

Technical policy analysis of the National Skills Development Plan 2030.

Towards a pragmatic approach for Business.

May 2021

Report compiled by
Dr Florus Prinsloo
doc@synapticmentor.co.za



This programme is co-funded by the European Union and the
Federal Ministry for Economic Cooperation and Development



Table of Contents

1. Executive Summary	5
2. Introduction and Overview	7
3. The PSET System and PSET Implementation	8
3.1 The Functionality of the PSET System	
3.2 The PSET Implementation Plan Framework	
4. Policy Review	13
4.1 Skills Development Act	
4.2 Continuing Education and Training Act	
4.3 Skills Development Funding including Incentives	
4.3.1 Skills Levy System	
4.3.2 Income Tax Act	
4.3.3 Broad Based Black Economic Empowerment Act	
4.4 National Qualifications Framework Act and Quality Council for Trades and Occupations	
4.5 Workplace Based Learning Programmes and Definitions	
5. Recommendations	32
5.1 Policy and Legislation Alignment	
5.2 Business Participation	
5.3 Funding Options	
6. Conclusion	41

Acronyms

Acronym	Meaning
AUC	African Union Commission
AUDA	African Union Development Agency
B-BBEE	Broad Based Black Economic Empowerment
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
BUSA	Business Unity South Africa
CET	Community Education and Training College
CETA	Continuing Education and Training Act
CHE	Council for Higher Education
COGTA	Department of Cooperative Governance and Traditional Affairs
COIDA	Compensation for Occupational Injuries and Diseases Act
DBE	Department of Basic Education
DEL	Department of Employment and Labour
DSBD	Department of Small Business Development
DTIC	Department of Trade, Industry and Competition
EE	Employment Equity
ETI	Employment Tax Incentive
EU	European Union
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HEI	Higher Education Institute
HRDC	Human Resource Development Council
ILO	International Labour Organisation
LMI	Labour Market Intelligence
MIS	Management Information System
NAD	National Artisan Development
NADAB	National Artisan Development Advisory Body
NAMB	National Artisan Moderation Body
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NEET	Not in Employment, Education or Training
NEPAD	New Partnership for Africa's Development
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDP	National Skills Development Plan
NSF	National Skills Fund
PSDF	Provincial Skills Development Forum
PSET	Post School Education and Training
QCTO	Quality Council for Trades and Occupations
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SDA	Skills Development Act

Acronym	Meaning
SDLA	Skills Development Levies Act
SETA	Sector Education Training Authority
SIFA	Skills Initiative for Africa
TLS	Training Layoff Scheme
TVET	Technical Vocational Education Training
UIF	Unemployment Insurance Fund
UMALUSI	Council for Quality Assurance in General and Further Education and Training
YES	Youth Employment Services

1. Executive Summary

South Africa does not skimp on funding for Education and Training. For the current budget year of 2021 – 2022 the Learning and Culture budget made up of Schooling + Post Schooling is R 402.9 billion, 8% of GDP that is estimated at R 4 921.0 billion¹. This further split with 5% for Schooling (the feeder system) and 3% for Post Schooling, the latter being equivalent to R 147,8 billion for 2021 -2022. These figures are almost double the world average for expenditure on Education as a % of GDP that was estimated at 4,5% for 2017 by the World Bank².

The Skills Development System in South Africa that in essence commenced in 1995 with the establishment of the South African Qualifications Authority (SAQA) and the creation of the National Qualifications Framework (NQF). This has grown and expanded over the last twenty five years into what most informed persons, would describe as highly complex, and often a conflated system. Like an amoeba on steroids, it has changed shape regularly but always grown bigger and bigger as well more and more complex.

As a direct consequence is an increasing cacophony of calls for improved coordination and serious integration from many stakeholders that are almost without exception contained in most policy documents. This system has now effectively become known as the “**PSET**” System – the Post School Education and Training System.

This technical policy analysis strives to consider all the parts of this complex PSET System and where possible identifies specific challenges and then proposes solutions to the challenges that BUSA can use as a mechanism for discussion. BUSA can then formulate a consensus position on what to propose to all other social partners, in particular National Government, on what could be the best way forward for the skills development environment within the PSET System.

The need for a more industry demand led PSET and skills development system is very evident in this analysis and therefore ***it is critical that Business carefully considers the thirty one individual recommendations in Section 5, Page 33, of this report.*** Some of the key recommendations include:

- adjust the Skills Development Act (SDA) to ensure greater alignment of work between the HRDC and NSA occurs as an integral role of the national policy and national skills development planning processes at Provincial and local Government Level aligned to the District Development Model.
- the need for a completely separate statute for the Quality Council for Trades and Occupations (QCTO) that can be carefully crafted and moulded by social partners at NEDLAC to ensure that programmes developed by the QCTO are labour market fit for purpose.
- a special standardised approach to labour market research processes that ensures that real industry demand based empirical evidence forms the basis for discretionary funding from Sector Education and Training Authorities (SETAs).
- a concerted effort by all stakeholders to develop and implement an effective and efficient shared services system for SETA related processes that is common across all SETAs, driven by a modern digital technology-based system with minimal manual processes.

¹ National Treasury, Budget 2021/22, Budget Expenditure, February 2021, Pretoria South Africa.

² <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?end=2019&start=1991>

- a revised levy grant framework that allows employers to benefit more from implementing workplace-based learning programmes that they really need including reskilling and upskilling of their work force that could be based on following:
 - 20% to National Skills Fund (NSF)
 - 7,5% for SETA Administration
 - 1,0% for QCTO
 - 1,5 % for Labour Market Information (LMI) Research
 - 20% to 50% for Mandatory Grants based on a sliding scale linked to skills development spend and compliance by levy paying employers
 - 20% to 50% Discretionary Grants with discretionary projects based on outputs and outcomes of the LMI research process + annual allocation for a shared services system.
 - Refund SETA surplus on a pro rata basis back to employers that have met all the annual requirements for mandatory grants.

- Recommend to National Government that an alignment of terminology between the SDA and the Immigration Act is affected so the same terminology is used, possibly simply a scarce skill list, as scarce skills are more occupationally aligned than critical skills, the latter often referring to skill within an occupation.

- Remove Sections in the SDA and Skills Development Levy Act (SDLA) that currently exempt National and Provincial Departments from paying the skills development levy.

The recommendations also talk to greater alignment between the Skills Development system and the B-BBEE Act Codes of Good Conduct for Skills Development, increasing the benefits of the Employment Tax Incentive that gives a more significant voice to SMMEs to benefit from skills development related incentives.

These recommendations also suggest simplifying / standardising the terminology between Skills Development and the Immigration Act, but also propose a skills development policy dispensation to develop, promote and export young skilled South Africans.

A detailed table with current and proposed Business participation in the broader PSET and Skills Development structures system is included for consideration by Business as part of becoming more involved with the leadership of an industry demand-based system as well as increased collaboration across the various PSET and skills development structures.

Business representation on SETA Boards in particular is a matter of concern as in some cases it appears that the Business voice may be a mere rubber stamp – a situation that needs to be reversed through much clearer and direct involvement of Business in the leadership and governance of the SETAs. It is not proposed that a legislated amendment be considered in this regard, but rather that a much closer relationship be built up between Business Representatives and the Chairperson of the Board, as well as to strengthen the collaboration of business representatives across all the SETA Boards – Learn from each other what works bests!

The report concludes with a section on funding options that proposes solutions to improve the participation of employers in the system and suggests mechanisms for developing a return-on-investment system for skills development in the country as well as streamlining the current fragmented, unlinked funding systems.

2. Introduction and Overview

The Skills Initiative for Africa (SIFA) is an AUC and AUDA-NEPAD initiative in partnership with BMZ and the EU. It aims to promote occupational prospects of young Africans through the support of innovative skills development programs and a close cooperation with the private sector as an integral partner in the creation of jobs. The programme works at both a policy as well as a technical implementation support level. A key component of any job creation programme is to have an effective skills development system that progressively supports the reduction of unemployment, poverty and inequality as is very clearly described in the National Development Plan 2030³.

Through this report SIFA is supporting BUSA to conduct a policy analysis of NSDP 2030 and all related legislation and regulations with the aim to identifying policy areas that are hampering Business's participation in skills development and the PSET system. The report will identify and analyse current blockages and make recommendations on those areas of policy that should be changed in order to enhance and support Business's support of and participation in implementation.

The report, through this policy, legislation and regulation review and the analysis of the NSDP 2030, will assist Business/private sector to develop a position on the following:

- Skills Development Act review and relationship to the NSDP
- TVET Partnership and Support
- Effectiveness of Skills statutory structures
- Skills system funding model/s
- Skills and productivity optimisation within the PSET.

This report only allows for a position to be developed, and only thereafter resourcing and/or structures will need to be considered. This phased approach is considered prudent so that a logical order to effect changes and improvements is agreed upon whilst considering resource limitation as several of the recommendations include greater role playing by Business on boards and decision-making structures, a process that is not always agile or possible.

The above focus areas fall within the PSET sector of the economy and therefore any analysis of policy must include the detail as contained in the National Plan for Post School Education and Training 2020 – 2030⁴ that in turn is based on the White Paper for Post School Education and Training: Building an expanded, effective and integrated post school system⁵, 2013, Pretoria, South Africa. The detailed analysis that informed this report is included as a separate annexure (Annexure A) and it can be utilised as a working document for any further work that needs to be considered beyond this initial review.

The COVID-19 Pandemic has also created opportunities for new skills to be introduced as part of a socio-economic rebuilding and reconstruction process, especially such new skills-sets related directly to health and economic recovery as well as emerging new world skills such as green and digital skills. These factors will need to be included in the position paper. With the above context in mind, this report reviews and analyses the NSDP 2030 against Goals, Objectives, Outcomes and Strategies of the national plan for the PSET System and explores:

³ National Planning Commission, Our future – make it work – National Development Plan 2030, Released in 2011, Pretoria, South Africa.

⁴ Department of Higher Education and Training, National Plan for Post School Education and Training 2020 – 2030, forthcoming, Pretoria, South Africa.

⁵ Department of Higher Education and Training, White Paper for Post School Education and Training: Building an expanded, effective and integrated post school system, 2013, Pretoria, South Africa.

- The current skills development policy alignment both within legislation and outside of legislation
- Makes recommendations on Business participation across all skills development related structures in the country or recommends consolidating / amalgamating structures
- Makes recommendations that may be taken up by Business to adjust such policy positions that considers all social partners, in particular in relation to funding options.

Such an endeavour is immediately confronted with significant complexity due to the inclusion of national frameworks and strategies, varied and diverse legislation, numerous national government departments, industry bodies, regulators, and the like.

In the interest of brevity, we opted to cut through the noise to identify the key issues facing this elaborate complex system and have focused on the following five key policy related areas:

1. Skills Development Act
2. Continuing Education and Training Act
3. Skills Funding and Incentives including:
 - 3.1 Skills Development Levy System and Act
 - 3.2 Income Tax Act
 - 3.3 Broad Based Black Economic Empowerment Act
4. National Qualifications Framework Act and the Quality Council for Trades and Occupations
5. Work Based Learning Programmes and definitions

The report concludes with a series of recommendations that fall within three focus areas:

1. Policy and Legislation Alignment
2. Business Participation
3. Funding Options

3. The PSET System and PSET Implementation

The PSET system effectively came into existence when the Ministry and Department of Higher Education and Training was established in April 2009 by the then President of South Africa, Jacob Zuma. It combined statutory components from the previous Department of Education (Adult Education Training, Colleges and Universities) with statutory components from the previous Department of Labour (SETAs, National Skills Fund and National Skills Authority).

The PSET system consists of three main types of public institutions: community education and training (CET) colleges, technical and vocational education and training (TVET) colleges and higher education institutions (Universities). In addition, the PSET includes private providers in the CET, TVET and HE sectors, all with an important role to play in the whole PSET System. Although not always explicitly considered part of the PSET system, the entire world of work is also part of the PSET system since much formal, informal and non-formal learning occurs on a daily basis in the workplace. The latter world of work portion of the PSET system is directly influenced and supported by a fully inclusive sector-based system under the ambit of the twenty one different SETAs.

