Impact Assessment of Training for Employed Learners under National Skills Development Strategy III

A Case Study Conducted by the University of Witwatersrand on Behalf of the Department of Higher Education and Training (DHET)

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CONTENTS

1. INTRODUCTION AND BACKGROUND

1.1   Why this case study?

The National Skills Development Strategy is a policy instrument under the Skills Development Act of 1998, and the associated Skills Development Levy Act (SDLA). It has its origins in the "training reform agenda", which emerged during the 1980's in the Anglophone Developed world and also in South Africa through negotiation processes between business and organised labour under the National Training Board (NTB) and subsequently the National Skills Authority (NSA).

Globally, this has been interpreted (from one perspective) as a new phase in the development of capitalism, where business and labour are entering a new social contract. Fewer people will find employment in the market economy; but they will have better work, better paid work, and more opportunities for career progression. Employers and workers are entering a new social compact against those excluded from the market economy. Training of employed workers, from this perspective, is a calibration of human capital to the industrial restructuring taking place through downsizing, flattening of workplace organisations, automation of business processes and multi-skilling of staff to deal with their new roles in this context.

Post-apartheid South Africa has adopted a wider perspective. This was reflected in Christie's 1995 assessment that

> *" an important local addition to international debates is the links drawn between human resource development and equity policies to redress the apartheid legacy"* (Christie 1995: 8).

SETAs have thus been persistently compelled to focus on strategies such as training of unemployed people; job creation; support of cooperatives; development of SMMEs; youth development; rural development; capacitation of TVETs and higher education institutions; etc. While targets for training of employed workers have remained in all discretionary grant processes, much less attention has been paid to what is taking place in training of employed workers under the mandatory grant system. This is perhaps surprising because:

- The policy origins of the SDA (sketched above) lie in training of employed people.
- The mandatory grants are subject to the provisions of the PFMA, and the impact of such substantial funding should be more carefully scrutinised.
- There are, as this case study demonstrates, substantial other resources being invested in training of employed (through BBBEE scorecard funding and Social and Labour Plans).
- Organised labour is represented on all decision-making structures, at all levels of the system.

This case study aims in a small way to illuminate what is taking place in training employed people under NSDS3.

1.2   What was the focus of the case study (main research questions)?

The case study aimed to surface systemic trends and issues in the training of employed people under NSDS 3, through an investigation of the outputs, outcomes and impacts of efforts. The framework for quantitative data collection and analysis is described in Annexure A, adapted from the Statistics Australia Framework for Measuring Learning. The line of analysis in the qualitative component is sketched below, and the Questionnaire Template in Annexure B illustrates an integration of both.

Although two sectors were initially targeted, failure to achieve cooperation from the Mining Qualifications Authority over an extended period of time resulted in a primary focus on one sector (FASSET), complemented by some insights from other sectors where relevant.

- At macro level, the case study aimed to provide a description and analysis of the scope and structure of the sector; employment trends; and drivers of work, the organisation of work and associated skills needs.
- At meso level, the study aimed to explore how the SETA used the policy instruments available to them in understanding the needs; and developing and funding responses.
- At micro level, the study investigated the skills needs, patterns of skills development and their interface with FASSET systems in small, medium and large companies; as well as in the private training provider sector.

The findings then aim to articulate the insights from across the different levels of analysis.

1.3   Summary Description of Research Process

All public domain reports from the relevant SETAs were collated and reviewed before the SETAs were contacted. These included Sector Skills Plans, research reports, Strategic Plans and Annual Performance Plans over the lifespan of NSDS3; as well as research reports and some operational documents (e.g. WSP templates and guidelines). Background research into the sectors included reviews of academic journal articles, globally and domestically, as well as professional body research reports.

The SETAs were contacted to request collaboration. MQA failed to respond despite repeated written reminders and phone calls (and including after committing to respond). The Acting CEO of FASSET (also the research and skills planning manager) availed herself for a telephonic interview. She also recommended key stakeholders on the Accounting Authority; professional bodies; universities; and employers who might be useful respondents. She apologised that due to time constraints and end of year pressures she would be unable to participate more fully beyond reviewing the draft report.

A summary of the available quantitative data was drafted, with proposed calculations to elevate the analysis across the skills sector as a whole. This was discussed with the work team undertaking the quantitative analysis, on the understanding that their work outputs would be integrated when available.

Questionnaires were developed and customised for each category of respondent. A total of 8 interviews

were conducted in the FASSET sector. (Three interviews conducted with mining industry stakeholders were ultimately discarded). During these interviews, organisational documents were also solicited and in some cases provided (such as policies and procedures, or annual reports).

The author has worked with more than 1000 private, public and development sector organisations over the past 30 years in designing, developing, implementing or evaluating skills development initiatives for the employed. Unreferenced claims are informed by substantial direct evidence.

1.4   Conceptual and Theoretical Framing of Training for Employed Workers

Training of workers takes place along a pipeline, from general foundational learning (typically provided by universities or technical and vocational colleges) through job-specific training (commonly provided by industry academies or company/department-specific training centres) through to on-the-job learning (provided through work-integrated learning, coaching and mentoring, job shadowing/job rotation, project- and problem-based learning and other informal or non-formal learning strategies). The pipeline is not linear: employed people sometimes go back into foundational learning or to training centres for career development. Entry also takes place at multiple points.

A key feature of the pipeline (sometimes poorly understood by employers or policy-makers who expect education and training providers to produce "work-ready" labour market entrants) is that often different things are learned at various stages of the pipeline. The ETD Practices Project in 1998 drew on cognitive science in disaggregating the different types of knowledge acquired at different stages of a pipeline:

- Declarative knowledge (or knowledge about what) is usually learned in foundational study.
- Procedural knowledge (or knowledge about how) is sometimes acquired during foundational study but must often be recontextualised according to workplace procedure;
- Strategic knowledge (or knowledge about who, where, when and why) is usually acquired in workplace settings.

This conceptualisation is purely heuristic, for purposes of making an argument here that workplace learning is not only a response to career development needs or the changing nature of work. It is intrinsic to the development of any worker or workforce. The table below illustrates typical practices in the training for employed people (in this case, in the public sector), to further exemplify the nature of human resource development within workplaces.

