

The role of ‘intermediaries’ in brokering training and building social compacts: can SETAs perform these roles?

Andre Kraak, Real Research Centre, Wits University, June 2018

This paper was triggered as a response to a set of questions often asked about training provision in South Africa: how do the Sector Education and Training Authorities (SETAs) go about their work each day? Has any serious research work been done to specify the tasks of SETA officials beyond the all-powerful and over-determining role of the Public Finances Management Act (PFMA) in enforcing financial compliance? Is achieving ‘compliance’ their major function? Answers from role players in the training sector to these questions do seem to suggest that the distribution of funding and its ‘compliance’ with PFMA rules appears to be their main function.

The paper proposes an alternative view of what organisations such as the SETAs could be doing each day, provided by the literature on ‘intermediaries’ - where their main function is not financial compliance but the strategic ‘brokering’ of training compacts. This paper will first examine the concept of intermediation and explain its genesis and role. Secondly, the paper will ask key actors in the SETA system their opinion about this ‘brokerage’ approach to SETA work. It will seek out good examples of brokerage activity in the current South African skills system. Finally, it will specify nine functions which will be required to transform SETAs into effective intermediation organisations.

The need for a new ‘social compacting’ economic paradigm

Understanding the capitalist economy in terms of how intermediaries assist the production process requires an entirely new economic perspective founded on the idea that the economy is social constructed over time by historical processes of struggle and through the current actions of key stakeholders and the steering role of the state. In its view on training, this new economic vision emphasizes the importance of producing collective production goods and correcting market failure.

Such a perspective views the new economy as being characterized by a higher degree of inter-dependence than in earlier industrial periods. As Wilkinson (2002) reminds us, the technical relations (the functional inter-linkages between the various agents and factors of production) of contemporary capitalism are highly inter-dependent, and system coherence can only be achieved through cooperative (rather than antagonistic) social relations. The greater the level of cooperation and engagement, the more efficient and equitable the capitalist system will be. Wilkinson uses the concept of the ‘visible hand’ to highlight the important role of actively managing productive systems so as to optimize cooperative relations. In these collective systems, the visible hand ensures that leading edge human resource practices are combined with close relations between suppliers and customers. By contrast, market-oriented systems, as in the Anglo-Saxon world, are grounded in the ‘neo-liberal’ belief in the superiority of markets (the invisible hand) in delivering optimal economic welfare and distributional justice. In these Anglo-Saxon systems, cooperation and collective organization are seen to be inherently anti-competitive and hence economically damaging’ (Wilkinson 2002, 6). These liberal market economies are characterised by

a system of managerial prerogative which centralizes corporate decision-making. There is little institutional mediation of conflicting interests between employers and their workers and suppliers (Wilkinson 2002, 6).

Closely linked to the idea of cooperation being essential to productive systems is the need for coordination and the 'orchestration' of these cooperative conditions. The task of coordination and economic governance systems more generally is to link disparate actors together to overcome collective action problems through cooperation – something individual actors such as firms would not be able to achieve working on their own. The capitalist market does not function unassisted using only the pricing system of exchange, but rather, requires forms of social organisation provided by the underpinning institutional ensemble, including the 'rules of the game', individual firms, networks of firms, state development agencies, NGOs and most importantly, intermediaries. Many of the tasks of the 'visible hand' when orchestrating effective capitalist relations include: overcoming distrust; taking riskable steps towards new economic activities; reducing transaction costs; sharing knowledge; overcoming cognitive distance between firms; harnessing social capital; bridging distant networks and crossing structural holes between key stakeholders. These tasks do not fall into place easily, and often require the brokerage role of intermediaries who have the embedded expertise to work with several networks spanning otherwise disconnected actors. These intermediaries have sufficient organisational memory about these actors to attend to their needs. They also must have credibility within the wider collective of players to act as effective mediators, enabling them to build dialogic relations between the state, industry and other civil society players, enabling them to prod these collective ensembles towards new economic and employment opportunities – a shift these employers would not undertake if not prodded and steered.

A third feature of successful intermediation emerging from the economic literature is the need to link and integrate workforce development strategies with industrial and economic development policies at the local and regional levels. Often these two strategies are provided by two differing agencies acting in silos, thereby ignoring the complementarities which can be achieved by harnessing the full basket of policy levers which are required to move the entire local or regional economy higher up the value chain.

South Africa's current economic policy paradigm adopts a traditional (liberal market or neo-liberal) view of the necessity for 'free' markets to operate unobstructed by any state or other interference to allow the 'invisible hand' of the market to do its work. Although several good industrial policy papers have been published by the Department of Trade and Industry (DTI), with many recognising the importance of cooperative rather than antagonistic production relations, in reality, very little rearranging of market relations has taken place. It appears as if many progressive industrial policy ideas get lost in translation, and implementation is either non-existent or non-disruptive. No policy levers seem to change the economic status quo.

INTRODUCTION TO INTERMEDIARIES

Governments across the world are struggling to deal with the rapid growth of youth unemployment, and in particular, accessing a 'first' job. The problem is most extreme in marginalised and disadvantaged poor communities. Failure to access a first job and gain work experience, over time, has the punitive effect of damning the young unemployed into permanent exclusion from the labour market.

The causes of this growing phenomenon have to do with the dramatic restructuring of labour markets unleashed by the Neo-Liberal reforms which began in the early 1980s across the globe. Most significant amongst these were the decline of internal labour markets (ILMs) and secure long-term employment established in the post-war years which lasted from 1945 well into the 1970s. Similar damage was done to occupational or external labour market (ELM) efficiency, especially as a result of the demise of structured apprenticeships and technician training. State sponsored employment programmes have struggled to redress the absence of these structured ILM and ELM pathways from school into work and this has led today to a highly inefficient set of labour market mechanisms in the current period (Kochan, Osterman, Finegold, 2012).

In this chaotic *laissez-faire* environment, new labour market institutions have emerged to rebuild bridges to employers and replace the internal and occupational labour markets of yesteryear. These institutions have been termed 'workforce intermediaries' by the American literature. They are an emergent phenomenon with a number of 'best practices' described in countries such as the United States of America (USA), United Kingdom (UK) and Australia. In more recent times, the concept has strongly influenced the economic policy and employment frameworks of the OECD (See OECD, 2008). It is also widely used in the European Innovation studies literature (see Howells, 2006; Klerkx and Leeuwis, 2008; Astrid *et al*, 2009; Mittilä, 2008). In the UK, Guile has noted the important role of intermediaries in assisting cultural workers acquire sufficient vocational experience and access to social networks which are the key links to employment in future project-based work in the creative sectors (Guile, 2012). In contrast to the above, there is almost no research work on these organisations in South Africa.

CHANGES IN LABOUR MARKET STRUCTURE

The work of highly respected MIT labour market economists Osterman (2004) and Kochan (2013) has been very influential in the USA in focussing attention on the rise of new labour market intermediary institutions. They argue that these institutions have filled a void created by the collapse of the post-war employment model in most advanced capitalist societies such as the USA, UK and other OECD countries.

Osterman writes that the old system of employment has been blown apart by a number of factors. First has been the wave of deregulation – in airlines, banking, insurance, tele-communications, water and energy provision – that has transformed the competitive landscape. A second factor has been the spread of new technologies that allowed companies to organise work in new ways. Many of these innovations – just-in-time inventory, work-teams, quality programmes, outsourcing – led to increased productivity but with leaner staffing (Osterman, 2004: 156-157).

A third factor has been the changing nature of skill and the weakening incentives for

employers to maintain long-term links with employees. Skills have become more general and therefore more transferable, and employers have become reluctant to invest in long-lasting relationships entailing upskilling and the career development of workers. A fourth factor shaping the new labour market landscape was the growth of outsourcing as large firms decided to focus only on their core competencies. This led to extensive outsourcing as firms got rid of their non-core business functions to external service providers. All of the pressures above led firms to substantially reconsider their employment systems. The aggregated effect of all of these changes created a higher turnover and a less secure, more volatile labour market.

Problems without an ILM mechanism

Kazis argues that an efficient labour market on the demand-side requires accurate and readily available information about local job openings and general agreement about the skill levels required for these jobs. Information is also needed on the supply side, in terms of the skills and qualifications of local workers. At the same time, an efficient labour market enables employers to find qualified workers in ways that minimize recruitment, remedial training, and turnover costs resulting from poor job matches. For much of the twentieth century, the dominant strategy for achieving these efficiency goals were ILMs. They are no longer there and a new labour market crisis has emerged (Kazis, 1998: 9-10; Chapple and Giloth, 2013).

