETAs should be expected to perform basic monitoring and evaluation tasks and to undertake basic impact evaluation surveys. They also need to use the WSP and OFO instruments more professionally. These functions require good management information system (MIS) databases, which can

report annually on the number of learners registered, completed, placed in work experience, and those who find employment after training. The SETAs will require strong support systems to perform these information-gathering functions.

Some SSP Review team members and focus groups made additional recommendations:

- There should be an initial scan of key trends changing, or likely to change, the broader economic environment over the next two decades;
- There should be discussion of the national policy agenda and the longer term economic vision of the country;
- An intensified focus on supply including a discussion in the SSP of the general skills supply from General Education and Training to Further and Higher Education and Training. This should allow an assessment of the current supply of skills for all of the classes of skills identified in the demand analysis;
- Greater levels of coordination across SETA plans are needed: for example, a suggestion was made that there should be a workshop where each SETA presents skills gaps and where broader cross-SETA synergies and common skills needs are identified and discussed.

Within these recommendations there is a debate about the role of a centralised body in fulfilling these roles versus developing the capacity of SETAs. Alternate suggestions are also made about the possibility of certain roles being centralised with SETAs having the capacity to play specific roles within this process.

## APPENDIX 6: UNDERSTANDING THE NATURE OF THE PROGRAMMES BEING SUPPORTED BY SETAS

This is further illustrated by a closer examination of the types of programmes that have been supported for employees and then for the unemployed over the period of the last NSDS. The data presented in Figure 2 and Table 1, show the relative and absolute figures for the different types of programmes from 2005 – 2011 for workers, while that presented in Figure 3 and Table 2 show the same figures for unemployed people over the same period:

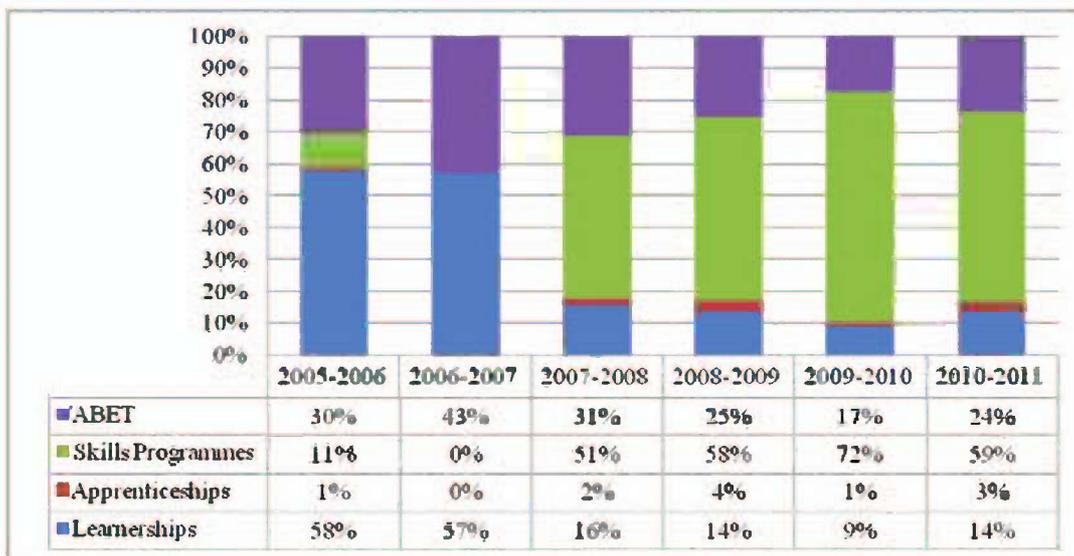


Figure 2: Employees – Types of Programmes 2005- 2011 (%)

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Learnerships	23 651	79 000	40 230	36 655	33 886	28 813
Apprenticeships	429	0	5 481	9 908	3 591	6 031
Skills Programmes	4 442	0	130 594	156 354	262 721	121 493
ABET	12 206	58 843	80 490	67 758	62 333	48 710

Table 1: Employees - Types of Programmes 2005 – 2011 (in absolute figures)<sup>10</sup>

<sup>10</sup> Note that these figures should be treated as indicative as the figures provided do not specify whether it is the same learner in the same programme over the period or whether it is new learners doing new programmes.

