

3212

## **SOUTH AFRICA'S**

# **NATIONAL SKILLS DEVELOPMENT STRATEGY:**

## **An empowering system of HRD**

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**Research Programme on HRD**

**Human Sciences Research Council**

**Pretoria, South Africa**

**paper presented at the**

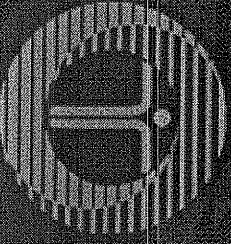
**Asia HRD Congress**

**26<sup>th</sup>-28<sup>th</sup> July 2004**

**Kuala Lumpur, Malaysia**

HSRC RESEARCH OUTPUTS


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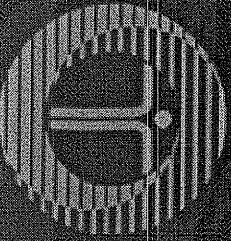
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# EXECUTIVE SUMMARY

## TRANSFORMING THE OLD APARTHEID SYSTEM OF TRAINING INTO SOMETHING NEW AND EMPOWERING

Requiring a shift from:  to:

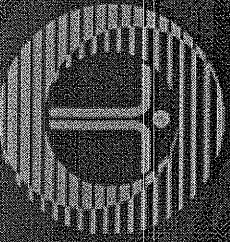
<b>APARTHEID TRAINING SYSTEM</b>	<b>POST-APARTHEID NATIONAL SKILLS DEVELOPMENT STRATEGY</b>
Minimal training – blacks excluded	Aim to massively expand training – aimed largely at the previously disadvantaged black population
Short-term in focus	Medium- to long-term planning
Reliant on market forces to determine training needs	Regulated through a balance of market and state initiatives



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# BREAKDOWN OF SECTIONS

- Apartheid's poor education and training legacy
- The new post-Apartheid National Skills Development Strategy (NSDS)
- Problems facing the NSDS

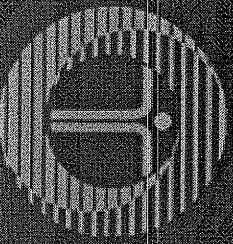


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## **APARTHEID'S POOR EDUCATION AND TRAINING LEGACY**

### **ET indicators:**

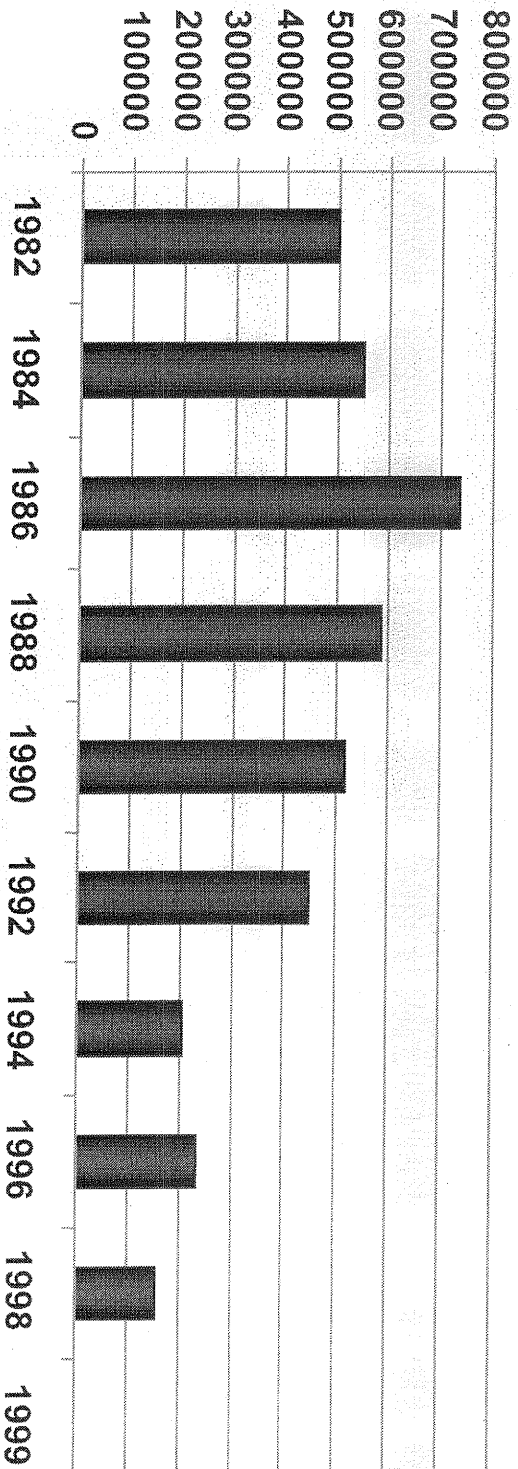
- **A poor industrial training base**
- **Poor schooling throughput**
- **Poor mathematics and science foundation**
- **Highly skewed post-secondary enrolments**



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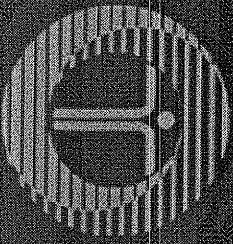
# INDICATORS OF THE DECLINE OF TRAINING