3.1 The Functionality of the PSET System

The framework below illustrates the functionality of the PSET system that will be considered as part of the policy review. The framework illustrates the flow of people from left to right as they learn throughout their lives. The schooling feeder system prepares young people to enter the PSET education and training institutions, often requiring bridging programmes due to the inadequacy of previous learning. People then exit the PSET system into either employment or self-employment (the green block) or sadly in many cases into unemployment through the NEETS Funnel = Not in Employment, Education or Training (the red block). Many NEETS work without a choice in the informal employment sector to survive. These persons have a continuous need to get back into the system, more and more through the emerging but highly under resourced College System.

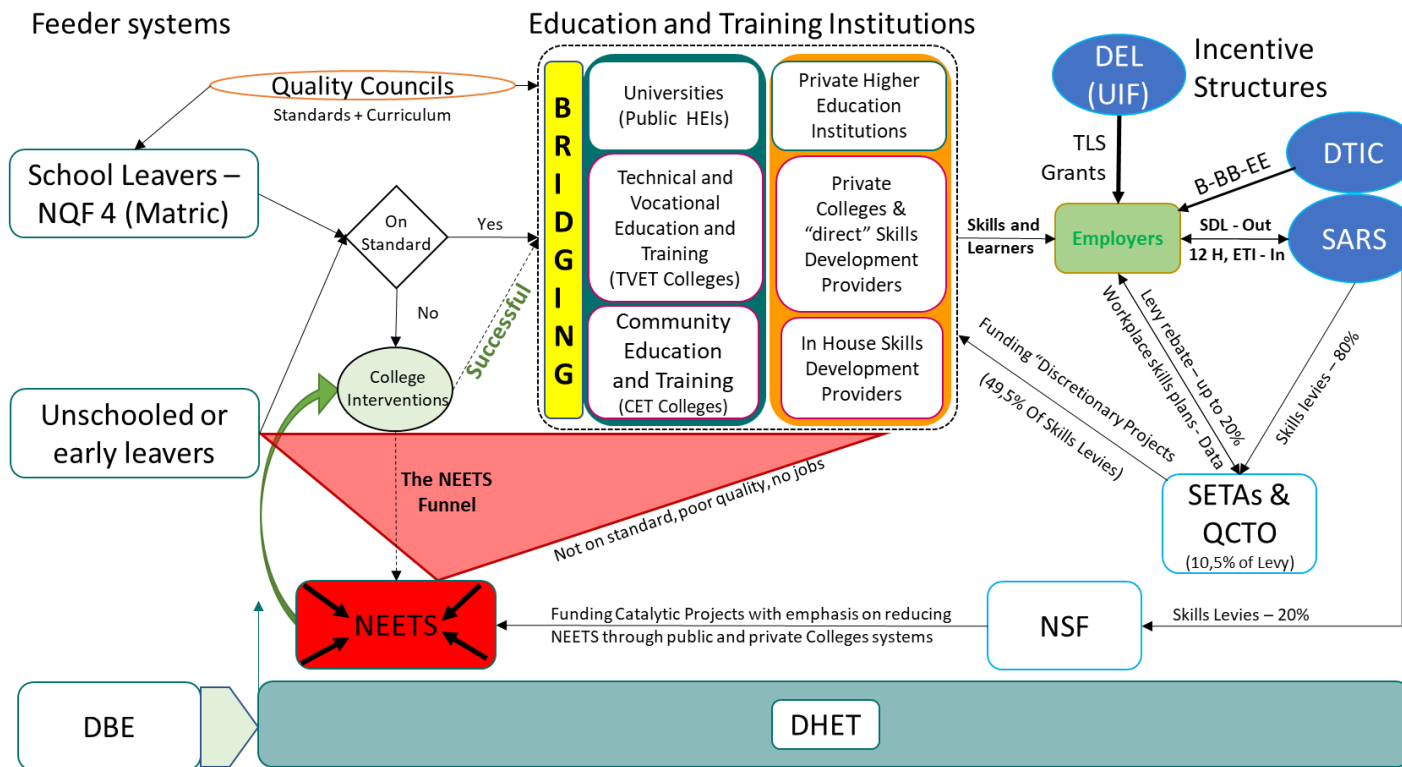


Figure 1: The Functionality of the PSET System – The Ebb and Flow of Lifelong Learning Journeys in South Africa.

Figure 1 highlights the importance for strategy and policy to be developed through a consultative process with employers to ensure that the PSET system is a labour market driven system. The employer box remains key to the success of the PSET system, since that is where all the products of the PSET system, the “students / learners”, eventually desire to be. This can be as an employee but hopefully more and more as an employer through an expanding entrepreneurship process. The more effective and efficient the functionality of the PSET system, the larger the employer box will become, and the NEETs block will eventually disappear – that **MUST BE** the ultimate goal of the PSET system. Sadly, the reverse is true at present with close to 17 million people aged 15-60 being NEETs in the latter part of 2020. This figure comprises 44% of the total 15 – 60 aged population⁶.

3.2 The PSET Implementation Plan Framework.

The PSET Implementation Plan is a comprehensive document that describes how all the various component parts of the PSET system need to work together as an enabler to improve the functionality of the system, to grow the employer box and remove the NEETs funnel. This policy review and analysis has been based on the NSDP 2030, the primary skills development policy of South Africa but in comparison with the System Goals, Objectives and Outcomes of the PSET White paper as detailed in the PSET Implementation Plan and reflected in the Table 1 below. Each Outcome has a set of detailed strategies. To ensure an appropriate depth of review a very detailed analysis is attached as **Annexure A** to this report. This deep level analysis informs the policy review contained in Chapter 4 and the recommendations contained in Chapter 5.

NOTE: While the NSDP 2030 is now the primary policy document for skills development, to only consider the NSDP 2030 without considering how it aligns with the entire PSET system would result in many of the elements of policy related to the skills development system being missed in the review process, some of them very critical issues such as the involvement of Business within the TVET College space in particular.

An initial review by the review team to identify the most important elements of the PSET Plan has resulted in certain words and phrases being emphasised in the table below through bold italic script and “NOTES”. These highlighted areas start to emphasise policy direction required to move the PSET system forward and include an emphasis on quality programmes and people, integration / coordination, responsiveness to the world or work, improved infrastructure and more efficient / effective funding. The “**QUALITY and CAPABILITY**” of the people in the PSET system is particularly emphasised and is probably the most critical success factor that must be considered as part of a policy improvement process.

⁶ Department of Higher Education and Training, Fact Sheet on “NEETs”(persons who are not in employment, education or training), March 2021, Pretoria, South Africa.

System goal	Objective	Outcomes
1 An integrated and coordinated PSET system.	1 To build a PSET system that is integrated and coordinated to achieve efficiencies and improve effectiveness	1.1 Clear and streamlined roles and responsibilities of all key stakeholders and role players
		1.2 Improved capability for integration and coordination in the PSET system
		1.3 A simplified NQF
		1.4 Increased articulation for students between and within the NQF sub-frameworks, and between and within institutions
		1.5 Aligned policy and legislation
2 Expanded access to PSET Opportunities. NOTE: Need to improve quality - programmes, teacher capabilities, infrastructure before increasing enrolments	2 To provide diverse students with access to a comprehensive and multifaceted range of PSET opportunities	2.1 Increased enrolment in all PSET sectors. NOTE: Not without addressing quality and relevance
		2.2 Improved and equitable participation rates. NOTE: Participation should not be the driver
		2.3 Affordable student fees and accommodation
		2.4 A sustainable student financial aid system: NOTE: Key is efficacy of the NSFAS and NSF
		2.5 Strengthened institutional differentiation
		2.6 Sufficient infrastructure to support teaching, learning and research
		2.7 Sufficient staff to support expansion. NOTE Not number of staff but rather capable staff
3 A responsive PSET system	3 To provide qualifications, programmes and curricula that are responsive to the needs of the world of work, society and students	3.1 A diverse range of qualifications relevant to the aspirations and needs of locality and responsive to community needs
		3.2 A diverse range of programmes responsive to the world of work
		3.3 A diverse range of mechanisms to improve research, innovation, commercialisation and entrepreneurship in higher education
		3.4 Programmes that prepare students for global advances in technology; NOTE Digitization of Learning.
		4.1 Improved interface between education and training institutions and skills levy institutions

4 Improved interface between education and training institutions and the world of work	4 To nurture a stronger and more cooperative relationship between education and training institutions and the workplace	4.2 Improved links between education and training institutions and employers for workplace-based learning (WPBL)
		4.3 Improved links between education and training institutions and industry to strengthen research and innovation
		4.4 Strong cooperative relations between employers and education and training institutions
5 Improved <i>quality</i> of PSET provision	5 To build the capacity of PSET provider institutions to provide quality education and training	5.1 Improved quality of PSET teaching and learning
		5.2 Improved quality of research
		5.3 Well-managed and -governed PSET provider institutions
		5.4 Well qualified staff in the PSET system
		5.5 Improved quality assurance capability
		5.6 Improved quality of infrastructure
		5.7 Safe and healthy environment for students and staff
6 Improved efficiency and success of the PSET system	6 To improve efficiency and success of the PSET system	6.1 Increased throughput in qualifications
		6.2 Improved exit outcomes related to the world of work

Table 1: The PSET System Implementation Plan Framework – An overview with critical areas emphasised and “NOTES”.

4. Policy Review

4.1 Skills Development Act

The Skills Development ACT (SDA) came into operation on 2 November 1998 as one of a suite of modern national legislative provisions to move a democratic South Africa forward with the skills needed to grow and build the economy of the Country. As is often the case with any legislation, since 1998 there have been amendments to the Act, the most significant and most far reaching probably being the 2008 Amendment, Act 37 of 2008 as that amendment allowed for the creation of two significant structures that today are having a significant impact on skills development - namely The QCTO and the National Artisan Moderation Body (NAMB).

Another significant shift occurred in April 2009 when the Ministry and Department of Higher Education and Training were created, and skills development was transferred from the Department of Labour (now Department of Employment and Labour). This significant shift effectively created what is now known as the Post School Education and Training or “PSET” Sector.

In essence South Africa has one Education and Training System but made up of two large, but often delinked parts:

- Schooling: Controlled by Minister and Department of Basic Education (this is the “feeder” system as depicted under Section 3.1)
- Post Schooling: Controlled by the Minister of Higher Education, Science and Innovation and Department of Higher Education and Training.

A critical point to emphasise is that the move away from the “Labour System” towards an “Education and Training System” may have resulted in less awareness of labour market supply and demand since an education and training system by its nature is supply driven – enrolment driven, not necessarily labour market needs driven. A key element of the SDA policy review therefore must be how to strengthen the labour market supply and demand process within the PSET system.

The review indicates that there are four key policy concerns that are challenges being created by the current SDA. Each challenge is briefly described followed by possible changes that could be considered in order to address the challenges.

Challenge 1: More inclusive, coordinated, integrated and simplified stakeholder involvement through the Roles and Relationships of the National Skills Authority (NSA) and the Human Resource Development Council of South Africa (HRDC)

The NSA is positioned in the SDA as a statutory, NEDLAC social partner nominated and mandated structure. It is the primary structure that advises the Minister on all skills development policy matters and plans (previously strategies). This function should remain its primary work focus area.

Other functions include liaising with SETAs and, more recently policy shifts, requiring the NSA to become more involved with monitoring and evaluation of the performance of the SETA system subject to capacity and capability. This includes powers of investigation into irregularities in the system.

The HRDC is a non-statutory multi stakeholder structure that is comprised of individuals that have extensive knowledge and expertise in the entire people development value chain, effectively from birth to death. The HRDC is led by the Deputy President of the Republic and includes many national

Ministers involved in people development activities, resulting in a body with considerable political influence on policy development.