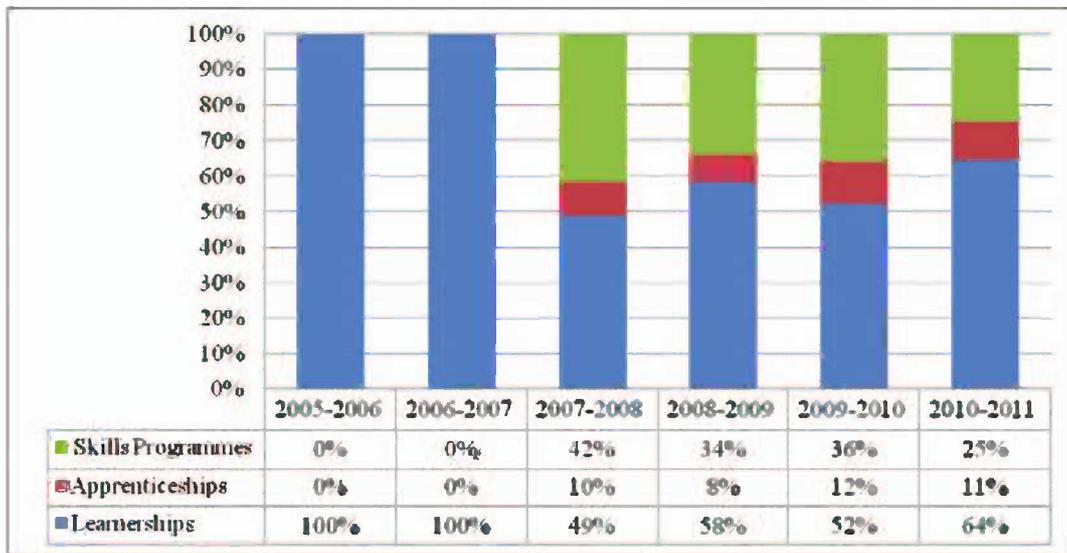


Figure 3: Unemployed: Types of Programmes 2005 – 2011 (in %)

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Learnerships	19 932	53 262	61 456	97 857	52 613	53 483
Apprenticeships	0	0	12 299	13 853	11 908	9 007
Skills Programmes	0	0	52 456	57 241	36 188	20 451

Table 2: Unemployed: Types of Programmes 2005 – 2011 (in absolute figures):

**Concerns about the programmes being supported by SETAs**

It is striking that there is significant change in each category suggesting a relatively unstable environment where different types of programmes are prioritised at specific points. These kinds of fluctuations create a great deal of instability in the system as providers need to up- and down-scale at short intervals. The fluctuations also suggest a complete absence of demand information in relation to skills delivery, and an incredibly difficult environment for learners to make informed choices about training options linked to employment opportunities.

In addition, two other key points are highlighted:

- Of concern is the proportion of programmes resulting in qualifications over time. Thus while actual numbers in learnerships have stayed consistent and apprenticeships have increased (though they have both dropped since 2008/2009) they are proportionately much smaller.
- Further, the large emphasis on ABET programmes, though proportionately there has been some drop over time, poses a question as to whether this does indeed address the skills needs identified in the various planning documents or whether SETAs are focusing rather on what is clearly a national priority but may not address priorities for sector growth. There is some evidence from interviews that suggests that some

SETAs target 'easy victories', i.e. programmes that allow them to meet headcount targets rather than programmes that meet critical skills needs.

In terms of unemployed beneficiaries of programmes, there are also similar fluctuations in absolute and programme specific numbers. In the most recent period, the unemployed people on skills programmes make up almost 29% of all the beneficiaries while in the early years the focus was entirely on learnerships (and it is noted that in actual numbers there has been almost no growth since 2006/2007). Further, while it is positive that, in line with the shift in policy, since 2007/2008 there is an increased focus on apprenticeships in actual numbers it seems that there has simply been a shift from learnerships to apprenticeships rather than an actual increase in the numbers of unemployed accessing programmes that culminate in a qualification. For example in 2007/2008 there were 73 755 learners in learnerships and apprenticeships combined while in 2010/2011 there were 62 490 learners showing a net decrease in learners.