Department	Focus	HRD Practice
Limpopo Department of Public Works	Skills Planning	The Limpopo Department of Public Works uses a combination of four methods and data sets to identify the skills needs. They ask all managers to start by analysing their performance audit reports, to identify line functions that are under-performing. They also supply skills audit data for managers to use in this analysis. Managers then negotiate the PDP content with individual staff, and submit individual PDPs and a consolidation of these at unit level. Finally, the HRD staff interrogate the submissions by managers before taking the recommendations to the Training Committee for a further interrogation

		and prioritisation.
Department of Energy	Induction	The Department of Energy describe themselves as a "young" department, both as an institution and because most of their employees are young. Because it is important that their employees understand the sector in which they are operating, they place new recruits for 3 months at a time in major sector entities (such as Eskom, NERSA or Koeberg), and shift them to another entity in the following quarter. This allows the recruits to develop both networks and a contextual understanding of the sector.
Department of International Relations and Cooperation	Non-formal and informal learning	DIRCO integrate formal, non-formal and informal learning strategies within a lifelong learning approach for diplomatic staff. Foundational learning usually takes place through generic or very specific higher education degrees. For example, the Diploma in Economic Diplomacy trains staff to respond to queries regarding investment opportunities in South Africa (a common diplomatic function). Entrants are placed on a "cadet" program which includes job rotation, job shadowing and coaching and mentoring. Staff are deployed for 4 years at a time to foreign missions; come back for 2 years; and are deployed elsewhere for another 4 years. The specific goal is to build wide exposure to global diplomatic contexts. Before going on the mission, staff are taught the destination country language in a foreign language learning laboratory at the DIRCO Academy. They are also provided with functional and technical training relevant to their role. When at a foreign mission, the staff member is required to shadow an official who is trained to provide coaching and mentoring. Informal learning strategies are integrated with knowledge management strategies. For example, Ambassador Diaries are used to share the lessons and experiences from senior staff, as a resource used in individual and organizational learning.

A range of theoretical paradigms inform approaches to the training of employed people. However, the dominant paradigm in South Africa and globally remains that of human capital development. From a private sector perspective, this has informed the latest version of the skills utilisation literature:

> "Skills are a derived demand: employers' skills needs are a consequence both of their product strategy and the firm's characteristics. Management is a key determinant of an employer's product or service strategy and whether skills are used effectively". UK Leitch report, cited in HSRC 2008: 27)

From a public sector perspective, almost identical themes have emerged in relation to the Citizens First Value Chain. These were echoed in the DPSA 2013 report to the HRD Council, which argued:

> "Skills development in isolation cannot yield a more skilled and capable state. Skills initiatives must be embedded in organisational development, focused on improving service delivery" (DPSA 2013).

The Public Service Value Chain is depicted in Figure 1 below. It proposes a relationship between 3 variables: people, service and trust.
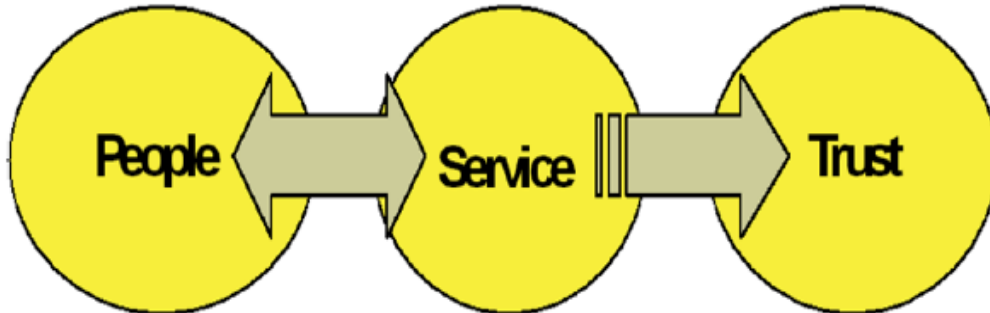

Figure 1: The Citizens First Public Service Value Chain

Source: (Ralph Heinzman and Brian Marsen. People, Service and Trust: Is There a Public Sector Service Value Chain? 2010:11)

The hypothesis underpinning the model is that satisfied employees contribute to satisfied citizens (although there is a two-way relationship between these factors); and satisfied citizens tend to trust government. Variables influencing employee satisfaction include clear goals; immediate supervision; workplace environment; and career development. Training of employed workers, from this perspective, is key to improving organisational performance.

It is important to understand that the model does not simply describe a theoretical hypothesis. There is extensive empirical research informing it. For example, the link between satisfied employees and satisfied clients/citizens has been so strongly established in different countries that some studies argue that either measure can be used as a proxy for the other.

- *"Employees who have high levels of job satisfaction and commitment radiate this attitude in ways that that are palpable to the customer or citizen/client. Because of heightened motivation, they are far more likely to go "the extra mile" that is so important for service satisfaction…. By the same token, the experience of working with highly satisfied clients reinforces employee satisfaction. Knowing that your work is recognized and appreciated by those you serve generates pride and a sense of self-worth, thus further enhancing motivation, commitment and work satisfaction".*

- *"Overall trust in government is a product of satisfaction with perceived performance of both the political realm and of service delivery, with service delivery apparently having the larger effect on trust in government".*

  (ibid).

At micro-levels of analysis, the interviews attempted to investigate to what extent these paradigms and practices were present. At meso-level, the study attempted to understand how the practices were enabled.

2. TRAINING OF EMPLOYED WORKERS IN THE FINANCE AND ACCOUNTING INDUSTRIES

2.1 Macro-Context of the Finance and Accounting Industries

This section summarises the scope of the sector; employment trends; the structure of the sector; and drivers of change. These are used as a basis for a number of observations relevant to training of employed people in the sector.

Scope of the Sector

The Financial and Accounting Services Sector Education and Training Authority (FASSET) spans risk, auditing and financial occupations in the public, private and development sectors in South Africa. The 17 occupational codes are divided by FASSET into 8 clusters:

- Investment
- Entities and Trusts and Company Secretarial Services;
- Stockbroking and Financial Markets;
- Development Organisations;
- Accounting, Bookkeeping, Auditing and Tax Services; Activities
- Auxiliary to Financial Intermediation;
- Business and Management Consulting Services; and
- the South African Revenue Service (SARS) and Government Departments.

(FASSET 2017: 3).

Employment Trends

Several reports provide baseline data and analysis for purposes of this section. The 2017 FASSET Trends Report and the 2017/18 FASSET SSP provide longitudinal data on demographic shifts and participation rates for employers, employment and skills. The 2008 HSRC study provides a more analytical baseline (although this is for the financial services sector as a whole, not only FASSET).

