

# SECTION ONE: Introduction

## 1.1. INTRODUCTION

Urban-Econ: Development Economists and GOPA SA were appointed by the Department of Labour (DoL) in reaction to a request for the reestablishment of the Sector Education Authorities (SETAs), which perform certain functions of the Skills Development Strategy at national, sectoral and industry level. In addition, Econo-Front and Kayamandi Development Services were appointed to provide assistance in the execution of the project. This document has been produced in accordance with the requirements as set out by the Skills Development Act (97 of 1998).

The report will enable the SETA coordination team and the National Skills Authority (NSA) to support and evaluate SETAs towards to end of advising the Minister of Labour on the reestablishment of SETAs for the period 20 March 2005 to 19 March 2010. It will furthermore enable stakeholders to better understand contemporary developments and trends at the macro- and sectoral level in the economy, in terms of implications for employment and the demand for skills.

The document would thus serve the purpose of a mechanism through which technical assistance can be provided to the National Skills Authority, the Department of Labour and the SETA executive, to analyse implications for skills development. It would also ensure the improved identification and articulation of skills demand resulting from economic changes within the re-demarcated SETA economic sectors.

## 1.2. PURPOSE OF THIS STUDY

*“From all corners of South Africa, people are beginning to seriously engage in skills development initiatives. Some employers have realised how much skilled workers contribute to their competitive advantage and to the quality of their goods and services. Education and training providers have become increasingly under pressure to improve their programmes and to respond to the needs of various employers and learners. Together we still face a big challenge to open up more placement opportunities within the world of work for young people and people with disabilities”.*

*Source: Minister of Labour, 24 May 2004*

The purpose of this study is to evaluate the current SETA economic demarcation. The study investigates historic economic trends and incorporates expected future shifts in the South African economy with the aim of skills alignment and



appropriate SETA functional specialisation. Incorporated into the economic analysis are consultations with the formal business sector and selected government departments. The aim of this approach is to provide a comprehensive understanding of the functionality of SETAs and to deliver practical recommendations for SETA re-demarcation motivated by labour absorption and skills development.

### PROBLEM STATEMENT

*To formulate recommendations on SETA re-demarcation based on the implications of economic growth and development on the labour market. To obtain perceptions from national government departments and from the provinces towards SETA performance.*

#### 1.2.1. Goal and objectives

The study team compiled a study goal, which presents its expectations for the study as well as the appropriate direction for the evaluation and re-demarcation of the SETAs on the basis of it.

### STUDY GOAL

*The overarching goal of this study is to comprehend the economic current labour market trends and to capture the experience and insight of key roleplayers in the private and public sector. This aims at the evaluation of the current SETA demarcation in terms of skills alignment, labour absorption and SETA functionality towards providing practical considerations for potential re-demarcation.*

The objectives of the study are as follows:

- To identify international and local economic sector shifts and emphasis.
- To identify trends with regard to industrial and employment levels growth and decline in the last five years.
- To analyse the size and coherence of the economic sectors, especially in the fast growing sectors such as Services.
- To ensure that the demarcation of the SETAs is based on the economic sectors (as denoted in the Standard Industrial Classification) and promotes economic growth and social development.
- To evaluate Provincial and National departments views regarding the renewal certificates of related SETAs and make recommendations on how SETAs can be made more effective to benefit their departments and how Sector Skills Plans could be aligned to their growth, development and service delivery programmes.



- To compile a final report and present the report with recommendations on the new SETA landscape.

### 1.2.2. Policy framework

The various spheres of government have presented a framework for labour and skills development. Legislation and policy on this subject matter provide guidelines, and influence the manner in which the public and private sectors conduct skills development and training.

#### THE CONSTITUTION

*Public administration must be governed by the democratic values and principles enshrined in the Constitution, including good human-resource management and career-development practices, to maximise human potential, must be cultivated.*

*Source: The Constitution of the Republic of South Africa (Act 108 of 1996)*

The **Skills Development Act (97 of 1998)** outlines the legal mandate for the Sector Education and Training Authorities. The specific purposes of the Act are outlined as follows:

- To develop the skills of the South African work force.
- To increase the levels of investment in education and training in the labour market and to improve the return on that investment.
- To encourage employers:
  - to use the workplace as an active learning environment;
  - to provide employees with the opportunities to acquire new skills;
  - to provide opportunities for new entrants to the labour market to gain work experience; and
  - to employ persons who find it difficult to be employed.
- To encourage workers to participate in learnership and other training programmes.
- To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education.
- To ensure the quality of education and training in and for the workplace.
- To assist:
  - work-seekers to find work;
  - retrenched workers to re-enter the labour market;
  - employers to find qualified employees.
- To provide and regulate employment services.

The Act established the National Skills Authority of which the main purposes are to advise the Minister of Labour on the implementation of the National Skills



Development Strategy and the allocation of subsidies from the National Skills Fund. The National Skills Authority furthermore coordinates with the SETAs on national skills development policy and strategy.

The Act furthermore provides for the establishment and regulation of the SETAs. Guidelines are provided for the demarcation of SETAs together with an outline of their core functions. The functions of SETAs as prescribed by the Act are summarised below.