Total number of employed and unemployed workers receiving training



## Indenturing of Apprentices by industrial sector

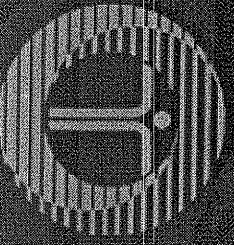
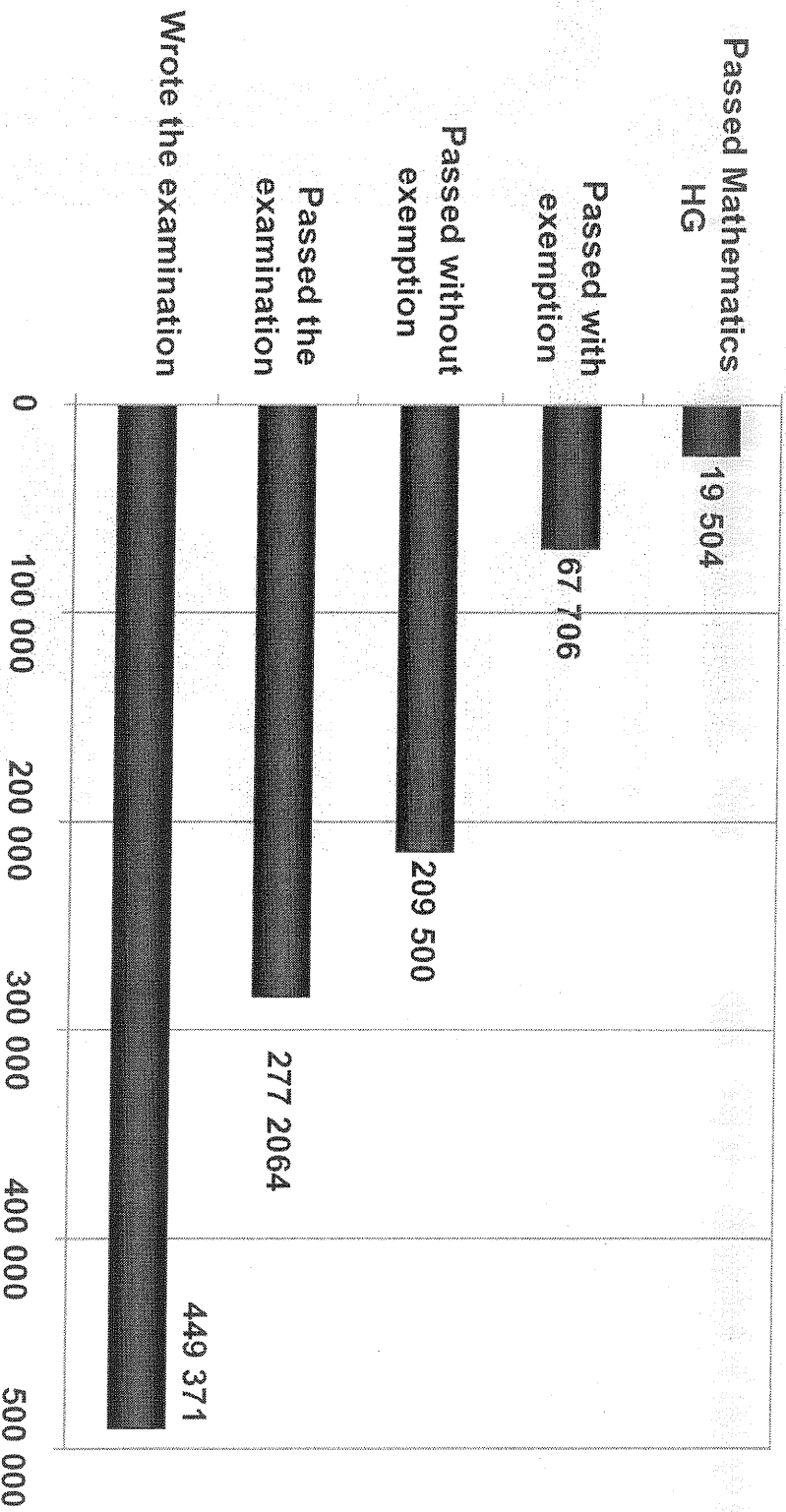
YEAR	1993	1994	1995	1996	1997	1998	1999	RATE OF CHANGE Between 1993
TOTAL	9362	3960	5235	5554	5607	4057	2556	-54.0



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# APARTHEID'S POOR EDUCATION LEGACY

## 2001 Matriculation examination results



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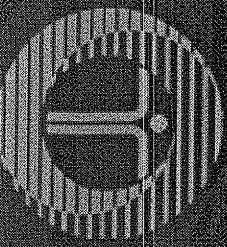
## Poor Mathematics and Science achievement

### AVERAGE LITERACY AND NUMERACY SCORES OF GRADE FOUR LEARNERS, MLA INITIATIVE, 1999

Country	Average literacy score (percentages)	Average numeracy score (percentages)
Mauritius	61.0	58.5
Tunisia	77.9	60.4
Senegal	48.9	39.7
Malawi	35.0	43.0
South Africa	48.1	30.0
Zambia	43.0	36.0

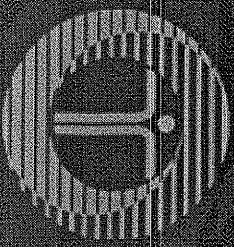
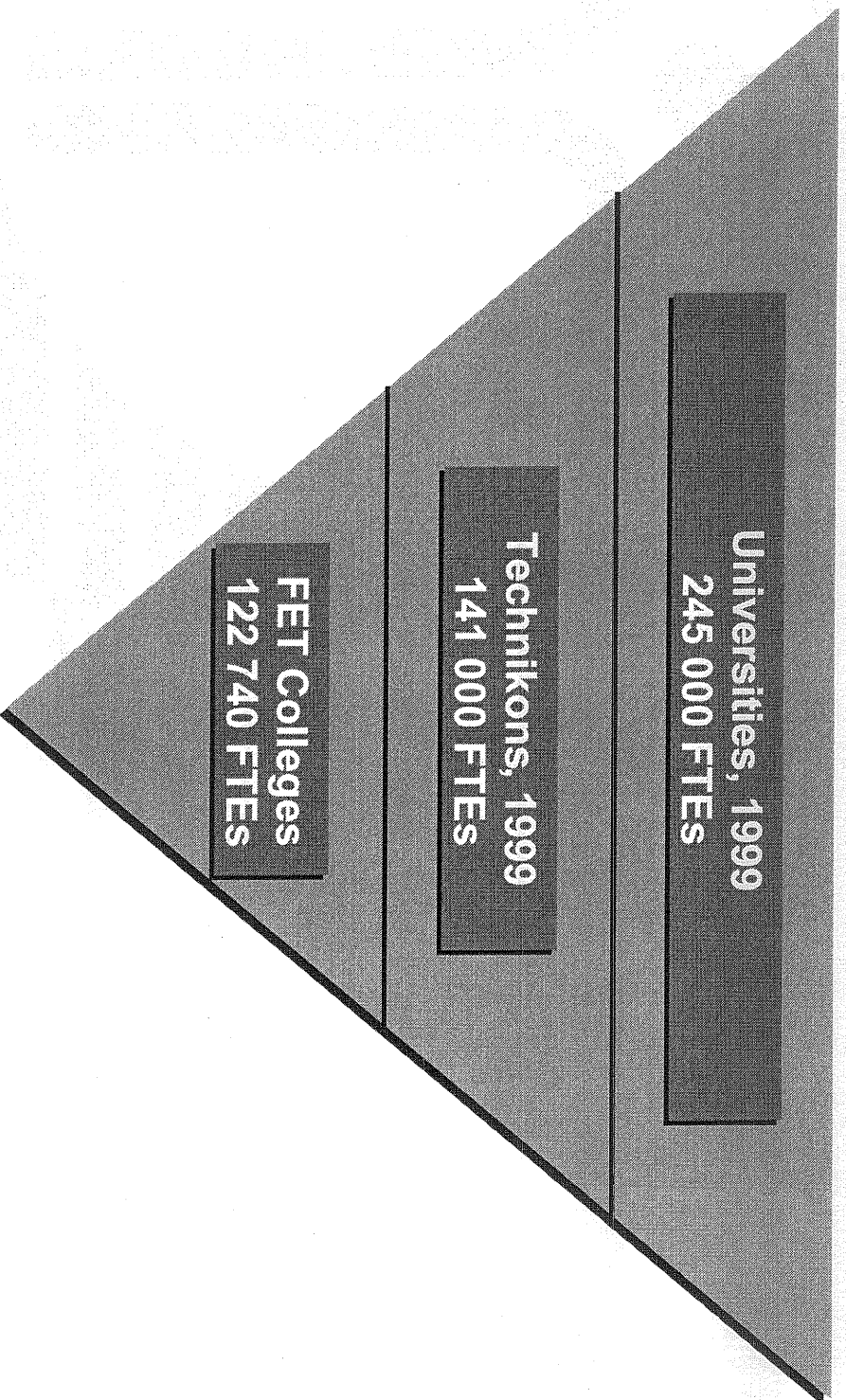
### MATHEMATICS MEAN SCORE TIMSS 1999

