

Final Fasset Sector Skills Plan Annual Update 2005 to 2010

Update for the Financial Year 2006/07

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ACRONYMS AND ABBREVIATIONS

AAT	Associate Accounting Technician	HET	Higher Education and Training
ABASA	Association for the Advancement of Black Accountants	HSRC	Human Sciences Research Council
ABET	Adult Basic Education and Training	IAB	International Association of Bookkeepers
ACCA	Association of Chartered Certified Accountants	IAC	Institute of Administration and Commerce
ADRA	Association of Debt Recovery Agents	IBS	Institute of Business Studies
AETA	Association for the Education and Training of Accountants	ICMCI	International Council of Management Consulting Institutes
AFP	Associate Financial Planner	ICSA	Institute of Chartered Secretaries and Administrators
AGA(SA)	Associate General Accountant	IDC	Industrial Development Corporation
AIMR	Association for Investment Management and Research	IFA	Institute of Financial Accountants
ATO	Approved Training Office	IFAC	International Federation of Accountants
ATR	Annual Training Report	IFRS	International Financial Reporting Standards
BBBEE	Broad-Based Black Economic Empowerment	IIA-SA	Institute of Internal Auditors South Africa
BEE	Black Economic Empowerment	IIP	Investors in People
BER	Bureau for Economic Research (BER)	IMCSA	Institute of Management Consultants of South Africa
CA	Chartered Accountant	LFS	Labour Force Survey
CAT	Certified Accounting Technician	IPFA	Institute of Public Finance and Auditing
CBET	Competency Based Education and Training	MBA	Master in Business Administration
CFA(SA)	Institute of Commercial and Financial Accountants of Southern Africa	MIAC	Member of the Institute of Administration and Commerce
CFA	Certified Financial Accountant	NLRD	National Learners' Records Database
CFA	Chartered Financial Analyst	NQF	National Qualifications Framework
CFP	Certified Financial Planner	NSA	National Skills Authority
CIA	Certified Internal Auditor	NSDS	National Skills Development Strategy
CIBM	Chartered Institute of Business Management	NSF	National Skills Fund
CICB	Certificate of Membership of the Institute of Certified Bookkeepers	PAAB	Public Accountants and Auditors Board
CIMA	Chartered Institute of Management Accountants	PDI	Previously Disadvantaged Individuals
CPA	Institute of Certified Public Accountants of South Africa	PE	Professional Evaluation
CPE	Continuous Professional Education	PFMA	Public Finance Management Act
CTA	Certificate in the Theory of Accounting	RAU	Rand Afrikaans University
DoL	Department of Labour	RBA	Regulatory Board for Auditors
DTI	Department of Trade and Industry	RCA	Representative Council for Accountants
ECSAFA	Eastern Central Southern African Federation of Accountants	RFP	Registered Financial Planner
EEA	Employment Equity Act	RGA	Registered Government Auditor
ETQA	Education and Training Quality Authority	RTO	Registered Training Office
FAIS	The Financial Advisory and Intermediary Services Act, No. 37 of 2002	SAICA	South African Institute of Chartered Accountants
Fasset	Sector Education and Training Authority for Finance, Accounting, Management Consulting and other Financial Services	SAIFM	South African Institute for Financial Markets
FCCA	Fellow of the Chartered Certified Accountants	SAIGA	Southern African Institute of Government Auditors
FET	Further Education and Training	SAQA	South African Qualifications Authority
FPI	Financial Planning Institute	SARB	South African Reserve Bank
FSB	Financial Services Board	SARS	South African Revenue Service
GAAP	Generally Accepted Accounting Practice	SDA	Skills Development Act
GAP	Global Accounting Proficiency	SDF	Skills Development Facilitator
GDS	Growth and Development Summit	SDL	Skills Development Levy
GRAP	Generally Recognised Accounting Practice	Seta	Sector Education and Training Authority
GIA	General Internal Auditor	SCG	Strategic Cash Grant
HEMIS	Higher Education and Management Information System	SIC	Standard Industrial Classification
		SMME	Small, Medium, Micro Enterprise
		SSP	Sector Skills Plan
		StatsSA	Statistics South Africa
		TIPP	Training Inside Public Practice
		TOPP	Training Outside Public Practice
		UCT	University of Cape Town
		UNISA	University of South Africa
		WSP	Workplace Skills Plan

INTRODUCTION

According to the Skills Development Act (SDA) section 10(1)(a), each Sector Education and Training Authority (Seta) must develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS). Each Seta must also submit annual strategic plans and reports on the implementation of the Seta SSP to the Director-General of the Department of Labour (DoL) annually.

On 3 March 2005, the Minister of Labour announced the new NSDS 2005-2010 targets. This national strategy sets priorities for skills development that address the scarcity of skills and lack of capacity in the current labour force – skills needed to meet the challenges posed by economic growth and to alleviate poverty. In accordance with the DoL requirements and in service of the NSDS, the Fasset five-year SSP was submitted to the DoL in August 2004. This SSP identified the skills needs (skills shortages and gaps) in the sector and set out the Seta implementation plan in relation to NSDS objectives.

The SSP and annual updates prepared by Fasset are aimed at identifying the sector's skills needs and describing the constraints on the effective development of skills. The SSP and the updates also indicate to education and training providers and communities the skills that are currently needed or will be needed in the future. Lastly, the annual updates afford Fasset the opportunity to update information in respect of changes that may have occurred in the sector since the submission of the SSP.

This SSP annual update draws extensively on information collected through various research projects commissioned by Fasset in the period preceding the SSP. These projects include a comprehensive sector study on the views of stakeholder groups such as employers, professional institutes, learners and educational institutions; a study on the need for learnerships in the sector based on employer and stakeholder views; and analyses of the grant applications submitted to Fasset in the first four years of the implementation of the skills development legislation (these applications reflect the information collected from all the employers, across Standard Industrial Classification (SIC) codes and employer size category, who participated in the Fasset levy-grant structure, i.e. claimed grants back from Fasset on the basis of grant application forms.

In addition to these surveys, data from other sources were also analysed in order to identify skills trends influencing the sector. These sources include the National Learners Records Database (NLRD) operated by the South African Qualifications Authority (SAQA), economic data from the South African Reserve Bank (SARB), various surveys conducted by Statistics South Africa (StatsSA), and the sector brief for the Fasset sector commissioned by the DoL.

The SSP was prepared according to guidelines provided by the DoL. Chapter 1 of the document describes the sector in terms of its industrial coverage, the enterprises in the sector and the sector's occupational composition. The chapter also analyses the main factors driving change in the sector. The second chapter analyses the demand for skills in the sector, and the third chapter the supply of skills to the sector. Chapter 4 deals with the scarce critical skills in the sector. The final chapter highlights issues related to the NSDS indicators not directly covered in the chapter on scarce critical skills and occupations.

EXECUTIVE SUMMARY

SECTOR PROFILE

Overview of the sector

The Fasset sector consists of 7 214 levy-paying organisations that have 9 293 operational units across the country, employing approximately 106 000 people. The sector contributes some 2,5% to total output and 1% to employment in the country. Organisations in the Fasset sector operate predominantly in three provinces: Gauteng, the Western Cape and KwaZulu-Natal. The vast majority (97%) of the enterprises/organisations employ fewer than 50 people – 2% employ between 50 and 149, and 1% more than 150 workers. The small organisations (fewer than 50 employees) account for 38% of the workforce in the sector.

The services provided by the sector are mainly of a professional nature. Sixteen percent of those who work in the sector are owners of businesses or are managers, 17% are professionals and 27% are technicians or associated professionals. The sector also employs a large proportion of clerical and administrative support staff (32% of total employment). The other occupational categories constitute only 8% of all employees.

A special feature of the sector is the professional associations that have played a key role in the sector's qualification structure, in the organisation of education and training in the sector, and in the professional designations used in the sector.

The sector is highly regulated. Many of the functions performed by the organisations in the sector are regulated by legislation and government policy. Similarly, most of the skilled workers in the sector are subject to professional regulations. Legislation promulgated in the past few years has tended to increase control over the functions of the sector and has thus contributed to the need for greater accountability and professionalism in the sector.

Factors that influence change in the sector

Change in the sector is driven by a myriad of factors. Changes in policies and legislation include black economic empowerment (BEE) legislation and sector charters, legislation that governs financial practices and reporting, and legislation that governs the professions in the sector. The sector is also influenced by international legislation and accounting and governance practices. Economic factors that influence the sector include globalisation, which increases market opportunities and market competition, changes in the exchange rate, which impact on the competitiveness of South African companies, and the high unemployment rate and its associated social problems, which affect business confidence. As a service industry, the sector is also directly influenced by the growth of the rest of the economy, especially growth in the number of small and medium-size enterprises.

A social factor that affects the sector is the erosion of trust between the public and financial service professionals, which in turn has increased the demand for professional accountability and the risk associated with public practice. The loss of skilled professionals to the international market is another factor. The HIV/AIDS pandemic will affect all sectors of society, but the impact on the Fasset workforce is not expected to be dramatic because of the relatively high skills levels in the sector. However, the decrease in productivity of companies, the decrease in disposable income and the resultant decrease in spending will negatively influence economic activity and will erode the client base of financial services organisations.

Most of the factors that influence change in the sector tend to increase the demand for financial services and thus the growth of the sector. The exception is technological changes. Many functions that were previously performed by people are now carried out by computer software. In some respects, technology is replacing labour and slowing down the rate at which labour is absorbed into the economy. At the same time, technological changes promote the constant upgrading of the skills of the workforce in the sector. Because of the competitive nature of the sector and increased globalisation, the sector has continuously to adapt to new technology.

A particular challenge facing the sector is increasing the participation of blacks¹ in the sector, especially at managerial level and in terms of equity ownership of firms. These changes are prompted by legislation and policy as well as by economic realities such as the need to extend the capacity of the sector beyond the current limited pool of professionals. Another challenge facing the sector is retaining financial skills that are being lost to the international market.

DEMAND FOR SKILLS

More than half (60%) of the employees in the sector are employed in managerial, professional and semi-professional positions. The professional people in the sector are mainly accountants and auditors, financial and management consultants, and investment professionals. The semi-professional and associated professional category consists largely of trainee accountants and auditors. The clerical and administrative staff consists of general administrators and clerks, secretaries and personal assistants, bookkeepers, and accounting clerks and receptionists.

The occupational profile of the sector reveals that the sector needs highly skilled workers with post-school qualifications. The current educational profile shows that 70% of the workforce has post-school qualifications.

Women and African workers are underrepresented in the managerial and professional categories, and the future demand for skills will be met only if these imbalances are corrected.

Three skills priorities for employers in the sector are specialised financial skills, basic computer skills and marketing skills. The continuous upgrading of specialised financial skills is driven by the numerous legislative and regulatory changes that impact on the work of organisations in the sector. The need for computer skills flows from the continuous technological advancements in accounting and other software, while marketing skills are crucial for general business development and expansion.

Employment in the sector is expected to grow by 2 300 to 4 200 positions a year if economic growth in South Africa can be sustained at 2% to 3% per annum. The growth in employment is attributable to an increase in the demand for financial services resulting from the expansion of the client base of the sector,

¹ "black" is used throughout this document to refer to African, coloured and Indian people.

especially the growth in the number of Small, Medium and Micro Enterprises (SMMEs); legislative changes and an increase in the complexity of business activities that compel organisations to use specialised financial services and the general tendency of organisations to outsource non-core functions. Positions that will be created due to replacement demand will occur in two occupational categories: professionals, and technicians and associated professionals. The sector will have to attract large numbers of workers with tertiary education qualifications in the specialised fields relevant to the sector and with professional and technical qualifications conferred by the professional associations in the sector as a large part of the sector is dependent on people trained as accountants and auditors and as financial and business specialists.

Growth in the demand for clerical and administrative workers is expected to be slower than that for the professional and technician categories, and it is unlikely that the demand for workers in lower level occupations will increase.

The transformational needs of the sector add a special dimension to the demand for skilled financial professionals, namely an increased demand for people from historically disadvantaged groups.

SUPPLY OF SKILLS

The availability of financial skills in the economy

Information on the availability of people with financial skills was obtained from two national sources. The first was the Labour Force Surveys (LFSs) conducted by StatsSA. The September 2004 survey indicated 431 000 potential workers with post-school qualifications in the field of business, commerce and management studies, 62 000 (14%) of whom were unemployed at the time of the survey. For those with only a post-matric diploma or certificate, the unemployment rate was 21%. However, the unemployment rate dropped to 5% for those with a degree or a postgraduate qualification. The analysis furthermore showed that the circumstances of African graduates differed widely from those of members of the other three population groups. At all qualification levels, their unemployment rates were much higher.

A more detailed analysis of the availability of university and technikon graduates with qualifications in the financial field, and more specifically in accounting, was made possible by the NLRD, which is maintained by SAQA. The analysis shows that in 2001, the total number of university graduates with qualifications in either accounting or commerce, business management and business administration was 159 000. However, of these, only 29% (46 000) had majored in accounting. In the accounting field, the number of graduates increased by 42% over the period 1991 to 1996 and by 47% over the period 1996 to 2001. The growth in graduates in commerce, business management and business administration was 48% between 1991 and 1996 and 44% between 1996 and 2001.

Technikon graduates with qualifications in these two fields numbered 55 000, of whom 13 000 (24%) had qualifications in accounting. The number of people with qualifications in accounting grew by 226% from 1991 to 1996 and by 146% from 1996 to 2001. The growth rates for people with qualifications in commerce, business management and business administration were 221% from 1991 to 1996 and 98% from 1996 to 2001.

Formation of new skills for the sector

The sector is served by a well-established and diversified education and training system that spans all the components of the public and private education sectors, professional bodies and employers. The

qualifications available to the sector range from National Qualifications Framework (NQF) Level 3 to Level 8 – with learnerships registered at each level.

Despite the relatively low percentage of matric exemptions and the limited numbers of learners who pass matric with mathematics as a subject, the output of universities and technikons in the fields of accounting, and commerce, business management and business administration has grown consistently over the past decade. A steady increase has occurred in qualifications awarded by universities in business, commerce and management sciences – the total number of qualifications awarded by public universities rose on average by 12% a year. The increase in postgraduate diplomas and Honours degrees was much higher than that in first degrees, indicating that people are tending to stay longer in the Higher Education and Training (HET) system and that the number of people with postgraduate qualifications is growing.

Technikons experienced an average annual growth rate of 9% in business, commerce and management sciences graduates. Most of the qualifications awarded were at the national certificate, higher certificate, Master's degree and diploma level.

Professional bodies play a key role in the preparation of new entrants to the sector. The main functions performed by these institutions are the setting of educational standards, the development of curricula for the qualifications they award, the provision of training, the accreditation of training institutions that wish to offer their courses and qualifications, the setting of examinations, the administration of examinations and the awarding of qualifications.

The provision of education and training to the sector is comprehensive and of a high standard. In fact, the education and training offered in South Africa is of world-class standard – hence the fact that South African professionals are sought after in the international market.

Despite the generally positive picture of education and training, the sector is faced with the reality of too few learners from the previously disadvantaged groups moving up to the higher professional qualification levels. The challenge is accordingly to remove all unnecessary obstacles and to maximise support for these individuals in order to address the problem in the short to medium term.

Development of the skills of the existing workforce

The development of the skills of the workforce beyond entry-level skills is a prerequisite for the successful functioning of organisations and individuals in the sector. The main providers of this training are employers themselves, private training institutions and training consultants, professional bodies, and universities and technikons. The extent to which employers engage in the training and development of their workers (either directly through their own training divisions and programmes or indirectly through outsourced training opportunities) is reflected in the annual training reports submitted to Fasset. In the 2003/2004 period, 931 employers submitted training reports in which they reported they had trained 30 000 employees. More than R147 million was spent on training, with organisations investing most of the money in top-up skills such as specialised financial skills (R43 million), management and leadership skills (R40 million) and basic computer skills (R24 million).

