State of Skills
in South Africa, 2005

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Contributors	Editor-in-Chief: Botshabelo Maja Editor: Sabata Nakanyane and Pat Telela
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Summary

This report provides an overview of the state of skills development in South Africa in the financial year 2004/05. It starts by providing a sketch of the economic and employment context, particularly the crisis of youth unemployment that is expanding at an alarming rate because the growth in the labour force is proceeding at a faster rate than growth in both employment creation and Gross Domestic Product (GDP).

Section One provides an outline of the emerging socio-economic programmes which government is developing in the fight against poverty, joblessness and slow growth. In a related development, skills development strategies are being aligned with government's economic and social programmes to a far greater extent than ever before.

Progress in the sphere of education is examined in **Section Two.** There have been improvements in overall enrolments and education outcomes. The challenge now is to improve system efficiency, enhance progression between the differing sub-sectors (schools, colleges and universities) and increase responsiveness to the economy's labour market needs.

Section Three provides a comprehensive overview of the current state of skills in South Africa. The National Survey of Skills 2003 confirms the Department of Labour's view that reasonable progress has been made in kick-starting a new approach to enterprise training, the results of which compare relatively favourably internationally. The National Skills Development Strategy (NSDS) has also brought about a decisive turnaround in the fortunes of workplace training after the dramatic declines witnessed in the late 1980s through to the mid-1990s.

There is also clear evidence that the capacity of the NSDS structures have improved exponentially in the third year of the NSDS four-year cycle. For example, the number of learners achieving NQF Level 1 jumped from 111 367 in 2002/03 to 433 437 in 2003/04 - a 289% increase in 2003/04. The numbers receiving structured training jumped from 1 398 461 in 2002/03 to 1 668 731 in 2003/04, yielding a total of 3 067 192 beneficiaries by March 2004. Similarly, the number of learnerships registered increased from 25 341 at the end of 2002/03 to 69 308 at the end of 2003/04 – again, an impressive increase of 174%. All these data suggest a significant gear change in the capacity of the SETA system during 2003/04 to train on a much larger scale. This growing maturity bodes well for the future.

Section Four identifies several key issues which arise from the data presented in this report and which provide valuable insights for the next phase of the NSDS, the period 2005-2010. These include, firstly, the need for the alignment of skills development practices with government's overarching socio-economic programmes. Secondly, a multi-level skills development outlook is increasingly required which can identify skills problems at three critical levels: advanced skills, intermediate skills and entry-level skills. And lastly, the NSDS needs to build on the training gains already made in the first phase of the NSDS by making the links between firms (especially small, very small and micro firms) and SETAs more effective.

1. Introduction

Perhaps the most significant development in the sphere of education and training in the period 2004/05 is that skills development strategies are being aligned with government's economic and social programmes to a far greater extent than ever before.

This alignment takes place against the backdrop of both an economic upswing in the 'first economy' but with continuing conditions of joblessness and poverty in the 'second economy'.

1. Macro economic stability

One of government's greatest achievements over the past decade has undoubtedly been the macro-economic stability attained and the boost this has given the national economy. When the Growth, Employment and Redistribution (GEAR) strategy was introduced in 1996, its primary goal was to attain macro-economic stability through a battery of orthodox stabilisation policies, with fiscal austerity and monetary constraint being the main levers to reduce demand and hence reduce the balance of payments deficit. Macro-economic stabilization was complemented by trade liberalisation, financial liberalisation and privatisation to reduce market distortions and promote the effective functioning of the economy (McCord, 2003).

The Towards a Ten Year Review report produced by the Policy Coordination and Advisory Services Unit in the Presidency (PCAS, 2003) argues that the success of the macro-economic discipline provided the foundation for greater social and infrastructural expenditure from 2002 onwards:

> *The budget deficit has come down from 9.5% of gross domestic product (GDP) (including the deficits of the Bantustans) in 1993 to fractionally over 1% in 2002/03.Total public sector debt has fallen from over 60% of GDP in 1994 to barely 50% of GDP in 2002/03. The net open forward position of the Reserve Bank has fallen from $25 billion in 1994 and $22.5 billion in 1998 (the highest level since 1994) to zero in 2003, and foreign reserves have risen from one month's import cover to two and a half month's import cover. South Africa has achieved a level of macroeconomic stability not seen in the country for 40 years. These advances create opportunities for real increases in expenditure on social services, reduce the costs and risks for all investors, and therefore lay the foundation for increased investment and growth (PCAS, 2003).*

Rudolf Gouws, a Senior Economist with Rand Merchant Bank, has noted that South Africa's economic growth rate has continued to rise on the back of this economic upswing, reaching 5.6% in the third quarter of 2004:

> *Real domestic output growth accelerated through last year to reach an annualised 5,6% in the third quarter – a rate last seen in 1996 – with contributions coming from all sectors of the economy. In terms of economic growth, South Africa has long been underperforming in its emerging market peer group, but the new found higher growth path is bringing the country more in line with other successful emerging market nations.… The current economic upswing, which began in September 1999, is not only the longest upward phase of the business cycle in the post-WWII period, but should also be sustainable into the future (Mbeki, 2005).*

An important consequence of this growing confidence in the economy and fiscus has been the gradual expansion of State expenditure on social infrastructure since 2001 (McCord, 2003). Significant increases in public spending are evident in the 2002-2004 budgets, with projected annual growth in real non-interest expenditure of 4.1% over the period 2002/03-2004/05. These are funded in part from declining debt service costs which are projected to fall from 4.8% to 4.1% of GDP, freeing R10 billion for additional spending (McCord, 2003).

2. Increased exports

Increased exports have been one of the main contributors to this economic upswing. Exports have grown at an average of 5.5% per annum during the 1991-2000period. A disaggregation of this data reveals that exports emanating from the primary sector (agriculture and minerals) declined by 1.5% per

annum, while manufacturing and services exports increased by 11.2% and 9.9% per annum respectively (Altman and Mayer, 2003).

In the manufacturing sector, exports as a proportion of total output doubled between 1994 and 2001, from 14% to 28% (DTI, 2002). A disaggregation of manufactured exports reveals that most sectors have experienced an increase in exports. The highest weighted average annual growth in exports occurred in furniture (28.9%), television and communications equipment (27.6%), transport equipment (23%) and plastic products (22%) (Altman and Mayer, 2003).

Exports to Africa have also grown dramatically by 507% over the 1992-2001 period. The bulk of this trade is focused on the Southern African Development Community (SADC) region. Approximately 80% to 90% of manufactured exports are destined for SADC markets. If Southern African Customs Union markets are included, Africa becomes the second largest export market after the European Union (Altman and Mayer, 2003).

These developments have triggered profound changes across the economy. South Africa is going through a process of dramatic structural change and development, leading to a more export-oriented and diversified economy. Some sectors will grow and others contract, some will have lost jobs, others gained. **Tables 1.1** and **1.2** show the key structural features of the South African economy in the period 1998 and 2003. In particular, they highlight the significant growth of the services and trade sectors in terms of employment, and the prominence of manufacturing and services in terms of contribution to GDP.

Table 1.1 Sector contribution to GDP, 1998 and 2003

	1998	2003
	%	%
Agriculture	3.3	3.9
Mining	5.9	5.0
Manufacturing	17.5	18.7
Electricity and water	3.1	3.2
Construction	2.9	2.8
Trade	12.2	12.4
Transport and communication	8.6	10.8
Business Services	16.8	17.8
Community and Social Services	18.4	14.7

Source: Statistics SA, Labour Force Survey, Sept 2003

Table 1.2 Workers by industry (excl. agriculture), 2003

	2003	%
Mining	504 633	5
Manufacturing	1 644 338	18
Utilities	86 820	1
Construction	632 927	7
Trade	2 484 221	27
Transport	566 777	6
Business Services	1 097 384	12
Services	2 281 783	25
Total	9 298 883	100

Source: Statistics SA, Labour Force Survey, Sept 2003

3. Employment growth

South Africa has also witnessed employment growth in the period 1995-2002. **Table 1.3** presents a snapshot of the key labour market statistics for the period 1995-2002. During this period, the economy created about 1.6 million jobs. Bhorat (2004) argues that while the sectoral and skills detail of this growth did of course vary, it is clear that the notion of aggregate 'jobless growth' in the South African economy is erroneous (Bhorat, 2004; PCAS, 2003).

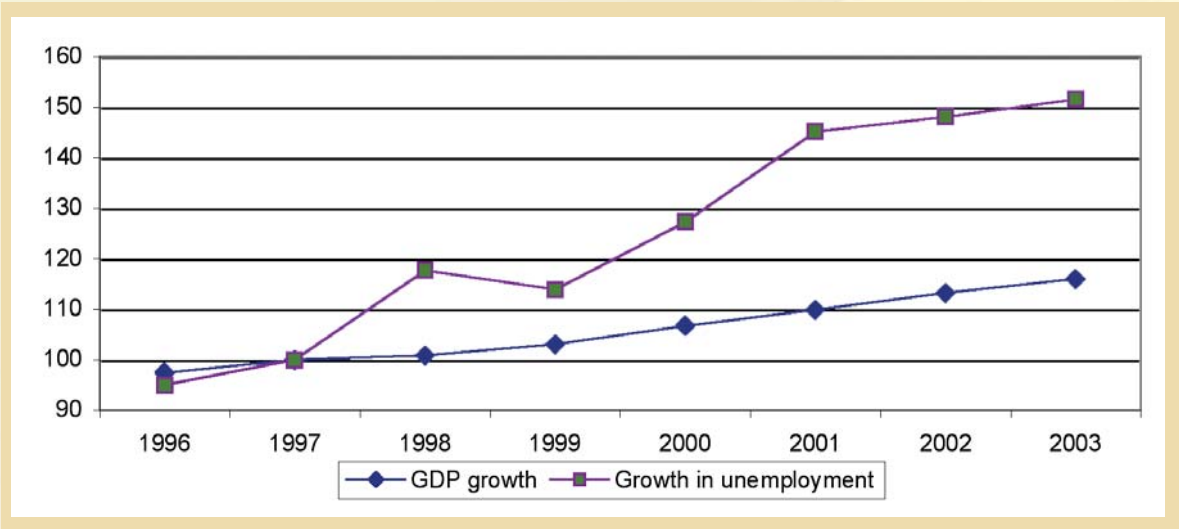
Table 1.3 A snapshot of key labour market trends 1995-2002

Catergory	1995	2002	Change	% Change	Target growth rate	Employment absorption rate
Employment	9 557 185	11 157 818	1 600 633	16.75		
Unemployment (expanded definition)	3 883 819	7 288 833	3 405 014	87.67		
Labour force	13 441 004	18 446 651	5 005 647	37.24	52.38	31.98
Official definition estimates						
Employment	9 557 185	11 157 818	1 600 633	16.75		
Unemployment (strict definition)	1 909 468	4 271 302	2 361 834	123.69		
Labour force	11 466 653	15 429 120	3 962 467	34.56	41.46	40.39

Source: Bhorat, 2004

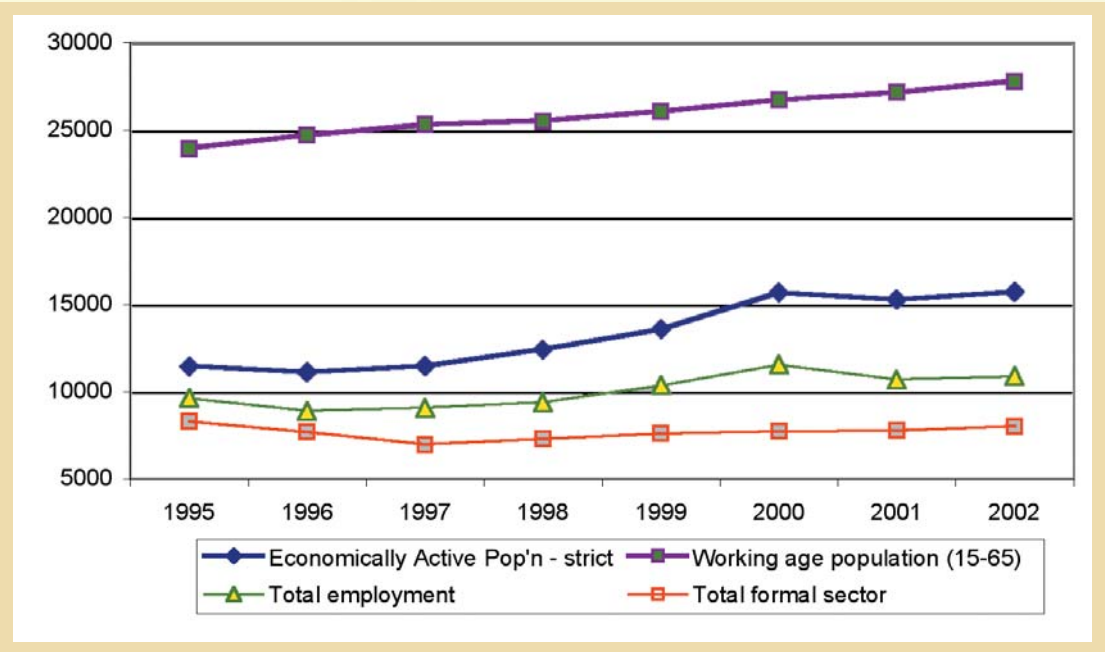
However, this rate of employment growth lagged significantly behind the growth in both the GDP and new entrants into the labour force. Figures 1.1 and 1.2 illustrate these dimensions. In short, 1.6 million new jobs were created in this period with more than 5 million new entrants entering the labour force, creating extremely high levels of unemployment after 2002.

Figure 1.1: GDP and unemployment, 1996-2003



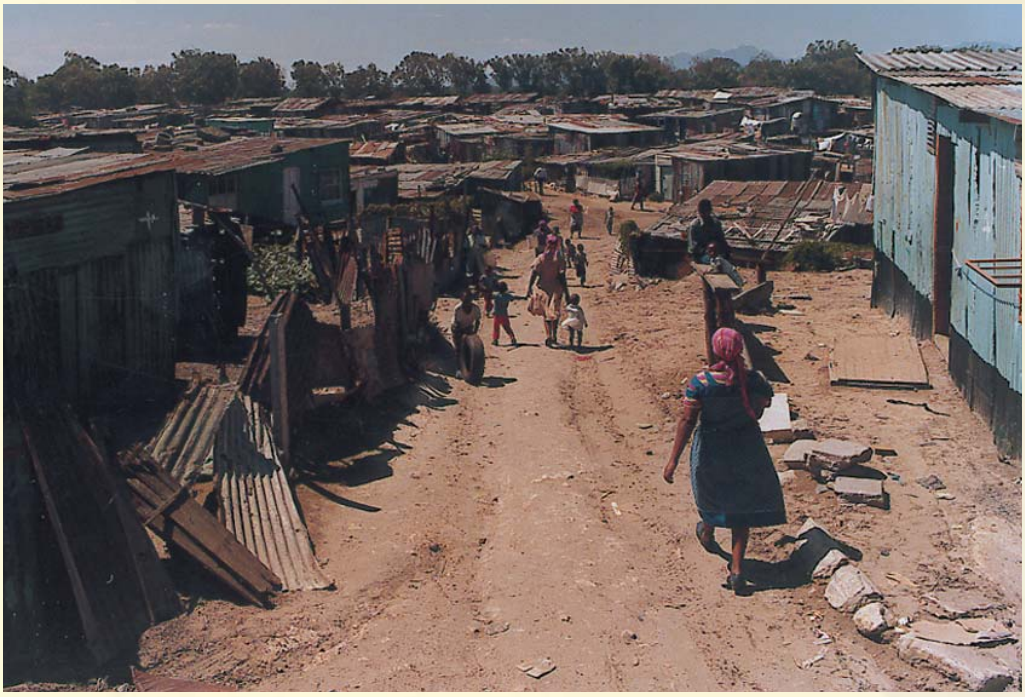
Source: Altman, 2005

Figure 1.2: Employment and labour force, 1995-2002



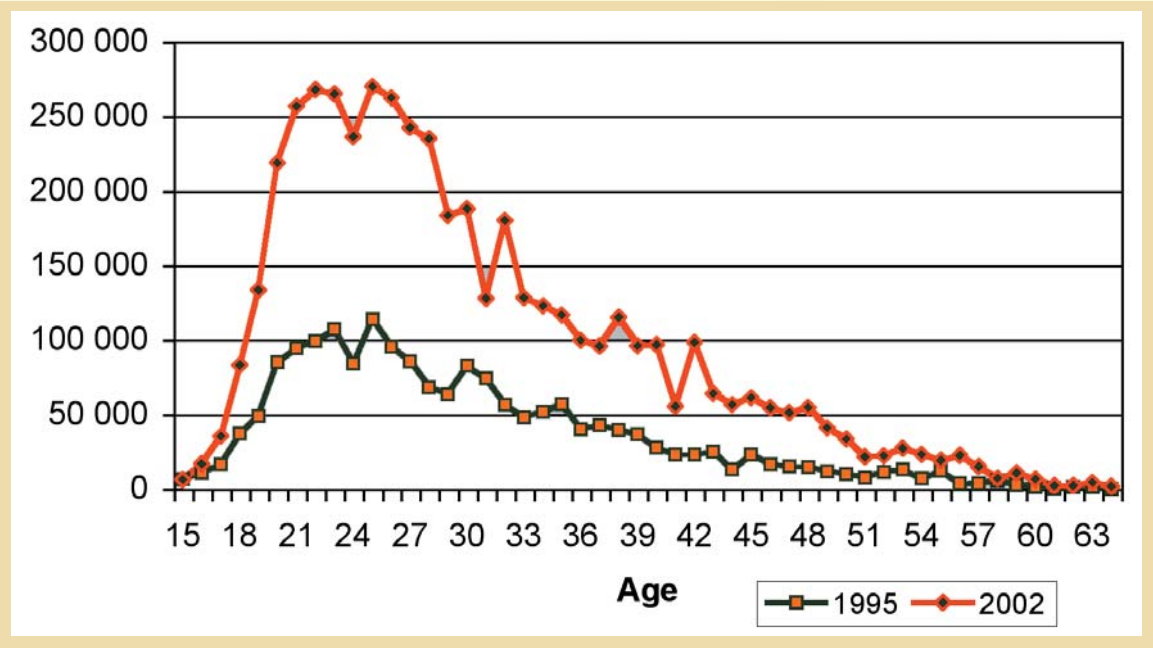
Source: Altman, 2005

Most affected by these extremely high rates of unemployment are young people as is clearly illuminated in **Figure 1.3** for the period 1995 – 2002. Approximately 75% of the unemployed were less than 35 years old in both years. What is clearly noticeable in **Figure 1.3** is the widening of the gap between the two curves. The problem of youth unemployment is clearly being accentuated.



Structural features of the South African economy have generated considerable concern at the policy level in recent months, with President Thabo Mbeki characterising South African society as structurally divided between two economic camps.

Figure 1.3: Number of unemployed by age, 1995 and 2002



Source: Altman, 2005

What are the causes of this growing gap between labour force entry and the ability of the economy to create jobs particularly for young unemployed people? The primary factor is increasing capital intensity in production, which is occurring simultaneously with the expansion of exports.

What are the causes of this growing gap between labour force entry and the ability of the economy to create jobs particularly for young unemployed people? The primary factor is increasing capital intensity in production, which is occurring simultaneously with the expansion of exports. South Africa has a remarkably low, and declining, share of exports that use unskilled labour, and a relatively high share of exports using more skilled labour (Lewis, 2002). This explains why the manufacturing sector has not jobs at a rate greater than the growth of the labour force despite the rapid growth in exports (Altman and Mayer, 2003; McCord and Bhorat, 2003; McCord, 2003). On the contrary, there has been an on-going 'skewing effect' whereby manufacturing exports have tended to be capital- and skill-intensive, leading to an increase in the demand for skilled labour.

These structural features of the South African economy have generated considerable concern at the policy level in recent months, with President Thabo Mbeki characterising South African society as structurally divided between two economic camps:

> *(The) "first world economy" … is the modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, become ever more integrated in the global economy. Many of the major interventions made by our government over the years have sought to address this "first world economy", to ensure that it develops in the right direction, at the right pace. It is clear that this sector of our economy has responded and continues to respond very well to all these interventions.*
>
> *After the July Cabinet Lekgotla we also said that the successes we have scored with regard to the "first world economy" also give us the possibility to attend to the problems posed by the "third world economy", which exists side by side with the modern "first world economy". Here I am referring, for instance, to those areas the government identified earlier as the nodes for Urban Renewal and Integrated and Sustainable Rural Development. These and similar areas contain the largest numbers of poor people in our country. But this is not the only issue that characterises and sets them apart. Of central and strategic importance is the fact that they are structurally disconnected from our country's "first world economy". Accordingly, the interventions we make with regard to this latter economy do not necessarily impact on these areas, the "third world economy", in a beneficial manner.*
>
> *It is sometimes argued that higher rates of economic growth, of 6% and above, would, on their own, lead to the reduction of the levels of unemployment in our country. This is part of a proposition about an automatic so-called trickle-down effect that would allegedly impact on the "third world economy" as a result of a stronger "first world economy". None of this is true (Mbeki, 2003a).*

2. Government's socio-economic vision for reconstruction and development

This section will outline the emerging integration and coordination of skills development strategies with socio-economic programmes aimed at alleviating poverty, creating jobs and stimulating economic growth.

