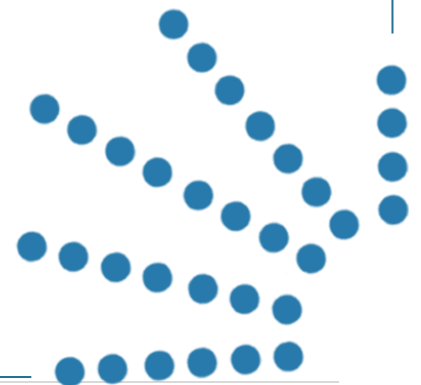


# Public Private Partnerships For TVET in South Africa

A case study for the Dakchyata: TVET  
Practical Partnership project

May 2018

REPORT PRODUCED BY: Independent Consultant



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## 1. Summary

Key features	
<b>Scale:</b>	Nationals Skills Development Strategy objective that 10,000 artisans per year qualify with relevant skills and find employment
<b>Main policy drives:</b>	youth unemployment and redressing the wrongs of previous regimes; competitiveness is a goal but deprioritised in practice.
<b>Level of centralisation:</b>	TVET is centrally planned and controlled.
<b>Level of public private trust:</b>	Poor
<b>Link between industrial strategy and TVET strategy:</b>	Weak
<b>Quality of monitoring and evaluation:</b>	Monitoring is improving with but key data hard to find
<b>Areas where PPP applied:</b>	<ul style="list-style-type: none"><li>a) National priority sectors and industrial strategy - no</li><li>b) Occupational standards development - yes</li><li>c) Delivery of training and assessment (including on the job) - limited</li><li>d) Job-matching and placement. - limited</li></ul>
<b>Primary source of public funds for PPP:</b>	Levy on businesses
<b>Effectiveness:</b>	Seen as ineffective by most third-party observers

South Africa has a relatively centrally planned approach to TVET with their Department for Higher Education and Training owning a system of Sector Bodies called Sector Education and Training Authorities (SETAs). They have struggled to have an impact on substantial youth unemployment rates or to meet the demands of employers.

The literature suggests an environment where there are discrete demand and supply-side networks in TVET with few sustainable examples of integration. Sources used for this case study suggest that the supply-side is dominated by government which drives an agenda of gaining qualifications at the expense of real work-readiness, and the private sector demand-side sees little relevance of national programmes to their businesses. The funding mechanism of levies, which firms can recover by running national programmes, has not had the effect of bringing the parties together.

South Africa benefits from having a labour market observatory called Labour Market Intelligence Partnership (LMIP) which does provide information for policy-makers and has laid out options for the future which include a slightly less government-controlled approach to PPP. Available information from LMIP does not, however, suggest data-rich monitoring and evaluation which could help policy makers.

## 2. Social and economic landscape and key challenges

- The Government Agency responsible for TVET is the Department for Higher Education and Training (DHET). The DHET owns the National Skills Development Strategy, currently in its third iteration which focuses efforts on occupations in high demand
- Occupations are regarded as 'High Demand' if employment growth i) has been strong in the past 5 years, ii) is strong now, iii) is expected to be strong in the future (perhaps because of technological change) or iv) the occupation is scarce.
- The List of Occupations in High Demand<sup>1</sup> is reviewed every two years and is primarily derived from research into the labour market rather than being linked to the industrial strategy or growth strategy. The list is therefore regarded as lagging behind events in industry. Though there is National Development Strategy it is not cited in the List of Occupations in High Demand.
- A wide range of stakeholders are, however, consulted and can influence which occupations are added or removed from the list. These stakeholders include employers, employer bodies and professional bodies: 25 out of the 37 organisations providing evidence for the last review of the list were employers or employer bodies.
- South Africa's politics continue to be dominated by issues of equality. The apartheid era widened the educational gap between the European [heritage] communities and indigenous black communities. Further challenges exist in an environment dominated by an informal economy and an HIV/AIDS epidemic.
- Over 50% of grade 12 graduates are not equipped with the basic skills required to find work. This is attributed to poor training and work opportunities.<sup>2</sup>
- South Africa's proportion of those 'not in education, employment or training' (NEET) is high, at around 32.4% of youth aged 15-24.<sup>3</sup>
- Unemployment is at 27% of the total population, with around 50% of young people (15-25 years) unemployed.<sup>4</sup> This reflects the fact that the working age population is growing at twice the level of new entrants into the labour market.<sup>5</sup>
- The unemployment rate for TVET college graduates is 33% (Q4, 2016).<sup>6</sup> However drop-out rates are high and the employed are a minority of the students who originally enrolled in the course.<sup>7</sup>
- South Africa's ranking in the in the World Competitiveness Report 2013 has dropped from 47<sup>th</sup> to 61<sup>st</sup> over the past year<sup>8</sup>
- The largest private sectors employers in South Africa come from the Manufacturing, Construction, Trade and the Financial sectors.
- South African labour market analyses show Community and Social Services as a large employer but, because this is typically publicly funded, it poses questions around sustainability and is unlikely to drive future job growth.
- The jobs gap in the South African economy is characterised by a demand for high skilled, and technically skilled workers, which is not being met by the supply of labour. There is a particular