The technicians and associated professionals occupational category benefited most from the training. This was to be expected as most of the trainees in the sector fall in this occupational group, for example trainee accountants and auditors.

SCARCE SKILLS AND CRITICAL SKILLS IDENTIFICATION

Scarce skills in the sector are mainly in the professionals, and technicians and associated professionals occupations. Although these occupational categories are experiencing above average growth, the shortages are often related to very special skills sought by employers.

The lack of qualified blacks, especially in the higher level occupations and professional designations, is considered a serious problem. Many (especially large) employers find it difficult to meet their employment equity targets because of the unavailability of suitably qualified black staff.

The highest (1,0%) vacancy rate occurred in the occupational categories legislators, senior managers and owner managers and professionals. The top nine specific occupations listed by employers were audit managers, managers, accountants, auditors, consultants, accountant/auditor trainees, administrators, bookkeepers, clerks.

Critical skills gaps or skills gaps are generally the result of insufficient training prior to entry into the labour market, technological changes, and legislative and policy changes to which the sector is exposed on an ongoing basis. Critical skills listed by employers are specialist financial skills, basic computer skills, administrative and support skills, and management and leadership skills. Specialist financial skills are the most important critical skills in the sector as these skills are required across all occupational groups.

SMALL BUSINESS, ENTREPRENEURIAL OPPORTUNITIES AND OTHER NSDS PRIORITIES

Fasset supports initiatives that lead to the development of new employment opportunities in the labour market and that provide new entrants with the skills needed for self-employment. These operations initiatives include learnerships, social development projects funded by Fasset and Fasset's own strategy for supporting new BEE firms.

Various support structures for small businesses in the sector are already in place. Small levy payers benefit from free training offered nationally throughout the year (such as continuous professional education (CPE) and skills development facilitator (SDF) training).

Small and medium businesses can also claim grants if they employ Previously Disadvantaged Individuals (PDI) learners. Fasset views Adult Basic Education and Training (ABET) as a strategic priority and currently funds a complete ABET programme for ABET employees in the sector. The national standard of good practice will continue to be upheld through the promotion of the Investors in People (IIP) standard.

SECTOR PROFILE

1.1 INTRODUCTION

The nature and composition of any sector are critical factors in the assessment of skills needs and in the development of skills strategies. This chapter gives a brief profile of the Financial and Accounting Services Sector.² The profile includes the industrial coverage of the sector, an overview of the organisations and employment in the sector, the occupational profile of employees and the professional bodies associated with the sector.

The chapter also describes the factors that influence change in employment and in skills needs. These factors include policy and legislation, economic factors, and social, technological and environmental issues.

1.2 INDUSTRIAL COVERAGE

Financial, accounting, management consulting and other financial services include 17 categories of the SIC. Most of these categories fall within the main group Finance, Real Estate and Business Services. Some of the economic activities described under the 17 SIC codes are similar, and, in order to facilitate the meaningful analysis of data, services/organisations belonging to Fasset have been recategorised into seven subsectors.³ The SIC categories and the subsectors to which each belongs are indicated in Table 1.1.

The subsector descriptions are generally self-explanatory. However, it should be noted that the development organisations belonging to the Fasset sector include only those that provide financial and management consulting services, for example organisations that provide financial assistance and (in some instances) business advice, such as the Industrial Development Corporation (IDC). Similarly, business and management consulting services encompass a wide range of activities and may also occur in other Setas. Only those organisations that choose to describe their main functions in terms of SIC code 83190 are included in this subsector. Accounting and auditing firms that also provide business and management consulting services are classified in the subsector Accounting, Bookkeeping, Auditing and Tax Services.

The subsector Activities Auxiliary to Financial Intermediation includes statutory bodies such as the Financial Services Board (FSB) and the Public Accountants and Auditors Board (PAAB), professional associations as well as services not included in any of the other subsectors, for example debt collection.

Table 1-1 Industrial coverage and subsectoral demarcation

SIC code	SIC description	Subsector
81904	Investment Entities and Trusts	Investment Entities and Trusts and Company Secretary Services
88103	Company Secretary Services	
83110	Administration of Financial Markets	Stockbroking and Financial Markets
83120	Security Dealing Activities	

² Fasset is responsible for activities described as finance, accounting, management consulting and other financial services. For brevity, the sector served by Fasset is referred to as the Financial and Accounting Services sector.

³ This categorisation is used consistently through all of Fasset's research reports.

SIC code	SIC description	Subsector
83121	Stockbroking	
88102	Asset Portfolio Management	
83180	Development Corporations and Organisations	Development Organisations
88101	Tax Services	Accounting, Bookkeeping, Auditing and Tax Services
88120	Accounting, Bookkeeping and Auditing Activities; Tax Consultancy	
88121	Activities of Accountants and Auditors Registered in Terms of the Public Accountants and Auditors Act	
88122	Activities of Cost and Management Accountants	
88123	Bookkeeping Activities, including Relevant Data Processing and Tabulating Activities	
83190	Activities Auxiliary to Financial Intermediation	Activities Auxiliary to Financial Intermediation
88140	Business and Management Consulting Services	Business and Management Consulting Services
88112	Project Financial Management	
91108	South African Revenue Service (SARS)	SARS and Government Departments
9110E	National Treasury Provincial Treasuries	

1.3 ENTERPRISES AND EMPLOYMENT

According to the Fasset sector survey (2002), the Fasset sector consists of 7 214 levy-paying organisations that have 9 293 operational units⁴ across the country and employ approximately 106 000 people. The sector contributes approximately 2,5 % to total output and 1% to employment in the country (Annexure A).

The largest subsector is Accounting, Bookkeeping, Auditing and Tax Services, which accounts for 44% of the organisations, 40% of the operational units and 42% of the employees in the sector. This is followed by Investment Entities and Trusts and Company Secretary Services for which the corresponding figures are 20%, 18% and 15% respectively. The smallest subsector is Development Organisations, which accounts for 3% of the organisations in the sector, 2% of the operational units and 2% of all employees (Table 1.2.).

Table 1-2 Composition of the sector: organisations, operational units and employment⁴

Subsector	Organisations		Operational Units		Employment		Turnover*	
	N	%	N	%	N	%	R(mil)	%**
Investment Entities and Trusts and Company Secretary Services	1 436	20	1 695	18	16 129	15	23 213	37
Stockbroking and Financial Markets	913	13	1 199	13	13 315	13	18 038	29
Development Organisations	216	3	216	2	2 163	2	2 767	4
Accounting, Bookkeeping, Auditing and Tax Services	3 201	44	3 755	40	44 646	42	11 537	19

⁴ An operational unit refers to a physical office or operation. One organisation may have one or it may have several operational units. For example, if an auditing firm has offices in several towns, they are regarded as separate operational units even if they are registered under one SDL number.

Subsector	Organisations		Operational Units		Employment		Turnover*	
	N	%	N	%	N	%	R(mil)	%**
Activities Auxiliary to Financial Intermediation	1 040	14	1 778	19	6 769	6	4 471	7
Business and Management Consulting Services	405	6	499	5	8 939	8	2 210	4
SARS and Government Departments	4	0	152	2	13 898	13		
Total	7 214	100	9 293	100	105 858	100	62 236	100

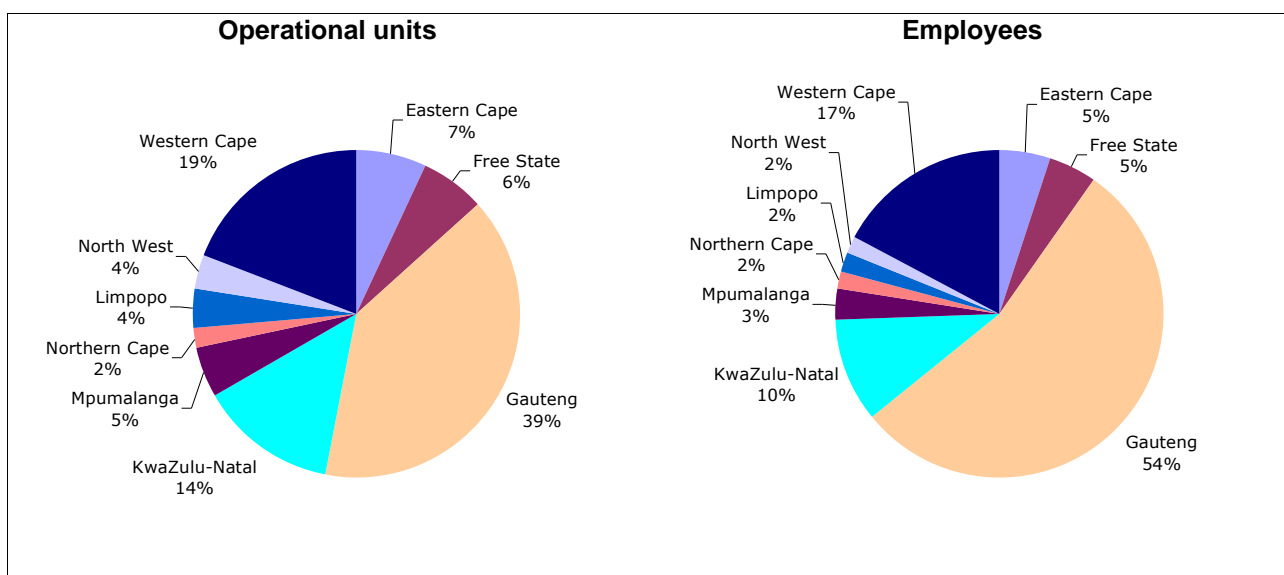
*Estimated turnover in 2002.

**Percentage excluding SARS and government departments.

Sources: Fasset Sector Study (2002) and Workplace Skills Plans (WSPs) submitted in various years by SARS, the National Treasury and two Provincial Treasuries.

The organisations are located mainly in three provinces: Gauteng (39% of operational units and 54% of employees), the Western Cape (19% of operational units and 17% of employees) and KwaZulu-Natal (14% of operational units and 10% of employees) (Figure 1.1).

Figure 1-1 Provincial distribution of operational units and employees



Sources: Fasset Sector Study (2002) and WSPs submitted in various years by SARS, the National Treasury and two Provincial Treasuries.

The Fasset sector comprises mainly small organisations. The vast majority (97%) of the organisations employ fewer than 50 people; only 2% employ between 50 and 149 people, and 1% employ more than 150 people. In fact, as many as 82% of the organisations employ fewer than 10 people. However, almost half (48%) of the workers are employed by the large organisations (more than 150 employees) while another 13% work in organisations with 50 to 149 employees. The small organisations (fewer than 50 employees) account for 38% of the workforce.

Table 1-3 Size distribution of organisations in the sector

Organisation Size	Organisations		Employees	
	N	%	N	%
1 - 9 employees	5 883	82	22 455	21
10 - 19 employees	816	11	10 667	10
20 - 49 employees	279	4	7 495	7
50 - 149 employees	174	2	14 076	13
150 + employees	61	1	51 166	48
Total	7 213	100	105 859	100

Sources: Calculated from Fasset Sector Study (2002) and WSPs submitted in various years by SARS, the National Treasury and two Provincial Treasuries.

1.4 CURRENT EMPLOYMENT

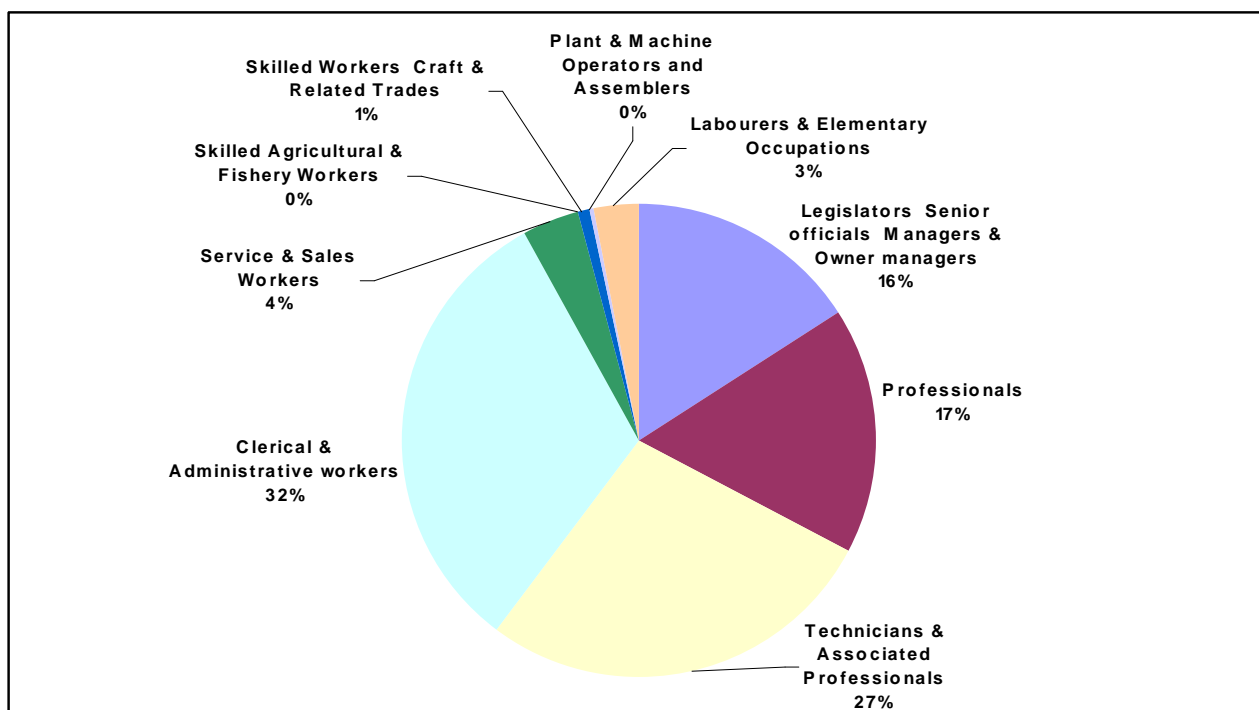
a) Occupational Profile

The services provided by the Fasset sector are mostly of a professional nature. This is reflected in the occupational composition of the sector, which indicates that 60% of the staff are employed in managerial, professional and semi-professional occupational categories (Figure 1.2). The relatively high percentage of workers in the legislators, senior officials, managers and owner managers category is largely the result of the preponderance of small professional practices in the sector.

The professionals encountered most frequently in the sector are accountants and auditors, financial and management consultants, and investment professionals (17% of the occupational profile). Similarly, the technicians and associated professionals category (27%) consists largely of professionals in training such as trainee accountants and auditors. The clerical and administrative worker category is made up predominately of general administrators and clerks, secretaries/personal assistants, bookkeepers, accounting clerks and receptionists⁵ and constitutes 32% of the occupational profile. Labourers and workers employed in elementary occupations constitute only 3% of the sector's workforce.

⁵ Occupations reported by employers in the Fasset Sector Study 2002.

Figure 1-2 Occupational composition of the sector



b) Population group

Most (63%) of the people working in the sector are white. African workers constitute 19% of the workforce and Indians and coloureds 9% each. The need for greater racial equity is evident particularly if one considers the composition of each occupational category (Table 1.4).

Workers in the occupational category legislators, senior officials, managers, and owner managers are generally experienced professionals who have either started their own businesses or who have moved into partnership or managerial positions in their organisations. A significantly high 82% of employees in this occupational group are white; only 7% are African, 3% coloured and 8% Indian.