In his speech at the opening of the third session of the democratic parliament in May 2004, President Thabo Mbeki elaborated on government's resolve to break the 'first economy - second economy' divide:

> *At the core of our response to all these challenges is the struggle against poverty and underdevelopment, which rests on three pillars. These are:*
> - *encouraging the growth and development of the First Economy, increasing its possibility to create jobs*
> - *implementing our programme to address the challenges of the Second Economy*
> - *building a social security net to meet the objective of poverty alleviation (Mbeki, May 2004b).*

These three pillars now constitute the primary thrust of government policy in the year 2005 and beyond.

In order that this complex and multi-focused socio-economic programme of action is clearly understood by practitioners in skills development, its core components will be summarised in the rest of this section under 10 key themes. These are:

1. Developmental State
2. Building stronger linkages between the formal and informal economies
3. Increasing infrastructural investment
4. Targeting key sectoral strategies
5. Promoting broad-based black economic empowerment (BBBEE)
6. Encouraging labour intensive production methods
7. Promoting the Expanded Public Works Programme (EPWP)
8. Launching social development initiatives and Community Development Workers
9. Public sector training
10. Building a stronger social safety net.

The intention in looking at these key themes will be to provide a broad overview of government's more interventionist approach to resolving the three key challenges identified by President Thabo Mbeki above.

1. Developmental State

As already suggested in the introduction, the period 2002-2004 reflects a watershed moment in South Africa's post-apartheid history. Having established macroeconomic stability based largely on orthodox measures of fiscal discipline imposed on the first economy, and having realised the depth of structural inequalities between the first and second economies, government has resorted to a more interventionist role aimed at resolving the problems of joblessness and poverty. The concept of a 'developmental State' is a core element in government's programmatic armoury.

The concept goes back to some of the ANC's original policy texts developed in the early 1990s. These are now gaining ascendancy in the implementation phase. A 'developmental State' is an enabling State that is able to intervene strategically while carefully marshalling its scarce resources. State intervention will be selective and targeted, based on sectoral planning. However, where the State chooses to

intervene, its intervention would be pervasive and far-reaching (Erwin, 1992: 38; Gelb, 1991:31).

The idea of 'State steering' is also emphasised. At the heart of many ANC government policies is a strong emphasis on State coordination that will strategically 'steer' the system via a regulatory framework of legislation, financial incentives, reporting and monitoring requirements. Much of this steering requires high levels of management information, State planning and cross-departmental coordination. Some of these features of governance are already in place in government, for example, through the 'cluster' system, which is used to establish cross-sectoral State coordination across several cognate government departments. Chang (1994) lists several benefits that arise as a result of this type of State coordination of the economy:

- **Targeting winners:** This has entailed the adoption of a `targeted' approach to economic planning: The focus is on which manufacturing products can best capture comparative advantage in the global economy. Sectoral targeting policies are therefore aimed at developing particular niche industries to 'achieve outcomes that are perceived by the State to be efficient for the economy as a whole' (Chang, 1998: 60)
- **Promoting technological change and R&D:** Another key function of the coordinating State is enhancing technological capacity. Private enterprise alone cannot build up indigenous technological capacity (ITC). The enabling State is a necessary pre-condition for ITC to occur. ITC is very costly and can only be developed, adapted and diffused in the long-term. This entails capacities way beyond the means of single employers. It requires an active State pursuing ITC capability
- **Visioning:** The State can perform other economic coordinating roles such as 'visioning' - providing a broad vision of the future of the economy 'along which a voluntary coordination of activities could be achieved through private agents' (Chang, 1998: 54).

This emphasis on State steering and more effective cross-departmental coordination is increasingly defining much of government's new approach to social and economic challenges.

A sustainable growth-employment path arises where the private sector and informal sectors grow hand-in-hand.

2. Building stronger linkages between the formal and informal economies

A related policy approach is an emphasis on building stronger linkages between the first and second economies. Altman argues that the main sources of employment growth will be the private non-agricultural sector as the driver, and the informal sector. A sustainable growth-employment path arises where the

private sector and informal sectors grow hand-in-hand. If the informal sector grows faster than the formal sector, there may be an indication of displacement, representing a vicious circle, with falling incomes. If both the formal sector and informal sector are growing, it may indicate a virtuous circle, where rising incomes from the formal sector result in expanded expenditure on goods and services provided by the informal sector (Altman, 2005).

President Thabo Mbeki has expanded on the need to build these linkages through what he has termed 'resource transfers'. He argues that:

> *… government will attend to the challenge of poverty eradication in a sustainable manner, while developing the "third world economy" so that it becomes part of the "first world economy"…. To get to this point will require sustained government intervention. This is because, given the structural disjuncture that separates the "first world" and "third world" economies, we cannot and should not expect that there would be any mechanism inherent within the "first world" economy that would result in the latter transferring the required resources to the former, to enable it to outgrow its "third world" nature. We mention resource transfers because this is exactly what the "third world economy" requires to enable it to break out of its underdevelopment. These resources include education and training, capital for business development and the construction of the necessary social and economic infrastructure, marketing information and appropriate technology, and the ways and means to ensure higher levels of safety and security for both people and property (Mbeki, 2003b).*

3. Increasing infrastructural investment

According to the Ten Year Review Report the construction industry has experienced a severe decline between the 1980s and 1990s, with employment estimated at falling from about 450 000 to 200 000 between 1981 and 2001.

There are three investor groups in the South African economy who impact on the development of infrastructure: the private sector, government and the parastatals. The investment performance of all three has been lower than required, and government sector investment reached historically low levels in the late 1990s. Government investment was constrained by tight fiscal policies in pursuit of macro-economic stability whilst parastatal investment was constrained by the restructuring of State-owned enterprises. Since 1999, government investment expenditure has begun to grow, with the allocation to capital expenditure rising from 5.3% to 9.3% of total government expenditure. This trend is expected to continue as the investment capabilities of provincial and local government are strengthened. It is anticipated that this spending, in combination with the Department of Public Work's programme to intensify labour use in infrastructure projects, should together have an important impact on employment (PCAS, 2003).

Significant commitment to infrastructural development was obtained from all parties at the Growth and Development Summit held in June 2003. Amongst these commitments were:

- *Accelerating the pace and quality of public infrastructure investment*
- *Reducing input costs: The competitive advantage that underpins investment in industry and job creation depends in part on input costs, pricing and quality of raw materials, transport, energy, communications, research and technology development, and other aspects of the business environment*
- *Skills and equity: More and more young people are successfully graduating from school but too many of these graduates are unable to make the transition to work - not only because jobs are not available (although this is clearly part of the problem) but also because they have not yet acquired skills needed for employability (Department of Labour, 2003).*

President Thabo Mbeki has built on all of these GDS themes in his recent policy announcements committing government to work with its social partners to: raise the rate of investment in the first economy; engage with its social partners to implement the decision that 5% of the funds held by institutional investors be invested in the real economy; roll out a detailed investment plan for the State-owned enterprises; undertake road shows to explain the incentives available to foreign and domestic investors; finalise the Enterprise Development Bill; reduce the cost of doing business in South Africa through restructuring of ports and lowering the costs of moving imports and exports; opening up the Coega Industrial Development Zone by September 2005; increasing Spoornet's freight

capacity by 30% over the next five years; and begin construction of the King Shaka International Airport and freight terminal in Durban.

> Our programme for the coming year is premised on the broad objectives to increase investment in the economy, lower the cost of doing business, improve economic inclusion and provide the skills required by the economy. Therefore, the details outlined in May last year, to the extent that the tasks are ongoing, remain an integral part of the programme. On infrastructure, we have since May 2004, developed strategies and investment plans upward of R180-billion in relation to transport logistics, electricity and water resources (Mbeki, 2005).

4. Targeted sectoral strategies

Government has also launched, through the Department of Trade and Industry, a focus on micro-economic reform and an integrated manufacturing strategy. Key elements of the approach include the development of appropriate and efficient economic and social infrastructure, access to finance for productive activities, investment in research and development, innovation and the take-up of new technologies, as well as investment in human capital and an adaptive, flexible workforce (Altman and Mayer, 2003).

In the manufacturing sector, the Department of Trade and Industry's new Integrated Manufacturing Strategy is premised on the view that future competitiveness should be built on increased knowledge intensity and value addition. Government believes that new sources of competitiveness are located in the development of ICT, the impact of technological change on production processes and the importance of time and efficiency with regard to production costs (Altman and Mayer, 2003).

To that end, five sectors of the economy have been targeted because government believes they have considerable potential for increased outputs, exports, and employment creation. These sectors are exports (including clothing and textiles; auto, auto components and transport; agro-processing; mining, metals and minerals beneficiation, chemicals and biotechnology; crafts; and information and communication technology), agriculture, tourism, ICTs and cultural industries (Altman and Mayer, 2003).

President Thabo Mbeki added a few additional targeted sectors to the list in his 2005 'State of the Nation' address to Parliament including business outsourcing, community and social services, wood and paper, appliances, and the retail and construction industries (Mbeki, 2005).

5. Promoting broad-based black economic empowerment (BBBEE)

Government is also pursuing several initiatives on broad-based black economic empowerment (BBBEE), primarily through the Sectoral Charters, as agreed at the Growth and Development Summit in 2003. Taking the lead has been the Financial Sector Charter with a commitment to support a three-year programme to provide at least R85 billion to finance low-cost housing, infrastructure, black small business enterprises and emerging Black farmers.

BBBEE also entails enterprise support and empowerment. Government intends strengthening small business incentives and support including access to financial services, mentorship and incubation, as well as the use of public and private sector procurement mechanisms to promote enterprise development and broad-based black economic empowerment.

6. Encouraging labour-intensive production methods

A policy lever closely linked to other mechanisms discussed above is the encouragement of labour-intensive production methods. Altman and Mayer (2003) argue that the promotion of non-traded goods and services, such as housing construction and public works, has long been a part of Keynesian employment programmes, elements of which have been present in most South African economic policy documents since 1990. Housing and social infrastructure development, in particular, is seen to stimulate construction, and provide essential assets to households that could be used as the

basis for other small business development. Hence, the strategy concentrates on the potential crowding-in of public investment, particularly in conjunction with small business support measures.

A policy lever closely linked to other mechanisms discussed above is the encouragement of labour-intensive production methods.

7. Promoting the Expanded Public Works Programme (EPWP)

The Expanded Public Works Programme (EPWP) has become one of government's primary levers for creating employment opportunities and work experience for people in the second economy. The programme started on a small scale in 1998 but has subsequently been expanded:

> *In the first six months of the programme (up to September 2004), about R1, 5 billion was spent to ensure that the EPWP meets its targets in terms of the number of work opportunities created. In its first year at least 75 000 work opportunities were created in the first six months of the financial year, and the programme is on track to create more than 130 000 work opportunities by the end of its first year. Training programmes and implementation guidelines are in place, and the programme will accelerate to create 300 000 work opportunities per annum by the end of its third year. The government is in the process of rolling out a sustained and substantial investment in economic and social infrastructure, built with methods with a bias towards labour intensive technologies. In order to facilitate this, we have put in place a number of capacity building measures, including a learnership programme that has been put in place by the Construction SETA for emerging contractors and their supervisory staff to develop the capacity to use labour-intensive methods. To date, 26 provincial departments and municipalities around the country have taken up 950 of these learnerships, and these learners are currently undergoing classroom training and undertaking practical training projects. Each of the learner contractors typically employs 100 workers on their practical training projects. By the end of 2005, there will be 1 500 learners under this particular learnership programme (Minister Stella Sigcau, 2005).*

The EPWP is a nation-wide programme that will draw significant numbers of the unemployed into productive employment, so that workers can gain skills while they are gainfully employed, and increase their capacity to earn an income once they leave the programme. The EPWP is targeting one million unemployed people in the next five years.

The centre-piece of the EPWP is a large-scale programme using labour-intensive methods to upgrade rural and municipal roads, municipal pipelines, storm water drains and paving as well as fencing of roads, community water supply and sanitation, maintenance of government buildings, housing, schools and clinics, rail and port infrastructure, and electrification infrastructure.

The Minister of Finance, Mr Trevor Manuel, reported in November 2003 that 'infrastructure grants to provinces and municipalities will rise by R3,2 billion over baseline and will be the main source of

funding for this programme with technical support from a dedicated unit in the national Department of Public Works' (Manuel, 2003). President Mbeki told Parliament in February 2005 that R1,5 billion had already been spent to date (Mbeki, 2005).

Altman warns of challenges facing the EPWP, particularly how widely the labour intensive methods programme is promoted. The key issue confronting government is how to utilise increased expenditure on social services to enhance the delivery of basic needs and create employment. Challenges in this regard include enhancing government's capacity to effectively design and implement specific programmes, and developing a pool of suitably skilled and accredited suppliers of these services. There is substantial complexity in taking these programmes to scale, partly because they are often provided in a combination of home-based, community based, residential and institutional modes of delivery and a wide range of actors – government, NGOs, faith based and private institutions – provide these services (Altman, 2005).

8. Launching social development initiatives and community development workers

A novel initiative introduced by government to improve service delivery at the local level and to involve local communities in identifying their needs within a given locality, has led to the appointment and training of community development workers across the country. The Towards a Ten Year Review reports that the plan to deploy community development workers is intended to contribute to improved service delivery by taking services directly to the poor. It is also intended to assist the poor to develop the capacity to organise themselves and participate in decision-making (PCAS, 2003).

More broadly, the role of social services in Government's programme to meet basic needs and generate employment, is being increasingly emphasised. Dramatic social and economic dislocation, weak community care for children, the aged, people with disabilities and HIV/AIDS sufferers, and a dearth of basic services in waste collection, education, health and welfare, amongst others, characterise the South African situation. It is therefore easy to justify the expansion of community goods and services. The expanded provision of community services provides long-term jobs and also contributes to human capital development and social cohesion (Altman, 2005).

There is an increasing need for training and development of an intermediate strata of para-professional class of workers who can provide better community access to public services. Examples include early childhood development and education, home care, after school care, care for people with disabilities, care for the aged, or mental health care. The Department of Education's Early Childhood Development programme (or its reception year programme) is the most developed and had a budget allocated to it of about R500 million in 2003/04. On the other hand, the Home Community Based Care programme had R66 million allocated to it through the Department of Social Development in 2003/04 (Altman, 2005).

These embryonic initiatives are going to be significantly expanded as from 2005. President Thabo Mbeki, in confirming this approach as central to government's policy thinking, announced that some 500 Community Development Workers have been enrolled as learners in Gauteng, Northern Cape, the Northwest and the Eastern Cape:

> *To take the interventions in the second economy forward, the following additional programmes will be introduced or further strengthened by April 2005, as part of the Expanded Public Works Programme and focussed on providing training, work experience and temporary income especially to women and youth. These are: the Early Childhood Development programme; increasing the numbers of Community Health Workers; and, the more extensive use of labour intensive methods of construction targeting housing, schools, clinics, sports facilities, community centres and the services infrastructure (Mbeki, 2005).*

9. Public Sector training

There is now a widespread realisation in government that without strong Public Service delivery mechanisms and capabilities, none of the reforms and initiatives evaluated in this report will be

possible. Improving public sector delivery is therefore pivotal for the entire package of social, economic and skills development reform.

Government's determination to improve the performance of the public sector was strongly evident in President Thabo Mbeki's remarks at his 'State of the Nation' address on 11 February 2005:

> *Certainly it is a reflection of weaknesses in the governance system that the plans to build school infrastructure are unfolding at a much slower pace than envisaged. The public sector as a whole cannot claim to be such, if the benefits of free basic electricity are accruing mainly to those who are relatively well off. That only 56% of the Municipal Infrastructure Grant had been allocated to municipalities by December is a reflection of lack of all-round capacity particularly in technical areas with regard to water, sanitation and public works projects. And the laborious decision-making process is not helping either. We can refer to the provision of services across all the spheres or weaknesses in the implementation of the urban renewal and rural development programmes, and the conclusion will be the same. We need massively to improve the management, organisational, technical and other capacities of government so that it meets its objectives (Mbeki, 2005).*

10. Building a stronger social safety net

Since the demise of Apartheid, government has massively expanded a wide repertoire of social grants to all who have been in need of them, including UIF for unemployed workers and grants for pensioners, poor families with children, war veterans, foster care and grants-in-aid for families taking care of children and people in need. A key addition to this armoury of social protection is of course the Expanded Public Works Programme.

The aim of these programmes is to deepen social security to provide income support to the most vulnerable who are excluded from sustainable livelihoods in both the first and second economies. These policies were reaffirmed through the GDS process in which government, business, labour and community representatives committed to work together to foster people-centred development (Department of Labour, 2003).

The expenditure on these social grants has increased by 3.5 times between 1994 and 2003 from R10 billion to R34.8 billion. The number of beneficiaries has increased from 2.6 million to 7.7 million. Research shows that grants are exceptionally well targeted. The poorest 20% of households receive the largest amount from grants, not just as a proportion of income, but also in absolute terms.

Significantly, the Treasury has committed to supporting increased expenditure on this programme in the short to medium term. However, the Minister of Finance has warned that over the medium to long-term, a more healthy balance will need to be drawn between these flows to social protection as compared with financial flows to more productive investments in the real economy:

> *… (although) we must give priority to this basic contribution to household food security and mitigating income vulnerability…. over the longer term, over the decade ahead, we must also be mindful of the great responsibility we have to invest in building productive capacity, developing a learning society and creating work opportunities. This is, after all, our investment in the livelihoods of our children beyond the age of 14, and in their capacity to nurture and support our children's children, and beyond. And so we also have to contain the extension of our social security system within reasonable and affordable limits, and channel a growing share of resources to education, to skills development, to housing, water and sanitation, to building roads and modernising our transport networks and to our particular place at some of the frontiers of research, technology and scientific achievement (Manuel, 2003).*

11. Conclusion

A new government policy context has now been put in place through the construction of a powerful set of socio-economic programmes that will act to redefine government's approach to education and training in the medium- to long-term. In short, government will stress the importance of alignment between the following key education challenges and broader socio-economic objectives:

- Improving the quality and impact of education as an underpinning foundation for all future

training
- Improving the articulation of education with the world of work
- Improving employment opportunities for graduates from schools, FET colleges and HE institutions.

These are tough challenges, but with the current economic upswing, greater gains can be made regarding each of these challenges.

3. Underpinning foundations for skills development

Education plays a crucial role in providing the key cognitive foundation upon which work- and life-skills can be built. Significantly, the education system has expanded dramatically in the past decade, making the task of large-scale skills development more attainable.

This section provides an overview of developments in the school, FET college and higher education sectors. The largely poor employment conditions facing education graduates and first-time entrants into the labour market is also noted as a major issue for policy and government attention.

1. Significant growth in the schooling system

Education across all three bands of the National Qualifications Framework (NQF) has expanded considerably over the past decade, and the social composition of the student population has been significantly deracialised. **Table 3.1** highlights the magnitude of these two developments by the year 2000:

Table 3.1 Total headcount enrolments in education and training sectors 1970s – 2000

	Total headcount in previous years		Total headcount, 2000	Percentage Black in 2000	Percentage Black in previous years	
Public provision						
Public higher education	340 000	(1988)	611 000	72%	42%	(1988)
Public FET colleges	435	(1991)	350 465	84%	32.3%	(1990)
Public Schooling	5 379 665	(1975)	11 374 848	92%	87% 83%	(1985) (1975)
Private provision						
Public higher education	-		85 657	66%	-	
Public FET colleges	-		706 884	90%	-	
Public Schooling	103 854	(1990)	382 239	71%	49%	(1990)

Source: HSRC, 2003

More recent data than that reflected in Table 2.1 show that the expansionist thrust in educational enrolments has continued to the present. For example, learner enrolment in public schools in South Africa has grown dramatically since the 1970s, to approximately 11.9 million learners in public schools and approximately 280 000 in independent schools by 2002 (Department of Education, 2004d).

The key question facing the schooling system today is the extent to which it accommodates the youth of the country, and prepares them for the transition to the workplace, further and higher education. Addressing this question leads us to consider indicators of access to education, the efficiency of the school system, and issues of equity in the outcomes of schooling (HSRC, 2003; Arends, 2004).

There is strong evidence that South Africa is approaching universal access to compulsory schooling levels. The Gross Enrolment Ratio (GER) provides an indication of access to and coverage of public schooling. It calculates the number of learners (of any age) enrolled in a specific school phase, as a percentage of the total appropriate school-age population. The GER has improved dramatically from 121% for the primary phase and 58% for the secondary phase in 1985. The national GER stood at 95% in 2002.

