

18 February 2018

**Minister Hlengiwe Mkhize**  
**Minister of Higher Education and Training: Republic of South Africa**  
Private Bag X17  
Pretoria  
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By Email: [SetaLandScape@dhet.gov.za](mailto:SetaLandScape@dhet.gov.za)

Dear Minister,

**COMMENTS FROM EMPLOYERS TO THE PROPOSED NATIONAL SKILLS DEVELOPMENT PLAN (GG 41332, 15 DECEMBER 2017)**

**About Business Unity South Africa**

Business Unity South Africa (BUSA) is a confederation of business organisations including chambers of commerce and industry, professional associations, corporate associations and unisectoral organisations. It represents South African business on macro-economic and high-level issues that affect it at the national and international levels. BUSA's function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors, can thrive, expand and be competitive.

As the principal representative of business in South Africa, BUSA represents the views of its members in a number of national structures and bodies, both statutory and non-statutory. BUSA also represents businesses' interests in the National Economic Development and Labour Council (NEDLAC). Internationally, BUSA is a member of the International Organisation of Employers (IOE), the Pan-African Employers' Confederation (PEC) the Africa Employers' Group and the Southern Africa Development Community (SADC) Employers' Group. BUSA is also the official representative of business at the International Labour Organisation (ILO), the African Union (AU) Social Affairs Commission, B-20, the Organisation for Economic Cooperation and Development (OECD) and World Trade Organisation.

## **Executive Summary**

BUSA is deeply disappointed at the proposals contained in the latest version of the proposed NSDP as per Government Gazette 41332 dated 15 December 2017. It reflects few, if any, significant changes to the previous version published in November 2016, which was extensively debated through the NEDLAC process and, as was the case with the earlier version, none of the key proposals submitted by BUSA has been included.

When the first proposals on the new landscape were published in November 2015, BUSA saw this as a real opportunity to develop a fresh and more inclusive vision and approach to skills development in our country and, importantly, one which would have the full support of both ourselves and government and thereby significantly increase the contribution made by business in this very critical area. To this end, we employed the services of an internationally respected expert in skills systems, Dr Mike Hanson, to assist us in the development of our proposals. Moreover, BUSA also held a number of workshops for business representatives in this process, which included representatives from a number of companies not affiliated to BUSA. A broader consultative base was engaged owing to the national importance of the skills development system, with at least five hundred (500) business representatives reached through the Constituency Capacity Building and Advocacy (CCBA) project.

Notwithstanding these efforts, as stated above, the DHET chose to ignore every key proposal made by BUSA in its revised version of the landscape published in November 2016. However, in good faith BUSA continued to participate in the discussions on the new landscape, including a series of meetings held over 6 months from January to July 2017 at NEDLAC as well as other bi-laterals with both Government and organised labour. At these meetings, business continued to put forward its views on what would constitute an effective skills landscape for South Africa.

Despite this, Government has again chosen to propose a landscape which, in our view, contains few real changes to existing structures and relies on additional regulations and controls to address the existing problems in a deeply flawed system which, in the words of a report presented to the HRDC in 2013, has “failed in its objectives”.

During the discussions on the skills landscape, BUSA has tabled a number of detailed documents and, as the DHET is already in possession of these, it is considered to be unnecessary to duplicate them here. For this reason, we include only the following:

- Key Employer proposals on the Skills Landscape (below)
- Overview of Business position at NEDLAC (Annexure 1)

### **KEY EMPLOYER PROPOSALS ON THE SKILLS LANDSCAPE**

- We propose a changed SETA landscape with 2 possible options- either retaining the good SETAs and having other arrangements in sectors which have non-performing ones, or else have 9 SETAs based on the OFO Codes.
- Discretionary grants should not be paid for formal qualifications only. Shorter courses (accredited and non-accredited) identified by employers should also be covered.
- The focus should be on demand-led training, economically significant skills and training for employability taking into account the changes brought about by the 4<sup>th</sup> industrial revolution and Future of Work.

- The mandatory grant should be set at 40% to allow employers to train for their own needs and those of their workers.
- Levy grant issues should be decoupled from labour market intelligence and separate exercises are needed to assess national and sector skills needs on the one hand and what grants should be payable to individual employers for training on the other.
- The primary purpose of the levy is to develop the skills of employees. New entrants into the sector should also be funded where employers provide relevant workplace experience. The levy must not be used for general post school education and other unrelated matters
- TVET should be provided by both public and private providers in a competitive environment.
- A transparent and accountable payment system should replace the current arrangements whereby the levy is collected by a Skills Funding Agency which would be responsible for all payments including those to the NSF and the SETAs. It would have no policy role in deciding what payments should be made. It would be required to publish regular reports and accounts. Apart from operating costs, no levy funds would be handled by the SETAs.
- Companies that have been receiving mandatory grants for 5 years or more should be exempted from the grant portion of the levy.
- A National Skills and Employment Council should be established to achieve consensus on a skills development strategy and to monitor its implementation. It should not fall under the DHET as it would need to review all aspects of government policy and also monitor the DHET's performance. The National Skills Authority (NSA) should be disbanded and its functions would then fall under this body.