Table 1-4 Distribution of workers in the sector according to occupational category and population group

Occupational category	African	Coloured	Indian	White	Total
	%	%	%	%	%
Legislators, Senior Officials, Managers & Owner Managers	7	3	8	82	100
Professionals	10	5	9	76	100
Technicians & Associate Professionals	15	7	13	65	100
Clerks & Administrative Workers	22	17	9	53	100
Service & Sales Workers	47	13	3	37	100
Skilled Agricultural & Fishery Workers	75	19	0	6	100
Skilled Workers, Craft & Related Trades	21	7	3	69	100
Plant & Machine Operators & Assemblers	32	6	7	55	100
Labourers & Elementary Occupations	83	9	1	6	100
Total	19	9	9	63	100

Sources: Calculated from WSPs submitted to Fasset in 2003/2004.

As one descends the occupational levels, the representation of blacks and women improves (Tables 1.4 and 1.5).

Table 1-5 Distribution of workers in the sector according to occupational category, population group and gender

Occupational Category	African		Coloured		Indian		White		Total	
	M	F	M	F	M	F	M	F	M	F
Legislators, Senior Officials, Managers & Owner Managers	9	3	11	4	21	6	32	10	74	26
Professionals	12	7	12	7	19	14	27	0	61	39
Technicians & Associated Professionals	26	19	28	16	41	34	31	26	52	48
Clerical & Administrative Workers	29	45	35	67	17	44	6	46	19	81
Service & Sales Workers	10	10	7	5	1	1	3	15	48	52
Skilled Agricultural & Fishery Workers	0	0	0	0	0	0	0	2	75	25
Skilled Workers, Craft & Related Trades	1	0	1	0	0	0	1	0	87	13
Plant & Machine Operators and Assemblers	2	0	1	0	1	0	1	0	96	4
Labourers & Elementary Occupations	11	16	5	2	0	0	0	0	40	60
Total	100	100	100	100	100	100	100	100	47	53

Source: Calculated from WSPs submitted to Fasset for the financial year 2003/2004.

The population group distribution across employer size categories shows specific trends (Annexure C): In small organisations (1-49 employees), as many as 88% of the managers and owner managers are white and only 11% are black. In the medium-size organisations (50-149 employees), these proportions are 74% and 25% respectively, and in large organisations they are 77% and 23% respectively. In the small organisations, only 20% of the professionals are black, while 24% of the professionals employed in medium-size organisations and 25% of those employed in large organisations are black. In the occupational category technicians and associated professionals, the representation of black workers is: small organisations 26%, medium-size organisations 40% and large organisations 40%. It is therefore clear that black professionals, and technicians and associated professionals are drawn into the medium-size and larger organisations in larger numbers. This may be partly attributable to these organisations' efforts to meet employment equity targets.

c) Gender

More women are employed in the sector than men – 53% of all employees are women. The predominance of women is largely attributable to the large percentage (81%) of women in clerical and administrative occupations. Only 26% of legislators, senior officials, managers and owner managers are women.

Table 1-6 Distribution of workers in the sector according to occupational category and gender

Occupational category	Male	Female	Total
	%	%	%
Legislators, Senior officials, Managers & Owner Managers	74	26	100
Professionals	61	39	100
Technicians & Associate Professionals	52	48	100

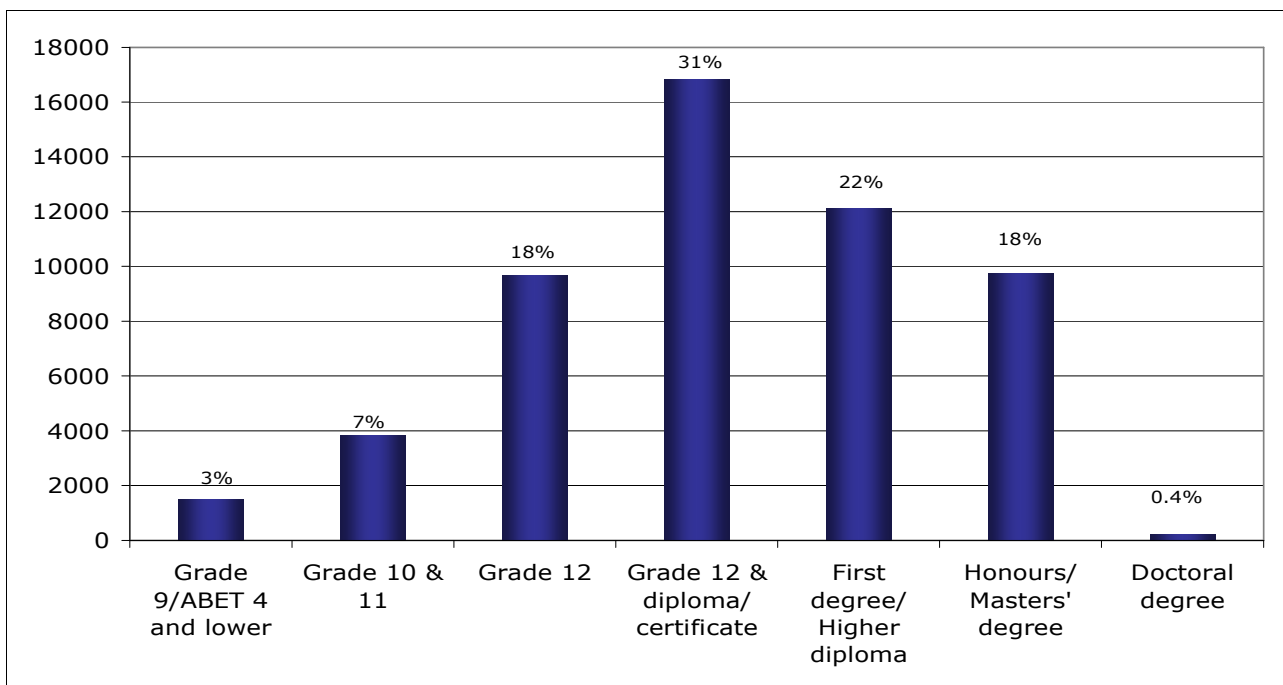
	Male	Female	Total
Clerical & Administrative Workers	19	81	100
Service & Sales Workers	48	52	100
Skilled Agricultural & Fishery Workers	75	25	100
Skilled Workers, Craft & Related Trades	87	13	100
Plant & Machine Operators and Assemblers	96	4	100
Labourers & Elementary Occupations	40	60	100
Total	47	53	100

Source: Calculated from WSPs submitted to Fasset in 2003/2004.

d) Educational Profile

The educational profile of the current workforce corresponds with the occupational composition of the sector. As can be seen from Figure 1.3, more than 70% of the workers in the sector have a post-matric qualification and almost 20% have postgraduate qualifications. This means that tertiary education and training are of critical importance to the development of skills for this sector. Workers at ABET Level 3 and lower (i.e. those who may benefit from ABET programmes) are few in number (approximately 2,7% of total employment) and are thinly dispersed among organisations in the sector.

Figure 1-3 Highest educational qualifications of workers in the sector⁶



Source: Fasset Sector Study (2002).

e) Age

The Fasset Sector Study (2002) found that workers in the sector are relatively young, with 63% 35 years of age or younger. Only 4% are in the age category 56 to 65. As can be expected, the average age varies for the different occupational groups. Average ages are as follows: managers: 39; professionals: 31; technicians and associated professionals: 26; clerks and administrative workers: 34; service and sales

⁶ Excludes the educational qualifications of workers in SARS and government departments. This information was not available.

workers: 31; plant and machine operators: 43; labourers and workers in elementary occupations: 40; and trainees: 24.

The relative youthfulness of professionals in the sector is illustrated in Table 1.6. This is, at least in part, the result of the training and development function that the sector is fulfilling and the movement of qualified professionals into more senior financial positions in other sectors. For the Fasset sector itself, the loss of older and more experienced professionals has profound implications, especially for the need to develop managerial talent and skills.

Table 1-7 Average age of workers in the Fasset sector compared to total economy

Occupational category	Average age	
	Fasset sector	Total economy
Legislators, Senior Officials, Managers & Owner Managers	39	47
Professionals	31	49
Technicians & Associate Professionals	26	44
Clerks & Administrative Workers	34	38
Service & Sales Workers	31	39
Plant & Machine Operators & Assemblers	43	42
Labourers & Elementary Occupations	40	38

Sources: Fasset Sector Study (2002) and LFS September 2003.

f) People with disabilities

The sector employs very few disabled people. Only 0,6 of all employees were reported as having some disability.⁷ The kinds of disabilities specified by employers were deafness or impaired hearing (0,1%), blindness or impaired vision (0,2%), and paralysis (0,1%). A further 0,2% were disabled in other ways, but employers did not give details regarding the type of disability.

1.5 ENTERPRISES IMPLEMENTING A STANDARD OF GOOD PRACTICE

The IIP standard sets a level of good practice for improving an organisation's performance through its people. The standard is based on the four principles of commitment, planning, action and evaluation, and within these four principles are 12 indicators that indicate whether the organisation meets the IIP standard or not. The IIP standard was adopted by Fasset as a standard of good practice, and Fasset has also been accepted by the DoL's Investors in People Project (SA) as a pilot delivery partner. As a delivery partner, Fasset is responsible for advertising the standard and supporting organisations that wish to become IIP organisations.

As of 31 March 2005, 21 organisations in the Fasset sector were committed to the standard and four organisations have achieved the standard.

1.6 BEE AND CO-OPERATIVES

A recent study⁸ conducted by Fasset revealed that 18% of small firms in the sector can be classified as BEE firms. These firms are supported by Fasset through the provision of free CPE and the learnership grant for PDIs. In the 2004/2005 period, 20% of these small BEE firms attended at least one training (CPE) event hosted by Fasset, and 11% applied for the PDI learnership grant.

⁷ Fasset Sector Study.

⁸ Small BEE firms in the Fasset sector, September 2005.

Establishing BEE co-operatives is not considered an imperative for organisations in the sector as co-operatives are more beneficial to farming organisations and consumer groups.

1.7 PROFESSIONAL ASSOCIATIONS

Because of the large concentration of financial professionals and semi- and associate professionals in the sector, a number of professional associations that represent and are responsible for the training of these employees have established close relationships with Fasset. An important characteristic of the Fasset sector is that membership of professional associations is highly valued by employers and the professionals themselves. Furthermore, qualifications, professional designations and membership of professional associations are interlinked, and most of the professional bodies confer upon their members qualifications that have been registered on the NQF. Most of these qualifications require workplace experience in addition to institutional training. The total set of qualifications used in the sector forms an intricate combination of qualifications conferred by the public and private higher education institutions and those conferred by the professional associations themselves.

Many of the professional associations are affiliated to international organisations, and many of the qualifying examinations are either internationally set and marked, or they are moderated by international organisations. This brings with it international standards in education and training and international recognition for South African professionals. International recognition of the professional bodies and their members flows from the bodies' adherence to organisational requirements determined by the international associations (e.g. the Statement of Member Obligations set by the International Federation of Accountants).

The professional bodies not only play a pivotal role in skills development in the financial services field, they are also represented on Fasset's management board and are closely involved in the activities of Fasset and its substructures. Several of the learnerships registered with Fasset provide access to membership of professional bodies and to the professional designations guarded by the professional bodies. As a result of these linkages, as well as their pre-existing experience and capacity, some of the professional bodies act as agent education and training quality assurance authorities (ETQAs) for the learnerships registered with Fasset.

The professional bodies associated with Fasset are listed in Table 1.8 below, which also indicates their current total membership. (See Annexure B for more information on the professional bodies, their levels of membership and the roles they play in skills development in the sector.) Total membership of those bodies that provide individual membership is approximately 64 000. In some instances, linkage of individual professionals to the professional bodies is through corporate or institutional membership.

Table 1-8 Professional body membership

Professional body	Acronym	Membership**
Association for the Advancement of Black Accountants	ABASA	1 500
Association of Chartered Certified Accountants	ACCA	1 200
Association of Debt Recovery Agents	ADRA	<i>Corporate membership</i>
Chartered Institute of Management Accountants	CIMA	3 600
Chartered Institute of Business Management	CIBM	<i>Included in ICOSA membership</i>
Institute of Certified Public Accountants of South Africa	CPA (previously CFA)	Over 5 000 Members and 3 000 Associates
Global Accounting Proficiency	GAP	<i>Corporate membership</i>

Professional body	Acronym	Membership**
Institute of Administration and Commerce	IAC	3 000
Institute of Business Studies	IBS	<i>Included in ICSA membership</i>
Institute of Certified Bookkeepers	ICB	3 300
Institute of Internal Auditors of South Africa	IIASA	4 200
Institute of Management Consultants	IMC	50
Institute of Public Finance Accountants	IPFA	1500
South African Institute of Chartered Accountants	SAICA	32 900
South African Institute of Chartered Secretaries and Administrators	ICSA	8 000
South African Institute of Financial Markets	SAIFM	400
Southern African Institute of Government Auditors	SAIGA	955
Total		66 200

**Figures provided for the study were obtained from the professional bodies in September 2005. The figures have been rounded to the nearest 100. All figures include all levels of individual membership as well as learner members and trainees. The figures also include individuals who belong to more than one professional body.

1.8 TRADE UNIONS

A small proportion of the employees in the sector are unionised. In a survey undertaken by Fasset, only 1,7% of the 600 employers who participated indicated that some of their employees belonged to a trade union. These employees constitute less than 1% of the workers in the sector.^{9 10}

1.9 CROSS-SECTORAL INVOLVEMENT IN SKILLS DEVELOPMENT

An important feature of the Fasset sector is its involvement in the development of financial skills for the total economy. Many of the firms, especially those in the Accounting, Bookkeeping, Auditing and Tax Services subsector, take on learners far beyond their own needs. On completion of the learnership contracts, the young professionals may either stay in the Fasset sector or move into other sectors. Over time, this training responsibility of the sector has become institutionalised and is mutually beneficial. Learners benefit from the mentorship and practical experience they receive and the specialised expertise that resides in the sector. At the same time, they form an important component of the service-rendering capacity of the sector. For the rest of the economy, the Fasset sector serves as an “incubator” for financial skills.

Another aspect of Fasset’s cross-sectoral responsibilities in skills development evolved through its association with professional bodies whose membership extends beyond this particular sector. In fact, some of the professions for which learnerships are registered with Fasset are more often found outside the sector than within it. One such example is the internal audit function, which is encountered throughout all sectors of the economy.

The implication of this cross-sectoral involvement is that Fasset cannot base its planning on developments in its sector alone but has to take cognisance of developments in financial services in both the public and private sectors in the country.

⁹ Fasset, Trade Union Survey, 2004.

¹⁰ It should be noted that SARS did not respond to the survey. A larger percentage of their workers may belong to trade unions.

1.10 DRIVERS OF CHANGE

Over the past four years, major changes have impacted on the sector and will continue to do so in the foreseeable future. They include legislation, draft legislation, charters and changes in accepted practices. The Fasset sector also does not stand divorced from social and economic changes in the country. The main factors that play a role in change in the sector, and more specifically in the need for skills in the sector, are discussed under the following headings: policy and legislation, economic influences, social factors, technological changes and environmental factors.

1.10.1 Policy and legislation

Numerous policy and legislative changes impact on the sector – only a few of the most pertinent of these are included in this discussion.

a) *Employment equity and black economic empowerment*

The need to correct racial and gender imbalances and to increase the participation of all population groups in the mainstream economic activities of South Africa is widely accepted, and measures to attain these objectives have been entrenched in legislation such as the Employment Equity Act (EEA),¹¹ the Preferential Procurement Framework Act¹² and the more recent Broad-Based Black Economic Empowerment (BBBEE) Act,¹³ as well as in policy documents such as the Draft Code of Good Practice in Black Economic Empowerment in Public Private Partnerships. These developments, as well as the economic imperatives to draw more black people into skilled occupations, will affect all sectors over the next few years and exacerbate the effect on individual sectors. For example, the need for black financial professionals will increase dramatically, and the Fasset sector will have to compete for resources from a limited pool. This shortage of skilled resources is expected to become an important driving force in skills development in the period covered by this SSP.

b) *Industry and professional charters*

BEE legislation has led to the development of several sector charters that will steer human resources practices as well as business activities for the foreseeable future. Although all the charters will exert an indirect influence on the total economy (e.g. through procurement and service policies), the Financial Services Charter will directly affect components of the Fasset sector.