Table 3.2 Gross enrolment ratio in the public school sector 2002

	School phases (Gr1-12)			School bands (Gr R-12)		
	Primary phase (Gr1-7)	Secondary phase (Gr8 -12)	Total (Gr1-12)	GET band (Gr R-9)	FET band (Gr10-12	Total (GrR-12)
Female	103	84	95	96	72	90
Male	108	78	95	99	64	91
Total	105	81	95	97	68	90

Source: Department of Education, 2003a, 2004d

Table 3.2 demonstrates that a good proportion of the appropriate school age population is enrolled in primary schools, with a national GER for primary school of 105%, a considerable shift from 2001 when it stood at 117% (Department of Education, 2004d, 2003a). The latter percentage indicates a high degree of over-enrolment, with learners of the inappropriate age – beyond the 7-13 year old population - remaining in the primary school system. However, by 2002 the situation had improved considerably with GER down to a more acceptable 105%. The GER calculated in terms of the new school bands, shows a lower 97% for the General Education and Training Band (Grade R-9). This highlights the under-enrolment of learners in Grade R.

Comparing the enrolments in Grade R with the appropriate school-age population (6 years) indicates that there is a low enrolment of 29.5% of Grade R learners (Department of Education, 2004d), highlighting the inadequate extent of preparation for schooling.

In addition, the GER at the secondary school phase was 81% in 2002, indicating that there is a sizable proportion of young people aged 14-18 years who do not complete secondary schooling. Of note is the gender difference at secondary school level, with more females appropriately enrolled in secondary school. Indeed, the national Gender Parity Index (GPI) of 0.99 indicates a sound level of female access to education, with considerable variation between primary and secondary schooling.

Comparing the appropriate age population with the total enrolled in Grade 12 suggests that about half of this age group – some 52% – are no longer in the formal schooling system (Department of Education, 2004d). However, a multi-level skills development strategy requires a large proportion of the population with good levels of general education and training, particularly on the FET band.

2. Repetition and dropout

A further indicator of systemic inefficiency is the extent of repeaters and dropouts. According to Perry and Arends (2003), the average percentage of learners dropping out of school in each of the primary grades is 3%. Given the high level of enrolment of 7–13 year olds discussed in the section above, it is likely that most of the learners dropping out in the primary phase would be over-age learners, although other factors such as poverty clearly play a role. The dropout rate in the secondary grades climbs steadily to 14.1% in Grade 11. In aggregate terms, approximately 9% of secondary learners each year eventually drop out of secondary schooling before completing Grade 12 (Perry and Arends, 2003).

The example of a single province may illustrate the challenges that persist in parts of the education system. **Table 3.3** shows the promotion, repeater and dropout rates for KwaZulu-Natal schools for the period 2002-2003.

Table 3.3 Promotion, repetition and dropout rates KwaZulu-Natal 2002-2003

Grade	Promotion rate	Repetition rate	Dropout rate	Repeaters	Total no of dropouts
Gr 1	77.9	7.3	14.8	25 465	51 397
Gr 2	94.2	4.9	0.9	10 875	1 939
Gr 3	94.2	5.3	-0.1	10 836	195
Gr 4	93.6	4.5	2	10 432	4 573
Gr 5	94.7	3.7	1.6	8 759	3 911
Gr 6	94.3	3.5	2.2	8 068	4 973
Gr 7	98.5	2.5	-1	5 243	-2 049
Gr 8	87.2	6.5	6.3	13 499	13 122
Gr 9	89.7	5.7	4.6	13 934	11 042
Gr 10	78.7	12.3	8.9	24 512	17 722
Gr 11	58	16.2	25.8	27 643	44 083

Source: Arends,2004. Data from KwaZulu-Natal EMIS 2004

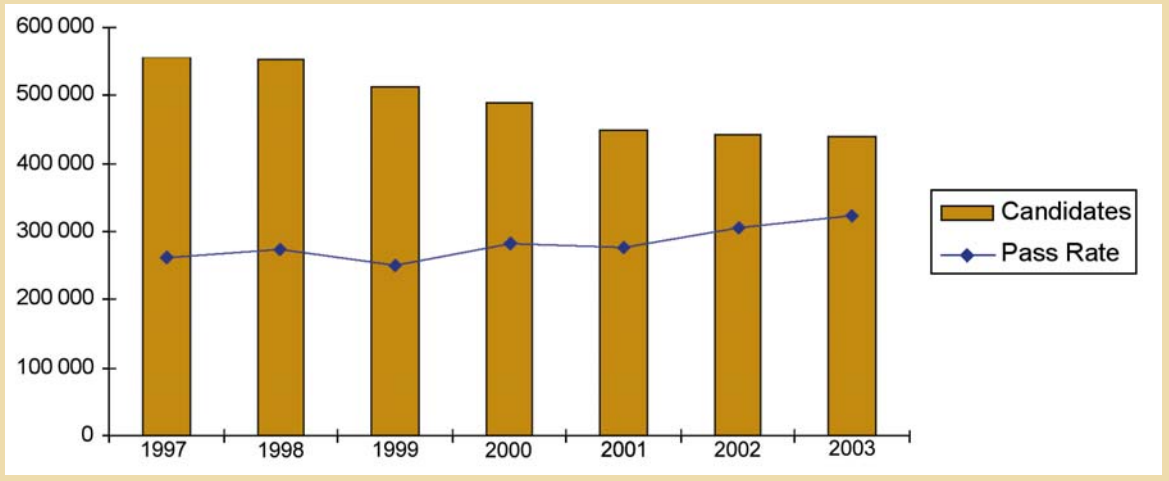
The highest repetition and dropout rates in the primary phase are in Grade 1, which suggests inadequate preparation or school readiness. The data highlights a steady escalation of both repetition and dropout rates through the secondary system, with a major exodus in Grade 10 and 11. A significant 25.8% of learners leave the system and 16% repeat Grade 11 with 12.3% repeating Grade 10. A further indicator of inefficiency is that only 33% of learners who enrolled for Grade 1 in 1993 remain in the schooling system and are enrolled in Grade 12 in 2004, 12 years later (Arends, 2004).

3. Matric pass rates

The measurement of learning achievement has relied primarily on the Senior Certificate, although it is recognised that it is not the most effective tool. There are a number of new measures emerging that complement and deepen analysis of the performance of the system.

Figure 3.1 indicates that there has been a significant improvement in the Senior Certificate pass rate from 47% in 1997 to 73% in 2003. There has been growth in the number of candidates attaining an endorsement, increasing the pool available for university level study from 69 000 in 1997 to 82 000 in 2003, representing 18.6% of those who wrote (**Table 3.4**). At the same time, there is an alarming decrease in the total number of candidates, with some 26% fewer writing the examination in 2003, but this may be tapering out after 2001 (**Figure 3.1 and Table 3.4**).

Figure 3.1: Senior certificate candidates and pass rate 1997 to 2003



Source: Arends, 2004

Table 3.4 Senior Certificate results 1997-2003

	Candidates who wrote	Candidates passed	Candidates gaining an endorsement	Percentage pass rate %	Percentage change in candidates who wrote over previous year %	Percentage change in candidates who passed over previous year %	Percentage change in endorsement over previous year %
1997	556 246	261 400	69 007	47.0			
1998	554 187	273 118	69 891	49.3	-0.4	4.5	1.3
1999	511 474	249 831	63 715	48.8	-7.7	-8.5	-8.8
2000	489 941	283 294	68 626	57.8	-4.2	13.4	7.7
2001	449 371	277 206	67 707	61.7	-8.3	-2.1	-1.3
2002	443 821	305 774	75 048	68.9	-1.2	10.3	10.8
2003	440 267	322 492	82 010	73.2	-0.8	5.5	9.3

Source: Department of Education, 1997-2003 Senior Certificate Reports

The Department of Education (2003b) reports that 10.5% of schools obtained 100% pass rates, and that the percentage of candidates who passed with merit and distinction also increased. The percentage of candidates who passed mathematics in 2003 grew to 58.8% and for science to 80.3%, which are encouraging signs. The total number of candidates passing these subjects on the higher grade remains low, however.

A further feature of significance in the matric system is the decline and flattening off of enrolment in Grade 12. **Table 3.4** shows the number of candidates enrolled nationally since 1997. The average annual decrease in the number of candidates since the peak enrolment in 1997 has been 5.2% with the greatest decrease (8.3%) between 2000 and 2001. There have been a number of reasons suggested for the decrease, including AIDS related deaths and an aggressive policy of excluding repeaters. Perry and Arends suggest that it has more to do with the dropping out of academically weaker candidates in the grades prior to the SCE. Whether this is due to disillusionment, administrative action with regard to serial repetition, or the labour market is impossible to assume without further research (Perry and Arends, 2003).

The percentage of candidates who passed mathematics in 2003 grew to 58.8% and for science to 80.3%, which are encouraging signs.

4. Employment in the youth labour market

Another problematic feature of learner progression through the system is the low levels of employment take-up after the completion of Grade 12. As **Tables 3.5 and 3.6** indicate, these employment rates are highly differentiated on the basis of race.

Table 3.5 Estimated number of annual school-leavers who enter the labour market for the first time and get a job 2000-2002

Population group	Total number of school-leaving first-time entrants into the labour market	Employment rate of school-leaving first-time entrants into the labour market
African	636 020	29
Coloured	74 340	50
Indian	24 780	70
White	90 860	75
Total	826 000	37

Source: McCord and Bhorat, 2003

Of the estimated 826 000 fist-time entrants into the labour market, it is predicted that only 30% will find jobs:

Table 3.6 Transition from school

7%	enter public higher education
12%	enter other forms of further and higher learning (private higher education, public and private FET colleges, and pre-employment training)
30%	get jobs
51%	are unemployed (rises to 71% per year for African first-time entrants)

Source: Kraak, 2004

The latter unemployment figure corresponds with **Figure 3.3** in the Introduction which depicts the high level of unemployment amongst young people. All these figures suggest that there are serious problems to be faced in resolving the articulation between the schooling system and the youth labour market.

5. Further Education and Training Colleges

Further Education and Training Colleges face a complex challenge to respond to several competing demands – from individual students, from the present and future labour market, and from government policy on community development – while simultaneously undergoing fundamental transition (Department of Education, 2004c). At the heart of the new vision for the FET sector is the challenge to equip the former technical colleges to become more responsive to development goals and the labour market, providing quality intermediate and higher level skills.

Coverage and access

The majority of the 183 campus sites of the 50 new Further Education and Training colleges are located in urban and peri-urban areas (**Table 3.7**). The sector is growing steadily, with a 25.5% growth in headcount enrolments between 1998 and 2002. As with schooling, there is a significant provincial variation, where three provinces, Gauteng, KwaZulu-Natal and the Western Cape, account for 60% of the total headcount enrolments of 406 144 students in 2002. **Table 3.7** reflects provincial variation in relation to the total of 143 913 Full Time Equivalent (FTE) enrolments.

Table 3.7 FET college enrolments 2002

	New FET colleges	Number of campus sites	FTEs NATED	FTEs Non-NATED	Total FTEs	Percentage of total %
Eastern Cape	8	30	12 195	1 293	13 489	9
Free State	4	15	8 973	819	9 792	7
Gauteng	8	32	43 357	3 807	47 163	33
KwaZulu-Natal	9	32	18 425	4 319	22 744	16
Limpopo	7	18	9 920	3 178	13 098	9
Mpumalang	3	12	7 559	95	7 655	5
North West	3	11	6 583	2 798	9 382	7
NorthernCape	2	6	2 973	155	3 128	2
Western Cape	6	27	13 933	3 530	17 463	12
National total	50	183	123 919	19 995	143 913	100

Source: Department of Education, 2004a

Participation in the sector is expanding. In 2002, 2.7% of young people in the age cohort 15-29 years were enrolled in a public FET college, as opposed to 1.6% in 1998 (Department of Education, 2004a). In 2002, 73% of headcount enrolments were African students. However, the participation rate for White students (17% of enrolments) was higher at 3.6% than the 2.6% for African students.

Male students continue to dominate the sector at 60% of enrolments, particularly in the traditionally male fields of Engineering, while female students are concentrated in the traditionally female fields of Educare/Social Services, Utility Studies and Business Studies.

Programme diversity

Traditionally colleges have offered NATED programmes, those that are accredited by the Department of Education, but increasingly, they have been encouraged to develop their own programmes in response to local and regional education and training demands.

There has been an increase in Full-Time Equivalent (FTE) enrollments in Non-NATED programmes, some 145% since 1998, to contribute a total of 14% of all FTE enrolments in 2002 (Department of Education, 2004a).

Table 3.8 reflects FTE enrolments by each of the six broad Vocational Fields offered in the FET colleges. It is evident that the traditional fields of Engineering and Business Studies continue to dominate, with 45% of the total FTE enrolments, a further 7% in the Utility Industries and a small 1% in the fields of Art and Music, General Education and Educare/Social Services. It is notable that non-NATED programmes cluster in the new, 'soft' fields such as General Education, Art and Music, Utility Industries and Educare/Social Services (**Table 3.8**).

Table 3.8 FET college enrolments 2002

	Futher Education				Post N3Level				Total	Total %
	NATED	Percentage of total %	NON-NATED	Percentage of total %	NATED	Percentage of total %	NON-NATED	Percentage of total %		
Art and Music	562	35.75	333	21.18	344	21.88	333	21.18	1 572	100
Business Studies	27 525	42.30	1 149	1.77	33 934	52.15	2 462	3.78	65 070	100
Educare/ social Services	411	31.00	92	6.94	603	45.48	220	16.59	1 326	100
Engineering	41 567	64.22	9 877	15.26	12 885	19.91	396	0.61	64 725	100
General Education	223	12.74	1 328	76.10	0	0.00	194	11.12	1 745	100
Utility Industries	3 036	32.04	2 769	29.22	2 830	29.87	840	8.87	9 475	100
National Total	73 324	50.95	15 548	10.80	50 596	35.16	4 445	3.09	143 913	100

Source: Department of Education, 2004

It is also evident that while all 50 colleges offer Business Studies and Engineering, programmes in other vocational fields are concentrated within specific provinces, particularly KwaZulu-Natal, Western Cape and Gauteng colleges. Within the Engineering field, 50.4% of FTE enrolments on NATED programmes are in General Engineering programmes. Likewise, in Business Studies, four vocational programmes account for 89% of FTE NATED programme enrolments (Department of Education, 2004a).

Thus, the narrow concentration on a limited band of courses across the FET sector is starkly evident. This suggests that the proposed increase in programme diversity will need to spread more uniformly across the provinces and across individual institutions.

Levels of provision

The Department of Education has encouraged colleges to focus provision on the FET band rather than the Higher Education band (Level 5 and above on the National Qualifications Framework). These policy pressures triggered a shift such that by 2002, 62% of FTE enrolment was on the FET band (significantly up from 53% in 1998). Again, there are considerable provincial differences, with more than two thirds of the post N3 level enrolments (equivalent to NQF Level 5) concentrated in Gauteng, the Western Cape, KwaZulu-Natal and the Eastern Cape. Of note, 92% of these post-school enrolments are for NATED programmes.

The shift away from post-N3 provision is a matter for further research as it may have the effect of reducing critical intermediate skills at NQF Level 5 that are in high demand across the national economy.

Diversity and competing demands

FET colleges cater primarily for young people between the ages of 15 and 24, some 65% of total headcount enrolments. Given that 23% of students in 2002 were aged between 15-19, and 81% of this age group were enrolled for NATED programmes, it is evident that increasingly, colleges cater for young people seeking add-ons to the traditional schooling pathway. Simultaneously, there has been growth in the number of students over the age of 35, primarily in non-NATED subjects, which suggests that older students are returning to colleges for further skilling. This is in addition to the traditional constituency of young people seeking a post-schooling qualification at the N4, N5 and N6 levels.

These enrolment patterns reflect the competing demands that intensify as colleges strive to become more responsive. There is evidence that while one part of an institution may become more responsive to industry's needs, setting up non-NATED programmes, short courses for adults and learnerships, the core of the college remains focused on young school leavers and traditional NATED programmes. This creates internal divisions and tensions, dealing with which requires complex skills from professional staff that may be beyond current capacity (Department of Education, 2004c).

Partnership and linkages

FET colleges have been encouraged to develop partnerships to enhance responsiveness, particularly in relation to curriculum development and work experience. The number of linkages or joint projects with industry, communities, NGOs and government have grown to a recorded 1 852 in 2002. The majority is with business, some 51%, and only 3% are with SETAs (Department of Education, 2004b). On average nationally, there are 39 partnership projects per institution, although there is a wide range of between 3 and 150 projects. The purpose of these partnerships are primarily as providers of training, some 42%, whether training for students, for community members or to industry. Only a very small proportion, 7%, of partnerships focused specifically on developing new programmes or curricula.

There are encouraging signs of emergent responsiveness, in that 50% of the partnerships with industry focused on learner placements and the provision of training, and more than 50% of partnerships with government focused on community training, provision of training and work placements (Department of Education 2004b).

Employment prospects

Employment prospects for FET college graduates remain very low, even after attaining additional vocational qualifications to supplement already achieved school matriculation. A study by the HSRC showed that only 33.6% of FET college students found employment after graduation, with 69.7% of African graduates unemployed but only 24.2% of White graduates unemployed (Cosser, 2003). This gross differential between Black and White FET college graduate employment rates would be strongly influenced by the physical location and lack of industrial experience available at many FET colleges with a predominantly Black enrolment. Other causal factors are that these colleges are far from centres of employment and that certain formerly White college/employer recruitment networks would continue to be more advantageous to White graduates.

More significantly, 35% of FET graduates were continuing with their studies at the time of the HSRC survey – 70% of whom continued with college studies. It is unclear, however, whether improved college qualifications will lead to better chances of employment or whether this high level of continuing education is merely a strategy to avoid the inevitability of unemployment (Cosser et al, 2003).

New policy emphasis

Government has increasingly shown a strong commitment to improving the conditions facing FET colleges. President Mbeki, in his 'State of the Nation' address in February 2004, has made explicit his desire to align FET colleges to the demands of his socio-economic transformation agenda as outlined in Section One. Mbeki has promised to:

… ensure adequate funding of the technical colleges and proper alignment of the courses they offer with the requirements of the economy. …. We will, during the course of this financial year, recapitalise all the technical colleges and intermediate training institutions, ensuring that they have the necessary infrastructure, capacity and programmes relevant to the needs of our economy (Mbeki, 2004a).

Minister of Education, Naledi Pandor, went further, promising to strengthen the articulation between HE and FET college institutions:

… higher education can play a role in the development of the further education and training (FET) colleges so that we improve the articulation between the colleges, higher education, and the world of work (Pandor, 2004).

In a groundbreaking move to fast track skills development in South Africa, the Minister of Labour, Membathisi Mdladlana and the Deputy Minister of Education, Mr Mohamed Surty, signed a collaborative agreement in the Eastern Cape on 21 February 2005 to facilitate the Umsobomvu Youth Fund's skills development projects for youth through the FET College sector. At the core of the agreement is a partnership between the FET Colleges, the Sector Education and Training Authorities (SETAs), the Umsobomvu Youth Fund and several private sector role players such as employers.

The programme, which entails the linkage of education and skills training, follows a recent decision by both the Departments of Labour and Education to develop a system that would enable young learners to acquire, through education, sufficient preparation and relevant skills that are required in the labour market.

In a keynote address at Lovedale College, the Minister of Labour said a total of 1 300 young people from all provinces would benefit from this initiative in the first year. To date the Umsobomvu Youth Fund has committed R22.2 million to 19 participating FET colleges for the creation of skills programmes and learnerships aimed at addressing skills shortages and unemployment. Mdadlana elaborated:

As you can see where we are gathered today is a rural community. Our ability to develop a skilled worker for the 21st century from institutions situated in rural and poor communities will add significant value towards improving the living conditions of our people in such communities (Department of Labour, 2005c)

6. Higher Education

Higher education in South Africa plays a major role in the development of the high-skills of the workforce, in the form of professionals, managers, as well as producing the scientists and knowledge base so critical to the national system of innovation. The National Plan on Higher Education (DoE, 2001) has set in place strategies to enhance the ability of the system to meet the needs of the labour market and the development challenges of South Africa.

There has been a steady increase in enrolments across the system over the decade 1993-2003. Despite considerable fluctuation in the late 1990s, headcount enrolments have grown 34% to a total of 718 000 in 2003. University enrolments have grown by 30% from 340 00 in 1993 to 488 000 in 2003. Technikons have grown more rapidly by 42%, from 133 000 to 230 000 (**Table 3.9**). The universities continue to dominate the higher education system, with approximately two-thirds of enrolments consistently over the period.