In addition, employers now need different skills. Firm restructuring and new employment opportunities have increased responsibility and breadth of tasks for front-line workers. Employers expect more, and more varied, competencies from employees, as well as the ability to learn new tasks and adapt to changing job requirements. Job requirements at the lower-end of the labour market have risen significantly: basic numeracy and literacy skills are expected more frequently, as are basic computer competence and “soft skills” such as communication, teamwork, and problem solving (Kazis, 1998: 16). However, the mechanisms for acquiring all of these education and skill attributes through the school and college systems has been considerably weakened by the restructuring of labour markets over the past three decades.

Economic rationale for intermediaries

There is a strong economic rationale for the rise of WIs. Three factors raised by institutional and evolutionary economists are discussed here. The first is that Intermediaries reduce transaction costs. The institutional school argues that almost all economic activities entail transaction costs, including the buying and selling of any commodity. Buyers and sellers have to find each other, prices have to be discovered, negotiations undertaken, contracts drawn up, inspections made, arrangements made to settle disputes, and so on (Benner, 2002: 91). According to institutionalist logic, these costs are best handled through some intermediate set of contractual relationships, rather than through the open market (Benner, 2002: 91).

Labour market intermediaries emerge as specialists in performing certain employment transactions – in arranging the buying and selling of varying degrees of skilled labour. They are usually defined as independent, profit-maximizing economic agents mediating between two market sides in the presence of market imperfections. Their role is to reduce such transactions in the open labour market for skills.

A second economic rationale for intermediaries is the need to resolve asymmetric information flow. Problems around information flow permeate the entire economy and affect almost all economic transactions. Individual firms do not have all the information needed to make economic decisions. Imperfect information is a major problem in the labour market. Willing buyers (employers) do not have instant access to information about the extent and location of skilled labour available in local or regional labour markets. They can accrue large search costs in seeking to acquire such information to satisfy their employment requirements. Similarly for willing sellers (labour). This information deficiency is, according to Stiglitz, 'the *raison d'être* of employment agencies which arise from the imperfect character of information on both sides' (as quoted in Bessy and Chauvin, 2013: 87).

A third economic rationale for intermediaries is managing risk (Dobbins and Plows, 2016: 4). The information economy creates more risky labour markets than the older, more stable internal labour markets of the past. Both workers and employers face risks in the volatile conditions that characterise markets today. Intermediaries help to manage risk on the employment front by assisting firms in hiring contract workers rather than permanent employees during economic downturns. Similarly, intermediaries can assist workers made redundant in finding alternate employment and reducing their job search costs (Benner, 2002: 95). In supporting workers in this way, WI often rely on extended social networks or some form of community support, whether locational or from NGOs working in the local labour market, or from dedicated government resources made available for these purposes (Buchanan and Evesson, 2004: 28).

ARE THEY LABOUR BROKERS?

Sceptics who disbelieve the benefits of intermediaries argue that they are little more than labour brokers or temporary employment firms. Both types of institution make a healthy profit off the task of placing the unemployed in low-skill work (Gilothe, 2004; Stovel and Shaw, 2012: 148; Fernandez, 2010: 3; Bretherton, 2011; 9). In reality there is a vast spectrum of labour market intermediary types along a continuum (see Figure One), from (on the left side of the continuum) the passive labour market task on the supply side of matching existing unemployed workers to existing (and most often highly precarious) work, to (on the far right-hand side) the active labour market strategy of changing demand-side conditions, and in so doing, creating better jobs. The concept of 'intermediaries' developed in this chapter is to seek organisational types that operate at the far right-hand side of the continuum – along with those who seek to change demand-side conditions and create decent work.

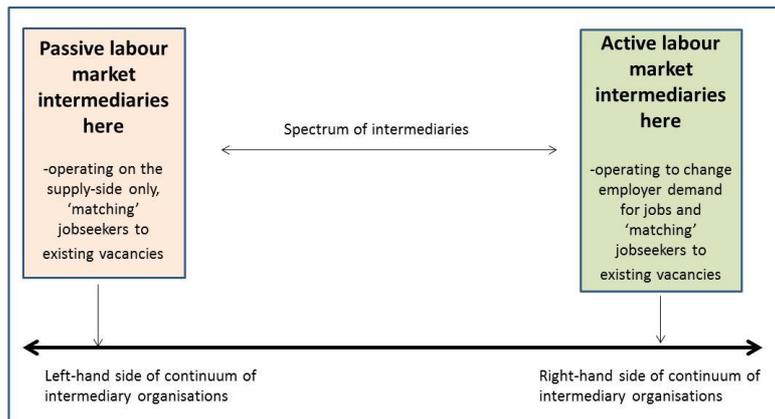


Figure One: Spectrum of intermediary organisations

THE BENEFITS OF INTERMEDIARIES

WIs, operating as active labour market agencies, provide a more interventionist labour market role on the demand-side especially through working to build 'coalition networks' and changing employer demand for skill. They also provide a range of additional services beyond simple job-matching of the first group. These include providing 'aftercare' beyond the moment of employment uptake and undertaking brokerage to forge agreements with employers around employment. Each of the above additional services of pro-active intermediaries will now be discussed in more detail.

After-care

The initial pre-employment support from intermediaries is most often combined with significant career and personal counselling after initial employment take-up. NGOs working in the youth labour market play a critical alignment role here, of clarifying for young employees what is required of them in the workplace. Structuring 'newcomer socialisation' in this way helps youngsters stay the course and slowly rise up the occupational ladder (Emanuel, 2011). Once they have a foot in the system, they have resolved the major social crisis afflicting most youngsters – of getting their first job (Kraak, 2013).

Job retention is a key benchmark for successful placement programmes for unemployed workers, and the level of engagement by intermediaries with both workers and employers is high to achieve good retention rates. Intermediaries increasingly continue working with both program participants and the firms that hire them well after placement. Kochan *et al* describe this after-care as entailing: tracking the progress of trainees after placement on a daily or weekly basis, giving them mentoring updates and encouragement, advising them on budgeting their personal resources (including stipend for transport and food), and making them aware of other private and public support programmes (for example, health and social welfare support). Relations between trainees and employers are of paramount importance here, but a wider package of social wage supports is often equally important. Writing about unemployed youth in the UK, Raffe suggests that a more comprehensive strategy on youth unemployment and vulnerability is required. It should be addressed

through a much wider multi-agency basket of social inclusion and empowerment measures – including healthcare, social work support, transport subsidies and a reasonable stipend (Raffe 2003, 8). This is precisely what best practice intermediaries achieve through their ability to coordinate multi-agency social networks.

Building coalition networks

More proactive intermediaries set out to achieve a more ambitious target requiring firm-level cooperation and change. Benner argues that one of the central insights from research on economic innovation is the recognition that firms rarely innovate in isolation, but typically do so in the process of interacting with a wide range of other organizations. Through communicating with suppliers, customers, and competitors, and through their relationships with universities, research institutes, investment firms, government agencies, and so on, firms develop and exchange various kinds of information and knowledge that are critical to their ability to innovate (2004: 96). This inter-organizational communication across firms and other institutions is built largely through firm participation in social networks.

Giloth defines a WI as a home-grown local ‘network’ that brings together employers and workers, education and training institutions and private and public funding streams to ‘fashion and implement pathways and bridges to career opportunities and employment for low-skill workers in an entrepreneurial, dynamic and results-oriented fashion’ (2004: 5). This focus on low-skilled workers is what distinguishes WI from other labour market intermediaries.

These intermediaries use their credibility and support in the community and in the workplace to ‘prod employers to change firm behaviour in ways that improve job quality and opportunities for advancement’ (Kazis, 2004: 80). They do not accept that employer demand is given and static. They attempt to change employer demand in ways which reduce inefficiencies and inequalities in wages, benefits, job security and advancement (Kazis, 1998: 21). Intermediaries achieve these goals by working closely with employers to understand the specific needs of their sectors. In addition, intermediaries place greater emphasis on post-placement after-care and other services that can encourage longer retention in a job. For low-income populations with weak work histories, post-placement case management and referral to services are critically important. For employers, these services can reduce turnover, lowering future recruitment and hiring costs (Kazis, 1998: 22).

The best organisational form to achieve these goals are intermediaries working within what Kazis calls wider ‘coalition networks’ (1998: 56-57) and what Kochan calls ‘job compacts’ (2013: 299). Kazis argues that employer associations initiate and/or join consortia to increase employer clout in the workforce development marketplace and to capture economies of scale that require inter-firm cooperation around skills development (1998: 31).

Benner maintains that intermediaries play a critical role in shaping the work process, through facilitating rapid changes in work demand, and shaping the reflexivity of work tasks. They can also play a critical role in shaping skills development. This may be done in a formal manner, through training and certification programs and responding directly to employer or worker demands. But it also occurs in the network of support services more informally. Intermediaries provide the organizational infrastructure for

building the social networks that are so essential for ongoing learning. These learning networks fundamentally shape work practices on a day-to-day level, building communication across work sites. Intermediaries also provide important information on changing work demands in the labour market, among different firms and different industries, providing signals to both workers and firms of the need to respond to changing work demands (Benner, 2002: 87).