The Financial Services Charter, which was approved in October 2003, is a voluntary charter in which the participants have set a framework for black economic empowerment in the Financial and Accounting Services sector.¹⁴ The charter aims to increase the participation of black people (especially women) and the disabled in the sector while further unlocking the sector's potential, promoting its global competitiveness and enhancing its world-class status.

The charter encompasses various issues such as human resources development, procurement policies, enterprise development, access to financial services, empowerment financing, ownership and control in the Financial and Accounting Services sector, shareholder activism and corporate social

¹¹ Employment Equity Act, No. 55 of 1998.

¹² Preferential Procurement Framework Act, No. 5 of 2000.

¹³ Broad-Based Black Economic Empowerment Act, No. 53 of 2003.

¹⁴ The Financial and Accounting Services sector, which is bound by the charter, includes banks, long-term insurers, short-term insurers, managers of formal collective investment schemes in securities, investment managers and other entities that manage funds on behalf of the public, including retirement funds and members of any exchange licensed to trade equities or financial instruments in this country, and entities listed as part of the financial index of a licensed exchange. Any other institution in the Financial and Accounting Services sector may opt in (Financial Services Charter, 2003:3).

responsibility. Firms that are bound by the charter will be rated in each category of activity according to a scorecard. These ratings will be used not only to monitor progress but will also be considered by the private and public sectors when procuring financial services.

The charter applies directly to only a small component of the Fasset sector, namely the licensed exchanges, fund managers and organisations that operate in the financial markets. However, the charter will certainly exert indirect pressure on the Fasset sector. Two aspects of the charter are especially important: the short-term targets set in terms of the employment of blacks (especially women) in managerial positions and the procurement targets that specify the desired percentage of procurements from BEE-accredited companies. In the former case, financial institutions will be competing more vigorously for black professionals in the financial field, and, in the latter case, financial services will be procured from BEE-accredited companies – thus compelling organisations in the rest of the Fasset sector to change their ownership and management structures if their client bases are situated in the Financial and Accounting Services sector as defined for the purpose of the charter.

Another charter that will impact on the sector is the Broad-Based Socio-Economic Empowerment Charter for the Chartered Accountancy Profession in South Africa. This charter, which is currently being developed by the SAICA, aims, among other things, to increase the supply of black chartered accountants in South Africa. The charter will not only cover equity issues in the Financial and Accounting Services sector itself but will help to alleviate the skills shortages that already exist and that will be exacerbated by the other industry charters.

c) *Legislation that governs corporate structures and governance*

The basic requirements for corporate governance as well as the statutory duties of auditors are prescribed in the Companies Act.¹⁵ The Department of Trade and Industry (DTI) has embarked on a major project to review company law, including amending the Companies Act. The idea is to provide legal backing for accounting standards and to set clear reporting frameworks for companies. The DTI has issued a policy document on the proposed changes, one of which is the establishment of a new corporate entity that will eliminate the distinction between companies and close corporations.¹⁶

d) *The King Reports*

The major forces influencing corporate governance reform in South Africa have been the markets and the requirements they have set. Market discipline instituted after falling equity prices has caused radical changes in corporate structures. The return of foreign investors to South Africa after 1994 has been accompanied by their criticism of corporate governance and performance in this country. The First King Commission on Corporate Governance in South Africa was established under the aegis of the Institute of Directors in 1994. The committee aimed at, and has been successful in, raising public awareness of corporate governance. Nevertheless, compliance with the commission's recommendations remained voluntary, even for companies listed on the JSE Securities Exchange.¹⁷ In 2000, however, the JSE required as part of its listing requirements that companies report the extent to which they do not meet the stipulations of the King Report. Following representations, the King Code was updated in 2002 by the Second King Committee Report on Corporate Governance. The report looked at the boards and directors of companies,

¹⁵ Companies Act, No. 61 of 1973.

¹⁶ Temkin, S. Revamp of SA company law aims to loosen red tape in setting up firms, *Business Day*, 15 July 2004.

¹⁷ Malherbe, Segal, Corporate governance in South Africa, 2001.

their composition, independence, remuneration and how meetings should be conducted. The resultant code provides for board committees and how they and the board itself should be evaluated.¹⁸ The increased requirements placed on listed companies have contributed to a large number of companies de-listing from the JSE.

The issue of risk management received special attention in the Second King Report. The importance of the role and independence of the internal audit and the audit committee was reconfirmed as was the need for organisational integrity and a code of ethics. These recommendations have increased the demand for professional company secretarial services and, as a result, have highlighted the significance of the internal audit and its role in the internal control system. Audit firms are becoming increasingly involved in internal audit and risk management/assessment activities on a consultation basis.

e) Tax legislation and policy

Tax legislation, tax policy and tax requirements are revised on a regular basis. Keeping up to date with these changes is central to the work of almost all components of the Fasset sector. Taxation will consequently always be a component of the skills development needs of the sector.

f) Public Finance Management Act

With the promulgation of the Public Finance Management Act (PFMA) in 1999, the effective, efficient and economical use of public resources was emphasised. Strict requirements have been placed on the accounting officers of government departments with regard to financial management, internal control and corporate governance. A chapter of the Act is also dedicated to the functions and responsibilities of treasuries, national as well as provincial (Chapter 2).¹⁹

The different treasuries, of which there are a number in the Fasset sector, will have an ongoing training and roll-out responsibility in respect of the PFMA. The PFMA also prescribed the establishment of the Accounting Standards Board. This board lays down the generally recognised accounting practice (GRAP) standards applicable to the public sector and is in the process of developing a framework for the preparation and presentation of financial statements for the public sector (standard charter of accounts). These frameworks and the GRAP standards will influence the public sector members of the Fasset sector as well as private audit firms used by the Office of the Auditor-General for public sector audits as they will require knowledge of the standards to be able to audit the financial statements.

g) Draft Auditing Profession Bill, 2004

The draft Auditing Profession Bill was developed to reform the public sector audit function and to repeal and amend existing legislation. The aim of the draft Auditing Profession Bill 2004 is to

- a) introduce a more comprehensive and modern legislative framework for regulating the auditing profession;
- b) improve the integrity of South Africa's financial sector and financial reporting;
- c) introduce measures to
 - i. ensure that potential conflicts of interest between auditors and their clients are minimised;
 - ii. facilitate swift and appropriate actions to rectify a situation in the event that circumstances give rise to an understanding of the independence of an auditor.²⁰

¹⁸ Institute of Directors, The King Report on Corporate Governance, 2002.

¹⁹ The Public Finance Management Act, No. 1 of 1999 as amended.

²⁰ Moores Rowland, Public comment on the draft Auditing Profession Bill, 2004 (February 2005).

The PAAB raised areas of concern, including their view that there existed contradictory provisions of the Bill relating to the responsibilities of accredited professional bodies and the new regulatory body for the education and training of entrants into the practicing profession.

The new legislation will impact not only on the public component of the Fasset sector as the Office of the Auditor-General also uses private audit firms when it requires additional capacity. The utilisation cost of using private audit firms amounted to R137 million in 2002.²¹ The proposed legislation could further influence the amount of work contracted to private audit firms in the future, with the resultant capacity implications.

The draft Auditing Profession Bill 2004 was released for public comment in January 2005, and a number of organisations submitted their comments and concerns around the bill.

h) Debt Collectors Act

The regulation of debt collectors was introduced with the promulgation of the Debt Collectors Act (No. 114 of 1998). This Act makes provision for the establishment of a Debt Collectors Council and for the registration of debt collectors. At this stage, no competency requirements are attached to the registration of debt collectors partly because no qualifications are available for this category of workers. Fasset supports the development of such a qualification. These measures will contribute to the professionalism of this component of the sector, which in turn may increase the demand for its services.

Major debt collecting firms have aligned themselves with the Fasset Seta, who is also developing a learnership for debt collections (the Further Education and Training Certificate in Debt Collection is registered under the ETQA scope of Fasset). Debt Collectors are currently registered with the Fasset Seta, the Services Seta and the Safety and Security Seta. A consolidation of debt collection firms under the Fasset Seta would provide the industry with a stronger base of influence.

i) Financial Advisory and Intermediary Services Act

The Financial Advisory and Intermediary Services Act, No. 37 of 2002 (FAIS Act), impacts specifically on the financial planning profession, some of whose members are employed in this sector. The Act requires all service providers to be licensed as such. In order to be licensed, a financial services provider has to satisfy the registrar that he/she complies with the requirements for fit and proper financial services providers or categories of providers, which are determined by the Registrar by notice in the Government Gazette. These requirements are formulated in respect of

- personal character qualities of honesty and integrity;
- the competence and operational ability of the applicant to fulfil the responsibilities imposed by the Act;
- the applicant's financial soundness.

At this stage, most of the work related to the evaluation, comparison and mapping of qualifications relevant to the assessment of competence of financial services providers is undertaken by the Insurance Seta. Individual professionals employed in the Fasset sector also have to comply with the legislation.

j) Educational and skills development legislation and policy

Over the past few years, educational and skills development legislation and policy have become major forces in driving and steering skills development in the sector. Most of the qualifications used in the sector have been registered on the NQF, and in many instances the qualifications were re-examined before they

²¹ Gloeck, J.D. Advancing or retreating in the quest to improve public accountability and government auditing. *South African Journal of Accountability and Auditing Research*.

were presented for registration. Numerous education and training providers have also applied for accreditation with the relevant ETQAs.

A total of 21 learnerships have been registered by Fasset with the DoL and another four are in the process of development. Learnership contracts increased to 11 383 in 2004/2005.

Participation in the levy-grant system has increased dramatically since its inception in 2000/2001. Of the 7 200 organisations that pay levies to Fasset, approximately 5% submitted workplace skills plans (WSPs) in 2000/2001. This increased to 11% in 2001/2002, 23% in 2002/2003, 32% in 2003/2004 and 27% in 2004/2005.

k) International legislation and accounting standards

The Financial and Accounting Services Sector is not controlled only by South African legislation and financial practices. The legislation and practices that apply in the countries with which South Africa trades, and from which multinational client organisations originate, have become equally important. Financial services organisations that are themselves multinationals are affected by changes in international legislation and practices in several ways: their human resources practices are affected by international practices while their employees must keep abreast of changes in legislation and financial practices in order to retain the international marketability of their firms. Similarly, local financial services organisations that market their services internationally operate within the legislative and policy frameworks of the countries in which their clients are based. These organisations are directly affected by changes in the international environment.

One example of international legislation that affects the Fasset sector is the United States of America's Sarbanes-Oxley Act that was enacted in July 2002 largely in response to a number of major corporate and accounting scandals involving some of the most prominent companies in the USA. The Sarbanes-Oxley Act and the events that preceded it have brought the issues of transparency, disclosure and independence to the fore not only in the USA but in many other countries and have contributed to a migration towards a common global platform for corporate reporting.²²

Another example of a time-critical change to the accounting profession is the transition from South African Generally Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS), taking effect from 2005. This change will have an impact on measurement principles and recognition, and the financial results of organisations.

1.10.2 Economic factors

a) Globalisation

"Faster methods of transportation, together with instantaneous information, have allowed the world to become one giant marketplace."²³ This observation also applies to the market for financial services. Information and communication technology has made it possible to outsource financial services to any part of the world and to draw financial expertise from a global professional market. For the South African Financial and Accounting Services sector, the disappearance of international boundaries has brought about intensified international competition in the market for its services and in the labour market. Increased market competition places renewed focus on customer satisfaction, while competition in the labour market can result in the loss of important professional skills.

²² Brown, F. & Ooi, E., Implications of Sarbanes-Oxley, <http://www.pwcglobal.co/extweb/manisseu>

²³ Albrecht, S.W. & Sack, R.J. 2000. *Accounting Education: Charting the Course through a Perilous Future*, American Accounting Association, Accounting Education Series, Vol. 16.

Globalisation (coupled with technological changes) increases the pace of change in the business world, shortens product life cycles and competitive advantages, and increases the need for better, quicker and more decisive actions by the management of organisations. Globalisation also leads to increasingly complex business transactions, increased uncertainty and the explicit recognition of risk.²⁴ These changes have a profound effect on the nature of services required from firms operating in the financial services field and on the skills required at all levels of staff. Traditional accounting services are, for example, giving way to services related to the interpretation of information and to strategic consultation services.

Globalisation has also brought about new opportunities for market expansion. Call centre operations (such as debt collection) are an example of financial services in which South African firms already render a service to the international market.

b) *The exchange rate*

Expansion into international markets depends on the relative price at which local services can be rendered. This, in turn, makes local firms that are venturing into foreign markets vulnerable to the fluctuations in the exchange rate that have become characteristic of the local currency. Similarly, firms that are largely dependent on exports (e.g. the corporate divisions of mining companies that are registered with Fasset), as well as those involved in the financial markets, are exposed to changes in the exchange rate.

c) *Unemployment*

The very high level of unemployment in South Africa is a national concern. Although it is not directly related to change in the Fasset sector, unemployment threatens social stability in the country and has an indirect impact on business prospects. It is therefore an issue that warrants the ongoing attention of government, business, labour movements and civil society; it also cannot be ignored in the skills planning processes of any of the Setas. In fact, the upgrading of the skills base of the country is one of the key components of the South African government's strategy to reduce unemployment. Another important factor in combating unemployment is the stimulation of labour intensive economic activities such as those agreed upon in the Growth and Development Summit Agreement of June 2003.²⁵

d) *Economic growth*

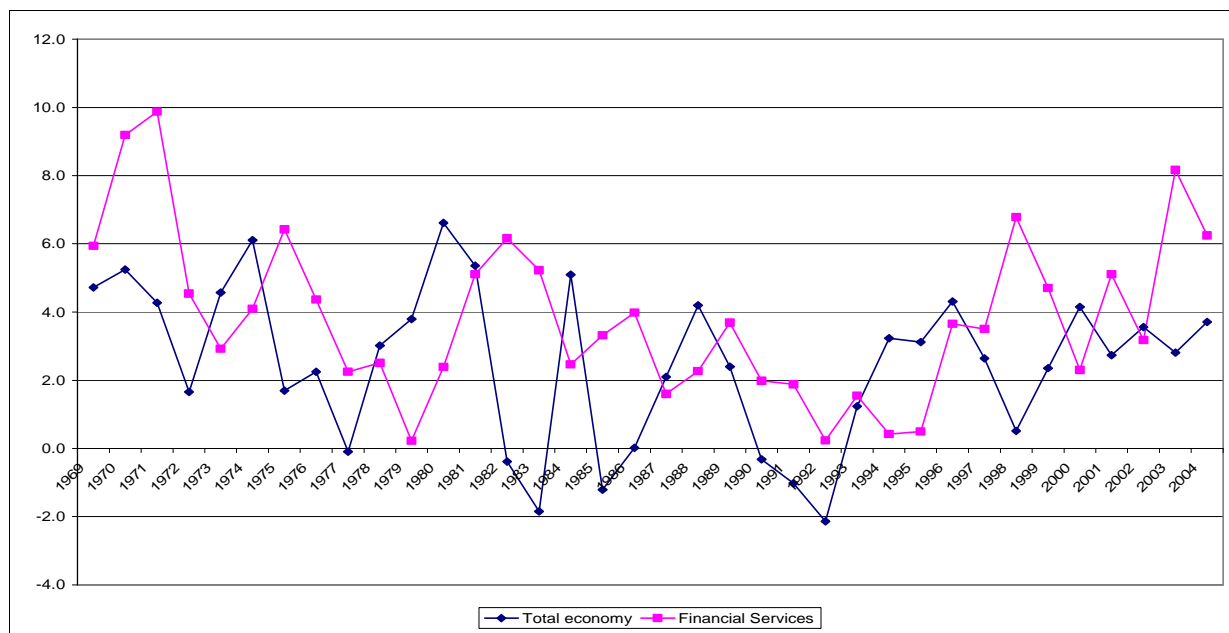
Since the need for financial services is linked to the level of economic activity in the country, the sector is sensitive to economic changes. However, the Financial Intermediation, Insurance, Real Estate and Business Service sector,²⁶ in which most of the Fasset sector resides, has been able to sustain an average annual growth rate of 4% over the 35-year period from 1969 to 2004. In the late 1990s, the sector outperformed the rest of the economy by a substantial margin and became a significant contributor to total economic growth (Figure 1.4). This performance of the subsector is the result of an increase in the demand for financial services, which in turn stems from a myriad of factors including growth in the level of sophistication of the economy, growth in the number of SMMEs, the tendency of organisations to outsource non-core functions such as financial services to specialist service providers, and legislative changes that require businesses to use professional financial services.