It is noted that the above mentioned points do not suggest that there should be only one type of programme supported and related to this that there is no role for short courses but rather points to the imperative to clarify which, and when, short courses have value (and then who should fund them), which, and when, programmes leading to Awards should be supported (again including the possibility of funding) and where there is a need to specifically focus on the provision of qualifications

It is also interesting to note that, during the period 2006 – 2011, 30% of places on all training programmes went to unemployed people:

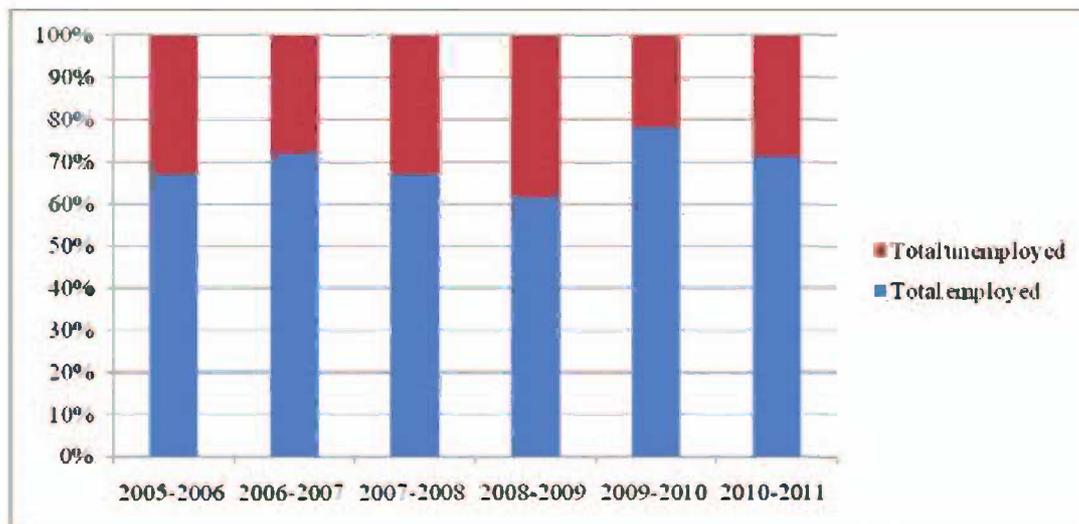


Figure 4: Overall proportion of employed vs. unemployed people accessing skills development (2005 – 2011)

As it is not known whether this training resulted in job opportunities for the unemployed beneficiaries, this again raises questions about whether or not the training being provided is meeting sector skills needs for improved productivity and/or growth or government needs for redress and social justice.

**Current quality assurance role played by the SETAs**

In the SDA the SETAs were required to apply to SAQA for accreditation as an ETQA. This has now changed and in the amendments to the Act, SETAs are now required to perform any functions delegated to them by the QCTO. This may allow the SETA functions with respect to quality assurance to be reduced but current activities by the QCTO suggest that the same functions are likely to be simply delegated back to SETAs.

Each SETA ETQA develops their own quality assurance system and process which, within the framework provided to them by SAQA, differ both in policy and in practice. The system has required that providers are accredited, that they have registered assessors and moderators, that each programme is then approved against a unit standard and/or a qualification. There is then a process of moderation and verification built into the system.

For some SETA ETQAs this means that they are responsible for thousands of very small providers making these activities very onerous for the SETAs. There is also then a myriad of programme curricula and assessments.

**Concerns about quality**

In most interviews, concerns were raised about the capacity and quality of providers. It is suggested that many providers are still weak and there appears to be little relationship between the Quality Assurance systems of the SETAs and improved quality of provision.

Interviewees have raised concerns that the overly onerous and bureaucratic nature of the processes for accrediting providers and registering learning programmes in many SETAs has significantly limited training provision, without the concurrent improvement in quality of provision. Thus in reality it appears that in some cases the requirements imposed by the quality assurance may have in fact reduced levels of provision (as the costs of implementing the quality management and assurance systems reduces the amount available for actual delivery.) Further recent research suggests that many providers indicate that their engagement with the process is more about compliance and does little to improve their curricula or programmes. Due to the complex nature of accreditation, and the need (articulated by both Government and learners) for all training to result in the award of nationally recognized credits, there has also been a significant shift away from meaningful, enterprise based training which addresses 'just in time' skills: the sort of skills that employees need to do the jobs that they are employed to do, better and more productively. Rather employees are increasingly being sent on training which has little immediate relevance to their jobs, which results in the devaluation of training for both the learner and the employer.

