

# **Setas – A Vehicle for the Skills Revolution?**

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## Abstract

Sector Education and Training Authorities (Setas), established in terms of the Skills Development Act, 97 of 1998, were launched amid much fanfare and expectation of delivery towards achieving a skills revolution in the country. Upon their immediate establishment in March 2000, these perceived bureaucracies – which controlled the flow of billions – came under attack and became the subject of constant criticism.

Over the years, this criticism has not abated and perceptions of Seta non-delivery has been exacerbated by recent reports that a resolution to the ‘skills crisis’ is critical for the success of government’s Accelerated and Shared Growth Strategy for South Africa (Asgisa). The perception of a skills crisis has raised concerns as to whether Setas are responsive enough to the needs of employers (private and public) and the country as a whole. In view of these underlying sentiments, the University of Cape Town’s Development Policy Research Unit (DPRU) commissioned a study to evaluate the role of Setas in contributing towards addressing the country’s skills needs. This study will seek to evaluate Seta performance since their inception by exploring:

- Seta functioning and distill, from a range of perceptions (and legislation), their core deliverables and responsibilities;
- Whether there are underlying factors – systemic or otherwise – which are impacting on the way in which Setas are supposed to operate; and
- Based on the findings of three case studies, recommend interventions to improve Seta performance.

## Acknowledgement

This is an external report on the role of the Sector Education and Training Authorities (Setas) in contributing towards skills development in South Africa. This report was commissioned by the Development Policy Research Unit (DPRU), based within the School of Economics at the University of Cape Town and was completed in the third quarter of 2006.

## Glossary

BEE	–	Black Economic Empowerment
BEd	–	Bachelor of Education
Cosatu	–	Congress of SA Trade Unions
DoE	–	Department of Education
DoL	–	Department of Labour
ECD	–	Early Childhood Development
EPWP	–	Expanded Public Works Programme
Esdle	–	Employment Skills Development Lead Employers
ETDP Seta	–	Education, Training and Development Practitioners Seta
ETQA	–	Education and Training Quality Assurance
Fasset	–	Finance, Accounting, Management Consulting and other Financial Services Seta
FET	–	Further Education and Training
HEQC	–	Higher Education Quality Committee
ICSA	–	Institute of Chartered Secretaries and Administrators
JIPSA	–	Joint Initiative on Priority Skills
Merseta	–	The Manufacturing, Engineering and Related Services Seta
Naptosa	–	National Professional Teachers' Organisation of South Africa
Nedlac	–	National Economic Development and Labour Council

NQF	–	National Qualifications Framework
NSA	–	National Skills Authority
NSDS	–	National Skills Development Strategy
NSF	–	National Skills Fund
NTSI	–	National Training Strategy Initiative
Numsa	–	National Union of Metalworkers of SA
PAYE	–	Pay As You Earn
PFMA	–	Public Finance Management Act
PGCE	–	Postgraduate Certificate in Education
PSA	–	Public Servants Association of South Africa
SAICA	–	Southern African Institute of Chartered Accountants
SAQA	–	South African Qualifications Authority
SARS	–	South African Revenue Service
SADTU	–	South African Democratic Teachers' Union
SDA	–	The Skills Development Act
SDPU	–	Skills Development Planning Unit
Setas	–	Sector Education and Training Authorities
SDLA	–	Skills Development Levies Act, 1999
SLA	–	Service Level Agreement
SSPs	–	Skills Support Programmes
Umalusi	–	Council for Quality Assurance in General and Further Education and Training
WSP	–	Workplace Skills Plans

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## 1. Introduction

As the country moved from apartheid to a new political dispensation, there was a growing awareness that skills development was critical in bridging the gap between the imbalances of the past and the need to grow the economy and create jobs. It was during the late 1980's – largely spearheaded by the Congress of SA Trade Unions (Cosatu) and one of its largest affiliates, the National Union of Metalworkers of SA (Numsa) – that a rethink of the existing training system began. This process led to Numsa's Vocational Training Project (1991), which laid the basis for Cosatu's policy position and fed into the drafting in 1994 of a new training reform strategy – the National Training Strategy Initiative (NTSI). This strategy was heavily influenced by global developments at the time.

This strategy, negotiated with business, accepted the notion of some form of integration between education and training, which would be achieved through a National Qualifications Framework (NQF) – established by the South African Qualifications Authority (SAQA) Act of 1995. The idea was that the NQF, overseen by SAQA, would operate as one qualifications framework for all kinds of learning. In reality this would mean that all qualifications from vocational (occupation based) through to professional and higher education would be incorporated onto one qualifications framework. The intention was that those previously excluded from the formal education system (such as workers who had not received formal qualifications), could gain access to learning opportunities (and, hence, gain qualifications and recognition for prior learning) and thereby become integrated into the formal educational system.

A key assumption was that education and training would fall under the same line government department so as to ensure a unified approach. In the post-1994 period this did not materialise and in the absence of an overarching framework for human resource development, the new government began to introduce key elements of its new labour market policy.

Central to this was a review of the existing skills dispensation so as to begin to boost training and the development of human capital. Factors influencing the drafting of the initial Green Paper: A Skills Development Strategy for Economic and Employment Growth in South Africa in 1997, included amongst others, the following:

- It was a widely held view that the economy was being constrained by a shortage of skilled labour.

- There was a political imperative to accelerate the redress of past unfair discrimination in education, training and employment opportunities.
- There appeared to be a general decline in training being conducted by employers, including the traditional racially based apprenticeship training, which had been on a decline since the 1980s, not dissimilar to what occurred in Australia.
- The country was facing rising levels of unemployment. It was believed that the unemployed had more of a chance of entering the labour market if they had some level of formal education or skills as unemployment was generally skewed towards those with little or no formal education and skills. At the time, some economists cautioned that policy makers should not presume that unemployment would decline if all those denied secondary education and skills were suddenly granted access.

The green paper proposed the following: the introduction of a national levy/grant system so as to increase investment in training and employer involvement; the establishment of Setas to drive implementation and the introduction of learnerships which sought to go beyond the racially restrictive apprenticeship system to extend to all skills levels and sectors. The learnership system was seen as an intervention to redress the old apprenticeship system and its problems and create a high quality dual system of learning. The new system sought to improve the transition between school and work and increase the quantity and quality of workplace learning.

The Skills Development Act (SDA) was finally promulgated in 1998 following extensive negotiations in the National Economic Development and Labour Council (Nedlac) and a public participation process in parliament. Two years later 25 Setas were established and faced immediate pressure to deliver. While these Setas grappled to put in place proper systems and processes, the Department of Labour (DoL) too was faced with a myriad of demands to ensure the system worked. The DoL is responsible for overseeing, monitoring and supporting the Setas, managing the National Skills Fund (NSF) – set up to drive a national agenda and support skills development in vulnerable groups – and driving and ensuring implementation of the National Skills Development Strategy (NSDS).

The report is divided into four parts. The first provides an overview of the legislative environment in which Setas operate. The second part begins to explore the functioning



of Setas and the challenges they face in meeting their statutory and other obligations. A case study of three Setas reveals that the situation is not all bleak. The introduction of Setas, as the key vehicle for delivery, has begun to stimulate increased dialogue around skills and laid the foundation for raising the skills profile of the South African workforce. In some sectors, there has been an increase in the number of companies submitting Workplace Skills Plans (WSP) – mainly the larger ones or those, which have the capacity to comply. The value of WSP is often open to question, as in many cases, completing the plan is a compliance exercise rather than a best practice initiative. Where weaknesses are emerging is in relation to improving the quality of skills at the intermediary and high-end of the skills spectrum. It would appear that insufficient emphasis has been placed on finding a balance between upskilling at the lower end and actual sector needs. This could be the result of a number of factors:

- The failure of Setas to sufficiently align their Skills Support Programmes (SSPs) to their sector needs;
- The inability of Seta boards to agree on priority areas and their failure to take joint responsibility for lack of delivery;
- The drive by Setas to meet numerical targets in terms of the NSDS instead of focusing on quality and impact;
- The introduction of learnerships has proved to be resource intensive. A large number of learnerships have been registered (more than 800) but close to half are being utilised because many do not have the required curriculum and learning materials, which have yet to be developed;
- Employers have started lower-end learnerships as these were developed first; and
- Aside from projects funded through discretionary grants, the process of developing skills for industry has largely been left to companies, with the questionable involvement of organised labour.