²⁴ Ibid

²⁵ The Growth and Development Summit Agreement emanated from the summit held by the constituencies represented in NEDLAC: government, business, labour and the community, on 7 June 2003.

²⁶ This sector description is used in the national accounts data reported by StatsSA and the SARB. The sector includes SIC codes 81100 to 88999. It is much larger than the Fasset sector and includes various other activities, such as banking, insurance and real estate. Most of the private sector activities included in the Fasset sector description occur within this broader sector.

Figure 1-4 Economic growth in South Africa and in the Financial Intermediation, Insurance, Real Estate and Business Service Sector: 1967 to 2004



Source: Reserve Bank, data series KBP6006Y and KBP6640Y.

These trends will most probably continue over the next four to five years and will stimulate employment growth in the sector.

1.10.3 Social factors

Recent international and local corporate failures and scandals referred to earlier (e.g. Enron, Leisurennet and Regal) have to some extent eroded the public trust that financial professionals previously enjoyed. At the same time, insistence has grown from the public on professional accountability and a trend has emerged to seek recourse in litigation if professionals fail in their public duty. These changes have increased the risk associated with professional work in public practice and may have contributed to the migration of financial professionals not only out of the Fasset sector but also out of the financial service professions.²⁷

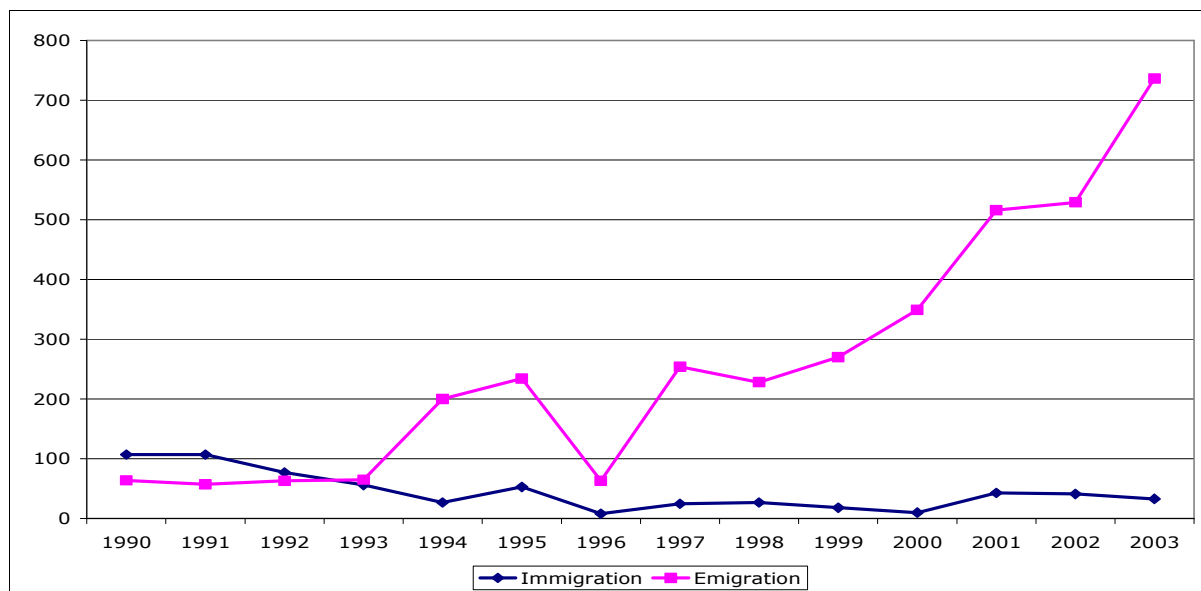
a) Loss of skilled professionals

The internationalisation of the professional labour market was mentioned earlier in this document. Unfortunately, South Africa is not benefiting from this phenomenon. Since 1994, a sharp increase has occurred in the loss of skilled professionals in the Fasset sector due to emigration. This loss of skilled professionals may offset any growth in labour supply in the highly qualified and scarce skills categories in particular. Official figures published by Statistics South Africa show that the emigration of accountants and related professionals soared to more than 500 a year in 2001 and 2002 and 2003 over 700 (Figure 1.5). The unofficial figure could, however, be much higher as many professionals leave the country temporarily or do not declare their permanent emigration. As of September 2005, 5 460 chartered accountants registered with

²⁷ Members of Fasset's Skills Planning Working Committee (2004).

them were working abroad²⁸ (approximately 23% of all chartered accountants). At the same time, immigration of these professionals has declined since 1991 and is currently negligible.

Figure 1-5 Immigration and emigration of accountants and related professionals: 1990 to 2003



Source: Statistics South Africa, Tourism and Migration, Data Series PO351.

b) HIV/AIDS

South Africa’s MRC (Medical Research Council) 2001 report indicated that nearly five million people in South Africa are living with HIV/AIDS. Without effective intervention, the report estimates that by 2010, 66% of deaths in South Africa will be AIDS-related and that life expectancy will fall to 41 years. Current estimates suggest that 95% of the HIV infections in Sub-Saharan Africa are attributable to unsafe sex. The disease will affect a large percentage of the workforce including decision-makers. The potential for economic growth could be reduced by up to 2% as the disease depletes the labour force, especially when the skilled labour force is affected. The Bureau for Economic Research (BER) indicates that gross domestic product GDP may be 5,7% lower by 2015 as a result of AIDS.

According to population-based surveys in Sub-Saharan Africa, infection levels in women are higher than in men. Studies conducted in nine African countries suggest that for every 10 African men infected, between 12 and 13 African women are infected.

Statistics show that nationally in South Africa, the “high-risk” age groups are 18-40 years of age for females and 22-50 years of age for males. The majority of the Fasset workforce is between the ages of 20 and 55 and hence fall into the most vulnerable age group. The prevalence of HIV/AIDS in the sector itself is, however, most probably lower than in other sectors because of the higher educational qualification levels of the workforce. The Human Sciences Research Council (HSRC) study revealed that HIV infection rates are much lower for people with tertiary education (6,5%) than for the total adult population.²⁹

1.10.4 Technological factors

The sector is affected in several ways by technological developments, especially by developments in electronic financial systems. Many functions that were previously performed by people are now done by

²⁸ Obtained from SAICA’s membership department, October 2005.

²⁹ Ibid.

computer software. Thus, in some respects, technology is replacing labour and is slowing down the rate at which labour is absorbed in the economy. The effect of technological changes on organisations in the financial markets was mentioned earlier. Another example is the electronic systems acquired by SARS that enable small businesses to submit tax returns and to pay their taxes electronically. This is causing a decline in the demand for the services of smaller accounting firms and tax service providers in the sector.³⁰

Technological changes also necessitate constant upgrading of the skills of the workforce in the sector. As a result of the highly competitive nature of the sector and increased globalisation, the sector is required to adapt to new technology continuously. For instance, audit firms have to stay abreast of the software used by their clients, and some firms have to keep up with their international partners, which requires constant training and skills improvement.³¹

In terms of the public sector, the current accounting systems will have difficulty in coping with the move to accrual accounting in government departments. This will necessitate a new integrated accounting system with related skills and training needs for the subsector.³²

1.10.5 Environmental factors

The King Report on Corporate Governance for South Africa (2002) states that companies should move from single to the “triple-bottom-line” reporting,³³ which covers the economic, environmental and social aspects of a company’s activities. The King Report (2002) further states, “The environmental aspects include the effect on the environment of the product or services produced by the company”. Thus, it has become increasingly important to disclose environmental impact and its effect on the financial position of a company.

Costing systems can be used to determine the environmental costs while management accounting techniques can be used to assist decision makers in making informed decisions on environmental issues.³⁴ However, this is a new subfield in accounting and economics. The research available on this subfield is still limited, and educational institutions are only now beginning to include environmental accounting in their curricula. Environmental accounting will probably become increasingly important in the future and will gain a more prominent position in education and training in the sector.

1.11 CONCLUSIONS

The sector served by Fasset is relatively small and consists mainly of micro- and small organisations, many of which are professional practices. However, almost half of the employees in the sector work in the small number of large organisations. Fasset is thus left with the challenge of balancing the needs and interests of SMMEs as well as large organisations. The organisations belonging to the sector are concentrated in the metropolitan areas of Gauteng, the Western Cape and KwaZulu-Natal.

The services rendered by organisations in the sector are mainly of a specialised and professional nature; consequently, the sector tends to employ professionals, and technicians and associated professionals. These workers are supported by clerical and administrative workers, who also constitute a substantial proportion of the employees in the sector.

³⁰ Ibid.

³⁰ Department of Labour, Fasset Sector Brief, 2002.

³¹ Gerrits, E., Partner, PriceWaterhouseCoopers, Telephonic interview, January 2004.

³² Cassim, Z., Institute of Public Finance and Auditing, Interview, January 2004.

³³ Dekker, C. King Report on Corporate Governance for South Africa, 2002.

³⁴ Van Rensburg, A.M., *Management Accounting as an existing decision making tool*, 2003.

A special feature of the sector is the presence and influence of a number of professional associations whose roles have become ingrained in the sector's qualification structure, in the organisation of education and training, and in the professional designations used in the sector.

The sector is also a highly regulated environment. Many of the functions performed by the organisations in the sector are regulated by legislation and by government policy. Similarly, most of the skilled workers in the sector are regulated through professional rules. The new legislation passed in the course of the past few years has tended to increase control over the functions of the sector and has thus contributed to the need for greater accountability in and the further professionalism of the sector.

Most of the factors that influence change in the sector tend to increase the demand for financial services and thus the growth of the sector. The exception is technological changes, which generally have an adverse effect on the demand for labour but at the same time increase the need for technological skills in the workforce. The only component of the sector that has been contracting markedly over the past few years is the stockbroking and financial markets subsector, and this contraction is likely to continue in the foreseeable future.

A particular challenge facing the sector is to increase the participation of blacks in the sector – especially at managerial level and in terms of equity ownership of firms. These changes are prompted by legislation and policy as well as by economic realities such as the need to extend the capacity of the sector beyond the current limited pool of professionals. Another challenge facing the sector is to retain financial skills that are currently being lost rapidly to the international market.

In terms of changes to SIC codes, however, the nature of the Financial and Accounting Services sector is such that certain drivers of change will not directly affect the scope of businesses to the extent that they will have to change SIC codes and Setas.

All the changes mentioned in this chapter boil down to an increased need for highly skilled financial professionals as well as the continuous development of the skills of workers who are already active in the labour market.

The current profile of workers confirms the need for greater equity in the sector. This implies the need to increase the representation of blacks in all categories and women in managerial positions. The employment of more disabled people also requires attention.

DEMAND FOR SKILLS

2.1 INTRODUCTION

This chapter begins with a summary of employment in the sector and the attributes of the current workforce, which was described in some detail in Chapter 1 of this report. These attributes reflect the kinds of skills that are used in the sector, and they give an indication of the racial and gender equity attained in the sector, and thus of the extent to which further transformation is required. This is followed by an assessment of the number of workers that will be needed in the sector over the period 2005 to 2009 and the occupations in which growth is likely to occur.

The Fasset sector does not correspond with any of the sectors used by agencies that produce labour market statistics in South Africa; consequently, little historical information is available on the sector. Although the grant applications received by Fasset are useful sources of information on the labour market in the sector, the levy-grant system is still too new to allow the discernment of any trends. This chapter therefore focuses mainly on expected trends based on the cross-sectional survey information gathered since Fasset's inception.

The quantitative assessment of demand presented in this chapter was derived from an adaptation of a labour demand model that was developed as part of the Fasset Sector Study (2002). The original model did not include SARS and the government departments registered with Fasset. The adapted model includes this component of the sector and uses updated and adjusted economic and emigration figures.

2.2 CURRENT EMPLOYMENT

2.2.1 Current employment composition

The sector employs approximately 106 000 people, of whom 60% are employed in managerial, professional and semi-professional occupations. Accountants and auditors, financial and management consultants, and investment professionals mostly occupy the professional positions in the sector. The technicians and associated professionals occupations consist mainly of positions for professionals-in-training such as trainee accountants and auditors. Management positions in the sector generally require professional qualifications, and therefore managers and owner managers are drawn from the professional cadres.

The clerical and administrative positions in the sector constitute 32% of total employment and are mainly for general administrators and clerks, secretaries and personal assistants, bookkeepers, and accounting clerks and receptionists.

2.2.2 Skills of the current workforce

Workers in the Fasset sector are obliged to update their knowledge and upgrade their skills continuously. Over the financial years 2001/2002, 2002/2003 and 2003/2004, the same three skills areas emerged from the WSPs as important priorities for employers in the sector: specialised financial skills, basic computer skills and marketing skills. The need for the continuous upgrading of specialised financial skills arises from the numerous legislative and regulatory changes that impact on the work of organisations in the sector. These changes were outlined in Chapter 1 and include changes in the tax legislation, corporate governance requirements and accounting practices. The need for computer skills follows on from the ongoing technological advancements in accounting and other software; marketing skills are crucial for business development and expansion.

2.3 EMPLOYMENT TRENDS AND PATTERNS

2.3.1 Growth in employment

The occupational profile of the sector suggests that the sector needs highly skilled workers with post-school qualifications, which is confirmed by the current educational profile which shows that 70% of the workforce has post-school qualifications.

The occupational profile depicted in Chapter 1 also illustrates the need for transformation in the sector. Women are underrepresented in the managerial and professional categories, and African workers are largely underrepresented in all four of the main occupational categories: the managerial, professional, technicians and associated professionals and the clerical and administrative categories. The future demand for skills will therefore be strongly influenced by the need to correct these imbalances.

2.3.2 Vacancies

Long-term vacancies (i.e. vacancies that employers find difficult to fill) provide an indication of skills shortages and of occupations in which the demand is higher than others. Fasset monitors vacancy rates on an annual basis and has found that over the past three to four years the vacancy rates for professionals and for technicians and associated professionals were higher than that in the other occupational categories. In the Fasset Sector Study (2002), the vacancy rate was 3,2% for professionals, 5,2% for technicians and associated professionals, and 1,8% for clerical and administrative workers. Similar trends were observed in the WSPs submitted in 2001/2002, 2002/2003 and 2003/2004, although the vacancy rates were lower.