## APPENDIX 7: COMPLIANCE AND GOVERNANCE ISSUES

Most SETAs have received good performance ratings from the Department of Labour (DoL) and recently from the Department of Higher Education and Training (DHET). These evaluations by the DHET take place on an annual basis against the criteria contained in the NSDS II or now the NSDSIII. SETAs received ratings in excess of 3.5 and the majority had ratings in excess of 4 out of a possible 5. Out of a possible 100%, SETAs have received an average of not less than 70% and in cases also exceeded the performance targets, by well in excess of 100%. The rating of 70% and above compared to international standards reflects a very high rating. The question is why is there an outcry from all concerned in the media about SETA nonperformance?

### **Achievements**

- Reduced size of boards welcomed, but inherent constituency based challenged is faced.
- Board used to serve a two year term, rather than a 5 year term. The new stringent rules could have the risk of increasing vacancies on the board with no alternatives to replace members.
- SETAs are pleased that there is a standard constitution (and assists in certainty and predictability).
- No prescription of qualifications, calibre and experience of board members. Some of the board members do not have recognised qualifications, making strategic thinking difficult.
- Independent chairpersons in a constituency based composition model can be a difficult process to manage.
- No deputy chairpersons of the board.
- Inexperienced board members entrusted to allocate multi million rand contracts-(No training and induction)
- The boards are not strategic. Boards become too operational and interfere in SETA CEO space.(It is problematic to have Exco made up of Board Members and with the option of inviting the CEO). In the private sector, EXCO is chaired by the CEO which allows for a separation of roles of CEO and Chairperson.
- Stakeholder interests supersede the best interests of the SETAs (and the sectors they seek to serve).
- SETAs applaud the changes by the Minister, but need a cohesive communications strategy to salvage dented reputation (Absence of a cohesive and clear communications strategy).
- Lack of accountability of boards.
- Lack of specific capacity building programme for boards which will ensure that people understand governance and their role.
- No guidelines for the proper evaluation of board members required.
- Legislative compliance more specifically, the King III is problematic due to inherent stakeholder interests.
- Minister's view of improving FETs is welcomed, but capacity constraints exist. Quality of work is also a major concern.

- Finance Committee and Remunerations Committees to be separated. Duties and responsibilities are different and focus areas could be blurred.
- Outsourced model works effectively according to some SETA CEOs, particularly those in the finance sector.

#### **Constraints**

- Stakeholders on boards tend to protect their own interests.
- SETA (and sector) needs not considered in the board selection process.
- Delegation of Authority tends to be inadequate from board, standing committees, CEO and management.
- There is a lack of senior union representatives elected to serve on boards.
- Different remuneration practices at SETAs, with instances of board members feeling threatened by SETA CEO remuneration packages.
- The adoption of a formalised approach for reporting on targets.

The AG provides an annual overall report and letter documenting their overall findings. It is recommended that these be accessible to DHET for review and comment on overall SETA trends. Equally important for inter-stakeholder review are financial and performance audits of SETAs. The predetermined objectives of financial and performance audits should be reviewed by different stakeholders. The awareness and constant review of these by the board is critical for the SETA improved performance. Additional areas emerging from the AG include:

- Some SETAs have insufficient and/or limited risk elimination and audit compliance processes.
- Insufficient proof to show completeness of information – e.g. Where training has occurred but there are no learner's contracts, identity numbers etc.
- Material adjustments not done in time in line with AG's findings and recommendations. Lack of submission beyond the date and scope of audit, which is tantamount to breach of processes.
- Audit Process, committees and their role – It is a general trend that audit committee members do not comprehend fully their role and the mandate of the committee. They are not able to engage on the issues and guide the process in order to ensure a clean and swift audit process.
- The role of the internal vs. external audit is also misunderstood. The general misconception is that if an Internal audit is conducted it would reduce the duration and cost of external audits. The internal audit is generally outsourced and limited to once a year. There might be recommendations from the internal audit but the monitoring benefit does not exist since their presence is limited. Furthermore, AG still identifies gaps that should have been picked up by internal auditors.
- Currently, all external SETA audits are performed by the Auditor General. The benefit is the standardisation and general overview of the SETAs and their performance. The AG has a communication line to the Minister which enforces accountability. It is recommended that the current audit process should be enhanced. In-year audits are necessary. The audit process and planning memorandum as tabled to the SETAs in November, which is probably late for adjustments in January, February and March. SETAs generally tried to limit the audits scope and fee by trying to limit the duration. A recommendation is to introduce interim audits as well.