Working on the demand-side

A pro-active approach to work on the 'demand-side' is to focus on the need to reshape employers' demand for skills. This has to do both with a firm's choice of product market and its competitive strategy. Competitive strategy comprises the choices made by employers about product or service differentiation within particular markets. Product strategy refers to the positions occupied by different enterprises on a series of spectra relating to value added, complexity of product specification, volumes and price dependence, all of which may have implications for skill requirements. There is considerable variation within and between industries.

This 'demand-led' approach throws up an entirely different set of interventions to those commonly associated with supply-side vocational education and training (VET). It requires localised and regional interventions at firm level to support firm-level 'adaptive learning' – strategies to improve value-added and competitiveness through changes to the organisation of work and deployment of skills. This will require a broader concept of 'business support' offered by intermediaries to improve competitiveness and not merely skills improvement (Delbridge et al, 2006: 15). Keep and James argue that the fundamental problem with the UK VET policy is that it is based on a misdiagnosis of the underlying problems facing the UK – which they argue are fundamentally about the low demand from employers for higher level skills. It is this demand-side issue that needs to be addressed - through interventions that reshape employer's need for higher level skills, work re-organisation and the better utilization of newly acquired skills in the workforce (Keep and James, 2012: 211; Dobbins and Plows, 2016: 5).

Undertaking brokerage

'Brokerage' is defined by Stovel and Shaw as trading 'on gaps in the social structure' (2012: 141). It is the process of connecting actors (previously unconnected to each other) in systems of social, economic, or political relations in order to facilitate access to valued resources. In addition, brokers help goods, information, opportunities, or knowledge flow across gaps (Stovel and Shaw, 2012: 141). Brokerage also borrows from Granovetter's concept of 'bridging' and 'weak ties'. According to his logic, only weak affective bonds can 'bridge' gaps in social networks. And yet it is just these structural bridges that serve as sources of new and potentially valuable information. Brokers can also be 'catalysts' in the sense that they alter and increase the rate of interaction among actors who normally do not connect with each other in standard market relations (Buchanan and Evesson, 2004: 52; ; Dobbins and Plow, 2016: 3).

These brokers obtain what Culpepper (2003) called 'relational information' - again a crucial input in policy. Burt argues that brokerage allows participating actors to have 'early access to diverse, often contradictory information and interpretations which gives them a competitive advantage in delivering good ideas' and being able to provide solutions to problems bedeviling the interfaces between groups (Burt, 2003: 5).

Employment creation and skills development are some of the optimal outcomes of such a 'brokered' arrangements.

NEW CAPABILITIES REQUIRED OF SETAs TO BE INTERMEDIARIES

The key practical question now is: how does this theoretical conceptualization of intermediaries translate into a do-able number of functions which a body such as a SETA could carry out? The next section will unpack nine inter-related core functions that are required of staff working in training intermediaries such as the former Sector Skills Councils in the UK and the SETAs in South Africa. The staff of such bodies will need to possess the following capabilities:

1. Continuously produce labour market intelligence through evidence-based research
2. Possess 'embedded' expertise of the sector/region/locality
3. Develop leadership that can accomplish 'boundary spanning'
4. Undertake 'brokering'
5. Possess 'dialogic capacity'
6. Customize and tailor training programs to meet employer needs
7. Provide sector-specific business support (beyond training)
8. Provide job-placements and aftercare for successful trainees
9. Provide a mobilizing 'vision'

Produce labour market intelligence

A key requirement for SETAs to operate effectively as intermediaries are labour market and sector-focussed research skills. A dedicated unit of staff within the SETAs must have the appropriate capabilities to produce and interpret strategic national and sectoral labour market information by building up strong centres of sectoral research expertise. These SETA-based research centres need to provide labour market and sectoral information to the SETAs annually and feed this strategic intelligence back into the national skills system (Ashton, 2006: 12).

The Netherlands provides 'best-practice' institutions in this regard. A major responsibility of the 17 Knowledge Centres (the SETAs in the Netherlands) is to produce annual studies of sectoral and national labour market trends. Research is done on participation numbers, internship places, and the labour market in general. In addition, one of the responsibilities of Colo, which is the umbrella body of the 17 Knowledge Centres, is to produce comprehensive information annually on the state of the Dutch labour market and its key economic sectors. Colo plays a crucial role in collating this cross-sectoral information.

Possess 'embedded' expertise of the sector

In addition to labour market information, SETAs need to have intimate knowledge of the sectors they operate in. More specifically, a dedicated unit of core staff members needs to have considerable expertise of the economic sector they work in, the problems faced, and the solutions needed – both in terms of skills development, but more broadly, in terms of moving up the sectoral value chain. This requires personnel

in the SETAs who have both theoretical knowledge of the sector, but also practical working experience in the sector.

Writing from a vocational education and training perspective, Crouch, Finegold and Sako argue that these intermediary agencies (such as SETAs) need to possess an authority based on 'constantly updated knowledge so that firm competencies can be ratcheted up and so that educational institutions and relevant government departments can be kept in touch with what is required' (Crouch, Finegold and Sako, 1999: 232).

Payne and Keep (2011: 18) in a critique of the Sector Skill Council (SSC) system in the UK, argue that the SETAs need to be able to give firms 'expert advice and support that is tailored to their particular circumstances and needs'. This is especially important in the case of small and micro enterprises. The authors note, however, that neither the former Coalition or Labour governments supported the idea of intermediaries 'offering their expertise in the form of locally-targeted business support aimed at helping firms implement changes in managerial and work practices' (2011: 18). This was because of an ideological opposition to any form of active industrial policy (Payne and Keep, 2011: 26-29). In doing so, government has weakened the locally embedded expertise of intermediary agencies like the SSCs.

In South Africa, the problems with the SETAs are similar to those in the UK. Research and sectoral expertise are largely absent in the sector skill bodies. Most staff employed by the SETAs have no industry experience – most come with prior experience of working in the school system and the adult education system. Unfortunately, knowledge of formal schooling is an insufficient preparation for understanding the dynamics of a complex economic sector.

Boundary spanning

Another key function of staff in SETAs, particularly senior staff, is the phenomenon termed 'boundary spanning'. The term refers to the capacity to move outside of one's comfort zone into uncharted territory with the aim of building alliances that link people and organisations. Moss *et al* (2009: 17) see the role of boundary spanners as serving 'as mutually trusted lynchpins between social groups'. In short, they 'help overcome informational asymmetries, establish a common set of expectations, and facilitate goal adjustment' (Williams, 2002, 108). Boundary spanners have the capacity to bring together unlikely partners, break through red tape, and see problems in new ways which defy conventional wisdom. For Jessop, the role of such interlocutors is to simplify a 'complex, contradictory and changing reality in order to be able to act' (Jessop, 2003: 18).

Brokerage

'Brokerage' is another key function – that of brokering deals among disconnected and sometimes conflicting members (Culpepper, 2002: 777). Williams defines the act of 'brokerage' as follows:

Brokering ... depends on the employment of a range of competencies and skills – an acute understanding of interdependencies between problems, solutions and organizations; an

interpersonal style that is facilitating, respectful and trusting; and a drive to devise solutions that make a difference to solving problems on the ground. (Williams, 2002: 117)

'Brokerage' is often required in contexts where public policy requires a defined set of social partners to work together and collaborate - but something which is at odds with their normal governance routines. In some cases, certain stakeholders are difficult to bring on board, for example, small enterprises. They tend (at least initially) to stay away from collective activities of employer associations because they have few resources to contribute to industry development, workforce management and skills. However through the efforts of brokerage, small enterprises can become an integral part of the public policy process, for example, through inclusion in supply chains (OECD, 2012d: 24).

In another example of brokerage, Cooney and Gospel (2008) highlight the role of Group Training Organisations (GTOs) who operate very successfully in the UK and Australia to broker training solutions for member enterprises. GTOs help firms to recruit and train apprentices, rotate their placements in a number of (often small and micro) firms. After qualifying as artisans, these workers are then employed by GTO-member firms. Such brokerage occurs with firms who would otherwise not do full artisanal training and who would rely more on poaching. The GTOs provide a collective/collaborative solution to the most common failures of market provision – poaching (Wheelehan and Moodie, 2012: 27).