Singapore	604
Australia	525
Malaysia	519
United States	502
England	496
International Avg.	487
Tunisia	448
Chile	392
Philippines	345
Morocco	337
South Africa	275



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# **Skewed enrolments in Post-Secondary and Higher Education and Training: The inverted triangle**



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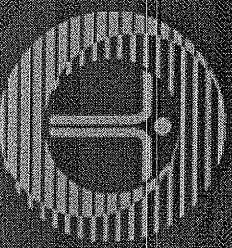


# SCHOOL SYSTEM INEFFICIENCIES

## Repeater and dropout rates, 1997

Grade	Repeater rate	Dropout rate
1	24.0	-
2	9.8	3.9
3	9.6	3.1
4	10.2	4.7
5	9.3	4.4
6	7.2	5.2
7	6.2	-
8	16.7	7.5
9	16.1	7.3
10	18.1	9.7
11	19.4	14.1
12	17.8	-

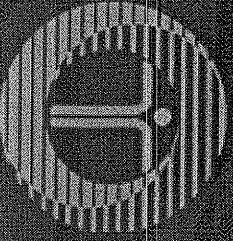
Average drop out rate p.a. is 3%.



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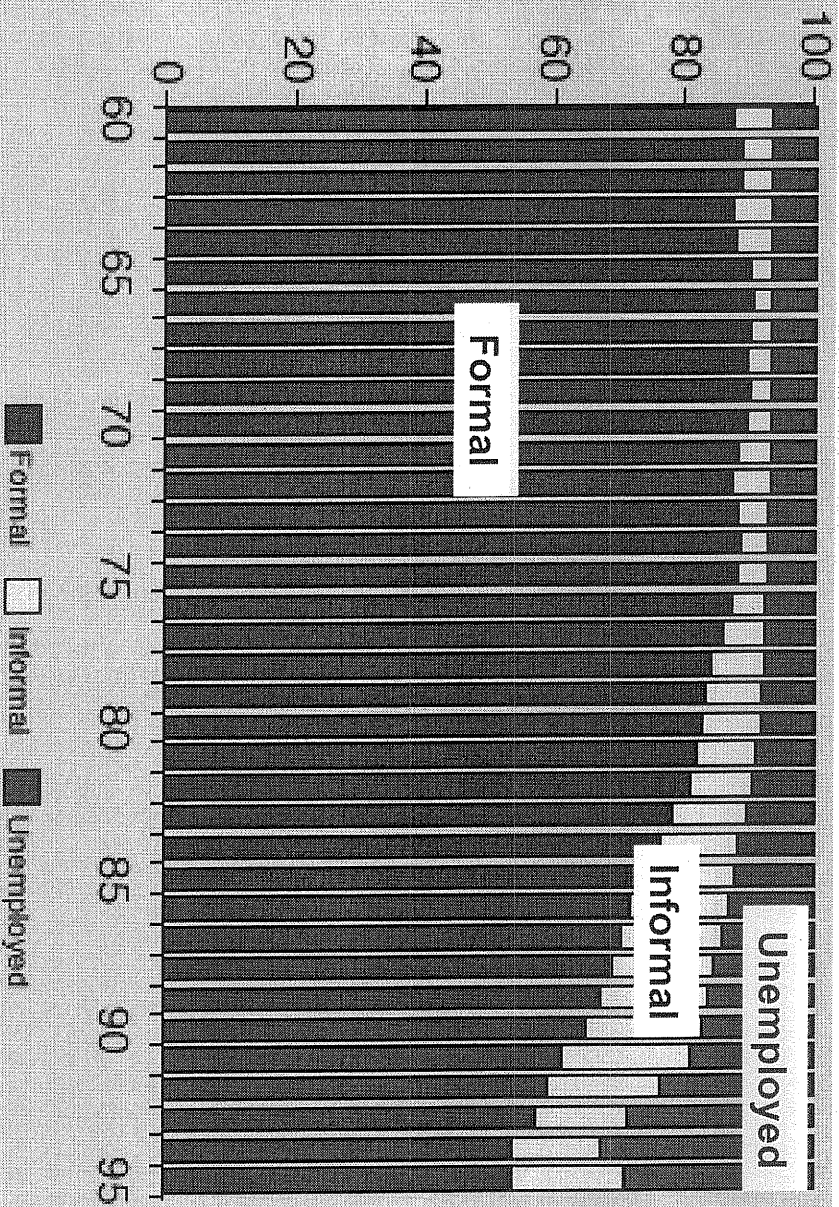
## **Economic indicators:**

- └ Declining formal sector employment
- └ Large-scale unemployment by race and age



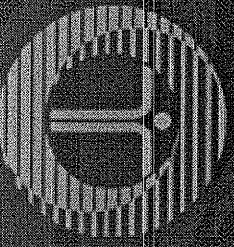
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# Formal, Informal Employment & Unemployment 1960 -1995

