

SETA REVIEW

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Development Policy Research Unit
DPRU Working Paper 08/132
May 2008
ISBN Number: 978-1-920055-61-5

Abstract

The study serves as an attempt to provide a comprehensive picture of the Sector Education and Training Authority environment for stakeholders to collectively understand the different approaches that are being adopted by SETAs in carrying out their mandate. The paper seeks to make a contribution to the development of a shared understanding of the critical success factors necessary to ensure the effective functioning of the SETAs within the context of the overarching skills system. The paper argues that significant progress has been achieved by SETAs and the Skills Development system. But that important challenges have emerged in this review with regard to the level of development of SETAs, the numerous complexities that persist in respect of implementation, effectiveness and efficiency, the shortcomings in the functioning of the training market, the underdeveloped capacity and functioning of the monitoring and evaluations systems, the lack of effective management information systems, the effectiveness of quality assurance mechanisms in the system all combine to suggest that the SETAs and the Skills Development system are still at a critical stage of institutionalisation.

The findings of this review suggest that the SETAs are on a positive trajectory. Future success will be contingent on a recognition that institution building is a complex and demanding process that requires purposeful and sustained investment. It argues that it may be preferable to focus on increasing the strength of the SETAs to undertake a limited set of key responsibilities and with greater efficacy, than increasing their scope or even developing unrealistic expectations for the manner in which the activities can be carried out within the limits of existing capacity.

This suggests that changes in the SETA landscape require careful consideration with an emphasis on instituting changes that build on the current system and that continue to propel the system forward. These changes need to be implemented in a manner that recognises the system issues that have been highlighted by this report as well as the possibilities for improving institutions in the short to medium term

Acknowledgement

This paper is the executive summary for the research study that was completed by Singizi in March 2007. The study involved a review of the SETAs, and was submitted to the Development Policy Research Unit and forms part of the Employment Promotion Programme managed by the DPRU.

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List of Acronyms

AG	–	Auditor General
ASGISA	–	Accelerated Shared Growth Initiative for South Africa
ATR	–	Annual Training Report
BBBEE	–	Broad Based Black Economic Empowerment
CBO	–	Community Based Organisation
CFO	–	Chief Financial Officer
DG	–	Director General
DoL	–	Department of Labour
EPP	–	Employment Promotion Programme
ETQA	–	Education and Training Quality Assurance Body
NLRD	–	National Learner Records Database
NQF	–	National Qualifications Framework
NSDS	–	National Skills Development Strategy
NTSI	–	National Training Strategy Initiative
QA	–	Quality Assurance
SAQA	–	South African Qualifications Authority
SARS	–	South African Revenue Service
SDA	–	Skills Development Act

SDF	–	Skills Development Facilitator
SDLA	–	Skills Development Levies Act
SETA	–	Sector Education and Training Authority
SLA	–	Service Level Agreement
SMME	–	Small, Medium and Micro Enterprises
SSP	–	Sector Skills Plan
WSP	–	Workplace Skills Plan

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1. Introduction

The study serves as an attempt to provide a comprehensive picture of the SETA environment for stakeholders to collectively understand the different approaches that are being adopted by SETAs in carrying out their mandate. It is hoped that the study will make a contribution to the development of a shared understanding of the critical success factors necessary to ensure the effective functioning of the SETAs within the context of the overarching skills system. In doing this, the study seeks to understand what the SETAs specific contributions are, and should be, and how these are supported or made more complex by other components of the system.

This paper provides a brief synopsis of the methodology that was adopted to review the SETAs, and then contains the key findings and recommendations. The comprehensive findings are contained in the full report.¹

1 The full report can be viewed at:
<http://www.thepresidency.gov.za/main.asp?include=docs/pcsa/economic/setaratings/index.html>

2. Methodology Adopted

The research methodology adopted for this study has involved a series of multi-pronged activities divided into four components in line with the key research questions.

As indicated, this study was conducted under the auspices of the Employment Promotion Programme (EPP). This meant that the research team was reliant on SETAs to agree willingly to provide documents, learner data and time for interviews. In the main, there was very good co-operation from SETAs, although there were a few SETAs that were unable to provide all the data that was required, and one SETA CEO that was not available for an interview.²

The team also interacted with senior officials in key government departments before the research commenced in order to outline the purposes of the research and to establish appropriate protocols before accessing officials. These protocols were distributed to: Pravin Gordhan (Commissioner, South African Revenue Service), Lesetja Kganyago (Director General, Treasury), Vanguard Mkosana (Director General, Department of Labour) and Sam Isaacs (Chief Executive Officer, South African Qualifications Authority).

These departments, assisted with the project, and the officials within these departments were extremely helpful in providing a nuanced understanding of the system, as well as in the provision of documents, where possible. The research team conducted a small number of interviews with key government officials within these departments.

The different activities that the research team undertook in fulfilment of this brief include the following:

Interviews

The research team conducted:

- A series of interviews with a number of individuals who were, at different points, centrally involved in the development of South Africa's skills development strategy.
- Interviews with individuals from the Auditor General's office who are responsible for SETA audits.
- Face-to-face or telephonic (depending on the respondents' preference) interviews with

2 The details of this engagement with the SETAs are listed in the full report and the data provided by each SETA is attached in an annexure to the report.

all of the SETA Board Chairs, as one of the primary research components of the study.

- Face-to-face interviews with all of the SETA CEOs.
- Interviews with company CEOs/leadership.

Questionnaires

The research team:

- Developed a self-completion questionnaire which was distributed to board members;
- Also distributed an Education and Training Quality Assurance Body (ETQA) manager self-completion questionnaire;
- Obtained self-completion questionnaires from HR managers.

Documentation

- A review of some of the documents that have been written about the evolution of South Africa's skills development strategy from the National Training Strategy Initiative (NTSI) in 1994 to National Skills Development Strategy II (NSDS II) to the current NSDS II;
- Documents (including relevant legislation) pertaining to the statutory framework relating to skills development and, specifically, the SETAs;
- A number of documents that outline key governance issues in both the public sector and the private sector were reviewed as part of this component of the study. In particular, King II³, as well as documents produced by government analysing governance issues pertaining to public entities, were consulted.
- During the course of the research the team reviewed various reports compiled by the AG's office on the SETAs.
- All the constitutions of the 23 Sector Education and Training Authorities (SETAs);
- The team also attempted to collect a series of documents and select pieces of data from the SETAs: The research team was able to achieve almost complete sets of data for the following:
 - Sector Skills Plans (SSPs) for the 2005-2009/10 period (a complete batch

of the SSP Updates for 2006/7 was also obtained from SETAs and other sources);

- Annual Reports for the periods 2004-2005 and 2005-2006;
 - Lists of registered learnerships; Learner data; and WSP templates.
- This data was then analysed and where immediate gaps could be seen, a follow-up process was undertaken with the relevant SETA.
 - In addition, the team also approached the National Learner Records Database (NLRD) division at SAQA for this learner data, so as to provide a point of data triangulation in this regard.
 - LFS data from the last five years was obtained in order to analyse whether there has been an increase in the numbers that have benefited from training programmes.
 - The team used a wide range of secondary sources referenced in the text of this report. These included previous studies supplied by the EPP, including: Sean Archer, *The International Literature on Skills Training and the Scope for South African Application*, School of Economics, UCT, 2006⁴ and Reza Daniels, *Skills Shortages in South Africa: A Literature Review*, School of Economics, UCT, 2006⁵.

Methodological Notes and Limitations

With regards to the data provided by the SETAs a number of issues that need to be borne in mind in the reading of the report:

- Where possible the team tried to extract complete sets of data from all of the SETAs.
- However, difficulties were encountered in some cases with the internal validity and reliability of the data.
- While there was an attempt to verify this data with external data sources, the validity and reliability of data obtained from these other sources was also questionable.