Its primary function is to identify blockages in the people development value chain and then develop solutions to eradicate such blockages through the expertise of its membership and additional experts that are brought in on a contracted basis. Membership is on an individual basis, not a mandated basis. This real strength and flexibility allows individual expertise to be applied to find innovative solutions to blockages. The HRDC has produced many very detailed and pragmatic “solution” reports in this manner, but implementation of the reports remains less effective.

The challenge is one of duplication and often results in conflation as to who does what. This duplication is more pronounced at Provincial level where there are often two structures with the same people on each structure discussing very similar issues at provincial level. There is also very limited, or often almost no link between National – Provincial - Local government levels both from the NSA and HRDC. In addition, the lack of linkages between solutions developed by the HRDC and the influence that such solutions could have on policy adjustments to improve the PSET system, in particular the skills development system, is lacking.

Possible Solution: Adjust the SDA to ensure that a provision exists that the HRDC continuously liaises with and submits reports to the NSA for consideration as an integral role of the national policy and national skills development planning processes. Such an approach could greatly enrich the work of the NSA and ensure support and buy in from Business and other social partners.

The SDA should be adjusted to clearly indicate that the statutory Provincial Skills Development Forum (PSDF) includes representation and work processes for BOTH the NSA and the HRDC – a single structure located within the Office of the Premier in every Province.

The SDA should be adjusted to include a provision that requires each local Government Metro and District in each Province to work with the PSDF and ensure alignment of National-Provincial-Local skills development processes, effectively linking communities to the skills revolution, especially youth and women as is stated in the recent report from COGTA on the Implementation of the District Development Model⁷. This would greatly enhance the integration and co-ordination across the PSET system as is required in the PSET Plan Framework.

A possibly *case study* to consider is the current structure in the Western Cape that combines NSA & HRDC processes in the Premier Skills Council. This same single structure has representation from the City of Cape Town (Metro) and Districts. The Garden Route District has sub structures within its own processes that links with local Municipalities under the umbrella of the Garden Route Skills Mecca. In this manner the skills development needs of local communities are fed into a seamless system that eventually reaches the NSA that has the statutory responsibility of advising the Minister on national skills development policy and plans. Similar arrangements may also exist in other provinces that could be emulated and used as a basis for informing policy adjustment should an SDA Bill be issued for public comment that includes such a proposal.

⁷ Department of Cooperative Governance and Traditional Affairs (COGTA), Implementation of District Development Model, October 2020, Pretoria South Africa.

Challenge 2: Skills Development Planning: The Supply and Demand Conundrum

The SDA places the skills development planning framework within the regime of each SETA and its related sector and, within Chapter 6 in particular, places a significant responsibility on DHET to coordinate such skills development planning and research. This process is maturing slowly with a considerable amount of effort having been implemented over the last decade through the Labour Market Intelligence project (LMIP). Sector Skills Plan are updated annually by SETAs guided by the DHET through a Sector Skills Planning Framework, now even more

A possible **case study** to consider is the provincially sector base monitoring of numbers of learners that were registered onto work-based learning programmes that had been identified by a sector as scarce. This was implemented during 2016 and 2019 as part of the Apprenticeship Game Changer Programme in the Western Cape. National occupations in high demand lists were moderated through provincial stakeholder engagements to develop a list of 15-20 scarce occupations per economic growth sector for the Province. e.g., Tourism had 18 occupations. Thereafter quarterly SETA data was used to track how many learners were taken on by employers for each occupation identified. By October 2018 Tourism had achieved 13 out of 18 occupations = 72%. Stakeholders were surveyed to determine why they were NOT taking certain occupations to determine the reasons for SETA data limitations (no OFO code) and included finding like a person with another qualification can do the job, no provider available, trained for another sector. Lessons learnt from this case study could be useful for national / sector processes.

necessary due to the fast-moving labour market changes due to 4IR and 5IR scenarios. However, the effectiveness of the current WSP/ATR process needs to be reviewed and improved.

This process has also more recently resulted in the formal publication of the 2020 List of Occupations in High Demand: A Technical Report⁸ and A Technical Report for the 2020 Critical Skills List⁹. The former signals to the PSET system what occupations are in high demand in South Africa for qualifications development, enrolment planning, career guidance; the latter signals to the Department of Home Affairs which occupations should be the basis for critical skills visas for immigrant workers that qualify in terms of the Section 19(4) of the Immigration Act, Act 13 of 2002.

The challenge with the current process is that, in addition to being an incredibly complex process to understand, it appears to be entirely input or enrolment planning based – there does not appear at this stage to be a mechanism that considers why supply AND demand are not being addressed effectively through an actual labour market absorption rate of the occupations in high demand, or for that matter the development locally of critical “immigration” skills listed occupations.

The process has been complicated by a third publication known as The Priority Skills Plan, a response from DHET to address the skills needs required for the implementation of the sectoral masterplans as well as other key initiatives as outlined in the Jobs Summit¹⁰. The introduction of engaging with masterplans assumes that the current planning process needs to evolve to consider the real, immediate, short term nature of the industry demand side of skills development planning.

Possible Solution: The robust research capacity of SETAs in particular should continue to be enhanced, possibly with support of HEIs. There could be a provision in the SDA that the current function of developing a sector skills plan must include an annual evaluation of labour market absorption of the occupations identified by the sector as being in high industry demand. In addition, a provision could

⁸ DNA Economics (2020). *The 2020 List of Occupations in High Demand: A Technical Report*. Produced for the Department of Higher Education and Training (DHET) as part of its Labour Market Intelligence (LMI) research programme.

⁹ DNA Economics (2020). *A Technical Report for the 2020 Critical Skills List*. Produced for the Department of Higher Education and Training (DHET) as part of the Labour Market Intelligence (LMI) research programme.

¹⁰ Department of Higher Education and Training, COVID-19 Economic Reconstruction and Recovery Skills Strategy, Draft updated 6 February 2021, Pretoria South Africa.

be considered that evaluates the development of occupations on the critical skills list used for immigration purposes. If such provisions are not enshrined in the SDA, the current skills planning process will continue to ONLY consider supply side needs whilst not addressing the demand side.

To ensure an accurate picture of labour market absorption across all sectors of the economy, there needs to be a single Learner Management System and Single SETA Grants System that feeds into a single national Management Labour Market Information System utilised across all SETAs. For example, a person can be trained as an electrician in the Health Sector at a hospital and then be absorbed into the labour market in the mining sector when qualified. The twenty one disparate systems across SETAs cannot track this at the moment. This is described in the PSET Plan as the following Strategy under Outcome 4.1: *SETAs will gather data on skills needs, engage with stakeholders and standardise their timelines with respect to providing skills development support and funding, and a system of shared SETA services will be established to promote a more efficient and cost-effective use of resources.*"

However, pragmatically, given the autonomy of the SETAs, the broad range of stakeholders involved on SETA structures as well as the very creative habits of SETA executives, this standardisation will not occur unless there is a provision within the primary legislative structure – namely the SDA. This will then be subject to not only an annual audit processes but also to Parliamentary Portfolio Committee oversight. Only then will we achieve this critical objective that has been under discussion for many years but with little progress.

A further provision could be included that requires all other national line Departments to always engage with the relevant SETA when they develop any form of strategic plan (such as master sector plans) that have skills development implications. This will ensure that needs are built into the SETA planning and funding processes. If such a provision is not included in the primary legislation (the SDA), there will always be duplicated, parallel attempts across Government Departments to do their own thing when it comes to skills development. Where a SETA does not cooperate with a relevant national Department, the SETA Board would need to intervene subject to the relevant national Department having engaged with the SETA Board.

It is also proposed that Business recommend to National Government that an alignment of terminology between the SDA and the Immigration Act is affected so the same terminology is used, possibly simply a scarce skill list, as scarce skills are more occupationally aligned than critical skills, the latter often referring to skills within an occupation, such as an electrician learning computer literacy skills. In a similar vein, Business should recommend to DHET that they move towards only ONE annual publication a year that considers what skills the economy needs, not expand the different number of publications.

A final consideration that at present does not exist in any environment is the progressive development of a set of national policies for the identification, promotion and placement of South Africans in other countries as part of a carefully designed skills development export programme, especially into the African labour market. South Africa has a rich resource of young people that continue to struggle to find local employment. The dramatic growth of other economies in Africa and for example China and India may imply that an expanded skills development system in South Africa that prepares young people particularly to work in other parts of the world, could contribute through their efforts to reducing local unemployment, poverty and inequality.

Challenge 3: A conflated Occupational Qualifications System

There are two distinct structures established and operational through the provision in the SDA that deal with the Occupational Qualifications System that have become a cause for considerable confusion and what sometimes appears to be in conflict. These structures are the National Artisan Moderation Body (NAMB) and the QCTO.

The challenge is that while the QCTO is positioned as a juristic person (standalone autonomous body) in the SDA and, is referenced to in all major policy documents issued under the auspices of DHET including the NSDP 2030 and the PSET Plan as the single authority for all aspects of the Occupational Qualifications system inclusive of quality assurance, there are statutory provisions in the SDA allocated to NAMB that duplicate the work allocated to QCTO.

NAMB is not a juristic person (standalone autonomous body) but is part of the National Artisan Development (NAD) Chief Directorate of the DHET, located at an institution known as INDLELA. There are also statutory provisions in the Act that require the DHET, through INDLELA, to coordinate all artisan development in South Africa, a function that is correctly positioned in the SDA as belonging to the national Government Department for implementation of overall artisan development. It is of interest to note that as part of this statutory function, the NAD has a well-established social partner based advisory body known as the National Artisan Development Advisory Body (NADAB) that is proposed in the forthcoming national Apprenticeship and Artisan Development strategy to become a statutory body in future to advise the DHET on Apprenticeships and Artisan Development processes.

Solution: This solution to this conflation in the SDA was already identified in the PSET White paper approved in 2013 that indicated that *NAMB must become part of the QCTO at an opportune time*. This is further confirmed in the PSET Implementation Plan that includes under Outcome 1.1 Clear and streamlined roles and responsibilities of all key stakeholders and role players through the following strategy: *“The Quality Council for Trades and Occupations (QCTO) and National Artisan Moderation Body (NAMB) will merge to become the primary quality assurance body for trades and occupations.”*. However, for this merger to happen the SDA will need to be adjusted to remove ONLY the occupational qualification system functions of NAMB in order for NAMB to be transferred to the QCTO.

At the same time retain, possibly expand the national artisan and apprenticeship development of NAD, in the SDA. This could include the establishment of NADAB as a statutory advisory body to the DHET on Artisan and Apprenticeship Development.

A further Proposed Solution: In addition to removing the conflation between NAMB and QCTO, and to ensure that the QCTO has an absolute clear identity as the only statutory body for the occupational learning system (the work-based learning system) in South Africa, it is proposed that all of the QCTO provisions in the SDA are removed and a separate Occupational Qualifications System Act is created that determines very clearly the critical roles, responsibilities and functions of the QCTO. Business needs to explore the options as well as duplication with the SETA functions and, once resolved, address the financing therefore as the goal is to avoid having to finance another institutional body. The development of such a standalone primary policy document through the NSA and NEDLAC will give all social partners and, in particular the Business community, an opportunity to significantly influence the development of an industry demand led work-based learning approach. A precedent for such a standalone statute already exists in UMALUSI, the Quality Council for the Schooling System,

which has its own statute, known as the General and Further Education and Training Quality Assurance Act, Act 58 of 2001.

Challenge 4: A major challenge with many employers and their ability to deliver on skills development relates to workplace approval by a SETA that allows an employer to take on learners at the workplace. At present each SETAs has their own system and many of the processes are incredibly bureaucratic, costly and time consuming – the result being many employers do not bother to take on learners.

Proposed Solution: Business to support a more centralised and standardised process of workplace accreditation coordinated by the QCTO, possibly included as part of their own stature previously suggested. However the QCTO must ensure that the necessary capacity, resources and governance structures for workplace approval are in place. In the longer term a progressive self-regulation process across an industry could be considered. It is critical that an identical nonpartisan approach be utilised for public and private employers, including use of technology where possible to allow for virtual monitoring and evaluation of workplaces.