Dialogic capacity

Building an information base and engaging in information sharing requires 'dialogic capacity'. Dialogic capacity is born of the ability to promote problem-solving discussions among members. Discussion allows groups to overcome informational gaps because it allows them collectively to brainstorm and to devise solutions no member would have imagined individually. If an organization has this capacity, 'its ability to broker deals among conflicting members gives these decisions a certain legitimacy with all members, even those who are not favoured by a given bargain' (Culpepper, 2002: 777). Hausmann *et al* see this dialogic capacity as central to new industrial policy:

... the private sector needs the government to help internalize the various externalities associated with the cost-discovery process and to provide many of the public inputs (standards, infrastructure, certification, property rights) that only the government can. The government in turn requires the cooperation of firms and entrepreneurs because it needs to elicit the relevant information about the obstacles and opportunities they face and because it has to be able to influence their behavior in the desired direction. Hence the necessity of collaboration between the two sectors in the search for distortions and their solutions. Our understanding of what industrial policy does (or should do) takes this necessity as its starting point. We take "good" industrial policy to consist of those institutional arrangements and practices that organize this collaboration effectively. (Hausmann *et al*, 2008: 4)

These industrial policy solutions to market failure proposed by Hausmann *et al* primarily focus on 'deliberation councils' which provide a mechanism to promote, under public auspices, systematic discussion among firms with the aim of identifying, and proposing solutions to, specific coordination failures (Hausmann *et al*, 2008: 6). These bodies may be existing industry associations and chambers but they may also be narrower groupings organized around solving common "technical" problems of an

industry. Evans, writing about the East–Asian developmental state, sees these ‘deliberations’ as requiring public officials to be ‘embedded’ in local communities interacting with self-organised associations around solving specific problems (Evans, 1997: 183). ‘Embeddedness’ develops a set of local ties which bind state officials and nascent entrepreneurs around a joint project of social and economic development. These officials have intimate, locally situated expertise.

Customize and tailor programmes to meet employer needs

The role of USA community colleges as key intermediaries has briefly been mentioned. Their main role as ‘intermediary’ is to ‘customise’/‘tailor’ training programmes to meet employer’s specific needs. In the USA, many community colleges have dedicated units which focus on building relationships with employers and developing these customised programmes. For example, the Los Rios Community College in the Sacramento area has nine dedicated Centres that work collaboratively with businesses in ten priority areas that include advanced manufacturing, a biotechnology initiative, and a health care initiative among others (OECD, 2013: 57).

The OECD regards these industry-college partnerships as equal to the R&D partnerships formed between higher education and industry that are well established across America’s elite research universities. But the mandate of the industry-college partnership is different - it focuses specifically on developing intermediate level occupational skills:

Colleges and vocational training institutions, in particular, appear to already be acting in ways which bridge the supply and demand sides of the labour market. In areas of traditional low-skills low-wage employment, the role played by colleges in stimulating innovation in the local economy may be just as, if not more, important as that played by local universities. Their potential to work with local employers to help produce incremental innovation in lower-tech sectors, and in local SMEs, should be further recognised by governments (OECD, 2012b: 56).

Another good example of customisation and specialization within the American community college system are the ten ‘Centres of Excellence’ belonging to the Washington State Community College. These centres are flagship institutions that build and sustain the state of Washington’s competitive advantage. Each Centre focuses on a targeted industry - one that is strategic to the economic growth of the region. These centres are guided by industry representatives. Currently, the ten centres focus on specialisation areas such as: Agriculture; Allied Health; Aerospace and Advanced Materials; Manufacturing Clean Energy; Construction; Education; Homeland Security; Information and Computing Technology; International Trade; Transportation and Logistics; Marine Manufacturing and Technology.

They have a reputation for innovation and responsive education and training delivery. They also act as a broker of information and resources for industry representatives, community-based organizations, economic development organizations, community and technical colleges, secondary education institutions, and four-year colleges and universities.

The role of intermediaries in these college-industry collaborations is to help broker these customization requests. The intermediaries do not do the training themselves.

Hence, building close links with the public college sector is an obvious role for the SETAs. In South Africa, the lack of close partnerships between the SETAs and the college sector has been a major weakness in the skills system.

Provide sector-specific business support

Another component of 'customisation' suggested by the critics of supply-side VET strategies, is the provision of 'business support' programmes that are wider than skills development services alone. This can be achieved by agencies such as SETAs working together with economic development agencies who have more sectorally-based expertise. In partnership, they can assist firms in moving to more higher-value added forms of production (Lanning and Lawton, 2012: 39-40). This will require a broader concept of 'business support' designed to impact upon a wider set of in-firm activity so as to ensure that skills are brought into productive play and used to generate improved economic performance (Delbridge *et al*, 2006: 15).

Delbridge *et al* see such business support as entailing changes to the organisation of work and deployment of skills. The OECD adds a few additional activities which include measures to improve management practices and methods of work organisation. Further, such business support programmes can also influence the nature and design of products and services. Improving productivity and competitiveness is not necessarily about investing in high tech, high-skills sectors. It is also about boosting skills utilisation in sectors which traditionally have a high concentration of lower skilled jobs, such as retail, care and tourism (OECD, 2012b: 34-36).

Provide job-placements and aftercare for successful trainees

Another key function of intermediaries operating in the labour market is to identify work-based placements for trainees where they can acquire real work experience. In the case of young 'out-of-school' trainees, such work placements are crucial in acquiring their 'first-job'. Work placements are the key mechanisms whereby students from colleges, polytechnics and private vocational training centres gain first time employment. However, accessing the 'first job' is a major societal problem in every country. Employers are biased against young trainees who do not have practical workplace experience. They prefer to employ adult workers who already have experience of work. In this vicious cycle for young people, many struggle to find full-time employment.

Creating new jobs is not a function purely of the free market mechanism responding to increased demand for the products and services of firms. The owners and managers of firms have significant choice in the decisions they make with regard to the deployment of new technology and the volume of new labour taken on board (Sung *et al*, 2009: 8). In short, new job opportunities must be volunteered by employers both in the private and public sectors – opportunities which currently are not being made available in sufficient numbers. This problem of gaining work-experience as a pre-requisite to obtaining access to the first job constitutes the greatest fault line in the post-school systems of many countries, particularly those facing high levels of youth

unemployment. The lack of acquiring a 'first job' over time condemns young people to permanent structural unemployment throughout their lives.

However, intermediary bodies working at the interface of employers and young unemployed people can make a difference. One study in South Africa highlights the work of a range of NGO projects, identified in 2008 by the Impumelelo Innovation Centre as best practice initiatives operating in the youth sector (Impumelelo, 2009; see also Kraak, 2013). This study of fourteen 'best practice' micro level, local labour market interventions suggests that these NGO programmes – although on a micro-scale - appear to be far more successful than the large-scale state public works programmes which do not seem to meet with much success. The key elements of NGO success appear to be the following factors:

1. *NGOs create structured pathways from training into work and after-care:* Even though many of the Impumelelo nominated best-practice NGOs work in prescribed neighbourhoods and impact on less than a 1000 youngsters per year, they provide very structured links from the training site into work and permanent employment. NGO staff play a crucial 'go-between' role by approaching prospective employers for support to host short-term work-experience internships and to recruit trainees for longer-term employment. They continually gather information on the world of work, and adapt their training strategies as demand conditions change. This is in direct contrast with state efforts, whose agencies such as the SETAs work 'at a distance' and build few linkages with employers and potential jobs.
2. *The transition to work for young people is a highly-socialized process:* It cannot be left to the capitalist labour market to resolve according to 'free' market rules. Indeed, the labour market does not operate in a free and open manner as espoused by orthodox economic logic. It needs to be 'massaged', behaviourally, by NGO's working in the field, to convince wavering employers about the merits of employing novice workers in their industries. The NGOs help mediate this transition for first-time workers. If young trainees have been conditioned for work and appropriately socialized, employers may be prepared to create openings for first-time workers. NGOs maintain links with these 'beginner workers' through the provision of after-care and mentoring. They liaise with employers about their satisfaction levels with the new employees and often embark on adjustment interventions to improve their 'fit' on the shop-floor. Without these structured transitions, many first-time workers would not get jobs.
3. *Mentoring, counselling, after-care:* The initial pre-employment support from the NGOs is most often combined with significant career and personal counselling after initial employment take-up. The NGOs play a critical alignment role here, of clarifying for young employees what is required of them in the workplace. Structuring this 'newcomer socialisation' in this way helps youngsters stay the course and slowly rise up the occupational ladder. Once they have a foot in the system, they have resolved the major social crisis afflicting other youngsters – of not getting their first job (Kraak, 2013).

These NGO 'intermediaries' working in the youth labour market are making a significant impact, suggesting that micro-level interventions that help build the

appropriate bridging ‘social capital’ between young job-seekers and local employers who are convinced by the NGOs to open up entry-level jobs to these ‘novice’ workers constitute an important way forward in the youth sector. These NGOs facilitate the entire transition from education to work and provide after-care to ensure that employers remain satisfied with the performance of their newly appointed novices (Kraak, 2013).

SETAs would significantly further the cause of training employed workers and unemployed youth by partnering with these NGOs and giving explicit support to their method of job placement, mentoring and after-care. Kraak (2013) indicates that this does not happen currently. The NGO successes in skills development described above have occurred despite a lack of government interest and without SETA support and finances. Closer relations need to be built between SETAs and NGO intermediaries in the future.