4 Published as DPRU Working Paper 07/124

5 Published as DPRU Working Paper 07/121

Despite the above, however, the research team took a position that a preliminary analysis of these pieces of data could at least provide a broad picture of the SETAs achievements. However, these problems point to the critical need to improve the data capture, management and reporting systems used by the SETAs and this issue is explored further in the full report.

3. SETA Findings

As part of this review the team reviewed the SETAs performance in terms of three core criteria each measured in terms of a number of indicators.⁶ There was some unease in the report team about the ranking of SETAs particularly in a case where certain indicators could not be applied because of an absence of consistent evidence or where evidence could not be independently verified.

It is therefore emphasised that further indicators of the core criteria used in this analysis would provide a more comprehensive perspective of the performance of each individual SETA. However, as indicated it was not possible to review the SETAs against these additional indicators because of the absence of information available to make an assessment against these indicators. For example, the team could not compare detailed financial reports nor were there consistent strategic plans which indicated the manner in which supply would be supported to realise demand within the human and other resources available. These limitations are related to the manner in which SETAs are currently required to report.

For these reasons, the suggestion is that these ratings should be treated as indicative and have made recommendations for possible criteria and indicators which we believe should form the basis for how SETAs are reviewed in an on-going way. These are outlined in the recommendations contained in this paper.

Further, a few points pertaining to the data used for this analysis should also be noted. The team has indicated that this assessment is based on far-from-perfect data, and that there has not been a verification process of the statements made by SETAs. Thus, for example, while a SETA may be rated 'high' based on their ability to have met the scarce skills targets stated in their SSP, this does not necessarily mean that there is agreement within the sector as to whether these are, in fact, the scarce skills priorities. This means that the SETA may well have achieved targets that are in fact 'inappropriate', and yet their rating is high. While we have attempted to control for this by looking at the extent that the SSP suggests that there has been a thorough planning process, we have not confirmed with the stakeholders that they were in fact in agreement with the priorities outlined. Similarly, there may be contextual reasons why a SETA ETQA has not met certain of the quality assurance criteria which may effect the rating that the SETA receives. Finally, the team relied on self-reporting and while where possible attempts were made to triangulate the data this was not always possible.

6 The full analysis is provided in a separate report entitled: 'SETA Review: Towards a Rating of Individual SETAs'

3.1 Performance Rating

The core criteria that have been used as a basis for the performance review include⁷:

Good governance with the results of the Attorney General's office (2004/2005 Opinion & 2005/2006 Opinion) being used as a key indicator of this. The financials were used as a proxy for good governance as this criterion was considered central to the credibility of the SETA and the extent that industry can believe that the money that they pay (in terms of the levy system) is being spent in a transparent manner. Having said this, the report indicates that this will be enhanced if the reporting of finances gave greater clarity as to the amount of monies allocated per programme.

In the actual review a range of other factors pertaining to governance issues were considered within the review, such as the SETA constitution, levels of participation in structures, and the extent to which there was a shared understanding of the role of the governance structures, however, these factors were not included in this rating scale for the reasons already outlined.

Ability to plan and achieve the targets outlined in the plan is a further criterion with a number of indicators which focused on the planning process (which was evaluated against seven indicators), as well as the extent to which the SETA met the targets set in terms of scarce skills and with regards to equity targets. Thus, in summary, the planning ratings were based on three areas: A review of the planning process outlined in the SSP; Output Achievements, that is an analysis of the extent that the SETA met its stated targets in terms of scarce skills; and, Broad Based Black Economic Empowerment (BBBEE) Target Achievements – that is the extent to which the SETA met the equity targets outlined in the NSDS.

The extent to which the SETAs are able to: establish the needs of the sector; develop a plan that meets these needs; and then implement this plan against the agreed upon targets are also considered central indicators in the achievement of the core criteria against which SETAs should be reviewed. However, as indicated previously, the SETAs currently do not include a strategic plan in their SSP process which indicates how they will meet the needs identified in their sector in terms of the resources that are available. For this reason we could not evaluate the plans against this indicator although it is recommended that SETAs should in the future be reviewed in terms of the quality of their strategic plans.

7 The delivery of Learnerships is not included as one of the core criteria although it is a function of the SETAs in terms of the relevant legislation. This decision was made because of the view that the focus should be on whether the education and training that is facilitated by the SETA meets the needs of the sector rather than on whether Learnerships were provided. This would mean that if a sector really requires internships to achieve competence in terms of scarce skills then this should be the focus of the SETA rather than any specific form of delivery. This does not suggest that Learnerships are not important but recognises that it is only one of the routes possible.

Quality Assurance ensures the credibility of the learner results, is also reviewed against a number of indicators. These include the following whether the ETQA: keeps learner throughput data per provider; keeps learner pass rate data per provider; analyses results across provider and programmes; analyses data pertaining to learner placement post-programme, and if the ETQA validates learner results; moderates assessors; and whether the ETQA reports that it registers learners on NLRD as well as whether the ETQA reports that it submits results to the NLRD.

Table 1 takes into account the rating given to each SETA against the three core criteria and then provides an overall rating. Each of the three criteria (planning, financial and ETQA) were given an equal weighting. The average of the three was used to obtain the final scorecard rating. Where there was missing information for a SETA, the average of the given information was used. All the disclaimers and conditions mentioned against the ratings in the sections above should be taken into account when reading this table.

All figures in Table 1 are indicated as percentages.

Table 1: Ratings of SETAS

Seta	Planning	Financials	ETQA	Average
FOODBEV	76	100	94	90%
FASSET	77	100	88	88%
CHIETA	75	100	76	84%
CTFL	72	83	94	83%
SERVICES	56	100	94	83%
WRSETA	66	83	94	81%
MQA	69	83	88	80%
TETA	63	83	85	77%
BANK SETA	76	100	45	74%
HWSETA	71	83	70	74%
AGRISETA	60	100	36	65%
ETDP SETA	73	83	39	65%
LGSETA	57	67	-	62%
THETA	65	50	67	60%
INSETA	56	100	21	59%
PSETA	58	-	58	58%
MERSETA	61	83	21	55%
SASSETA	61	50	-	55%
FIETA	48	83	24	52%
ESETA	40	50	-	45%
CETA	56	17	-	36%
ISSETT	62	0	-	31%
MAPPP	29	33	-	31%

Source: Own Calculations

4. Conceptual Framework

This paper has attempted to locate the mandate of the SETAs in terms of its genesis, and the policy and regulatory environment that frames the roles and responsibilities of the SETAs. It has then reviewed the institutional capacity of the SETAs in terms of their governance dimension, and the manner in which the SETAs undertake their core functions. Finally, it has considered the relevance of the outputs of the SETAs in terms of the objectives as set out in the skills development system.