Challenge 5: Financing – This section of the SDA needs considerable expansion but has been contextualised within the broader discussion of **Section 4.3: Skills Development Funding including Incentives.**

Challenge 6: The inclusion of Learnerships and Skills Programmes in the SDA.

The challenge here is very simply: this requirement in the SDA has become a major blockage due to the global approach of the broadening of work-based learning programme types. While learnerships are useful and effective in many cases in South Africa with 299 217 persons registered on Learnerships over the three years between 2017 and 2020, this is only 36% of the total number of 841 591 persons registered on ALL work-based learning programmes. Globally and in South Africa the larger and growing focus is more on skills programmes and apprenticeships rather than learnerships.

The inclusion of Learnerships in the SDA as it is currently written forces a need to register the_learnerships as a programme with DHET, a requirement that is not necessary for any other learning programme type. This registration function was transferred from the SETAs to the QCTO from 1 April 2019 with promulgation of the SETA Workplace Based Learning Programme Agreement Regulations¹¹, However the function has become an unnecessary very tedious, slow, administrative, bureaucratic nightmare with a high level of duplication and is holding back the roll out of occupational qualifications in South Africa since many employers will not take on Learners if there is not a registered Learnership so they can benefit from significant tax allowances under Section 12 H of the Tax Act.

As a **case study** to consider, QCTO have developed an initial set of 24 skill programmes, many of which have no entry requirements and could result in jobs for people very quickly. The design of the skills programmes have been simplified to a knowledge and application module ONLY, with quality assurance and assessment carried out by the accredited provider and certification by the QCTO. While the model is new and emerging, it affords Business an opportunity to work with the QCTO to develop many more simple, effective programmes for staff and unemployed persons. The QCTO has also developed guidelines on how an organisation with a socio-economic need can develop skills programmes.

Refer <https://www.qcto.org.za/skills-pr>

¹¹ Department of Higher Education and Training, SETA Workplace Based Learning Programme Agreement Regulations, Government Gazette 42037 dated 16November 2018, Pretoria, South Africa.

Proposed Solution: Remove Chapters 4 Learnerships and Chapter 5 completely from the SDA. Learnerships are already regulated under the SETA Workplace Based Learning Programme Agreement Regulations while Skills Programmes could be regulated if necessary, under a much more flexible regime under the new proposed Occupational Qualifications System Act that will allow QCTO in collaboration with Business to design a highly flexibly, customisable skills programme system.

This subject matter is further discussed under **Section 4.5. Work Based Learning Programmes and Definitions** as well under **Section 4.3.2 – Income Tax Act Section 12H**.

Challenge 7: - Currently in South Africa there is no clear, simple and effective system through which private skills development providers are formally registered - including those that are in-house training centres or academies. This registration is a constitutional imperative to ensure that the rights and protection of learners of all ages, especially young people and parents, from what are known as fly by night providers are ensured.

Proposed Solution: Adjust the SDA to ensure that there is a provision that requires ALL public and private skills development providers, inclusive of corporate/in-house academies, to register with DHET but through the use of digital technology to ensure that registration is efficient and effective.

4.2 Continuing Education and Training Act

The College system in South Africa has what can only be described as a long and chequered history, possibly the sub sector of the PSET System that has undergone more high-level policy and strategic change than any other. Today there three very clearly delineated College systems that fall under the “CET” Act that went through significant amendment in 2016 to create these three systems that came out of historical technical Colleges, ABET Centres, FET Colleges and numerous private sector organisations. Statistics on Post-School Education and Training in South Africa¹² indicates these three systems:

- Public Technical and Vocational Education Training Colleges or TVET Colleges. There are 50 in the country with 253 registered campuses and 673 490 students enrolled in 2019
- Public Community Education and Training Colleges. There 9 in the country with 3 276 learning centres (published in the Government Gazette) and 171 409 students enrolled in 2019
- Private Colleges. The number is unknown as DHET only publishes data for Private Colleges that respond to an annual survey. This survey indicated that there were 151 136 students enrolled for 2019 – the figure is assumed to be underestimated.

The above pegs the College system student population for 2019 at 996 035. In contrast the total number of persons entering the SETA registered programmes system (inclusive of artisan learners) for 2019 was 238 428. The College system is therefore **4.1** times larger by headcount than the SETA system.

Apart from this first major **Challenge** of significant under resourcing of the public College system, the other significant characteristic of the Public College System that must be noted, as it has a direct impact on the second major challenge of “Academic or Classroom (chalk and talk) Orientation”, is

¹² Department of Higher Education and Training, Statistics on Post School Education and Training in South Africa 2019, released March 2021, Pretoria South Africa.

that historically, up to 2009 all public TVET and public CET Colleges fell under Provincial and National Departments of Education.

Therefore, the culture that is still deeply entrenched at many of these institutions is a schooling culture, not a skills development or work-based learning culture as proposed and espoused in the policy position for these institutions in the NSDP 2030 and PSET Implementation Plan. Some Public TVETs and, to a lesser degree CETS, are starting to make the transition as outlined in Section 26e of the SDA, a provision that can be removed as it is an integral part of the plan for the public College system.

Ironically re-strengthening the link between the public College system and the Schooling system at District level is the third significant **Challenge** that needs to be considered within this policy review especially with the advent of what is known as the Three Stream Model being implemented by the Department of Basic Education across the country.

Challenge 1: Under resourced public College System: Funding from the fiscus for the public PSET system¹³ for 2019/2020 totalled R 56 billion of which R 42,3 billion was for public HEIs (75%), R 11,5 billion for TVETS (21%) and CETS received R 2,2 billion (4%). By contrast the PSET Implementation Plan¹⁴ indicates that by 2030 public HEIs must have 1,6 million students (31%) while TVETs must have 2,5 million students (49%) and CETs must have 1,0 million (20%).

Possible Solutions:

In the first instance, there is no doubt that the current allocated funding from the fiscus across the PSET system must change progressively over the next nine years up to 2030. While one cannot assume parity of esteem across cost of programmes for all learners in the PSET system, the implication based on projected student numbers is that there does need to be some shift in % allocation as follows:

- Public HIE fiscus portion may reduce from current 75% towards 31% by 2030
- Public TVET fiscus portion may increase from current 21% towards 49% by 2030
- Public CET fiscus portion may increase from current 4% towards 20% by 2030

Whether this is pragmatic, realistic or even possible will remain to be seen but it is a critical policy matter that must be taken up by Business with National Government.

An additional **Proposal to consider** is to progressively allow more autonomy to TVET and CET Colleges to generate their own income in addition to fiscus and donor funding. This could also be an area where each TVET and CET College is utilising the % of levy income allocated from the NSF for partnership development with Chambers of Business and/or District Municipalities and also to ensure that Members of College Councils are appropriately trained and have the necessary competences to ensure good governance of these more autonomous structures – autonomy often comes with temptations for corruption that will need to be managed very carefully.

Challenge 2: Changing the Academic Culture of the public College System: This is a serious and very difficult challenge to overcome without a significant shift in the autonomy and leadership of both TVET

¹³ Department of Higher Education and Training, Statistics on Post School Education and Training in South Africa 2019, released March 2021, Pretoria South Africa.

¹⁴ Department of Higher Education and Training, National Plan for Post School Education and Training 2020 – 2030, forthcoming, Pretoria, South Africa.

and CET Colleges as well as the internal governance structures of the Colleges. However, it is considered a make-or-break policy position as it directly impacts on the need to:

- Grow the critical partnerships between TVETs and CETs and the QCTO
- Create a Work Based Learning Committee to replace the current “Academic Board” that is the primary statutory governance structure of programmes at all Colleges and remains the single biggest reason why Colleges are not making a shift away from a schooling culture to a skilling culture
- Increased enrolments that are demand led and ensure quality of education
- Scale up the Centres of Specialisation but within a more affordable, multi stakeholder shared costing model subject to an evaluation process of the current model
- Throughput rates and employability of learners based on the principle of holding institutions to account – a business approach
- Improve more robust demand led (employer based) recruitment and selection of learners that enter the College system
- Increase employer participation (at the right level) by removing bureaucracy, tardiness, loss of productivity when absent from Business
- Harmonise policy through top-down resourcing with bottom-up implementation fully aligned to the District Development Model.

Possible Solution: Increase the autonomy, with necessary resources, for the Leadership of the public College system so that Local (District) Business leads TVET College Councils and Metro / District Municipalities lead CETs within a District Development Model dispensation. This is a key consideration especially where these public colleges serve specific geographic regions that include Economic Development Zones (Richards Bay, Sadhana etc) directly linked to district development models.

National structures such as BUSA, BMF, NBI, BLSA, BBC, as primary national bodies, could empower and grow capacity within all local Business Chambers to move forward on this policy shift. The success of the PSET system in other countries has been, to a large extent, through the involvement of Business. Business along with government have been the primary "forces" behind successful systems¹⁵. However, the significance of this shift and the possible strain on resources within the business community requires that this policy shift be thoroughly debated to ensure that Business has the appetite and capacity for this leadership shift.

A possible *case study* to consider is the implementation of what are known as Reference Groups at all the TVET College Campuses that are implementing the Centre of Specialization (COS) model. These Reference Groups are comprised of all the local stakeholders involved in the COS roll out and are always chaired by an Employer Representative. The almost completed midterm evaluation of the COS model has identified these Reference Groups as one of the most successful elements of the COS Programme since it is led by Business – a demand-based model.

Challenge 3: Re-strengthening the relationship between Schooling and public College System: In many instances the relationship between erstwhile colleagues that all once worked together within a Provincially based education system has been severed due simply to a lack of ability of national – provincial – local (District) based Government structures to cooperate and support each other without some formal mechanism being in place, the District Development Model being a case in point – driven by the President through the Minister of COGTA. There are many learning and teaching interventions that are being introduced by the Department of Basic Education within the schooling system as early as Grade 6 level that includes technical, vocational and even occupational subjects. This is known as

¹⁵ OECD/ILO (2017), Engaging Employers in Apprenticeship Opportunities, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264266681-en>

the Three Stream Model¹⁶ that has the potential to bring many young people through the schooling system straight into a variety of work based learning programmes. However there needs to be well established linkages between the Schooling system within each District and the public College system to enable this transition.

Possible Solution: There needs to be a formal policy adjustment made to the CET Act that requires the Head of each School District to be a formal member of relevant TVET and CET College Councils. It is recommended that there is debate on the most appropriate model – such councils could include employers and remove the need for other structures.

Without such a provision in the primary legislation, the fragmented nature of the challenge will not be removed. Public officials within both Schooling and PSET Systems are not easily persuaded to develop relationships without a formal legislative mandate as it may often be career limiting.

Challenge 4 - The establishment of the South African Institute of Vocational and Continuing Education and Training (SAIVCET) as is contemplated in the CET Act¹⁷ has not happened and yet it remains a critical need for South Africa. Many other countries have such an institute and is the basis for their world class TVET Systems, an example being the Federal Institute for Vocational Education and Training in Germany¹⁸.

Proposed Solution: Business to support the establishment of SAIVCET but within a cost effective and efficient manner that must include the review of the functions of SAIVCET as contemplated in the CET Act to ensure that no duplication of functions occurs between SAIVCET and existing structures, in particular the QCTO.

4.3 Skills Development Funding including Incentives

Chapter 7 of the SDA that is entitled “Financing Skills Development System” needs considerable expansion to include all skills development funding and incentive options that are available to all stakeholders in an easily understandable manner. It also includes the non-payment of skills levy by National and Provincial Government Departments to their line SETAs and this should be reconsidered.

Challenge 1: No single approach for accessing levy funds by Business results in decreased employer commitment and funds only being accessed by networked and informed players.