- There is a need to centralise the IT systems of SETAs, from which the AG's audit process would benefit as they would have access to one central system allowing for engagement and examination. The AG's approach to SETA auditing would change totally.
- The auditor general report to parliament on the performance of SETAs for the 2010 financial year identified some improvements in the financial and non-financial performance of SETAs. There is however a consistent trend of non-performance in other SETAs particularly those placed under administration.
- According to the new SETA constitution, an EXCO will be established where the CEO may be invited. If the CEO is not a permanent invitee and participant, this would be a risky practice. The CEO cannot implement any action without buy-in and contribution, especially because he is mandated to implement. The relationship between CEOs and their board is also key for the successful implementation thereof. There is therefore a need to reassess the intentions of the new single SETA constitution against the structures mandated - to avoid conflict and contradiction. At the core of such a reassessment should be the goal of boards attending to what the Green Paper refers to as "strategic imperatives rather than on the operational issues".
- Regulations that set up SETA's are on a 5 year basis where SETA contracts are renewed for existence every 5 years. It is questionable what the impact is in terms of crafting long term strategies that are meant to address industry challenges. There is also a conflict since some SETA staff members have permanent job contracts while the entities they work for have a 5 year lifespan that is renewable. Skills development is a permanent feature of any economy, and can therefore not be limited to term-based interventions. The current system of five-year terms for SETAs also encourages an element of short-term thinking in skills planning and implementation, which is not sustainable. It is thus recommended that the current five-year term based system of SETAs be reviewed in the next re-establishment process in favour of setting up more permanent institutions.
- Firstly, there is a general streamlining of systems, processes, and even use of language required across SETAs. Currently there are different structures and variations in the use of language for different SETA's. There is a need to standardise the use of language across SETAs such as council vs. boards. Some SETAs have more complex rules than others. Rules pertaining to operations also need to be streamlined. Some SETA's are unnecessarily complex. The rules are hardly in line with any of the regulations and policies.
- Secondly, there is also a need to streamline the current multi-layered stakeholders which include Nedlac (Government, Business and social partners), NSA (Government, Business and social partners), SETA boards (Government, Business and social partners), SETA subcommittees, and their related accounting mechanisms such as Parliamentary Portfolio committee, DHET, and Minister of DHET. Sometimes the same individuals are found in the different structures. The number and layers of stakeholders need to be reviewed in detail especially the effectiveness, efficiency and impact of delivery for SETAs.
- At times, the SETA oversight structure is not clear. With the many role players, it is not clear who oversees who, who is accountable and responsible for what and what type of oversight role they play. This needs to be defined more stringently.

- Thirdly, SETA accountability mechanisms also need to be streamlined. At the moment the entire board is jointly accountable. It is difficult to hold the entire board accountable. It is also not in line with the PFMA requirement where one single person is ultimately accountable. The structures need to be adjusted such that there should be a single accounting officer in line with the PFMA requirements. It is generally a trend that boards do not understand the legal requirements. Where there have been cases of fraud, corruption, mismanagement, they could be personally held accountable for decisions that they made since they are accounting officers. Boards are too reliant on management. Even though it is not encouraged that they become operationally involved, they need to understand what is happening in detail. In the 11 years of SETA's existence, there has never been a case where SETA boards has been held accountable, but going forward they should. If they go to SCOPA, they basically accompany management and do not spearhead the presentations as expected and in line with the PFMA.

**Oversight vs. Interference** - With some board members having minimal exposure and experience on how boards function, there is a tendency to interfere and not practise proper oversight. The induction and skills programmes aimed at board members should ably address this challenge. SETAs have also gone way beyond compliance with regards to the number of standing committees within their structures. **The requirements in terms of King III are at least three board committees. Although there is no laid down rule for the number of board committees, a reasonable number of board committees are four (4).** Currently, SETAs have at least the following number of standing committees:

- The Learnerships Committee is responsible for the registration of learnerships, apprenticeships and skills programmes.
- The Standards Generation Committee is responsible for the development of unit standards and qualifications.
- The Education Training and Quality Assurance Committee is responsible for the quality of training provision through the appointment of accredited training providers, moderators and assessors.
- The Sector Skills Planning Committee is responsible for the compilation of the five year Sector Skills Plan and the disbursement of mandatory grants to employers after the approval of the WSP/ATR.