The professional occupations with the highest numbers of vacancies were accountants and auditors, financial analysts and researchers, audit managers, bookkeepers, and financial consultants. Accounting and auditing clerks showed the highest numbers of vacancies in the technicians and associated professionals category for 2002/2003 and 2003/2004. Debt collectors emerged as the occupation with the highest number of vacancies in the category clerical and administrative workers in 2002/2003, while in 2003/2004 the occupation with the highest number of vacancies was bookkeepers.³⁵

2.3.3 Earning trends

The salaries earned by professionals in the financial services field and those earned by clerical and administrative staff also correspond with these trends. In the period 1994 to 2000, the annual income of

³⁵ Fasset Sector Study, Fasset, Analysis of Grant Submissions Year 2 and Year 3.

chartered accountants who worked in the private sector increased by 9,6% a year (in real terms) and that of auditors in the private sector by 8,3% a year. Conversely, administrative officers experienced a real increase of 4,2%, secretaries and personal assistants 3,8%, and administrative assistants and clerks 1,3%. The salaries of financial clerks and bookkeepers increased by 0,8% while receptionists and information clerks experienced a 1,3% drop in income³⁶ (see also Annexure E).

2.4 FORECASTING OF FUTURE DEMANDS

This section of the SSP analyses employment trends and patterns that can be expected in the period 2005 to 2009. The first part of this analysis focuses on aggregate demand, and the second part looks at the demand for specific occupations.

Aggregate demand

The demand for labour in the sector is defined as the total number of people expected to be employed in the sector in a specific year. Of particular importance for skills development is the number of positions that need to be filled; in other words, the number of people who have to be recruited into or trained for the sector. Positions that have to be filled are the result of two processes: expansion of the sector because of growth in the demand for its services or growth in the output of the sector (new demand) and attrition of staff through retirement, movement of people into other sectors or out of the labour market, emigration and mortality (replacement demand).³⁷

Four demand scenarios were developed in order to establish the quantitative parameters within which skills development needs should be seen. The scenarios range from conservative to most optimistic and result from the adaptation of the demand model developed as part of the Fasset Sector Study (2002). The input variables for this model are based on employment trends and patterns observed in the sector. These variables are explained below.

a) *Base employment*

The first variable is the number of positions currently available in the sector, which is taken as the sum of people employed plus reported vacancies. On the basis of the findings of the Fasset Sector Study (2002) and the subsequent adaptations to include SARS and government departments, the total employment in the sector in 2003 is estimated at 106 000. Added to this is the number of vacancies that existed over a prolonged period of time – taken as 3% of total employment.³⁸ Given the number of people who left their places of work during the year preceding the Fasset Sector Study (2002) (those who were retrenched excluded), it seems realistic to add another 1% of short-term vacancies. The total number of positions in the sector is therefore taken as 110 240.

³⁶ Calculated from the HSRC's Surveys of the Income of Graduates conducted in 1994, 1997 and 2000. These figures apply only to people with university degrees.

³⁷ In supply and demand models that are designed to establish the skills gap in a sector by comparing supply and demand, the attrition of workers is sometimes calculated on the supply side of the equation. In this model, attrition is used on the demand side to calculate replacement demand. The model is not an attempt to establish the skills gap but rather to indicate the replacement needs and possible growth trends that may translate into the need to train or re-train people for the sector.

³⁸ This is based on the vacancies reported by employers in the Fasset Sector Study as well as on the workplace skills plans submitted for the year 2001/2002. The next sector survey and scenario update will be conducted in the middle of the second National Skills Development Strategy (NSDS) period.

b) Mortality

Expected mortality in the sector is based on the age, gender and population group distributions of the workforce. If the survivor ratios projected by the Bureau for Market Research³⁹ in its population projections are applied to these distributions, a mortality rate of 0,6% per annum is obtained. This is lower than the 0,9% death rate for the year 2001/2002 reported in the Fasset Sector Study (2002). The mortality rate is consequently taken as the mid-point between these two, namely 0,75%.

c) Retirement

An estimate of retirement is based on the assumption that workers will retire at the age of 60. The number who would retire was therefore taken as all workers who would reach retirement age in each projection year – approximately 0,8% of the total workforce. This calculation was based on the age distribution of workers as indicated in the Fasset Sector Study (2002).

d) Emigration

General trends with regard to the emigration of accountants and related professionals were discussed in Chapter 1. In this discussion, it was noted that the emigration of accountants and related professionals soared in the last part of the 1990s and up to 2001. However, it seems that in 2002, emigration started to level off.

In the Fasset Sector Study (2002), employers also reported that the sector was losing large numbers of its workers (especially professionals) to emigration. In the year preceding the study, some 500 individuals (0,5% of all employees) left their places of employment to establish themselves elsewhere in the world. For the purpose of developing the four scenarios, it was assumed that emigration would stay at 0,5% a year.

e) People leaving the sector or the labour market

People leaving the sector to find employment in other sectors of the economy or who stop working altogether (e.g. to become homemakers) is a major factor in replacement demand. Information on these trends is, however, very limited. In the absence of comprehensive data, a speculative figure of 5% is used. This figure is suggested by the Department of Labour in its *Sector Skills Plan Guide* issued to all the Setas during the previous sector skills planning period (Date unknown, p. 31.). The figure seems realistic in the light of the Fasset Sector Study's (2002) finding that in the year 2001/2002, approximately 10% of the workforce resigned or left their places of employment voluntarily. Half of these people may well leave the sector altogether.

Four scenarios were developed for the purpose of this study. This was done by varying only two variables: the economic growth rates and employment elasticity – in other words, the factors that affect growth in new demand. Attrition from the sector was held constant and was calculated as described above.

The permutations used in the four scenarios are as follows:

Scenario	Economic growth of sector	Employment elasticity
A	3%	0,65
B	3%	0,78
C	4,5%	0,65
D	4,5%	0,78

³⁹ Bureau of Market Research, *A Projection of the South African Population, 1996 to 2021*, University of South Africa, Pretoria, 1999.

The results of the model are shown in Annexure D. Scenario A gives an annual growth rate of 2% in the number of positions to be filled. The growth rates arising from the other three scenarios are 2,3%, 2,9% and 3,5% respectively. The number of new employment opportunities that need to be created over the five-year period 2005 to 2009, and those that need to be replaced because of people leaving the sector, can be seen in Table 2.1.

Table 2-1 Projected employment demand: 2005 to 2009

Scenario	New positions		Positions to be replaced	
	Total	Annual average	Total	Annual average
A	11 400	2 280	42 600	8 520
B	13 900	2 770	43 300	8 650
C	17 600	3 520	44 300	8 850
D	21 500	4 200	45 300	9 060

The projection of new positions that will be created was compared with the new positions created in organisations that submitted WSPs to Fasset. In 2001/2002, 235 organisations indicated that they would grow due to business expansion and that they would create 1 524 new employment opportunities. This constitutes a 5% growth in employment. If the employment figures of organisations that submitted WSPs in Year 2 and in Year 3 are compared, the total growth in employment that occurred in these organisations was 8%.⁴⁰ In the 2002/2003 financial year, 296 employers expected their businesses to grow and to increase employment between 3% and 5%.⁴¹ The projections derived from the model therefore seem to correspond with the employers' expectations.

All four scenarios are based on the assumption that relatively high positive average economic growth rates will be experienced over the projection period. Lower growth in the output of the sector or a marked decline in the growth of the total economy will obviously change the situation completely and may even lead to a decline in total employment.

The concentration of employment in the few large firms in the sector should also be borne in mind (Section 1.3). Sudden changes in the situation of one or more of the large firms may have a dramatic impact on employment in the sector, for example a major merger or the demise of one of the large firms may result in a sudden and unexpected reduction in employment and may suddenly push a large number of qualified people into the job market.

The demand scenarios also assume no constraints on the supply side. Employment creation in this particular sector is highly dependent on the availability of skilled professionals. They are the people who start up small practices and businesses and, by doing so, create employment for others. Even in large organisations, business growth is dependent on the presence of professionals; the employment of clerical and administrative staff follows. Thus, employment growth may be stifled by the absence of professionals.

2.5 THE DEMAND FOR SPECIFIC OCCUPATIONS

The growth in employment expected in the sector will not be distributed equally among the main occupational categories. The labour market trends referred to in section 2.1 suggest that the professional

⁴⁰ This figure is relatively high because the analyses of WSPs could not detect the effect of organisation closure on employment.

⁴¹ Comparisons between employers' predictions and actual growth in employment suggest that employers tend to be conservative in their projections of growth. If employment figures of organisations that submitted WSPs in 2001/2002 and in 2002/2003 are compared, these organisations showed a net growth in employment of 8%. Sources: Fasset, *Analysis of Grant Submissions, Year 2* and Fasset, *Analysis of Grant Submissions, Year 3*.

and technicians and associated professional categories are growing and will probably continue growing faster than the other occupational categories. The need for professional and technical skills is driven by changes in the financial services environment described in Chapter 1, while the demand for clerical staff is somewhat stifled by technological advancements such as the computerisation of functions.

Similarly, replacement demand is to a large extent concentrated in the professional and technicians and associated professional categories as these workers are frequently absorbed into financial and financial management positions in other sectors of the economy.

2.6 CONCLUSIONS

Although historical and time series data on Fasset's sector are not available, analysis of available data seems to sketch a relatively consistent picture of current and expected future trends.

If economic growth in South Africa is sustained at 2% to 3% per annum, employment in the sector can be expected to grow by 2 300 to 4 200 positions a year. This growth is driven by the factors discussed in Chapter 1, for example an increase in the demand for financial services emanating from growth in the client base of the sector, especially growth in SMMEs; legislative changes and an increase in the complexity of business activities that compel organisations to use specialised financial services, and the general tendency of organisations to outsource non-core functions.

In addition to the new positions that need to be filled, a total of 8 500 to 9 000 positions will also have to be filled because of people leaving the labour market or the sector. Most of the new positions, as well as the replacement positions, will occur in the two occupational categories: professionals and technicians and associated professionals. The sector will therefore have to attract relatively large numbers of workers with tertiary education qualifications in the specialised fields relevant to the sector and with the professional and technical qualifications conferred by the professional associations involved in the sector. Although the professionals, and technicians and associated professionals categories cover a range of skills, a large part of the sector is specifically dependent on people trained as accountants and auditors and as financial and business specialists.

Growth in the demand for clerical and administrative workers is expected to be slower than that for workers in the professionals and technicians categories. The turnover of workers in this category also seems to be lower than that in the professionals and technicians categories. However, clerical and administrative staff forms a large component of the workforce and their training and development cannot be neglected. Lower level occupations such as machine operators and labourers constitute a very small part of the workforce, and the demand for workers in these categories is unlikely to increase.

All the changes mentioned in this chapter boil down to an increased need for highly skilled financial professionals as well as the continuous development of the skills of workers who are already active in the labour market. The transformational needs of the sector add a special dimension to the demand for skilled financial professionals, namely an increased demand for people from historically disadvantaged groups.

SUPPLY OF SKILLS

3.1 INTRODUCTION

The supply of skills to the sector is analysed from different perspectives. First of all, the focus falls on the availability of people with skills in the study fields relevant to the sector and the unemployment in the sector. High unemployment rates are an indication of an oversupply of skills, while very low unemployment rates may indicate the inability of the educational sector to meet increased labour market needs.

The second part of this chapter deals with the formation of new skills for the sector – more specifically, the role of the higher education institutions and professional associations and learnerships in this regard.

The last part of the chapter deals with skills development in the workplace.

3.2 AVAILABILITY OF FINANCIAL SKILLS IN THE ECONOMY

The LFSs conducted by StatsSA provide information on the qualification levels and economic status of the South African workforce. According to the September 2004 survey, there are approximately two million economically active⁴² people in South Africa with post-matric qualifications. Of these, 431 000 (22%) have qualifications in the field of business, commerce and management studies. More than half (60%) of the people qualified in this field of study have post-matric diplomas or certificates; 30% have degrees and 10% have postgraduate diplomas or degrees.

Of the 431 000 potential workers in this field, 62 000 (14%) were unemployed at the time of the survey. The unemployment rate differs markedly for people at different qualification levels. For those with only a post-matric diploma or certificate, the unemployment rate was 21%. However, the unemployment rate dropped to 5% for those with a degree or a postgraduate qualification (Table 3.1).

Table 3.1 shows that the circumstances of African graduates differ markedly from those of members of the other three population groups. At all qualification levels, their unemployment rates are much higher. At the level of post-matric diplomas and certificates, the unemployment rate for African diplomates is as high as 35% compared to the overall unemployment rate in this educational category of 21%. African graduates with a first degree have an unemployment rate of 12% compared to a 2% unemployment rate among white graduates with this level of qualification. This improves slightly at the postgraduate level where the unemployment rate for Africans is 7% and that for whites is 4%.

Table 3-1 The economically active workforce with post-Grade 12 qualifications in business, commerce and management studies

Highest qualification	Population group	Employed		Unemployed		Total
		N	%	N	%	
Diploma/Certificate	African	88 613	65	46 968	35	135 581

⁴² The expanded definition of unemployment was used to determine the economically active population. This means that work seekers who had not actively looked for employment shortly before the survey, but who were available for work (generally known as discouraged work seekers), were regarded as economically active. In the strict or official definition of unemployment, these workers would have been regarded as not economically active.

Highest qualification	Population group	Employed		Unemployed		Total
		N	%	N	%	
with Grade 12/Std 10	Coloured	15 483	90	1 744	10	17 227
	Indian	8 958	100	0	0	8 958
	White	90 232	95	4 815	5	95 047
	Unknown	1 189	100	0	0	1 189
	Total	204 476	79	53 527	21	258 002
Degree	African	36 143	88	4 834	12	40 977
	Coloured	6 691	100	0	0	6 691
	Indian	7 303	97	235	3	7 538
	White	68 507	98	1 098	2	69 605
	Unknown	5 224	100	0	0	5 224
	Total	123 868	95	6 168	5	130 036
Postgraduate degree or diploma	African	5 864	93	425	7	6 289
	Coloured ⁴³	0	0	0	0	0
	Indian	1 013	81	235	19	1 249
	White	34 272	96	1 503	4	35 774
	Unknown	0	0	0	0	0
	Total	41 149	95	2 163	5	43 312

Source: Calculated from the September 2004 Labour Force Survey.

These figures show that there is spare capacity of people who are already educated to some level and who could be available for work in the Financial and Accounting Services sector. Unfortunately, a macro-analysis such as this one does not reveal much detail about the exact skills available among the unemployed. What this analysis does reveal is that most of the unemployed are young (64% are 30 years of age or younger), most (66%) of them have never worked before and many are living in areas where organisations belonging to the Fasset sector are thinly spread, for example 12% are living in Limpopo, 11% in the Eastern Cape and 7% in North West.

Information on the availability of university and technikon⁴⁴ graduates with qualifications in the financial field, and more specifically in accounting, was obtained from the NLRD, which is maintained by SAQA. These figures have been analysed up until 2001, and at this stage no update exists for 2005 from SAQA. Though aged, this analysis gives us an indication of trends in university and technikon outputs.

We could distinguish between the availability of graduates with qualifications in accounting and those in the more general field of commerce, business management and business administration. Unfortunately, this database does not provide information on the employment status of graduates.⁴⁵

⁴³ The LFS provides the best and most recent labour market data. However, due to the size of the sample, large variances can occur if data are analysed at a very detailed level. This is the reason for the absence of coloureds with a postgraduate degree or diploma.

