

SECTION TWO: Study Methodology

2.1. INTRODUCTION

South African labour force is characterised by high levels of unemployment, skills shortages and a scenario where a mismatch exists between the supply and the demand for skills. This implies that while there is a growing demand for labour in the economy, the skills base of the labour force do not align perfectly with the specific skills requirements of the market. This situation constrains economic growth and labour absorption and is depicted as a fault in the economic mechanism. Government intervention is thus required to facilitate the re-alignment of the supply and the demand for skills in the economy.

2.2. THE TERMS OF REFERENCE

The Terms of Reference outlines the tasks of the Study Team. The main elements/steps in the Terms of Reference were as follow:

1. Local & international sector shifts
2. Industrial & Employment trends
3. Size and coherence of sectors
4. SETA demarcation review
5. Public and Private Sector Perceptions
6. Recommendations – higher SETA effectiveness

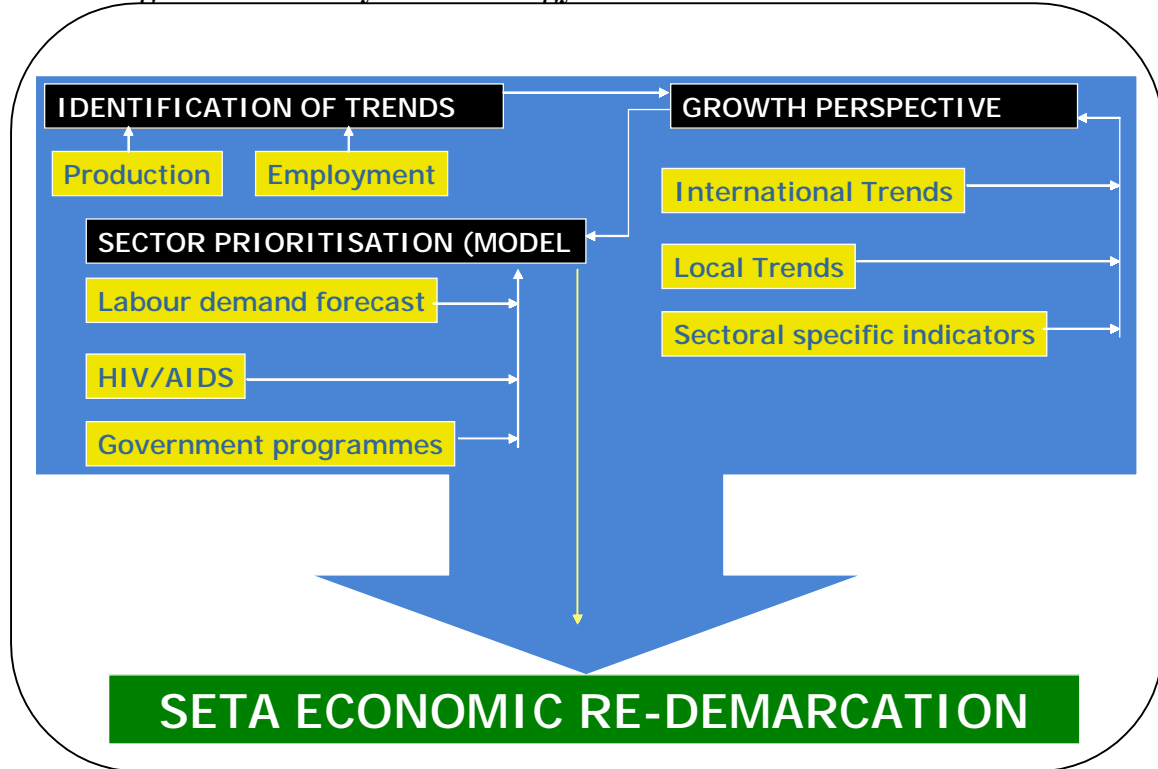
2.3. METHODOLOGY

The following approach will be followed in developing effective SETA re-demarcation recommendations. It clearly defines each step and actions to be taken during the execution of the study. The study methodology is depicted in Figure 2.1.

2.3.1. Step One: Identification of trends

The first step in the study process was the identification of broad trends in the South African economy in terms of production and employment. The purpose of this step was to gain a comprehensive understanding of the South African macro-economic environment and to provide the basis from which the international and sectoral analysis could be conducted. A clear comprehension of the current and expected macro-economy is furthermore central to the SETA re-demarcation decision making process.



Figure 2.1 – Study Methodology

2.3.2. Step Two: Growth Perspective

The Growth Perspective builds on the previous step and provides an analysis of local and international sector shifts. This step provides a detailed investigation of the nine broad economic sectors and builds up to key implications for employment growth and the expected future demand for skills in the economy. The impact of international influences on the local economy is also highlighted with related implications for the labour market.

2.3.3. Step Three: Sectoral Prioritisation and Labour Demand Forecasting

The aim of this step was to estimate the future demand for labour in the various economic sectors. This step incorporated the data from the analysis conducted in the previous steps in to a labour demand forecasting model. This model included the following variables:

- Labour multipliers based on production
- The impact of HIV/AIDS on the sectoral demand for labour
- The impact of Government initiatives on the demand for labour

This model forecasted the future demand for labour in the economy under various growth scenarios. This step thus presents the culmination of the previous steps and informs the SETA re-demarcation process.



2.3.4. Step Four: SETA Economic Demarcation

The final step in the methodology entailed the following key actions:

- Alignment of the various national Government Departments with the existing SETAs.
- Presenting the economic criteria and motivation utilised in the re-demarcation process.
- Illustrating the reallocation of SIC codes in each SETA on a sectoral basis.
- Culmination of the above steps into a list of new SETA demarcation recommendations.
- Implications of the proposed new demarcation on the South African labour market.

2.4. CONCLUSION

This section presented the study methodology. The methodology presents the practical interpretation of the study requirements as outlined in the Terms of Reference. A perception analysis of the National Government Departments concerning the SETAs was also conducted and presented in Annexure A of this report. The methodology described in this section will now unfold over the following sections of this report.