Table 3.9 Headcount enrolments 1993-2003

	1993	1995	1997	1999	2000	2001	2002	2003
University enrolments	340 000	385 000	380 000	384 000	388 369	428 648	460 438	488 000
Technikon enrolments	133 000	184 000	200 000	208 000	202 792	224 327	214 690	230 000
Total enrolments	473 000	569 000	580 000	586 000	591 161	652 975	675 128	718 000

Source: CHE, 2004; Breier, 2004

Total growth suggests that the higher education system is expanding to meet high-level skills challenges, but the ways in which institutions are doing so requires elaboration and disaggregation.

The new institutional landscape

The new institutional landscape created through mergers since 2004 is intended to have a substantial impact on the responsiveness of the higher education system to social and economic development needs. Eight universities, primarily those that were historically advantaged, but including Fort Hare and Western Cape, have remained largely independent, while four new universities have been created through mergers of primarily historically disadvantaged universities but including Natal and Potchefstroom. Two technikons will remain independent, and three will be re-created through mergers, with all renamed as 'universities of technology'. A new type of 'comprehensive' institution has been created, two from historically disadvantaged universities and three through the mergers of a university and a technikon. Finally, UNISA, Technikon SA and Vista Distance have merged to form a super distance institution. If headcount enrolments of 2001 are combined, the 'new' UNISA begins with upwards of 210 275 students, a significant 32% of the total national enrolments. Its enrolment and graduation trends will thus have considerable impact on the contribution of the system as a whole.

In the short term, the process of merging institutions with different histories, different organisational cultures, different staff and student profiles, will absorb a tremendous amount of energy and resources. In the medium and long term, there is a great deal of potential to address higher education transformation goals.

In a groundbreaking move to fast track skills development in South Africa, the Minister of Labour, Membathisi Mdladlana and the Deputy Minister of Education, Mr Mohamed Surty, signed a collaborative agreement in the Eastern Cape on 21 February 2005 to facilitate the Umsobomvu Youth Fund's skills development projects for youth through the FET College sector.

Participation rate

The participation rate in higher education (the proportion of the 20-24 year age group enrolled in higher education) has been targeted for improvement to 20% by the National Plan for Higher Education (Department of Education, 2001). In 2001 it stood at 15.1%. In 2003, the participation rate improved slightly to 16.7% (Stats SA, Census 2001).

There is scope to improve the participation rate. This will require that more school leavers obtain a matriculation pass or exemption (see earlier discussion), and also, that a greater proportion of matriculants who qualify to enter higher education do so. Breier (2004) has calculated that only 53.4% of those who passed the Senior Certificate with endorsement in 2002 in fact enrolled in a higher education institution in 2003 **(Table 3.10)**. This suggests other factors, such as financial constraints,

may be at play.

Table 3.10 First time enrolments as percentage of Senior Certificate passes 2002/03

	Passed Senior Certificate	First time enrolments in technikons and universities	Enrolment as percentage of passes %	Passed Senior Certificate with endorsement	First time enrolments in universities	Enrolment as percentage of passes %
2002	277 206	61 172	22,07	67 707	33 995	50,2
2003	305 774	71 445	23,37	75 048	40 077	53,4

Source: Breier, 2004; Department of Education, 2004d and 2003c

It is evident too, that there is a great deal of provincial variation. For instance, some 80% of those who passed Senior Certificate in 2002 in the economic heartland of Gauteng enrolled at university in 2003, compared with 36,6% in KwaZulu-Natal (Breier 2004). The slightly increasing proportion of first time enrolments relative to the pool of matriculants from 2002 to 2003 is perhaps an indication of a future positive trend. Increasing the proportion of the population with the opportunity to attain a higher education qualification remains a major challenge.

Fields of study

Table 3.11 describes the balance between fields of study in relation to the targets set by the National Plan for Higher Education (2001) to enhance the system's ability to produce high-level skills. Trend data suggests that overall, since 1993 there has been an encouraging shift in the balance of enrolments towards Science and Technology, and that the NPHE targets are attainable, should these trends continue (See CHE, 2004: 69 for supporting data). **Table 3.11** shows that the universities of technology remain a key location for SET enrolments, closely followed by the universities, with more favourable ratios than that set by the NPHE. Although institutional variation is important in a differentiated system, the greatest challenge lies in shifting the balance in the new comprehensives, and particularly in the super distance institution, which has approximately 60% of its enrolments in Humanities and Social Sciences and Education.

Table 3.11 Field of study across the new institutional landscape 2001

	Science, Engineering and Technology	Business, Commerce and Management Sciences	Humanities and Social Sciences	Education
National Plan Target	30%	30%	40%	
Universities				
Independent	35	33	15	17
Merged	33	30	16	21
Total	34	32	15	18
Universities of Technology				
Independent	39	41	19	1
Merged	39	31	19	11
Total	39	33	19	9
Comprehensives				
Independent	24	50	12	14
Merged	23	21	27	28
Unisa	9	28	50	13
Total	14	27	42	18

Source: CHE, 2004

Equity

A responsive higher education system will need to broaden access to its benefits. The proportion of African students enrolled in higher education has grown dramatically from 40% in 1993 to 60% in 2001, with a corresponding decrease in the proportion of White students. However, given that 79% of the population is African, Africans remain under-represented in higher education, especially at universities **(Table 3.12)**.

The proportion of female students at universities has grown steadily from 49% in 1993 to 53% in 2001, and dramatically at technikons, from 31% in 1993 to 50% in 2001 (Department of Education, 2003a).

Table 3.12 Headcount enrolments by race in the new institutional landscape 2001

	African	Coloured	Indian	White	Unknown	Total
Universities						
Independent	42	8	5	45	0	144 328
Merged	59	2	15	22	2	74 733
Total	48	6	9	37	1	219 061
Universities of Technology						
Independent	80	2	0	17	0	24 938
Merged	72	7	6	15	0	99 595
Total	73	6	5	16	0	124 533
Comprehensives						
Independent	96	0	1	3	0	12 421
Merged	73	4	3	21	0	86 666
Unisa	59	5	8	28	0	210 275
Total	64	5	6	25	0	309 362
Grand Total	60	5	7	27	0	652 956

Source: CHE, 2004

Table 3.12 reflects the distribution of 2001 headcount enrolments by race, in the combinations of the new institutional landscape. African students predominate in the universities of technology and the new comprehensives, while White students predominate in the universities that remained independent and at UNISA. This suggests that for mergers to have the desired impact on equity, concerted efforts will be needed to ensure a more equitable distribution across all the new institutional types.

Levels of enrolment

In terms of contributing to a national system of innovation, and to the reproduction of a scientific workforce, the percentage of students enrolled for postgraduate study is critical. **Table 3.13** indicates that 15% of the total enrolments are at the postgraduate level, concentrated in the universities, whether merged or independent. A very low number of students are enrolled for doctorate level study, some 6 500 in 2001, and 84% of these are enrolled in the universities, with 14% in the new comprehensives, particularly those which have merged.

Table 3.13 Undergraduate and post-graduate enrolment across the new institutional landscape, 2001

	Undergraduate enrolment	Undergraduate percentage %	Postgraduate enrolment	Postgraduate percentage %
Universities				
Independent	102 699	71	41 629	29
Merged	52 091	70	22 642	30
Total	154 790	71	64 271	29
Universities of Technology				
Independent	24 606	99	332	1
Merged	97 915	98	1 680	2
Total	122 521	98	2 012	2
Comprehensives				
Independent	10 314	83	2 107	17
Merged	75 481	87	11 185	13
Unisa	195 094	93	15 181	7
Total	280 889	91	28 473	9
Grand Total	558 200	85	94 756	15

Source: CHE 2004

Performance

The total number of graduates in 2000 was 88 249, approximately 14.4% of the 611 000 headcount enrolments for that year. As can be seen in **Table 3.14**, graduates in SET/ BCM and Humanities fields are 25%/22%/53%, significantly out of kilter with the National Plan targets of 30%/30%/40%.

Moreover, the balance between fields is not sustained in graduation outputs. In 2002 the ratio of SET: BCM:HSS graduates was 22:20:57 in universities, but this is an improvement on 1995 when it was 20:14:66 (CHE 2004). Technikon graduations have shifted from 40:26:33 in 1995 to 36:38:25 in 2002, reflecting a move away from Science and Technology towards Business, Commerce and Management.

These indicators suggest that while enrolments may be approaching the desired levels, the proportion of students that succeed as graduates in SET fields is yet to be brought closer to the ideal 30%.

Table 3.14 Graduations by CESM group and category, 2000

GroupGr	CESM Category	No	%
SET	Agric. and Renewable Res.	1 291	1
	Arch. and Envir. Design	1 560	2
	Computer Sc. and Data Proc.	3 279	4
	Engineering and Eng. Tech.	3 805	4
	Health Care and Health Sc.	7 044	8
	Ind. Arts, Trades and Tech.	321	0
	Life and Physical Sc.	3 339	4
	Mathematical Sciences	1 339	2
Subtotal SET		21 978	25
HSS	Arts, Visual and Performing	1 445	2
	Communication	1 285	1
	Home Economics	765	1
	Language, Linguistics and Lit.	3 619	4
	Law	4 900	6
	Libraries and Museums	663	1
	Military Sciences	21	0
	Phil., Rel. and Theology	1 458	2
	Phys. Ed., Health Ed. and Leis.	474	1
	Psychology	4 387	5
	Public Admin. and Soc. Serv.	3 841	4
	Social Sc. and Social Studies	6 038	7
	Unknown	76	0
Subtotal HSS		28 970	33
Education		17 975	20
Business and Commerce		19 327	22
Total		88 249	100

Source: Department of Education (2000); Note: No data available for University of the North West.

There is therefore significant room for improvement in the performance of the higher education system. As indicated above, national graduation rates remain low, with considerable institutional variation. Graduation rates are calculated as a proportion derived from dividing graduates by headcount enrolments of the same year. Although rough measures, these provide reasonable proxies for detailed cohort studies, which are not available. The rate is affected by the number of new intakes, dropouts and the throughput rate – the number of years taken to complete. The NPHE benchmark figures were derived from reviews of student cohort models over five years by which typical graduation rates in South African institutions were identified. Nationally in 2003 the graduation rate for universities is 16.7%, and for technikons 12.3%, yielding a national graduation rate of 15.3%. Improving the graduation rate therefore continues to be a key issue for institutions.

Across the system in 2002, 72% of graduations are at the under-graduate level (99% of technikon graduations). African graduates are concentrated at the undergraduate and lower post-graduate levels, and White graduates predominate at all post-graduate levels. A total of only 987 students across the higher education system were awarded a doctorate in 2002, representing 1% of graduates.

Graduate employment

The Towards a Ten year Review (PCAS, 2003) identified graduate unemployment as a key concern:

There is a relatively large reservoir of young unemployed matriculants and even graduates of technikons and universities. The percentage of unemployed graduates of tertiary institutions grew from 6% in 1995 to 15% in 2002. For Africans, the percentage of unemployed graduates rose from 10% in 1995 to 26% in 2002. Many of these unemployed people have earned degrees and diplomas that have not sufficiently prepared them for the labour market. Two messages come out of the data. The first is that school, technikon and university programmes are not always effectively geared towards employability. The second is that school-goers and school-leavers do not have sufficient guidance regarding practical study and career paths (PCAS, 2003).

In a more recent HSRC study, factors such as field of study, geographic area, choice of institution, as well as gender and race are seen as determining factors in the growing phenomenon of graduate unemployment in South Africa.

Table 3.15 Period before finding employment, by field of study

Field of study	Immediately	Between 1 and 6 months	Between 7 and 12 months	Between 1 and 2 years	More than 2 years	Total
	%	%	%	%	%	%
Art and Music	55,0	38,8	3,8	2,1	0,4	100
Engineering	77,5	18,8	3,0	1,0	0,5	100
Agriculture	61,6	31,4	5,8	1,2	0,0	100
Medical sciences	79,3	18,5	2,2	0,0	0,0	100
Humanities and arts	46,8	33,1	8,5	7,3	4,2	100
Education	57,0	33,8	3,9	4,4	0,9	100
Law	49,6	30,2	8,6	7,2	4,1	100
EMS*	65,4	23,3	6,2	3,7	4,3	100
Total	59,5	28,4	5,9	4,2	2,0	100

Source: Moleke, 2005; * EMS: Economic and Management Sciences

Table 3.15 shows that 60% of graduates found employment immediately, a further 28% found employment between a month and six months after qualifying, 6% did so between 7 and 12 months and 6% took more than a year after obtaining their qualifications to find employment. Graduates in fields with a more professional focus, such as medical sciences (79%) and engineering (77%) had higher rates of rapid employment than those who studied in fields that were largely of a general nature.

Whereas Africans were concentrated in fields of study with fewer employment 'prospects', a comparison within the study fields indicated that their White counterparts had better prospects. For example, White graduates made up a high proportion of those who found immediate employment (70%) compared with 57.8% for Africans, 57% for Coloureds and 52% for Asians. In other words within study fields the differences varied according to race. More than 50% of White graduates found immediate employment in all study fields, whereas the only fields where more than 50% of Africans found employment immediately, were engineering (88%), medical sciences (66%) and agriculture (53%). It was only in engineering that African graduates experienced the highest proportion of those in immediate employment (88.9%) compared to 78.3%, 50%, and 50% for Whites, Asians, and Coloureds respectively. The disadvantage of Africans and Coloureds in the labour market was clearly evident in this analysis.

Differences by institution attended indicate that graduates from historically White universities (HWUs) had better prospects than those from historically Black universities (HBUs). The field of study also influences institutional differences. HBUs had higher proportions of those graduating in fields with lower employment prospects, i.e. humanities and arts, and education. Hence HBUs had a higher proportion of those with lower prospects. Overall, of those who found employment immediately only about 40% were from HBUs compared to 69% from HWUs. While field of study influences institutional differences, there are indications of disadvantage for those graduating from HBUs. For example, there is a big difference in law, in which only 27% of those who found employment immediately were from

HBUs, compared to 67.5% from HWUs. In economic and management sciences the figures were 38.5% for HBUs, and 73.5% for HWUs respectively.

Unemployment rate and incidence differed for graduates and was influenced by factors such as study fields, race and gender. Humanities and arts had the highest proportion of those unemployed. Africans (62.5%) had the highest proportion of graduates who experienced periods of unemployment compared to 5.5% for Asians, 5.5% for Coloured graduates, and 26.5% for White graduates. The majority of African graduates who experienced unemployment were in the humanities and arts fields. This is partly because many of the African graduates are 'crowded' into these fields.

7. Conclusion

Over the past decade there have been positive trends evident across the entire education system (schools, FET colleges and higher education institutions) indicating improvements in overall enrolments and education outcomes. Institutions have also been significantly deracialised. In both schooling and higher education, there is a strong determination to improve enrolments and performance in mathematics, science, engineering and technology. The challenge now is for the entire education system to sustain and consolidate progress. In particular, there is a need to improve system efficiency, enhance progression between the differing subsectors (schools, colleges and universities) and increase responsiveness to the economy's labour market needs. Most importantly, the time has come for education and training to demonstrate its contribution towards alleviating the ignorance, poverty and joblessness which the divide between the first and second economies perpetuates.

4. Current state of skills

This section will evaluate the impact of efforts to increase enterprise training over the past decade, measured firstly through the results of an HSRC survey commissioned by the Department of Labour in 2003, and secondly, through data collected by the Department of Labour that relate to the impact of the first National Skills Development Strategy, from March 2001 – March 2004. Overall, the HSRC National Survey of Skills 2003 confirms the Department of Labour's view that reasonable progress has been made in kick-starting a new approach to enterprise training, the results of which compare relatively favourably internationally. The NSDS has also brought about a decisive turnaround in the fortunes of workplace training after the dramatic declines witnessed in the late 1980s through to the mid-1990s.

1. Poor education and training legacy

Two factors need to be taken into account when evaluating the current state of skills in South Africa. They have to do with the education and training deficit inherited from apartheid in 1994.

The first is concerned with the dramatic decline in both apprenticeship and enterprise-based training during the late 1980s and 1990s. The key figures are depicted in **Table 4.1**:

Table 4.1 The decline of apprenticeship training, 1980s and 1990s

	1986	1988	1990	1992	1994	1996	1998
Apprentices indentured	29 826	23 416	24 448	25 785	22 015	18 546	16 577
Total formal sector training	288 633	318 025	320 070	283 664	58 004	110 278	61 145

Source: Kraak et al, 2000

The declines in apprenticeship and enterprise training precede the implementation of the government's national skills development strategy. They provided a very low base off which to build and reflected a historically evolved enterprise culture that remained unconvinced of the merits of widespread training.

The second factor is the generally low level of education acquired by the South African workforce, although as data in **Table 4.2** suggests, there have also been significant improvements in the period 1999-2003, specifically amongst the African workforce. However, notwithstanding the improvements, the educational background of the current workforce remains very low with the vast majority of African workers possessing less than a matriculation certificate.

Table 4.2 Changes in the qualification of the workforce by population group (000s)

Years	None		Less than matric		Matric		Post matric		Total	
	African	Whites, Coloureds and Indians	African	Whites, Coloureds and Indians	African	Whites, Coloureds and Indians	African	Whites, Coloureds and Indians	African	Whites, Coloureds and Indians
1997	642	66	3 310	1 195	880	1 121	563	828	536 800	3 210
%	12%	2%	62%	37%	16%	35%	10%	26%	100%	100%
2003	662	56	4 850	1 285	1 568	1 490	819	981	789 900	3 812
%	8%	1%	61%	34%	20%	39%	10%	26%	100%	100%

Source: Statistics SA, Labour Force Survey, September 2003 and October Household Survey, 1997

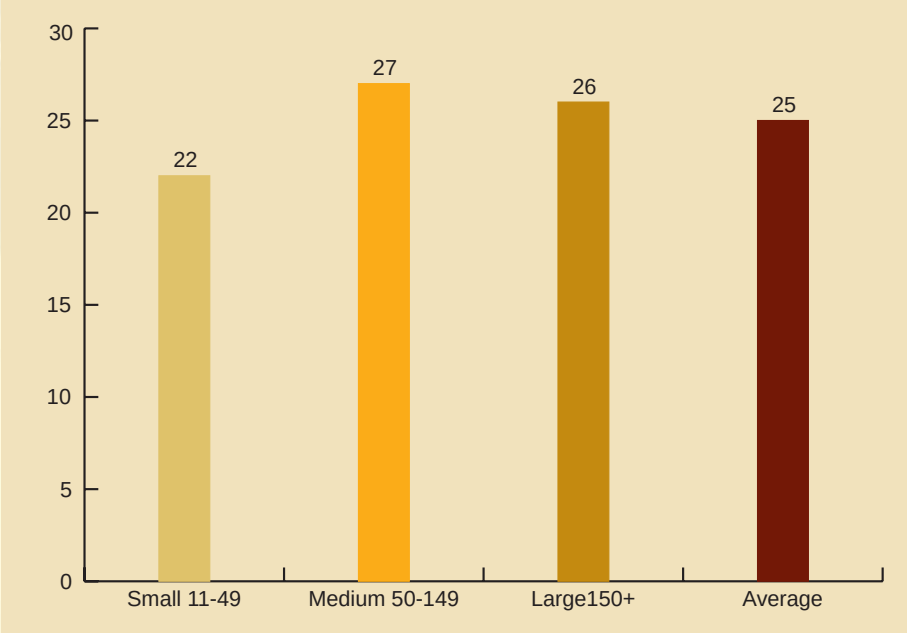
2. National Skills Survey

The National Skills Survey 2003 was commissioned by the Department of Labour in early 2003. The survey focused on private sector training (public sector training was dealt with in a separate commissioned study). The survey was based on 1 374 respondents who answered a postal questionnaire distributed nationally across enterprises belonging to all private sector based Sector Education and Training Authorities (SETAs). Some of the key findings of this survey will now be presented and discussed.

Training rate

The training rate is a measure of the proportion of permanent workers who received some form of training in a specified time period, and is expressed as a percentage. The training rate serves as a key measure of the distribution of access to training among workers. Results from the survey indicate that the training rate among permanent workers in private enterprises was 25% **(Figure 4.1)**. This means that 1 in 4 workers in South African enterprises received training in the 2002/03 year. The training rate for medium sized enterprises was slightly higher than for large enterprises.

Figure 4.1: Training rate by enterprise size, 2002/03 (%)



Source: Paterson et al, 2004

This training rate compares favourably with comparative data for the OECD countries **(Table 4.3)**. South Africa's training rate measure is similar to that achieved by Southern European countries such as Spain and Italy, but is lower than the Nordic countries, France and the United Kingdom.