Part three deals with the research findings, which emerged from the case studies and interviews, conducted amongst key stakeholders. The recommendations proposed in part four seek to address some of the more critical areas, which emerged through the study.

## **2. Methodology**

This paper is based on information gathered through a document review and semi-structured interviews.

### **2.1 Document Review**

The document review, not as extensive as initially anticipated, provided important background information in understanding the context in which the new skills dispensation was drafted. Some of the official documentation was obtained from the Department of Labour and the three Setas targeted as part of the research. Others had to be obtained informally as some documents were not official and could not be released for public consumption.

### **2.2 Interviews**

The interviews were conducted mainly in Johannesburg and Pretoria between 15 February 2006 and 15 March 2006. In view of time constraints, telephonic interviews were conducted with those living outside of Gauteng. In the main, however, face-to-face interviews were conducted.

As per the original proposed terms of reference for the research project, about 30 people were supposed to have been interviewed. These conditions were met while additional informal interviews and discussions took place. In view of time constraints, interviews did not follow a particular formal structure as initially envisaged. The majority were semi-structured, allowing for an easy flow of information in an attempt to fully explore the subject matter. The interviews proved to be very informative as the most appropriate people were targeted. The interviews ranged between 30 minutes to 2.5 hours with, in some instances, follow-up telephonic conversations or via e-mail. Those interviewed fell into various categories:

- Policy makers – those involved in the drafting of the SDA – Seta specialists, educationalists and senior officials from both the DoL and the DoE
- Seta staff – CEOs of 3 Setas
- Seta governing body members
- Seta employer member firms’ Skills Development Facilitators
- Members of the National Skills Authority (NSA) – state, business, labour, community, providers, private employment agencies, SAQA, Seta experts

### **2.3 Case Studies**

A case study of three Setas was undertaken. The Setas included:

- The Manufacturing, Engineering and Related Services Seta (Merseta) – the largest in terms of levies collected and is key because of its base in manufacturing and the old apprenticeship system;
- Finance, Accounting, Management Consulting and other Financial Services Seta (Fasset) – considered one of the more professional institutions, associated with strong established professional bodies which dominate the sector; and
- Education, Training and Development practitioners Seta (ETDP Seta) – a private/public Seta that brought together very diverse stakeholders for the first time.

### **3. Legislative Framework**

There are a number of laws and regulations governing Seta performance. For the purposes of this study, the following will be highlighted:

#### **3.1 Skills Development Act (SDA)**

The SDA sought to give effect to the green paper on skills development by ensuring, amongst others, the following:

- Develop skills in the economy by ensuring transferability of skills and facilitate the anticipation of new skills needs.
- Improve productivity.
- Increase levels of investment in education and training and improve return on that investment.
- Encourage employers to use the workplace as a learning environment.
- Improve workers' quality of life, prospects of work and mobility.
- Promote self-employment.
- Help work seekers to find work.
- Encourage learnerships and other training programmes to improve employment prospects.
- Improve delivery of social services.

The Act sets out the establishment of Setas, as the primary vehicle for delivery and stipulates how they should be constituted – including board composition. However, the Act does not provide guidelines on grant disbursement or performance reporting, which is included in separate subsequent regulations.

Aside from Setas, the Act proposes the establishment of a number of other institutional frameworks and strategies to ensure key objectives are met. These include, amongst others, the National Skills Authority (NSA); the National Skills Fund (NSF); the Skills Development Planning Unit and the National Skills Development Strategy (NSDS).

### **3.1.1 Setas**

Setas were formally established in March 2000, two years after the SDA was promulgated. Seta responsibilities are highlighted in the Act and include the following:

- Develop and ensure implementation of Sector Skills Plans (SSPs) within the framework of the NSDS.
- Promote learnerships.
- Approve Workplace Skills Plans (WSP).
- Monitor education and training in the sector.
- Collect and disburse grants – both mandatory and discretionary.
- Support the development of learning materials.
- Be accredited as a quality assurance agency to oversee the quality of both training providers and programmes.

### **3.1.2 National Skills Authority (NSA)**

The NSA, established in terms of the SDA, is supposed to advise the Labour Minister on a range of issues such as: on national skills policy and NSDS; guidelines for implementing the NSDS; the allocation of funds from the NSF; liaise with Setas on overall skills policy, the NSDS and SSPs while also conducting investigations into matters arising from the implementation of the Act.

The NSA is comprised of five constituencies – organised labour, business, government (various government departments), community organisations and education and training providers – who are supposed to reach some form of consensus on key areas of policy such as the NSDS and the future direction of skills development.

### **3.1.3 Skills Development Planning Unit**

The SDA required the DoL to establish the Skills Development Planning Unit (SDPU) to provide research capacity to conduct labour market analysis in relation to skills needs. Such research is critical in the formulation of the NSDS and for Setas in the drafting of their SSPs. The unit was set up in 1999 but by 2003 it was disbanded and incorporated into the Department's Labour Market Policy Research Unit in 2004. Attempts to build its own in-house research capacity have been an up high battle in recent years. Some form of research capacity – whether in-house or outsourced – is critical if skills interventions are to have the desired impact.

## **3.2 Skills Development Levies Act, 1999 (SDLA)**

The Skills Development Levies Act (SDLA), 9 of 1999 makes provision for the payment of a one per cent levy by employers (private sector) on total company payroll. During the first five years, companies with an annual turnover of R250 000 and registered for Pay As You Earn (PAYE) were required to pay the levy. However, in 2005 this threshold was increased by Finance Minister, Trevor Manuel, to R500 000. The Act stipulates how the funds will be utilised. As of 1 April 2005, of the one per cent skills levy paid over to Seta through the SA Revenue Service:

- 20 per cent is paid over to the NSF
- 10 per cent is allocated for the operation of the Seta
- 50 per cent may be paid over to employers as mandatory grants
- 20 per cent plus unpaid grant money can be paid over to an employer as a discretionary grant.

The above disbursement structure changes from year to year. However, the principles underpinning the payment of mandatory grants should remain relatively unchanged. The intention, according to the drafters of the Act, was to allow employers the flexibility to drive their own training agenda (together with unions) and incentivise those companies who are training. Allowing business to identify their own skills needs is helpful in that it does begin to address some shortages. There are concerns, however, as to whether the type of training taking place is addressing actual needs. Contestation within Seta boards often focuses on how the discretionary grants should be spent with each constituency seeking to ensure that it benefits.

During negotiations, the exclusion of government as employer from paying the levy became a hotly contested issue. While government is not required to pay the one per cent levy, departments are expected to budget one per cent of their personnel budget for training and may contribute funds to the Seta they are affiliated with. Some departments (including provincial) contribute towards the running costs of the Seta but are not expected to comply with the Act in terms of submitting WSPs etc.

### **3.3 SDA Amendment Act**

Following intense criticism of the Setas – sparked by reports of perceived misuse of taxpayers' monies, allegations of mismanagement and more importantly, a perceived inability to spend the levies flowing into their coffers – the SDA was amended so as to deal with issues around performance. The amendments sought to strengthen the Labour Minister's powers over Seta. The amendments included amongst others, the introduction of annual Service Level Agreements (SLAs) (which include key performance indicators) as well as the introduction of the concept of the lead employer as a basis for facilitating the involvement of small businesses in learnerships.

The regulations outlining the processes whereby SLAs would be entered into between Setas and the DoL came into effect in July 2005. The SLA will relate to Seta performance in relation to meeting statutory obligations in terms of the Skills Development Act (SDA), National Skills Development Strategy (NSDS) and Public Finance Management Act (PFMA).

### **3.4 National Skills Development Strategy (NSDS)**

The SDA makes provision for the drafting of an NSDS, which will assess overall progress in meeting its objectives. The NSDS is supposed to provide a broad national framework within which skills development is to take place – cutting across Setas and other institutional structures such as the NSF.