The methodologies adopted in this study and analyses applied to the findings were derived from a conceptual framework that is comprised of the following key elements:

- SETAs form part of a broader system which necessitates an analysis of the SETAs within the context of the delivery chain so as to understand the following: (i) the extent that the systemic environment in which the SETAs are located support, or hinder, the ability of the SETA to effectively and efficiently perform their functions (ii) the way in which the scope of the SETAs has been interpreted in relation to the mandates of the other institutions that are critical to the overall success of the skills development strategy.
- SETAs are seen as the central mechanism for mediating the relationship between training (supply side) and economic and social requirements (demand side). SETAs are central to interpreting the skills requirements in the context of economic demand, but they do not create demand. However, this study, as well as previous work commissioned by the EPP⁸, highlights the complexity of the requirement for skills forecasting. Moreover, the study has suggested that there are real weaknesses in the planning system and that there are a number of concerns pertaining to the planning process including:
 - The limits of employer-level data and, in particular, quantitative data, are recognised in modelling skills needs.
 - The concern that employers reflect data in their WSPs that allows them to reflect achievement against plans in their ATRs, rather than reflecting real needs, as well as actual training conducted in the workplace.
 - Linked to the previous point, the concern that bad source data tends to be

8 For example, Sean Archer, *The International Literature on Skills Training and the Scope for South African Application*, School of Economics, UCT, 2006

- escalated through the various levels of planning, with severe consequences for the credibility of planning and monitoring. This problem is aggravated by the absence of a credible comprehensive Management Information System (MIS) in the skills development sector;
- While there appears to be a growing acknowledgement that it is not possible to run skills systems that are so finely calibrated as to remain perfectly responsive to changing economic conditions, much of the skills development policies (especially in respect of planning) appears to be predicated on the assumption that such calibration is possible;
 - The previous point is emphasised by Archer, quoting Rumberger, who contends that there are at least two types of quite different changes which contribute to alteration in the demand for skilled labour: “...(a) changes in the composition of jobs in the economy, and (b) changes in the skill requirements of individual occupations”. Successful forecasting would have to take explicit account of trends in both of these components. There is no evidence in the literature on skills projections that these have been tackled in a realistic model.
- Institutions take time to mature and to reach sustainable effectiveness. The ten-year review comments that though economic policy processes have been sound, one of the key limitations in the implementation of economic policy has been the cost of institution-building. It observes that “Institutions, such as some of the small business agencies, the National Empowerment Fund, the National Development Agency, the Umsobomvu Youth Fund, some of the SETAs, and many local government level economic agencies, have taken a great deal of time to become effective”. Some key lessons are that the cost of institution-building should not be underestimated, and that, where possible, new tasks should be incorporated into the work of existing successful agencies. This perspective underlies the approach adopted in this study, which highlights the need to reinforce institutions that have been established (rather than adopting a ‘crash and burn’ approach, and to focus on developing an understanding as to where the blockages are in the implementation of activities). Thus, the study has focused on whether the SETAs have developed increased capacity over time and in which activities, and to distinguish these from those activities that SETAs appear to still not be able to carry out effectively (Ten-year Review, Page 79a). Thus, the recommendations take into account the strength and capacity that the institution has in relation to its proposed scope and considers the viability of each of the functions allocated to the SETA.

- The results-based methodology, which specifies outputs, is an approach that has won widespread support across the world. Many donor agencies have adopted this approach to improve the credibility of planning, accountability, and monitoring and evaluation. However, the growing body of literature on the shortcomings of New Public Management (which results-based planning is derived from) claim that the application of the methodology has produced varying results in different contexts. In a case study of the Tourism Learnership Project developed for Business Trust⁹ it was observed that the application of the results-based methodology in the Tourism Learnership Project may have run into significant problems. The dynamic and evolving nature of the context, institutional weaknesses, the fact that key institutional mechanisms required for implementation of the new training frameworks (such as registration of qualifications and accreditation of providers) were not in place and the weaknesses in the provider market, all combined to create a context that was unpredictable. This level of unpredictability made it difficult to determine numerical outputs – in terms of the learner numbers to be trained – with any accuracy. It was suggested that the emphasis on achieving the specified numerical targets resulted in an implementation culture that was preoccupied with achieving the numbers – at the expense of quality, sustainability and relevance. Based on this, the case study highlighted that a key lesson is that numerically specified outputs need to be more comprehensive, focusing on a few key dimensions of the desired outputs, if they are to be effective. Furthermore, a level of flexibility is necessary regarding adherence to the specified outputs, especially in environments that are less predictable. The learning suggested by this case study is that while results-based planning is useful, its power is considerably enhanced and risks minimised if it includes target indicators on important outputs (including quality indicators) and if it is applied in a manner that is sensitive to the implementation and learner context.

9 Learning Series: Reskilling the Tourism and Hospitality Sector: A Case Study of the Tourism Learnership Project, Compiled by Carmel Marock for the Business Trust, September 2006

5. Recommendations

A number of recommendations have been formulated, based on the findings of this study. We have distinguished between high level recommendations that relate to strategic issues with system-wide implications and recommendations that relate to improving the effectiveness of the current institutional arrangements and can therefore be implemented in the short to medium term.

5.1 High level and strategic recommendations

This section highlights those recommendations that are related to systemic changes, and which will need to be explored for the medium to long term.

5.1.1 The Need for Prioritisation of Objectives

Critically, this study flagged¹⁰ the issue of the competing expectations with which stakeholders entered, and continued to engage with, the skills development policy debate. Crudely, this could be represented by (i) an urgent need expressed by the labour movement for individual access to employment and promotion opportunities by ensuring that skills development supports redress and equity; (ii) the imperative highlighted by employers for skills development to support increased levels of productivity; and (iii) the importance, advocated by educationalists, for the development of generic competencies that support recognition of prior learning, portability of qualifications and continual learning. While, these objectives are not mutually exclusive, the effort to accommodate them all has produced a very long list of objectives assigned to the system through the Skills Development Act:

- To develop the skills of the South African workforce:
 - to improve the quality of life of workers, their prospects of work and labour mobility;
 - to improve productivity in the workplace and the competitiveness of employers;
 - to promote self-employment; and
 - to improve the delivery of social services.

¹⁰ Particularly Section Two: the Skills Development Statutory and Policy Framework

- 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 use the workplace as an active learning environment;
 - to provide employees with the opportunity to acquire new skills;
 - to provide opportunities for new entrants to the labour market to gain work experience; and
 - to employ persons who find it difficult to be employed.
- To encourage workers to participate in learnerships and other training programs;
- To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education;
- To ensure the quality of education and training in and for the workplace;
- To assist:
 - work seekers to find work;
 - retrenched workers to re-enter the labour market; and
 - employers to find qualified employees.

The existence of such an extensive list of objectives and their relationship to each other, have resulted in a number of unintended outcomes in the process of implementation. In particular, two unintended outcomes appear to be extremely significant and are discussed below.

The first significant unintended outcome arises from the large scope and number of objectives. In policy terms, the long list of objectives represents a huge, and arguably, unrealistically complex mandate (in scope and technical difficulty) for an emerging system that is struggling to be institutionalised. These challenges are rendered even more serious when one accounts for the level of capacity available in a developing country such as South Africa. It should be noted here that the experience of highly industrialised countries with similar models of skills development but, which some may argue, with somewhat smaller scope, suggests that implementation was anything but easy and demanded highly developed levels of capacity.

