

# Chapter 1: Introduction

## 1.1 Background and purpose of the report

The National Skills Development Strategy (NSDS) is the tool used by the Department of Labour to drive the process of developing the skills of the South African labour force. Six conceptual pillars: Inclusion, Relevance, Sustainability, Creativity, Quality and Quantity inform its key aims and objectives.

The NSDS was seen as necessary:

1. To transform the racial and gender inequalities of the labour force. This is done through extending opportunities of skills acquisition (and potential employment) to previously excluded and disadvantaged groups. Self-employment is also promoted.
2. To create a greater alignment between the skills developed and the needs of the South African economy.
3. To increase levels of investment in the training of the labour force, to improve the quality of training accessed, and to establish nationally accepted standards.

The NSDS is under-pinned by three key pieces of legislation: The Skills Development Act, 1998 (amended in 2008); the Skills Development Levies Act, 1999; and, the Employment Equity Act, 1998. These Acts have different purposes: the Skills Development Act introduced implementing agents for the NSDS; the Skills Development Levies Act established a funding system; and the Employment Equity Act is used to determine the performance of the implementing agents and whether they provide skills development support to members of all social groups equitably.

The first phase of the NSDS (NSDS I) was implemented from 2001 to 2005. During this phase, more than six million workers completed structured learning programmes and 109 647 unemployed youth participated in learnerships and apprenticeship programmes.

The second phase of the NSDS (NSDS II) was launched in 2005 and is currently in its fourth year of implementation. Its five broad objectives include:

- Prioritising and communicating critical skills for sustainable growth, development and equity
- Promoting and accelerating quality training for all in the workplace
- Promoting employability and sustainable livelihoods through skills development
- Assisting designated groups, including new entrants to participate in accredited work- integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment
- Improving the quality and relevance of provision.

Twenty success indicators relating to these broad objectives have been compiled and it is mainly against these that the effectiveness of the strategy is measured. The purpose of this report is to outline progress achieved by implementing agents against these success indicators. This is considered for the current year of NSDS II (2008/09) as well as since the start of implementation in 2005.

### 1.1.1 NSDS implementing agents

The NSDS is implemented mainly through the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF). Productivity SA, the Umsobomvu Youth Fund<sup>1</sup> and INDLELA also play a role. SETAs and the NSF contribute towards achieving targets specified in 18 of the NSDS II success indicators while Productivity SA and the Umsobomvu Youth Fund contribute towards six. The Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) must realise the objectives of the strategy that specifically refer to artisan assessment, and the training of artisan assessors and assessment moderators.

<sup>1</sup> Through the National Youth Development Agency Act, 2008, the Umsobomvu Youth Fund was amalgamated with the National Youth Agency to form the National Youth Development Agency. Since this report is a record of achievements prior to the amalgamation, the term Umsobomvu Youth Fund will be used to refer to the body that was Umsobomvu Youth Fund prior to the amalgamation.

## 1.1.2 Sector Education and Training Authorities (SETAs)

The principal vehicles for the implementation of NSDS II are 23 SETAs<sup>2</sup>. Each of the SETAs serves a demarcated sector of the South African economy. Between them the 23 SETAs cover all sectors of the economy.

The key functions of a SETA as set out in the Skills Development Act 1998 are:

- Developing a Sector Skills Plan within the framework of the National Skills Development Strategy (NSDS)
- Implementing its Sector Skills Plan
- Approving Workplace Skills Plans submitted by employers in their sector
- Developing and managing learnerships and other learning programmes such as apprenticeships
- Collecting skills development levies
- Disbursing mandatory grants to employers whose Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) have been received and approved
- Disbursing discretionary grants to support projects that address identified skills developmental needs in the sector
- Improving the facilitation and quality of learning
- To monitor and quality assure education and training in its sector.

SETAs obtain their operational funds from the skills development levy introduced by the Skills Development Levies Act, 1999. Private companies contribute 1% of their total payroll to the South African Revenue Service (SARS). SETAs receive 80 % of this contribution and are legally required to use a minimum of 90% on skills development activities. The remainder of this income, 10% or less, is for organisational costs. The Public Service SETA, (PSETA) is funded by the National Treasury.

The progress made by the 23 SETAs collectively, in the achievement of the broad objectives of NSDS II in 2008/09 is presented in Chapters 3 - 7 of this report.

## 1.1.3 National Skills Fund (NSF)

The National Skills Fund is constituted from the remaining 20% of the skills development levy, funds bestowed by Parliament, donations, and interest earned on investments. The Fund is used to support projects identified as national priorities in the context of the National Skills Development Strategy. The Fund may also be used for other projects that are pertinent to the achievement of the goals of the Skills Development Act, as determined by the Director-General of the Department of Labour. Between 2005 and 2009, projects and programmes that have been identified as national priorities have included: Critical and Scarce Skills Support, Informal Sector Support and the Workplace Skills Development Support Programme for the unemployed. Other projects pertinent to the achievement of the aims of the Skills Development Act that have been funded by the NSF are the Discretionary and Innovative Projects as well as Strategic Projects.