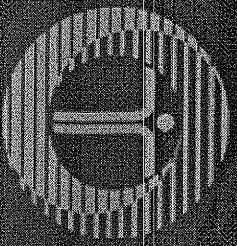
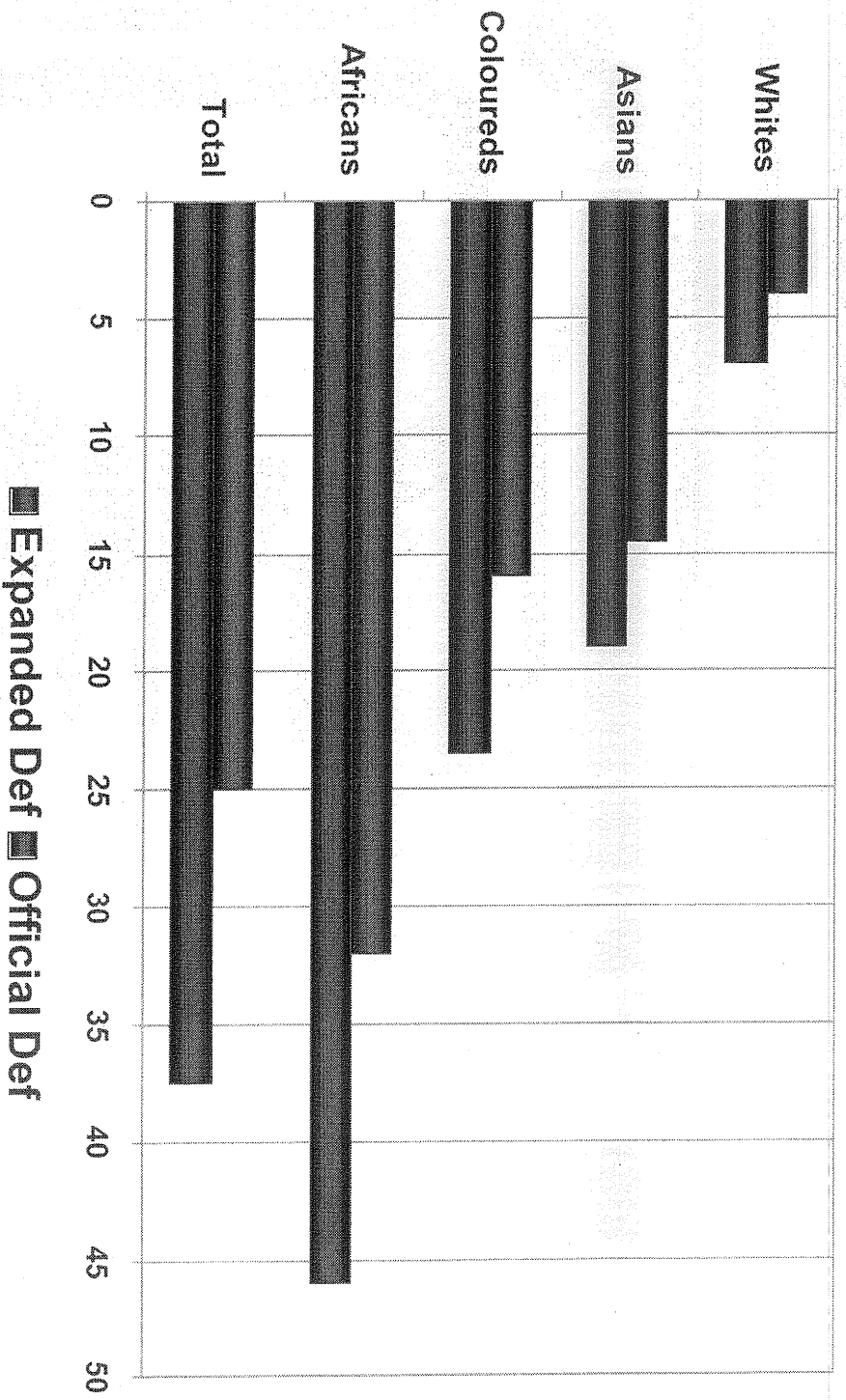


SOURCES: CS9, WEFA

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# Unemployed by Population, Official and Expanded



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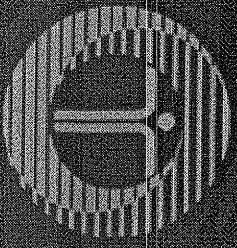
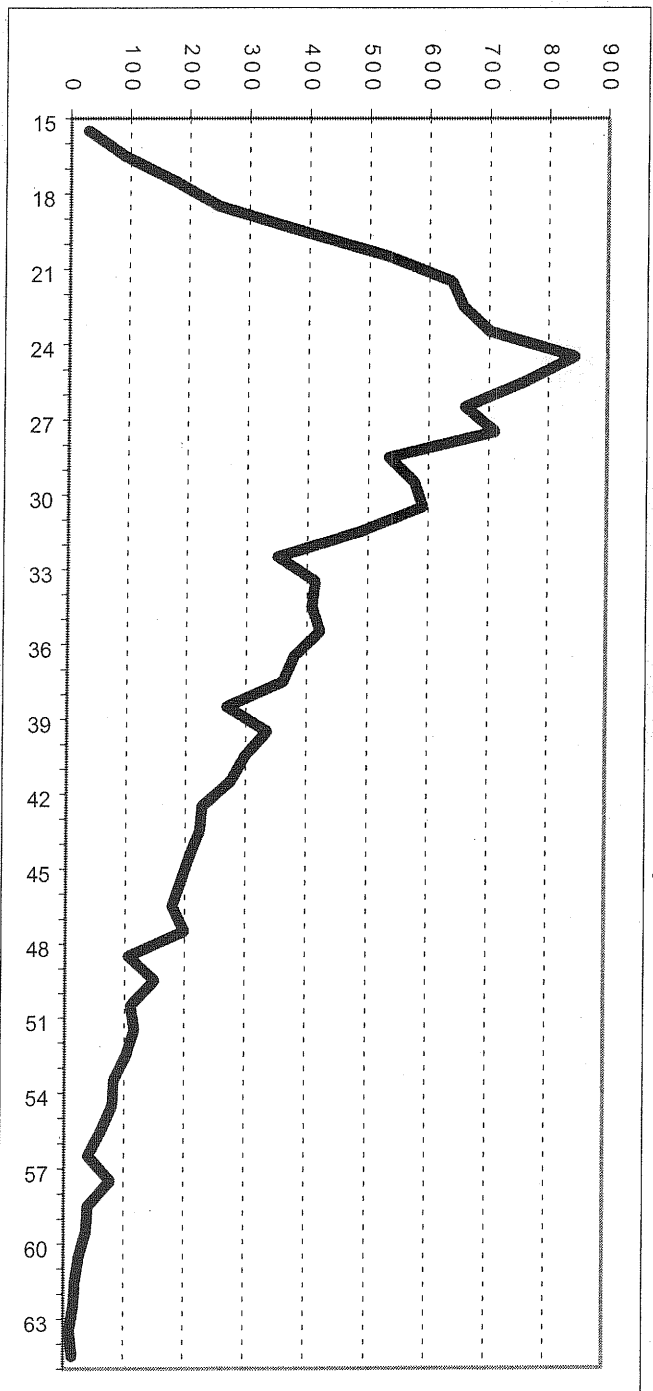
# UNEMPLOYMENT BY AGE

1.1 million jobs were created, 1995-1999

3.1 million individuals entered the job market

shortfall of 2 million jobs

Number of unemployed by age (1000s)

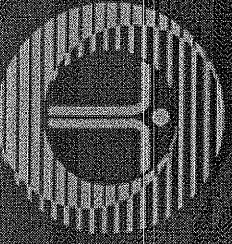


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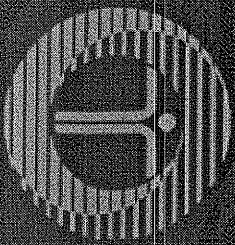
## PATHWAYS OF YOUNG SCHOOL LEAVERS