**The above committees could be consolidated into an Operational Committee.** More often the duties of one committee overflow to another. The above committees exclude the EXCO, Audit, Remuneration, Finance, Provincial committees and Chamber established by some SETAs. The standing committees are also responsible for the budget of the business unit and recommendation of any policy to the EXCO and Board for approval.

## APPENDIX 8: PROBLEMS WITH STAFFING IN THE SETAS

- People management very weak: In several cases managers are not qualified or experienced to perform their job functions. The unprofessionalism is obvious and thus leads to the disrespecting of SETA institution or brings disrepute to the SETA boards.
- Long tenure / low turnover/ high salaries/ sheltered employment: Where there is no active bridge of HR practises, from superiors, usually staff stay in SETA jobs for a long time. There is usually no pressure to achieve and with a constant, unpressured, secure job there is usually room to run parallel business ventures. With a secured high salaried job, there is no pressure to move to other jobs or develop themselves.
- No people satisfaction index at all : There are no standard practices to measure people satisfaction
- No focus on Wellness and Employee Assistance Programmes (EAP):There is no elaborate show of care for employees. There is generally no show of compassion for employees, thus it is usually not in their culture to also show compassion.
- SETA's "do not eat their own dog food": No training and implementation plans. SETA's do not have training plans to develop their own staff. The staff is thus stagnant and not evolving and responsive to sectoral demands. With this challenge, they also do not experience the pains and challenges of SETA's, therefore as SETA designs policies for the sector they should also be subjected to those policies.
- Inadequate HR policies and processes: Staff turnover and dismissals at some SETA's are high and the HR policies are flaunted by decisions of the CEO. No exit interviews are conducted – It would not be clear what the consequences would be if such were to be followed.
- Performance management is poor because of service provided
- SETAs are rigid: operate like SOE's and/ or banks (daily duration/ holidays often not synchronised with sector companies): It is obvious from the duration of operating and holiday/closing season. It is usually not in line with the private sector organisations.
- Lack of understanding/ skills: Due to staff not coming from the relevant Industries they are servicing, they often do not understand the trends and dynamics of the specific sectors especially those sectors whose trends change swiftly.
- Stakeholders vs. staff: staff not taking accountability: There is usually no in-depth process to measure staff performance and reward performance. They are thus not accountable especially if you go further lower in the ranks.
- No Occupational Health Safety (OHS ): The OHS practices are not adhered to as a benchmark and standard. OHS is a requirement through SETA, Council for Higher Education (CHE) and Umalusi accreditation. Some SETA's do not follow this elaborate and expensive process themselves.

## APPENDIX 9: PROCUREMENT

- There is too much that falls outside the tender process: In several cases, what is within the tender process is not core to the SETA business. Peripheral and noncore a service such as audits, marketing etc and that is minimal in terms of spent.
  - In some SETA's few particular and designated providers are recipients of huge training contracts. It is also never transparent how those providers were selected. An audit over a few years of those SETA's will reveal exactly how much was spent with the said providers. In certain SETA's SMME providers are handpicked by the CEO to meet SMME targets of NSDS. There is no clear an transparent process to the selection.(MICT SETA). The duration that they remain in this position of SMME and the volume of work they receive not measured.
  - In some SETA's some providers oversee the quality of their peers. They are thus gatekeepers to threatening competitors. They have access to competitors Intellectual Property (IP) and methodologies.
- The budget needs to be broken down and given to preferred providers through transparent processes
- Executive influence on outside parties to select preferred suppliers: There is a tendency for SETA executives to influence which "designated" providers receive training or similar contracts. In various cases dissuading industry from certain providers. In some cases intervening to ensure speedy accreditation beyond set processes and procedures.
- Criteria not set/ sometimes lowest cost does not give best delivery: In a number of cases officials go for the cheapest solution, which in turn compromises quality
- Risk around delivery is not co-shared – generally risk lies only with provider: SETA's usually do not share risk of delivery.
- While SMME's should be supported, no adequate risk assessment– service delivery is then arrested: Other mechanisms should be investigated where large corporate and SMME's should jointly execute large projects. This will encourage and grow new entrants into the markets while not compromising to quality and standards implemented.
- No business continuity plans: Slight changes to the regulatory landscape disturb the operations and outputs of some SETA's. There are often no contingency plans to ensure business continuity E.g. Tourism SETA and Service SETA
- Used as political vehicles because of access to funding – CEO's often use muscle of controlling the budget to gain political brown points against opponents or for proponents alike.
- Outsourcing of core processes is risky– Overseeing competitors is completely unacceptable. In some SETA's the whole ETQA function is outsourced, to make matters worse to companies who themselves are training providers. This unacceptable practice obviously is a bridge of governance and is a conflict of interest to parties involved. Service SETA and Knowledge Quest.