The NSDS, as stipulated in the Act, provides the overarching framework in which the Setas should be developing their SSPs. Hence, Setas should only seek to meet those provisions in the NSDS, which is in line with their own sectors' needs. Some Setas, however, are not sufficiently engaging with the DoL to ensure a balance is struck between sectoral and national needs. This leads to a situation where a Seta might meet its NSDS targets, which have no or little relation to sector skills, needs.

It should also be acknowledged that Setas are only able to fund NSDS related projects from discretionary grants or unclaimed mandatory grant money. Hence, meeting various targets might require quite a juggling act as different constituencies seek to ensure that their own priority areas are met.

#### **3.4.1 National Skills Development Strategy (April 2001-March 2005)**

The first NSDS (NSDS1) entitled 'Skills for productive citizenship for all' was launched in February 2001, with targets to be achieved by March 2005. NSDS1 has five objectives with 12 success indicators with three equity targets (see Figure 1). The DoL argues that the strategy sought to encourage a culture of compliance with the new legislation and for the parties to accept skills development as an investment rather than a cost. The DoL's draft implementation report for the fifth year of the NSDS (in the process of being finalised) reveals that the majority of the targets were met either through initiatives by



Setas, the NSF or other institutions. During the first five years the following occurred:

- 899 686 workers achieved NQF1 (Abet training).
- Over 3 million workers embarked on structured learning programmes, with the majority finishing such programmes.
- The number of companies (both large and SMMEs) registered and paying levies, as well as those claiming grants, increased substantially.
- Various initiatives to support small business were launched with an estimated 60 000 SMME employers benefiting from projects funded by Setas through discretionary grants.
- There was a gradual increase in the number of national and provincial government departments who submitted WSPs, while there was also a corresponding growth in the training expenditure of government departments.
- The total number of learnerships registered by 2005 had increased to 811, with 522 being active.
- During the first five years, 109 647 people participated in learnership programmes with 88 410 being unemployed learners and 21 237 apprentices. The highest performing Setas in terms of learnership delivery included the Service Seta followed by Merseta and others.

The DoL commissioned a number of impact studies in relation to some of the objectives stipulated in the NSDS. These studies revealed, amongst others, the following:

- Those who had participated in structured skills development initiatives felt more positive about their chances of promotion and knowledge of their jobs.
- Compliance with the legislation improved.

- There has been a marked improvement in the implementation of the Act within the public service. This was reflected in the numbers of WSPs submitted; a rise in training expenditure; increased training opportunities for lower level public servants. However, learnerships remained low.
- The placement of unemployed learners in jobs was in the region of 46 per cent (but this figure has not been sufficiently verified) while research also revealed that unemployed learners felt that they had received inadequate exposure to on-the- job-training partly because the job did not relate to the learnership.

Figure 1: NSDS (April 2001-March 2005)

Objective	Success indicator
Developing a culture of high quality life-long learning	<ul style="list-style-type: none"> <li>• By March 2005, 70 per cent of all workers have at least a level 1 qualification on the NQF.</li> <li>• By March 2005, a minimum of 15 per cent of workers have embarked on a structured learning programme of whom at least 50 per cent have completed their programme satisfactorily.</li> <li>• By March 2005, an average of 20 enterprises per sector (small, medium and large) and at least 5 national government departments, to be committed to, or have achieved, an agreed national standard for enterprise-based people development.</li> </ul>
Fostering skills development in the formal economy for productivity and employment growth	<ul style="list-style-type: none"> <li>• By March 2005, 75 per cent of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits measured.</li> <li>• By March 2005, at least 40 per cent of enterprises employing between 50 and 150 workers are receiving skills development grants and the contribution towards productivity and employers and employee benefits are measured.</li> <li>• By March 2005, learnerships are available to workers in every sector.</li> <li>• By March 2005, all government departments assess and report on budgeted expenditure for skills development relevant to public service, sector and departmental priorities.</li> </ul>
Stimulating and supporting skills development in small businesses	<ul style="list-style-type: none"> <li>• By March 2005, at least 20 per cent of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support to be measured.</li> </ul>
Promoting skills development for employability and sustainable livelihoods through social development initiatives	<ul style="list-style-type: none"> <li>• By March 2003, 100 per cent of the national skills fund apportionment to social development is spent on viable development projects</li> <li>• By March 2005, the impact of the National Skills Fund is measured by project type and duration, including details of placement rates, which shall be at least 70 per cent .</li> </ul>
Assisting new entrants into employment	<ul style="list-style-type: none"> <li>• By March 2005, a minimum of 80 000 people under the age of 30 have entered learnerships.</li> <li>• By March 2005, a minimum of 50 per cent of those who have completed learnerships are, within six months of completion employed (self-employed or have job), in full-time study or further training or are in a social development programme.</li> </ul>

Source: DoL

### **3.4.2 National Skills Development Strategy (1 April 2005 - 31 March 2010)**

The second NSDS requires Setas to implement and report on five objectives and 15 success indicators. This NSDS seeks to address existing weaknesses and bottlenecks, which emerged during the first NSDS (see Figure 2). A key shift is the move away from chasing learner intake targets without measuring the impact of the intervention. There is a greater emphasis in National Skills Development Strategy 2 (NSDS2) to look more at the quality of training and its impact.

There are a number of other significant interventions proposed in NSDS2 including the broadening of support of learners not only in learnerships but other skills development programmes such as apprenticeships, internships, bursaries, workplace experiential learning and unit standards based skills programmes. The aim is to refocus attention on broader interventions not only on learnerships, which became the main focus during NSDS1 and is now seen as the primary vehicle for developing skills. Other areas of focus include a look at scarce and critical skills, efforts to build relations between Setas and institutions for occupational excellence which could include FETs or other any institution/structure and an attempt to begin to measure the impact of Seta interventions.

Whilst some important shifts are incorporated in the latest NSDS, some stakeholders feel that it is too wide and places additional responsibilities on Seta when they are not meeting their core obligations.

Figure 2: NSDS (1 April 2005-31 March 2010)

Objectives	Success indicators
<p>Prioritising and communicating critical skills for sustainable growth, development and equity</p>	<ul style="list-style-type: none"> <li>• Skills development supports national and sectoral growth, development and equity priorities</li> <li>• Information on critical skills is widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners</li> </ul>
<p>Promoting and accelerating quality training for all in the workplace</p>	<ul style="list-style-type: none"> <li>• By March 2010, at least 80 per cent of large firms' employment equity targets are supported by skills development. Impact on overall equity profile assessed.</li> <li>• By March 2010 skills development in at least 40 per cent of large firms supported and the impact of the support measured.</li> <li>• By March 2010, at least 80 per cent of government departments spend at least one per cent of personnel budget on training and impact of training on service delivery measured and reported.</li> <li>• By March 2010, at least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour</li> <li>• Annually increasing number of small BEE firms and BEE co-operatives supported by skills development. Progress measured through an annual survey of BEE firms and BEE co-operatives within the sector from the second year onwards. Impact of support measured.</li> <li>• From April 2005 to March 2010 there is an annually increasing number of people who benefit from incentivised training for employment or re-employment in new investments and expansion initiatives. Training Equity targets achieved. Of number trained, 100 per cent to be SA citizens.</li> </ul>
<p>Promoting employability and sustainable livelihoods through skills for development</p>	<ul style="list-style-type: none"> <li>• By March 2010, at least 450 000 unemployed people are trained. This training should incrementally be quality assured and by March 2010 no less than 25 per cent of the people trained undergo accredited training. Of those trained, at least 70 per cent should be placed in employment, self-employment or social development programmes [including Expanded Public Works Programme (EPWP)], or should be engaged in further studies. Placement categories each to be defined, measured, reported and sustainability assessed.</li> <li>• By March 2010, at least 2 000 non-levy paying enterprises, NGOs, CBOs and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75 per cent success rate.</li> <li>• By March 2010, at least 100 000 unemployed people have participated in ABET level programmes of which at least 70 per cent have achieved ABET level four</li> </ul>
<p>Assisting designated groups, including new entrants to participate in accredited work-integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment</p>	<ul style="list-style-type: none"> <li>• By March 2010 at least 125 000 unemployed people assisted to enter and at least 50 per cent successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate- and high-level scarce skills. Impact of assistance measured</li> <li>• One hundred per cent of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience locally or abroad, of whom at least 70 per cent find placement in employment or self-employment.</li> <li>• By March 2010, at least 10 000 young people trained and mentored to form sustainable new ventures in operation 12 months after completion of programme</li> </ul>
<p>Improving the quality and relevance of provision</p>	<ul style="list-style-type: none"> <li>• By March 2010, each Seta recognizes and supports at least five Institutes of Sectoral and Occupational Excellence (ISOE) within public or private institutions and through public private partnerships where appropriate, spread as widely as possible geographically for the development of people to attain identified critical occupational skills, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training.</li> <li>• By March 2010, each province has at least two provider institutions accredited to manage the delivery of the new venture creation qualification. Seventy per cent of new ventures still operating after 12 months will be used as a measure of the institutions' success.</li> <li>• By March 2010, there is an NSA constituency based assessment of an improvement in stakeholder capacity and commitment to the NSDS.</li> </ul>

