

SETA Review Preliminary Report



Presentation of Nedlac conclusions following the review of SETA functioning and performance conducted June – September 2007

Context and Scope

- Context for SETA Review
 - Need to check SETA performance against GDS agreements
 - Department of Labour review of Skills Development legislation
 - Close to mid-term review of NSDS2
 - Presidential review of SETA performance
 - Ongoing public and stakeholder concerns about SETA performance

- Scope of the Nedlac review
 - Objective:
 - Review functioning of SETAs to provide recommendations to accelerate delivery and improve services
 - Scope:
 - Governance
 - Information disclosure across SETA Boards & Executive Management
 - Roles & responsibilities of SETA senior management & SM teams
 - Financial management, policies and practices
 - Performance monitoring and evaluation

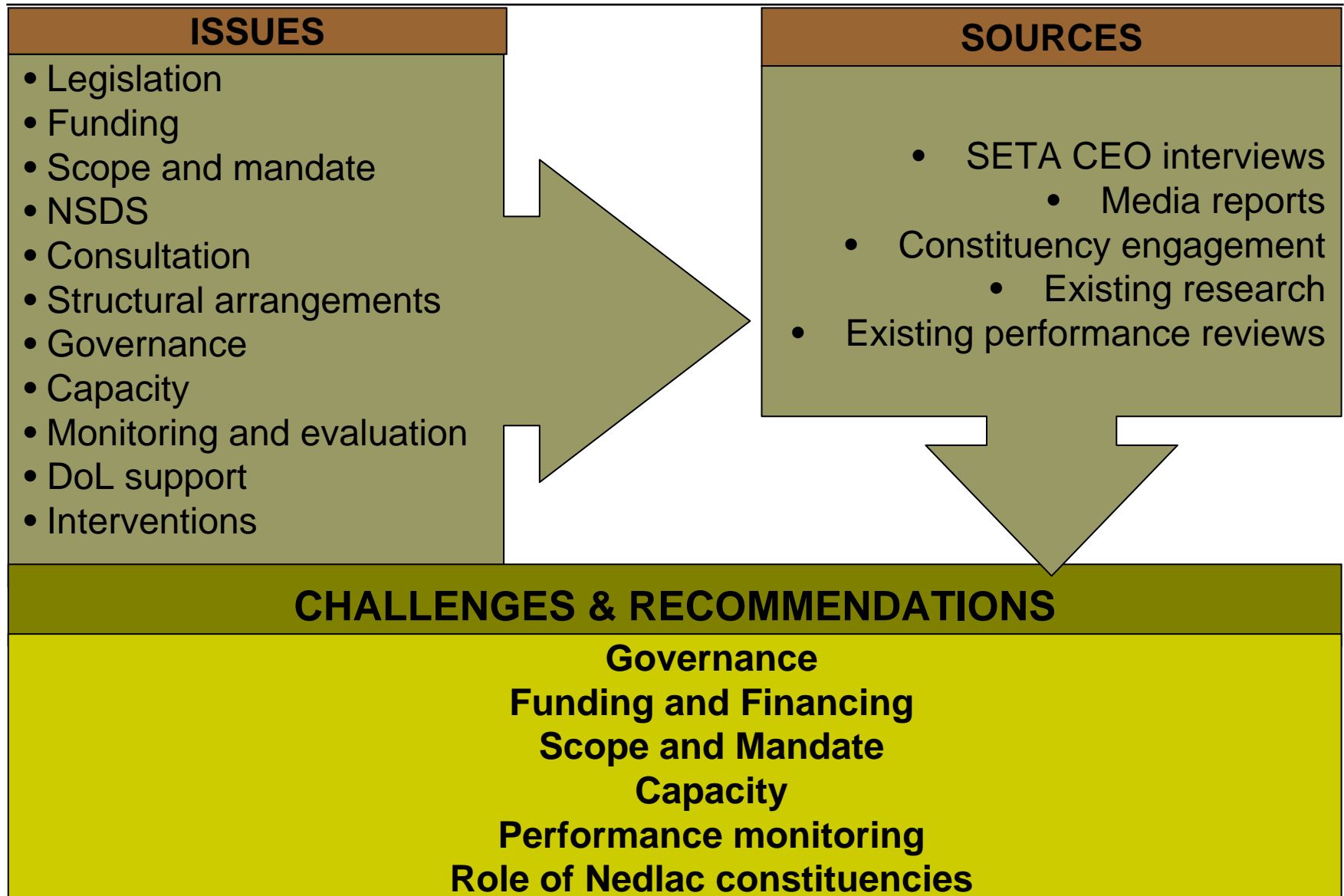
Research Objectives and Approach

- Identify performance issues for Nedlac constituencies
 - Reviewing existing research and reviews of SETA performance
 - Public perceptions as reflected in the media and parliamentary statements
 - Engagement with Nedlac constituencies
 - Structured interviews with SETA CEOs
- Analyse and cluster responses and research outcomes into set of common / key challenges
- Identify short- and medium-term recommendations to address key challenges based on
 - Minimising disruption
 - Maintaining and accelerating momentum
 - Minimising uncertainty
 - Maximising current improvement initiatives

Public Perceptions and Expectations

- Challenge: Public and stakeholder perceptions
 - Poor performance
 - Poor administration
 - Poor financial management
 - Poor governance
- Challenge: Public and stakeholder expectations
 - Skills development increasingly linked to expectations that SETAs are responsible for
 - Job creation
 - Job placement
 - All skills training financing
- Reality
 - SETAs and the skills development system reflect new policies, approaches and structures – require time to establish
 - Lack operational capacity and access to skills and knowledge required for level of delivery expected
 - Assigned long list of objectives and targets
 - Have to balance myriad competing interests
 - Achievements and success either not reported or under-reported

SETA Review



Governance

Challenges

- Good corporate governance vs. broad representation & consultation
- Clear roles & responsibilities
- Board member
 - Competencies
 - Conflicts of interests
- Size of boards
- Standardised constitutional frameworks
- Standardised systems and procedures
- CEO and SETA performance management