Table 4.3 Participation rate of adult workers in training in selected OECD countries

Country	Measure				
	IALS, 1994-98	ECHP, 1998	CVTS, 1999	ESWC, 2000	National sources
Australia	41,4	-	-	-	47,0
Germany	-	32,1	32,0	30,1	42,0
Ireland	26,2	21,2	41,0	30,4	-
Italy	28,4	12,2	10,0	20	-
Portugal-	15,7	7,0	17,0	12,1	-
Spain	-	22,6	25,0	17,8	-
Sweden	59,2	67,1	61,0	26	45,0
United Kingdom	53,7	44,4	49,0	47,6	-
Unweighted average:	40,8	28,3	34,3	31,3	none

Source: Paterson et al, 2004

It is difficult to benchmark the performance of South Africa against other countries in a meaningful way, because measures of training are influenced by methodological, contextual and cultural factors. These contextual factors make comparisons tentative. Nevertheless, the training rate for South Africa falls within the very wide range of statistics found on training in the OECD, and suggests that the South African training rate is roughly comparable to those achieved in some economies in Southern Europe and that South Africa is not such a bad performer in skills matters as is generally assumed. Just as important, however, is to ask how well the South African training rate addresses the poor general education foundations that underpin the skills needs of many people in the workforce as a consequence of apartheid.

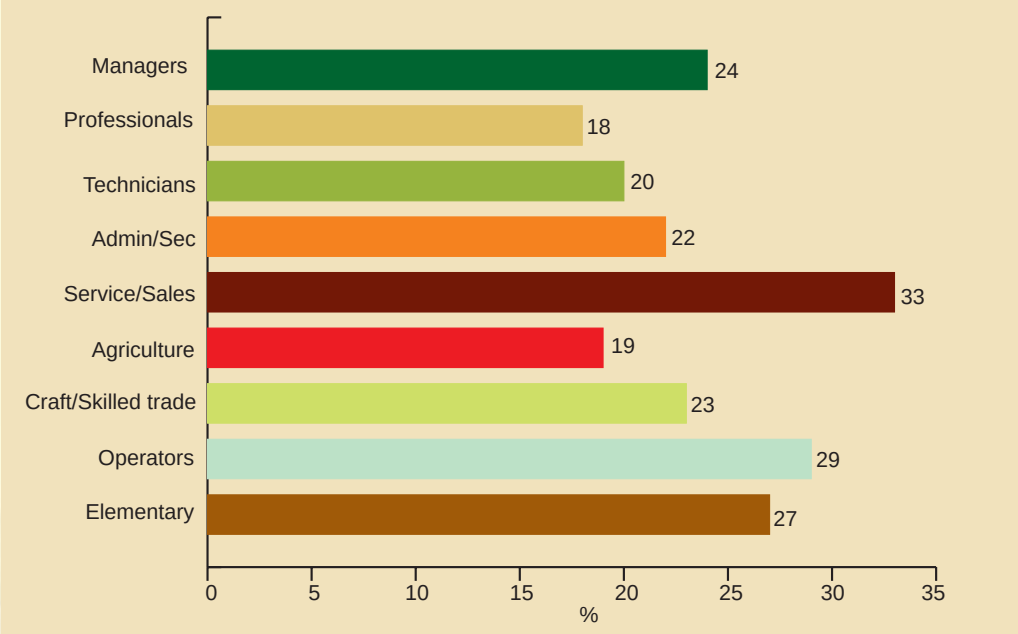
Indicators of unevenness of training

One of the strongest features of the research findings from the National Survey of Skills 2003 is the unevenness of training across several key variables: occupation, economic sector and firm size. Again, this variability is not a unique feature of the South African training system. It occurs worldwide, reflecting the differing conditions which pertain in each of these categories and their differing dependencies on continuous skills upgrading (or lack thereof). The challenge, of course, is when government and employers seek to move up the value chain in particular sectors that in the past have been characterised by low levels of skills and training. In such instances, poor training performance will be a curb on sectoral growth.

Training rate by occupation

Training rates across occupational codes were highest for service and sales workers (33%) and lowest for professionals (18%) **(Figure 4.2)**. Of concern were the relatively low training rates recorded for technicians (20%) and craft and skilled trades workers (23%).

Figure 4.2: Training rate by occupational category, 2002/03 (%)

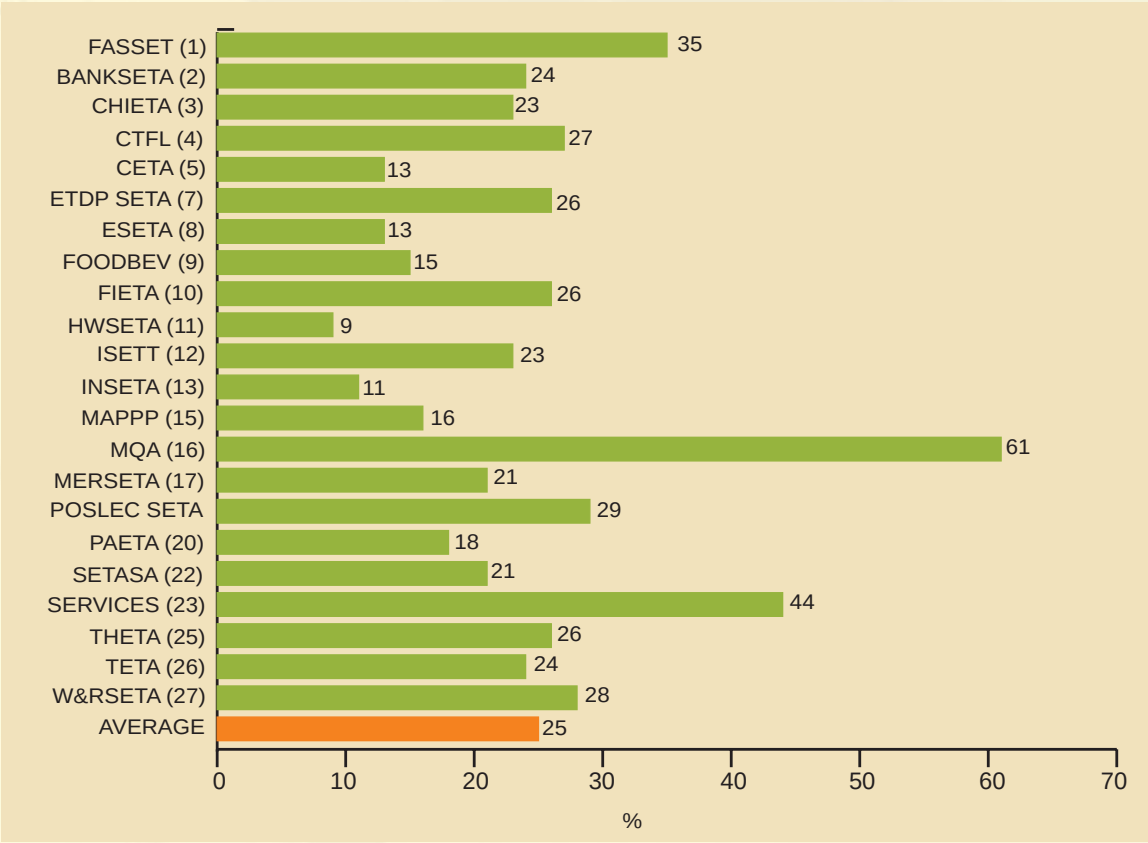


Source: Paterson et al, 2004

Training rate by SETA

Training rates varied significantly between Sector Education and Training Authorities (SETA) from 61% to 9% **(Figure 4.3)**. In the mining sector about 6 out of 10 workers received some form of training, while in the health and welfare sector, only about 1 out of 10 workers received training. The services sector, including financial services and other services, had relatively high training rates.

Figure 4.3: Training rate by SETA, 2002/03 (%)



Source: Paterson et al, 2004

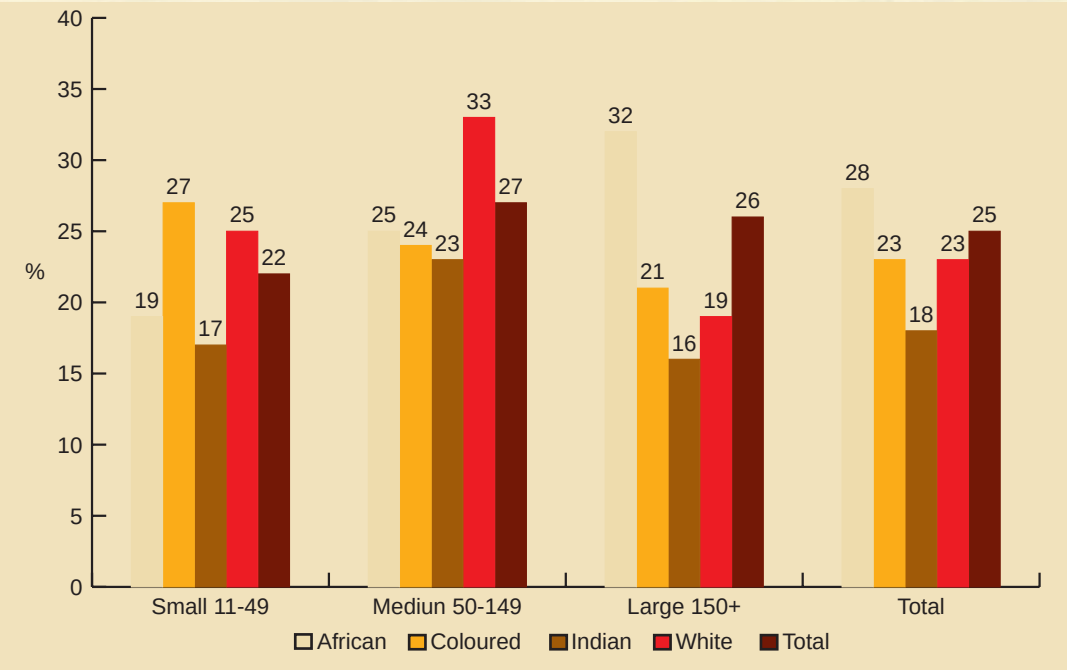
These sectoral variations are significant and warrant greater attention. Findings in this regard highlight the need to explore the extent to which weak sectoral performances can be addressed.

Training access by size of firm and race

Overall, the training rate for African workers was 28% followed by Coloured and White workers at 23%. Indian workers received the least opportunities for training at 18% **(Figure 4.4)**. The generally higher training rates for African workers suggests that improved training access is beginning to benefit some former disadvantaged groups. In large enterprises, African workers received more opportunities for training by quite a large margin. This suggests that equity considerations are very influential in this enterprise size category, particularly for Africans.

In medium sized enterprises, White workers received more opportunities for training, with Africans, Coloureds and Indians receiving less. In small enterprises, Coloured and White workers received greater access to training than African and Indian workers. There are also sectoral differences in access to training by race. For example, African workers, in particular in the insurance, services and transport SETAs, had better access to training.

Figure 4.4: Training rate by race and enterprise size, 2002/03 (%)



Source: Paterson et al, 2004

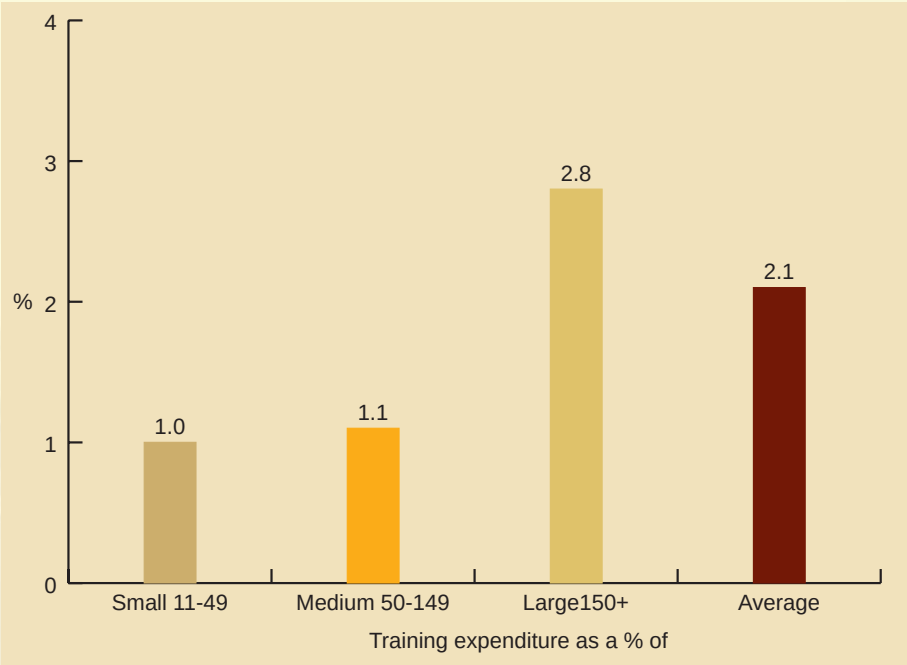
The data presented here reinforce the Department of Labour's own assertion that there has been good progress towards racial equity targets for training. On the other hand, access to skills provision for people with disabilities remains far off target. The findings also show that unequal access to training is still segmented by race and gender within occupational categories and enterprise size categories. The gender gap in training participation is worst in large enterprises. These findings highlight the need for a continued effort to meet the race and gender targets and the importance of obtaining better coherence between the Department's employment equity and skills development activities.

Expenditure on training by size of firm

Expenditure on training is a key measure of the level at which enterprises are willing to invest in developing the skills of their workers. For comparative purposes, training expenditure is expressed as a proportion of payroll. In South Africa, expenditure on training within the ambit of the levy-grant scheme is an important indicator of the extent to which enterprises have bought into the scheme.

The average expenditure on training as a percentage of payroll in 2002/03 was 2.1% **(Figure 4.5)**. Large enterprises spent at 2.8%, which is a much higher proportion than medium and small enterprises. This pattern of higher levels of spending in large enterprises compares favourably with international examples, where expenditure on training usually increases with enterprise size.

Figure 4.5: Training expenditure as a percentage of payroll by enterprise size, 2002/03 (%)



Source: Paterson et al, 2004

Investment in training differed considerably at the SETA level, with the mining sector showing the highest average expenditure on training as a percentage of payroll at 5%, followed by the tourism and hospitality, transport and health and welfare sectors.

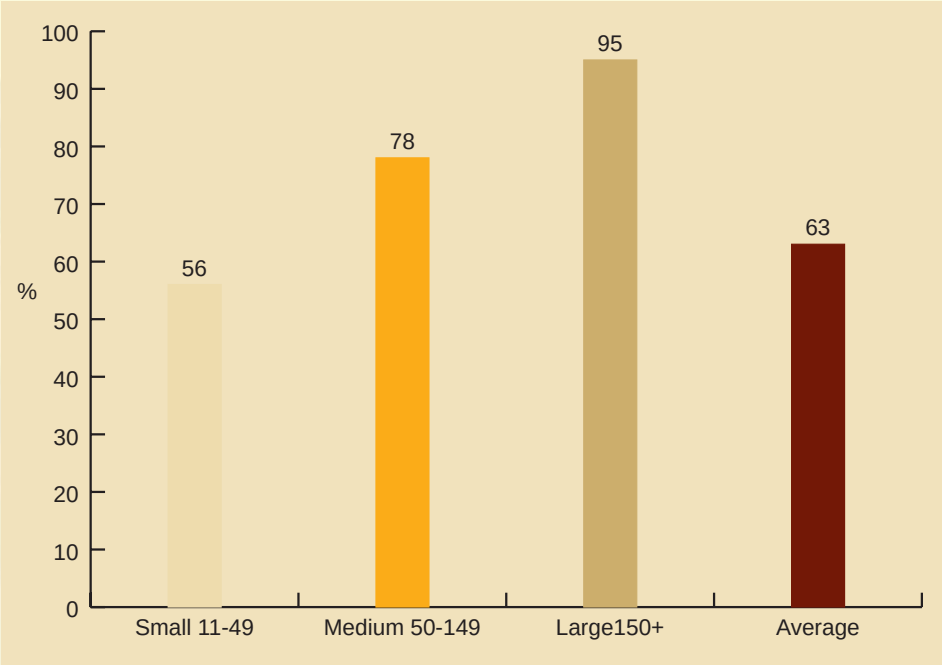
Nearly two-thirds of enterprises indicated their intention to increase their training expenditure in 2003/04. This is encouraging since it reflects stability in the proportion of enterprises expressing the intention to increase training over the previous period of 2002/03, which stood at 60%.

Findings also show that unequal access to training is still segmented by race and gender within occupational categories and enterprise size categories.

3. Functioning and effectiveness of the SETA system

The next section will examine the functioning and effectiveness of the 25 SETAs which were established in March 2000. The first indicator of effectiveness is the participation rate of firms in the levy-grant system – a central lever in government's National Skills Development Strategy. The participation rate was very strong in the 'large' establishment size category, with over nine in every 10 establishments registered with specific SETAs, but this dropped off to 56% for small establishments (**Figure 4.6**). Reducing the number of enterprises not registered is important for the success of the NSDS. Otherwise, the levy-grant system will ultimately operate as an additional 'tax', and would then have minimal demonstrable impact on enterprise training behaviour.

Figure 4.6: Enterprises registered with SETAs by size, 2002/03 (%)



Source: Paterson et al, 2004

There were sharp differences in registration between SETAs, from a high in the financial services sector (93%) to a relative low in the health and welfare sector (44%). Of concern was that nearly 10% of enterprises indicated that they were 'unsure' of whether they were registered or not. This suggests the need for clear communication between SETAs and enterprises on important administrative and financial matters.

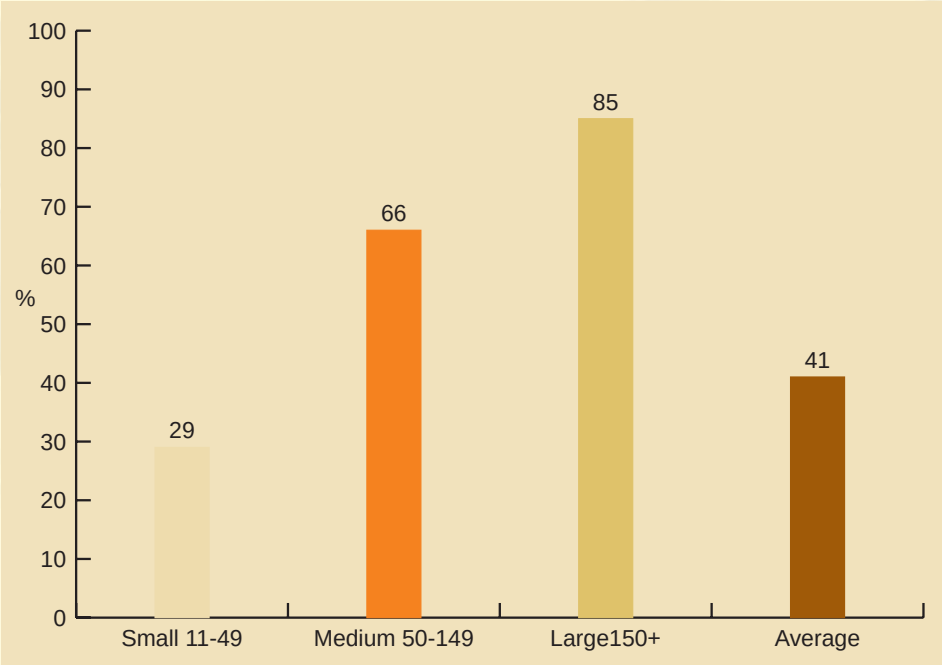
Grant claims by enterprise size

The volume of grant claims indicates what proportion of enterprises has, first, participated in the levy-grant scheme, and second, successfully claimed reimbursement.

The results of the survey indicate that the overall proportion of enterprises claiming grants was 41% but there were large variations by enterprise size, from 85% of large enterprises to 29% of small enterprises **(Figure 4.7)**. This suggests that enterprise size influences participation in the levy-grant scheme.

The participation of small, medium and large enterprises in the NSDS is mixed. The high proportions of medium and large enterprises claiming grants are very encouraging, while grant claims by small enterprises are less impressive, but this seems to be in line with much of the international experience.