A SETA must:

- develop a sector skills plan within the framework of the national skills development strategy;
- implement its sector skills plan;
- promote learnerships;
- register learnership agreements;
- within a week from its establishment, apply to the South African Qualifications Authority for accreditation as a body contemplated in section 5 (1) (a) (ii) (bb) and must, within 18 months from the date of that application, be so accredited;
- collect and disburse the skills development levies in its sector;
- liaise with the National Skills Authority;
- report to the Director-General on
  - its income and expenditure
  - the implementation of its sector skills plan
- liaise with the employment services of the Department and any education body established under any law regulating education in the Republic to improve information about employment opportunities and between education and training providers and the labour market;
- appoint staff necessary for the performance of its functions; and
- perform any other duties imposed by the Act or consistent with the purposes of the Act.

The Act furthermore outlines regulations pertaining to the membership of SETAs as well as mandatory specifications in their constitutions. Sources of finance are also prescribed by the Act, which also includes procedures for the appointment of an administrator where a SETA fails to perform its functions or where there is mismanagement of its finances. An administrator may also be appointed when the membership of a SETA does not adhere to the specifications contemplated in Section 11 of the Act.

### IMPLICATIONS FOR THE STUDY

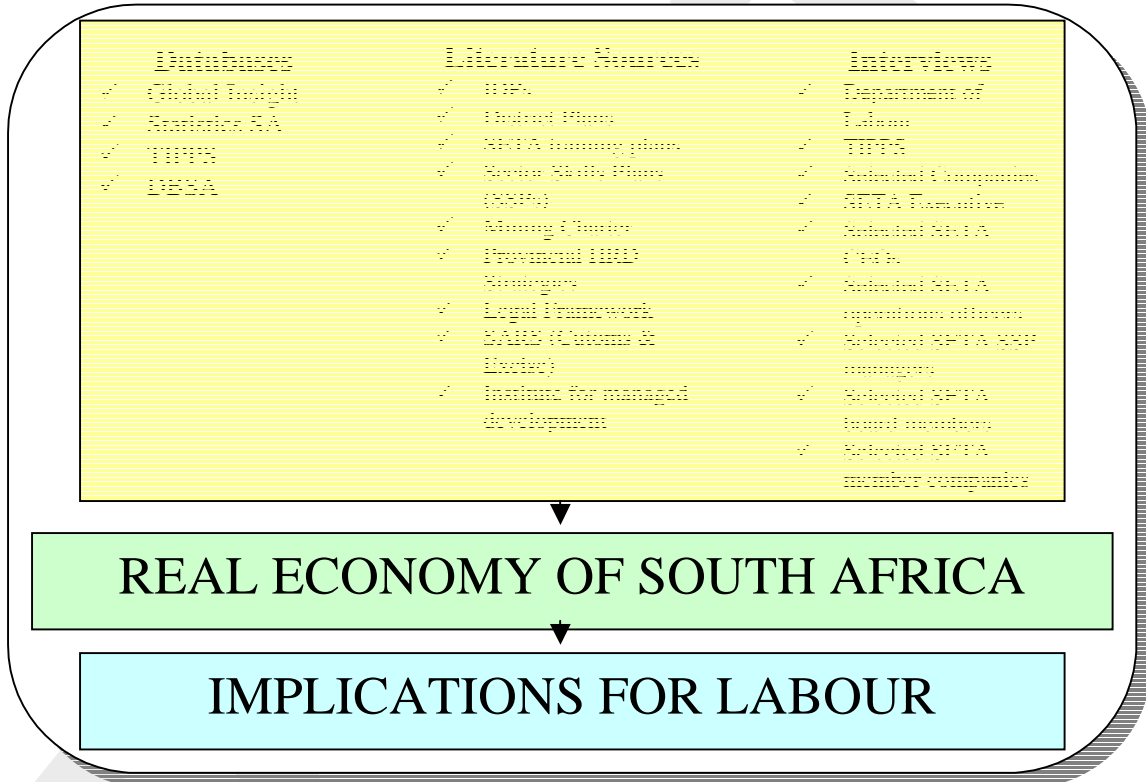
*The Skills Development Act provides for the establishment and regulation of the Sector Education and Training Authorities. The Act constitutes thus the main legal framework in terms of the evaluation of the SETAs and their possible re-demarcation.*



### 1.3. LITERATURE OVERVIEW

The purpose of this sub-section is to outline the main sources of data utilised by the study team during the execution of the study. This would necessarily refer to the economic and demographic databases employed during the economic analysis and various other qualitative sources.

**Diagram 1.1 – Data sources**



Qualitative resources in the context of this study refer to various publications by the private and public sectors as well as the consultations conducted (i.e. personal interviews). The diagram below (Diagram 1.1) depicts the main sources of data consulted during the course of the study.

### 1.4. REPORT STRUCTURE

The remaining structure of the report includes the following sections:

- Section Two: Study Methodology
- Section Three: International Economic Trends
- Section Four: Macro Economic Overview
- Section Five: Sectoral Trends
- Section Six: Labour Demand Forecasting Model
- Section Seven: SETA Economic Demarcation