#### **Gazette: Further comments**

The NSDP (Government Gazette No 41332 of 15 December 2017) recognises that it is “necessary to re-examine systems and structures to ensure that South Africa is making the best use of resources” (Introduction, p. 4). However, it is even more important to critically re-examine the underlying principles of the skills development system to ensure that they are appropriate for the changing nature of the world of work as well as the skills that will equip our workforce for the next 5 to 10 years and grow the economy.

The current skills system has not been successful in meeting national objectives in terms of the current strategy, funding model and skills institutions and there is therefore an urgent need for changes to the system.

A key business principle is that structure follows strategy, therefore the national strategy should be agreed prior to finalisation of the structures that are required to support the strategy. Reference is made to additional policy documents such as the National Plan on Post School Education and Training. It is critical that such documents are integrated, aligned and harmonised in order to create a cohesive system.

The following principles were agreed by BUSA as a basis to guide judgements that employers make about skills development:

- Skills Development is a shared responsibility, primarily between government and employers, who, with other stakeholders, are concerned to promote the interests of workers;

- The National Skills Development plan/strategy should focus on demand-led training, concentrating on economically significant skills and training for employability, which includes the key element of work integrated learning (WIL);
- Technical, Vocational Education and Training (TVET) should be offered by a variety of public and private providers in a competitive environment;
- A TVET system needs to be flexible, anticipating and responding to labour market demands, needs and developments such as the Fourth Industrial revolution. A centrally managed training system is inappropriate;
- Historically, additional resources have been allocated to the existing systems without achieving qualitative outcomes;
- The Skills Development Levy is a key source of revenue to encourage workplace learning and to offer incentives to employers to invest in their employees through training and development. It is not a general revenue stream for all post-school education and training. The allocation of funds must be transparent and properly governed and parties / authorities held accountable for their efficient use;
- Business has provided detailed input into a proposed QCTO Business Case in 2017 and reiterates that the QCTO must be effectively resourced in order to fulfil their approved mandate and there should be a single integrated system;
- The reference to the National Skills Accord is noted. In 2011, Business committed to the Skills Accord and the principles of the accord and related commitments remain relevant. It must, however, be noted that the Skills Development Levy legislative framework was different in 2011 to the current grant dispensation. The reduced mandatory grants remain an issue of concern for business;
- The increasing divide between Basic Education and Post School Education and Training must be addressed and a solution to this challenge could include bridging programmes for work readiness, which must be funded by the fiscus.

## **Overview of Business position at NEDLAC: January to July 2017**

### **INTRODUCTION AND THE CHANGING WORLD OF WORK**

- Skills strategies need to focus on future needs not current or past needs;
- The labour market is changing fundamentally on the basis of changing technology and ICT advances;
- Labour market actors need to anticipate change and become more entrepreneurial in approach;
- Work organisation is changing rapidly particularly for international and larger organisations;
- The drive to enhance competitiveness and productivity is essential for economic growth;
- Greater coherence is needed in strategic approaches that span different elements (e.g. skills, BBBEE, the TVET system and the HE system);
- Policy changes should be based on research, evidence and take cognisance of capacity constraints;
- A co-ordinated strategy is essential – it cannot be a standalone initiative;
- Institutional proliferation causes confusion and incoherence in the system;
- The business community has a critical role to play in shaping the strategy;
- The social partners need to unite on the basis of common goals not demands.

### **SPECIFIC CHALLENGES**

- A vastly unequal and underperforming education system for most South Africans;
- Growing youth unemployment;
- Deepening income inequality;
- Lack of economic growth;
- A complex skills system with numerous layers of baffling bureaucracy that serve as a disincentive to many employers to engage with the system;
- Lack of social cohesion aggravated by high unemployment and poor service delivery;
- Although employer engagement has been impressive in some public policy areas, the necessary partnership between government and other social partners in post-school education and training remains underdeveloped.

- Recognition is needed that the development of post-school education will not be achieved by government alone. South Africa is a mixed economy, the vast majority of jobs are generated by the private sector and there must be mutual acceptance of the legitimate role of the private sector in post-school education and training.

## **ROLE OF EMPLOYERS**

- In every successful skills system in the world, employers have a key and proactive role to play in shaping the system, funding the system, identifying skills demand and providing workplace learning opportunities and employment opportunities for young people
- Employers cannot become passive recipients of centralised directives from government or national policies where there has not been meaningful engagement
- Employers can provide strategic leadership, important information on the changing demand for skills and provide direction as to how the system can contribute to national economic goals
- Employers can participate in research activities that demonstrate the value of training as a business imperative and an investment rather than a cost (e.g. MerSETA COMET initiative and SSACI innovative projects).