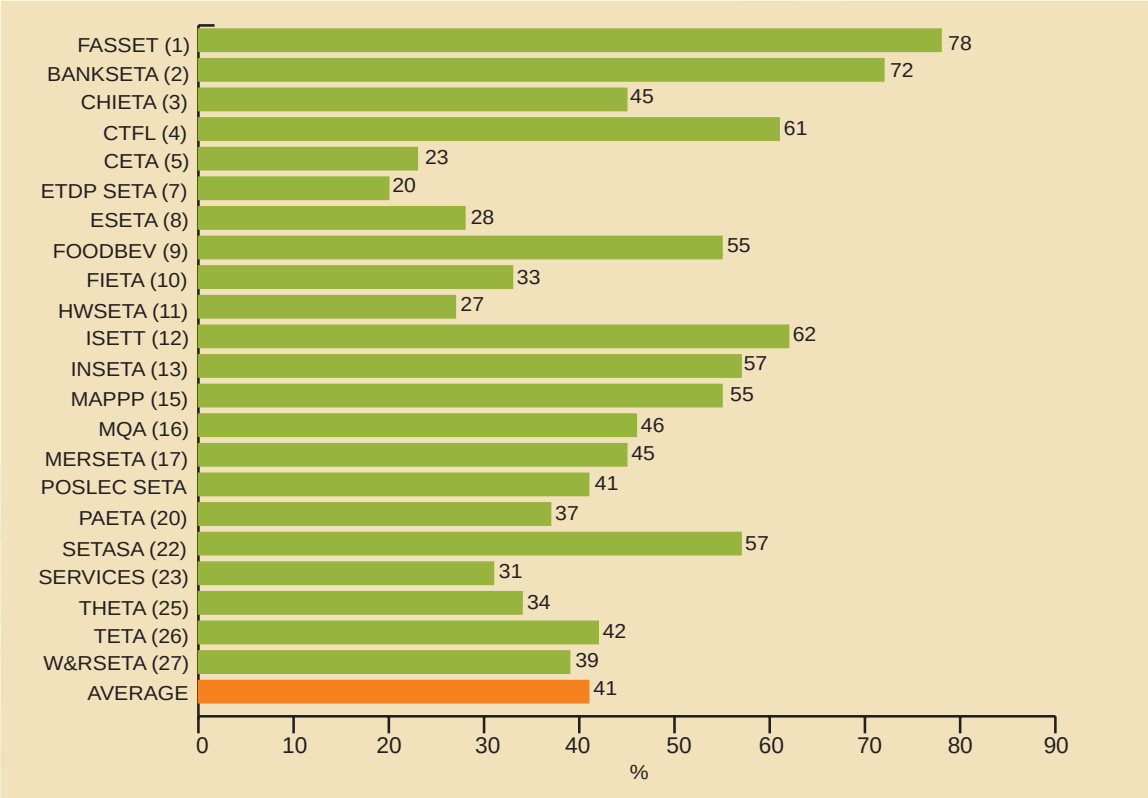
Figure 4.7: Enterprises claiming grants by size, 2002/03 (%)



Source: Paterson et al, 2004

Furthermore, there were strong SETA related differences in the proportions of enterprises claiming grants **(Figure 4.8)**. The volume of grant claims by SETA ranged from FASSET with a high of 78% to a low of 20% in the ETDP SETA.

Figure 4.8: Enterprises claiming grants by SETA, 2002/03 (%)



Source: Paterson et al, 2004

Establishments not claiming grants

It is important to understand why enterprises are not claiming grants. There were two reasons that enterprises gave for not claiming grants which drew attention to how the SETAs identify and communicate with prospective enterprise members. One in four respondents indicated that they 'do not know about them (SETAs)' and nearly one in five respondents indicated that the grant applications were too complicated. Improved SETA performance in these areas should increase the levels of participation.

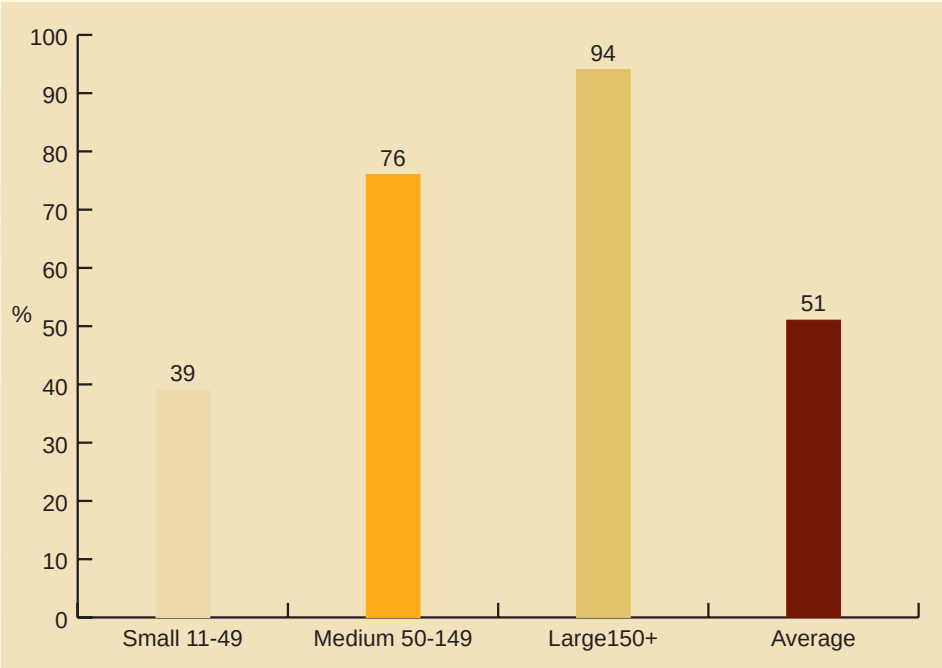
Equally important are the perceived costs and benefits of participation in the grant scheme from the perspective of enterprises. One in 10 respondents indicated that they 'do not have time' to complete the applications, and nearly one quarter declared that making applications was, in their view, not worth the effort financially. The reasons given for not claiming grants were not strongly affected by enterprise size.

Workplace skills plans

When an enterprise has a valid workplace skills plan document, this can be taken as an indication that the enterprise has included the planning of training in its own strategic planning process. In this respect:

- Just over half of all enterprises possessed workplace skills plans **(Figure 4.9)**
- More than nine out of 10 large enterprises had workplace skills plans, whereas about four out of 10 small enterprises had workplace skills plans
- A statistically higher proportion of enterprises that had workplace skills plans claimed grants.

Figure 4.9: Enterprises having workplace skills plans by size, 2002/03 (%)



Source: Paterson et al, 2004

The BANKSETA, FASSET, ISETT, SETASA and MQA SETAs showed high proportions of enterprises in possession of a workplace skills plan, whereas lower proportions were evident within the ETDP, ESETA, W&RSETA and SERVICES SETAs.

4. First National Skills Development Strategy, 2001 - 2005

The first National Skills Development Strategy was launched by the Minister of Labour, Membathisi Mdladlana, in February 2001 with a set of ambitious objectives and success indicators which needed to be met at the end of a four-year implementation cycle – that is, by the end of March 2005. These objectives and the extent of success achieved as of March 2004 are summarized in **Table 4.4**. The data used derives from information collected by the Department of Labour and published annually in the National Skills Development Strategy Implementation Reports (See Department of Labour, 2005a)

Table 4.4 Training success against NSDS objectives and indicators, March 2004

	Indicator	Achievements by March 2004	Proximity to the target by March 2004	Beneficiaries		
				NSDS Target for Blacks: 85%	NSDS Target for Women: 54%	NSDS Target for people with disabilities: 4%
1	**NQF LEVEL 1:** 70% of workers must have at least a NQF level 1 qualification by March 2005.	About 5.6 million workers in South Africa presently have a NQF level 1 qualification and a further 904 993 workers still need to be assisted if this 70% goal is to be achieved before March 2005. A total of 433 437 workers have completed training towards a NQF Level 1 qualification between March 2001 and June 2004. This represents 48% of the target that has to be reached by March 2005	Only half way there	87%	33%	0.1%
2	**Large firms:** At least 75% of enterprises with more than 150 workers have to be receiving skills development grants by March 2005.	In March 2004 about 67% of enterprises in this category were providing workers with access to skills training. This percentage is high because although only 0.7% of all enterprises were large firms in 1999, they employed 42.7% of all workers.	Closely approxim-ating the target	-	-	-
3	**Medium firms:** At least 40% of enterprises employing between 50 and 150 work-ers should be receiving skills development grants by March 2005.	By March 2004 about 53% of levy-paying medium-sized firms were accessing grants through developing workplace skills plans, thereby exceeding in advance the target set of 40%.	Exceeded the target	-	-	-

	Indicator	Achievements by March 2004	Proximity to the target by March 2004	Beneficiaries		
				NSDS Target for Blacks: 85%	NSDS Target for Women: 54%	NSDS Target for people with disabilities: 4%
4	**Small firms:** At least 20% of new and existing registered small businesses have to be supported in skills development initiatives by March 2005.	By March 2004, 67 461 small firms were supported by skills development initiatives out of a total of 181 842 small firms paying the levy. This yields a success rate of 37% which is almost double the target of 20% set for March 2005.	Exceeded the target, nearly doubling the number of small firm beneficiaries	-	-	-
5	**Structured learning:** A minimum of 15% of workers must have embarked on a structured learning programme by March 2005.	The target for this indicator is for 1 398 033 workers to be engaged in structured learning by March 2005 and for 699 016 to have completed this training. A total of 3 067 192 workers (out of a total workforce of 9.3 million people) had embarked on some form of structured learning programmes, and 2 165 418 had completed such training during the period April 2001 up to March 2004. These cumulative figures far exceed the 15% target, approaching almost 38% of the total workforce of 9.3 million workers trained in a structured way over a three-year period..	Exceeded target by more than double	84%	35%	0.4%
6	**Learnerships:** A minimum of 80 000 people have entered learnerships by March 2005.	By March 2004, a total of 69 306 learnerships (including 19 951 apprenticeships) were registered. Most were previously unemployed and under the age of 35. This number had reached 72 908 learnerships by August 2004 – a figure very close to the target of 80 000 by March 2005	Attained 91% of target by August 2004	59%	29%	2%

Source: Department of Labour, 2005a

The overall results are positive in the main, with disappointing outcomes in the upgrading of formal qualifications for workers seeking NQF Level 1 training. This is of course the more demanding of skill training activities (whole qualification upgrades being more difficult than short course or unit standards training). Other areas that received poor results include training of women and workers with disabilities. The equity targets in these instances were not met.

Also, although a significant number of small firms (67 461) have participated in some form of NSDS activity since 2001, only 10% of registered small firms were actively claiming back grants and participating in other SETA activities and structures. All of these areas will need to be improved in the future if the second phase of the NSDS is to make demonstrable progress.

What is positive, however, is the clear evidence that the capacity of the NSDS structures have improved exponentially in the third year of the NSDS four-year cycle. Evidence to support this assumption of a 'late but solid uptake of training' include:

- The numbers achieving NQF Level 1 jumped from 111 367 in 2002/03 to 433 437 in 2003/04 - a 289% increase in 2003/04
- The numbers receiving structured training jumped from 1 398 461 in 2002/03 to 1 668 731in 2003/04, yielding a total of 3067 192 beneficiaries by March 2004. This constituted an increase of 120% in training in the 2003/04 financial year
- Similarly, the number of learnerships registered increased from 25 341 at the end of 2002/03 to 69 308 at the end of 2003/04 – again, a massive increase of 174%.

All these data suggest a significant gear change in the capacity of the SETA system during 2003/04 to train on a much larger scale. This growing maturity bodes well for the future.

A set of snapshot measures of enterprise training across the entire economy in the period 2001/02 to 2003/04 has been presented. Discussion will shift to a thematic focus examining five issues central to the NSDS in more detail:

- Very small and micro enterprise (VSME) training
- Social development initiatives that comprise training
- Learnerships
- Public sector training
- Scarce skills.

5. Very Small and Micro Enterprise (VSME) training

The HSRC conducted a survey of training practices in VSME in 2003 as a complement to the National Skills Survey 2003 (which focused only on small, medium and large firms in the formal sector). The VSME survey was administered to 505 registered and non-registered enterprises with between one and 10 workers. These firms were located in three or four sectors largely following the pattern established by registered VSME firms in the levy-grant system: 24% fell under the Services SETA, 14% under Wholesale and Retail and 11% under Manufacturing. Notably, only 7% of registered VSMEs fell under the Construction Education and Training Authority.

Participation in training

Analysis of the VSME survey results shows that 1 664 or 40% of all workers covered in the study underwent training during the 2002/03 financial year. The participation rate for permanent workers was 41%, for non-permanent workers, 34% and for workers with disabilities, 54%.

This training rate is extremely high for both registered and unregistered VSMEs and has largely to do with the very general definition of training employed in the survey (and in the NSDS). It also has to do with the high degree of informality associated with training in VSMEs. Training in this context is usually

done in-house, is unstructured and is executed by the owner/manager. This tends to blur the distinction between routine supervision activities and actual training, thereby making accurate measurement very difficult. This issue will be returned to several times in the following discussion.

Table 4.5 Percentages of workers trained by type of establishments and worker type

Type of establishment/worker	Employed	Trained	% of employed trained
Permanent workers			
• 1-5: Registered	313	165	52.7
• 1-5: Non-registered	487	152	31.2
• 6-10: Registered	1 445	635	43,9
• 6-10: Non-registered	942	363	38,5
Total	**3 187**	**1 315**	**41,3**
Non-permanent workers			
• 1-5: Registered	164	61	37,2
• 1-5: Non-registered	252	65	25,8
• 6-10: Registered	318	102	32,1
• 6-10: Non-registered	234	102	43,6
Total	**968**	**330**	**34,1**
Workers with disabilities			
• 1-5: Registered	3	3	100,0
• 1-5: Non-registered	19	6	31,6
• 6-10: Registered	9	9	100,0
• 6-10: Non-registered	4	1	25,0
Total	**35**	**19**	**54,3**
Total			
• 1-5: Registered	480	229	47,7
• 1-5: Non-registered	744	223	30,0
• 6-10: Registered	1 772	747	42,2
• 6-10: Non-registered	1 180	466	39,5
Total	**4 176**	**1 664**	**39,8**

Source: McGrath & Martins, 2004

With this important caveat in mind, it is nonetheless encouraging to note that the reported training rate is also not out of line with some international figures. Tan and Batra report informal training rates for micro-enterprises of 57% of workers trained in Malaysia and 68% in Colombia (1995: 7). Crucially, they argue that it is the rate of formal training that varies strongly with enterprise size. There is far less variation across a number of countries with respect to informal training. Qualitative and quantitative research across the informal sectors of Africa confirms the picture of considerable training volume when the emphasis is not on formal programmes (Fluitman, 1989 and 1994; King and McGrath, 1999 and 2002)

Respondents were requested to estimate the number of permanent workers who participated in training during the 2002/03 financial year according to the occupational group in which they received the most training. The results are given in **Table 4.6**.

Table 4.6 Participation rates in training per occupational group

Occupational group	% trained
Managers	31
Professionals	52
Technicians	54
Administrators/secretaries	44
Service and sales workers	41
Agricultural and fishery workers	63
Craft and skilled trade workers	55
Plant and machine operators	30
Elementary workers/labourers	34

Source: McGrath & Martins, 2004

The highest proportions of workers by occupational group receiving training were professionals, technicians and craft workers. This is in keeping with the findings in major United Kingdom surveys that training is most likely amongst professional and technical workers within the small enterprise sector (Kitching and Blackburn 2002: 44).

Informality of training In VSMEs

Respondents were requested to indicate to what extent their permanent workers participated in different types of training **(Table 4.4)**.

Table 4.7 Extent to which permanent workers participated in types of training

Training type	1	2	3	4	5*
	%	%	%	%	%
Registered apprenticeships	82,6	5,5	3,2	4,3	4,3
Learnerships	87,7	2,5	4,2	3,2	2,5
Skills programmes	54,0	5,7	14,6	13,8	11,9
On the job training	13,1	2,8	14,1	30,7	39,8
Mentoring	49,6	12,0	10,2	13,5	14,6
In-house courses	59,8	6,3	8,6	10,5	14,8
Courses presented by an external agency **on** your premises	68,5	5,4	7,7	8,5	10,0
Courses presented by an external agency **off** your premises	54,8	4,6	13,7	12,9	14,1

*Scale of 1-5 with 1 = not at all and 5 = to a large extent
Source: McGrath & Martins, 2004

Only 5% of all permanent staff in VSMEs experienced recognised (or formalised) training in the past year. In addition, less than 2% of permanent staff were reported as having received NQF-aligned training. These rather negative figures should not be seen as surprising. Training in smaller enterprises internationally is typically informal and is likely to be relatively impervious to major government initiatives focused on formal training. A useful international comparison here is a survey of SMMEs in England which found that less than 5% of staff were taking part in the State's high profile modern apprenticeship programme (Kitching and Blackburn, 2002). Moreover, even in the HSRC survey of 2003, comprising large, medium and small firms in the formal sector, only 4% of workers had

been engaged in NQF-aligned training in the previous year (Paterson et al, 2004).

Sources of training

Respondents were asked to indicate who provided training in their establishments **(Table 4.8)**. 77% of the respondents indicated that the owner/manager was also a trainer. This was especially the case for the micro-establishments (81% registered and 83% non-registered)

Table 4.8 Training providers by establishment

Training Provider	Type of establishment									
	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Owner/manager	63	80,3	125	82,8	98	68,1	81	78,6	367	77,1
Independent	8	10,3	10	6,6	25	17,4	10	9,7	53	11,1
Trainer from another company	14	17,9	16	10,6	32	22,2	9	8,7	71	14,9
Training institution	12	15,4	23	15,2	34	23,6	16	15,5	85	17,9
Workers	22	28,2	30	19,9	71	49,3	43	41,7	166	34,9
Other	7	9,0	4	2,6	14	9,7	8	7,8	33	6,9
Total	**78**	**100,0**	**151**	**100,0**	**144**	**100,0**	**103**	**100,0**	**476**	**100,0**

Source: McGrath & Martins, 2004

Weaknesses of SETA structures in supporting VSMEs

Even though there have been important gains made with regard to training and participation by VSMEs in the NSDS, meaningful contact between VSMEs and the SETAs is still far from satisfactory as the following results reveal. Whilst 51% of VSMEs surveyed indicated that they were eligible to pay the levy, only 16% of these reported having claimed grants from the system **(Table 4.9)**. Whilst 20% of registered enterprises with six to 10 workers reported having claimed grants, this fell to only 9% of the smaller sized registered firms. This suggests particular challenges for the smallest enterprises in accessing the system at present.

Table 4.9 Claiming grants from the levy system

Claiming grants	Type of establishment					
	1-5: Registered		6-10: Registered		Total	
	No	%	No	%	No	%
Yes	6	9,0	26	19,8	32	16,0
No	61	91,0	105	80,2	166	84,0
Total	**67**	**100,0**	**131**	**100,0**	**198**	**100,0**

Source: McGrath & Martins, 2004

Table 4.10 shows that a lack of awareness of the claims process (44%) was the most common reason for non-claiming amongst registered enterprises. Strikingly, this rose to 50% for the six to 10 employment group.

Table 4.10 Reason for not claiming grants against levy payments

Reasons for not claiming grants	1-5: Registered		6-10: Registered		Total	
	No	%	No	%	No	%
Application too complicated	9	10,3	11	10,9	17	10,7
Do not have time	5	8,6	5	5,0	10	6,3
Do not know about them	20	34,5	50	49,5	70	44,4
Not worth the effort financially	7	12,1	11	10,9	18	11,4
Do not train	11	19,0	11	10,9	22	13,9
Other	9	15,5	13	12,9	22	13,9
Total	**58**	**100,0**	**101**	**100,0**	**159**	**100,0**

Source: McGrath & Martins, 2004

Table 4.11 shows that a relatively large percentage of respondents could not comment on the services offered because they had no experience of them (more than 25% in every case). Those who could comment tended to be largely negative in their opinions. For every item, a rating of one was the most prevalent. A total of 50% rated the SETAs' role in developing Sector Skills Plans negatively (1 or 2 on a 5 point scale) while 49% commented unfavourably on the provision of free training. A further 44% rated SETAs poorly on provision of information about grants, internet sites, and advice and support. It appears that VSMEs expect far more from SETAs, although the survey yielded no results indicating whether these expectations were reasonable or not.

Table 4.11 Satisfaction with the services of SETAs rendered during 2002/03

Services	1	2	3	4	5*	Could not Comment
	%	%	%	%	%	%
Advice and support (learnerships)	34,5	9,8	18,0	8,2	4,1	25,3
Easy submission procedures	30,9	7,2	21,6	7,7	3,6	28,9
Internet site and web pages	35,1	8,8	15,5	4,1	4,6	32,0
Promptness in paying grants	33,0	7,7	15,5	3,1	3,1	37,6
Providing information about courses, programmes and training	32,5	8,8	21,6	6,7	5,2	25,3
Providing information about grants	35,1	9,8	20,6	4,6	2,6	27,3
Providing Sector Skills Plans	40,2	9,8	14,4	3,6	2,6	29,4
Provision of free training not funded by employers	40,2	8,8	12,4	5,2	3,1	30,4
Response to queries	32,5	6,2	17,0	5,2	3,6	32,5

*Scale of 1-5 with 1 = not at all and 5 = to a large extent
Source: McGrath & Martins, 2004

6. Social development initiatives

As **Section One** highlighted, job creation initiatives associated with appropriate training aimed at equipping learners with employable skills have become a top priority for government in the campaign against unemployment and poverty in the second economy.