Proposed Solution: A new Chapter 7 of the SDA should start with **Section 1** that requires the Minister to determine and publish in the Gazette annually by 31st March a list of all relevant skills development funding and incentive schemes available to Business.

This would include as a minimum document names, numbers and web site links for:

¹⁶ <https://pmg.org.za/committee-meeting/26296/>

¹⁷ Department of Higher Education and Training, Continuing Education and Training Act, Gazette 36271 dated 19 March 2013

¹⁸ <https://www.bibb.de/en/index.php>

- National Norms and Standards Funding Policies and Allocations (Gazettes) for HEIs, TVETs and CETs
- National Student Financial Aid Scheme Funding Policies and allocations if relevant
- All PSET Institutions Funding Policies and Allocations if relevant
- National SETA Grant Regulations
- All relevant SETA Funding Policies and Allocations if relevant
- National Skills Fund Policies and Allocations if relevant
- Generic and Sector Based B-BBEE Codes of Good Practise for Skills Development
- National Department of Employment and Labour Skills Development Related Funding Policies (such as those from UIF)
- National Department of Employment and Labour Sectoral Determinations for Work based Learning Programmes
- National Income Tax Incentives such as Tax Allowances and Employment Tax Incentives
- Any other National, Provincial or Local Government Skills Development Incentive Schemes
- Any other public or public entity related skills development incentive scheme that is applicable to the public at large, including Business and Learners.

Note: The existing provisions in Chapter 7 for the National Skills Fund are generic enough to cover the work of the National Skills Fund, it is being proposed that all three current Sections be placed under a new Chapter 7 Section 2.

Challenge 2: Non-Payment of Skills Levy by National and Provincial Departments. This is an exclusionary practise and is not appropriately covered by these Government Departments “budgeting” an equivalent amount of money for training. The National Strategy of requiring a capable State and a Professional Public Service depends on the skills development of all public servants. It is critical that National and Provincial Government Departments, like their local Government counterparts, particate fully in the skills development levy system.

Proposed Solution: Remove both these sections entirely from the SDA as well as Section 4(a) of the Skills Development Levies Act, Act 9 of 1999 to ensure that all National and Provincial Departments comply with all provisions of the Skills Development Levy Act exactly the same as all other employers.

4.3.1 Skills Development Levy System

This section by its nature deals exclusively with the current regulatory framework for skills development funding which is the SETA Grant Regulations as published in Gazette 35940 dated 3 December 2012.

Challenge 1: What is the most equitable Levy Percentage Split that Business would Accept in the New Grant Regulations.

Proposed Solution: As this will be a highly contested area of debate by almost every individual member of BUSA, it is suggested that a piecemeal approach be taken on the levy percentage split, starting with the known to the unknown but with some proposed adaptations along the way. As an initial starting point, based on the analysis in this report, the following is proposed for further debate and discussion.

- A 20% allocation to the NSF remains as is, with 2% of the 20% being available to SARS for collection if required.
 - A % of the 20% allocation to the NSF is predetermined and allocated annually to each TVET College and CET College to establish and implement partnerships with relevant Local District

Based Business Chambers, Metros and District Municipalities. The NSF is ideally suited to progressively implement this process through all their provincially based staff members.

- An 8.5% allocations to SETA Administration that is reduced from the current 10,5 % made up of:
 - 7,5% for SETA Administration – SETAs need to become leaner and use the learnings from the new normal virtual world to become more efficient as well as no longer budget or pay staff that are carrying out QCTO related functions (see point below). As an option SETA Boards could also be reduced in size to affect more cost savings. It is also proposed that Labour Market Research be centralised through its own direct grant allocation (see below), further reducing the SETA Administration cost requirement since they will not have Sector Skills Planning research costs anymore.
 - 1,0% for QCTO Operations but with proviso that ALL quality assurance personal currently at SETAs are progressively transferred to the QCTO.
- A 1,5% allocation for Sector Based Skills Development Planning and Research Capacity that must include systems and processes to close out the supply – demand gaps in each Sector. This allocation must be awarded to the LMI Unit of the DHET but must be spent with the inclusion of an executive from each SETA. The allocation may be administered by a consortium of public HEIs such as UCT, UWC, Rhodes University and others. This is a key process that must be standardised across all SETAs and Sectors and cannot be left to each SETA too manage.
- A 20% to 50 % allocation for Mandatory Grants based on a sliding scale reward-based system that recognises employers for skills development spend beyond the 1% minimum that includes costs for all forms of work-based learning programmes including retraining and upskilling of existing employees as recorded and confirmed on the Annual Training Report by Organised Labour or Employee Representation Structures and subject to validation by a SETA if considered prudent.
 - Proposed Sliding Scale:

% of Remuneration Spent on Training	Mandatory Grant Allocations
1%	20%
>1% but <3%	30%
>3% but <5%	40%
>5%	50%

Note: Regulations must allow for the costs that can be included in the % of remuneration to be determined by each SETA but through a consultive process as cost structures vary significantly across different sectors.

All current compliance criteria must remain such as registered with SARS, up to date with levy payments, submit WSP/ ATR by 30th April annually but, in addition, it is proposed that criteria be included that each employer also demonstrated a significant contribution to the NSDP 2030 outcomes before qualifying for such mandatory grants. Each SETA will need to develop a scorecard for skills development against the NSDP 2030.

An additional incentive that could be considered is that of SETA surplus funds over and above the allowed maximum threshold of 5% as contemplated in SETA Grant Regulations be refunded on a prorata basis to all employers that have complied with mandatory grant requirements.

- A 20% to 50% allocation for Discretionary Grants that will fluctuate annually dependent on the final values paid out for Mandatory Grants. It is proposed that the Discretionary Grant funding policy no longer be dictated to by provisions in the Grant Regulations but be based on the outputs of the LMI Research process (the above 1,5% Allocation). This means that

Discretionary projects will be based on **empirically based evidence** of what are the best interventions that need to be designed and implemented to close out the supply – demand gap in each Sector. Discretionary grant allocations and projects can no longer be based on the whim of SETA Board members or executives who may have no clear vision of what is needed in the Sector.

Such a research based discretionary funding process must ensure that it considers all emerging relevant trends in each sector inclusive of crisis needs such as those recently experienced due to the COVID 19 pandemic as well as the sector master plan processes, pay for performance models, ROI or productive based development models and any other innovations that may become evident through research, both locally and internationally. Local research partners will need to ensure that they have solid research networks with structures such as the ILO, UNESCO, World Bank, UNEVOC, CEDFOP and others that could assist through their own research processes. This model will also allow for development and funding of innovative micro credentialing processes relevant to each sector, 4IR + 5IR development and any other emerging digital technology, but at all times based on solid empirical research not SETA whims.

The only exception is a special discretionary allocation annually by each SETA that supports the development, implementation and maintenance of a single shared services system for Learner Management, Grant Management and Reporting – an expanded SETA MIS.

4.3.2 Income Tax Act

This section deals exclusively with current legislative frameworks for skills development related incentives in the Tax Act, Act 58 of 1962, namely the Tax Allowances as described in Section 12H of Tax Act and the Employment Tax Incentive as described in Employment Tax Incentive Act, Act 26 of 2013.

Challenge with Section 12H of Tax Act: Current SARS Practice Note 20 dated 12 October 2017 (that appears to be most current) refers to Learnership agreements that are entered before 1 April 2022. With effect from 1 April 2019 only Work Based Learning Programme Agreements are signed by SETAs as required by the SETA Workplace Based Learning Programme Agreement Regulations¹⁹. This may cause a problem when employers submit their annual tax allowance claims from 1 April 2019 onwards.

Proposed Solution: BUSA submits an urgent request to National Treasury to update Section 12H of Tax Act to refer to Work Based Learning Programme Agreements and at the same time requests National Treasury to consider an expansion of the Tax Allowance system to include all work-based learning programmes as defined in the SETA Workplace Based Learning Programme Agreement Regulations. This may also allow not only Corporate SA to accommodate all learners that require work experience but could open the door for SMMEs to take on work-based learners.

Challenge with Employment Tax Incentive: Currently ETI only covers youth up to the age of 28 while the number of older unemployed persons has exploded due to the COVID 19 pandemic. ETI is also at present linked purely to employment and not skills development processes per say. A change to the requirements could be beneficial for beneficiaries of the ETI process in the medium to long term,

¹⁹ Department of Higher Education and Training, SETA Workplace Based Learning Programme Agreement Regulations, Government Gazette 42037 dated 16 November 2018, Pretoria, South Africa.

especially for older persons who need to reskill and upskill themselves due to 4IR or other socio-economic factors are included.

Proposed Solution: Expand ETI to persons of all ages that are employed by SMMEs and offer a “double ETI” grant if the same SMME also registers the employee on a Work Based Learning Programme Agreement with a SETA. **NOTE:** The ETI as a monthly cash flow item is hugely beneficial for SMMEs who cannot afford to participate in the Section 12H Tax Allowance System as they are not profitable enough. A broader ETI system will encourage employment and assist the SMME to become profitable over the long term to access the Section 12H allowances but also pay Company tax. The ETI should be expanded to include all age groups, increase the revenue range beyond the R8000 and include business of all sizes.

4.3.3 B-BBEE Act

This section by its nature deals exclusively with current legislative framework for skills development related incentives in the Broad Based Black Economic Empowerment Act, Act 53 of 2003.

Challenge with B-BBEE Act: Alignment of names and definitions of learning programmes in the SETA Workplace Based Learning Programme Agreement Regulations versus the programme names and narrative descriptions in the Learning Programme Matrix as found in the Learning Programme Matrix published in the Codes of Good Practice on Broad based Black Economic Empowerment, Government Gazette 42496 dated 31 May 2019.

Proposed Solution: BUSA to request DTIC to adjust their Learning Programme Matrix terminology to align with the SETA Workplace Based Learning Programme Agreement Regulations.

A related skills development **Challenge** to the B-BBEE Act is the Youth Employment Service (YES) Programme that seeks to offer Employers additional B-BBEE benefits for taking young people onto internships in their workplaces. While their remains, a commitment based on the CEO’s declaration, the challenges with the YES programme are also alignment with workplace-based learning programmes as defined in the above regulation, as well as the unstructured nature of the YES programmes that do not articulate to formal workplace experiences requirements of occupational qualifications quality assured and certificated by the QCTO.

Proposed Solution: BUSA to request the YES Programme and the DTIC to engage with the QCTO to progressively ensure articulation and alignment between YES programmes and the occupational qualifications or part qualifications or skills programmes offered by QCTO. This will assist not only with improved value of YES programmes but will also ensure better alignment to the B-BBEE Learning Programmes Matrix. YES Programmes may also start to attract grants from SETAs to support employers to take on more YES Learners.

4.4 National Qualifications Framework Act and the Quality Council for Trades and Occupations

The South African Qualifications Authority Act, Act 58 of 1995, was the first legislative change in the democratic South Africa in the skills development field and laid the foundation for many more changes over the next two decades. It established the South African Qualifications Authority (SAQA) and the National Qualifications Framework (NQF), both of which still exist today and are very central to skills development processes.

For the first twelve to fifteen years of its existence SAQA was very much in control of occupational qualifications development and quality assurance through a large group of what was known as Education Training Quality Assurance (ETQAs) bodies that included all of the SETAs and other organisations. However, a review of the NQF during 2005 to 2007 resulted in a policy decision to consolidate all these numerous bodies and the significant amount of duplicated work into a central body and as a result on 1 April 2010 the QCTO came into operation²⁰ as was required by the SDA.

This operationalisation of QCTO necessitated a change in the SAQA Act and processes and as a result the SAQA Act was replaced completely by the National Qualifications Framework Act, Act 67 of 2008. Although SAQA itself remained, its role changed significantly in that it now became a coordinating body, primarily responsible for managing the National Qualifications Authority, managing the recognition of Professional Bodies and registration of Professional Designations, evaluation of foreign qualifications and research. More recently SAQA is also charged with monitoring and reporting on fraudulent qualification related activities. The key change in 2008 – 2010 was that SAQA no longer had qualifications development or quality assurance powers. These were all devolved to three quality Councils, each with their own sub frameworks, being:

- UMALUSI that looks after the “schooling” sub framework of qualifications
- Council for Higher Education (CHE) that looks after the “university” sub framework of qualifications
- QCTO that looks after the “occupational” sub framework of qualifications.