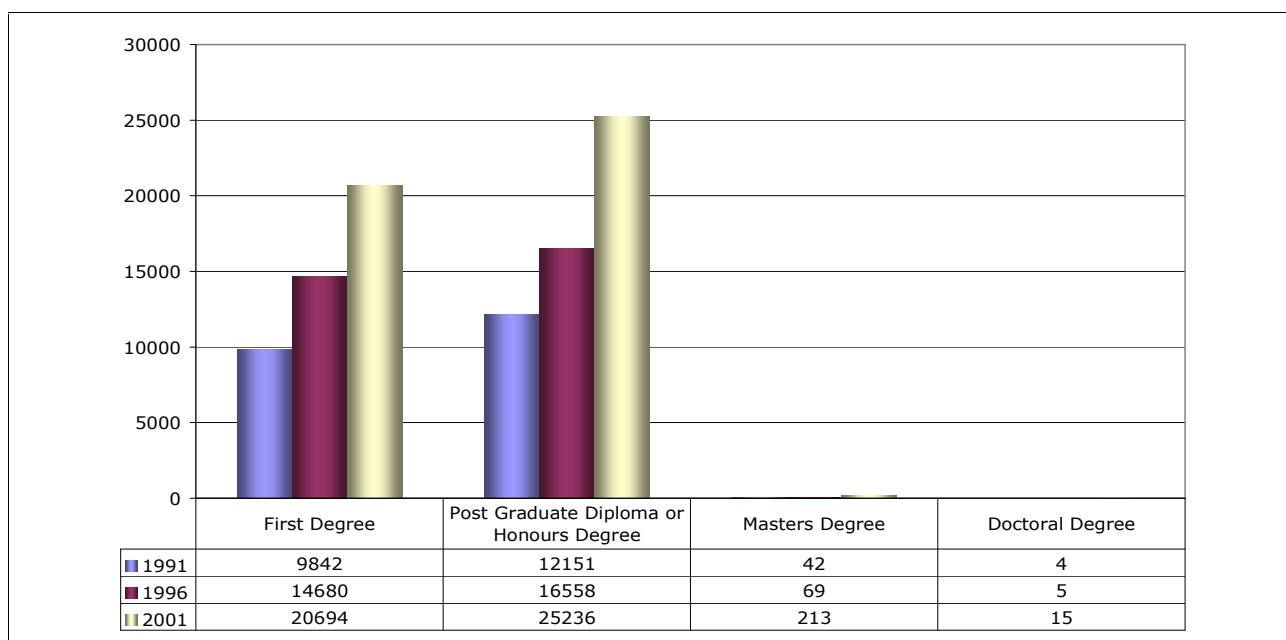
⁴⁴ The restructuring of the higher education system that is currently taking place is hereby acknowledged. Technikon are no longer so called but are known as universities of technology. Various institutions are in the process of merging and have new names. However, the historical data used in this analysis are still structured according to the old institutional divisions. The new qualification structures that will emerge from the current transformation process are also unclear at this stage. Therefore this SSP still refers to universities and technikons and to the qualifications that are currently in use.

⁴⁵ The analysis that follows in the rest of the section is based on information obtained from the NLRD. The NLRD does not contain information on technikon qualifications obtained before 1999. The NLRD data were accordingly augmented with information from the

The analysis shows that in 2001, 159 000 university graduates had qualifications in either accounting or in commerce, business management and business administration. However, of these, only 29% (46 000) had majored in accounting. Technikon graduates with qualifications in these two fields numbered 55 000, and 13 000 (24%) of them had qualifications in accounting.

Figures 3.1 and 3.2 provide information on the availability⁴⁶ of people according to their highest levels of education. The figures also show how availability changed in the period 1991 to 2001. A first observation that can be made from the figures is that most university learners who have qualifications in accounting continued with postgraduate studies. The number of graduates with Honours degrees and postgraduate diplomas exceed the number with first degrees only. This is largely because postgraduate diplomas (including the Certificate in the Theory of Accounting (CTA)) or Honours degrees are requirements for entry into the qualifying examination of the PAAB and SAICA's qualifying examination. In contrast, most of the graduates in the field of commerce, business management and business administration have only first (three year) degrees.

Figure 3-1 Availability⁴⁷ of university graduates who majored in accounting by highest level of education

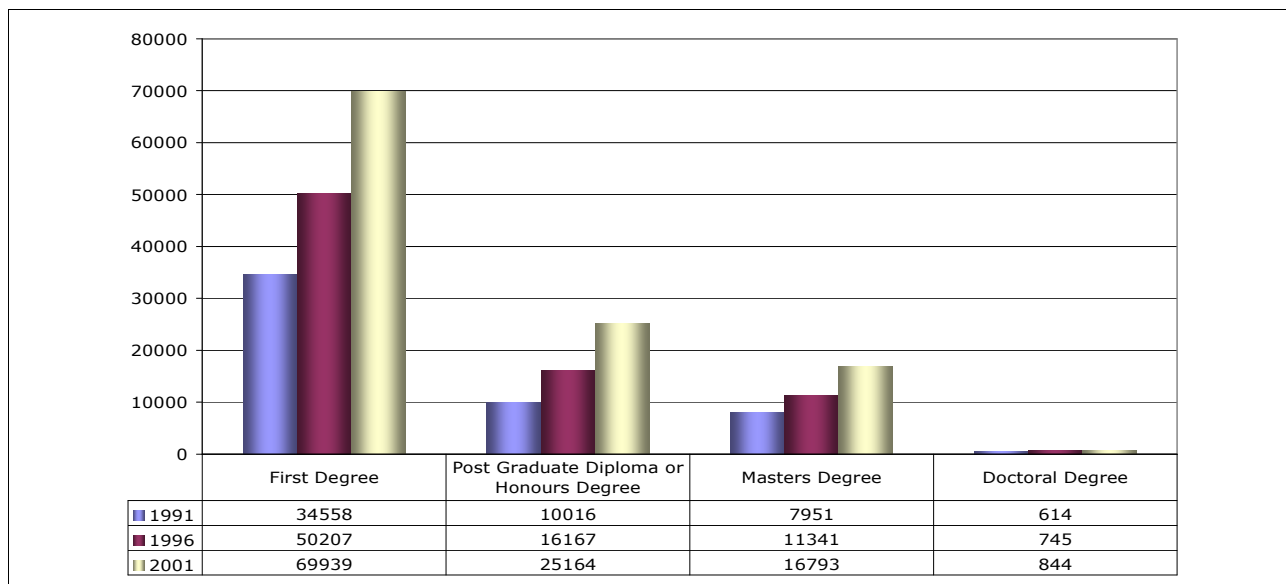


Department of Education's SAPSE system. The analysis of the SAPSE data was commissioned by SAQA. All information is published with their permission.

⁴⁶ The NLRD contains information on individuals with all their educational achievements. Availability was determined by considering each individual's highest qualification in the particular field of study. Individuals were consequently not counted more than once.

⁴⁷ The term "availability" is used to refer to the total number of individuals who have obtained a degree or diploma at a South African university or technikon. The NLRD does not contain up-to-date information on emigration, mortality or labour market participation. "Availability" therefore does not refer to the actual number of people who are available for work.

Figure 3-2 Availability of university graduates in commerce, business management and business administration by highest level of education



Figures 3.3 and 3.4 illustrate the current situation and the total growth in the availability of graduates in accounting and in commerce, business management and business administration. In the accounting field, the number of graduates increased by 42% over the period 1991 to 1996 and by 47% from 1996 to 2001. The growth in graduates in commerce, business management and business administration was 48% between 1991 and 1996 and 44% between 1996 and 2001.

The figures also show the pace at which the population group distribution of graduates has been changing. In 1991, 89% of all graduates who majored in accounting were white and only 2% were African, 1% were coloured and 6% were Indian. By 2001, African graduates had increased their share to 9%, coloureds to 3% and Indians to 10%. The pace of change in this field is thus relatively slow. In the more general field of commerce, business management and business administration, change has been somewhat faster with African graduates increasing from 4% of graduates in 1991 to 13% in 2001.

Figure 3-3 Availability of university graduates in accounting by population group

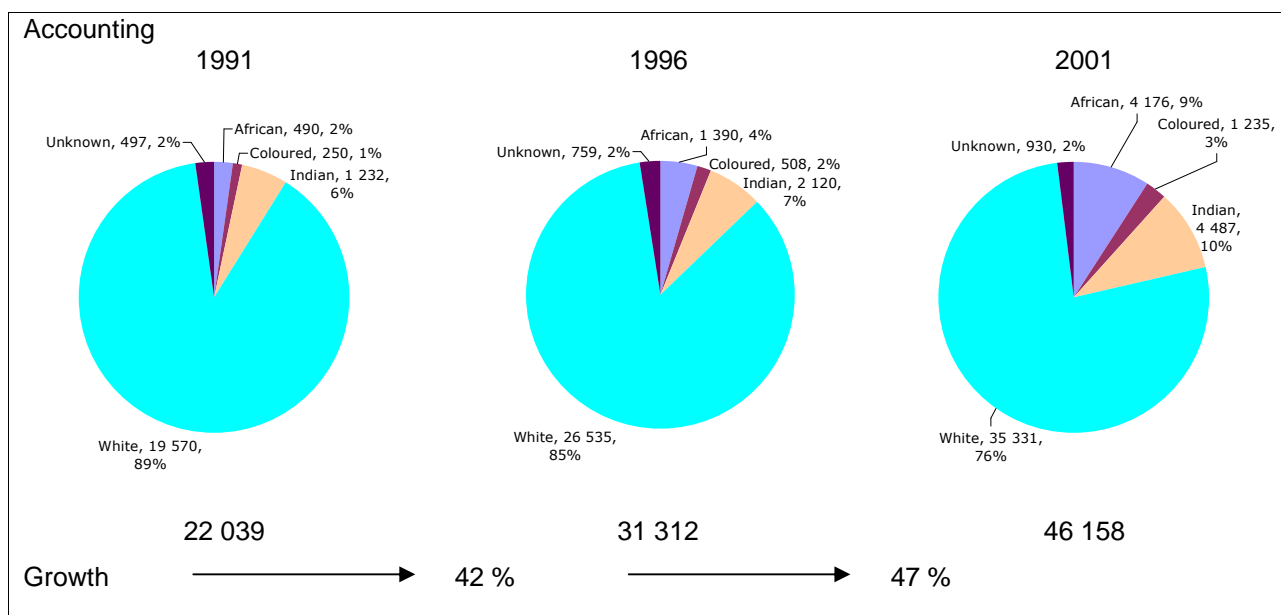
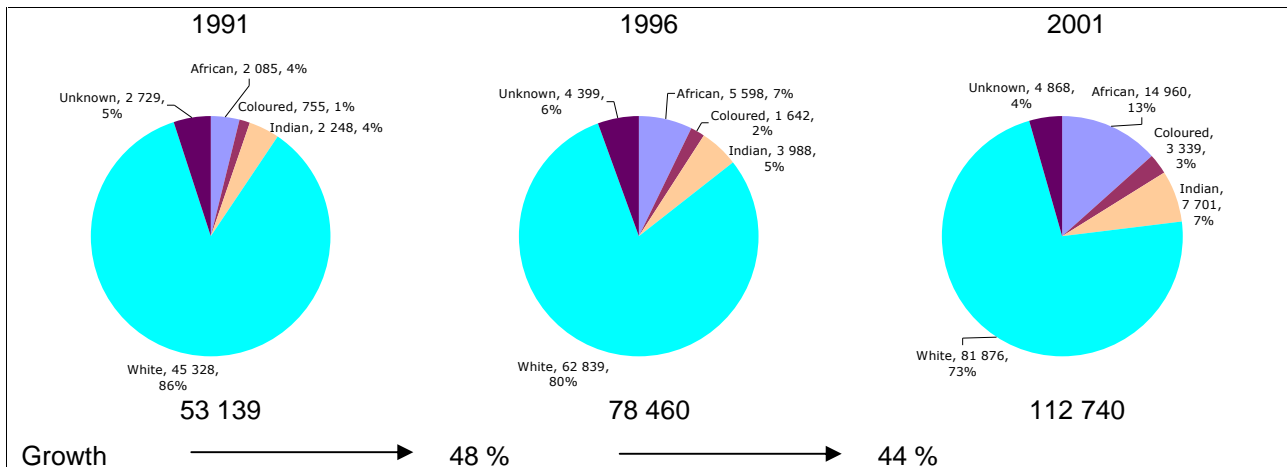


Figure 3-4 Availability of university graduates in commerce, business management and business administration by population group (excluding accounting)



The majority of technikon graduates in both accounting and in commerce, business management and business administration have only a national diploma (Figures 3.5 and 3.6).

Figure 3-5 Availability of technikon graduates in accounting by highest level of education

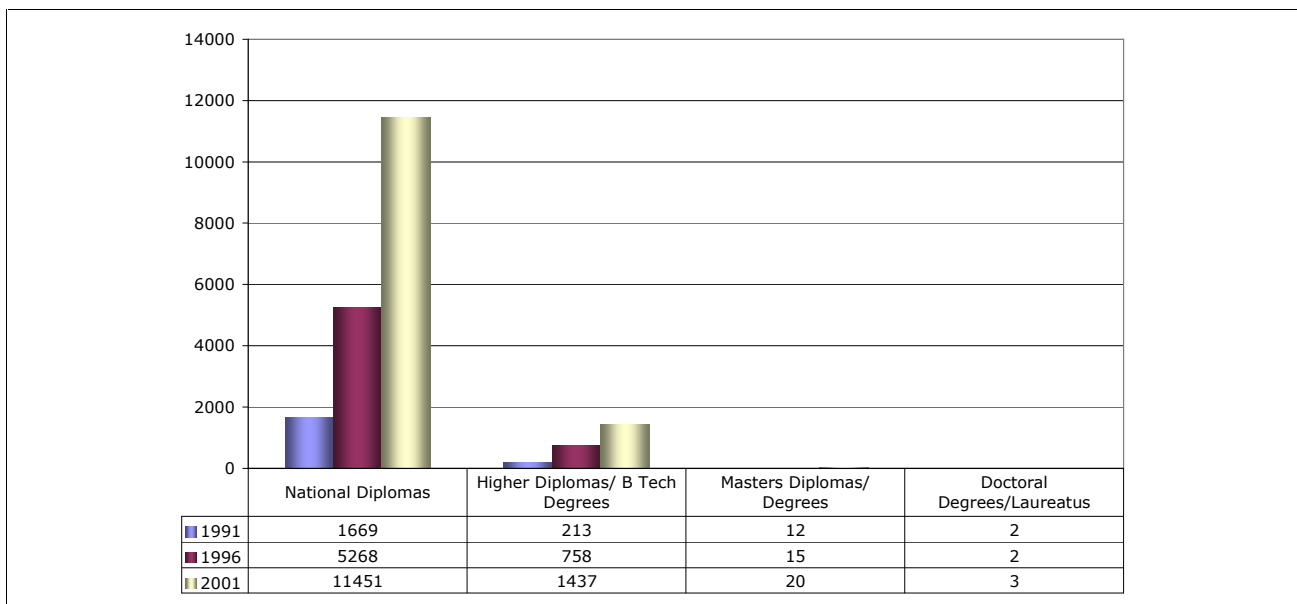
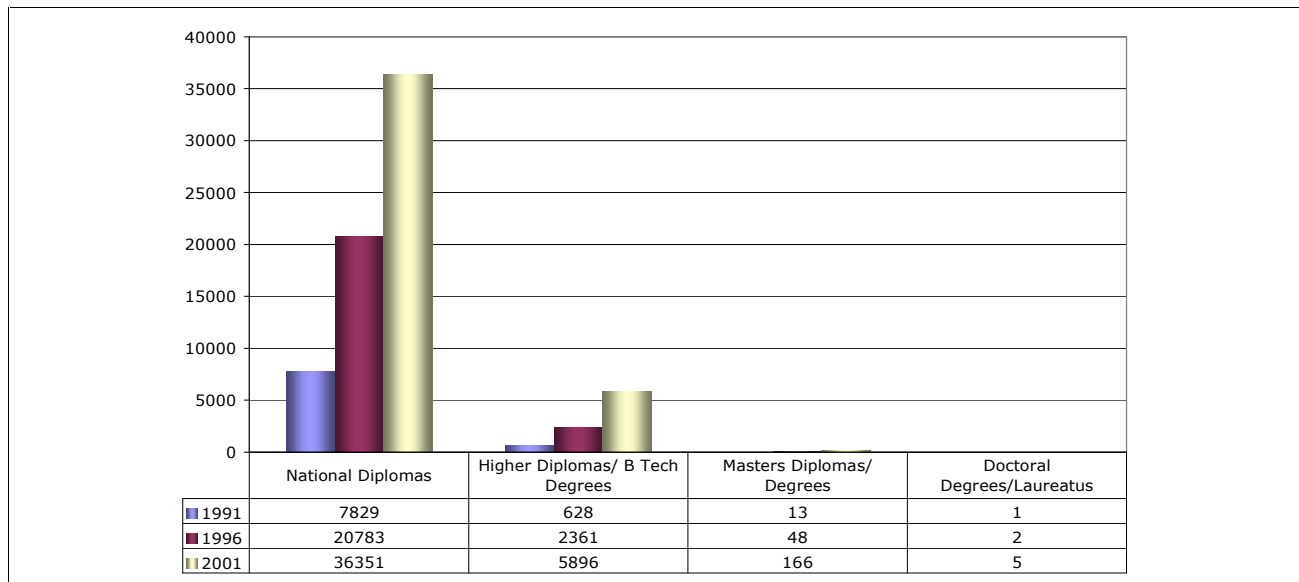


Figure 3-6 Availability of technikon graduates in commerce, business management and business administration by highest level of education



The technikon system was established only in the 1980s, and consequently the number of people with qualifications from these institutions grew rapidly through the 1990s. The number of those with qualifications in accounting grew by 226% from 1991 to 1996 and by 146% from 1996 to 2001. The growth rates for those with qualifications in commerce, business management and business administration were 221% from 1991 to 1996 and 98% from 1996 to 2001.