Of each annual school-leaving cohort that enters the labour market or post-school study for the first time:

- |  |
|--|
| <ul style="list-style-type: none"><li>• 7 percent enter public higher education</li></ul>  |
| <ul style="list-style-type: none"><li>• 12 percent enter other forms of further and higher learning (private higher education, public and private FET colleges, and pre-employment training)</li></ul> |
| <ul style="list-style-type: none"><li>• 30 percent get jobs</li></ul>  |
| <ul style="list-style-type: none"><li>• 51 per cent are unemployed (rises to 71 percent per year for African first-time entrants)</li></ul>  |



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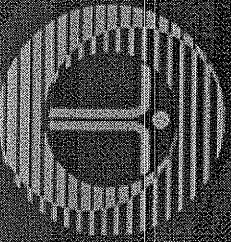


# **The National Skills Development Strategy (NSDS)**

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## **HISTORY OF THE NSDS**

- 1994 First democratic elections; ANC government elected
- 1997 Green Paper on a Skills Development Strategy
- 1998 Promulgation of Skills Development Act
- 1999 Promulgation of Skills Development Levies Act
- 2001 Launch of first National Skills Development Strategy
- 2005 Launch of second National Skills Development Strategy

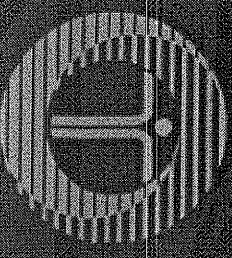


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## **FOUR CORE FEATURES OF THE NSDS**

- 1) A 'development' state – with a strong focus on improving planning and coordination
- 2) A new institutional and funding system
- 3) A demand-driven model
- 4) A multi-level strategy: promoting high-, intermediate-and low-level skills

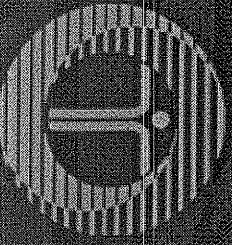


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# 1) A 'DEVELOPMENT' STATE

## Main aim of the 1998 Skills Development Act:

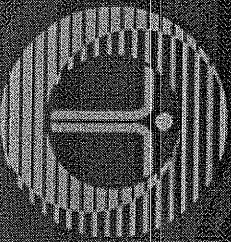
- Takes a long-term view of training, not short-termist as in the Apartheid past
- Strong emphasis on coordination and planning
- Need a new institutional environment to carry out this level of coordination and planning: 'cant be left to market forces alone'
- The new institutions are seen as intermediary structures providing the incentives and social obligations to invest in training.



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## PLANNING

1. A further key feature of the NSDS is its emphasis on national and sectoral planning
2. Successful planning and coordination require sophisticated national, sectoral and localised data.
3. The logic of the overall planning cycle is as follows:
  - the Skills Development Planning Unit in the Department of Labour provides guidelines
  - Workplace Skill Plans are produced each year
  - Sector Skills Plans are developed every four years, with annual updates
  - The NSDS is to be published every four years

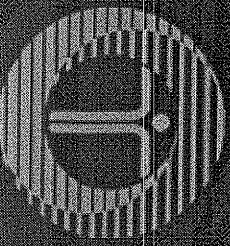


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### Meeting planned targets

The NSDS has set very specific success indicators that need to be achieved by March 2005.

- Blacks must constitute 85% of training beneficiaries; Women 54%; and Disabled 4%.
- 70% of the formally employed workforce must possess qualifications at NQF Level 1 (Grade 9).
- A minimum of 15% of the formally employed workforce must move up one level on the National Qualifications Framework.
- 75% of enterprises with more than 150 workers (large firms) are receiving skills development.
- At least 40% of enterprises employing between 50 and 150 workers (medium firms) are receiving skills development grants.
- At least 20% of SMMEs to be supported in skills development initiatives
- A minimum of 80 000 people have entered learnerships
- A minimum of 50% of those who have completed Learnerships are, within 6 months of completion, employed, in full-time study or further training, or are in a social development programme.

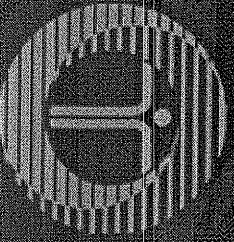


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## **2) NEW INSTITUTIONS AND A NEW FUNDING SYSTEM**

Key components of new institutional regime:

- 1) A new funding system – the levy-grant
- 2) Learnerships
- 3) The establishment of 25 SETAs in March 2000
- 4) The establishment of the National Skills Authority (NSA) in April 1999



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## **A NEW FUNDING FRAMEWORK**

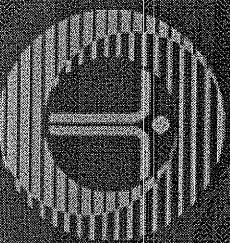
In the past, employers who trained their employees qualified for tax concessions from the state

- high levels of tax abuse

A voluntary industry-based levy system administered by Industry Training Boards (ITBs) was introduced in 1990, but it failed because:

- the implicit voluntarism in the system.
- Not all economic sectors established ITBs or levies
- difficulties in collecting levies
- poor quality delivery

The old National Training Board acknowledged 'market failure' and the clear need for 'state intervention in the training system'

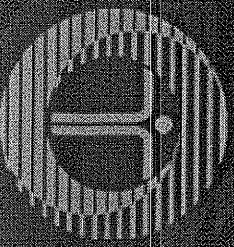


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## The levy-grant system

Key elements of the new funding strategy:

- A compulsory national levy-grant system based on 1% of payroll as from 1 April 2001.
- The payroll levy is collected monthly by the South African Revenue Service (SARS) alongside the normal tax regime.
- All tax paying companies must pay the levy, and must register with the SARS for levy paying purposes.
- 80% of total levy revenue collected is re-allocated back to the sectors (SETAs) via grants to enterprises that train.
- 20% of total revenues collected is retained by the state to form a National Skills Fund (NSF) to be used for strategic priorities identified by government and the NSA.



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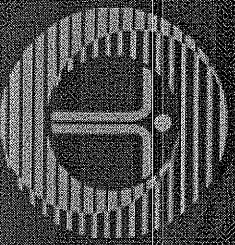
### **The National Skills Fund (NSF)**

This is an important innovation that cedes real leverage to the state over the market.