Source: DoL

### **3.5 Other Applicable Legislation**

Whilst this paper only focuses on three key pieces of legislation highlighted above, there are other laws, which govern Seta performance, including, amongst others, the following:

- Public Finance Management Act, 1999
- Income Tax Act, 59 of 2000
- SA Qualifications Authority Act (SAQA) No 58 of 1995
- General and Further Education and Training Quality Assurance Act 58 of 2001
- Higher Education Act, 101 of 1997

## 4. Seta Functioning

### 4.1 Setas – The First Five Years

Within one month of being formally constituted, Setas found themselves being flooded with levy payments and expectations of immediate delivery. Administratively, the majority of Setas did not have the appropriate systems and procedures in place to deal with their core functions as stipulated in the SDA. From a governance and oversight point of view, the situation was equally problematic as Seta boards were constituted and sought to define their areas of responsibility.

Interviews revealed that it took the majority of Setas two to three years before they were in a position to deliver on their mandate (Year 3 of the NSDS). Five years down the line, some continue to struggle financially (especially those operating in low wage sectors such as agriculture) as well as with weak and inefficient systems. During the start up years, numerous problems emerged around corporate governance issues with allegations of mismanagement, fraud, corruption and the like. Some of these allegations were related to the challenges of dealing with the PFMA.

It was during this time that the Setas became a consultants paradise (as many lacked internal capacity) while the big accounting and consulting companies took over the management of key Seta functions. Although the law says that non-core functions can be outsourced, there have been unconfirmed reports of a specific Seta handing over the majority of its functions to these companies. The situation is changing for those Setas, which have developed their own internal capacity in the intervening years.

Three years into the new system, a number of amendments were made to the SDA. These amendments sought to rein in the Setas and ensure stricter controls around their management, functioning and overall performance. These amendments gave the DoL tighter control over the Setas, which in turn placed additional pressure on its own already stretched resources. This has emerged as an area of concern and was raised during interviews by both the DoL and Setas.

Ahead of the introduction of the second NSDS, a process to review the Seta landscape was embarked upon. This review – overseen by the National Skills Authority (NSA) – made a number of recommendations around the consolidation of the 25 Setas. Three key

recommendations were that:

- Eleven Setas be retained, with some minor adjustments;
- In relation to private sector Setas, the Merseta be split into two Setas, two leisure Setas be established and the consolidation and establishment of one agricultural resource Seta and one financial investment services Seta;
- In relation to the public sector, the consolidation and creation of one public safety Seta and public service Seta incorporating the local government Seta (excluding water) and the consolidation of the energy Seta incorporating water.

There was significant opposition to some of these proposals from amongst the Setas. Following a process of public hearings, the Minister decided on a number of minor mergers, reducing the number of Setas to 23.

## **4.2 Seta Case Studies**

A case study of three Setas was undertaken so as to provide some clarity as to the challenges these institutions face in meeting their obligations in facilitating skills development in the country. Interviews conducted sought to explore: their internal functioning; the relationship between Seta CEO's (and staff) and board structures and whether these boards are taking their governance and oversight functions seriously; the relationship between Setas and the DoL (and the NSA) and other institutions involved in the formal education system.

### **4.2.1 The Manufacturing, Engineering and Related Services Seta (Merseta)**

Merseta is the largest Seta in terms of levies collected and last year received in the region of R457.7 million from 24 946 levy paying companies. The Seta covers over 500 000 employees across an estimated 30 480 registered employers in five sectors – auto, metal and engineering, retail motor and components, new tyre and plastics. In view of the number of sectors covered there are five separate chambers that report into the main



board, which has 30 members.

The vast majority of employers would be classified as SMMEs with only 6 per cent employing 150 employees or more. As a result of the high number of small operations, a relatively small number (the larger employers) are submitting their WSPs. It is estimated that in the region of 4 000 companies are submitting WSPs.

Merseta was formed out of the amalgamation of five industry-training boards. This process was not without its problems. It is estimated that it took up to two years to ensure the Seta was properly resourced and had appropriate systems and procedures in place. By this time, Merseta like so many others had accumulated surpluses largely from unspent discretionary grant monies.

By the time the Seta had begun to develop learnerships and was in a position to rollout various projects its first CEO resigned. Since 2003 a further two CEOs (plus a number acting) have come and gone. At the time of writing the report, the Merseta did not have a CEO. (High turnover of senior staff and racial divisions which have emerged between staff (black staff supporting unions and whites employers) is a consequence of the tensions, which have existed within the board. Factors contributing towards this include, amongst others, the following:

- A lack of unity exists between and in the different employer and union groupings. The employer groupings want to ensure that as much of discretionary grant monies go back to their members. While the unions, ranging from Numsa to the traditionally white Solidarity, are also divided over how resources should be spent so that only their members benefit.
- The board then brings together parties who are not only divided amongst themselves but who have had a traditionally hostile and adversarial relationship over the years. Contestation between employers and organised labour has meant that the Seta has become the site for continued struggle. Disputes in other structures such as the bargaining council spills over into the workings of the Seta. For example, in the past, during disputes relating to bargaining council issues, union officials have boycotted Merseta meetings or refused to sign cheques for monies owed to employers for the disbursement of mandatory grants.

- As a result of this contestation (exacerbated by junior board representation), meetings have become a point scoring exercise with conflict emerging around the allocation of resources (who are the service providers and those getting the projects – collusion between service providers and parties) with no unified vision on how resources should be used or where to take training.
- A lack of a unified vision might in some strange way benefit both sides. For employers who are not committed to skills development and just want to get their money back it means a way out (some employers have acknowledged this and that employers have been short-sighted about skills development). For unions such as Numsa, the same is true as it seeks to clarify its position on training and what its strategic direction is in relation to Setas. (The question of organised labours' vision around Setas was raised during Cosatu's 8<sup>th</sup> National Congress in 2003 where it was acknowledged that "we do not as yet have a common strategy as labour to assert worker control in the current skills development context") The union faces a number of dilemmas around who should be the recipients of skills development. For example, should it be promoting the agenda of skilled workers and/or artisans? What about protecting its unskilled base? How will learnerships affect existing members?

Despite these dynamics, the Seta has appeared to have delivered to the extent that last year (2005) the DoL voted it one of the higher performing Setas. The perception amongst stakeholders and Seta staff is that its performance has been hampered by internal strife emanating from a board that has not functioned effectively in driving a strategic vision. This coupled with a lack of leadership within the Seta (such as a high CEO turnover) does not make for a good combination. Commitments made in terms of the NSDS1 reveal that the Seta met a number of targets mainly in relation to learnerships. Monitoring the impact of these learnerships (and the numbers who completed the learnership and the unemployed learners who found jobs) is not in place, as is the case with some other Setas.

The Merseta SSP (2005-2010) reveals that a large number of the more than 11 000 learnerships initiated since 2001 were learnerships at NQF level 1. These bridging learnerships are more about redress, which is critical if workers, previously denied access to training, can have the opportunity of moving up the skills ladder. However, what about dealing with the industry's scarce skills needs at the higher levels? Since 2001, more than 6 000 apprentices were trained but the majority of revenue spent (from discretionary

grants) has been on so-called 'soft skills' with less than 5 per cent spent on scarce skills or artisan training. The focus, therefore, needs to be on finding a balance between redress learnerships and skills interventions at the intermediary and higher end of the skills spectrum.