Provide a mobilizing ‘vision’

Lead intermediary agencies such as the SETAs need to provide entrepreneurial vision which can act as ‘focal points’ around which private sector decisions can be made and coordinated. This ‘visioning’ includes activities such as indicative planning, detailed industry studies, the encouragement of private actors to form collective associations such as value chains or regional clusters, and the continuation of ‘dialogue’ amongst private actors themselves to forge a common vision (Crouch, Finegold and Sako, 1999: 174; See also Chang, 2004: 170).

Operationally, visioning would extend to the formulation of a Sector Skill Strategy, and then its ‘marketing’ and best-case ‘branding’ in the sector to win employer and state buy-in. The Strategy must be a ‘living’ document that informs the actions and ‘dialogic voice’ of the SETA staff. It must reflect the real demand-side needs of employers and have full state support.

STAKEHOLDER VIEWS ON INTERMEDIATION IN SOUTH AFRICA

A small sample of former and current DHET and SETA officials have been interviewed for this paper. Each interviewee was asked a series of questions with regard to intermediation practices initiated by the SETAs. The interviewees were:

1. Ms Adrienne Bird, former Deputy Director General of Skills Development in the Department of Labour, and currently Director of the Special Projects Unit in DHET, 6th March 2018.
2. Ms Melissa Erra, Director of SETA Support and Learnerships, DHET, 26th March 2018.
3. Ms Helen Brown, Senior Manager for Applied Research and Innovation at merSETA, 8th March 2018.
4. Ms Angie Naidoo, Head of Research, BANKSETA, 7th March 2018.

The sample is small partly because the concept of intermediation is not yet officially part of current SETA terminology (although it is being introduced in the new *National Skills Development Plan* of 2018). The interviews therefore sought to ‘test’ whether senior officials in the skills system thought it a useful organisational tool to deploy in

the skills system, and secondly, whether they recognise any intermediation practices as having taken place in the skills system over the past two decades since the launch of the SETAs in 2000. A detailed theoretical paper describing intermediation and examples of its practices was circulated to the four interviewees prior to the interviews in March 2018. The following discussion highlights the issues raised across the four interviews.

POCKETS OF INTERMEDIATION

All the interviewees agreed that intermediation should be one of the central strategic and organisational tool for the SETAs to deploy in their differing sectors. Indeed, the interviewees indicated that instances of intermediation already exist informally in the skills system:

I think one of the SETAs you could look at as a particular case study is the AgriSETA. They have brought in sectoral expertise. And they've been very innovative. For example they fund a limited number of PhD research programmes. All of those programmes are in targeted areas where there's a problem in the agricultural sector. They're working with the Agricultural Research Council (ARC) and the Agricultural Faculties of several universities. There are definitely pockets of this kind of innovation (Interview with Adrienne Bird, DHET, 6th March 2018).

In a further example, Helen Brown also suggested that merSETA has tried to play the role of 'Visioning' to provide an insight into manufacturing's future direction and the skills it would need:

We've run colloquia asking key questions of industry. It operates at a high level, we put a lot of marketing into it as well, to get that high-level debate going. We get professors and industry leaders to come and talk about issues, and our CEO is really good at engaging and facilitating these discussions. The aim is to organise a vision for the sector and to convert what we learn at the manufacturing colloquia into our strategic plan (Interview with Helen Brown of merSETA, 8th March 2018).

Brown argues that skills development problems are not simple ones. Really sustainable solutions entail significant complexity. The role of networks across multiple actors is critical to resolving this complexity:

... short-cuts make no contribution to building an evolving, continuously improving system. I like to build networks of trust and advisors, that's the only way the system can survive. So the notion of networks as understood within the intermediation literature is quite sophisticated, and how a body like a SETA would use it is complicated (Interview with Helen Brown of merSETA, 8th March 2018).

Importance of trust

Brown maintains that the crucial ingredient in intermediation is trust-building. Real transparency between partners and a clear understanding of what the SETA needs to achieve, builds trust. Furthermore, one level of trust achieved builds the next level of trust, and builds the next layer, and so on. The SETA's money is merely a means of building trust, but people often don't see it that way.

Boards have some sector ‘visionaries’

SETA boards should be another intermediation player in the skills development system. However, for most of the history of the SETA system, these Boards have been adversarial, with employer and union representatives voicing their own mandated positions, and with little cross-stakeholder cooperation and trust building. Brown, however, believes that a good chairperson recognises the value of the strategic plan and allows the strategic plan to align everybody’s behaviour on the board:

That takes time and skill. I’m not sure that a new board every five-years is going to achieve this cohesive alignment of board members. With the appointment of a new board, the process starts all over again. If I look at some of the leaders on our board who are from industry, particularly from industry associations, the successful ones are ‘influencers’. They are able to talk back to industry and promote new ideas and proposals. It’s about building this cooperative engagement that allows us to be successful in the future. They need to convince stakeholders that sometimes their own interests on the board must be put aside to develop this collective intermediary role. I think it could be very powerful, but it all depends on that board, and who that board appoints as executives to lead this intermediation philosophy (Interview with Helen Brown of merSETA, 8th March 2018).

Being a change agent

Brown sees herself as a ‘change agent’. As Senior Manager for Applied Research and Innovation at merSETA, she has a number of dynamic projects on the go which she has ‘ring-fenced’ to enable her to get on with her work and not be all consumed by the wider SETA processes – many of which are very bureaucratic:

I am positioned in strategy and research, because it allows me to play that innovation role. And it’s been very good for the organisation, we’ve done good things through more innovative thinking, freer approaches, more engagement, more networking, more problem solving and less bureaucracy (Interview with Helen Brown of merSETA, 8th March 2018).

LIMITS TO INTERMEDIATION

Unfortunately, the reality is that in current inter-SETA stakeholder meetings in the skills system, the forging of a consensual collective identity does not occur. For example, when DHET calls a meeting of the SETA CEO’s, not all pitch for the meeting. According to Brown, this intermediation support needs to be embraced and promoted by the SETA Boards.

Limited partnership, cooperation and trust

Partnerships are another route to intermediation. Brown maintains that SETAs do forge partnerships regularly in their work, but the problem is the quality of what has been achieved:

One of the challenges is the extent to which SETA money is used efficiently and the impact of these funds. Legitimate stakeholders know that they have a chance of accessing these funds and therefore apply each year for the various discretionary grants. So I think that the intentions have been met, but are the funds efficiently utilised? I think that’s an area that needs attention (Interview with Helen Brown of merSETA, 8th March 2018).

Angie Naidoo indicates that SETAs do not see employers as social partners with a common vision on human capital development - they see employers as levy paying organisations seeking to access the skills levy through mandatory and discretionary grants. The concept of 'partnership' in the SETA environment is defined by a rather restrictive contract termed a 'Service Level Agreement'(SLA) or a Memorandum of Agreement (MoA) – a narrow and legalistic interpretation of the potential of partnerships:

The relationship that most SETAs have with employers would be around the distribution of discretionary grants either through funding windows or engagements for them to undertake work place-based learning. But engaging with employers in terms of broader skills related issues facing the sector does not happen in a co-ordinated manner but rather in isolated instances. (Interview with Angie Naidoo, BANKSETA, 7th March 2018).

Stakeholder engagement in a SETA environment is very closed. According to Naidoo, it's literally a linear type of engagement:

SETAs tend to be guided by issues raised in the National Skills Development Strategy (NSDS) and the White Paper on Post-School Education and training. If these strategy documents indicate, for example, that capacity building of public higher education institutions is a priority, SETAs respond via discretionary grants and various interventions to support these strategies. SETAs do not fulfil the intermediation role of bringing social partners together to achieve a broader mandate in a well-planned, structured manner on a frequent basis (Interview with Angie Naidoo, BANKSETA, 7th March 2018).

Erra agrees with the above. According to her, SETAs have in the main focused on using the 'carrot and stick' offered by their financial incentives to deliver on projects with employers without using additional types of mediation such as brokerage and 'visioning' wider sectoral needs.

The skills system also has to cope with a lot of employer dissatisfaction and lack of buy-in. For DHET officials, this stance is difficult to work with. According to Erra, whilst on the one hand:

... employers disown participation in the skills system in one breath, on the other hand, employers are part and parcel of the SETA Board. But they don't use this facility strategically. In disowning participation in the system, employers say that they don't share the same vision, their enterprise needs are different, they're competitive with other players in the sector and cant cooperate. It makes working together as a collective very difficult (Interview with Ms Melissa Erra, DHET, 26th March 2018).