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<sup>1</sup> List of Occupations in High Demand:2015, Department for Higher Education, Government Gazette, 19 Jan 2016

<sup>2</sup> <http://www.seta-southafrica.com/>

<sup>3</sup> Statistics South Africa, Quarterly Labour Force Survey, Quarter 1, 2017

<sup>4</sup> Statistics South Africa, Report No. 03.10.06 2017

<sup>5</sup> Reddy, V., Bhorat, H., Powell, M., Visser, M. and Arends, A., Skills Supply and Demand in South Africa, LMIP Publication, Human Sciences Research Council, Pretoria, 2016

<sup>6</sup> Statistics South Africa, Quarterly Labour Force Survey, Quarter 4, 2016

<sup>7</sup> Simon Field, Pauline Musset, José Alvarez- Galvan, A Skills Beyond School Review of South Africa, OECD Reviews of Vocational Education and Training, 2014

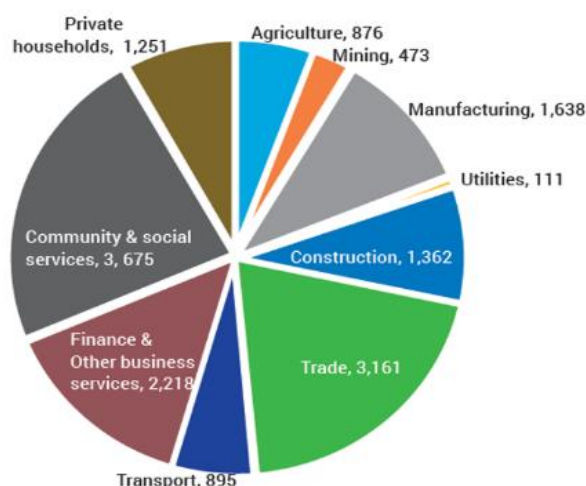
<sup>8</sup> Global Competitiveness Report, World Economic Forum, 2018

need for skilled managers across the various sectors of the economy. Managerial skills often take longer to develop and require good soft skill foundations.

- Currently, the construction sector is volatile, with mostly temporary work and high male employee populations (90%). However there is a raft of Strategic Integrated Projects (SIPs) aligning government effort behind key sectors, and this could drive a demand for construction workers.<sup>9</sup> The growing Oil and Gas industry in South Africa with discoveries of shale gas, and the development of the Ibhubesi gas fields (offshore), offers large potential for employment in both Oil and Gas-related activities, and the supporting industries.

Figure 1  
Source:

Employment by Industry,  
Statistics South Africa<sup>10</sup>



### 3. Policy environment, current TVET structure and PPPs

- The third National Skills Development Strategy (NSDS III) seeks to promote partnerships between the country's employers and its education institutions. These include Further Education and Training (FET) colleges, private training providers and South Africa's Sector Bodies, and the Sector Education and Training Authorities (SETAs)
- The NSDS III has an objective that '10,000 artisans per year qualify with relevant skills and find employment'
- The structure has gone through several iterations with the role of the Sector Education and Training Authorities SETAs changing somewhat to respond to criticisms and poor outcomes. In particular, SETAs as originally conceived included quality assurance of standards development and qualifications and this has now been concentrated in a new central body called QCTO.
- Around 6% of GDP is spent on education overall, which is high in relation to other similar international economies, this figure represents all that is spent on primary to higher education, as well as TVET (this figure is not available disaggregated).<sup>11</sup>
- Training (DHET) describe 'soaring levels of investment in skills development over the last decade'<sup>12</sup> yet despite this, TVET colleges are acknowledged to be experiencing a gap between rapidly rising student enrolments and the resources allocated to them, and quality of teaching is poor.