The Trends Report estimates total employment in the sector has grown from 82 811 in 2001 to 140 240 in 2017 (see Table 1 below). This represents an average annual employment growth rate of 3% over the 16 year period, with some fluctuations. This is close to the global average of 3.2% (Financial Reporting Council. Key Facts and Trends in Accounting. 2017: 2).
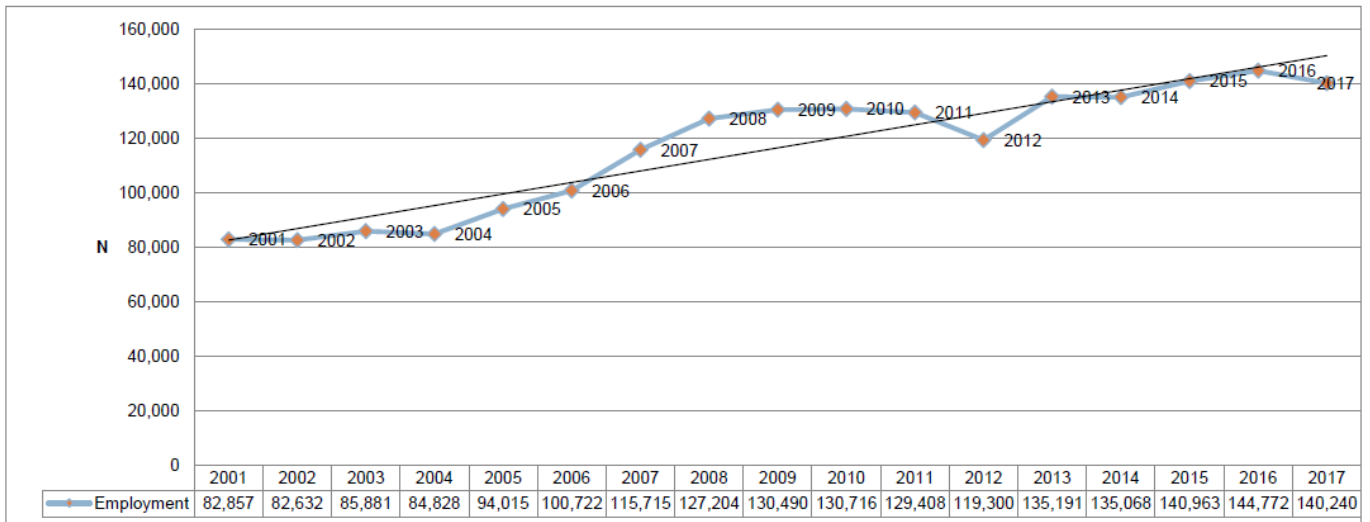
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Employment	82,857	82,632	85,881	84,828	94,015	100,722	115,715	127,204	130,490	130,716	129,408	119,300	135,191	135,068	140,963	144,772	140,240

Table 1: Trends in Employment in the Finance and Accounting Sector 2001 - 2017

Source: FASSET Trends in Employment and Skills 2017.

Equity in terms of race has seen significant shifts in the period, although still far from reflecting population demographics as a whole. African share of employment in the sector increased from 20% to 42%; coloureds from 9% to 12%; Indians from 9 to 10%; and whites declining from 60% to 35%. The case studies below suggest that BBBEE compliance has been a major driver of this, but the shifts are also correlated with preferential funding by FASSET (particularly during NSDS3) as well as major demographic shifts in the skills pipeline.

The sector has always been equitable in terms of gender: 54% of employees in 2001 were women, marginally up to 55% in 2017. As a share of this, African females increased from 8550 in 2001 to 33 017 in 2017.

There have been steady trends in the occupational structure of employment over the period. Employment of managers increased by 1% per annum, while professionals increased by 9% per annum. This supports the HSRC report claim in 2008 that professionals were a scarce skill. Technicians and associated professionals as well as clerical support workers decreased by 1% per annum, while elementary workers decreased by 9%. This may reflect the impact of digitization (discussed under drivers of change below), but reinforces the HSRC's claim that "*lower skilled work in the sector continues to be substituted, and therefore demand for it eliminated, by capital inputs that arise from advances in IT technology*" (2008: 11).

The equity shifts are inter-related with the occupational shifts. African female managers grew at 15% per

annum, while African males increased by 11% per annum, significantly more than the overall increase in employment share and dramatically above the average growth rate of 1% per annum for managers.

Aggregate employment of professionals grew at an average annual rate of 13% from 2012 to 2017. African females employment grew at 19%, African males at 15%, coloured females at 10% and coloured males at 9%. The lower rate of transformation in the professions compared to management (relative to average growth) is likely due to the BBBEE scorecard providing a demand-side lever for the latter.

Structure of the Sector

Both globally and in South Africa, the finance and accounting sector is dominated by the Big Four companies (which hold 67% of market share and count for roughly 60% of employment). There are a small number of medium enterprises; but the overwhelming majority of FASSET constituent employers (95%) are small (FASSET SSP 2018/19: 17).

The large companies serve as incubators of skills for the sector more widely; and this case study suggests, have positioned this activity as a revenue stream in its own right.

The state is expanding efforts to grow capacity internally, and in strategic ways. For example, the Limpopo Department of Finance annually takes on significantly more interns than it can absorb, because it is incubating capabilities it can deploy to other provincial departments or municipalities. The intention is that these staff will have a better understanding of Treasury regulations. (DPSA 2015: 22). However, the state overall nevertheless still *"tends to produce qualified workers on a scale smaller than its own new and replacement needs. In consequence it exerts a net demand for higher level professionals trained in the private sector"* (HSRC 2008: 11).

The finance and accounting sector is second only to health, in the number of professional bodies in the sector (16). These bodies have significant transnational power, since the national organizations are members of international federations and are subject to international standards. Given the power of professional bodies, FASSET has historically worked closely and respectfully with them.

Drivers of Change in the Sector

Drivers of change vary across the various industrial sub-sectors under FASSET. Commonly listed as central, however, are shifting regulatory requirements; market conditions; and technological changes.

Shifting regulatory requirements are wide-ranging and profound. The King IV Codes reflect

> *"three paradigm shifts in the corporate world, namely:*

- *From financial capitalism to inclusive capitalism*
- *From short-term capital markets to long-term sustainable capital markets and*
- *From siloed reporting to integrated reporting"*

(Institute of Directors, 2016, cited in FASSET 2017: 30).

Similarly, the Companies Act of 2008 provided

" fundamental and comprehensive reform of company law which had been in existence for more than 30 years. New categories of companies were created, each with different rules and standards for reporting and governance…. The Act also introduces new responsibilities for a range of professionals, including accountants, auditors, company secretaries, risk managers and internal auditors (ibid).

There have also been changes in the regulation of financial markets post 2009; and ongoing changes in the tax environment. All these have major implications for the knowledge and skills of existing staff.

Technological changes are also transforming the nature of employment, work and skills in the sector. Mobility, cloud, social collaboration, digital service delivery, "big data", payment systems, cyber security, robotics, augmented and virtual reality and artificial intelligence are all major themes (Association of Chartered Certified Accountants 2013. Technology Trends: Their Impact on the Global Accountancy Profession).

Market trends are not merely causing changes in the skills demanded of individuals. They are fundamentally shifting patterns of work organization and occupational composition. For example, in auditing:

"Audit firms traditionally operate on a pyramid staffing model with relatively few partners and managers, followed by many junior staff. The continued relevance of this staffing model is being questioned and re-examined, particularly given the growing complexity of audits and judgment areas involved, necessitating greater involvement and supervision by experienced auditors in the conduct of audits". IFIAR's Investor and Other Stakeholders Working Group and Global Public Policy Committee Working Group. 2015

2.2   Meso-Context of the Finance and Accounting Industries

This section on the meso-context aims to describe and analyse how FASSET (and its institutional partners in the finance and accounting industries) used the policy instruments available to them in responding to the skills development needs of sector employees. It addresses

- Some general features of the skills needs of sector employees
- Research and skills planning instruments at sector, sub-sector and workplace levels.
- The funding instruments for training of sector employees.
- Sectoral strategies for training of sector employees.