These three Quality Councils, and the qualifications sub frameworks they control and how they interrelate to each other, was recently adjusted through a formal determination²¹ by the Minister to improve articulation between the QCTO and CHE in particular through an alignment naming convention of Occupational Qualifications. This new adjusted NQF is shown in Figure 2 and positions the QCTO very well to allow it to move forward within a more flexible sub framework structure.

²⁰ Department of Higher Education and Training, Coming into operation of the QCTO, Government Gazette 33059 dated 1 April 2010, Pretoria, South Africa.

²¹ Department of Higher Education and Training, Determination of the Sub-Frameworks that comprise the National Qualifications Framework, Government Gazette 44031 dated 24 December 2020, Pretoria, South Africa.

NATIONAL QUALIFICATIONS FRAMEWORK

ABET LEVELS AND THE NATIONAL SENIOR CERTIFICATE

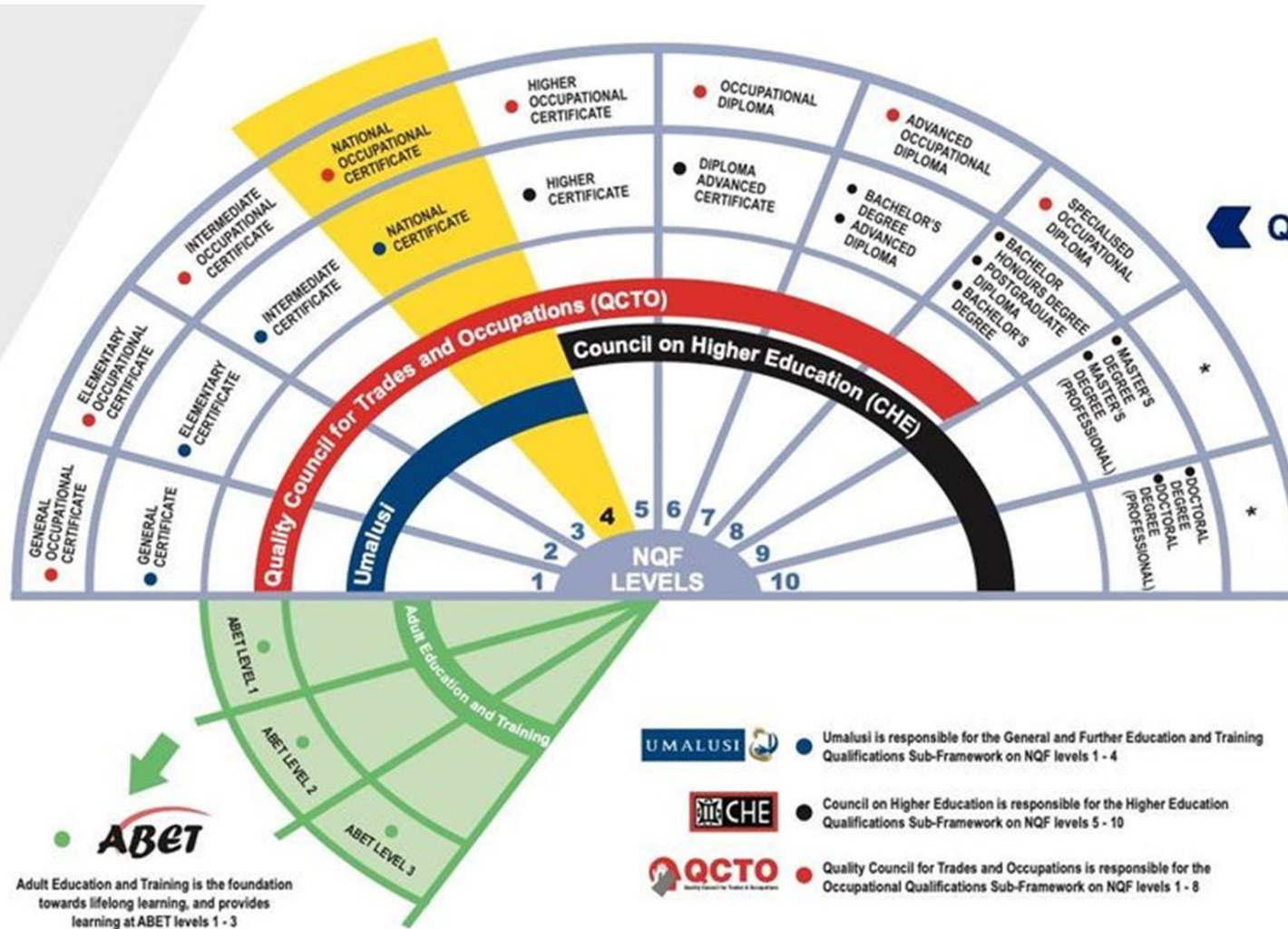


Figure 2: The Revised National Qualifications Framework and Sub Frameworks – December 2020

Although all three Councils are still actively involved in the PSET System, the involvement of UMALUSI is consistently reducing as the activities of QCTO increase to develop the Occupations Qualification Sub Framework. The above preamble attempts to highlight the attempts by National Government, with the support of all social partners, including Business, to try and simplify the whole NQF regime and ensure that it becomes more integrated, coordinated and responsive to labour market needs in particular. These are all policy-based positions that are referred to numerous times in policy including the PSET Plan and the NSDP 2030²² that states on Page 31 - 32:

“The WP-PSET highlights the complexity with respect to the manner in which quality assurance functions are implemented in this sector and argues that the system needs to be streamlined and simplified. Quality assurance functions carried out by the SETAs including the workplace and undertaken by the National Artisan Moderating Body will be effectively integrated into the Quality Council for Trades and Occupations (QCTO). The funding allocation from the fiscus and skills levy will be reviewed to ensure that QCTO fully carries out its legislative mandate”.

The above “simplification challenge”, in particular the NAMB concern, has already partly been addressed under Challenge **3: A conflated Occupational Qualifications System in Section 4.1.** but much work is still needed, especially with regards to the integration of learning across the NQF and sub frameworks as well as the most significant and critical **DUAL CHALLENGES of RESPONSIVENESS AND FLEXIBILITY** of the QCTO. These are both critical policy positions Business needs to consider due to the need to build a skills base of an ever-changing economy ahead of global technological advances since the rate of organisational change has been outstripped by technological change. Digital literacy, connectivity, devices capability, digitalisation, infrastructure, teacher capabilities, digital credentialing, short accredited and non-accredited programmes all being key issues for QCTO to consider immediately.

It is important for Business to note that this challenge has already been identified and processes are underway to rectify this through what is known as a “Command Council”²³ at the QCTO led by the Chief Executive Officer. It would be important that the Business representatives that serve on the QCTO Board ensure that this process is fully functional, effective and efficient.

Proposed Solution: There is no doubt that QCTO needs additional resources given the massive responsibility that it has. Limited funding for both SAQA and QCTO is available from the fiscus and, given that QCTO is central to roll out of the Skills Development system, it is proposed that Business support and possibly even lead a proposal to increase the current 0,5% allocation from the skills levy to the QCTO, as is contemplated in Regulation 2 (4) of the SETA Grant Regulations²⁴, to at least 1,0% if not more. However, the

An emerging **case study** to consider is the development by QCTO in partnership with GIZ and the International Labour Organization (ILO) of a full inclusive “7 Step Quality Assurance Model” that includes fully digitalized checklists for each, and every role and responsibility of all stakeholder groups involved in the roll out of occupational qualifications. The project includes not only the development of the model and digital checklists, but also a fully digital online training programme to train an ever-increasing number of persons on the registered part qualification: **Work Based Learning and Development Practitioner, NQF Level 5, Credits 30.**

²² Department of Higher Education and Training, Promulgation of the National Skills Development Plan (NSDP), Government Gazette 42290 dated 7 March 2019, Pretoria, South Africa.

²³ Department of Higher Education and Training, COVID-19 Economic Reconstruction and Recovery Skills Strategy, draft 6 February 2021, Pretoria, South Africa.

²⁴ Department of Higher Education and Training, SETA Grant Regulations regarding monies received by a SETA and related matters, Government Gazette 35940 dated 3 December 2012. Pretoria, South Africa.

final quantum of the % allocation that QCTO actually receives must continue to be determined by the Minister as is the condition in the Grant Regulations, and it is **proposed that the Regulation be adjusted to include that the NSA should advise the Minister on the annual quantum.** This increase in funding should be taken from the SETA admin portion of the levy in order to ensure that the QCTO can become more agile and responsive to the needs of the labour market.

Such a position will ensure that Business can monitor that QCTO is performing at optimum levels against a pre-approved annual performance plan that must include how the QCTO will build resources and capacity, improve turnaround time for qualifications and accreditation in particular, and ensure that it has a national footprint of representation. A particular feature of QCTOs work must be the use of digital technology to improve its service levels to all stakeholders. (refer case study).

4.5 Work Based Learning Programmes and Definitions

A UNESCO- UNEVOC publication entitled Work-based Learning as a Pathway to Competence-based Education²⁵ explains that:

Work-based learning, in the many forms by which it has evolved through time, is a strong reflection of:

- *the potential for **employment of young people** in a country;*
- *the effectiveness of **multi-level governance of TVET**; and*
- *importance attached to creating a **well-rounded learning process** suitable for future employment and personal growth.*

*Whether it is in the form of apprenticeships, industry attachments, on the job training or in-service training, WBL, as advocated by UNESCO, should be linked with **institution-based learning**, where the understanding of the scientific, technological, social, cultural, environmental, economic and other aspects of societies could deepen, in addition to developing competencies of individuals to prepare them for occupation fields.*

South Africa has a well-established work-based learning system that includes the SETA system but also includes many other role players, in particular Government Departments across all spheres that have significant work placement programmes, in particular internships. This broad approach to many different types of work-based learning programmes that even includes traditional engineering candidacies, articled clerks for accountants, pupillages for lawyers, cadetships for seafaring learners, in service training of nurses and teachers, is encouraged as it offers many opportunities for learning.

This need was recognised as far back as 2008 when the SDA was adjusted to include the need for SETAs to establish, promote and implement “learning programmes” as opposed to Learnerships only as was the original requirement in the SDA published in 1998. Work based Learning moved another major step forward in South Africa on 1 April 2019 with the promulgation of the **SETA Workplace**

²⁵ Bahl, Anke; Dietzen, Agnes (Eds.): Work-based Learning as a Pathway to Competence-based Education. A UNEVOC Network Contribution. Bonn 2019

Based Learning Programme Agreement Regulations²⁶. These regulations introduced for the first time a clear definition of common work-based learning programme types for South Africa. These developments bode well for the skills development system in South Africa as they make the system more inclusive, especially by allowing for more categories of work-based learning to be funded, but there remain at least three significant challenges to be addressed at Policy level.

Challenge 1: This has already been discussed as **Challenge 5: The inclusion of Learnerships and Skills Programmes in the SDA** under Section 4.1. The link to this section is that Chapter 4 of the current SETA Workplace Based Learning Programme Agreement Regulations also require Learnerships to be registered by the DHET – it actually requires the QCTO to submit Learnerships to DHET for registration.

The **solution** to this challenge is the same as for the SDA: Simply remove Chapter 4 and its accompanying Annexure B from the Regulations and no longer require the registration of any learning programme type with DHET. However, the removal of the Learnership registration system **MUST** be communicated to National Treasury in order for them to adjust Section 12 H of Tax Act to allow the tax allowance for any work-based learning programme registered with a SETA.