Whilst existing learnerships have not necessarily reflected demand for the skills and qualifications from the industry, the Seta has registered a number of other learnerships and qualifications at NQF levels 2-4. These have yet to be made available, as significant work still needs to be done to develop curriculum, courseware and assessment tools.

Stakeholders indicated that after the formation of the Merseta confusion existed around the future of the apprenticeship system as the transitional arrangements in the SDA created the impression that at some point, the apprenticeship system would be phased out. This is one of the arguments presented for the decline in apprenticeship training. It should be acknowledged, however, that such training has been declining for the last 20 years for a variety of reasons, including the contraction of the economy and the commercialization and privatization of state owned enterprises which had traditionally been the main trainers and providers of artisans into the broader economy.

If this Seta is to function effectively, a resolution to the problems within the board is critical:

- A concerted effort needs to be made to find a highly skilled CEO whose primary responsibility is managing stakeholder relations (including engagement with key government departments)
- Measures to assist SMME participation (as done through the appointment of SDFs) needs to continue and be expanded;
- A proper process of developing a more strategic SSP needs to be embarked upon so that interventions targeted ensure a proper balance is struck between meeting sector needs and that of the NSDS;
- And finally, the Seta needs to begin to explore how it can facilitate a working relationship between the industry and FET colleges so that they are able to meet industry needs and provide high quality technical education.

In the interim, employers have by-passed such structures and concentrate their training in in-house facilities which has become the norm within the larger organisations.

#### **4.2.2 Finance, Accounting, Management Consulting and other Financial Services Seta (Fasset)**

Fasset is a relatively small Seta covering 7 214 levy paying companies employing an estimated 106 000 employees. Revenue received during 2005 was in the region of R113 484million. The majority of these companies (97 per cent) employ less than 50 people and account for 38 per cent of the workforce. A consequence of the SMME base is that an estimated 2 489 companies submitted WSPs during 2005. With a small number of large firms dominating the industry, Fasset is mindful of having to find a balance between the needs of SMMEs as well as the larger firms that dominate the industry and have benefited substantially.

An estimated 60 per cent of employees are employed in managerial, professional and semi-professional positions while 32 per cent are administrative support staff. As a result, an estimated 70 per cent have post-school qualifications. The future demand for skills in this sector relate to correcting representation of women and blacks in managerial and professional categories.

Fasset is considered to be an efficient, professional, well functioning Seta with good systems in place. Some would argue that it was established along a McKinsey-type model with a very lean infrastructure (only about 14 staff). Its key stakeholders are, on the one hand, very strong and established professional bodies such as the Southern African Institute of Chartered Accountants (SAICA) – who have become ‘ingrained in the sectors qualifications structures’– and on the other, two unions, Nehawu and Public Servants Association of South Africa (PSA), who mainly represent employees in various government structures such as the South African Revenue Service (SARS). The Seta does not operate in a highly unionised environment with only a very small proportion of employees belonging to unions.

A Fasset board member - interviews were done on basis that people would be anonymous) argues that during the early stages of the setting up of the Seta initial discussions between the unions and employer bodies proved rather tough. The established unions opposed a position put forward by the professional bodies that they were both an employer and employee body. Whilst relationships have stabilised and the

board operates smoothly, disagreements emerge from time to time but are dealt with in the appropriate structures. The types of disagreements, in the past, have focused on prioritising how discretionary grants are spent. This issue highlights the fact that the Seta board concerns itself primarily with strategic issues and does not, as far as is possible, get involved in operational and staffing issues unless called upon to do so.

It would appear that the board is well run with the standard of board members being reasonably high. This is very much in line with the fact that board members represent a professional sector in terms of qualifications. Some board members expressed concern over the level of bureaucracy that surrounded the Seta process and the reporting process with the DoL. Concern also emerged around capacity in the DoL to manage Setas. Other concerns related to the process of setting up a learnership. Fasset CEO, Cheryl James, says that the Seta would only register a learnership once everything was in place such as the course materials, training providers and workplace assessors.

Developing a learnership from scratch could cost as much as R2.5 million. The process of registering unit standards with SAQA was slow while confusion existed as to who was responsible for quality assurance – was it the Seta, Umalusi (Council for Quality Assurance in General and Further Education and Training) or the Council for Higher Education? The Further Education Act argues that the only body that can do quality assurance is Umalusi while the SDA allows Setas to do it – which Act takes precedence? In one instance SAQA brought an interdict against the Institute of Chartered Secretaries and Administrators (ICSA) who were going to have a graduation ceremony for their graduates. The reason is that Higher Education Quality Committee (HEQC) had not quality assured the Institute. Responsibilities around quality assurance has hence emerged as an issue for the Seta, especially as it is involved in higher education while concern has also been expressed around the need to streamline qualifications.

Fasset was very innovative in terms of how it took an existing articulated clerk system and converted it into a high quality and low access learnership. This was done in partnership with the South African Institute of Chartered Accountants (SAICA) and led to a situation where an existing 9 000 trainee accountants were converted into learners. By year 5 of the NSDS, the Seta had initiated 11 383 learnerships amongst existing employees and 18 861 amongst unemployed youth.

Fasset has acknowledged that if there is to be a sufficient number of new entrants into the labour market who can be trained to be accountants, their focus should then be on the school system. Over the years, a number of projects have been initiated as part of monies spent from available discretionary grants for programmes to assist grade 11 and 12 learners in relation to Maths, to upgrade teacher skills and improve accounting facilities at previously disadvantaged universities. Fasset has also funded initiatives to assist black candidates in passing their Public Practice Examinations so that they can be registered as auditors.

#### **4.2.3 Education, Training and Development Practitioners Seta (ETDP Seta)**

The ETDP Seta brings together a very diverse grouping of employers and organisations from both the private and public sector. Whilst not only being diverse, the sector has to contend with a large number of very small employers and larger employers such as the Department of Education (DoE), while the majority (94 per cent) are considered to be SMMEs. The sector employs over 650 000 people in 56 754 institutions (public schools make up the majority), and includes many constituencies who have never worked together in the past. Educators dominate the sector with a small portion being in managerial and administrative positions. Since 2001 the number of registered employers has increased from 6 403 to 10 117 while the number of levy paying employers has increased from the 2000 -3000 mark to 4 464 while revenue received during 2005 was in the region of R164 100 million.

The first three years proved to be a very tough time as the Seta sought to bring together these disparate institutions and organisations with differing interests and ideologies. Some institutions such as higher education had never engaged with unions. While the unions themselves were represented in the Seta both as an employer and as representing workers. There were periods when unions such as the South African Democratic Teachers' Union (SADTU) had a mandate to cause as much disruption in the Seta as possible. A former Seta representative recalls how it took up to about three years before all the parties could sit around the boardroom table and actually joke with each other.

Part of inherent tension within the Seta is the private/public component with the fragmented grouping of private sector educators seeking to protect their interests and ensure that the public sector in the form of the DoE does not get an undue proportion of discretionary grants for their projects. There is a sense amongst the private sector

providers that the public sector has the upper hand as it is both judge and jury in the system – that is, it has to quality assure private providers.

The governing body has 40 members, making decision-making a rather difficult task. In an attempt to accommodate the inherent differences between private and public employers, two separate structures have been set out to feed into board deliberations:

- Employers in the budget chamber include the DoE (National and Provincial), representation from public ABET and Early Childhood Development (ECD) centres and FET colleges as well as from the educational unions such as Sadtu and National Professional Teachers' Organisation of South Africa (Naptosa). The DoE is one of the few government departments, which pays over 10 per cent of the one per cent payroll; levy to assist in administration costs of the Seta. This amounts to in the region of R47 million, which puts the DoE in a very powerful position within the Seta. Organised labour is of the view that provinces are not spending their full 90 per cent of the allocated one per cent of payroll on training. The Seta annual report reveals that there has been a significant improvement in the participation of the DoE since 2003/4 in terms of the submission of WSPs and ATRs. Despite this, the DoE does not believe that WSPs have not become an effective management tool. The Seta needs to explore how it could engage more effectively with those responsible for skills development with the DoE as this function is scattered across various divisions, with many not even falling under human resources.
- The levy chamber includes representation from all levy paying companies and organisations (this excludes the public sector) as well as union representation. The levy chamber has 12 constituencies and is diverse and not unified at all. Revenue from the skills levy will be in the region of R150 million this year, with 10 per cent going towards administrative costs.