<sup>9</sup> Reddy, et al, Skills Supply and Demand in South Africa

<sup>10</sup> <http://www.statssa.gov.za/>

<sup>11</sup> World Bank, Development Indicators, Expenditure Survey, 2010/2011

<sup>12</sup> DHET, Annual Performance Plan, 2016-2017, 6.



- There continues to be a rift between public policy idea of a PPP and a private sector idea of a PPP, with some industry bodies in open conflict with government:
  - The DHET states that it uses levy money and the SETA infrastructure to ensure employers are engaged and that training is to national standards (as cited in the NSDS III); employer bodies such as BUSA (Business Unity South Africa) and BLSA (Business Leaders South Africa) have mounted a legal challenge against DHET which they say has diverted levy money away from effective work-based employment.
  - The National Skills Development Strategy explicitly censures the private sector for ‘failure .. to equip their workforce’ choosing ‘retrenchments rather than retraining and redeployment’.<sup>13</sup>
- The inclusion of private sector into the SETA governance has had mixed success and in most industries the board role has felt nominal only. Employer representative bodies such as BUSA have lobbied for change and it is yet to be seen whether recent governance structures are having an effect. It is common for large employers to simply see the levy as a ‘tax’ and carry on with their own training separately from government.
- Employers and government seem to be driving different aims, with employers seeking to grow their businesses and the private sector to get people qualified. Short courses which have a known link to employability have been actively discouraged in favour of longer diploma-type courses which have some academic merit but are seen as largely irrelevant by employers.
- The need for a paradigm shift has been highlighted. The challenge for TVET colleges is to shift “from administrative compliance to adaptability innovation” (Njengele, 2013 in HRDC, 2014b:6).
- There are a large number of initiatives by corporations and NGOs to run their own programmes independently of government. While many have had their own successes, they lack sustainability and scalability without close working with government.<sup>14</sup>

## 4. PPP frameworks

### 4.1 Policy

- South Africa’s SETAs were conceived in 1998. Their function was to formulate sector skills plans to meet industry needs and to replace the pre-existing 33 industry training boards.
- SETAs were formally established in 2000, each with responsibility for a clearly defined sector.
- Their remit includes organising and administering levy grants and funds, developing sector skills development plans and strategies, developing and overseeing learnerships (a form of apprenticeships) and helping companies with workplace training.
- While the training boards had focused primarily on apprenticeships, the SETAs’ powers and responsibilities were to extend to learnerships, internships and unit-based skills programmes.
- They were to collect skills levies from employers operating within their sectors and distribute the money accordingly to training bodies and employers engaged in training, as well as individuals in the form of grants and bursaries.
- SETAs failed to perform and their governance was perceived to be flawed. They had failed to align their output to industry needs.
- In 2009, the Department of Higher Education and Training (DHET) announced that it would assume responsibility for skills, which had previously been the remit of the Department of Labour.

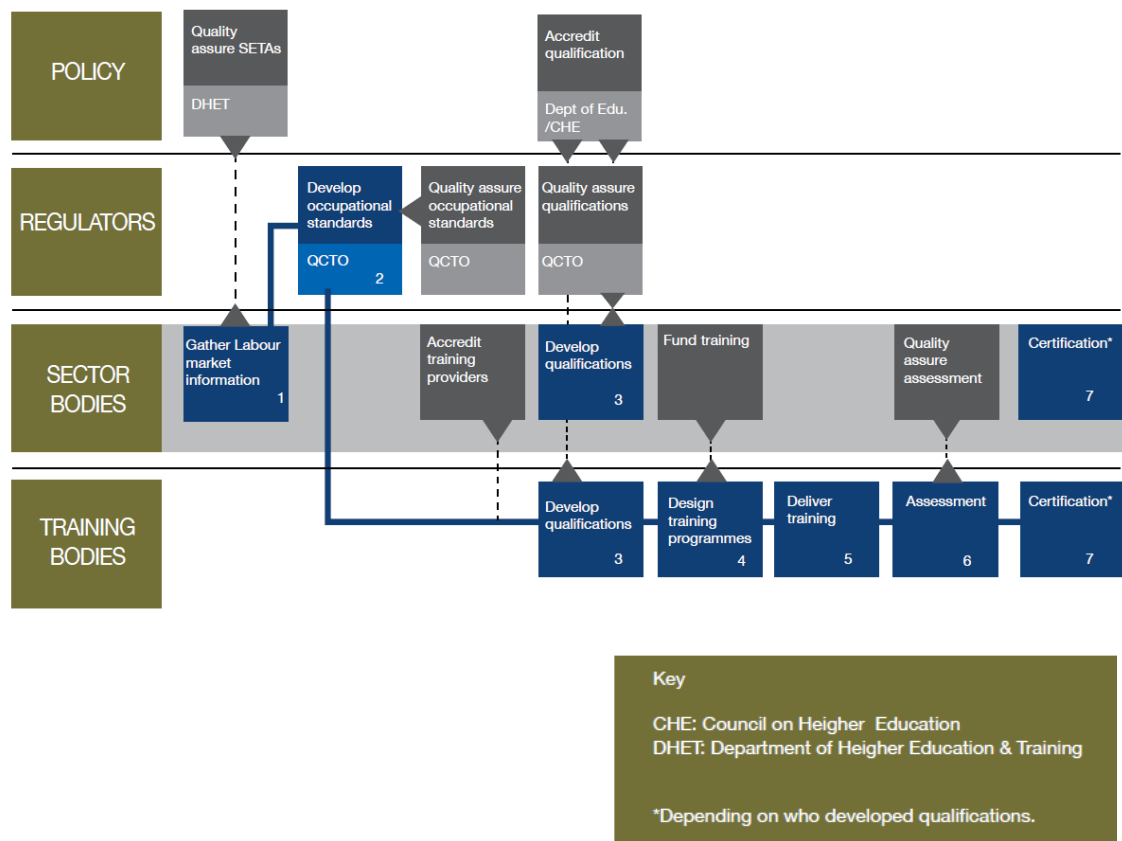
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<sup>13</sup> National Skills Development Strategy (NSDS III)