- Outsourcing – delegate accountability: Delegation of core functions perpetuates that executive delegate accountability to parties that are not bound by government regulations. A few SETA's outsource their Finance, ETQA, Sector Skills Planning (SSP) and Internal audit functions. The merits and demerits need to be looked at and decided on accordingly. The combining of corporate functions will eliminate this practice. It would also address the procurement of the services by the SETA's involved as it is not clear how they go about appointing the designated service providers. What is clear is that there are very few players who the functions are outsourced to. Deloitte is clearly a leader and handles some sort of function in most SETAs. Most SETA's outsource the finance portion to Deloitte.

## APPENDIX 10: FUNDING AND FINANCIAL RISK

### *Funding*

- Cost of delivery vs. results not congruent – wasteful decisions: Some decisions are wasteful. It is not clear that the insensitivity to budgetary waste is due to ignorance or disrespect to public funds. Decisions to pay large percentages of budget on processes such as assessments that are not tried and tested are expensive vs. cheaper ones that are more effective. E.g. Assessment centres in service SETA
- Funding model – one size fits all does not work: the prescription of solutions to all problems does not bring dynamism to the sectors.
- Targets do not take into account job flat market: The job market is currently flat and targets are not sensitive to that. Neither are they seeking to stimulate the job market in any way.
- Implementation is weak – no skills (e.g. PM skills) – Very few project managers in the SETA's have Project Management skills.
- Costly vehicles to deliver
- NSA not effective: The conflict between NSA structure and accounting officer. This has been raised elsewhere in the report.
- Government run/ uncontrolled/ no consultation
- Funding model changes depending on which provider is involved – This is usually where there are different permutations of the funding and not strictly according to the SDA. Discretion is usually applied and different models can be used depending on who is involved. (MICT)

### *Financial Risk*

- Set up as dependent on funding – Without constant funding coming through, SETA operations would come to a complete halt. This is a potential risk. Perhaps funding should come through a few funding cycles ahead to create a buffer.
- Constant changes impact on delivery
- No reserves/ contingency – Any risk impacts the whole service delivery model (e.g. Theta and Services SETA): Risk to delivery is high. There is usually no contingency plans.
- Fraud - As reported already there is already an upswing in the number of fraud cases reported. Action has to be taken against culprits to discourage this type of behaviour and trend.

## APPENDIX 11: STAKEHOLDER ENGAGEMENT, SERVICE DELIVERY, AND STRATEGIC RISKS

### *Stakeholder engagement*

- Board members not held accountable: Besides being accountable, they usually do not pledge any commitments to the boards they serve.
- Generally poor planning, notification and communication of Annual General Meetings(AGM's)
- Poor road-show notification: Stakeholders hear of such events at last minute if at all.
- Old stakeholder databases: It is questionable when and how databases are refreshed if ever. If it happens with the WSP and ATR process it is usually not linked to communication with stakeholders.
- Outdate and bland means of communication with the sectors: None of the current methodologies are usually used that are up to date. No Facebook, Twitter, Linked IN etc. is used
- Questionable how nomination process is effected
- Stakeholder feedback is poor – Seldom if ever relevant sectors are updated on money that was not spent
- There is no clear PR, communications and PR plans. It would be revealing what SETA's spend as a percentage of income or administration fees in vs. their communication with their stakeholders. The recommended percentage should be in line with private sector practice.