May only be used for national priorities as identified by the NSDS

#### **The NSA priorities include:**

- Social development initiatives
- Bursary schemes for scarce skills
- Strategic industry projects
- Research to improve labour market information systems
- Capacity building of stakeholders



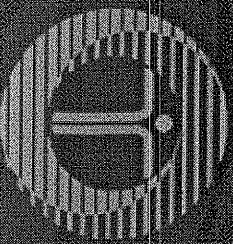
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## LEARNERSHIPS

Learnerships have a three-fold purpose:

1. they are aimed at providing workplace learning in a more structured and systematic form. Formalised learning will be provided by an accredited education and training (ET) provider.
2. Learnerships seek to link structured learning to multiple sites of work experience. Learnership Agreements need to be drawn up between the employer, ET provider and learner
3. All of this training and practical work experience must culminate in a nationally recognised qualification



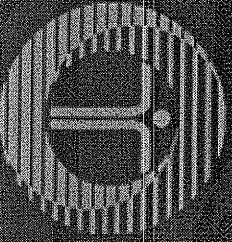
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## LEARNERSHIPS CONTINUED

The main differences between Learnerships and Apprenticeships are:

- **Learnerships are demand-led**
- **They appeal to a wider range of learners** including the pre-employed, un-employed and currently-employed.
- **They are more diverse than apprenticeships**
- **They have a differing curriculum content to apprenticeships:**  
Learnerships aim to integrate theoretical education and skills training.  
Learnerships may not provide theoretical tuition without practical experience

Government is attempting to massively expand enterprise training through these Learnerships



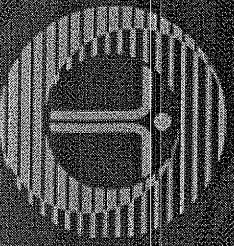
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## LEARNERSHIPS CONTINUED

### **Impacting on unemployment through training**

Four expanded employment contexts in which Learnerships could be set up:

1. the traditional medium to large enterprises in the formal sector
2. SMMEs in both the formal and informal economies
3. the volunteer and non-governmental development sectors
4. public sector job creation schemes

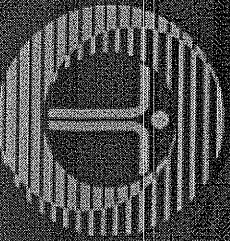


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## **ESTABLISHMENT OF 25 SETAs**

### **The new Sector Education and Training Authorities (SETAs):**

- The previous Industry Training Boards (ITBs) had a narrower focus – only training apprentices
- The new institutional environment to be set up around ‘Learnerships’ is intended to turn around the decline in training
- ‘Sectors’ are larger than ‘industries’
- ‘Sectors’ are more inclusive than ‘industries’ as they incorporate work that is not part of formal organised industry, most notably, SMMEs and the unemployed
- The ITBs were not consensual bodies. SETAs are multi-partite



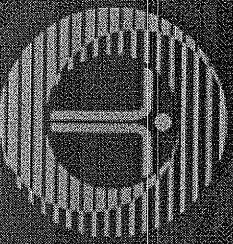
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## **SETAs contd**

### **The core functions of SETAs:**

- Develop a Sector Skills Plan
- Promote the implementation of the plan in the sector
- Promote Learnerships
- Collect and disburse the skills development levies
- Liaise with the Department of Labour and the NSA
- Improve information flow

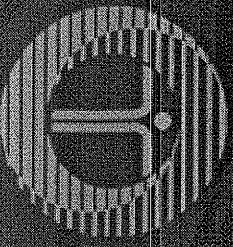
The model assumes that these collective (multi-partite) institutional pressures will oblige individual employers to increase training



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

1. The NSA helps design and then approves the NSDS every four years.
2. The NSA approves strategic expenditures on skills development by the state from the National Skills Fund.



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### 3) DEMAND-DRIVEN TRAINING

#### THE NEW SYSTEM EMPHASISES THE DEMAND-SIDE:

The NSDS sees itself as a demand-led training policy

- to develop greater responsiveness to employer skill needs at the enterprise level.
- the market mechanism is best suited to establish this 'responsiveness'.
- state training infrastructure should provide incentives to optimise private sector training and the effective functioning of the market.

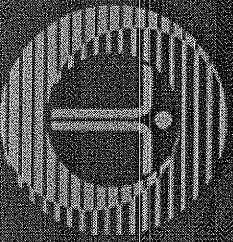
#### NOT NEO-LIBERALISM:

Government does not hold an absolute faith in the effectiveness of the market

#### BALANCED WITH:

Appropriate supply-side measures.

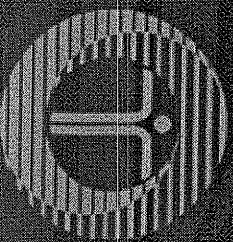
The supply-side of the system should not be disregarded or neglected, but rather improved within the context of demand-led training



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## **Key demand-stimulation measures:**

1. Being proactive in terms of creating new skill demands
2. Long-term planning of skill priorities in strategic industries
3. Acquiring state leverage through the levy-grant funding scheme
4. Market failure and social protection for vulnerable groups
5. 'Joining up': Articulating government policies across inter-related policy domains



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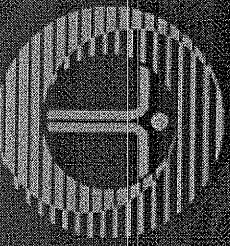
## 4) South Africa's economic sectors highly differentiated in terms of skill dependency

**DEPENDENCY ON:**

Sectors	high skills	Intermediate skills	Low skills
Financial and business services	This sector is highly dependent on skilled and highly skilled labour		
Energy	Shifts towards more capital and skills-intensive forms of production, with significant job shedding at the intermediate- and low-skill ends of the spectrum.	6 500 electrical subcontractors in the sector as Eskom continues to subcontract to smaller black-controlled electrical	
Manufacturing	Exports are increasing and the trend towards greater capital and skills intensity	Despite job losses, manufacturing is still highly dependent on intermediate level/artisanal as well as unskilled manual labour.	
Forestry	Small growth in the sector and volatile employment patterns.	An estimated 18 000 new small growers are projected Potential for increased employment of 80 000 to 100 000 unskilled and semi-skilled workers.	
Tourism			Employment in tourism has increased. The growth is largely labour-intensive, low-skilled employment, with increases in part-time and casual labour.