Recommendations

- Short-term
 - Independent audit committees with standard code of conduct
 - Criteria, process for selecting and obligatory training for board members
 - Smaller more focused boards
 - Standard constitutions
 - Generic policies & procedures
 - Shareholder compact clarifying Chair's role
 - Performance monitoring
 - Board and SETA
 - CEO/Senior management role clarification and performance contracts
- Medium-term
 - Centralised fund administration capability
 - Oversight committee established under Nedlac

Funding and Finance

Challenges

- Levy generally perceived as “training tax”
- Current mandatory grant ineffective
- Public sector training spend and administrative payment to SETAs low

- Conflation of discretionary grants and NSF project funding targets
- Expectation on SETAs to fund non-skills development related activities

- Perceptions that SETAs have “pots of money”

- Financial irregularities & scandals
- Overall impact of levy-grant system unknown

Recommendations

- Short-term
 - Reduce/scrap mandatory grant
 - Pay mandatory grant on ATR (but not delay payments)
 - Exempt ‘big spenders’ from 50% levy
 - SETAs focus discretionary funds on skills for formal economy (scarce/critical)
 - NSF focus on skills for social development & second economy
 - Establish efficient systems for cross-sectoral & national projects
 - Fiscus to fund skills for national imperatives, e.g. land redistribution
 - Establish mechanisms to leverage public sector compliance
- Medium-term
 - Central fund management capability
 - Levy-grant review including impact & ROI

SETA Scope and mandate

Challenges

- Scope is too wide
 - Too many objectives
 - Objectives unspecific and equally weighted
 - NSDS increased objectives and targets, again equally weighted
- Focus is on meeting SLA targets and NSDS objectives
 - Reduced focus on sector needs
 - Expectations unrealistic
 - Assigned responsibility for non-skills development functions
- The legislative and regulatory framework seems adequate, but has not achieved what was intended

Recommendations

- Short-term
 - Align sector needs with industry/ sector growth & development strategies
 - Bottom-up approach to NSDS3
 - Greater flexibility
 - Clarify core responsibilities and delineate from NSF / other structures (e.g. UYF, SEDA, etc)
 - Review legislative and regulatory framework to close gaps & support change
 - Clarify NSDS & allocate responsibilities appropriately – not just SETAs
- Medium-term
 - SETA demarcation review to achieve better alignment & economies of scale
 - Examine different criteria for demarcation: industry sectors or occupation/skills?