<sup>14</sup> Towards and Integrated Public-Private-Partnership Strategy for Skills Development in the TVET College System, LMIP, 2017

- Changes to the SETAs included a reduction in overall number from 23 to 21, and an increase in management board size from 12 to 15 to include a ministerial appointee, a representative of a professional body and a community representative.

Fig. 2. South Africa’s TVET structure and position of Sector Bodies<sup>15</sup>



<sup>15</sup> A Global Study to Get India World-Ready, building sector skills bodies for India, City & Guilds, 2011



## 4.2 Centrally planned PPPs – the Sector Bodies

- Members of the SETAs include government departments, professional bodies, trade unions and employers relevant to the appropriate sector.
- The Skills Development Act of 1998 (amended in 2010), states that the remit of each SETA is to:
  1. Develop a sector skills plan within the framework of the national skills development strategy.
  2. Implement its sector skills plan by:
    - Establishing learning programmes;
    - Approving workplace skills plans and reports;
    - Allocating grants to employers, education and skills providers and workers;
    - Monitoring education and skills provision in the sector.
  3. Promote learning programmes by:
    - Identifying employers for work placements;
    - Supporting the development of learning materials;
    - Improving training provision.
  4. Perform any functions delegated by the Quality Council for Trades and Occupations (QCTO).
  5. Collect skill development employer levies, and disburse them accordingly.
  6. Collaborate with the National Skills Authority on the national skill development strategy and its sector skills plan.
  7. Collaborate with the QCTO regarding the development of occupational standards.
- SETAs are monitored by the Department of Higher Education and Training (DHET), which undertakes research on their effectiveness and performance. SETAs are also accountable to the Department of Higher Education and Training; they are required to submit a report each financial year outlining:
  - Their performance in terms of the responsibilities established in the Skills Development Act (1998).
  - Their annual business plan. The Minister for Higher Education and Training is able to impose a service level agreement on a SETA if one is not able to be developed between the SETA and the Director-General of Higher Education and Training.

## 4.3 The future of PPPs in South Africa

- The DHET, realising the misalignment between the TVET structure and economic need, is considering alternative approaches. A report commissioned of the Labour Market Intelligence<sup>16</sup> Partnership (LMIP) – A DHET-backed labour market ‘observatory’ – advanced some options.
- Fundamentally it proposes a change in approach “from administrative compliance to adaptability innovation” indicating that the structures are seen as too focussed on their own bureaucracy to have relevance to employers.
- It highlights the fact that the private sector already contributes significantly to training in South Africa and suggests that those contributions can be harnessed in a way that promotes sustainability.
- The paper outlines several approaches that have been piloted and, despite their apparent mixed success and lack of metrics, suggests they can be promoted as mainstream activity:
  - The College Improvement Project (2012-2014) – aligned local employers with a limited number of colleges to improve outcomes. The focus was on improved teaching practice, more work-relevant learning outcomes, a focus on mathematics, and a peer tutoring

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<sup>16</sup> Towards and Integrated Public-Private-Partnership Strategy for Skills Development in the TVET College System, LMIP, 2017

programme. The foundation of these improvements was a Work Based Element of all training which included time in local employers.