The new strategy is to expand the boundaries of employment beyond the traditional confines of the

formal sector, to include the informal as well as the non-governmental development sector - which in a recent survey was recognised as constituting a significant resource of societal capacity in South Africa today (Swilling and Russell, 2002). South Africa's non-profit sector is worth R14 billion annually and employs more than 600 000 people, making the sector's workforce larger than other traditional economic sectors such as mining which employed 487 000 workers in 2001 (Mail and Guardian, 21 February 2003). According to the Department of Labour, the development sector:

> *… describes a range of organisations that belong to either the public or private sphere of the economy but differ from classical private enterprises because they are not primarily dedicated to profit making for private shareholders: they may have economic, or social or cultural development aims, and of particular interest in this context, they can be used to provide skills development in conjunction with temporary job creation without displacing existing private sector activity. From the Government's viewpoint, initiatives for job creation in the development sector are less likely to displace existing workers than similar initiatives in the private or informal sector…. Development sector initiatives address infrastructural and poverty alleviation tasks that are outside the private sector market place and normally would not be undertaken without government intervention (Department of Labour, 2000).*

Government's aim across this diversity of employment contexts is to provide unemployed people with a combination of skills development and work experience in order to bridge the gap for those unemployed who lack a track record of formal work experience and skills.

Types of development activity include: securing basic services and infrastructure such as the building of houses and accessing of water, upgrading of schools and roads; community based public works; SMME initiatives linked to local opportunities; and youth community services (Department of Labour, 2000).

The Department of Labour set aside a budget of R260 million for its Provincial Offices to attend to these social development initiatives. Provincial Office training programmes benefited 144 056 people in 2003/04, 77 937 of whom came from various social development initiatives. What is notable is the very high placement rates of successful trainees on these training programmes. **Table 4.12** shows that the average placement rate across all the provinces for 2003/04 was 70%, slightly down from last year but on target. The Northern Cape, Gauteng South, Free State and Northern Cape have all achieved placement rates above 80%. However, Gauteng North and KwaZulu-Natal are both below the 70% target.

Table 4.12 Placement statistics of unemployed workers trained by Department of Labour Provincial Office programmes, 2003/04

Province	Total trained	% placed	Number of people placed in:			
			Formal sector	Social development	Self-employment-informal sector	Further Education and Training
Total	**144 056**	**70%**	**4 985**	**77 937**	**3 876**	**4 777**

Source: Department of Labour, 2005a

SMME training

Several SETA initiatives as well as National Skills Fund (NSF) projects are working with SMMEs as part of their social development remit. The beneficiaries of these schemes are largely unemployed youths and adults who are entering the labour market for the first time. By March 2004, 39 758 SMME employers had benefited from projects funded by the SETAs through their discretionary funds. Enterprises employing 10-49 workers represented 44% of all beneficiaries supported with SETA discretionary funds.

A similar SMME initiative is funded by the NSF directly, and its project details are summarised in **Table 4.13.**

Table 4.13 National Skills Fund initiatives with SMMEs

SETA	NATURE OF INTERVENTION	BENEFICIARIES TARGETED OR REACHED
BANKSETA	Training of SMME Micro-finance institutions (MFI) as well as SMME borrowers	• 677 SMME MFI learners trained • 500 SMME borrower enterprises • completed training
CETA	Learnership for construction contractors	• 241 contractors in training
PAETA	Export readiness for emerging farmers	• 992 learners completed • 507 in training
SETASA	Export readiness training SMME support	• 960 learners completed training • 140 learners in training
THETA	Provider capacity building	• 91 SMME completed capacity building programme
TETA	SMME development in the small fishing boat industry	• 1 000 beneficiaries completed training
FIETA	Business development support for SMME Skills programmes and support for learners in SMME sector	• 34 SMME receiving development • support • 500 SMME learners currently receiving support
W & R- SETA	Skills support to SMME	• 2 000 SMME receiving support
MAPPP	Skills programmes for SMME workplace providers	• 40 SMME workplace providers in training
FOODBEV	Skills programmes to support new and existing SMME Support network for SMME	• 727 learners in skills programmes • 226 learners on learnerships for SMME • 47 students receive bursaries while supporting SMMEs
MQA	Skills development for small miners	• 1 500 small miners in training
CHIETA	SMME development in chemical industry	• 10 SMME in training
Total numbers of beneficiaries targeted or reached		**10 192**

Source: Department of Labour, 2005a

All in all, a total of 67 461 SMMEs (comprising 39 758 SMMEs trained by SETA discretionary funds, 10 192 trained via NSF funding, and 17 511 registered firms claiming the levy for SMME training) constitutes a small but very important beginning at building a training ethos in South African small firms who, after all, employ the vast majority of the South African workforce (Department of Labour, 2005a).

7. Learnerships

Table 4.14 reported that 69 306 learnerships had been registered by March 2004. This section will provide further details of these achievements. **Table 4.14** shows the total commitments made by the various SETAs at the GDS in June 2003 and the actual number of learnerships attained by June 2004, per SETA.

Table 4.14 SETA performance against the growth and development summit learner commitments (learners below the age of 35)

SETA	GDS commitments: previously unemployed learners only	Total to date	Variance
FASSET	1 200	2 931	1 731
BANKSETA	1 050	1 115	65
CHIETA	1 466	1 945	479
CTFL	1 080	1 914	834
CETA	2 174	1 042	-1 132
DIDTETA	8 600	1 423	-7 177
ETDPSETA	5 000	4 145	-855
ESETA	782	849	67
FOODBEV	1 200	2 199	999
FIETA	825	871	46
HWSETA	2 000	4 131	2 131
ISETT	1 500	2 935	1 435
INSETA	350	350	0
LGWSETA	670	3 110	2 440
MAPPP	653	1 182	529
MQA	7 340	4 089	-3 251
MERSETA	8 831	9 671	840
POSLEC	300	100	-200
PAETA	1 000	722	-278
PSETA	10 000	220	-9 780
SETASA	489	158	-331
SERVICES	4 148	8 212	4 064
THETA	8 000	7 011	-989
TETA	2 250	4 425	2 175
W&RSETA	2 000	4 556	2 556
TOTAL	72 908	69 306	-3 602

Source: Department of Labour, 2004a

Table 4.15 shows that there has been an impressive growth in the number of learnership programmes registered - from 478 in March 2003 to 666 in March 2004. The percentage of learnerships actually being implemented has also jumped in the same period from 28.45% to 50% in 2003/04. These improvements reinforce the claim that there has been significant maturation in the capacity of SETAs in the third year of the NSDS four-year cycle.

Table 4.15 Learnerships registered and active

SETA	As at the end of March 2002			As at the end of March 2003		
All SETAS	Number of learnerships registered	Number of registered learnerships that are active	% of registered learnerships that are active against those not	Number of learnerships registered	Number of registered learnerships that are active	% of registered learnerships that are active against those not
	478	136	28,45%	666	335	50%

Source: Department of Labour, 2005a

Table 4.16 shows the number of learnership programmes registered by NQF Level. The total number of learnerships registered on Level 5 and below is 619 and those registered on Level 6 to level 8 is 47. It is evident that the largest number of learners engaged in learnerships are those on Level 4 with 19 414 learners.

Table 4.16 Summary of registered and active learnerships and number of learners

	Total	L1	L2	L3	L4	L5	L6	L7	L8
No of learnerships registered	666	31	143	160	203	113	23	20	4
No of active learnerships	335	22	94	77	100	48	13	8	1
No of learners	62 115	3 765	12 125	5 702	19 414	4 700	2 548	13 826	0

Source: Department of Labour, 2005a

8. Public Sector training

Improving public service delivery has become an urgent government priority and skills development activities are a key element in this regard. The following discussion provides an overview of training in the Public Sector drawing on a literature survey done by the HSRC and commissioned by the Department of Labour (Paterson, 2004). The analysis also makes use of administrative data from the Department of Labour.

Public sector indicators in the NSDS

One of the success indicators of the NSDS not yet evaluated in this review of skills is concerned with the public sector. It reads:

By March 2005, all government departments must assess and report on budgeted skills expenditure for skills development relevant to Public Service, Sector and Departmental priorities.

There has been significant growth in the number of government departments who have submitted workplace skills plans over the last three years. The number has increased from 68 departments in 2001/02 to 75 in 2002/03 to 103 in 2003/04. This represents 70% of all eligible government departments.

Table 4.17 Workplace skills plans submitted by government departments

Submission of WSPs by government departments for 2003/04							
National departments and provinces	**Reports submitted (2001/02)**	**Response rate (2001/02) %**	**Reports submitted (2002/03)**	**Response rate (2002/03) %**	**Reports submitted (2003/04)**	**Response rate (2003/04) %**	**Expected reports**
Eastern Cape	3	21	6	43	10	71	14
Free State	3	25	6	50	8	67	12
Gauteng	4	33	6	50	10	83	12
KwaZulu-Natal	4	31	5	39	9	69	13
Limpopo	4	36	5	45	8	73	11
Mpumalang	10	83	12	100	11	92	12
North West	6	46	4	31	6	46	13
NorthernCape	4	33	6	50	10	83	12
Western Cape	4	31	9	69	8	62	13
Total provincial	55	49	59	53	80	71	112
National departments	13	36	16	44	23	64	36
Total all departments	68	46	75	51	103	70	148

Source: PSETA, 2003

Training expenditure for both national and provincial government departments in 2003/04 was estimated to have increased by over R1 billion from R2.7 billion to nearly R3.9 billion (Department of Labour, 2005a).

Total Public Sector employment

The Public Sector employed 1 582 319 people in 2001, which accounted for about 18% of all people employed in South Africa (Hlekiso, 2004: 3). By 31 December 2003, national and provincial departments employed 310 907 and 726 748 people respectively, which represented a decline of 12 245 national and 75 839 provincial workers (Public Service Commission, 2004: 12).

Overall, provincial government had by far the largest share, with just over half of Public Sector workers, followed by national government with 20,4% and local government with 14% **(Table 4.18)**. The balance consisted of employment in other government departments and public business enterprises (5,6% and 9,3% respectively).

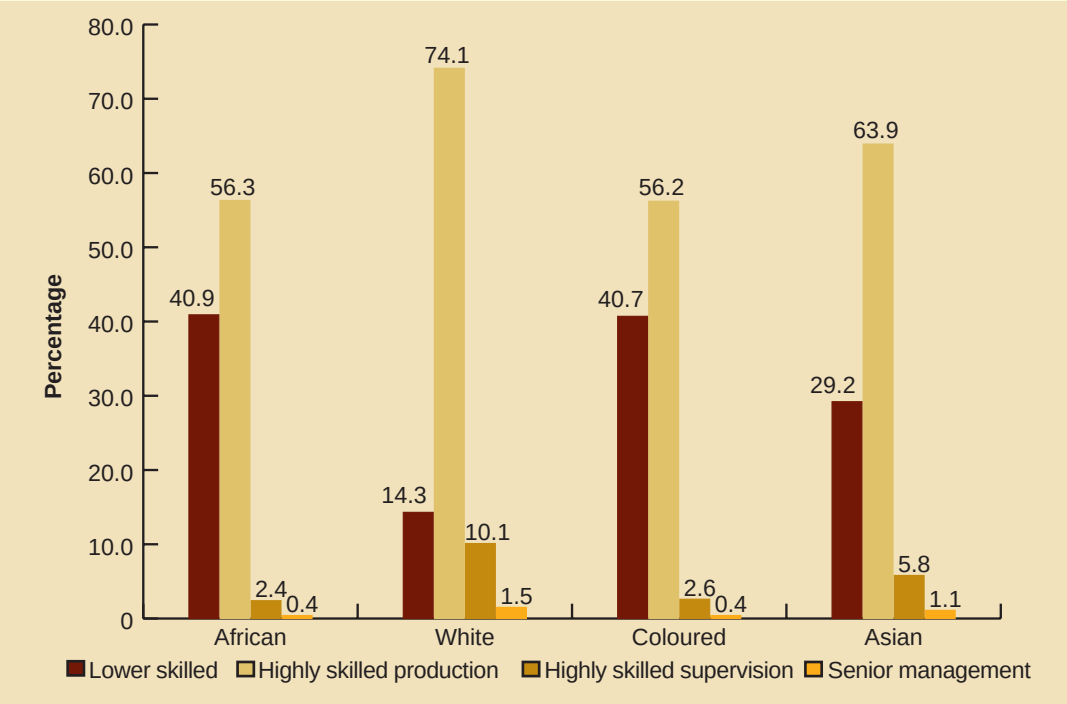
Table 4.18 Public sector employment, 2001

	Personnel	**%**
National departments	323 152	20,4
Provincial departments	802 587	50,7
Local government	220 759	14,0
Other government	88 449	5,6
Public business enterprises	147 372	9,3
Total	1 582 319	100

Source: South African Reserve Bank, cited in SAIRR (2003: 150)

The distribution, within racial groups suggests that Africans and Coloureds are concentrated in the lower skilled categories **(Figure 4.10)**. In overall numerical terms, there are more African senior managers than managers from other race groups. African senior managers nonetheless constitute a small proportion - 0.4% - of the total African population employed. By contrast, White workers in the Public Sector are concentrated within the skilled categories. Their proportion of senior management personnel is higher than that of other racial groups, when compared with the total number of White workers in the Public Sector.

Figure 4.10: Distribution of skills within racial groups in the Public Service, 2004



*Note: Evidence of the high proportion of highly skilled production workers is skewed by educators, health workers and security personnel (with women predominate in education and in the field of health work); Source: Vulindlela, 2004.

Women have made some inroads into senior management positions, but there are still significant gender inequities. They constitute a higher proportion of lower skilled and highly skilled production workers than men, but this is because they are more concentrated in education (as teachers) and in health care (as nurses) than men.

Training rates

Data for 1999/2000 and 2001/02 suggests that training rates for government were 16,5% in national departments and 24,3% in provincial departments and ranged from 12 to 28% at local government level. Training rates varied significantly between departments and across time. While such variances prevent definitive comment, the general impression is that overall training rates can still be improved in the Public Sector and that extreme variations in participation can be reduced.

Training type

Most training provided to workers in private and public employment is delivered in the form of short courses. To provide some perspective on the shape of training across all the salary scales of the Public Service, short course attendance in 2002/03 is presented in **Table 4.19**. The data should be taken as indicative, and as a means of identifying trends rather than as reflective of actual number of workers completing courses.

However, this data shows that few middle managers completed financial management courses. Also, senior managers received relatively low levels of training in financial management and computer skills.

Table 4.19 Participation in short courses by personnel in national and provincial departments, 2002/03

Types of course	Elementary workers		Admin officers etc		Middle managers etc.		Senior managers		Total	
	Total	%	Total	%	Total	%	Total	%	Total	%
Secretarial	108	2,0	346	2,1	252	3,5	12	1,3	718	2,4
Manager/supervisor dev	252	4,7	2 992	18,4	1 076	15,0	138	15,3	4 458	15,0
Labour relations	367	6,9	314	1,9	838	11,7	25	2,8	1 544	5,2
Provisional admin	120	2,2	224	1,4	169	2,4	32	3,5	545	1,8
Project management	11	0,2	148	0,9	300	4,2	24	2,7	483	1,6
Information technology	202	3,8	4 915	30,3	2 165	30,1	58	6,4	7 340	24,7
Financial management	47	0,9	130	0,8	291	4,0	132	14,6	600	2,0
Miscellaneous	4 243	79,4	7 172	44,2	2 097	29,2	481	53,3	13 993	47,1
Subtotal	**5 347**	**100,0**	**16 241**	**100,0**	**7 188**	**100,0**	**902**	**100,0**	**29 678**	**100,0**

Source: PSETA (2003: 10)

Bursaries

Bursaries to government workers were mainly allocated to skilled (49%) and lower-skilled (32%) workers, which shows that these workers were being exposed to skills upgrading and career path development **(Table 4.20)**.

Table 4.20 Bursary holders by rank, 2001/02

Salary levels	Occupational levels	%
13-15	Senior managers	3
9-12	Assistant managers and managers	6
7-8	Practitioners and senior practitioners	10
2-6	Skilled	49
1	Skilled	39

Source: Roodt & Erasmus (2002: 28-29)

Government departments and the SETAs

While the SETA system showed signs of successful mobilisation of skills development in the private sector particularly in the third year of the four-year NSDS cycle, its achievements in government departments are mixed. There are several contributory factors. First, the actual institutional arrangement of certain government and private sector SETAs is still fragile and is currently under review. Second, the Departments of Labour and Education are at present deliberating over the future National Qualifications Framework architecture in order to improve support to the development, accreditation and implementation of qualifications through the SETAs. Third, the Skills Development

Levies Act, which has successfully served as the financial mechanism to drive compliance in the private sector, does not have as strong an influence within the budgeting and allocatory mechanisms of the public sector as it perhaps should.

These weak links between government departments and the SETA structures has led President Thabo Mbeki, in his State of the Nation address in May 2004 to argue that:

> We will ensure the proper functioning of the Public Sector SETA to address the challenge of building a Public Service that has the requisite skills and motivation to meet the developmental challenges of our democratic State (Mbeki, 2004b).

The challenge of building a developmental State lies ahead and the SETAs, particularly the PSETA, will have to play a significant role in this regard. Far greater coordination of government line-function departments and the SETAs will be necessary. A positive example is set by the Department of Public Works in its learnership programme, implemented by the Construction SETA for emerging contractors and their supervisory staff to develop the capacity to use labour-intensive methods:

> This type of learnership programme is a good example of what can be achieved when the various spheres of government work together with the SETA's and the private sector in an integrated fashion. In this programme, provincial departments and municipalities are supplying training projects for the learner contractors; the National Department of Public Works is funding and appointing mentors for the learners, the National Department of Labour is funding and appointing training providers for the workers employed by the learners; the Construction SETA (CETA) is funding and appointing the training providers for the learners; ABSA Bank is providing the learners with access to credit and bridging finance; and the Independent Development Trust (IDT) is assisting with facilitating community participation in the training projects (Minister of Publc Works, Stella Sigcau, 2005).

It is now generally accepted that skills shortages in key occupational areas are hindering future economic growth.

9. Scarce skills

The issue of 'scarce skills' has become a key government priority. It is now generally accepted that skills shortages in key occupational areas are hindering future economic growth. Since the development of the original Scarce Skills list in 2003, the SETAs have enhanced their capacity and they can more accurately identify the nature of skills requirements in their sector. Using SETA data, the Department of Labour has developed a more comprehensive methodology for identifying Scarce Skills, based on the clustering of SETAs according to their business functions and common areas of economic activity. Key skills and occupational positions difficult to fill were identified, along with more generic skill capabilities in short supply. If the skill/occupation was classified as 'in high demand', it would then be identified as a 'scarce skill'. This 'signaling method' has produced the following list of scarce skills projected for the period 2004-2009:

Table 4.21 Scarce skills, by main and minor occupational categories, 2004 – 2009

Main occupational category (for 2004 - 2009)	Minor occupational category (for 2004 - 2009)
Senior officials and management	Experienced and qualified managers: • Project managers • Financial managers • Sales and marketing managers • General managers • Business leadership • Entrepreneurs
Financial E-commerce specialists	**Engineers, including** • Mining • Agriculture • Chemical • Electrical • Mechanical • Electronic project • Civil • Design • Nuclear • Clinical Financial specialists, including • Chartered Accountants • Auditors • Actuaries • Financial/business analysts/consultants/ advisors Researchers, including • Marketing • Surveyors • Entrepreneurs
Technicians and associated professionals	Insurance brokers Bookkeepers Sales workers Buyers Qualified ETD practitioners Technicians, including • Clinical • Phlebotomy • Medical • Water • IT • Electrical • Electronic • Aircraft • Mechanical Entrepreneurs
Clerks	Debt collectors Conveyance secretaries Administrative clerks

Main occupational category (for 2004 - 2009)	Minor occupational category (for 2004 - 2009)
Service/shop/market sales workers	Qualified recruitment consultants Sales personnel Fire fighters Traffic officers Police officers
Skilled agric./fishery workers	Skilled horticulture workers Maintenance personnel
Craft and related trade workers	Electricians Plumbers
Plant/machine operators	Taxi drivers (code 10) Machine operators Plant operators

Source: Department of Labour, 2004b

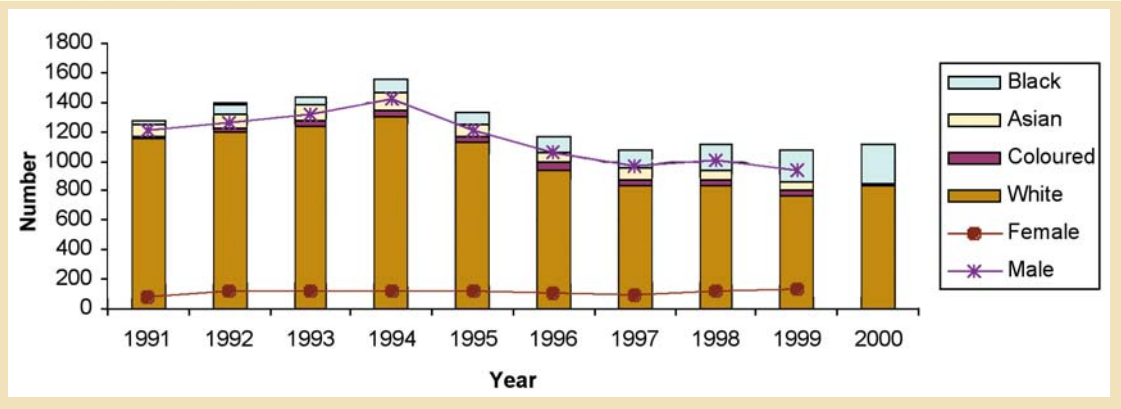
The HRD Review 2003 (HSRC, 2003) has added to this 'signalling' process by flagging the issue of critical skills at each of the three skill bands: advanced, intermediate and entry-level skills. There has already been sufficient discussion in this report about the need to trigger greater demand for more labour-intensive, low skill employment through government interventions such as greater infrastructural investment, the Expanded Public Works Programme, and the development of small enterprises through SMMEs. Appropriate entry-level training schemes will soon be in huge demand and will play a crucial role in these socio-economic initiatives.