General features of skills needs of sector employees

The finance and accounting sector has some characteristics that are unique in the SETA landscape. As indicated in section 2.1, employment in the sector is heavily weighted toward highly skilled, qualified and in many cases professionally registered staff. Further, employment at the low-skill end of the spectrum is shrinking (and is projected to do so further).

As noted in the HSRC report, skills for accounting and risk are not *"general but task specific. They are not readily substitutable by other skills nor performed efficiently by workers who have not completed the tertiary education and on the-job training stipulated by professional governing bodies in accounting, and by state mandated regulation of the profession"*. (The global trends reported toward a diversification of skills due to the expansion of advisory services is not yet reflected in FASSET studies).

The pipeline through which these skills are developed is regulated, and highly structured. Taking chartered accounting as an example:
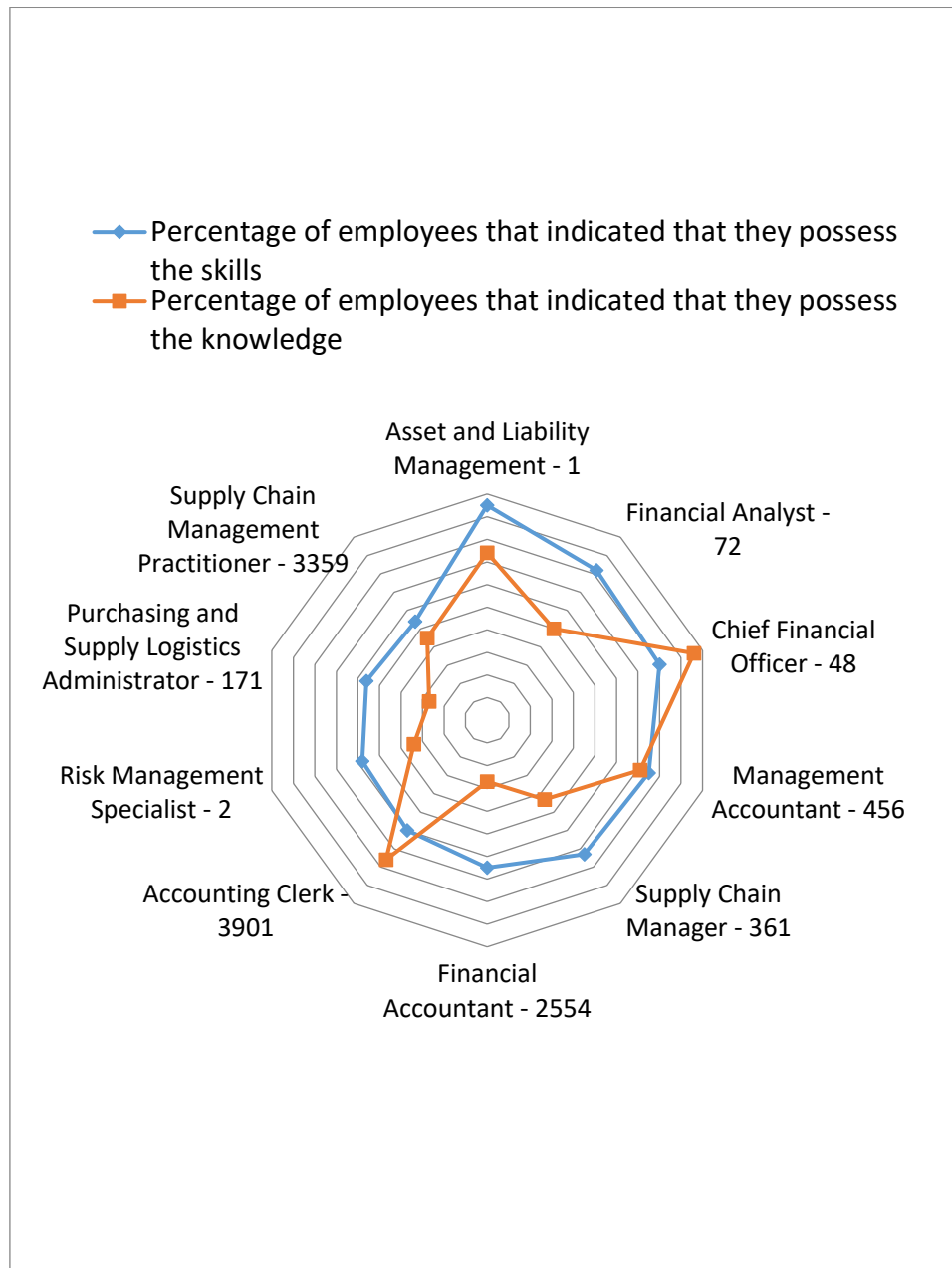
- General education is more significant as a pipeline component than in other sectors due to the requirements for certain subjects (maths, although accounting is also desirable) at school level as a basis for entry to higher education.
- Undergraduate qualification from a SAICA-accredited university is then required.
- This must be followed by completion of a SAICA accredited post-graduate Certificate in the Theory of Accounting (CTA) or equivalent.
- SAICA's Initial Test of Competence (ITC) is the first qualifying examination, upon which the candidate may be enrolled on a registered training contract.
- The Assessment of Professional Competence (APC) is the final qualifying exam before professional registration. To qualify to enter the final assessment, 20 months of practical work experience must have been completed as well as a professional program.
- Once registered, Chartered Accountants must achieve annual Continuous Professional Development points determined by SAICA in order to re-register.

There are important critical observations to be made of the skills pipeline. With minor fluctuations, the pass rate for the CTA program has hovered in the low 30%s. These are serious system inefficiencies that require attention. However, given the duration and intensity of training, the professional bodies themselves expect that CPD should provide adequately for such professionals. Yet in 2009, SAICA reported that

> *Partners in accounting and auditing firms confirmed the existence of skills shortages in their client organisations as well as in their own. They also emphasised the fact that there is an interaction between quantitative shortages and qualitative skills deficiencies and that, owing to shortages of skills in the market, employees are appointed in positions for which they are not qualified or they are promoted beyond their own levels of functional competency. These observations were confirmed by the employment agencies that were interviewed as part of this study. (2009: 8).*

This is true in both public and private sector contexts, and is obviously even more true for other financial occupations. The 2014 HR Connect data for finance-related occupations in the state (see Figure 2 below) reflected self-assessments by state employees. While all CFOs believed they had the knowledge for their job, 20% of them believed they lacked some practical skills. In the case of financial accountants, 70% believed they had the knowledge, yet only 20% believed they had all the practical skills they needed.