- The SETA-led office as a PPP mechanism – this involved setting up SETA offices in rural areas where the alignment between SETA-funded training providers and employers was perceived to be particularly weak. The outcome of the pilot was simply to highlight the issues present in the national system, particularly the lack of relevance of the curriculum, unclear governance and decision-making in the SETA infrastructure.
- Occupational Teams (current) – this is a very young initiative to support national Strategic Integrated Projects (SIPs) which are a part of South Africa’s Industrial Strategy. The teams include lecturers, work-based trainers, employers and assessors. The Occupational Teams are intended to work as a part of the SIPs to develop learning pathways based on collaboration amongst all stakeholders, to address systemic problems of skills development and work placement at national and regional levels for a specific occupation. No outcomes are recorded though the report highlights that ‘Communication and engagement between supply side intermediaries at national level (such as the DHET and SETAs), and the demand side intermediaries at local and firm level, remains weak and uncoordinated.’
- The report does not contain data on effectiveness of new approaches to PPPs in South Africa but does draw a conclusion on the attributes of an environment that can promote successful PPPs:
  - a **governance approach** that brings together all stakeholders in the management and administration of all TVET activities,
  - a **sustainable and accountable funding framework**, and
  - an **education and training system that integrates both theory-based learning and practice-based learning from the onset of curriculum design.**
- Overall, the thinking on new approaches seems to lack effective monitoring and evaluation structures. Even the more innovative approaches being considered continue to rely on decision-making in central bodies, suggesting that the approaches are not as liberal as hoped.

## 5. Funding

- In accordance with the Skills Development Act (1998), SETAs collect a levy from private sector employers via the South Africa Revenue Service. This is set at 1% of the wage bill.
- Those taxed are companies which pay R250,000 or more per year in wages and are registered as PAYE (public and not-for-profit companies and those with a wage bill of less than R250,000 are not eligible to pay).
- The majority of this tax (70%) is reclaimed by firms via grants for training provision, with 20% going to the National Skills Fund (NSF). The remaining 10% covers the SETAs’ administration costs.<sup>17</sup>
- Where money is not claimed through grants, usually from larger organisations, surplus is used to promote development programmes for underrepresented groups.
- In 2012 the DHET attempted to change the SETA Grant Regulations reducing the amount which was available to firms through SETAs to 20%, putting a larger fund in the control of the DHET. As outlined in section 3 above, employers successfully challenged the DHET through the Labour Court, though this ‘invalidity’ was suspended and remains in dispute.

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<sup>17</sup> Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills Leading to the Development of Policy Recommendations for the UK, Centre for Labour Market Studies University of Leicester, 2006

## 6. Implementation

### 6.1 Quality Assurance

- Until 2011, SETAs were accredited by the South African Qualifications Authority (SAQA) to quality assure standards and qualifications through their Education and Training Quality Assurance (ETQA) function. These functions involved:
  - Quality assurance of training
    - The accreditation of training providers.
    - The promotion of quality among training providers.
    - Monitoring provision.
  - Quality assurance of assessment
    - Evaluating assessment and facilitating moderation among training providers.
    - Registering assessors.
    - Certification of learners.
    - Co-operation with moderating bodies.
    - Recommending new or amended standards and qualifications to National Standards Bodies.
- Upon the launch of the new Quality Council for Trades & Occupations (QCTO), the SETAs lost much of the quality assurance function retaining only responsibility for monitoring both training providers and workplaces.
- The QCTO is responsible for developing, designing and maintaining occupational standards and qualifications, and submitting them to SAQA for registration on the National Qualifications Framework; and quality assuring occupational standards and qualifications, together with workplace learning.