In Chapters 3 - 7 is a description of the NSF's contribution to the achievements of the NSDS II objectives and to the goals of the Skills Development Act. Appendix 3 reports on how strategic and other projects have contributed towards the achievements of the NSF objectives.

## 1.1.4 Other NSDS implementing agents

Three other agents also contribute to the implementation of the NSDS. They are INDLELA, Productivity SA and the Umsobomvu Youth Fund.

As mentioned in 1.1.1 above, INDLELA's primary role is to assess artisans, and to provide training for artisan trainers, assessors and assessor moderators. This is how they contribute towards the successful implementation of the NSDS.

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<sup>2</sup> Processes of review and consultation with stakeholders resulted in the 25 SETAs that participated in the implementation of NSDS I being reduced to 23 in the implementation of NSDS II.

Productivity SA has as its overarching aim to facilitate and improve the productive capacity of South African individuals, companies and organisations. The organisation reports to the Minister of Labour and is given its mandate by organised labour, organised business and government. Some of its projects are aligned to and contribute towards NSDS II objectives, for example, training of individuals and groups within organisations on productivity.

The Umsobomvu Youth Fund (UYF), established in 2001 by government and reporting to the Minister of Labour, also has a number of projects and programmes that are aligned to NSDS II. This organisation's aim is to facilitate the creation of business ventures and jobs as well as provide entrepreneurship education and other skills development interventions to men of 35 years and younger and women of all ages. Programmes aligned to the NSDS II include entrepreneurship educational programmes and community youth service whereby participants gain skills that increase their work readiness and employability.

INDLELA, Productivity SA and Umsobomvu Youth Fund's work is further described when considering progress against the targets specified in the relevant success indicators in Chapters 3 - 7.

## 1.2 Monitoring of the NSDS Implementation

Four practices are central to the monitoring of implementation activities relating to NSDS II. These are: development of strategic plans; conclusion of service level agreements between the Department of Labour and each implementing agent; assessment of progress on a quarterly and annual basis; and the undertaking of research on the impact of skills development programmes.

The service level agreements/contracts signed with implementing agents specify clear targets and outline expectations in terms of processes to follow and how public resources should be managed. Implementing agents are required to provide progress reports to describe whether they have complied with all processes and managed the public resources correctly. These reports are produced quarterly and Department of Labour officials verify these. These are then consolidated into a synthesis report that is presented to management within the Department for review, and presented to the National Skills Authority (NSA) and other relevant stakeholders for consideration.

From time to time, the Department of Labour also commissions impact studies on the National Skills Development Strategy. In the 2008/09 reporting period the studies commissioned have focused on the impact of:

- The dissemination of information on critical skills measured through levels of rising entry and completion
- The NSDS on the overall equity profile of large and medium sized companies
- Skills development programmes on other selected facets of companies and organisations that have participated in the NSDS II
- Skills development initiatives on service delivery in government departments
- Skills development initiatives on the performance of BEE companies
- Skills development programmes on the levels of employment generated by new investment initiatives and expansions
- Participating in learnerships, apprenticeships and skills programmes on the employability and mobility of employed and unemployed individuals
- Skills development support on the levels of sustainability and on the performance of non-levy paying organisations
- New venture and entrepreneurship programmes on the sustainability rate of newly formed ventures
- The measurement and evaluation of the performance of Institutes of Sectoral Excellence.

The findings of the commissioned research can be found on the Department of Labour's website. They are also published in print by the Department of Labour and the Human Sciences Research Council Press<sup>3</sup>. The findings are distributed in forums such as the Skills Development Conference to relevant stakeholders.

<sup>3</sup> Two collections of NSDS II research published in 2009 are entitled *Skills Shortages in South Africa: Case Studies of Key Professionals* edited by Johan Erasmus and Mignon Breier and *Sectors and Skills: The Need for Policy Alignment* edited by Andre Kraak.

### 1.3 *Structure of the report*

The next chapter provides the socio-economic context for the second phase of the National Skills Development Strategy. It outlines South African labour market and employment trends. The statistics presented are further broken down by gender, population group and province. In **Chapters 3 - 7** the progress achieved by all the implementing agents against the five broad objectives of the NSDS II is described. **Chapter 8** deals with the performance on equity targets and **Chapter 9** concludes the Report and presents recommendations made by the National Skills Authority (NSA).

At the end of the report, you will find three appendices. **Appendix A** is a table summarising the progress made in the implementation of the NSDS II from 2005 to 2009. **Appendix B** is a table presenting the scores achieved by each individual SETA in the implementation of the strategy in 2008/09 and **Appendix C** is a report on NSF funding of Strategic Projects and Discretionary and Innovative Projects.