The second significant unintended outcome relates to the fact that all the objectives are given equal priority in the National Skills Development Strategy and our analysis suggests¹¹ that, in

11 Primarily from the evidence presented in Sections Three, Four and Five of the full report.

specific instances, in the course of implementing the Skills Development Strategy, some of these objectives operate as competing objectives. The following two examples, drawn from the analysis presented earlier, illustrates this point:

- There is an emerging tension between implementing the targets identified through the SSP versus those targets contained in the Service Level Agreement (SLA), which have been mediated by the priorities outlined in the NSDS. This tension emerges in the analysis of the scarce skills training, where it can be seen that many of the SETAs are not adequately addressing scarce skills through providing training at the level in which there is an identified scarce skills, instead SETAs have placed emphasis on ensuring that large numbers of individuals access programmes in accordance with the requirements of the NSDS. This translates into increased access for individuals for programmes on levels 1 and 2 on the NQF. This directly links to costing, as for SETAs to reach their numerical targets, it is almost impossible resource-wise to plan for programmes of a longer duration than a year – a requirement, if learners are to move from lower levels on the National Qualifications Framework (NQF) to higher levels, which represents the levels in which there is an identified scarcity of skills. This uncomfortable prioritisation process links to the multiple objectives, but also to the manner in which these objectives are translated into a myriad of indicators that further emphasise the different priorities of stakeholders. NSDS Objective 1's indicators emphasise the need for skills development to support increased productivity and competitiveness of employers, and the role of skills development in terms of promoting quality of life and labour mobility. The continued tension pertaining to this point emerges in JIPSA discussions, where role players articulate an urgent need for SETAs to support programmes that are consistent with Accelerated Shared Growth Initiative for South Africa (ASGISA) priorities. Many of the SETAs indicate that it is difficult for them to respond to these requirements, because of commitments that have been agreed upon which speak to the NSDS and are contained in the Service Level Agreements.
- Another example drawing from the research is the imperative placed on ETQAs to ensure the quality of training in the workplace, whilst at the same time focusing on policy requirements to increase the number of Small, Medium and Micro Enterprises (SMME providers. ETQAs indicate that they are unable to fully meet their quality assurance requirements because of the growing number and geographic spread of providers, and the related need for high levels of provider support, given the number of emerging providers.

Both of these examples highlight the manner in which different stakeholder expectations have been integrated into the NSDS, and the way in which this impacts on the ability of SETAs to navigate these different needs and successfully achieve the identified objectives.

While all the objectives are clearly compelling in the context of South Africa's transformation project and are not objectively mutually exclusive, in the context of actual conditions some of the objectives tend to operate in conflict to each other. The effect of this phenomenon is quite significant, as the efficacy of the system to deliver on key objectives becomes severely constrained. In the context where objectives tend to operate in conflict and where there are no clear policies that discriminate between these objectives in terms of their importance, any system would tend to favour those objectives that performance reviews and incentives tend to favour.

It is therefore extremely important for the system to distinguish between what are considered to be the primary objectives of the skills development system and what may be regarded as secondary objectives. In this way, all the monitoring and financing policies need to align in pursuit of these objectives. The explicit challenge to the system would then be to develop a cogent strategy that is focused on how the primary objectives will be met, and how the secondary objectives can be met in a manner that both realises their policy imperative and supports the achievement of the primary objective.

This suggests the need to develop indicators against the secondary objectives, which result in accurate signalling and credible monitoring of implementation in a manner that does not reduce the efficacy with which primary objectives are achieved. At the same time, it should be ensured that secondary objectives are addressed in a meaningful way; without severe perversions or gaming (expedient pursuit of targets that are deemed to carry maximum public relations value). For example, for equity to be meaningfully achieved, it is critical that previously disadvantaged individuals access programmes that enable them to pursue learning and career opportunities. Perversions or gaming in this example would manifest by implementing mass programmes at lower levels that do not enable learners to access opportunities. The result of these programmes will simply be to reduce the envelope of resources available to address skills requirements in the sector. But the perversion would be that such a SETA would be assessed to be "highly effective", confirming the woeful inadequacy of the indicator applied.

To reiterate the analysis presented earlier in this report; assuming that the primary objective of the system is 'quality skills provision for growth', then it can be clearly seen that if we do not meet the objective of quality provision, there is little point in celebrating the achievement of the accreditation of large numbers of SMME providers that cannot offer quality education and training.

In a more complex example, as stated previously, the indicators that focus on equity and those that emphasise growth are currently manifesting in a competing set of actions. However, if

'quality skills provision for growth' is the primary objective, then it is critical that the efforts undertaken consider what the growth needs of the sector are. This should be done in a manner that supports equity, both because of the political (and moral) imperative for redress, but also because if the South African labour market is not transformed in a more equitable manner, then this will, in turn, impact negatively on growth in the longer term. Thus, the equity targets should be located in a strategy that moves individuals from lower levels on the NQF, to levels and programmes that are consistent with areas in which there are opportunities – or, phrased differently, to programmes that address scarce skill needs. This will have resource implications, and therefore requires a focus on addressing equity in a manner that supports growth so as to assist the decision making process that is required for relevant policy decisions.

In summary, this analysis highlights the need to identify the primary objective, and to then ensure that - the manner in which both the primary and secondary objectives are implemented - the secondary objective does not diminish the efficacy of the implementation of the primary objective.

5.1.2 Clarifying the SETA Mandate

This study has conducted an assessment of the SETAs' collective success in fulfilling the objectives of the Skills Development Act. However, the review of the outputs achieved by SETAs against the objectives set out in the National Skills Development Strategy highlights that scope of functions undertaken by the SETAs has increased in significant ways since their inception; and they appear now to have taken responsibility for the achievement of all the objectives outlined in the Skills Development Act (SDA), including those that were previously assigned to other institutions. Some examples of these additional responsibilities include the following: training career guidance counsellors; recruiting learners directly into learnerships, as well as ensuring that learners are placed in the workplace; and promoting SMME creation.

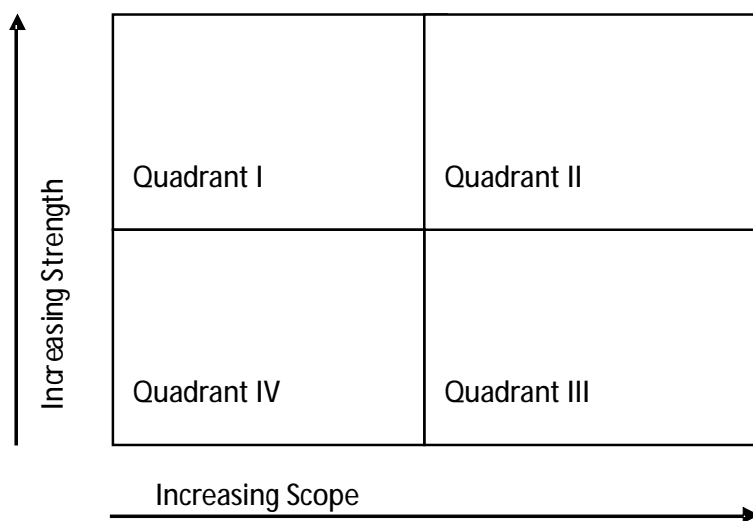
The last-mentioned example, related to SMME promotion, provides a clear illustration of scope "creepage". The SDA states that the intention of the Skills Development Strategy is to promote self-employment, but does not articulate a specific role for the SETAs for this component of the strategy. However, in practice, SETAs are held accountable for small business development in respect of a range of targets. And while some of these targets are consistent with their statutory scope, others are clearly not. For example, in terms of the SDA SETAs are required to ensure that small businesses access the grant, and that small businesses are able to participate in, and benefit from, the skills development strategy. However, SETAs are currently also directly supporting the establishment of small businesses as a placement strategy and, as indicated previously, a large part of the quality assurance work is focused on creating SMME providers. This additional responsibility represents a significant increase in scope, and concomitantly requires a substantial additional demand in institutional capacity.

Two important concerns arise in response to the above: (i) some of the additional responsibilities that the SETAs have picked up form part of the mandate of other institutions within the Department of Labour – such as the employment services, Umsobomvu Youth Fund – and those institutions that are located elsewhere in government such as DTI. It is important and more preferable that these institutions be held to account for these activities, rather than simply extending the scope of the SETAs; and (ii) that there is a need to consider the scope of each SETA within the boundaries of viability. It may be too ambitious, for example, to require that the SETAs assume all the responsibilities that currently accrue to them in practice. It may be preferable to focus on increasing the strength of the SETAs to undertake a limited set of key responsibilities and with greater efficacy, than increasing their scope or even developing unrealistic expectations for the manner in which the activities can be carried out within the limits of existing capacity.