There is a view that the DoE feels that it can dominate the Seta because it contributes more than half of its running costs. This is reinforced by the fact that the last two CEOs came from the DoE. There is a perception that in the past, an undue allocation went to the DoE, which is not necessarily borne out in figures available. The new CEO, Nombulelo

Nxesi, is attempting to deal with this perception and ensure that the needs of other constituencies are dealt with. She also has to deal with a number of inherited problems such as a relatively high complement (over 100) of demoralised staff, internal systems which have been neglected and past forensic investigations.

This sector faces some critical skills challenges not only in relation to increasing the number of better qualified maths and science educators, but it is anticipated that a shortage of educators could arise in the next decade, which could be exacerbated by a rising lack of interest being shown in the education profession. In view of the skills requirements, it is questionable whether sufficient attention has been given to some of the 'harder' skills requirements. Over the last five years, the following types of interventions have been funded:

- A number of learnerships have been developed ranging from those to address the skills gap in educators, both in terms of supply and upgrade of existing skills in areas such as Mathematics, Science and English. The majority of learnerships have been in Abet, ECD, community and related functions and a significant number (317) in Postgraduate Certificate in Education (PGCE) and Bachelor of Education degree (598) while the Northern Province DoE initiated 286 learners.
- An NSF funded project, the Sakhisizwe Project, aimed at increasing access for historically marginalised and under-resourced communities to education and training programmes has trained 1500 ECD practitioners; 795 abet practitioners and over 3500 mentors and assessors.
- An analysis of company WSPs has revealed that 823 workers were trained on NQF level 1 during 2004/5, 190 000 participated in structured learning programmes, while 921 completed such programmes.
- An estimated 6 667 people benefited from discretionary grants during 2004/5 involving programmes related to building SDF capacity, HIV/Aids support, community development, learning programmes, learnership grants and so forth.



Some of the Seta's challenges in moving forward relate to funding interventions to deal with the sector's critical skills needs. The introduction of learnerships, for example, at the higher end of the skills spectrum has proved to be problematic because of the costs involved and other related problems. A learnership to develop a Maths/Science teacher is a minimum of 4 years and is costly while the length of time increases the chances of a high drop-out rate. The Seta has also found that unemployed learners view the learnership allowance as a form of social grant. The Seta is of the view that target chasing (in line with the NSDS) is compromising quality and focus for delivery. While that might be the case the SSP does not provide sufficient indicators of interventions to address skills challenges. This raises questions around research capacity as well as the need for proper monitoring and evaluation within the Seta and others.

## **5. Research Findings**

Based on the above case studies and interviews conducted with key stakeholders, the following – many of which are not new – have emerged as central concerns in relation to the functioning and performance of Setas and why they are not contributing towards providing quality skills into the economy.

### **5.1 Governance and Stakeholder Engagement**

Concerns around Seta governance structures and involvement of stakeholders in driving skills development has been of concern for some time. This has yet to be resolved despite various commitments made by the social partners at the 2003 Growth and Development Summit (GDS).

This study has revealed that much emphasis is placed on the role of Setas in delivering skills, without sufficiently contextualising the obligations of stakeholders in providing strategic direction through the involvement of high-level personnel. Hence, it would appear that there might have been a failure in clearly spelling out the role of stakeholders at three levels: nationally, sectorally and at the workplace.

At a national level, the state (not only in the form of the DoL) should be giving strategic direction in terms of where the economy is going and what skills are required. At a sector level parties (organised labour and business) need to provide strategic direction on the implementation of business plans to ensure that sector needs are met (within the framework of the NSDS). This is where board input is critical. A general concern has been expressed around representation and functioning of Seta boards. The general view, based on the case studies and interviews, is that the level of representation from both labour and business, in the majority of Setas, is low with insufficient ‘strategic thinkers’ involved. Hence, board meetings become more skewed towards operational issues rather than the Setas strategic direction.

In some Setas there is an unclear delineation between strategic and operational issues, with undue involvement of the board in day-to-day functions. The functioning of the board has a direct impact on Seta delivery and, if not resolved, narrow constituency based

interests will continue to be pursued to the detriment of broader skills needs. Finally, at the workplace, it is the responsibility of employers and unions to ensure that skills development happens.

Similar concerns have been expressed around the level of representation within the NSA and its ability to provide strategic direction and influence the direction of the NSDS. There is a perception that the NSA does not have clout and is unable to influence the Labour Minister. This stems from a view that it is not 'independent' and separate from the DoL. Some members believe that the structure is not sufficiently independent from the department who has not provided it with a separate budget for its own resources. Linked to issues of status and independence, is the concern that the NSA is not considered to be a structure of national importance. This was reinforced initially by the fact that government representatives often do not attend and/or are not consistent in terms of attendance. The recent formation of the Joint Initiative on Priority Skills (JIPSA) reinforced this even more.

## **5.2 Measuring Seta Performance**

The case studies reveal that the current mechanism to measure Seta performance and their interventions might be problematic and could inadvertently be feeding into negative public perceptions of non-delivery. The draft 2004/5 NSDS implementation report reveals that the majority of Setas met their targets. So where is the evidence of non-performance? Whilst meeting NSDS targets Setas might not have met public opinion expectations or, in some instances, particular sector needs. Key stakeholders have expressed some concern around what is being measured and whether this sufficiently relates to actual Seta outputs and reflects a healthy balance between national and sector needs.

During the previous five years, Seta performance was largely measured against obligations in terms of the PFMA and the NSDS with limited formal reporting requirement in terms of their delivery against their SSPs. Aside from an overemphasis on the NSDS (without taking sufficient cognisance of sector specific skills needs), the focus was very much on numerical targets with no measurement on impact or quality of learning.

As one Seta CEO argues: "Setas have been forced into a rules based reporting system. Hence, innovative work initiated by the Seta (which might not be part of NSDS targets),

but which meets sector needs is not being taken into account. 'What you measure is what you get', and what is being measured does not take into account all the work being done by Setas. This will continue if the NSDS is the key driver".

The case studies reveal that thousands of workers have received some form of training but there is little or no indication as to what the impact has been while it has proved difficult to verify many of the figures given by the Setas. The DoL argues that the focus of NSDS2 is to address these concerns and ensure the introduction of proper monitoring, assessment and evaluation tools so that the impact of skills interventions can be measured. Aside from the focus in the new NSDS, the DoL plans to introduce a number of additional mechanisms to monitor performance and output, which is:

- NSDS2 is going to focus extensively on measuring the impact of interventions;
- A scorecard is being introduced which will not only look at numbers but have a more sector specific approach. The scorecard will go beyond the NSDS and look at how Setas are managing their funds, governance issues as well as reporting on provincial linkages.
- The DoL is encouraging Setas to set up provincial offices so that they can build linkages with provincial structures such as local labour centres, FET colleges, local and provincial government and, hence, feed into the provincial growth and development strategies. The DoL would also like to see an alignment with national government through a process whereby the Setas have their SSPs' signed off by the relevant national department.

### 5.3 Operational and Staffing Issues

There is unevenness in terms of the effectiveness of Setas ranging from high performing institutions such as Fasset to those who struggle to perform against their stakeholder demands such as Merseta (yet it was rated one of the highest performing Setas last year largely because of the number of learnerships introduced). Seta non-performance, where it exists, is a consequence of poor management or lack of leadership (extremely high turnover of CEOs), poor or inadequate systems in place, inappropriate staffing, Seta boards not being cohesive (leading to poor decision making) and more importantly, impossibly diverse range of expectations imposed upon Setas by diverse groupings.

Data collected by the DoL reveals the high turnover of CEOs. During the first five years, 20 out of the 25 CEOs left their Setas, either voluntarily or under a cloud of some sort. In some instance (as the case studies revealed), Setas have had 3-4 CEOs over the first five-year period. This does not bode well for institutions which have numerous demands placed upon it and is responsible for the disbursement of large sums of money.