Advanced skills

Advanced or high-skill shortages have received by far the most attention in the media and amongst government officials. There are certain high skills occupations that have been identified in the private and Public Sectors as 'scarce skills' by the SETAs and the Department of Labour that are now acknowledged to be in short supply.

One example of the growing crisis facing the production of advanced skills in this country is engineering. The output of engineering graduates at universities has declined significantly since the mid-1990s, as is illustrated in **Figure 4.11.** These supply-side declines are dramatic and threaten future economic growth prospects.

Figure 4.11 University graduates with engineering bachelor's degrees, 1991-2000



Source: HSRC, 2003.

However, there is a further dimension to the high skills crisis facing South Africa. This has to do with the ability of South African higher education institutions to reproduce the scientific labour force, and crucially, to reproduce the academic labour force responsible for educating and training the future scientific labour force (HSRC, 2003). A Committee of Heads of Research and Technology (COHORT) analysis of the Research and Development workforce – those in the scientific labour force actively involved in knowledge production and technology development - concludes that we face a potential crisis.

Not only is the size of the R&D workforce shrinking, but there is a 'frozen demographic' profile dominated by White males. Besides an increase in African staff at technikons, and an increase in the proportion of women in senior positions, the race and gender distribution of the academic workforce has changed little. Moreover, the academic 'subset' so crucial to reproducing the R&D and the scientific labour force is aging, and its productivity appears to be stagnating. The output of academic articles has not increased significantly, with considerable fluctuation over the past 10 years. A related trend in academic ranks is that the proportion of professors aged 55 and above increased, while the proportion in the 45-54 age group remained static (CSHE, 2003). In general, the number and proportion of academics over the age of 45 has increased, suggesting that the academic workforce is not being replenished.

The rate at which higher education is producing masters and doctoral graduates is too slow to stem the decline and replenish the depleted stock of highly qualified academics and researchers. As **Table 4.22** suggests, even with significant growth in the 1990s and 2000s, particularly in the natural sciences, the pace is too slow and total post-graduate output is still too dominated by the humanities.

Table 4.22 Post-graduate graduations by field

	Masters graduates					Doctoral graduates				
Year:	**Human Sciences**	**Annual % rate of growth**	**Natural Sciences**	**Annual % rate of growth**	**Total**	**Human Sciences**	**Annual % rate of growth**	**Natural Sciences**	**Annual % rate of growth**	**Total**
1995	2 574		1 274		3 848	373		306		679
1996	2 635	2.4	1 370	7.5	4 005	378	1.3	305	-0.3	683
1997	2 843	7.9	1 416	3.4	4 259	341	-9.8	335	9.8	676
1998	2 902	2.1	1 459	3.0	4 435	396	16.1	356	6.3	755
1999	3 163	9.0	1 564	7.2	4 728	378	-4.5	335	-5.9	713
2000	4 033	27.5	1 671	6.8	5 704	501	32.5	320	-4.5	821
2001	3 773	-6.4	2 282	36.6	6 055	356	-28.9	428	33.8	784
2002	4 563	20.9	2 104	-7.8	6 667	505	41.9	4 580	970.1	963
2003					7 182					1 024

Source: Department of Education HEMIS databases, 1995-2003

Growing our own timber

There are currently multiple government schemes that provide incentives and levers to grow the scientific labour force that are not confined to the Department of Education. The Department of Labour funds post-graduate students through its Scarce Skills Scholarships, with a total of R19.2 million reported in 2003 (CSHE, 2003). One of the most successful programmes has been the THRIP scheme, initiated by the Department of Trade and Industry, aimed to encourage industry-higher education partnerships in order to increase the number and quality of people with appropriate skills for the development and management of technology for industry. In 2003, THRIP supported 2 566 students and 65 post-doctoral candidates. Similarly, the Innovation Fund, initiated by the Department of Science and Technology aims primarily to promote technological innovation within the research community, encourage collaboration and redirect funding to key innovation and development goals.

Other major initiatives to resolve these critical skills crises are: the National Research Fund grants, particularly their Centres of Excellence awards to universities which place and train masters and doctoral students in key science fields; Similarly, Telkom's Centres of Excellence initiative which was started to develop highly trained human resources in the field of ICT. The initiative, located in 11 institutions, requires a historically advantaged and a historically disadvantaged institution to be paired; finally, higher education initiatives funded by international donor organisations such as the Mellon and Ford Foundations and the Carnegie Corporation are all aimed at 'growing our own timber' – the development of a new cadre of Black and women post-graduate scientists in scarce fields.

Intermediate skills

Intermediate skills are those located in the middle education and training band that include all post-junior secondary school certificates and their equivalents but which exclude degree-level qualifications in higher education. **Table 4.23** illustrates the current position of intermediate qualifications on the National Qualifications Framework (NQF).

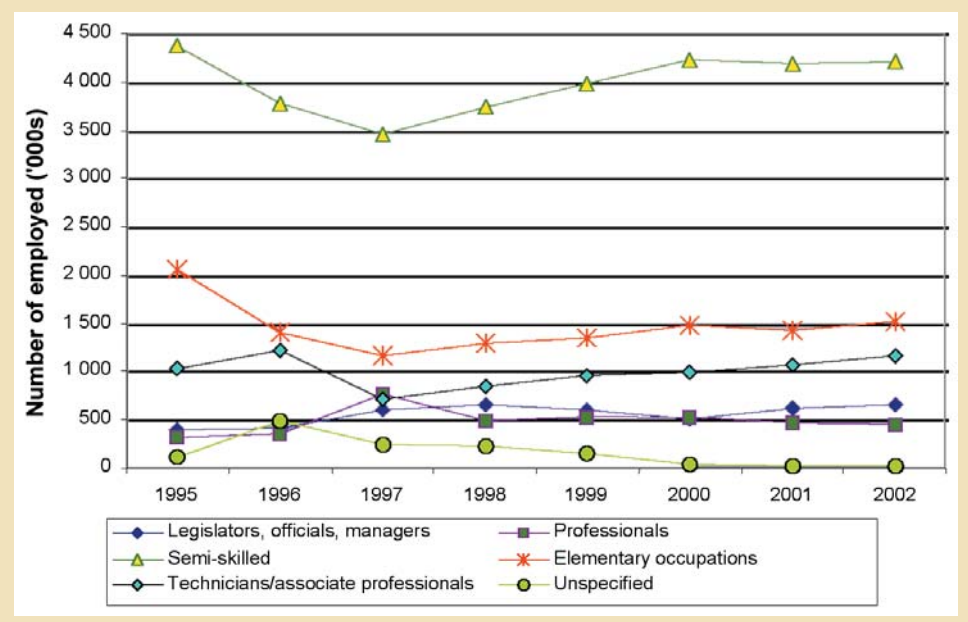
Table 4.23 Intermediate skills levels on the National Qualifications Framework

NQF level	Skills band
1	Low skill
2	(Pre-matriculation)
3	
4	Intermediate skill
5	(Equivalent to matriculation and matric plus diploma)
6	High skill
7	(Equivalent to higher education degrees and postgraduate courses)
8	

Source: Kraak, 2004

The significant structural change described in Section One, in both economic sectors and key occupations, has not displaced the prominence of intermediate level occupations. As **Figure 4.12** suggests, the national economy is still highly reliant on semi-skilled/intermediate labour:

Figure 4.12: Formal employment by skills level ('000s)



Source: Altman, 2005

A recent study by SASOL across a range of industrial sectors highlighted the rapid depletion of artisans such as electricians, welders, plumbers and fitter and turners. SASOL estimates the skills shortage at up to 20 000 artisans (Business Day, 4 July 2003). More recently, the Minister of Labour, Membathisi Mdladlana, has given SASOL approval to import 821 skilled artisans to help resolve the intermediate skills crisis, insisting however, that there is a continuing need to upgrade the skills levels of South Africans in this regard.

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Further indicators of the prominence of intermediate skills provision on the supply side include:

- **Technikons and colleges:** Technikons play a crucial role in the provision of intermediate skills – specifically at the post-school, pre-degree levels. A total of 70% of technikon graduates acquire pre-degree certificate and diploma-level qualifications. Similarly, at public FET colleges, 38% of all learners are enrolled in N4 to N6 post-school, pre-degree courses (Department of Education, 2004c). All of these college and technikon programmes fall within the higher education band at the intermediate level

- **Learnerships:** As **Table 4.17** indicated in **Section Three,** the vast majority of new learnerships registered by the Department of Labour are in the intermediate band

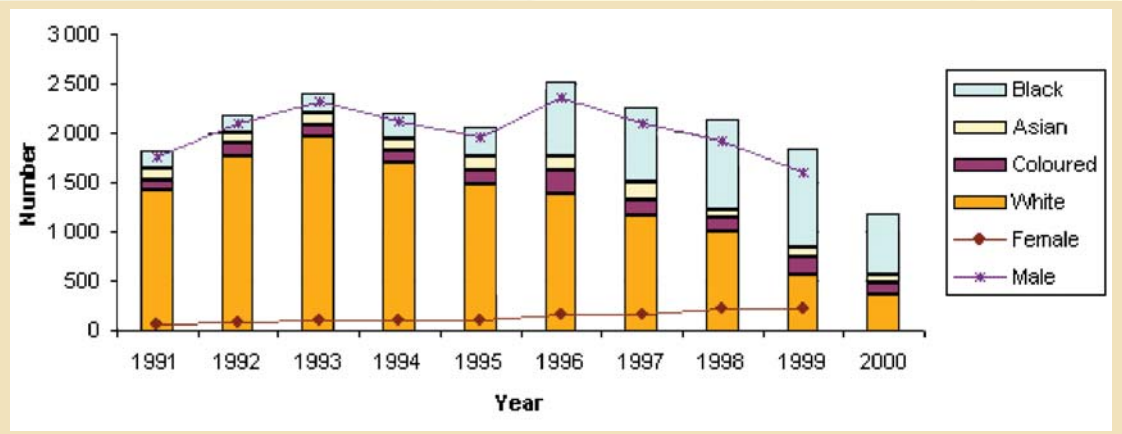
- **Enterprise training:** Statistics on enterprise training in this report show high levels of semi-skilled training at the clerical, sales, operative and craft worker levels.

Another factor on the supply side signaling the importance of intermediate skills are the recent surges in both public and private provision at the FET-higher education interface. This is occurring largely in career- and vocationally-oriented education and training at NQF level 5 (Kraak, 2002). Growth has been driven primarily by market pressure and financial need. Both public FET colleges and public higher education institutions have been forced to seek new sources of income, given the difficulties facing government to increase subsidy allocations. Increasingly, as public institutions are forced to become more responsive to the demands of the market place, and as they become more entrepreneurial in behaviour (in their search for new corporate and individual customers), so they have come to replicate the behaviour of private providers. New institutional forms have emerged in the Public Sector with branches and satellite campuses opening up in previously neglected rural areas. Public residential institutions are also turning to satellite and web-based broadcasting, along with other distance education technologies, with the aim of reaching an ever-growing number of new students. The private providers have grown in similar ways. They have both targeted new provision at NQF level.

Problems facing the intermediate skills sector

Although the former technikon (now University of Technology) enrolments have grown significantly over the past two decades (from 57 000 headcount enrolments in 1988 to 230 000 in 2003), and although technikons were established to consolidate supply-side provision of technical capability at the technician level, actual enrolment and graduate throughput in engineering fields has been declining. The data in **Figure 4.13** show the number of national diploma graduates in engineering between 1991 and 2000. The data for Higher Diplomas and BTech graduates in engineering show the same decline.

Figure 3.13: Technikon graduates with engineering national diplomas, 1991-2000



Source: HSRC, 2003.

These declines represent a major problem at the intermediate skills level. These institutions are currently witnessing decreases in a key ‘hard’ technology field (engineering) while enrolments in ‘softer’ non-technical subjects such as business studies expand. This problem will require action from government as the provision of technical programmes at this intermediate level (NQF level 5) is central to the success of government’s national skills development strategy.

5. Way forward

This section provides a concluding analysis of the current state of skills in South Africa. It relates key trends in the report to the key principles of the second National Skills Development Strategy for the years 2005-2010 which is to be launched in early March 2005.

1. Second Phase of the National Skills Development Strategy, 2005-2010

The Department of Labour will launch the second phase of its National Skills Development Strategy (NSDS) at its Skills Summit to be held on 3 and 4 March 2005. The key principles informing this second phase arise out of lessons learnt from the first phase. It is also informed by the dual challenge facing President Thabo Mbeki's government since its commitment at the Growth and Development Summit to reorient public policy more effectively towards the dilution of the structural boundaries which separate the under-developed 'second economy' from the more advanced 'first economy'. This dual challenge will require the advanced sectors to progress even further whilst government introduces a set of major socio-economic reforms – as outlined in **Section One** of this report – the aims of which are to impact positively on the employability and livelihoods of the poorest and most vulnerable sectors of society.

The key principles informing the second NSDS include the following:

1. **Alignment** of all skills development activity with the economic growth, job creation and poverty alleviation policies of government.
2. Alleviation of **critical skills** at three levels: advanced, intermediate and entry-level skills.
3. The **deepening, consolidation and expansion of enterprise training** in the large, medium and small enterprises of the formal economy.
4. The expansion of **social development initiatives** particularly with regard to the training of the unemployed, the provision of Adult Basic Education and Training (ABET) to adults requiring such upskilling, support for the Expanded Public Works Programme (EPWP), and the development of SMMEs.
5. The **promotion of quality** training across all sectors and institutions (public and private) (Department of Labour, 2005).

Many of the conclusions to be drawn from this State of Skills 2005 report provide extremely valuable insights into the second-phase of the NSDS. Key issues that will be addressed in this brief concluding section include:

- The need for alignment of skills development practices with government's overarching socio-economic programmes
- Applying a multi-level skills development outlook that sees skills problems potentially arising at three critical levels: advanced skills, intermediate skills and entry-level skills
- Building on the training gains already made in the first phase of the NSDS by making the links between firms (especially small and VSME firms) and SETAs more effective
- Improving Public Sector delivery so that it can perform its mandate of providing long-awaited socio-economic services particularly to the poorest of the poor. This will require massive training and capacity-building if the Public Service is to attain this goal.

2. Alignment

The analysis in this State of Skills 2005 report reinforces the need for an alignment of skills development practices with broader socio-economic development policies. For example, one of the most powerful trends highlighted in **Section One** has to do with the growth of the labour force proceeding at a far more rapid pace than the rate of increase in GDP and employment growth. This

has created widespread unemployment, resulting in youthful first-time entrants joining long employment queues in the labour market. Government's response has been to implement a wide array of socio-economic policies aimed at triggering an increase in low-level employment on the demand-side. The effectiveness of these programmes rests largely with the capacity of the State to intervene decisively. More specifically, it depends on the extent to which related policy elements (from separate but participating departments in joint socio-economic projects) are effectively linked to each other through cross-sectoral departmental coordination.

Government is showing far more determination in the realm of education and training than ever before to ensure this alignment. This is evident in the recent 'State of the Nation' speeches by President Thabo Mbeki, but also in the speeches of both the Minister of Education, Naledi Pandor, and the Minister of Labour, Membathisi Mdladlana. For example, government is showing a fresh commitment to improving the conditions facing technical colleges – something which was not emphasised in the past. President Mbeki has promised to:

> *… ensure adequate funding of the technical colleges and proper alignment of the courses they offer with the requirements of the economy. …. We will, during the course of this financial year, recapitalise all the technical colleges and intermediate training institutions, ensuring that they have the necessary infrastructure, capacity and programmes relevant to the needs of our economy (Mbeki, 2004a).*

All of these public pronouncements suggest that government will act in a more concerted manner than in the past to align education and training policies with the wider economic and social objectives.

3. Multi-level skills development outlook

Part of the manner in which alignment can more effectively take place is to adopt a multi-level skills development outlook. In **Section Three,** the National Survey of Skills 2003 reported a high degree of variability and unevenness in skills development activity depending on sectoral location, enterprise size and occupational specificities. This suggests that training policies need to be formulated by agencies such as the Department of Labour and the SETAs in a far less homogenising manner, taking into account the need for differing strategies to suit very different training contexts. As with the call by President Thabo Mbeki to see our society as divided into two fundamental economic camps – the 'first' and 'second' economies – so we need to begin to view skill needs in a similarly differentiated way: that is, through identifying the advanced, intermediate and entry-level skill needs of our society.

The research results highlighted in this report suggest the following differentiation of skill priorities emerging in South African society:

Part of the manner in which alignment can more effectively take place is to adopt a multi-level skills development outlook.

Table 5.1 Understanding South Africa's skills needs in terms of a multi-level skills analysis

Skills band	Elements of government's wider socio-economic programme that are dependent on these types of skills being developed:
Advanced skills needs	• Targeted sectoral strategies, for example: the development of export sectors, agriculture, tourism, ICTs, and cultural industries • Top-end activity in the roll-out of Infrastructural development, for example: upgrading of State-owned enterprises; improving Spoornet's freight capacities; restructuring of ports; opening up the Coega Industrial Development Zone and King Shaka International Airport and freight terminal in Durban • Resolving scarce skills needs • Restocking the scientific labour force needed in our National System of Innovation, specifically through the training of more young women and Black academics in science and technology • Public Sector upskilling.
Intermediate skills needs	• Intermediate skills needs in the expansion of South Africa's public infrastructure, for example: SASOL's need for several thousand well trained artisans • Broad-based black economic empowerment activities, aimed largely at stimulating the development of small enterprises • Social Development initiatives, particularly the training of a cadre of Community Development Workers.
Entry-level skill needs	• Investments in labour-intensive infrastructural development • Expanded Public Works Programme • Training of the unemployed through learnerships and other training programmes.

It will be critical that the NSDS architecture in future begins to differentiate skills development strategies more effectively to take account of these multi-level needs.

4. Improving Public Sector delivery

Government will need to find ways of overcoming the gap between current Public Sector skills and capabilities and the more demanding features of a 'developmental State' if it seeks to be successful in the implementation of its socio-economic transformation. This will require considerable push and shove on government's side, but education and training will need to play a crucial part.

5. Building on the training gains already made

Significant gains have been made in putting in place an entirely new institutional architecture and training ethos in South Africa. Many of the targets set by the first NSDS have been met, or exceeded, and several others are reasonably on track. It is also clear that the NSDS has matured in its third year of operation, with progress against many of the indicators making exponential gains in the financial year 2003/04. Contrary to the bad press coverage that SETAs have received – coverage which looked almost exclusively at senior leadership and financial mismanagement matters – most SETAs have now built the necessary training infrastructure to expand the number of workers receiving training in the workplace.

Notwithstanding this progress, there have been some problems. The first issue that stands out as problematic is the limited impact of the NSDS on both small and VSME firms in the formal and informal sectors. A number of issues arise here. Firstly, it was reported that only 10% of levy-paying firms are claiming grants. This is rather low, although the NSDS makes up for this by involving a further 49 950 SMME firms – many of them not registered for levy-paying purposes - in various NSDS training activities. Impacting on small firms is crucial because they comprise the vast majority of enterprises and employ the largest proportion of workers. If training is to make a difference, it will have to impact at the level of the small firm.

The key issue here is that the participation of VSMEs in training activities should perhaps not be sought through the increasing formalisation of their participation within the complex NSDS architecture, but rather, through the promotion of greater informal modes of training within VSMEs which would suit their needs more appropriately. Considering such a policy option at this time would be appropriate, given that government is already considering making labour market regulations more flexible for small employers.

The second area of concern is the poor levels of training achieved for women beneficiaries in particular, and amongst people with disabilities. In many instances with regard to women, the targets set have not been met. Almost no targets were met with regard to people with disabilities. Deepening the impact of training on women and people with disabilities will therefore need to receive far greater attention in the second phase of the NSDS.

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