Erra argues that in key concepts like partnerships, the understanding is quite narrow and largely contractual:

I don't think the Department's intention was for SETAs to just be a financial or transactional body. I think this is part of a negative legacy that we've carried since the inception of the SETAs in 2000 (Interview with Ms Melissa Erra, DHET, 26th March 2018).

Naidoo indicates that SETAs have not placed much emphasis on developing stakeholder engagement strategies, and this has restricted their ability to intermediate and broker more expansive education and training agreements. She maintains that there has been a lot of confusion in the SETAs between what actually constitutes a partnership and contractual agreements that are entered into with role-players in the sectors:

In developing the Sector Skills Plan, an entire chapter is dedicated to partnerships. It is here that SETAs can clearly demonstrate the role they play as intermediaries. However, a partnership must not be confused with a contractual agreement where clearly defined deliverables are matched with a payment. In a partnership, a number of social partners engage and contribute to finding a solution to a skills development challenge (Interview with Angie Naidoo, BANKSETA, 7th March 2018).

The absence of trust is a major contributor to low levels of intermediation. Brown maintains that SETAs are very wary of current discussions about restructuring the current SETA landscape. Their stakeholders don't trust that the money will be to put better use outside their system. Brown believes this is because the system is run largely around who controls the money. Currently, this is the main contribution of the SETAs.

No aftercare

There is little evidence from the interviews that 'aftercare' is provided by the SETAs once the initial intervention has been supported and rolled out. Often, SETA support is only for the duration of the contract, and thereafter the project is terminated – essentially a large number of once-off support programmes. Naidoo argues that there is no aftercare in the SETA system as the DHET Service Level Agreements with the SETAs are currently limited to the number of learners who complete training successfully. Naidoo tried encouraging BANKSETA to focus on the responsibility of providing aftercare support to unemployed interventions, but:

... this is not how the system functions, it's not what SETAs are mandated to do. For most of the SETAs, at the end of every unemployed programme, they attach the word 'employable' but not the word 'employed' as the deliverable. And that's a very big difference. The fact that an unemployed person completed a training intervention successfully does not make them employable. Unfortunately, as SETAs, we do not ask the next question, which is, what happens to the unemployed learner when the training is completed? There is so much more that SETAs can do to support these learners beyond the completion of their training if SETAs are to fulfil the function of intermediation (Interview with Angie Naidoo, BANKSETA, 7th March 2018).

Asking too much of SETAs

Melissa Erra from DHET argues that expecting the SETAs to go beyond their current modus operandi is asking too much because at this stage there is little capacity in the system to do that.

We've had to go back to basics and say to the SETAs, first get better labour market information, and then determine the next step. This is our approach now - let's go back to the basics and fix that before we start moving in a more complex direction (Interview with Ms Melissa Erra, DHET, 26th March 2018).

Whilst Bird agrees that the role of intermediaries is a very valuable way of looking at improved SETA performance, she believes the concept runs the risk of asking too much of the SETAs given the lack of sufficient capacity. For example, the idea of SETAs being able to provide business support services that act to improve productivity and work organization, offered to individual firms or a collectivity of firms in a cluster, is asking too much. At best, intermediation would entail partnerships between the SETAs and industry associations but not dedicated services that other organisations

offer like the Small Enterprise Development Agency (SEDA) and Productivity South Africa (PSA). However, in the context of skills development, SETAs have a key role to play, not only in their sector but as a key player in cross-cutting occupational training:

We need to train people to acquire qualifications that will give them maximum employment prospects. In other words, it is an argument against training for specific employer needs at a single point in time and rather training a rounded person (e.g. tradesperson) who can seek employment, after qualification, with a wide range of employers, not only in the sector but also in other sectors [e.g. electricians can find work in 17 sectors] (interview with Adrienne Bird, DHET, 6th March 2018).

Bird's suggestion, however, to get the PSA involved in supporting individual firms and helping them with organisational redesign, still faces the problem that agencies like SETAs, the Department of Trade and Industry, SEDA and PSA operate in silos, and do not easily find each other in offering a collective basket of enterprise services.

WHY THESE PROBLEMS?

There are a number of underlying reasons why the current SETA system can't deliver higher levels of multi-party intermediation.

Adversarial labour relations

One long-standing problem limiting intermediation has been the adversarial labour relations that have characterised most SETA Boards. Brown reflected that when she started at the SETA the levels of animosity between the two main players was very noticeable and frustrating. However, in her SETA in the current period she believes this animosity has shifted and a model of partnership and working together has become more evident.

No training on how to be an effective SETA employee

A second problem inhibiting intermediation has been the lack of training for SETA personnel. At the launch of the SETAs, many former school and ABET teachers were recruited, giving the SETAs educational know-how, by not embedded knowledge of the industries they were to serve. Bird agrees that this was not ideal, and was an unplanned and unexpected outcome. People with sectoral expertise did not enter the SETAs when they were formed:

We always wanted that embedded, intimate knowledge of the sector, and we really didn't get it. We always hoped that by setting up a board of social partners that they would ensure that the staff came from the sector. I fully agree with the point that they should come with real expertise from the sector, and it didn't really happen. I'm not sure whether we understand fully why the general pattern emerged that we got people who were generalists rather than sectoral experts, which I always believed was central (interview with Adrienne Bird, DHET, 6th March 2018).

Erra acknowledges that there has been no formal training programme in the time that she has been at the DHET and in her time at the Transport SETA prior to 2009. Nor has there been any specific requirement that SETA personnel have a specific form of sectoral expertise prior to appointment (or indeed post-appointment). Erra indicates that SETAs are formally independent bodies and so it has been difficult for the Department to prescribe to these institutions about what training should be conducted.

Ideally, all mid- to senior-level staff should have a sound knowledge base about the sector. Erra suggests, for example, that staff need to understand employer dynamics, and employer labour processes, because without understanding these actual employer demands how will they do planning and how will they translate that planning into supply requirements. In her current job at DHET as Director of SETA support:

... it very rarely occurred that a SETA official would articulate these employer needs and demand conditions back to me in any kind of detail. This was disconcerting for me, because I would have this problem over and over again.... And the low levels of trust currently in the system also restrict the flow of expertise to the SETAs – especially from employers (Interview with Ms Melissa Erra, DHET, 26th March 2018).

Some SETAs do have sector-based expertise in the form of personnel who came to the SETA from industry. For example, every client liaison officer and quality assurance officer in merSETA is a qualified artisan. They have worked in the manufacturing industry. And in BANKSETA, many of the senior leadership come from the banking sector. However, the challenge for SETAs is to combine sector expertise – as is the case with the two examples described above - with curriculum and pedagogic expertise needed in understanding how the education and training system works. Having both capabilities is a major achievement and not easily achieved by the SETAs. A major challenge is the further development of staff who have only one of these capabilities – sectoral or educational.

Compliance and the tick-box culture

A third constraint on intermediation has been the stringent demands of the Public Finances Management Act (PFMA). This Act entails a highly bureaucratic system comprising all of the arduous tasks of supply chain and performance management. Implementing this in the skills system has resulted in a highly compliance-oriented service provision model emerging where the main objective of SETA management is to avoid incurring qualified audits and tender irregularities. Formally these goals are noble in that they are aimed at controlling corruption and the misuse of public monies, however, they have the unintended consequence of creating a highly bureaucratic system obsessed with bean-counting and being able to measure deliverables quantitatively, and timid in adopting new initiatives and methods of working. It has also introduced a pervasive short-termism – most often resulting in contracts of only one or two years, an emphasis on the production of quantitative indicators (even if most training situations don't lend themselves easily to quantitative measures), and a strong orientation to avoiding risk and experimentation. Intermediation doesn't easily emerge in this environment because it requires openness to new ways of doing things, taking the inputs of other players seriously, building consensus and adopting medium- to longer-term solutions. The interviewees confirmed these problems in the following comments made:

Much of the work of SETA staff is in response to head office driving them on numbers. It's all about numbers.... In fact, the service level agreement adopted by DHET is all numbers based, it's not qualitative. How many partnerships do you have? How many learners registered are undertaking artisan training? How many of them qualify? How many skills programmes were entered into and completed? How many bursaries? There is nothing qualitative about it. So DHET is actually driving this behaviour. We sign a SLA with them every year and it has become

a straitjacket which restricts intermediation (Interview with Helen Brown of merSETA, 8th March 2018).

When you look at SETA delivery, a lot of it entails tick box exercises. Really meaningful data is difficult to get – for example, actually measuring the socio-economic impact of the SETA. Because you don't have valid and verifiable data, what you end up with is a focus on meeting DHET SLA deliverables. Compliance with the PFMA, national treasury guidelines and any other compliance that they have to meet to get a unqualified audit from the Auditor General seems to be the focus of the SETA (Interview with Angie Naidoo, BANKSETA, 7th March 2018).