Internal inefficiencies, as a result of high levels of bureaucracy, are of concern. Added to that, however, is a lack of urgency around what has to be done with one Seta official indicating that Seta staff feels that they are protected.

### 5.4 Systemic Issues

As the system has evolved, various institutional blockages – some of which are systemic and not necessarily the fault of any one particular part of the system – have emerged. This has made delivery, in some instances, time consuming, costly and cumbersome.

For example, the mechanics of developing, registering and implementing a learnership could take anything between two to three years and has become very resource intensive. Once the need for a learnership has been identified in a particular company/sector (sometimes not demand driven with some Setas spending millions merely registering learners without a specific need attached), the modules (unit standards) required to achieve that learnership (qualification) have to be developed and then registered with

SAQA. The registration of learnerships could face some delays within the SAQA process.

Once a learnership has been registered, training programmes (courseware) for each module have to be developed. Thereafter, further blockages may occur when training providers (workplace and institutional) must go through the, often, long process of being accredited by the Education and Training Quality Assurance (ETQA). It is not only the process of accreditation, but also finding appropriate providers and workplace assessors, which can be a problem. A number of problems emerge at this stage especially if there are no assessors and providers such as FET colleges.

The provision of good technical learning, which should be within the domain of FET colleges and technikons, has been identified as a stumbling block as it is questionable whether they have sufficiently taken into account the needs of industry. Some effort is being made by the DoE to restructure FETs and make them more responsive to industry needs while NSDS2 seeks to encourage closer working ties between Setas and FETs.

Once the process has been finalised (millions later), the Seta has to find learners for specific companies. Such a long process does not necessarily make learnerships responsive to scarce skills needs in the economy.

A related systemic problem revolves around the uncertainty surrounding the model and management of quality assurance (Who is responsible? The Setas, Umalusi or Council for Higher Education?). The idea of a single qualification structure as in the form of the NQF might have been a good idea in theory as it sought to ensure a continuum between vocational based education and higher education. In reality, however, the disjuncture between education and training has undermined this approach, as no consensus exist as to whether the two approaches can operate in one system.

Interviews also reveal that there is growing concern over the delays in registration of qualifications within the SAQA structure and whether the standard setting system of unit standards is appropriate. Are unit standards adding value? Is there a proper understanding of how to translate unit-based qualifications into a learnership model or effective learning programmes?

## 5.5 Research, Monitoring, Evaluation and Planning

The case studies reveal that research capacity within Setas and the DoL are of concern and needs to be addressed. Research – whether outsourced or not – is critical if Setas (and the DoL) are to ensure their interventions are targeted and have the desired effect of facilitating the development of required and appropriate skills. Aside from an inadequate research focus, the Setas have yet to put in place systems to ensure proper monitoring and evaluation of interventions (see Box 1 for an example of Unit Standards). Where Setas have sought to monitor the implementation of learnerships, there has been no consistency around monitoring criteria. The focus of NSDS2 is going to require Setas to be more proactive in this area.

### Box 1: The Art of Crafting Unit Standards

Over 9 000 unit standards ranging across many areas from cottage cheese making to demonstrating that a person is a physical, mental, spiritual and social being, have been registered with SAQA. A unit standard is an assessment tool, which is supposed to measure outcomes. What does it look like? To get an idea, let's look at an example of a unit standard at NQF level 1 entitled 'Maintain personal hygiene, health and presentation'. The outcome in each unit standard is broken into specific outcomes, each of which has a list of assessment criteria. In this case there are four specific learning outcomes: wash hands effectively; practise good hygiene and grooming habits; deal with common health issues to prevent the spread of disease; and strictly follow hygiene and health requirements in his/her dress code.

The first specific outcome, 'Wash hands effectively', alone has fifteen assessment criteria against which hand washing must be measured. As a result of the various requirements, unit standards could be up to 15 pages long for highly narrow, specified competences, and hundreds of pages for each qualification.

## 5.6 Differences over Interpretation

There is no uniform and consistent interpretation of the legislation and regulations across Setas leading to instability and irritation amongst the users. Numerous examples were revealed and include, amongst others, the following:

### 5.6.1 Learnerships vs Apprenticeship System

The learnership system was supposed to be at the heart of the SDA to be used as one of a number of interventions to facilitate the development of higher quality skills across the skills spectrum. What has emerged, however, is a high level of ignorance and misunderstandings around the learnership concept and how it should be utilised. The following type of trends have emerged:

- Learnerships have been viewed as the only vehicle for skills development, with apprenticeships and/or other types of skills programmes often being ignored. As a result, employers are not using the appropriate vehicle for the competencies they require in the workplace. In addition, skills development programmes have become interchangeable with learnerships. As one labour lawyer says: ‘you can make a learnership out of anything, which takes away the essence of what it was supposed to be about’. He argues that there is a lack of definition of learnerships and skills programme in their practical application.
- A large number of the learnerships have been initiated at the lower (NQF level 1) rather than intermediary skills levels. This might partly be a result of a drive by government to meet specific targets to employ unemployed youth. (It could also be a way of employing cheap labour, which has occurred and has led to the displacement of permanently employed workers). If that is the case, then the system has not had the desired effect of increasing the level of skills at the intermediary to higher levels of the skills spectrum.
- This development is partially a consequence of a misunderstanding in the law emerging from the wording in the SDA, which suggest that the minister will phase out the apprenticeship system at some point. In the broader context, large parastatals saw apprenticeships as an additional cost as they were feeding the market, hence, their decision to reduce their numbers. At the same time, other employers have been replacing more skilled artisans (who might have performed lower level tasks traditionally performed by artisans) with lesser skilled workers, at a lower rate of pay. For some employers, the learnership was seen as the equivalent of an apprenticeship and, therefore, merely replaced the old system for the new one.



### **5.6.2 Disbursement of Grants**

As mentioned previously, differences of opinion exist across Setas as to conditions attached to claiming back a mandatory grant. Two schools of thought exist. The first is that mandatory grants should be paid if an employer submits his WSP. Another view is that the mandatory grant will only be paid out if the WSP is in line with the SSP. Some Setas argue that the latter position could prove problematic if the Seta has a badly drafted SSP; if the company has very specific needs not addressed in the SSP and, more importantly, the grant then becomes a discretionary grant. As one of the drafters of the Act says, WSPs were intended to create space for companies to do what they need to do. Stakeholders in the workplace, namely, workers, should only inform their plans.

Whilst there is a sense, on the one hand, of a lack of uniformity with differences over interpretation (and insufficient direction from the DoL), there is a feeling, on the other hand, that the system has become too rules based, inflexible and allowing little space for innovation. This could partly be a consequence of the fact that the system is still relatively new and remains unfamiliar to many. This raises concerns around the need for further education amongst Seta staff, board members (being addressed by the DoL) and the users as well as timeous and effective communication between the DoL and the Setas.

### **5.6.3 SMME Involvement**

The involvement of SMMEs continues to be problematic despite attempts by some Setas to introduce measures to increase participation in the system. Interventions have included the employment of skills development facilitators to assist small business in accessing their grants. Are these interventions sufficient? The DoL has also sought to introduce a low cost delivery model for small business in relation to learnerships. This model – the Employment Skills Development Lead Employers (Esdle) – is currently being piloted.

### **5.6.4 Capacity to Drive Implementation**

Policy makers might have misjudged the resource intensity required to ensure the effective operation and management of Setas. Hence, there are valid reasons for concern that elements of the system are overly ambitious, especially in the absence of a pool

of experienced people who have been involved in skills development. Concern around capacity issues exists both in relation to the Setas and the DoL in its obligations to both manage overall strategy and monitor and ensure co-ordination of the Setas. In the early years, international assistance helped drive initial implementation within the DoL. Questions have been raised as to whether sufficient capacity exists to continue leading implementation.

### **5.6.5 Expectations of Delivery**

Setas have to deal with a range of expectations – both from amongst their key stakeholders and the public – and are expected to deliver beyond their obligations in terms of the SDA and NSDS. As mentioned previously, Setas have become all things to all people, hence, whatever they deliver on will be insufficient.