### 6.2 SETA issues and holding them to account

- SETAs' boards have often failed to agree on a set of priorities, leading to delivery failure. A focus on numerical targets has been to the detriment of the SETAs' overall quality and impact. Additionally, they have experienced a high turnover of chief executives.
- According to SETA critics, levy payments were taken soon after formation and expectations were high, as stakeholders expected immediate service delivery. The SETAs were slow to input the necessary systems and deliver their core functions and it was three years before they were able to deliver. During this time costly external consultants were brought in to oversee the key SETA functions (non-core functions are legally permitted to be outsourced).
- Wasted resources are also a key criticism of SETAs; developing, registering and implementing a new programme is resource-intensive and time-consuming, taking anything from two to three years. In some cases, new programmes have been designed and registered unnecessarily; no direct industry need was discernible. Further delays are frequently experienced as training providers must wait to be accredited by the Education and Training Quality Assurance (ETQA), and providers and workplace assessors are identified. This is particularly a problem when no FET colleges or other providers are available<sup>18</sup>.
- According to SAQA, SETAs' initial focus on the core (sector-based) components of qualifications has resulted in qualification fragmentation; in particular, the fundamental components (e.g. communication and numeracy) of qualifications are fragmented, as are their design, delivery and quality assurance<sup>19</sup>. Unclear responsibilities between actors in the governance structures also led to lack of ownership for quality assuring fundamental components of qualifications with the

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<sup>18</sup> [http://www.commerce.uct.ac.za/Research\\_Units/DPRU/PBriefsPDF/PDFs/PolicyBrief08-21.pdf](http://www.commerce.uct.ac.za/Research_Units/DPRU/PBriefsPDF/PDFs/PolicyBrief08-21.pdf)

<sup>19</sup> <http://www.saqa.org.za/docs/critguide/qa-fundamentals.pdf>

upshot that many training providers failed to offer the relevant fundamental components, meaning that their learners could not qualify at the end of their courses

- In December 2010, the Minister for Higher Education and Training stated that his department 'would take a more hands-on approach in the governance and management of SETAs'. He also noted that he would work to end the practice of delivering short courses; only a third of training courses facilitated by SETAs lead to full qualifications<sup>20</sup>. This is despite the fact that shorter courses are often seen as more relevant to employers.

## 7. Lessons learned

A variety of key lessons learned were highlighted by a City & Guilds study in 2011 intended for Government of India<sup>21</sup>, which included South Africa as one of several countries reviewed. The information in this current case study suggests that all remain relevant:

### Governance

- Ensure careful criteria for board membership to ensure equity of representation; proposals of the Department of Higher Education and Training have led to allegations from some parties that the SETAs are being politicised and industry is losing its autonomy.
- The 'ownership' of SETAs by a single department has led to conflict, with some suggesting that the Government retains undue influence over their functioning. Ideally, future initiatives should ensure that its sector bodies are managed by an independent body representative of all key stakeholders (industry, employees, training providers and government).
- Excessive bureaucracy is a key issue in South Africa. Significant delays in creating appropriate qualifications can mean that they are not truly responsive to industry needs. Clear lines of reporting and management, as well as direct and effective links with industry, will ensure that this situation does not occur.
- Poor governance as well as disagreements with unions and employers on how SETAs should operate is blamed for a lack of perceived impact, such as in the informal economy<sup>22</sup>. A future system should denote clear responsibilities and lines of reporting to ensure that sector bodies have appropriate authority and impact.

### Operations

- While numeric targets can be important, there should be a focus on impact. Giving sector bodies purely numeric targets (on completed qualifications) in South Africa has caused them to focus on achieving operational targets rather than achieving real impact on the quality of skills delivery.
- Little cross-sectoral collaboration is evident in South Africa; neither are SETAs' reports on labour market and skills needs standardised between sectors. This is a lost opportunity; SETAs should ensure that their sector bodies are not just responsible for quality control, but also for sectoral information dissemination.

### Funding

- Collection and disbursement of employer levies has not been viewed as transparent by some parties in South Africa; this has led to allegations of mismanagement of funds. If an employer levy is introduced, sector bodies should have tight and transparent controls over fund management.

### Quality Assurance

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<sup>20</sup> <http://www.polity.org.za/article/dhet-to-take-a-more-hands-on-approach-in-seta-governance-2010-12-07-1>

<sup>21</sup> A Global Study to Get India World-Ready, building sector skills bodies for India, City & Guilds, 2011

<sup>22</sup> Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills Leading to the Development of Policy Recommendations for the UK, Centre for Labour Market Studies University of Leicester, 2006

- Changes in governance have led to confusion over which government departments have ultimate controls over SETA operations and quality assurance; clear lines of reporting and regular quality checks are necessary.

Additionally, Governance and management decision-making relies on good quality information. Information on the impact of changes to the TVET structure is not readily available, suggesting that monitoring and evaluation is not strong, though South Africa does have a labour market observatory in LMIP. Without data the differences between the supply and demand sides of the TVET structures seem unable to get past ideological differences. A final lesson learned is therefore to invest in high-quality monitoring and evaluation.

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*This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the independent consultant and do not necessarily reflect the views of the European Union or the British Council.*