Role of the SETA Board

Some of the interviewees note that the way in which the Boards have come to operate in the SETA system does not help either. Each SETA has its own board, and once a year, the senior executive team will go away for two or three days, they'll develop a strategic plan and that process then encompasses the total level of Board engagement on strategy. During the year, in-between strategic planning retreats, the Board focuses primarily around compliance and governance issues – they look at finances, supply chain issues, and discretionary grant spend. But deeper conversations around the sector, around the skills system, the bigger picture (for example, the impact of digitisation on the future skills needs) and doing things differently recede into the background.

Erra indicates the SETAs have been limited in terms of creating a mobilising vision, because they're always seen as short-term institutions with one-year interventions, they don't have long-term impact.

No standardised modus operandi

Another of the problems faced in term of executing intermediation is the lack of standardised procedures and common approaches to the full spectrum of operations across all 21 SETAs. Naidoo illustrates this with reference to the discretionary grant distributions:

None of the SETAs follow similar processes. Some SETAs will open up funding windows whilst others will develop projects. There's no standardised approach in terms of the actual role a SETA ought to perform in terms of its key functions as outlined in the NSDS (Interview with Angie Naidoo, BANKSETA, 7th March 2018).

This is a particular problem for sectoral intermediation with the public education and training system – each college or university has to engage uniquely with each SETA even if the occupation they are training is found in a range of sectors.

SOME EXAMPLES OF AN EMERGENT INTERMEDIATION

Notwithstanding this critique, the interviewees did list several examples of intermediation in the current skills system.

JIPSA

Brown, for example, returns to the experience of 2006-8 with the Mbeki-introduced *Joint initiative for Priority Skills Acquisition* (JIPSA) when there was a serious shortage

of artisans. The merSETA was able to mobilise employers and providers that had stopped training through their accelerated artisan training programme. The key feature of the scheme was bringing everybody back into the system to help solve the problem of artisan shortages. In her SETA they also used applied research - cost-benefit analyses, competence diagnostics and tracer studies - which gave the SETA a picture of what was emerging and what was needed to keep ahead of the curve:

So for example, we asked the question: what type of artisan do we need to put into the future work environment. And our applied research answer was to produce artisans that can solve problems. It was not somebody who takes a work order and does it, it's somebody who takes a work order, understands the value chain and is able to deliver the solution in the most efficient, environmentally friendly, cooperative way possible (Interview with Helen Brown of merSETA, 8th March 2018).

These interventions in the artisan production system, later expanded under the Human Resources Development Council, helped to significantly overcome the decline in the production of new artisans as witnessed in previous years.

Occupational intermediation

In the Centres of Specialisation (CoS) project, DHET under the project leadership of DHET's Special Projects Unit, is spending a lot of time and effort working with the SETAs. But the SETAs are having to do something quite different to what was done in the past. They are having to look at their database of employers and say which of their employers are within a geographical space, and which of those are prepared to train up people in a particular trade in partnership with a particular college. The CoS has set three criteria for employer participation: (a) they must be within commutable distance of the college, (b) these employers must be prepared to work with the college and (c) they must also be prepared to work with the dual artisan system so that the learner will be rotating between the college and the firm. Bird warns that the notion of an integrated theory, practical and workplace approach, which is internationally seen as the best model, is not the same thing as taking a qualified NCV graduate and simply placing them for a period of time in a workplace. The CoS project is different, because it seeks to facilitate a more frequent rotation between the college and workplace than was traditionally associated with the block release system. In CoS, learning is structured around learning areas each of which have these three components - theory, practice and workplace experience.

Bird argues that even though the CoS focuses on an initial thirteen trades, if the model works, it can grow to 20 or 50 occupations. There's no reason why the CoS project can't move outside of engineering into many other areas. Bird is optimistic that the model is earning more and more acceptance within industry. There's considerable momentum.

Bird describes her work with the CoS as 'occupational intermediation'. Her CoS project identified thirteen trades that were crucially needed after doing detailed research. The Department then tendered for employer associations to come and help it do this work – SEIFSA, the Retail Motor Industry and the Institute of Plumbers and Welders came into help. Bird maintains that if you want maximum job mobility, you go for an occupation, because then your trained workers can find employment in multiple sectors. And for employers, they get flexibility, they get the possibility of innovation -

because these trained workers know more than the task that lies in front of them. For Bird, cross-sectoral intermediation to build occupational qualifications makes a lot of sense. She argues in favour of the SETAs participating in this process to ensure that their sectoral perspective is brought into a cross-sectoral view. However:

... there is a need to create another layer and the key question is how do we do that? She argues employer associations, trade union federations need to get their act together. We will give them a slice of the levy, but if we need representatives for carpenters and joiners, we want to ask them, you pull it together through your associations cross-sectorally. So we bump up the role of employer associations and trade union federations. At the moment it's all state-driven stuff (Interview with Adrienne Bird, DHET, 6th March 2018).

According to Bird the establishment of the Quality Council for Trades and Occupations (QCTO) has helped a lot. Before the QCTO, there were seventeen different electrician qualifications, and local government and mining wouldn't recognise each other's qualifications for electricians. If you're an electrician in mining, you couldn't get a job in local government:

This is not in the interest of workers. So with QCTO we are developing one national qualification. One national electrician. One national plumber. All this involves a lot of intermediation across those previous seventeen spaces (Interview with Adrienne Bird, DHET, 6th March 2018).

Getting the college community working with the skills community in DHET has been a challenge. Even though they were restructured into one department in 2009 in order to bridge the gap, it's taken a lot of work to get the proper interfaces working properly. These interfaces are hard to create, and that's what Bird and the CoS team are trying to do – they are saying to employers who are located in a geographical area around a college (irrespective of the sector they fall in), it is now time to form partnerships with that college, not in a general way but around a particular trade that firms need. CoS entails creating a geographical matrix of interacting stakeholders around the development of an in-demand occupation.

Training Layoff Scheme (TLS)

Brown notes a second example of effective intermediation, the Training Layoff Scheme which was introduced in the metal and automotive sectors when they were upgrading production systems and a lot of workers needed to be retrained to avoid retrenchment. merSETA has had successes with this scheme with workers being retrained over a period of six months and reintegrated back into the workforce:

The Training Layoff Scheme aims at providing a skill that can continue to generate an income, so it's taking what workers know, and building on it in order to generate job security or an alternative income. We have been able to bring the various parties together to do something that had never been done before (Interview with Helen Brown of merSETA, 8th March 2018).

Resolution Circle incubator

Erra provides a third example of good intermediation – in this case an incubator project titled 'Resolution Circle'. The project was established in 2012 and comprised the University of Johannesburg (UJ), merSETA, City of Johannesburg and several large employers in research and development (R&D). The project uses the commercialisation of technology as a platform to provide experiential learning to UJ

engineering and technology interns. The incubator forms a necessary bridge between universities and full-scale commercial operations by focussing primarily on providing technology incubator facilities and services. Once engineering and technology graduates have finished their theoretical studies, they are then placed in Resolution Circle which sets them up as mini-businesses. They are trained in how to develop a business plan and to create a commercially viable products. Resolution Circle has a large workshop in central Johannesburg which allows for prototyping of new products. If it's a new tool, they go and manufacture it, and it becomes a shared resource for all these students that now need to get practical experience. Other achievements of the incubator have been:

- Delivered more than 40 products to the market.
- Trained more than 600 engineering interns in 2016.
- Established a sophisticated technology development ecosystem executing an “idea-to-barcode” concept.
- Established a training workshop for 300 students, offering courses in 6 main trades.
- Supported various technology start-up firms.

CONCLUSION

A number of key observations can be made about the SETA skills system. Firstly, the SETAs were set up and recruited staff (particularly the mid- to senior-strata) without requiring any expertise of the sectors they were about to work in, nor did the SETAs provide sectoral training to staff after recruitment. This has left a big vacuum within the skills system, and its explains: (1) the rapid adoption of a compliance model as the only governance model put on the table, (2) the skill system's inability to speak to employers, and (3) its inability to align with small business and industrial policy. Many of the SETAs do not know how to do this.

Secondly, South Africa has experimented with ‘social compact’ agreements between the key societal stakeholders, especially in the formation of NEDLAC and the Growth Summit of 2003, but more recently under the Zuma administration, the potential impact of these experiments on the generation of ‘collective production goods’ such as skills formation and technological innovation has been severely muted. The ‘visible hand’ of a developmental state committed to steering the economy in a more inclusive direction is nowhere to be seen, with the invisible hand of market-led reorganisation triumphant.

Thirdly, although there are pockets of innovative intermediation in the skills systems, it is clear that there are many obstacles to be overcome before intermediation becomes a more dynamic and influential part of the overall system. The obstacles are many, from the straightjacket of PFMA compliance to the limited capabilities within the SETA system to do anything more than the most basic of functions.