Challenge 2: Although it is clearly stated under Regulation 2 “Application” of SETA Workplace Based Learning Programme Agreement Regulations that the regulations apply to workplace-based learning programmes as defined, there is a **misconception** that an organisation only submits this agreement to a SETA if the organisation wants to benefit from a SETA Grant or a Tax Allowance Benefit in the case of a learnership (or apprenticeship). In practise in all other cases organisations simply use their own agreements and processes and do not submit agreements to SETAs. As a consequence of this there are probably thousands of persons who are on a range of work-based learning programme that are not captured and reported by the SETAs to DHET. Giving a completely inaccurate picture of learning in the country including learning that is supported and funded by Business.

The **solution** to this is to simplify the title of the Regulations so that they simply become known as ***Work Based Learning Programme Regulations***. This approach will not only improve the accuracy of the learner data for better skills planning but will also ensure that Learners are protected within the necessary social protection structures under Labour Laws such as UIF and CIODA.

It must be stressed that the above global approach to Learner registration at SETAs should only be implemented once a single Learner Management System and Single SETA Grants System that feeds into a single national Management Labour Market Information System is implemented across all SETAs as discussed under **Challenge 2: Skills Development Planning: The Supply and Demand Conundrum, Section 4.1**. Registration of all work-based learners across twenty one different SETA systems, often not fully functional, is to be avoided at all costs. In addition, there will need to be a financial incentive for all employers, possibly from Discretionary Grant funds to support this registration process as explained under Incentives that fall under **Section 4.3.2 Income Tax Act**.

²⁶ Department of Higher Education and Training, SETA Workplace Based Learning Programme Agreement Regulations, Government Gazette 42037 dated 16November 2018, Pretoria, South Africa.

5. Recommendations

5.1 Policy and Legislative Alignment

The following policy and legislative alignment recommendations have emerged as a result of the analysis. They are listed chronologically as they appear in the document for ease of reference. They are also given as a summary of the recommendations here with more detail given in the context of each section where they emerged.

- 5.1.1 Adjust the SDA to ensure that a provision exists that the HRDC continuously liaises with and submit reports to the NSA for consideration as an integral role of the national policy and national skills development planning processes.
- 5.1.2 Adjust the SDA to clearly indicate that the statutory PSDF includes representation and work processes for BOTH the NSA and the HRDC – a single structure located within the Office of the Premier in every Province.
- 5.1.3 Adjust the SDA to include a provision that requires each local Government Metro and District in each Province to work with the PSDF and ensure alignment of National-Provincial-Local skills development processes aligned to the District Development Model.
- 5.1.4 Adjust the SDA to include a provision that the current SETA function of developing a sector skills plan must include an annual evaluation of labour market absorption of the occupations identified by the sector as being in high demand including of data integration with SARS to evaluate the workforce through the use of the Organising Framework of Occupations (OFO) as an enabler.
- 5.1.5 And a provision that evaluates the development of occupations on the critical skills list used for immigration purposes.
- 5.1.6 Adjust the SDA to include a single national Management Labour Market Information System utilised across all SETAs as part of standardised system of shared SETA services.
- 5.1.7 Adjust the SDA to include a provision that requires all other national line Departments to always engage with the relevant SETA when they develop any form of strategic plan (such as master sector plan) that has skills development implications.
- 5.1.8 Recommend to National Government that an alignment of terminology between the SDA and the Immigration Act is affected so the same terminology is used, possibly simply a scarce skill list, as scarce skills are more occupationally aligned than critical skills, the latter often referring to skill within an occupation.
- 5.1.9 Recommend to National Government the progressive development of set of national policies for the identification, promotion and placement of South Africans in other countries as part of a carefully designed but agile and responsive skills development export programme, especially into the Africa labour market.

- 5.1.10 Adjust the SDA so as to remove the occupational qualification system functions of NAMB so that NAMB can be merged into the QCTO.
- 5.1.11 Adjust the SDA to expand the national artisan and apprenticeship development function of NAD in the SDA that could include the establishment of NADAD as a statutory Advisory Body to the DHET on Artisan and Apprenticeship Development.
- 5.1.12 Remove the provisions in the SDA that relate to QCTO and create a separate Occupational Qualifications System Act, similar to UMALUSI, under the General and Further Education and Training Quality Assurance Act, Act 58 of 2001.
- 5.1.13 Include a centralised and standardised workplace approval process within the QCTO as an integral part of the proposed Occupational Qualifications System Act.
- 5.1.14 Remove Chapters 4 Learnerships and Chapter 5 completely from the SDA and allow Learnerships to be regulated under the SETA Workplace Based Learning Programme Agreement Regulations while Skills Programmes are regulated, if necessary, under a much more flexible regime included in the new proposed Occupational Qualifications System Act and the QCTO.
- 5.1.15 Adjust the SDA to ensure there is a provision that requires ALL public and private skills development providers, inclusive of corporate/in-house academies to register with DHET but through the use of digital technology to ensure that registration is efficient and effective.
- 5.1.16 Progressively adjust the current Norms and Standards Funding Policies within the PSET System to progressively allocate more funds to TVET and CET Colleges and less funds to HEIs in line with proposed 2030 student population targets of the NDP.
- 5.1.17 Adjust the CET Act to allow TVET and CET Colleges to benefit from a % allocation of the skills levy from the NSF to develop the capacity for partnership creation at local district level.
- 5.1.18 Adjust the CET Act to ensure that Local Business leads the TVET College Councils, and that District Municipalities lead CET College Councils.
- 5.1.19 Adjust the CET Act to change the name of the Academic Board to a Work Based Learning Committee at each TVET and CET College.
- 5.1.20 Adjust the CET Act to ensure that a Head of each Provincial Education District is a member of a TVET College Council and CET College Council.
- 5.1.21 Support the establishment of SAIVCET but within a cost effective and efficient manner that ensures no duplication of functions between SAIVCET and exiting structures.
- 5.1.22 Adjust the SDA to include a provision that requires the Minister to determine and publish in the Gazette annually by 31st March a list of all relevant and related skills development funding and incentive schemes.

- 5.1.23 Remove Sections in the SDA and SDLA that currently exempt National and Provincial Departments from paying skills development levies.
- 5.1.24 Adjust the SETA Grant Regulations to allow for the following levy distribution:
- 20% to NSF
 - 7,5% for SETA Administration
 - 1,0% for QCTO
 - 1,5 % for Labour Market Information Research
 - 20% to 50% for Mandatory Grants based on a sliding scale linked to skills development spend and compliance by levy paying employers
 - Refund SETA surplus funds to employers that comply with mandatory grant requirements
 - 20% to 50% for Discretionary Grants with discretionary projects based on outputs and outcomes of the LMI research process + annual allocation for a shared services system.
- 5.1.25 Adjust Section 12H of Tax Act to align to and offer tax allowances for all work-based learning programmes registered with SETAs as defined in the workplace-based learning programme agreement regulations but with a review and tightening of definitions in the Workplace Based Learning Agreement Regulations.
- 5.1.26 Adjust the ETI Act to include all persons irrespective of age that are employed by SMMEs and offer a double ETI incentive if the same person is on a work-based learning programme registered with SETAs as defined in the workplace-based learning programme agreement regulations. The ETI Act should also be adjusted to include all age groups, increase the revenue range beyond the R8000 and include businesses of all sizes.
- 5.1.27 Adjust the B-BBEE Codes of Conduct to use the terminology “work-based learning programme agreements registered at SETAs” in the Learning Programme Matrix.
- 5.1.28 Align YES Programmes to use the terminology “work-based learning programme agreements registered at SETAs” and align to occupational based qualifications, part qualifications or skill programmes.
- 5.1.29 Include a provision in the SETA Grant Regulations to allocate 1% of the levy to QCTO but the final quantum of the % allocation that QCTO actually receives must continue to be determined by the Minister based on the advice of the NSA.
- 5.1.30 Remove the provision in the workplace-based learning programme agreement regulations to register Learnerships with the DHET.
- 5.1.31 Change the title of the SETA workplace-based learning programme agreement regulations to become Work Based Learning Regulations and require all employers to register their learners that are on all work-based learning programmes onto a single SETA shared services system.

5.2 Business Participation

In support of the above policy and legislative alignment recommendations the table below shows current participation of Business within relevant PSET System and Skills Development institutional structures and proposes possible areas of additional participation and where and how business representation could build capacity among business representatives to be able to participate effectively. However, Business participation should be considered in light of objective and effective resource management and the need to have the right role players representing on the various structures, as necessary. As was empathised in Table 1 the “QUALITY and CAPBILITY” of the people in the PSET system is probably the most critical success factor that must be considered as part of a policy improvement process.

Entity (Refer Acronyms)	Is Business there?	Is Business effective?	What is extent of current participation?	What and how could Business particcate more?	Where and how could capacity of Business to participate be grown?
NSA	Yes	Yes	Policy, strategy and plan development, Ministerial advice	Monitoring & evaluation of SETAs and advising Minister and DHET	Training on monitoring & evaluation
21 x SETAs Refer also to notes below on SETA and Business Communications and Representation.	Yes	No, but often due to resistance from within the SETA	Participate on governance structures, Boards and committees Approve & monitor policy	Collaboration across SETAs – standardisation, simplification greater labour market info gathered	Attend multi-SETA Business forums and collaborate more across SETAs
HRDC	Yes	Yes	Blockage identification and solution development to remove blockages	Greater collaboration with NSA to influence policy	Regular NSA - HRDC Business Representative touch base forums
QCTO	Yes	No	Participate on Governance Board and committees Approve & monitor policy and approve qualification documentation	Currency of qualifications and turn around speed, part qualifications with user friendly criteria, recognition of digital credentialing	Training on global work-based learning programmme methodologies and innovations such as those offered by ILO Training Centre in Turin
CHE	Yes	No	Participate on Governance	Work Based Learning &	Regular NSA - CHE Business

			Board and Committees Approve & monitor policy	Occupational Qualifications Labour market needs driven	Representative Touch Base Forums
NADAB	Yes	Yes	Advise on Artisan Development System and Processes	Transition Learnings from Artisan to Apprenticeships	Become formal statutory body with Board and Committees funded by DHET
50 x TVETs	Yes	No	Participate on Governance Board and Committees Approve & Monitor Policy	Leadership of TVET Councils in each Metro / District subject to resources being available	Allocate funding from NSF and training on QCTO & Occupational Qualifications System
9 X CETs	Yes	No	Participate on Governance Board and Committees Approve & Monitor Policy	Support District Municipalities with leadership of CET Councils in each Metro / District	Allocate funding from NSF and training on QCTO & Occupational Qualifications System
26 X HEIs	Yes	No	Participate on Governance Board and Committees Approve & Monitor Policy	Increase Work Based Learning & Occupational Qualifications	Training on QCTO & Occupational Qualifications System
DTIC (old DTI)	Yes	No	Representation on the B-BBEE Commission	Integrate more skills development processes and terminology into Integral part of B-BBEE Processes	Workshop with B-BBEE Commission Business Reps to become more aware of skills development needs
DSBD	No	No	Bilateral Engagements - no formal structure rather based on projects or programmes	Integral part of SME, Entrepreneurship and Incubation Coordination & Development	Consider setting closer collaboration, possibly through SA Chambers of Commerce.
DEL	Yes	Yes	Lobbying best opportunities to ensure that	Increase synergies and collaboration and resources	Support existing

			Business is always considered		process all the time
Provincial / Local Government	Yes	No	Participate on Provincial Skills Development Forum	Remove duplication and improve oversight and M&E of Local Government AND Local business.	Training on District Development Model
Local Business	Yes	No	Participate on Provincial Skills Development Forum	Consolidate current fragmented approach and build capacity at administrative levels	Training on District Development Model and Local Municipal Skills Development Analysis

Table 2: Business Representation and Involvement within PSET System Structures

A very significant **Challenge** that exists in many cases is the lack information feedback processes between SETAs and the Stakeholders in the Sectors. While the Annual General Meetings of SETAs are designed to cater for these processes, they are often inadequate in detail and focus purely on financial and audit reports.