Fukuyama¹² provides a useful model for analysing this question further. In his analysis of different states and their respective strengths and scopes, Fukuyama highlights the importance of distinguishing between strength and scope. A key problem that recurs in certain discourses on the state is to conflate notions of strength with that of increased scope and, in that way, contributing to state failures on account that the scope has been delineated far too widely to be feasible. Fukuyama contends that a key public policy objective of state building is to ensure that strength is increased, even if this necessitates a reduction in scope.

This argument can be graphically illustrated by the following graph:

Figure 1: Fukuyama's Strength and Scope Model



12 Fukuyama, Francis: *State Building: Governance and World Order in the Twenty-First Century*, 2005

In terms of this model, the ideal location would be within quadrants I or II – that is, to have a high level of strength with a scope that is somewhere on the X axis continuum which “... stretches from necessary and important to merely desirable to optional, and in certain cases where there is an increase in scope (with diminished strength) to counter-productive or even destructive.” In applying this analytical framework to institutions or systems, it would imply that an increase in scope, without strength, would eventually give rise to a situation where the institution reaches a point where the increase in scope is counter-productive; that is, where “lots of things are done badly”.

Fukuyama’s model was adapted for this study and applied to an assessment of the functions of the SETAs in terms of the where on the continuum the responsibility is currently located and where we believe it should feasibly be located given current capacity if the function is to be performed optimally. This assessment is provided in the following section which outlines the team’s recommendations for improving the effectiveness of the institutions within the current institutional arrangements.

It is clear from the study that the SETAs collectively bear a mandate that is very high in scope, but without the commensurate capacity to undertake the various functions arising from this scope. In terms of Fukuyama’s model, they therefore fall within Quadrant III of Figure 1; representing the least desirable situation to be in. The negative consequences identified by Fukuyama and described above are therefore likely to arise with strong probability. Some of the most intractable problems being experienced across SETAs, as described in the full report, are no doubt linked, to some degree, to this phenomenon.

We believe that the question of scope is one of the most important issues that the skills development system is currently faced with. There needs to be a careful consideration of what elements of the scope are essential in the current period and which the system will be able to cope with, given current capacity and the stage of institutionalisation of the system.

5.2 Recommendations related to improving the effectiveness of the current institutional arrangements

This section focuses on those recommendations that can be implemented within the existing framework and therefore have immediate application.

5.2.1 Governance

As indicated in the main body of the report, the institutional arrangements that have been established to operationalise South Africa’s skills development policies are indeed very complex. The system of governance, and the related legislation and policy that are designed to promote accountability and effectiveness, are predicated on a high level of devolution. This

approach is intended to simplify decision-making and, in so doing, enhance effectiveness. But devolution inevitably increases the risk of financial mismanagement and the system seeks to mitigate these risks through various institutional mechanisms. The pre-eminent institutional mechanism, in this regard, is the system of internal audit and policies and procedures for Supply Chain Management and Risk Management.

The research findings show, on the one hand, when we compare the audit outcomes of SETAs with those of National Departments and Public Entities, the SETAs compare very well. Indeed, there was a greater proportion of SETAs that achieved clean reports in both years compared to the other categories. These findings may run counter to general perceptions, as most people are more likely to expect that SETAs are much worse in a comparison of this nature.

On the other hand, this study has highlighted the concern that a significant number of SETAs have not been able to implement some of the crucial institutional mechanisms. Particularly worrying is the fact that a number of SETAs have not been able to establish a credible internal audit capability and that there are a number of SETAs that are consistently failing in their governance functions. The report noted that the Skills Development Amendment Act creates the space for the Minister of Labour, as the executive authority, to act decisively where required. This is an issue that requires greater attention and will be addressed in the recommendations.

Finally, this study acknowledges the complexity of the compliance requirements and this report makes a number of recommendations, which are intended to strengthen the institutional governance arrangements of the SETAs.

Improving Accountability

To assist in addressing these challenges, it is extremely important for an explicit stance to be taken in relation to under-performing and culpable SETAs. This review highlights where there are consistent concerns relating to the performance of certain SETAs and highlights those SETAs with which there have been consistent concerns raised in the report of the Auditor General. In these cases it is recommended that there is a need for a credible forensic audit, that reports to the executing authority (unfettered by management and the board), to be undertaken to investigate the extent of the lapse in financial management and whether any culpability exists. This action will also serve to emphatically clear any misconceived perceptions of financial impropriety. If culpability is uncovered in the process, it would be important that the provisions of the law are invoked to protect the integrity of the SETA governance system. This is seen as critical to signal a seriousness, so as to ensure effectiveness and accountability within the system. It is also extremely important to take such action to uphold the obligation to ensure proper stewardship of public finances, and to ensure effectiveness of the skills development system. This is seen as particularly important, as our review does suggest that

there may be a situation prevailing whereby the serious shortcomings that are confined to a limited number of SETAs are shaping public opinion of all SETAs. Apart from this being unfair, it tends to compromise the integrity of the skills development system.

Further, the Department of Labour is best placed to play a much-needed role in standardising various aspects related to systems and the constitutions of SETAs. This will go a long way in improving the effectiveness of the systems of accountability and stewardship.

Improving Institutional Governance

This review has highlighted the importance of tripartism, and interviewees have consistently raised the issue of the SETA boards failing to realise a coherent identity, and rather operating as a bargaining council. It is suggested that to support the effective functioning of the boards, it will be of immense value if the government presence could be greatly strengthened (in seniority of representation and that they, in some cases, have higher numbers currently allowed for in the constitutions).

One of the most significant challenges in the present governance policy provisions is the fact that the complex and serious nature of board members' responsibilities do not reconcile well with the part-time nature of their tenure and casual nature of practice. This phenomenon does not apply in the same way to boards in the private sector, where responsibilities often tend to accrue to executive directors (board members) who are regularly full-time. We recommend that this matter receive urgent attention, as the status quo is certainly untenable in the long-term.

Linked to this, there is a need to carefully formulate, and then implement, criteria for board membership. These formulations need to give due regard to the kinds of attributes that are required to ensure optimal effectiveness of the board in discharging its critical role in the skills development system.

Further, there is a need to consider more carefully the induction and training of board members, which needs to be urgently addressed. However, the option of crash courses have proven to have very little value in addressing the challenges discussed in this report. It is perhaps best to start by formulating a detailed capacity development strategy before embarking on any training. It is extremely important that the formulation of such a strategy be driven by people who have no link to training provision in this area, in order to avoid possible perversions or suspicion of perversions.

Improving Corporate Functions

In view of the importance of this capability, a senior official of the National Treasury interviewed for this review proffered a suggestion: the option of establishing an internal audit capability that can be shared by a few SETAs. This will allow for economies of scale, and assist in solving the recruitment problems in this area of scarce skills. This is an idea that may be worth pursuing.

It is also suggested that the concept of a company secretary, who is a very high-level and skilled person, be appointed to service the board, though expert advice on compliance to corporate governance provisions should be considered in the case of SETAs. However, such a person is not the same as someone who simply services the logistical and minute-taking requirements of the board. It is likely that the recruitment of suitably qualified persons (for example, CIS) will not be easy, in this case the option of a shared facility between a few SETAs may be viable.

It may be advisable for the Department of Labour to play a proactive and explicitly developmental role in promoting capacity for good governance in SETAs through appointing a person who could resource the corporate governance capacity development needs of SETAs.