However, with the rise of the Ramaphosa administration, committed as it is to social compacts, and given the existing pockets of excellence in intermediation described in this paper, a gradual introduction of more intermediation activities within the system is possible. Debate about reducing the number of SETAs, thereby reducing its inflated bureaucracy, could provide an opportunity to rejig the capabilities within the skills system, prioritising people who have credible sectoral expertise. Proposals to restructure the 21 SETAs into 6 or 7 ‘value chain’ driven organisations, would help

develop this economic and sectoral expertise. Compulsory training interventions for SETA staff offered by NGOs and universities to develop intermediation capabilities would be very valuable in this changing context. Reform of the kind described above are probably the only options left to give the SETA system a new lease on life.

Bibliography

Ashton, A (2006) 'Lessons from abroad: developing sector based approaches to skills', Sector Skills Development Agency (SSDA), *SSDA Focus 2*.

Astrid, S, Andrew, C and C Cristina (2009) 'Building systems of innovation in less developed countries: The role of intermediate organizations', Paper Number 1, Centre for Innovation, Research and Competence in the Learning Economy (CIRCLE), Lund University, Sweden.

Benner, C (2002) *Work in the New Economy: Flexible Labour Markets in Silicon Valley*, Blackwell Publishers: Oxford.

Bessy, C & P Chauvin (2013) 'The power of market intermediaries: From information to valuation processes' *Valuation Studies*, 1(1): 83-117.

Buchanan, J & J Evesson (2004) *Creating Markets or Decent Jobs? Group Training and the Future of Work*, National Centre for Vocational Education Research, (NCVER): Adelaide.

Burt, R S (2003) *Social Origins of Good ideas*. Unpublished paper, Graduate School of Business, University of Chicago.

Chang, HJ (2004) Institutional foundations for effective design and implementation of trade and industrial policies in least developed economies. In Soludo, C C, Ogbu, O, and Chang, H J (eds) *The Politics of Trade and Industrial Policy in Africa. Forced Consensus?* New Jersey: Africa World Press and Canada: International Development Research Centre (IDRC).

Chapple, K & RP Giloth (2013) 'Job Creation for the Disadvantaged: A Review of State and Local Efforts', working paper released by the Annie E Casey Foundation, Baltimore, Maryland.

Cooney, R & H Gospel (2008) 'Inter-firm cooperation in training: group training in the UK and Australia' *Industrial Relations Journal*, 39 (5): 411–427.

Crouch, C, Finegold, D and Sako, M (1999). *Are Skills the Answer? The Political Economy of Skill Creation in Advanced Industrial Countries*. Oxford: Oxford University Press.

Culpepper, PD (2002) 'Powering, puzzling, and 'pacting': the informational logic of negotiated reforms', *Journal of European Public Policy*, (9): 774–790.

Culpepper, PD (2003) *Creating Cooperation. How States Develop Human Capital in Europe*. Ithaca, NY: Cornell University Press.

Delbridge, R, Edwards, P, Forth, J, Miskell, P and J Payne (2006) 'The organization of productivity: re-thinking skills and work organisation', Advanced Institute of Management Research, London.

Dieltiens, V (2015) A foot in the door: NGOs as workplace intermediaries in the South African youth labour market. REDI3x3 Working paper 11, www.redi3x3.org/papers.

Dobbins and Plows (2016) 'Labour market intermediaries: a corrective to the human capital paradigm (mis) matching skills and jobs', *Journal of Education and Work*, published online: 09 November.

Emanuel, L. 2011. "Developing Employability: An Evaluation of the World of Work Training and Internship Programme at the University of the Witwatersrand." PhD thesis, University of the Witwatersrand, Johannesburg.

Evans, P (1997) 'Government action, social capital in development: reviewing the evidence on synergy'. In P Evans (ed.) *State-Society Synergy: Government and Social Capital in Development*. Berkeley: UCLA Press.

Fernandez, RM (2010) 'Creating connections for the disadvantaged: networks and labour market intermediaries at the hiring interface', Working Paper 4778, Sloan School of Management, MIT, Boston.

Giloth, RP (2004) 'A case for workforce intermediaries' in RP Giloth (ed) *Workforce Intermediaries for the Twenty-First Century*, Temple University Press: Philadelphia.

Guile, D (2012) 'Working and learning in the "knowledge-based" creative and cultural" sector', in Livingstone, D and D Guile (Eds), *The Knowledge Economy and Life Long Learning*, Sense Publishers: Rotterdam.

Hausmann, R, Rodrik, D, and C Sabel (2008) 'Reconfiguring industrial policy: a framework with an application to South Africa', paper to be presented at the 25th Celebration DRUID Conference entitled *Entrepreneurship and innovation - organizations, institutions, systems and regions*, Copenhagen, Denmark, June 17–20.

Impumelelo Innovations Centre (2008) *Skills Training and Employment*. Case Studies Series of Best Practice Number 8, Cape Town: Impumelelo.

Jessop, B (2003), 'Governance, Governance Failure and Meta-governance', paper delivered at 'Policies, Governance and Innovation for Rural Areas', Universitadella Calabria, Arcavacata di Rende, 21–23 November.

Kazis, R (1998) 'New Labour Market Intermediaries: What 's Driving Them ? Where Are They Headed?', Task Force on Reconstructing America's Labour Market Institutions, Washington.

Kazis, R (2004) 'What do workforce intermediaries do?' in RP Giloth (ed) *Workforce Intermediaries for the Twenty-First Century*, Temple University Press: Philadelphia.

Keep, E and S James (2012) A Bermuda triangle of policy ? "Bad jobs", skills policy and incentives to learn at the bottom end of the labour market', *Journal of Education Policy*, 27 (2): 211-230.

Klerkx, L and C Leeuwis (2008) 'Matching demand and supply in the agricultural knowledge infrastructure: Experiences with innovation intermediaries', *Food Policy*, 33 (3): 260–276.

Kochan, T, Finegold, D & P Osterman, (2012) 'Who Can Fix the "Middle-Skills" Gap?', *Harvard Business Review*, December, 3-10.

Kochan, T (2013) 'For the future of employment policy: A call for a new jobs compact', *International Labour Relations Review*, 66 (2), 291-313.

Kraak, A (2013) 'State failure in dealing with the NEET problem in South Africa: Which way forward?', *Special Edition of Research in Post-Compulsory Education*, 18 (1). 77-97.

Lanning, T and K Lawton (2012) *No Train No Gain: Beyond Free-Market And State-Led Skills Policy*, Institute for Public Policy Research, London.

Moss, T, Medd, W, Guy, S and S Marvin, S (2009) 'Organising water: The hidden role of intermediary work', *Water Alternatives* 2 (1): 16-33.

Mittilä, T. 2008. "Intermediary Organisation in a Regional Development Network." Paper prepared for conference *Insightful Encounters: Regional Development and Practice-Based Learning*, March 5th-7th, Porvoo-Borgå, Finland.

OECD (2008) *More than Just Jobs: Workforce Development in a Skills-Based Economy*, Organisation for Economic Cooperation and Development, Paris.

OECD (2012a) *Skills for Competitiveness: A Synthesis Report*, OECD Local Economic and Employment Development (LEED) Working Paper Number 9, Paris: OECD Publishing.

OECD (2012b) *Skills Formation Strategies in Queensland*, OECD Local Economic and Employment Development (LEED), Paris: OECD Publishing.

OECD (2013) *Local Job Creation: How Employment and Training Agencies Can Help: Draft Report for the United States*, Paris: OECD Publishing.

Payne, J and Keep, E (2011) 'One Step Forward, Two Steps Back ? Skills Policy in England under the Coalition Government', Research Paper Number 102, *Research Centre on Skills, Knowledge and Organisational Performance (SKOPE)*, Cardiff and Oxford Universities.

Osterman, P (2004) 'Labour market intermediaries in the modern labour market', in RP Giloth (ed) *Workforce Intermediaries for the Twenty-First Century*, Temple University Press: Philadelphia.

Raffe, D (2003) *Young People Not in Education, Employment or Training*. Edinburgh: Centre for Educational Sociology, University of Edinburgh.

Stovel, K & L Shaw (2012) 'Brokerage' *Annual Review of Sociology*, 39, 139-158.

Sung, J, Ashton, D and A Raddon (2009) *Future Skills Scotland: Product Market Strategies and Workforce Skills*, The Scottish Government, Edinburgh.

Wheelahan L and G Moodie (2012) *Rethinking Skills in Vocational Education and Training: From Competencies to Capabilities*, Office of Education, New South Wales Government, Melbourne, Australia.

Wilkinson, F. 2002. "Productive systems and the structuring role of economic and social theories." Economic and Social Research Council (ESRC) Centre for Business Research, University of Cambridge, Working Paper No. 225.

Williams, P (2002). 'The competent boundary spanner', *Public Administration*, 80 (1): 103-124.