Proposed Solution: All SETAs must be required to have a stakeholder relationship management policy and system in place that is evaluated annual by stakeholder based surveys. This may even be included in as a requirement of each SETA Constitution in order to enforce the process and make it subject to the annual audit process.

The above proposed solution will also support the need for Business representation on SETA Boards to be more directly involvement in the leadership and governance of the SETAs. A concise sample review analysis of the current SETA Board representations and constitutions has been carried out and is attached as Annexure B to this report. The analysis indicates that a relationship building approach is critical in that a much closer relationship needs to be built between Business Representatives and the Chairperson of the Board, as well as to strengthen the collaboration of business representatives across all the SETA Boards – Learn from each other what works bests!

5.3 Funding

South Africa does not skimp on funding for Education and Training. For the current budget year of 2021 – 2022 the Learning and Culture budget made up of Schooling + Post Schooling is R 402.9 billion, 8% of GDP that is estimated at R 4 921.0 billion²⁷. This further split with 5% for Schooling (the feeder system) and 3% for Post Schooling, the latter being equivalent to R 147,8 billion for 2021 -2022. These figures are almost double the world average for expenditure on Education as a % of GDP that was estimated at 4,5% for 2017 by the World Bank²⁸.

²⁷ National Treasury, Budget 2021/22, Budget Expenditure, February 2021, Pretoria South Africa.

²⁸ <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?end=2019&start=1991>

The same World Bank report indicated that in 2019 South Africa was sending 6,5% of GDP for Education, indicating that in the last two years the of % GDP has increased by 1,5%. While this is admirable, the obvious concern that is raised is why do we, as a country, then continue to struggle with the quality of outputs and outcomes of our Education and Training system, in particular why the persistent supply - demand gap that is reported ad nauseum continues to exist?

DHET²⁹ reports expenditure in the PSET System across five broad categories as is reflected in Figure 3 that shows trends over last five years.

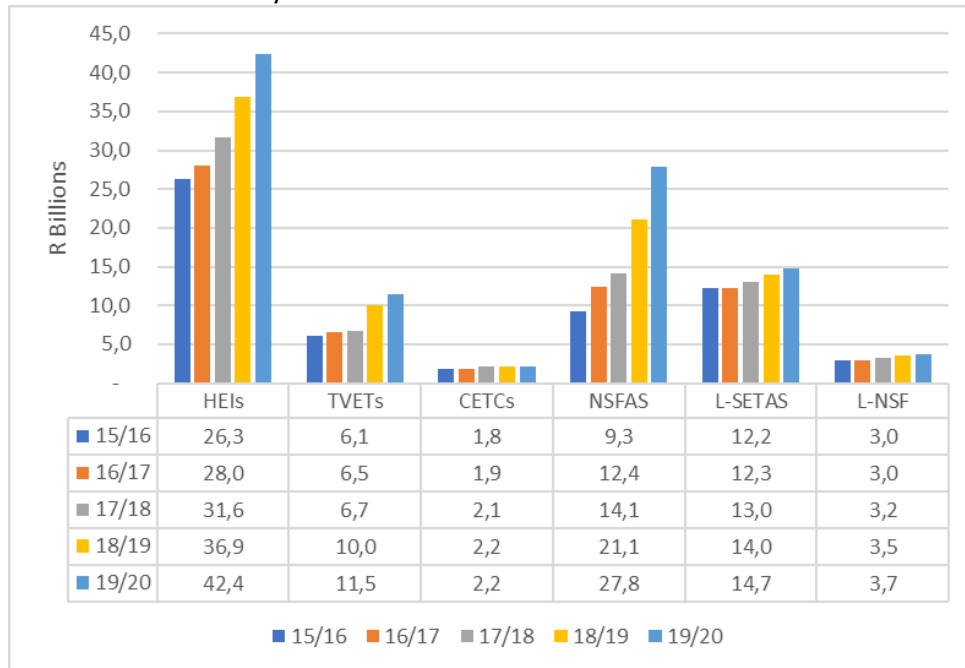


Figure 3: PSET System Expenditure Trends for Period 2015 to 2019 (Source DHET)

Figure 3 is further analysed by Table 3 that shows the Year on % Increase for each of the five broad categories

	15/16	16/17	% Inc	17/18	% Inc	18/19	% Inc	19/20	% Inc
HEIs	26,3	28,0	6,46%	31,6	12,86%	36,9	16,77%	42,4	14,91%
TVETs	6,1	6,5	6,56%	6,7	3,08%	10,0	49,25%	11,5	15,00%
CETCs	1,8	1,9	5,56%	2,1	10,53%	2,2	4,76%	2,2	0,00%
NSFAS	9,3	12,4	33,33%	14,1	13,71%	21,1	49,65%	27,8	31,75%
L-SETAS	12,2	12,3	0,82%	13,0	5,69%	14,0	7,69%	14,7	5,00%
L-NSF	3,0	3,0	0,00%	3,2	6,67%	3,5	9,38%	3,7	5,71%

Table 3: Year on Year % Increase in PSET Categories

²⁹ Department of Higher Education and Training, Statistics on Post School Education and Training in South Africa 2019, released March 2021, Pretoria South Africa.

It is clear from Figure 3 and Table 3 that the most significant investment in the PSET System has occurred within the Higher Education Sector and through the National Student Financial Aid Scheme. This is really no surprise given the No Fees Campaigns over the last few years for Higher Education. There were also significant increases to TVETs in the last two years while CETCs, SETA Levy and NSF Levy disbursements increments were in general slightly above inflation rates.

The above gives a sense of the large amounts of money being spent across the PSET System in South Africa, inclusive of money spent on skills development. It appears that **funding is not a challenge** but rather the **utilisation, allocation and application of the funding** is.

This Challenge is considered hereunder in three distinct ways:

Challenge 1: Perception of Skills Levy as a Tax: This is a serious problem in that it has resulted in many employers turning their back on the skills development system and process resulting in less and less opportunities for skills development, especially young people. This perception was a key finding in the 2020 ILO report³⁰ on skills levy systems in the SADC where it states that *“A majority of employers’ and workers’ organizations in the selected SADC countries perceived the training levy as just another form of taxation. This is particularly the case among small firms. However, in Mauritius, formal employers generally see the training fund as “instrumental to the developmental needs of the country”. Employers also expressed their dissatisfaction with the levy on the basis that there is a lack of clarity, transparency or agreement on the allocation of the levy.”*

The same ILO report under the section for South Africa includes very worrying comments such as:

- *companies, especially small firms, largely view the skills levy as an additional tax*
- *more and more business are getting impatient and people are asking more questions about the levy*
- *The previous reduction in the mandatory grant to 20 per cent resulted in many of the smaller levy-paying companies withdrawing from, and no longer participating with, the SETAs, as they perceived the time and work involved in submitting the paperwork required to access the mandatory grant “to be a waste of time”*
- *In terms of accessing the mandatory grants, “large numbers of small companies [noted] that the processes for applying were too complex and/or time consuming” (National Skills Authority 2019, 123). As a result, many such small firms end up viewing the skills development levy “as a tax and don’t look to reclaim any portion” (official, SETA, South Africa). The information and support documentation used to populate the workplace skills plan and annual training report should be standardized for all SETAs (personal communication, employers’ organization, South Africa).*

Proposed Solution: Business should stress the need for National Government to reverse this negative trend by firstly allowing more companies to participate in the grant system through a much more simplified standardised system AND incentivise employers to increase skills development spend to access an increasingly large portion of the mandatory grant as is proposed through the sliding scale or another option mechanism in Section 4.3.1 Skills Development Levy System. National Government and in particular in some cases the SETAs need to ensure that messaging and communications refer to a levy system and NOT tax system, a requirement that should be included in the SETA Stakeholder Relationship Management System.

³⁰ A Review of Skills Levy Systems in Countries of the Southern African Development Community, Geneva: ILO 2020.

Challenge 2: No Return-on-Investment Measurement on Funding: While the overall 8% of GDP spend on education and training is commendable, there does not appear to be a system in South Africa that determines what is the Return on Investment for such a significant amount of funding. Return on Investment mechanisms that often include productivity measurements are becoming more and more important in skills development and many models are emerging through international research organisation such as UNEVOC³¹.

Proposed Solution: Business should propose a partnership with National Government to develop a countrywide Return on Investment System (ROI) for skills development based on an industry demand led model and include relevant local and international agencies with expertise in this field. The outputs and outcomes of the ROI system must then be fed into future policy development processes.

Challenge 3: Fragmented, Un-Linked and Non-Standardised Funding: A regular difficulty experienced by students or Learners in the PSET System is the inability to receive funding for a complete programme from beginning to end. This blockage is often experienced by Learners from TVET Colleges who may have received funding for their intuitional component (college) but once completed they then have to start hunting all over again for the funding for the workplace component in order to complete or complement their learning at the College.

This relates to the linking of Fiscus Funding with Levy System Funding around a single learner on a single programme. One of the difficulties of the COS programme that is being rolled out by DHET is to get SETAs to commit to adding the artisan learner grant to the College funds so that a learner can rotate seamlessly between theory (college) and practical (workplace) without being worried about funding. Funding is also often completely non standardised with different SETAs and Institutions offering different amounts for the same or similar programmes – often resulting in Learner’s programme hopping to get a better deal. The disparity across Learner stipends is all a matter of concern that results in further programme hopping as is the insistence by Bargaining Councils that employers often pay much more than is considered a standard or minimum stipend for a learner.

Proposed Solution: Business to offer technical expertise and support to the DHET to assist them with Section 7.2 of the PSET Plan³² to develop key strategies for funding and resourcing the PSET system. In particular Business should work with their SETA representatives to implement what is referred to as joined-up funding between fiscal funding and skills development levy funding in general, and particularly in areas such as the development of workplace-based and work-integrated learning platforms. Where possible this work must include emerging research into what is known as Innovative Financing models that have emerged as direct consequence of COVID 19³³. It is important to note that *“researchers argue that merely advocating for increased resources has not been shown to be effective; instead, they recommend a blend of traditional resources (government and donor funding) and non-traditional resources (such as private philanthropy), and a collaborative model to ensure that these collective funds flow to priority areas as needed.”* These new collaborative models need to be carefully crafted within a joined up or linked funding process around the person – a Learner.

³¹ Understanding the Return on Investment from TVET: A practical Guide, Published in 2020 by the United Nations Educational, Scientific and Cultural Organization, France and National Centre for Vocational Education Research (NCVER) Australia.

³² Department of Higher Education and Training, National Plan for Post School Education and Training 2020 – 2030, forthcoming, Pretoria, South Africa.

³³ Learning and ‘Building Back Better, An Early Research Response to the Impact of COVID-19 on South Africa’s Education System, James Keevy, Zaahedah Vally, Andrew Paterson, Milisa Janda and Amina Osman, Printed and published by the Commonwealth Secretariat, 2021.

6. Conclusion

This analytical and objective desktop, secondary research-based analysis of the broad PSET system as an overarching and comprehensive instrument to analyse the policies that underpin the NSDP 2030 has clearly shown that, although South Africa spends almost double the global average % of GDP on education, training and development, the system needs considerable reform.

The analysis indicates that there are definite pockets of progress toward a more industry demand led (employer side) system that attempts to close out the supply and demand gap for skilled persons. However, the lack of systemic coordination, integration and, in many cases standardisation of processes remain a serious weakness that could be addressed by the thirty one proposed policy adjustment recommendations as detailed in Section 5 of this report.

BUSA (and in fact any of its social partners) can utilise this generic, objective analytical report, and where necessary the more detailed in-depth analysis attached to this report as an Annexure, to determine a prioritised and phased approach to skills development policy adjustment and improvement in the country over the next few years as South Africa climbs out of the economic growth abyss created by the COVID 19 pandemic.

Footnotes that reference source documents where relevant have been utilised throughout specific pages in this report for ease of reference by readers. However, a more detailed document reference section is included as part of the detailed analysis attached as an Annexure that may also be the basis for further research should it be required.