Figure 2: HR Connect Data 2014 – Skills Levels of State Finance Occupations

The role of skills development for the employed assumes great importance in this context. To some extent, this is remedial work to address deficiencies in the pipeline. To some extent it reflects the argument made in section 1.6, that on-the-job training is required to assist employees in recontextualising foundational knowledge. And to some extent it reflects the ongoing nature of skills development required in rapidly evolving work contexts.

Funding instruments

There are two grant mechanisms through which SETAs fund training of the employed. First, mandatory grants (currently, 20% of the skills levy) are awarded to employers who submit compliant WSPs and ATRs. Second, discretionary grants are typically focused on strategic priorities in the sector. Due to DHET setting targets for training of the employed in all Service Level Agreements, some discretionary grants are always available for training of employed. (FASSET has structured these in ways that are unique).

In 2001, FASSET had 7 992 levy-paying organisations that contributed a total of R60 million. Of these, 1 778 (or 22%) of these organisations claimed mandatory grants, worth a total of R40m (or 66% of the levy). With some fluctuations in the intervening years when the threshold for levy contributions was raised, by 2017 FASSET had 7 101 levy-paying employers who contributed R445 million. Of these, 1058 (or 15%) claimed R296 million (or 66%) of mandatory grants. These figures illustrate the trend: roughly 60% of the total mandatory grants in the sector have consistently been claimed, for purposes of training sector employees.

The mechanism for claiming a mandatory grant is the compliant submission of a Workplace Skills Plan (WSP), and subsequently an Annual Training Report (ATR). The WSP template provides for a range of formal programs (e.g. bursaries at higher education level), non-formal programs (e.g. CPD) and informal studies (e.g. in-house cadet program or graduate placement scheme) (FASSET Mandatory Grant Guidelines 2017/18). The ATR requires reporting on how the funds were spent.

Several forms of verification take place across the skills sector. Variance reports (comparing WSPs across years, or comparing the WSPs to the ATRs) are combined with on-site audits of a small random or stratified sample of workplaces who have received grants. However, FASSET has high-trust relationships with their sector, and even these limited verifications are less extensive than in other sectors. The net result is that there is very little scrutiny of whether mandatory grants are being used as claimed.

FASSET structured Discretionary Grant payments uniquely in the skills sector. Prior to NSDS3, they offered Strategic Cash Grants (SCG) and Learnership Cash Grants (LCG) to incentivise particular sectoral priorities. After 2012, the PIVOTAL grant replaced the SCG. It currently includes three components: a learner employment grant; a learner bursary and a non-PIVOTAL learner employment grant. Throughout the various forms of SCG, PIVOTAL grants and LCG, there have been a relatively small number of employers participating and these have been predominantly medium and large employers (Trends Report 2017: 12).

Other Funding Instruments in the Skills Sector More Widely

There are at least three other funding instruments widespread in the skills sector, which are not reported

against NSDS because they are not revenue collected under the Skills Development Levies Act.

The Broad-Based Black Economic Empowerment (BBBEE) scorecards provide for several categories of training expenditure. 1% of Net Profit After Tax (NPAT) should be spent on Supplier Development, and 2% of Net Profit After Tax on Enterprise Development. Both of these may include a skills development component. Further, skills development is a separate scorecard element (including both employed and unemployed training), counting for 35%. The scale of funding for skills development under the scorecard may potentially dwarf funding under the skills levy system. This applies to some extent in the FASSET case study.

In the mining sector, **Social and Labour Plans** should provide for education and training of both the unemployed as well as the employed. Required categories in all SLPs should include Adult Education and Training, learnerships and skills programs; bursary and internship programs; career progression plans, mentorship plans and employment equity plans. The Centre for Applied Legal Studies completed a review of SLPs in 2016, finding low levels of compliance across the industry (CALS 2016: 28). Efforts are underway to improve regulation.

The Public Services Sector is exempt from the SDLA, but has put in place a **Policy on the Utilisation of the 1% Training Levy**. Compliance is audited by the Auditor General during audits, and monitored by DPSA via annual HRD Plans and HRD Implementation Reports received from all national and provincial departments. These funds are also, however, not reported under NSDS, and achievements are only integrated into reporting from the "Big 5" public sector SETAs and not under the line departments of other SETAs. There are also inconsistencies in the reporting. For example, some departments budget and report for bursaries and internships within the 1%, others budget and report on these items separately.

Sectoral Initiatives for training of the employed

Despite the volume of funding that has been disbursed on training the employed, there is very little information on the impact of the money. This is true not only for FASSET, but for the skills sector as a whole. The few impact assessments that were available across SETAs did not include training of employed; and no study has been conducted on mandatory grant impacts in particular.

Aware of the gap in support for smaller employers, FASSET initiated a strategy of "lifelong learning events" in 2007. In total, 142 481 learning opportunities were provided from 2007 – 2016. These were in fields such as budget and tax updates (36%); soft skills training (23% and management and leadership training (14%).

2.3   Micro-Contexts in the Finance and Accounting Industries

A large, a medium and a small employer (as well as a private training provider) are the basis for the micro-level analysis in this sector. Two higher education providers (UFS and Wits) were also contacted for interviews. UFS (suggested by FASSET) indicated they offer no programs for employed workers. Wits offers CPD programs but was unable to avail themselves for an interview due to work pressures.

Large Company

Large Company Example

The large company is a subsidiary under a holding company, structured to offer a "service supply chain" into the market as a "one-stop-shop". The group pays levies to 12 different SETAs (including FASSET, of which the large company is a constituent employer).

The company employs 229 employees, of which slightly more than half (118) are white. Gender equity is much stronger: less than 20% of employees are male, all in non-managerial positions. Management accounts for only 5% of the workforce, all female. This may reflect a wider trend of white women being appointed to management positions to address equity compliance; or it may simply reflect the dominance of white women in the sector historically.

About 82% of employees are based in Gauteng, the remainder are based in the Western Cape. The package of financial and advisory services offered by the company includes human capital services; payroll; tax and contract management; specialized recruitment services; and change management.

The company has an in-house HRD unit consisting of 7 people. (The international HRD staffing norm is 1: 100, this is over 3:100). This includes 4 on the job coaches, and points to a strong on-the-job learning strategy integrated with supervision and performance management. A company-wide needs analysis is conducted annually, linked to submission of WSPs and led by the Skills Development Facilitator (SDF).. Career guidance takes place, but career pathways are not provided within the company. Staff retrenchments have sometimes taken place, but those retrenched are not provided with training to support their retrenchment.

Employed staff receive formal training via an in-house accredited provider within the group; external accredited and non-accredited providers; as well as higher education providers. Delivery modes include classroom-based tuition; continuous professional development (CPD) programs required to maintain professional registration; as well as distance learning (including elearning).