# The NSDS promotes a mixed typology of training inputs based on:

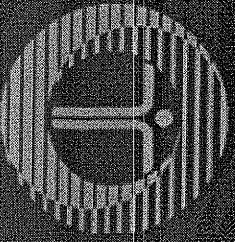
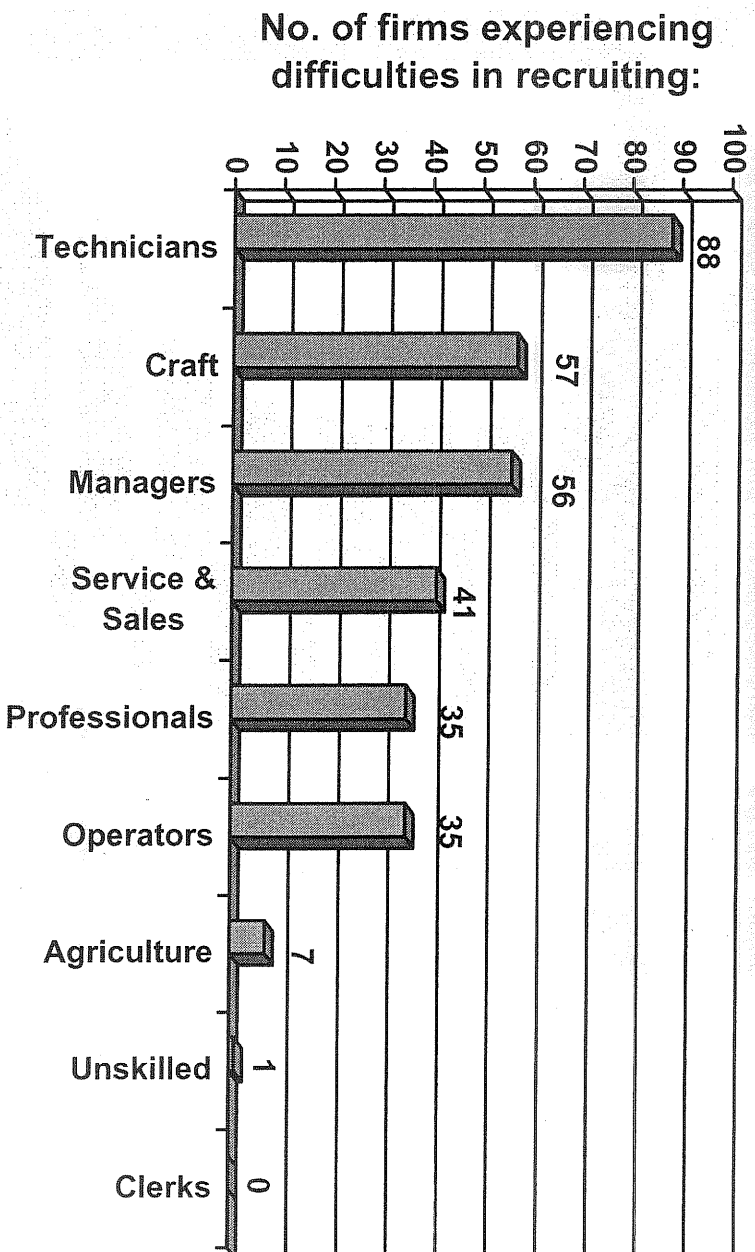
- **high skills** (university degrees)
- **intermediate skills** (between: post-junior secondary schooling and pre-degree qualifications)
- **low skills** (incomplete secondary schooling)



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# Continued dependence on intermediate skills

Occupational areas in which difficulties are experienced in recruiting qualified personnel, 2000

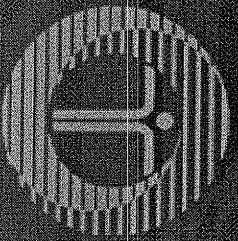


# THE NEED FOR LOW SKILL PROVISION

**1. High unemployment**

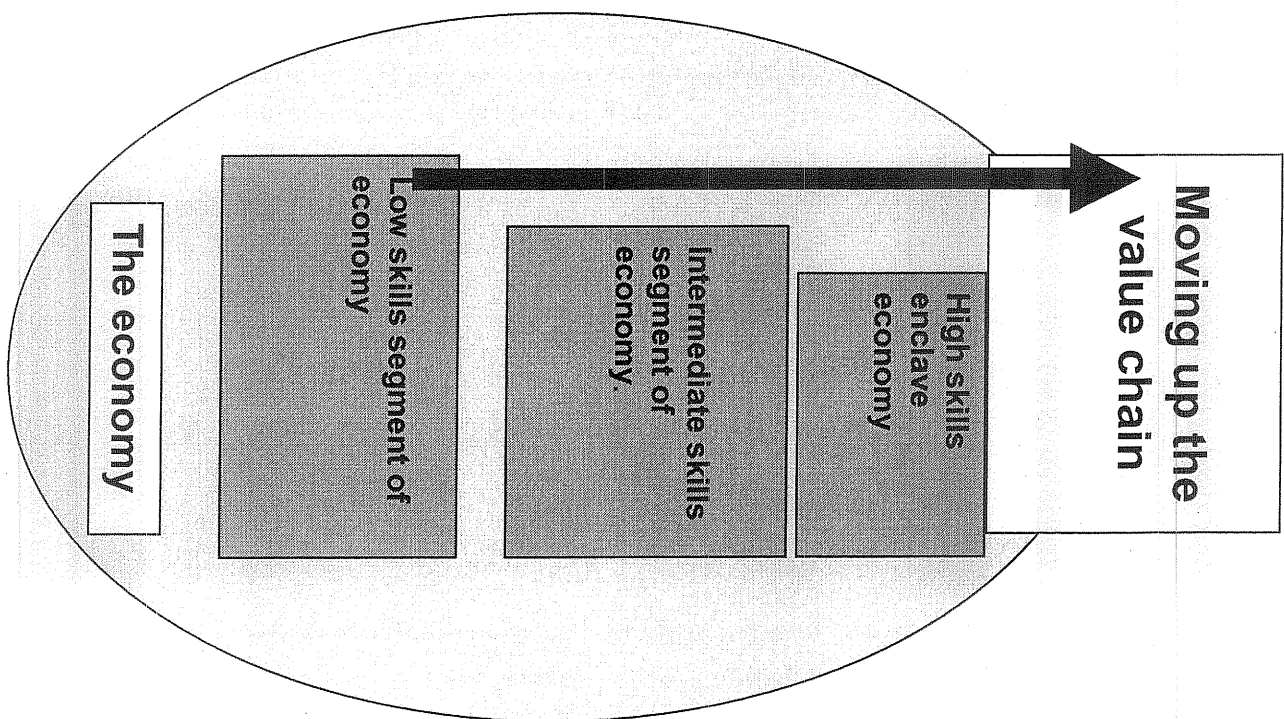
**2. Need a low-skill, labour-intensive employment strategy**  
Eg, Extended Public Works Schemes

**3. The absence of these sorts of interventions represents a serious scarcity**



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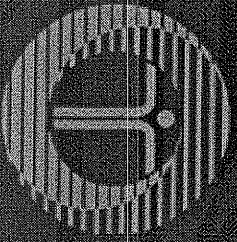
# A MULTI-LEVEL SKILLS STRATEGY