### *Service delivery*

- No Customer Relationship Model (CRM)models exist: Operational structure and executives are not measured on CRM indicators. Even if they were, it is not clear who would be accountable, who would measure it and what the consequences would be.
- No such measures in place – no implications either: The current agreements between SETA's and DOE are hardly a measure of the impact SETA's have on the Industry. It is not clear what the implications are even when Executives would not meet them.
- Usual supremacy of SETA's over levy payers - There is a display of arrogance to industry where SETA's hardly listen to industry requirements and therefore pump skills that are not required into the sector. In other cases ignoring the key players and companies to service other sectors
- Punishing rather than encouraging attitude: SETA's are currently not seen to be embracing and encouraging. A complete makeover marketing exercise is required besides the much essential paradigm shift of the SETA staff involved.

### *Strategic Risks*

- Tedious process leads to poor industrial sector knowledge and missing strategic imperatives

- Strategy not well communicated: Usually the strategy is not well known by sectoral players. What is accessible is the Sector Skills Plan but the strategy that is developed from this plan is usually not accessible.
- Funding not linked to strategy: No obvious and transparent formula of emphasis on strategic imperatives vs. amount of funding allocated to them
- Too many strategic imperatives – Too many imperatives dilute focus and impact. There are usually too many imperatives. Focus and delivery then becomes compromised.
- NSDS adds complicated dimensions (Sector vs. NSDS) - Sometimes there is a clash between NSDS requirements and sectoral requirements. They do not necessarily have the same output or address the same needs.
- NSDS vs. National interests like job creation- It is not clear and prescribed how national interests should be addressed through these targets. If they are, it is coincidental rather than deliberate. A recommendation is that 10% of discretionary grants from SETA's should be ring-fenced for national priority projects. The structure that would implement the above should be appropriate to so same and disburse and not have similar challenges to National Skills Fund (NSF). Please view section on regulations for this challenge.
- Strategic focus is mostly divorced from SETA core purposes
- Knowledge base/ capacity and awareness of global trends are weak – There are usually limited sector specialists and practitioners in the SETA fold. There is also limited participation by captains of industry as the role is relegated to HR. The quality of information and guidance is then limited.
- Strategic National imperatives not sufficiently supported by SETA's e.g. entrepreneurship and Job creation. These should be in the targets of each and every SETA to make them socially relevant. Besides that, these should be high on the monitoring and evaluation agenda of any SETA. They should report continuously on those imperatives.
- Monitoring and Evaluation hardly ever happens on training and previous projects – There is no clear and effective Monitoring and evaluation strategy amongst ESTA. It is not clear what the impact of previous projects has been up to date. Where providers are asked to submit information, there is no avenue to verify it accordingly.

## APPENDIX 12: LIST OF THE SETAS

AGRISETA	Agricultural Sector Education & Training Authority
BANKSETA	Banking Sector Education & Training Authority
CETA	Construction Education and Training Authority
CHIETA	Chemical Industries Education & Training Authority
CTFL SETA	Clothing, Textiles, Footwear and Leather Sector Education & Training Authority
ESETA	Energy Sector Education & Training Authority
ETDP SETA	Education, Training and Development Practices Sector Education & Training Authority
FASSET	Finance, Accounting, Management Consulting and Other Financial Services Sector Education & Training Authority
FIETA	Forest Industries Sector Education & Training Authority
FOODBEV	Food and Beverages manufacturing Sector Sector Education & Training Authority
HWSETA	Health and Welfare Sector Education & Training Authority
INSETA	Insurance Sector Education & Training Authority
ISETT	Information Systems, Electronics and Telecommunications Technologies Sector Education & Training Authority
LGSETA	Local Government Sector Education &



	Training Authority
MAPPP	Media Advertising Publishing Printing Packaging Sector Education & Training Authority
MERSETA	Manufacturing, Engineering and Related Service Sector Education & Training Authority
MQA	Mining Qualifications Authority
PSETA	Public Sector Education & Training Authority
SASSETA	Safety and Security Sector Education & Training Authority
SERVICES	Services Sector Education & Training Authority
TETA	Transport Sector Education & Training Authority
THETA	Tourism, Hospitality, Sport Sector Education & Training Authority
W&R SETA	Wholesale and Retail Sector Education and Training Authority

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