Capacity

Challenges

- High demands given scope and scale of work
- New skills and capabilities required for SD system
- Attracting, developing & retaining staff
 - E&T rather than management, financial, administrative or sectoral knowledge & skill
- Growing demand for provincial and local services
- Managing complexity of delivery system
- Managing complexity of different interests

Recommendations

- Short-term
 - Standard competency profiles for senior managers to inform
 - Recruitment
 - Performance management
 - Training & development
 - Assessment of current capacity
 - Generic induction programme
 - Every SETA to have management system across organisational & individual performance
- Medium-term
 - Effective mechanisms for delivery of services at provincial and local level scoped and established
 - Degree / diploma programmes
 - Career pathing
 - Career guidance

Performance monitoring & management

Challenges

- DoL SETA scorecard
 - Largely numerical targets & measures
 - Few impact measures
 - Lack positive or negative consequences
- Conflation of meeting targets with performance management
- No standardised information management system
- Poor board / governance involvement in performance management
- Under-developed model / mechanism for managing performance in devolved system
- Lack of DoL resource & capacity to support & intervene

Recommendations

- Short-term
 - Clarify & demarcate roles of DoL, Board, CEO, management, portfolio committees, NCOP, SCOPA and social partners
 - Enhance current SETA Scorecard measures & indicators
 - Establish & implement positive & negative consequences
 - Improve and standardise information management systems
 - Enhance and support for DoL interventions
- Medium-term
 - Establish stakeholder structure within Nedlac to monitor and determine intervention needs
 - Accord body power and resources to intervene
 - Review devolved model

Role of Nedlac constituencies

Challenges

- Defining and clarifying role of constituencies in devolved, representative & evolving system
 - Monitoring
 - Evaluating impact
 - Intervening or supporting interventions
- Stretched resources
- Multiple demands on key representatives
- Managing alignment
 - National strategy
 - Policy & legislation
 - Implementation
 - Evaluation

Recommendations

- Short-term
 - Manage constituency representation & engagement
 - Put in place constituency mechanisms to implement agreement
 - Establishment of Nedlac stakeholder oversight body
 - Assist with design & implementation of appropriate interventions
 - Monitor effectiveness & appropriateness of current arrangements to ensure long-term sustainability of SD model & across public-private sectors
 - Engage DoL on role of DoL Labour Centres and mechanisms for provincial delivery and oversight
 - Engage government broadly on co-ordination of policy initiatives
- Medium-term
 - Engagement in & support for required interventions
 - Ongoing strategic involvement, including appropriateness of system going forward

Nedlac priorities – Short-to-medium term

- Adjust and approve recommendations
 - Clarify what can be done now in terms of management, leadership, administration;
 - What will take discussion within DoL and require legislation

- Identify dependencies amongst recommendations
 - Clear themes cut across all identified challenges & recommendations
 - Capacity to implement – Board, DoL, SETAs, NSA
 - Clarity and delineation of responsibilities and functions

- Establish plan for implementing recommendations
 - Ensure DoL is comfortable with Nedlac leading the process and bringing in all other review processes
 - Include plan to win SETA buy-in for changes
 - Provide for process to resolve areas not yet fully agreed (i.e. SETA demarcation)
 - Provide for process to establish oversight structure in Nedlac arrangements

- Monitor implementation

- Monitor and evaluate systemic improvements

- Input into legislative and SETA landscape reviews and NSDS3

Nedlac priorities – Long-term

- Scope and establish comprehensive review of the skills development system focussing on
 - Impact of skills development system on training and meeting skills requirements in South Africa
 - Impact of the levy-grant system and evaluating other training incentive regimes
 - Appropriate location of skills development and training responsibility at national, sectoral, local and enterprise/organisation levels and models
 - Alternative skills training systems and structures

Way forward

- Finalise report by mid October 2007
 - Present key ideas and recommendations at National Skills Conference
- Draft recommendation implementation plan by end November 2007
- Secure agreement on recommendations and implementation strategy with Department of Labour and the NSA
- Publicise implementation plan with DoL and NSA by January 2008
- Put in place advocacy process with SETAs, other role players and stakeholders.
- Establish Nedlac monitoring mechanism for implementation by 1 March 2008