# CRITIQUE

**2 areas of difficulty for the NSDS:**

- **Economic**
- **Institutional capacity**



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# 1. ECONOMIC PROBLEMS

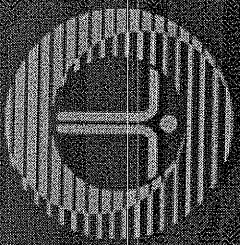
## THREATS FROM THE GLOBAL ECONOMY

- Globalisation's assault on social markets and institutional economies

## PERSISTENT STRUCTURAL PROBLEMS IN THE LOCAL ECONOMY

### A low-growth, low-employment scenario

- South Africa's economy has grown by moderate rates in the period 1996 - 2002, with GDP growth averaging between 2-4% per annum
- The manufacturing sector has shed jobs during this period



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## **Why jobless growth:**

### **SA's minerals curse and problems moving up the production value chain:**

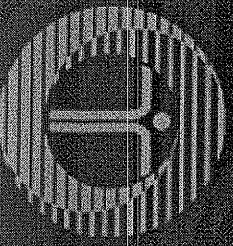
#### **The Asian Tiger miracle**

Four phases:

1. from **low value-added production in labour-intensive industries** aimed at the internal market
2. to mass production of these products for the **export market**
3. and then towards deepening export production in the direction of **higher value-added products**
4. And in Singapore's case, the growth of **knowledge-based service industries**

#### **South Africa has leap-frogged these phases**

- To a model based on limited exports in highly capital and skills-intensive manufacturing
- a 'resource curse'
- restricts large-scale labour-intensive employment growth through exports

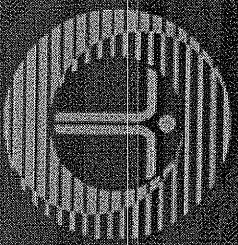


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## Implications of jobless growth

1. **Training seen as a cost burden:** constrained demand has the effect of dissuading employers to treat training as an investment in their future prosperity. Rather, employers treat training as an immediate cost burden preferably avoided.
2. **The 'skewing effect' in relation to skill** – increased demand for high skills, reduced demand for intermediate and low-skills
3. **Increased unemployment:**
  - 26.4 per cent using the narrow definition
  - 37 per cent using the broad definition
  - 47% amongst African women in rural areas
- 4) **Job placement:** makes training strategies that hope to secure job placements for graduated trainees even more difficult.



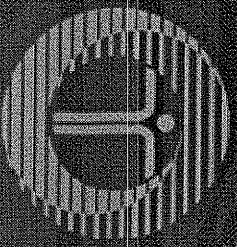
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## 2) SEVEN PROBLEMS OF INSTITUTIONAL CAPACITY

### 1. The challenge of national coordination and planning

The entire NSDS is premised on:

- Tight and effective planning and coordination of skills development, employment creation and economic growth taking place at both national and sectoral levels
  - The availability of management information systems (MIS) and national and sectoral databases existing which can provide data in a wide array of fields.
  - This capacity and informational precision is not always present and is unevenly spread across national, sectoral and workplace locales.
- ### 2. Poor delivery: Little emphasis on developing capacity prior to programme roll-out
- An over-emphasis on both the architecture of planning and coordination, and the targets that need to be met
  - Underemphasis on the human capacities required to do all of this



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### 3. **The proliferation and bureaucratisation of structures**

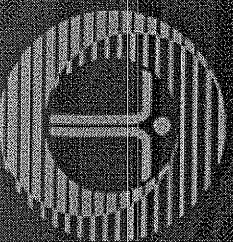
The NSDS and the National Qualifications Framework (NQF) have created an organisational colossus comprising several new bodies:

- twelve National Standards Bodies (NSBs)
- over 100 Standards Generating Bodies (SGBs)
- several Education and Training Quality Assurers (ETQAs)
- The management of this entire system of institutions falls to the South African Qualifications Authority (SAQA)

The regulations and procedures for claiming the levy are seen as too bureaucratic

### 4. **Incapacity to spend the levy**

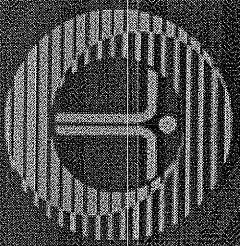
Over R3 billion in the skills development fund remains unspent



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## 5. **Employer non-enthusiasm for the levy-grant system**

- Only 65.5 percent of employers actually paid the levy in 2002
- 34.5 percent of firms are still not participating at all in the levy-grant system.
- Grant-claiming participation rates are substantially lower – just 10.4%
- Only 14 261 grants were paid out in 2002 in a context where 136 645 levy-paying employers were eligible for claiming such grants
- Many employers are disregarding the new levy-grant system and viewing it as an additional tax burden
- Several well-advertised roadshows to mobilise employer participation has been organised but the ‘employers simply don’t pitch’



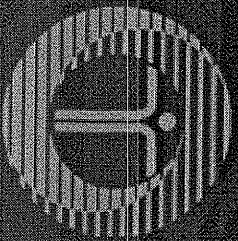
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## 6. OVER-RELIANCE ON LEARNERSHIPS

- In the past, **short course semi-skilled training programmes** were by far the major focus for the training of workers.
- in the new framework, these kinds of training programmes receive less prioritisation

## 7. MODEL HAS BECOME SUPPLY-LED AND IS BOGGED DOWN BY A COMPLICATED NEW QUALIFICATIONS ARCHITECTURE

- In the absence of demand stimulation for more jobs and more skills in the economy, the new training system has focussed on creating **new qualifications based on unit standards and outcomes**
- Very few workers have graduated through these new qualifications
- Only parts of the supply side (training providers) have been brought into the model - largely through the SETAs.
- Universities remain very sceptical

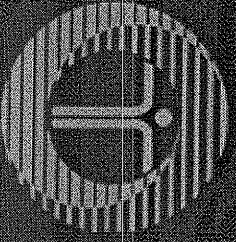


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## **CONCLUSION**

### **PROBLEMS**

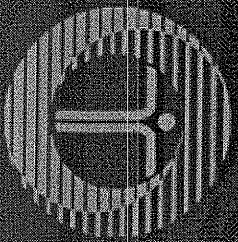
- The NSDS faces formidable challenges and problems
- The global environment is unfriendly
- Employers have not as yet been won over
- The new institutional environment poses massive capacity problems.
- And the South African economy appears to be stalled in a jobless growth trajectory inherited from the past.



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# GAINS

- The NSF is a **massive fiscal lever** for government to intervene strategically in demand stimulation and training
- **Macroeconomic stabilisation:** Government has succeeded in reducing the budget deficit from 4.5% in 1995 to 1.4% in 2001, and reducing the inflation rate from a high in excess of 20% in the early 1990s to just 6.5% in 2001/2.
- **A more expansionary budget, 2002 onwards**
- **Improved manufacturing exports**
- If government consolidates these economic gains, and if it shows the political will to introduce more expansionary and 'joined up' industry and other social developmental policies which act to kickstart the local economy and trigger growth, the future may yet **reap significant rewards for the NSDS**



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