5.2.2 Core functions

As indicated, Fukuyama's model was adapted for this study and applied to an assessment of the functions of the SETAs in terms of where on the continuum the responsibility is currently located, and where we believe it should feasibly be located given current capacity, if the function is to be performed optimally. This assessment was conducted for each of the major responsibilities allocated to the SETAs and was aimed at identifying the most feasible scope for a particular responsibility based on the limits to their capacity (even with interventions to improve capacity). Note that this section therefore does not even include those functions that the SETAs are performing that do not fall within their scope as identified in the SDA.

Table 2: Fukuyama's Strength and Scope Model applied in the assessment of SETAs' capacity to undertake their current mandates and options for redefining the scope of mandates to improve feasibility

Responsibility	Minimalist Scope related to responsibility	Activist (high) scope related to responsibility	Review of current capacity	Feasible option based on current capacity
Develop a sector skills plan within the framework of the national skills development strategy	Signal broad trends emerging from a national analysis of broad economic trends	Detailed forecasting which allows for a modelling exercise which translates knowledge of skills needs and a functioning training system	This is an area that (in the main as there are a few good examples) there appears to be very limited strength and capacity: SETAs do not have sufficient data pertaining to current skills in the sector. Nor is there data as to training taking place. There appears to be minimal capacity to model different scenarios and instead, there are lists of occupations which in many cases do not appear to be a credible representation of scarce skills.	SETAs should focus on the development of SSPs that focus on broad labour market signalling of skills requirements rather than on detailed planning. The SSPs should have an increased focus on strategic plans to support training in scarce and critical skill occupations. This suggests that while the policy objective may lean towards detailed modelling processes (albeit not manpower planning), it is more realistic to consider the possibility of SETAs focusing on providing signals, which suggest occupational trends that are emerging as important (defined by growth and scarcity) in the context of broad economic trends and improved data about existing skills and training.
Establish and promote Learnerships : Identify the need for a learnership; develop and register learnerships; Identify workplaces for practical work experience; support the development of learning materials; improve the facilitation of learning; assist in the conclusion of learnership agreements and register learnership agreements.	Identifying and registering learnerships with the DoL, registering learnership agreements and encouraging employers to host learnerships	Identifying and registering Learnerships with the DoL: registering learnership agreements and developing national curricula with associated learning materials and assessment instruments, manage learnerships and recruit learners and ensuring that there are sufficient number of workplaces	The SETAs are unevenly managing the Learnerships (including selection of learners). They have shown an increased capacity to identify and register learnerships, there are increased activities to support the development of curricula. However, the learnerships are not, in the main, either addressing scarce skills, or enabling learners to access scarce skill programmes. There has also not been a consistent application of assessment and moderation practices.	The SETAs should focus on the identification of the need for Learnerships (as part of SSP process); should advocate for workplaces and should ensure that learnerships are registered with DoL. There should be a central process to ensure that these learnerships are part of an articulated learning pathway located within a clear curriculum framework (and aligned with apprenticeships where relevant) This is consistent with the NQF policy recommendations for curricula to be integrated with qualification development.

Responsibility	Minimalist Scope related to responsibility	Activist (high) scope related to responsibility	Review of current capacity	Feasible option based on current capacity
<p>Collect and disburse the skills development levies in its sector; approving workplace skills plans; and allocating grants in the prescribed manner to employers, education and training providers and workers.</p>	<p>Administer the processing of WSPs and allocate mandatory grants. Allocate discretionary grants in terms of national criteria.</p>	<p>Review WSPs against the priorities identified in the SSPs, and allocate monies in terms of these priorities.</p> <p>Utilise the monies in the DG grant to steer additional training in priority areas that support access and progression to employer workers.</p> <p>Further, with the DG and the NSF allocations, support increased access of unemployed into the labour market as well as further learning opportunities.</p>	<p>SETAs have shown increased capacity to administer the grants successfully, and there has been a significant improvement in the number of enterprises that receive their grant back.</p> <p>However, the SETAs in the main have not shown the capacity to review and approve WSPs against sectoral priorities, and there is a reported tendency for workplaces to plan for training that they can easily provide so as to avoid penalties when reporting. Thus there is a limited picture of needs or training provided by the WSPs or ATRs.</p> <p>Further weaknesses in the SSP process make it unlikely that the SETAs will be able to check or steer the skills system against priorities, even if they had the capacity to undertake these reviews.</p> <p>In addition, SETAs do not appear to have developed the capacity to efficiently facilitate the allocation of DG and NSF monies. This seems particularly the case as the models for disbursement that have been selected appear to have exceptionally high transactional costs, such as the selection of learners in some cases, the need to administer each individual learner agreement, as well as the large number of service providers. Again, the absence of a credible SSP makes steering of training complex.</p>	<p>SETAs should continue to be required to pay the mandatory grant on the basis of the submission of a consolidated WSP/ATR report.</p> <p>To support this it is proposed that a consolidated template is developed which encourages workplaces to provide a comprehensive picture about existing skills in the workforce, new entrants and the nature and costs of training taking place in the workplace. This would be consistent with the EE reports and could support future planning. It would also assist in determining whether the objective in the NSDS pertaining to increased training and investment is being realised.</p> <p>In the longer term, the capacity of the SETAs to use the mandatory grant to steer the system could be reviewed.</p> <p>With regards to the DG grant and the NSF grant allocations, ways to reduce the transactional costs should be sought, and the need to ensure that these programmes are consistent with the SSP priorities is critical including the possibility of programmes that run for an extended period.</p>

Responsibility	Minimalist Scope related to responsibility	Activist (high) scope related to responsibility	Review of current capacity	Feasible option based on current capacity
<p>Fulfill the functions of an ETQA</p>	<p>Accredit providers against basic administrative requirements and ensure that learner enrolments and results are captured</p>	<p>Ensure that there are front-end and back-end effective standard generating, and support providers with curriculum development (including assessment instruments), quality institutional and workplace learning, as well as credibly moderated assessment.</p>	<p>This research study has discussed the challenges that SETA ETQAs face in terms of maintaining consistent quality in performing their functions in the face of an ever increasing pool of providers and workplaces spread across the country. It is noted that resource constraints are made even more severe in the context of providing significant levels of support to small and emerging providers.</p> <p>Further, the report highlights the difficulties that the SETAs have in monitoring providers in terms of throughput and pass rates of learners.</p> <p>Further, the reliance on front-end quality assurance (programme evaluation per provider) as well as the fact that in the main providers have their own internal assessment instruments (rather than an external assessment) and processes create a great strain on the SETAs.</p>	<p>SETAs should focus on workplaces as this is clearly within their ambit that is can the workplace support the learning in terms of equipment and supervision.</p> <p>The role that SETAs should play in the quality assurance of the provider institutional components and the monitoring of providers should be considered within the context of the changes being proposed within the NQF policy review process.</p>
<p>Monitoring education and training in the sector</p>	<p>To provide learner data for learners that have participated in SETA supported programmes in terms of agreed upon fields and a detailed financial analysis in terms of activities that have taken place against agreed upon objectives</p>	<p>A comprehensive reporting arrangement that ensures increased accountability in terms of clear effectiveness and efficiency indicators that demonstrate how the achievement of the primary and secondary objectives are being supported.</p>	<p>Across the system there appears to be very limited capacity to capture and verify data (although there are some exceptions to this). The data sets are incomplete and do not allow for an analysis of achievements against the objectives.</p> <p>Further, while the report highlights that SETAs in the main have performed well in terms of their audited statements there is still a lack of capacity to report expenditure against programmes and activities.</p>	<p>SETAs should be required to capture and report on data in terms of number of learners broken down into race, gender and disability. This information should be recorded against programme name, type, level and costs as well as funding sources. SETAs should Also report on other programme activities against objectives.</p> <p>To facilitate this, there is a need for clear definitions and a template that is used across SETAs. These Reports should be made available on a SETA by SETA basis to ensure that there is public accountability.</p>

5.2.2.1 Planning

This section provides core recommendations pertaining to the revision of indicators within the NSDS in order for them to be more meaningful for the purpose of planning and consistent with the Skills Development Act (SDA). In addition, recommendations related to enhancing the SSP process and how planning can be supported by improved data from workplaces, are also offered.