## **IDENTIFYING THE DEMAND FOR SKILLS**

- Effective labour market intelligence is critical for long-term planning
- It is clear that WSPs submitted to SETAs cannot form the platform for identifying skills demand – the financial penalties (loss of grants) for employers deviating from a plan submitted at the beginning of the year results in the fact that plans are generally prepared as a compliance exercise rather than a strategic statement of intent or future need
- Consideration should be given to the appointment of an expert research institution with strategic insight to conduct this work on a national basis (not manpower planning) e.g. LMIP
- Three types of skills mismatch are commonly identified:
  - A demand mismatch
  - An educational supply mismatch
  - A qualification jobs mismatch
- In addition, a communication mismatch should be added – lack of information or contradictory information that confuses both employers and labour market entrants.



## FUNDING

- South Africa has a major advantage in the form of a levy system that brings in very significant income, but the management of the system is generally opaque and the outcomes doubtful in terms of training outcomes.
- The goals of skills development need to be agreed, clear and transparent.
- The prime purpose of the skills development levy as stated in the Skills Development Act on the basis of social partner consensus was to encourage workplace learning and the levy was introduced as a dedicated skills levy, not as an education levy.
- The complexity and bureaucracy of the grant system has limited the impact of the levy across the system e.g. employers often have to deal with multiple SETAs with different turnaround times and deadline dates.
- The fact that grants focus on NQF-based training does not take cognisance of the South African reality – a growing population in an environment with low economic growth, an influx of immigrants, very high unemployment, and an urgent need for skills for employability. This means that short courses are relevant.
- The poor basic education system of many workers results in a need for funding for bridging programmes, upskilling and retraining and short programmes make a major contribution to this objective.
- The complexity of the funding system and the lack of accountability and impact assessment requires serious attention. An independent skills funding agency responsible for making all payments should be established.
- Radical thinking is needed – for example - to exempt high performing organisations from levy payments as is the case in Brazil.
- Dedicated research is needed to enhance the funding dispensation and pilot projects introduced to test different approaches where necessary.
- Access to funding on a competitive basis is essential: non-performing SETAs, colleges or other provider institutions should not receive funding - this should be directed to organisations that demonstrate effectiveness, throughput and impact.
- Innovative projects based on national skills demands should be implemented by expert agencies on the basis of a transparent, competitive bidding process to provide examples of best practice that could be emulated by other organisations at a later stage (e.g. SSACI, AATP pilot project).

- The operation of the NSF does not command confidence, yet it represents a useful source of finance for innovation.

## **INSTITUTIONAL LANDSCAPE**

- It is problematic to agree that the status quo with regard to the SETA institutional landscape should remain unchanged since the poorly performing SETAs would be licensed to continue to perform poorly with negative consequences for employers in their sector as well as learners.
- After 17 years of SETA operations, the challenges remain undiminished as one cannot expect the DHET to suddenly develop the capacity to manage and improve the system.
- International experience suggests that nine fields based on the OFO codes would be appropriate so the current 21 SETAs could be restructured into nine SETAs.
- SETAs should have a limited focus and not be expected to engage in a host of diverse activities that change periodically in terms of priorities and funding regimes.
- Their work should be driven by initiatives directed at outputs and impact, not by random numerical targets.
- Their key role should be an enabling function to facilitate and support workplace training activities.
- They should not be expected to develop Sector Skills Plans (generally a consultant-driven process) - this work should be conducted by a central, expert research agency contracted to work on the basis of strategic requirements of the economy and changing skills demands.
- SETAs should not be expected to play the gatekeeper, intermediary role between education institutions and the world of work – business and employer organisations should take responsibility for this role.
- A national skills and employment council should be established – the main function of which should be to achieve consensus on a skills development strategy and to monitor its implementation.

The current sector-based approach has been overtaken by events – consideration should be given to the bold step of reorganising the system on the basis of occupational fields (i.e. skills-based and not sector-based.) Any such radical change would need to be undertaken on the basis of research and in-depth discussion.



## TVET ROLE

- The TVET system should become one that is flexible and responsive to the needs of industry – not one that is centrally managed and driven;
- Throughput, innovation and excellence should be recognised and rewarded at the colleges;
- Expansion of the TVET college system should be based on strategic planning, costing and recognition of the negative impact on quality of a burgeoning system that does not have proper financial or management support;
- Consideration should be given to the use of new technology to enhance learning such as e-Learning platforms;
- Partnerships should be promoted with industry based on provincial strategies and imperatives;
- Alliances and partnership agreements with expert private and industry providers should be promoted to the benefit of the system as a whole;
- Competition should form the cornerstone of the system – projects should be awarded to the most capable provider whether public or private;

Lecturer/industry exchanges should be actively promoted as well as use of industry experts to lecture at colleges and share expertise, modern technology, approaches and workplace culture.