104 employed staff have received formal training over the past financial year, participating in 24 different programs. This represents close to half of all employees. The largest focus has been 39 employees participating in 6 different finance-related courses, followed by 28 employees on 6 different leadership programs and 21 employees on 3 different IT programs. Only 1 employee is on a learnership. 5

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employees attended 5 different compliance programs; 6 attended a sales and marketing program; and 3 attended 2 different project management programs.

There are several drivers of training for company employees: operational needs (performance); compliance with legislation; new policies and procedures; and addressing any skills gaps.

BBBEE compliance is a major external driver – "*BBBEE targets are a large contributor to acquiring tenders and other business, so the impact of BBBEE is significant on training spend*". The company also accesses SETA grants (8 bursaries from FASSET currently), as well as tax rebates from SARS. The company argues that FASSET's current criteria for funding (exclusively focused on race and disability) mitigate against the bulk of their (white) staff from receiving funded training.

The company understands one purpose of NSDS to be about improving workforce skills, but argues that instead *"learnerships are a compliance measure of transformation"*.

A significant dynamic is that the holding company treats skills development as a revenue generator, managing 250 employed learners on learnerships and 1000 unemployed learners. These are handled mostly on behalf of clients, in achieving BBBEE scorecard compliance, tax rebates and SETA grants. The tax and financial advisory services are therefore instrumental in leveraging these opportunities from the client base for other companies in the group, rather than delivering them internally or for internal capacity-building. Given the learner volumes, the company is using elearning for some components to improve the economy and efficiency of provision.

Several features of the large company provide useful points of discussion in terms of the relationship to macro- and meso-level issues outlined above:

- Large companies in many cases have responded to the skills levy system by constructing the HRD business process as a revenue stream in its own right. To the extent that they are incubating skills for the sector more widely, there is perhaps some justification in this. However, whether the skills incubated in large private sector entities are transferable to other contexts (and whether learners from these programs are finding employment elsewhere) merits further enquiry.

- Large companies are also using the skills levy system to improve their own equity profile. Preferential funding of previously disadvantaged individuals by FASSET (and other SETAs) has resulted in a significantly higher public and private sector investment in these target groups. The much slower rate of absorption relative to supply has many plausible explanations, but also merits further investigation.

- The "fourth industrial revolution" means that many workers are losing their jobs due to automation of business processes. The scope and scale of this is receiving less attention in policy discourse

than it should; and the attrition is taking place almost below the radar (as the FASSET statistics in section 2.1 indicate). While upskilling of those who will retain their jobs is an important focus of training for the employed, a "just transition" requires that those likely to lose their jobs are adequately prepared for alternative employment. There is scant evidence of skills development resources being invested in such initiatives.

- There is a rapid transition taking place across industries toward technology-enhanced learning. In the public sector, DPSA issued an elearning policy directive in 2014 and the National School of Government has located elearning centre-stage in their efforts. Uptake has been slow, for reasons that are as yet poorly understood. This is not so in the private sector. Industries such as mining, banking, food and beverages, printing and packaging, healthcare and others already have a significant volume of training online. There is a striking contrast between this trend, and SETA efforts. Few SETAs have made serious moves into technology enhanced learning; the quality assurance regime is only beginning to accommodate such initiatives; and DHET themselves could perhaps do more to steer SETAs in directions their constituent employers have already embarked upon.

- The Citizens First Value Chain and the skills utilization literature support the arguments for HRD to be seen as a central strategy driver within organizations. "Strategic HRD" (Hu, 2007, Garavan 1995) requires HR to be represented at senior levels of strategy-making; and to be seen as a strategy element in its own right. Informed by this perspective, DPSA's HRD Strategy Framework for the public service encourages departments to appoint HR at Deputy-Director General or Chief Director level; and there has been a steady increase in the number of departments doing so over the past ten years. There is also a strong correlation between departments who have appointed HR at senior levels and improvements in organizational performance.

Medium Company

Medium-Sized Company Example

The medium-sized company employs 64 employees, all based in Gauteng. 47 of these employees are white (36 female and 11 male) . Fourteen are African (9 female, 5 male).

The company provides human capital services; share schemes; remuneration and reward schemes; and talent management

The companies is a member of a wider group of companies, and is therefore supported by central departments in terms of various functions like human resources, training, finance, IT and legal. Policies, and procedures are standardised across the group in terms of recruitment, induction/orientation, further

studies, bursaries, skills development planning, remuneration and rewards. A training needs analysis is done once a year when the annual budgets are done.

The following training needs were identified as key focus areas:

- Performance improvement
- Compliance improvement
- Leadership development
- Product enhancement
- Obtaining higher qualifications
- Coaching and Mentoring skills

Training and development is funded through all the available channels including self-funding. Learnerships are a key focus area, driven by BBBEE targets. There is a large focus on recruiting people with disabilities (largely due to tax incentives). This triggered a company-wide audit in terms of facilities to ensure that this segment could be accommodated. This disabled group was also enrolled on a learnership.

The organisation use a blended learning approach with minimum class-room time, focus on e-learning and workplace application. It has just launched an Employee Wellness Leadership programme organisation wide and learners from the group of companies were included. Formal coaching and mentoring form part of this process.

The organisation uses various training providers for employed staff:

- Seta accredited training providers
- Non-accredited training providers
- Professional Bodies
- Universities

TVET Colleges are not used to provide training, but the company does recruit from TVET colleges.

The medium company highlights two issues in relation to the macro- and meso-level issues:

- Tax incentives under the learnership scheme play a significant role in the decisions made by many companies. The higher incentive for disabled learners appears to be finding traction where many other policy instruments have failed. Careful monitoring of initiatives targeting learners with disability may be important to ensure adaptive management of the strategy.

- Elearning is penetrating even medium-sized companies.

> ## *Small Company Example*
>
> The small company is a family owned business providing company registration, accounting and individual/corporate tax services to small companies. Consisting of 5 employees (all white, 3 female), two staff are based in Gauteng while 3 are in Limpopo.
>
> The company cannot afford formal training, both due to cost and work demands. (They suggest that online or distance programs would help address the challenge). However, they find that new employees are seldom work-ready ("*what they learn in theory is not necessarily how business works").* Hence they upskill their new and existing staff in an ongoing way through induction, on-the-job coaching and compliance training.
>
> No specialist HR function exists within the organisation, yet they have a formalised coaching policy and practice. Needs are identified in an ongoing way and integrated into sharing of knowledge and skills during work. The company has a deliberate multi-skilling strategy – "*we all need to be able to do everything*", achieved through job rotation, job shadowing and coaching.
>
> About 8 years ago during a slump, the company was forced to retrench. They assisted the retrenched staff in setting up their own businesses and have subsequently sustained them partly as complementary service providers (who also sometimes hire their support). This business model has helped sustain capacity with some flexibility and diversification.
>
> After previously submitting an unsuccessful grant application, the company does not participate in the SETA system. The system is too cumbersome in their experience, and not oriented to small business needs and contexts. *"It is difficult to deal with the SETA and all the "red tape" when you are a small business. Time is money. We have applied in the past, but did not receive any assistance".*

This small company was one of three with whom interviews were conducted. The patterns reported above were consistent across all three. All are family-owned and network-based businesses (although all also employ other staff). BBBEE compliance is not a driver for any of them. Although two of the three employ black staff, they insist that merit rather than equity was the criterion for employment.