National Skills Development Strategy

This recommendation relates to the high level strategic recommendation which focuses on the imperative to determine primary objectives and secondary objectives, with clear quality indicators that support the achievement of these objectives. This suggests that the key recommendation in the short-term is that there is a need to fine-tune the existing NSDS whilst not losing sight of the extensive stakeholder process that was run to develop the NSDS. This would focus on developing indicators which the SETAs could be reasonably evaluated against, and establishing the indicators (some the same and some different) which other institutions will be evaluated against in terms of the achievement of the NSDS.

While this process takes place, it is essential that the negotiation of NSDS sector targets SETAs, which form part of the SLA process, accounts adequately for the sector requirements as outlined in the SSPs pertaining to each SETA. This implies a significant departure from the current practice, which findings in this report suggest amounts to a rather mechanical distribution of the aggregate national figure among SETAs which does not always take into account the sectoral priorities and the resources that will be required to support provision against these priorities.

Sector Skills Plans

The limitations of SSPs have been extensively documented in other studies and emerge with corresponding emphasis from this study. In view of this, and given the serious capacity shortcomings of the SETAs with regard to data capture and management and economic modelling, it is recommended that it is clearly most prudent to adopt a minimalist approach to sector skills planning. Such a minimalist approach might be comprised of the following elements:

- The institutionalisation of a clear and standard definition of “scarce skills” across all SETAs;
- Formalising support by the DoL’s planning division to all SETAs in the application of

broad forecasting methodologies. This should be aimed at exploiting economies of scale and account for the overlaps across SETA sectors. This will also assist to provide a framework that will contribute to planning for scarce skill categories that cut across different sectors; which is a challenge in the current planning frameworks.

- SETAs should then be required to focus their efforts on the important task of SETA-wide consultations that focus on skill shortages in their respective sectors. SETAs should also use data collected in their sector (based on recommendations below). Based on this improved data and consultative processes, the SETAs should be required to develop broad forecasts of skills requirements and then craft five year strategies for supporting skills development in support of sector growth. Within these strategies, three year plans, projects and budgets should be developed. It is not anticipated that sectors will be able to provide numbers against occupations that are anything more than indicative, or even illustrative of potential scale of need. Thus the focus will be on what can be achieved (targets) to address these scarce skills in a manner that takes into account the secondary objectives that are to be realised.

Improving Enterprise Information

One aspect of improving data available for SSPs, relates to the imperative to address the paucity of data relating to training taking place at the workplace which has been consistently raised in this study. Both the findings from the review of the plans and the levy/grant sections highlight the perverse incentives that have come into play with regards to reporting training output against plans. The section on finance also highlights the point that there is little evidence that the SETAs (in the main) have the capacity to steer the system using the mandatory grant. For this reason, it is suggested that the emphasis of the Workplace Skills Plan (WSPs) and Annual Training Report (ATRs) change, and employers should simply report on one template, the profile of their current workforce and the training (including the costs associated with this training) that they have undertaken during the previous year. Based on this submission, the mandatory grant should then be paid, which would minimise the tendency to only submit plans for what employers think they are expected to provide for the allocation of mandatory grants, and reports that are reduced to training against those plans rather than on providing a full picture of training that has taken place.

This recommendation is seen as critical in enabling SETAs and the system to develop a picture as to what training has taken place in their sector and to allow for an analysis as to whether there is an increase in training both in numbers that benefit as well as levels of investment. In pursuance of these revisions to reporting requirements, the reporting template should ideally include data that focuses on: composition of the workforce against the Organising Framework of Occupations (OFO); the recruitment and loss of employees against OFOs; the increase or

decrease in enterprise positions against OFOs; and training conducted against OFOs and NQF levels, including training expenditure.

5.2.2.2 Learnerships

There are a number of issues that have been raised pertaining to the design and implementation of learnerships. While the study has raised a number of concerns about the quality of provision, this was not the focus of this study, instead, the emphasis is on the manner in which SETAs can more effectively manage these functions. A number of issues arise as important in this regard:

- The relationship between the SSP process and the qualification generation and learnership development processes should be made explicit. This would assist to reduce the inefficiencies caused by the large number of qualifications that have been developed, and learnerships that have been registered which are not used at all in the system. It would also assist to ensure that those areas in which need is identified forms the focus of these activities, and that this is done in a manner that supports alignment between qualifications and positive labour market outcomes.
- The acknowledgement of the dynamic nature of the labour market and the inherent challenges related to planning, makes it imperative for the system to support quality programmes that focus on selecting for, and developing 'human capital characteristics of economically active individuals' such as attitude and values, educational qualifications, certificated skills, work experience, language proficiency. Such an approach, is likely to enhance labour market outcomes associated with training, regardless of occupation, sector and specified job vacancies.
- This underscores the importance of being more explicit about the learning assumptions associated with each qualification. Critically, we strongly believe that SETAs should not be selecting learners; rather they should apply their experience in providing greater guidance about selection matters. Improved selection is seen as crucial in terms of the large inefficiencies that are created both by national recruitment processes as well as by learners changing learnerships half way through a learnership, which contributes to low throughput rates.
- That there is a need to ensure that there is alignment of trade qualifications with learnership qualifications, where relevant, and the SETAs (and the DoL) need to ensure that it is clearly communicated that both of these routes will be accommodated within the system. This will require that the Department of Labour consistently reinforces this important policy provision.

- That the learnerships must be seen as one among a range of learning interventions that are possible and provided for in the SSP plan. The specific role of the SETA with regards to these different interventions needs to be critically evaluated so as to establish whether the high transaction costs are being justified by the outcomes attained. For example, given the evidence that the majority of programmes addressing scarce skills are supported through bursaries for courses offered in Higher Education Institutions, it is important to assess impacts on Government policy and financing of the NSFAS. However, this option has not been explored, and the specific capacity of the SETAs or the NSFAS to support learning at higher education needs to be reviewed to understand the complementary roles that these two structures could play. It is apparent from the study, that the role of SETAs in supporting learning in higher education is not grounded in an explicit policy that is aligned with the broader framework of public funding of higher education (including state subsidies and NSFAS).

5.2.2.3 Quality Assurance

The quality assurance of provision is an issue that has received considerable attention in current policy debates. The study has highlighted the complexities that have arisen linked to the large number of ETQAs, the varied approaches to quality assurance that have been adopted across ETQAs, and the onerous requirements of the accreditation system that has been adopted.

Many in the course of this study have expressed doubt about whether SETA ETQAs should remain a SETA responsibility, on grounds that the resources required for accreditation and related processes may be “crowding out” what is perceived as “core business” of SETAs. There is incontrovertible evidence that SETAs are not succeeding in performing their ETQA functions credibly. This is a serious threat to the skills development system, which is predicated on the assumption that the functions assigned to the ETQAs are effectively carried out. It is unwise and untenable to continue as if this vital cog of the skills development system is functioning effectively. This matter warrants urgent and purposeful action.

The two key recommendations that are made in this report pertaining to quality assurance are therefore:

- That it is essential the systemic issues relating to quality assurance are understood and resolved, failing which, the likelihood of the problems simply transferring to another institution would be very strong. This includes a considered analysis as to which quality requirements are possible within the existing capacity of skills development

institutions – for example, whether it is possible to quality assure large numbers of internal assessments or if there is a need to establish effective external assessment mechanisms minimally at the point of qualification.