For example, unrealistic expectations exist around the speed in which Setas can deliver in the event of long-term qualifications. As one Seta CEO says, “you cannot push people out of the system when the pipeline for the development of professionals is between 10-15 years”. Not only does it take time to develop professionals or highly skilled people, but also it is not within the Setas domain to influence the education system, which is supposed to ensure that there are a sufficient number of learners taking the required subjects, and are being taught by qualified people. What some Setas are doing is using their discretionary grants to influence the pipeline for the development of skills by introducing programmes to either upgrade teacher capacity or that of learners in relation to Mathematics, English and Science so as to increase the pool of candidates able to enter the so-called ‘scarce skills’ categories.

## 6. Recommendations

If the social partners are committed to making this multi-billion rand skills development system work, consideration will have to be given to exploring ways of increasing the ability of Setas to facilitate the development of quality skills into the economy. The following constitute some thoughts in this regard.

### 6.1 Strategic Stakeholder Engagement

At the outset there should be some acknowledgement that, if organised labour and business are unable to commit resources (who will be able to operate professionally) to providing strategic direction to Setas, then a review of the stakeholder driven process should be considered. Alternatively, some clarity should be obtained as to the extent of stakeholder involvement.

From the side of government, if it wants Setas to be more responsive to its needs (and that of the overall economy), then it needs to review its involvement (and participation) in Seta structures and/or consider tightening up existing structures to ensure greater government co-ordination.

It is proposed that a cabinet sub-committee be established at government level which would dedicate time to skills development, not as a last item on the agenda. This sub-committee should include senior representation from departments who form part of the economic cluster such as the DTI, Labour, Science and Technology, Education, Public Enterprises and Public Works. The task of this sub-committee would be to ensure that skills development receives dedicated attention within cabinet and inter-government co-ordination takes place so that national skills needs are addressed.

At the level of private/public engagement, a high level NSA type structure should be constituted. This structure, with high-level representation from amongst the social partners, would provide strategic direction to ensure overarching national priorities are dealt with. Some clarity needs to be obtained as to the role JIPSA is going to play, especially in relation to the NSA and its working with Setas. If JIPSA is to take on the functions of the NSA then there might well be a case for its demise, especially, if it is to

remain in its current form. If that is not the case, then the NSA needs to be reconstituted as a lean structure with high-level involvement to give it both authority and ensure it is able to provide strategic direction to skills development in the country. The NSA should become independent of the DoL and be set up as a separate body with resources.

At a sector level, the Seta board is critical and, if existing problems within this structure are not dealt with, these institutions will continue to underperform and jeopardise the future of the skills system. As highlighted in the research findings, these structures faced real problems in terms of employer/union interface, levels of representation, the size and composition of the boards, staffing problems and the role of CEOs in relation to their boards and their overall responsibilities. Are CEOs strategic enough in terms of building relations not only with immediate stakeholders but with relevant line government departments so that Setas can feature in supporting big government projects?

In view of the problems highlighted, it is proposed that a very structured review be embarked upon to consider the structure of Seta boards and its functioning in relation to its secretariat. This review should emerge with recommendations on: whether or how boards should be reconstituted (including levels of representation); whether some form of arbitration function should be built into the system if conflict hampers decision making; whether their scope should be narrowed so as to ensure a proper separation between operational and strategic decisions.

In terms of the Seta secretariat, some checks and balances need to be explored to ensure higher levels of accountability and transparency amongst CEOs and senior managers. This is aimed at dealing with patronage politics, which appears rife in some Setas, leading to an abuse of power. Other issues which need to be explored is the level of staffing – staffing have little or no knowledge of the sector in which they are operating.

## 6.2 Apprenticeships and Learnerships

The SDA has yet to yield the type of quality skills as anticipated. This is partly as a result of the way in which learnerships are being understood and implemented in relation to apprenticeships. Serious problems have emerged around the learnership model, which need to be ironed out. Thereafter, some form of communication exercise should be embarked upon to clarify the position around learnerships and apprenticeship within the context that various vehicles can be used to lift up the overall skills pool. It can be through an apprenticeship, if appropriate, learnership or any other formal skills programme. The intervention used will depend on what skills are required and the level of education of the recipient.

## 6.3 Key performance Indicators

There is a need to critically analyse the process of monitoring and assessing Seta performance. The current reporting structures are not measuring actual delivery and output. As highlighted above, the DoL is seeking to introduce new measures to ensure this occurs. Further debate should, however, be embarked upon so that performance measurement criteria do not lead Setas in the wrong direction.

This discussion should also take into account concerns that Setas have been forced into a rules based reporting system which does not take into account innovative work done which might not be directly linked to the NSDS but linked more to sector needs as identified in SSPs

## 6.4 Resolution to National Qualifications Framework (NQF) Review

### Box 2: Background to the NQF Review

The birth and evolution of the NQF was not very smooth. By 2001 a review was initiated by government, with some educationalists believing that this signalled an awareness that the approach seemed not to be working. The departments jointly responsible for the NQF, the DoE and the DoL, commissioned a study team to conduct a review of problems with implementation. The study team produced a report in 2002, entitled Report of the Study Team on the Implementation of the NQF. This report became known as the NQF Review. It proposed substantial changes to the NQF and, hence, became the subject of intense debate between the two departments. During 2002 and 2003, both departments commented and made substantial changes to the Review proposals. Neither set of proposals has as yet been accepted, causing some uncertainty within the whole system. There is a general sense that changes will be made with much speculation as to the role of Setas in quality assurance.

The lack of collaboration between education and labour in the early years has created problems in the system. The majority of those interviewed believe that the failure to create real joined up policy between education and labour is at the heart of the myriad of problems hampering skills development, as envisaged in the Act. It is hoped that some form of finality will be reached in terms of the NQF review process so that some certainty can be resorted to within the system. The failure to resolve issues has created uncertainty in terms of the model used for generating qualifications, the relationship between qualifications and curriculum and the status of Setas as quality assurance bodies. A number of those interviewed believe that Setas should only be responsible for quality assuring workplace (vocational) qualifications. Differing views exist as to whether they should be responsible for quality assuring providers, which has become a tedious and bureaucratic process.

## **6.5 Reducing Bureaucracy**

It has generally been acknowledged that high levels of bureaucracy, which have emerged in the system, are acting as a disincentive for participation. This does not only relate to reporting obligations of employers and Setas themselves (how and what they are required to report on) but in relation to emerging training providers who face a rigorous and complex process in trying to become accredited. Setas need to ensure that some balance is struck between preventing fly-by-night training providers into the system (which will inevitably happen) and encouraging previously disadvantaged providers from gaining access.

## **6.6 Disbursement of Grants**

The disbursement of both mandatory and discretionary grants is the subject of much contestation. Whilst regulations specify how both grants should be disbursed, inconsistencies and uncertainty remains. It is not only a case of simplifying the process and allowing more flexibility but the DoL needs to come out more clearly on this issue. Some companies have resorted to suing Setas to reclaim grant monies. This becomes problematic, especially for small firms, who do not get justice out of the system and do not have the resources to go the legal route.

## **7. Conclusion**

Ten years ago, when the green paper on skills development was being drafted, the then Minister of Labour, Tito Mboweni, described what was happening as a ‘skills revolution’. The term ‘revolution’ conjures up images of something immediate and dramatic. A skills revolution cannot occur overnight, especially when an old system has been destroyed and a new system is being put into place. Training systems, by their nature are complex, and require some time to mature before they are able to deliver.

In the intervening years, progress has been made to a greater or lesser degree in some sectors, towards achieving this so-called skills revolution. However, what this time has shown is that key vehicles for the delivery of skills such as Setas are not solely responsible for this so-called revolution.

The role of Setas is to facilitate the supply of skills into the economy. To varying degrees this is happening but predominantly at the lower end of the skills spectrum. A refocusing needs to take place to firstly, ensure high levels of co-ordination between the Setas and the needs of the broader economy and secondly, ensure that a balance is achieved in terms of the type of skills that are being produced. This will require greater levels of commitment and strategic engagement by the social partners – labour, government and business.

Future delivery lies, not in looking to create new structures or institutions for delivery, but to find a way of resolving the logjams and fine-tune the existing system so that it begins to work for all South Africans.



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