In one case, the small business emerged as (and is still sustained largely through) service provision to a medium-sized company in the retail sector owned by a close family member. This company took an unemployed learner on in a learnership, both for the tax rebate and to provide a low-level technical capability they needed. They subsequently employed the learner, but have no intention of growing the company further hence have not taken on more.

In the other case, the company themselves are accredited as a training provider, delivering training on payroll software to clients as well as providing payroll services to these clients. Hiring competent and

experienced staff is a priority and takes place through networks. On-the-job sharing of skills is an almost daily process to multi-skill the entire team. The centre-piece of this company's HRD strategy however is a program of higher education studies and intensive on-the-job coaching, job shadowing and job rotation for one junior staff member. It is rooted in succession planning: the business owner is equipping her son to take over the leadership of the organisation when she retires.

All three small companies at one point or another attempted to secure SETA grants (and in one instance did take on a learnership). They understand the skills levy system since they assist clients with tax services. All three agree it is not feasible for small businesses to participate in the SETA system as currently structured.

The most striking feature of these small companies is how much intensive on-the-job training and support is provided, in the absence of any external incentives. This appears to be due to the close-knit personal relationships that exist or develop, and the high levels of inter-dependence required in a small business. The argument for using small businesses to incubate skills through work experience should perhaps be explored more fully than it has been to date.

Private Training Provider

Private Training Provider Example

The private training provider interviewed employs 17 full time and 10 temporary staff. The temporary staff are contracted in as required, and consist mainly of facilitators and assessors).

Their key focus is on training both short courses/skills programmes and full qualifications; management and delivery of learnerships; and assessor & moderator services. They are accredited with various SETAs.

The provider is based in Pretoria and has a high-end training centre equipped with all amenities. Lunch and breakfast is provided on premises. Depending on client requirements, training staff also travel to all other provinces.

One of their latest projects is with a client that delivers all the learning content and formative assessments via e-Learning with limited classroom time - blended approach. This is more cost effective and does not impede client productivity. However, the Portfolio of Evidence is still paper-based as few SETAs have any systems in place for quality assurance of assessment in elearning.

They run both public and company specific programmes and customize learning content to a certain degree for clients.

They have approximately 1000 clients on books (including major corporate such as Fidelity, Ford,

Dischem, Redefine, Mutual & Federal and Old Mutual. They have trained roughly 6 000 learners over the past financial year.

They provide support to their learners over and above classroom time through an 086 number (staffed during office hours); tablets (funded out of the costing billed to the client; and online material).

They have been asked to support employees retrenched by clients in relation to compiling CVs; preparing for interviews; and personal presentation skills.

Their busiest times of the year are April and December. This usually either coincides with either their client's financial year end/new budget or client "down time".

They are not sure what informs their clients' training needs because they are not part of the process. However, in their opinion access to funding; BBBEE scorecard compliance; changes in technology; and compliance are probably the main drivers of client demands.

They get paid by the client directly on invoice and do not necessarily have insight in terms of where the funding derives from. In their own words, what sets them apart from other providers:

"Service, service, service. The spread of qualifications we deliver – 35 different learnerships. Our relationship with SETAs. Implementation of blended learning – (eLearning & classroom) – because this is more flexible and cost effective."

Their biggest hurdle at this stage is the discipline of learners - people not pitching. They also struggfle in aligning with customers' timing; and frequent changes of training dates. Although they have penalty clauses in their contracts they do not enforce this (bad for customer service). Frequently, they are also paid late.

3. FINDINGS IN RELATION TO TRAINING OF EMPLOYED WORKERS

Virtually all employees have many skills needs

As the drivers of change in the FASSET sector illustrates, the nature of work; work organisations; and skills is changing rapidly and fundamentally. Almost all workers need "top-up" skills in such contexts. There is seldom enough budget to train everyone, so improvements in economy and efficiency are important considerations in making the funds go further. Also, most employers struggle to sacrifice production to training – so flexibility in provision is an important access criterion.

Skills needs for the employed are inadequately researched

Skills needs for the employed are poorly described in all Sector Skills Plans. This is partly because the conceptual technology and methods for researching or describing "critical skills" is much less developed than those for describing scarce skills.

The two main approaches are skills audits; and personal development planning processes. The public sector is ahead of the private sector with regard to skills audits. In local government, Gapskill has now provided longitudinal data. In the public service, HR Connect provided mixed quality of data for departments or sectors. The private sector SETAs would do well to undertake carefully considered skills audits where they have not yet done so.

As much as personal development planning "*honours the relationship between supervisor and staff*", as one HR practitioner phrased it, PDPs in South Africa are too often corrupted to provide useful data. On the other hand, building PDP skills and quality assuring PDPs in stratified random samples may be a useful form of qualitative research for further investigating skills needs of the employed.

Skills needs for the employed should be conceptualised along actual pathways

As this case study illustrates, new entrants have skills needs; so do those in occupations which are shifting, or those exiting the system and needing a "just transition" to employment elsewhere. The methods for conducting pathways research and transitioning is now sufficiently developed in South Africa to be taken up across contexts to explore skills needs for the employed more widely.

Funding of skills development for the employed is poorly scrutinised

Mandatory grants have consumed a very sizeable percentage of the total skills levy budget since the inception of NSDS. By comparison to the regulation, oversight and impact assessments of funding allocated to training the unemployed, mandatory grants have received an extremely light touch verification.

The same is true for emerging new sources of funding (including BBBEE scorecard funding, Social and Labour Plan funding and state funding for skills development outside of the NSDS).

"Training" is too narrowly conceptualised as formal provision

The bulk of learning for employed people (and the most important learning) takes place through various forms of on-the-job learning. These include continuous professional development, coaching, mentoring, job rotation, job shadowing, problem-based and project-based learning, participation in communities of practice, etc. These are seldom seen as legitimate forms of training within the planning or funding regime, yet they are the best way to teach certain skills and are often the only way for small companies to share skills. Such practices should be showcased, rewarded and incentivised.

Prioritisation of equity agenda correlated with sector transformation

The SETAs have had a strong focus on equity during NSDS 3. This case study has noted correlations between the supply-side investments, and the gradual transformation of employment (though there is still a long way to go).

BBBEE Scorecards serving as a demand-side policy instrument

BBBEE scorecards are effectively serving to transform the equity profile of employment, as a powerful demand-side instrument.