- This study also recommends that in determining which quality assurance functions the SETA should retain there is a need to consider the broader activities of the SETA so as to establish which quality assurance activities complement these and which are extraneous to the core functions of the SETA. An example of this is that of the quality assurance of workplace provision which seems integral to the role of a SETA, and may not be as effectively addressed by a structure that is removed from the sector.

5.2.2.4 Finance

This report highlights the challenges in the SETA environment, and the strides that will need to be taken to enhance the institutional capacities of the SETAs; it has also illustrated the areas in which there has been progress made. In view of the existing SETA landscape, the team's recommendations pertaining to finance are predicated on the view that the system is unlikely to have the capacity to absorb any sudden increases in financial flows above those presently projected. Any sudden increase may disrupt the current positive trend in stabilising the SETAs and in building the capabilities required to effectively meet the objectives of increasing the investment in training and quality of outcomes.

Role of the Mandatory Grant

Expenditure rates have improved considerably over the years since the establishment of the SETAs. This growth has been driven by improvements in the rate of employer grant disbursement, but only after the requirement for SETAs to appraise WSPs for compliance to sector priorities was removed. This action was necessary to remove the blockages and delays that were retarding the smooth flow of employer grants. However, its removal has fundamentally altered a key assumption in the levy-grant system, which is to use levy payments and claiming as a mechanism for steering workplace training and for ensuring that it corresponds to sector priorities.

This matter needs to be carefully considered, but its reinstatement can only be effected following a clear demonstration that the system has sufficient capacity to undertake these tasks without compromising the efficient flow of funding. It is important to ensure that no further impediments or increases in transaction costs are brought to bear on successful workplace training that is currently underway.

Discretionary and NSF Grants

There is a need to ensure that DGs can support training priorities emerging from the SSPs and that these support a range of programmes. This includes the possibility that the programmes run over more than one year enabling individuals to realise either an Employable Skills Unit or an occupational qualification required by the sector.

Monitoring expenditure and investment in training

There is very clear evidence that the extent of public investment in training has increased considerably as a direct consequence of the ear-marked tax introduced through the SDLA. It is, however, much less clear whether investment in training by employers has increased as was intended in the policy. A paucity of information in this regard makes this kind of assessment very difficult. Employers are not obliged to report on training investment undertaken outside of those funded through employer grants. This is a matter that requires attention in the policy analysis and development processes, and possibilities to address this absence of data are highlighted in the recommendation pertaining to improving the mechanism for enterprise information outlined in the planning recommendations as well as in the section below.

Linked to the above, the report highlights the absence of detailed financial information provided in any consistent manner by the SETAs. It is recommended that the requirement for financial information to be captured in a manner that allows for comprehensive financial analysis, thus establishing a credible basis for improving the effectiveness of financing policies in the training sector be introduced.

5.3 Monitoring SETAs

This review underlines the need for credible monitoring mechanisms to be institutionalised, based on a set of credible and comprehensive indicators that are grounded in a rigorous clarification of the primary and secondary objectives for skills development. This is consistent with the conceptual approach outlined in this section, which highlights the need to take into account the imperative to balance a focus on outputs, with a clear focus on the objectives of the system.

This study highlights the concern that the SETAs are currently required to report against each indicator in terms of output targets that it has set. This results in data that is difficult, or even impossible to reconcile. So, for example, the number of unemployed learners undertaking programmes in scarce skill areas are difficult to analyse (with the exception of a few of the

SETAs), as the number of unemployed learners is reported under NSDS targets, but the learner enrolment and achievement data does not provide a profile of the learner. The same issue emerges in terms of race, gender and disability. Further, in many cases the outputs reported on bear little resemblance to the indicator, and even less to the objective; making it difficult to determine whether the information being reported is contributing to the objectives of the SDA. Information from providers is randomly provided and the completeness of learner information raises very serious concerns about the integrity of the system, including the important aspects of accreditation and certification. To complicate matters further, the numbers submitted and captured on the NLRD do not reflect the training that is taking place in the economic sector, but rather focus on training that is within a particular ETQAs primary focus. This reporting frame makes it more difficult to establish what training is taking place within the purview of a particular SETA's sector.

The study has also highlighted that there is a chronic paucity of data from the workplace with regard to training not funded through SETA grants, making it impossible to monitor whether the overall skills development strategy is impacting on the type of training that is taking place in the workplace and the scale of investment that is being made by employers and whether this is indeed increasing. Finally, the paucity of financial data in the SETAs and the Skills Development System is a matter of very serious concern that warrants urgent attention. The present systems are incompletely populated and accessing comprehensive information for substantive review has not been possible in this study. The risks associated with the present situation are extremely high and demands urgent remediation.

A response to the above issues, including some of the recommendations raised pertaining to the improvement of the functions of the SETA, includes some of the following:

- A focus on a set of 'dash board indicators' that focuses on effectiveness (the measure of the correlation between outputs and training objectives) and internal efficiency (as a measure of the relationship between the inputs (measured in money terms) and the outputs) with a strong emphasis on achieving external efficiency (relevance), that is the extent of the match between the outputs and objectives of the training system, on the one hand, and the economic and social requirements, on the other hand. *The focus of these indicators is highlighted in the SETA Ratings that were undertaken as part of this review process and is provided as an accompaniment to the main report. These include a focus on three core criteria: governance, planning and quality assurance with associated indicators.*
- The introduction of a standardised single template which allows SETAs to report on learners against all the relevant fields (this requires learner data in terms of race, gender

and disability against programme name, type, level and cost as well as an indication of where the funding from the programme is from.

- As recommended above, the amendment of the WSP and ATR to allow for a single template in which workplaces will provide information about existing skills in the sector, new entrants as well as all training supported at the different levels on the NQF. This data should be analysed so as to allow for a comprehensive picture of training taking place in workplaces in the sector.
- The inclusion of an additional field in the NLRD for data on the economic sector of the learner, which will assist to make it possible to verify data received from SETAs (this will then include information on programmes based on the workplace reporting template, specifically programmes funded through the SETA as well as programmes that may be supported through other mechanisms such as the NSF.
- As recommended previously, the requirement that the SETAs provide a detailed financial breakdown which allows for an analysis of costs and expenditures against programme activities.
- Over and above the AG process, there is a need for a due diligence process to be undertaken with regards to the performance reviews of SETAs. This would (i) establish whether the steps that the SETA indicates that they followed as part of the skills planning process were in fact undertaken, and (ii) whether the learner records can be verified. There is also a need to establish whether the scarce skills identified in these SSPs resonate with other forecasting processes in the relevant sector (it is noted that the DoL is attempting to explore this aspect in the research it has commissioned with the HSRC).

6. Conclusion

Significant progress has been achieved by SETAs and the Skills Development system. But important challenges have emerged from this review with regard to the level of development of SETAs, the numerous challenges that persist in respect of implementation, effectiveness and efficiency, the shortcomings in the functioning of the training market, the underdeveloped capacity and functioning of the monitoring and evaluations systems, the lack of effective management information systems, the effectiveness of quality assurance mechanisms in the system all combine to suggest that the SETAs and the Skills Development system are still at a critical stage of institutionalisation.

The findings of this review suggest that the SETAs are on a positive trajectory. Future success will be contingent on a recognition that institution building is a complex and demanding process that requires purposeful and sustained investment. This suggests that changes in the SETA landscape require careful consideration with an emphasis on instituting changes that build on the current system and that continue to propel the system forward. These changes need to be implemented in a manner that recognises the system issues that have been highlighted by this report as well as the possibilities for improving institutions in the short to medium term

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