Building HRM/D capabilities should be considered a strategic intervention to strengthen training of employed people

Some years ago, Treasury initiated a major project to build state financial management capabilities. The assumption was that if organisations managed their money better, everything else would improve. Financial management did improve, but an analysis of the MPAT assessment scores showed that improved financial management had no impact on improving performance in other areas. The only MPAT score that seems positively correlated with overall improvement is HRM/D: organisations that develop and manage their staff well do better in everything else too. This example aims to exemplify the extensive research literature on skills utilisation, and to make the case that all sectors aiming to improve the training of employed workers should consider strengthening the HRM/D capabilities in their sectors.

Strategic rather than administrative management information systems are needed to better plan interventions.

Relevant extracts from the FASSET Trends reports (and some other FASSET reports) illustrate the use of quantitative data for evidence-based, stakeholder-led strategy-making. There is some limited evidence of

similar efforts to use data in this way across the skills sector, but overall most data and reporting is more administrative in nature. Shifting the skills sector toward strategic management information systems requires reviewing existing systems; articulating them with wider systems and policy requirements; and building the human resource capabilities to implement them.

FRAMEWORK FOR COLLECTION AND ANALYSIS OF DATA

CONTEXT			
What is the structure and organizational culture of the organisation? How does this influence HRD practices?	What is the mandate and strategic goals of the organisation? How does HRD support these?	How has HRD changed over the past 5 years?	What other factors in the context influence HRD? What system factors hinder or enable?

INPUTS		PROCESSES		OUTPUTS, OUTCOMES AND IMPACTS
Who is receiving training? Who isn't?		• What are the main categories of HRD in the organisation? • How is the need identified? • How are the HRD interventions planned? • How are they delivered? • How are they managed? • How are they evaluated?		Outputs: what percentage of learners "pass" or learn?
Who is providing training within the organisation and outside the organisation?				Outcomes: how well is their learning transferred to the workplace?
Resources • How much money is being spent? On what? On who? • How many HRD practitioners? What are their skills? • What infrastructure exists?				Impacts: does service delivery improve as a result of the HRD interventions? Has equity been improved?

SEMI-STRUCTURED QUESTIONNAIRE TEMPLATE

SEMI-STRUCTURED INTERVIEW

FASSET

Employer Interview

A	**Administrative information:**

1.	Organisation	
2.	Interviewee Name & Surname	
3.	Job Title / Role	
4.	Contact Number	
5.	Email address	
6.	Date of interview	
7.	Time of interview	

B	**Administration to set up interview:**

Action:		Completed
1.	Make contact and explain context, purpose and line of enquiry	
2.	Send letter of mandate and permissions	
3.	Obtain permission to record the interview and assure confidentiality	

C Interview:

C1 Company Background

C1.1	Size of the company	S		M		L	

C1.2	Main purpose of the company	

C1.3	Levy paying Seta	

C1.4	Total Number of employees	

C.1.5 Biographical breakdown of employees.

Ethnicity	Total	M	F	Disabled	SA Citizen	Foreigner
African						
Coloured						
Indian						
White						

C.1.6 Demographical breakdown of employees

Province	Number of Employees
Gauteng	
Kwa-Zulu Natal	
Free State	
Mpumelanga	
Limpopo	
North West	
Northern Cape	
Western Cape	

	Eastern Cape	
	Total:	

C.1.7	Managerial vs Non-Managerial												
	Managerial						Non-Managerial						
	Ethnicity	Total		M		F		Disabled		SA Citizen		Foreigner	
		M	N-M	M	N-M	M	N-M	M	N-M	M	N-m	M	N-M
	African												
	Coloured												
	Indian												
	White												
	Total												

C.1.8	If you have your own learning and development department – please provide us with the number of staff in the following categories:	
	1.	Learning & Development Manager	
	2.	Facilitators/Instructors	
	3.	Assessors	
	4.	Moderators	
	5.	Skills Development Facilitator	
	6.	Coaches	
	7.	Instructional Designers – paper based	
	8.	Instructional Designers - eLearning	

	9.	Administrators/support Staff	

C1	Company Background, continued
C.1.9	Notes

C2	**Training Delivery**			
			Yes	No
C2.1	Training done for employed staff?			
C2.2	If not – why not?			
C2.3	If yes – why?			
C2.4	If yes – How is this being delivered	In-house-via accredited training provider that is part of the company		
		In-house – but do not have an accredited training provider as part of the company		
		Use external accredited training providers		
		Use external non-accredited training providers		
		Use higher education providers		
		Use TVETs		
		Other		
C2.5	Modes of delivery	Formal classroom		
		On-the-job		
		CPD		

		Distance learning – paper based	
		Distance learning – eLearning	

C2	Training Delivery, continued		
C2.6	Which types of training do you do?	Learnerships	
		Accredited short courses/skills programmes	
		Diplomas through higher education	
		Degrees through higher education	
		Training via industry bodies	
		CPD	
		On the Job (elaborate)	
C2.7	What are your focus areas in terms of training?	1. Induction / Orientation	
		2. Compliance	
		3. Managerial / Supervisory	
		4. Technical – job related	
		5. Other (please specify)	

C2.8	What training has been done in your last financial year? Can you provide us with the statistics/numbers regarding this?		
C3	**Learner Guidance and support**		
		Yes	No
C3.1	Do you have formal mentoring/coaching in place?		
		Yes	No
C3.2	Do you have formal career paths in place?		
		Yes	No
C3.3	Do you provide career guidance?		
C3.4	What other support do you provide your learners with?		
		Yes	No
C3.5	Have you ever retrenched staff?		
C3.6	Do you support retrenched staff in any way with regards to training?	Yes	No

	If yes, how?			
C3.7	Do you train staff to be redeployed in order not to be retrenched? If yes, how do you go about this?		Yes	No

C4	Training Planning		
C4.1	Do you have a formal process in place to do a needs analysis in your organisation?	Yes	No
C4.2	How often is this done?		
C4.3	Do you employ a Skills Development Facilitator?	Yes	No
	Notes:		
C4.4	Do you submit a skills plan on an annual basis to your SETA?	Yes	No

C4.5	What informs your training needs?	1.	Performance Management System	
		2.	Critical & scarce skill categories	
		3.	Policies & procedures	
		4.	Technology	
		5.	Compliance	
		6.	Other (specify)	
		7.		
		8.		
		9.		
		10.		

C4.6	Do you make use of any grants from the SETA to fund training? If so – what do you utilize?	

C4.7	Do you make use of tax rebates available from SARS?	Yes	No

C4	Training Planning, continued		
C4.7	Does your BBBEE scorecard have in impact on the decisions made in your organisation in terms of training? How?	Yes	No

D	Conclusion

Action:		Completed
1.	Thank individual for their time and input.	
2.	summarize any follow-up actions – e.g. documents and information that will be sent	
3.	Send follow-up "thank you" email	

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