The technikons attract relatively more African learners than the universities do and, in terms of people with accounting qualifications, African graduates increased from 2% of the total in 1991 to 34% in 2001. Indian learners were from the beginning drawn to the accounting field, and in 1991 they constituted 16% of the technikon graduates in this field and in 2001 10%.

In commerce, business management and business administration, Africans increased from 3% in 1991 to 29% in 2001.

Figure 3-7 Availability of technikon graduates in accounting by population group

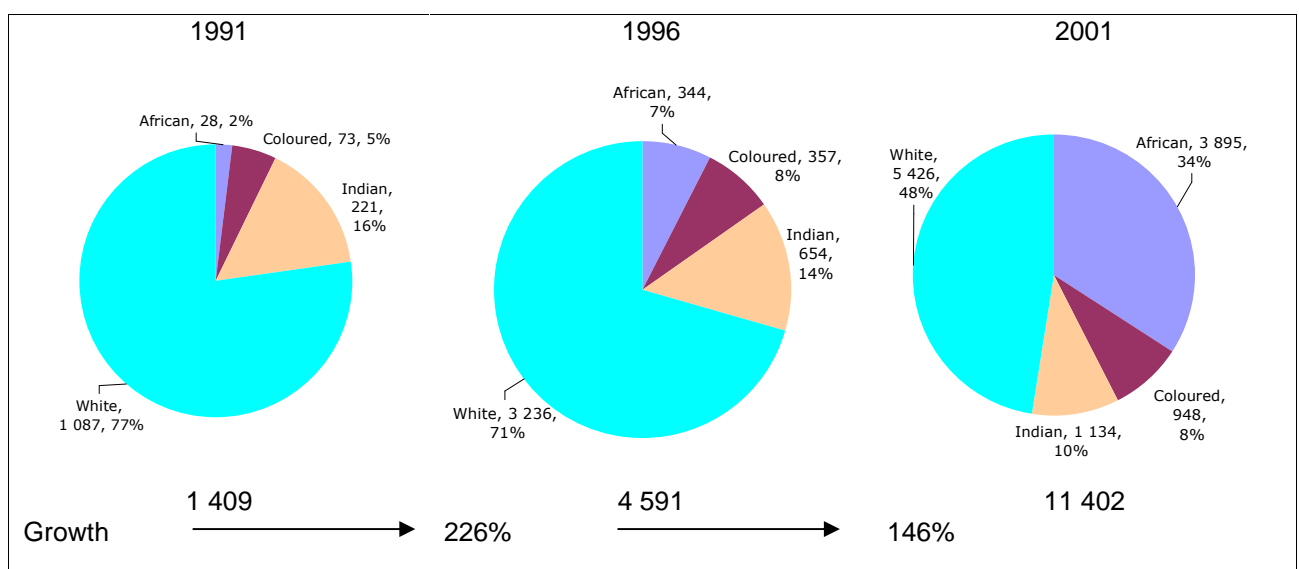
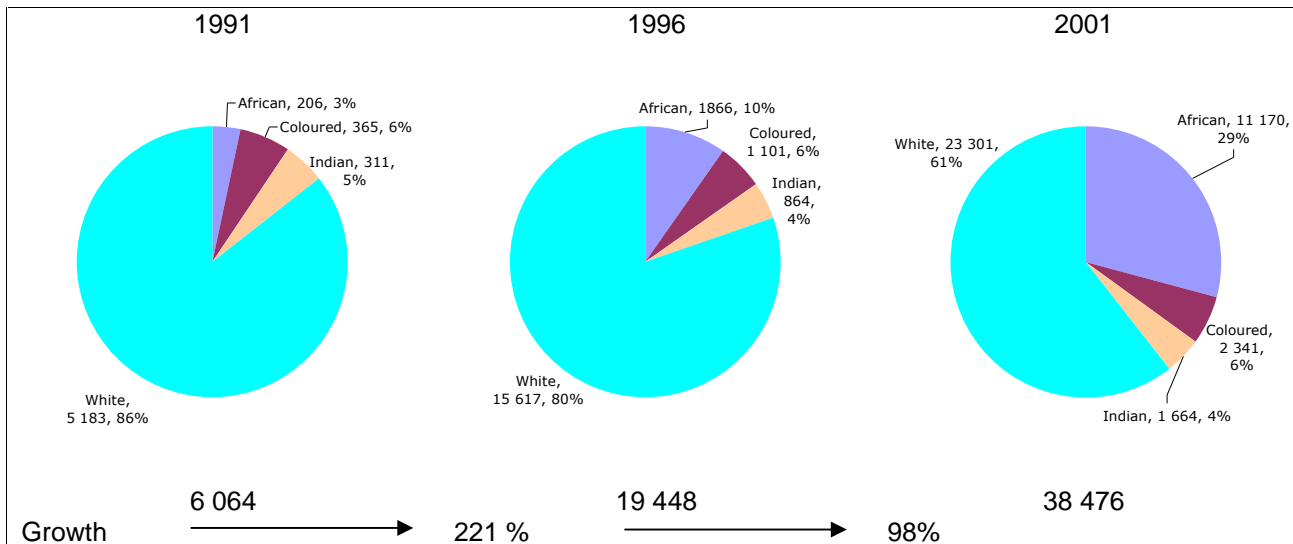


Figure 3-8 Availability of technikon graduates in commerce, business management and business administration by population group



Although the sector served by Fasset is one of the largest users of financial skills in the country, it shares the stock of skills with all other sectors. It is therefore difficult to establish whether the number of people available is sufficient for the needs of the sector. Unemployment figures show spare capacity in the labour market. However, the figures presented above reveal that in the specialised field of accounting, which is a key study field for this sector, the stock of skills is limited. Growth in African graduates has been relatively slow, and the backlog in terms of racial equity is likely to hamper progress in terms of the targets set by the various charters and in terms of individual organisations' employment equity plans.

3.3 THE FORMATION OF NEW SKILLS FOR THE SECTOR

This section describes the various routes through which learners can enter the sector and the providers of education and training including a detailed description of the professional bodies that are active in the sector.

3.3.1 Entry routes into the sector

The formation of new skills for the sector takes many forms, and several routes are available to those who want to work permanently in the sector. The routes that can be followed are as follows:

a) **Direct entry from school into the labour market**

A relatively small proportion of the workers in the sector enter the labour market after school without any further education or training. The educational profile of the sector shows that very few workers have qualifications lower than Grade 12 or matric. These workers are employed mainly in elementary occupations. Workers with Grade 12 are employed largely in clerical or administrative positions.

b) **Entry after school via learnerships**

Various learnerships in the sector have Grade 12 or matric as an entry-level requirement. These learnerships prepare workers for clerical and administrative positions or as technicians and associated professionals.

c) Entry via the higher education system with national qualifications

Many workers enter the sector after completion of a degree or diploma at a public or private higher education institution. The qualifications gained along this route are the standard higher education qualifications (typically diplomas and degrees).

d) Entry via the higher education system with professional qualifications

Several of the professional associations offer professional qualifications, some of which are internationally recognised. Preparatory education for the qualifying examinations is offered by some of the public as well as private higher education institutions while the qualifying examinations are generally set by the professional bodies.

e) Entry via the higher education system with national qualifications, followed by a learnership and a professional qualification

Some of the higher level professional qualifications can be obtained only after acquiring a national qualification or qualifications (e.g. a B.Com. (Honours) degree), after the completion of a learnership and after passing a qualifying examination set by the professional body. This route is the one followed by specialised professionals such as chartered accountants.

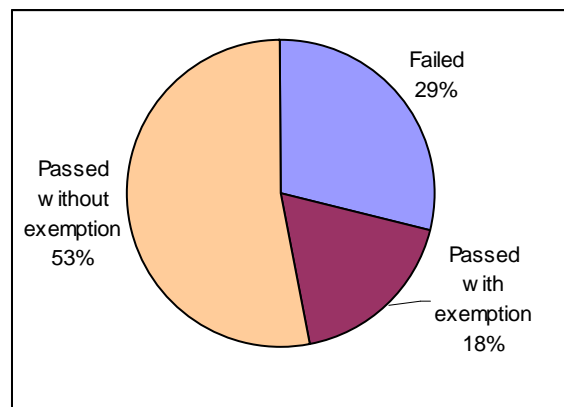
3.3.2 Providers of education and training

The main groups of providers of education and training at entry level are the formal school system, universities, technikons, private FET and HET institutions, professional bodies and employers. The role that each of these groups plays, and the most important qualifications offered by them, are discussed below.

a) Schools

The number and academic ability of new entrants into the labour market and into the higher education system are determined by the Senior Certificate examination results. Of particular importance to this sector are the pass rates in mathematics as this subject is a prerequisite for most of the study fields relevant to the sector.

Figure 3-9 Senior Certificate passes: 2004



Source: Department of Education, Statement on the 2004 Senior Certificate Examination Report, December 2004.

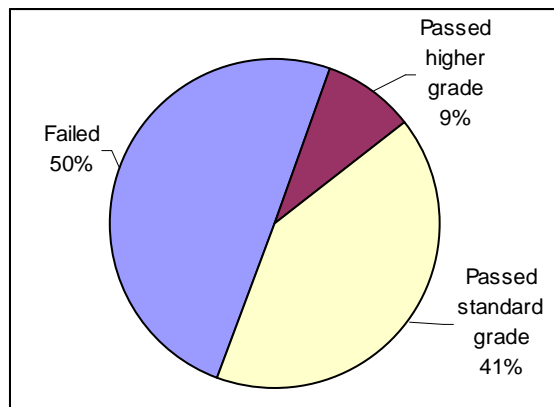
In 2004, a total of 471 080 learners sat the Senior Certificate examination. Of these, 71% passed the examination – 18% with matriculation exemption and 53% without exemption (Figure 3.9)

Of all the candidates who wrote the examination, 267 461 wrote mathematics with 50% passing the subject. Only 9% of all the learners passed mathematics at the higher grade and a further 41% passed the subject at the standard grade. The low number of mathematics passes severely limits the pool of candidates for study in accounting and related fields (Figure 3.11).

Although accounting at school level is not necessarily a requirement for entry into the accounting field, the Senior Certificate passes in accounting give an indication of learners' interest in the subject and of the general achievement in a field that requires a high level of numeracy. The number of learners who wrote accounting was much lower than the number who wrote mathematics, but pass rates in this subject were higher. In 2004, a total of 140 919 learners (30% of all the learners who sat the Senior Certificate examination) wrote accounting; 19% passed at the higher grade and 69% at the standard grade (Figure 3.11).

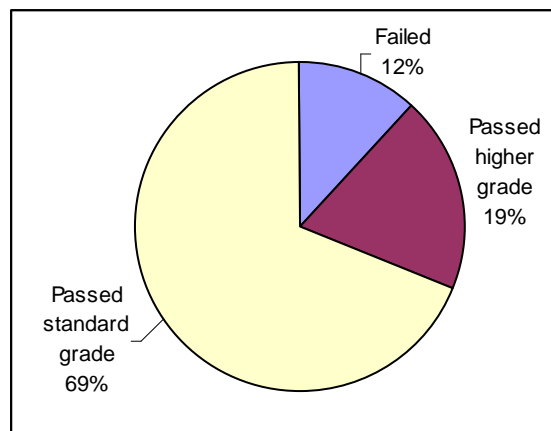
The flow of learners through the higher education system and the entry of matriculants into the labour market are also affected by the English language proficiency developed at school level. A general problem experienced by higher education institutions is that non-English speaking learners do not have the language skills needed to master the academic content. Similarly, many employers state that learners do not have the language skills required in the labour market.⁴⁸

Figure 3-10 Senior Certificate passes in mathematics: 2004



Source: Department of Education, Statement on the 2004 Senior Certificate Examination Report, December 2004.

Figure 3-11 Senior Certificate passes in accounting: 2004



Source: Department of Education, Statement on the 2004 Senior Certificate Examination Report, December 2004

⁴⁸ Human Sciences Research Council, *Skills Development in the Financial and Accounting Sector*, Fasset, Johannesburg, October 2002.

Although accounting was much lower than the number that wrote mathematics, but the pass rates in this subject were higher. In 2004, a total of 140 919 learners (30% of all the learners who sat the Senior Certificate examination) wrote accounting and 19% passed at higher grade and 69% at standard grade (Figure 3.11).

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b) Public FET and HET Institutions

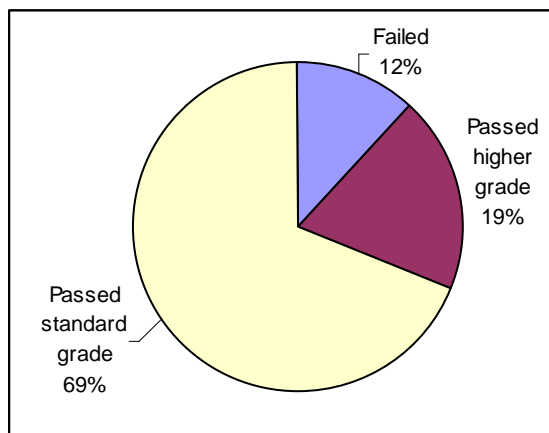
Universities

All the universities, except Medunsa, provide training in the broad area of business, commerce and management sciences. The fields of study most relevant to the sector are accounting, cost and management accounting, financial accounting, business and financial management, auditing, financial information systems and taxation. Business schools based at some of the universities offer postgraduate programmes in business administration.

Figure 3.13 shows the qualifications awarded by universities in business, commerce and management sciences according to qualification level from 1999 to 2003. The number of graduates in this field increased on average by 12% a year. The increase in postgraduate diplomas and Honours degrees was much higher than that in first degrees, which indicates that people are tending to stay longer in the HET system and that the number of people with postgraduate qualifications is increasing.

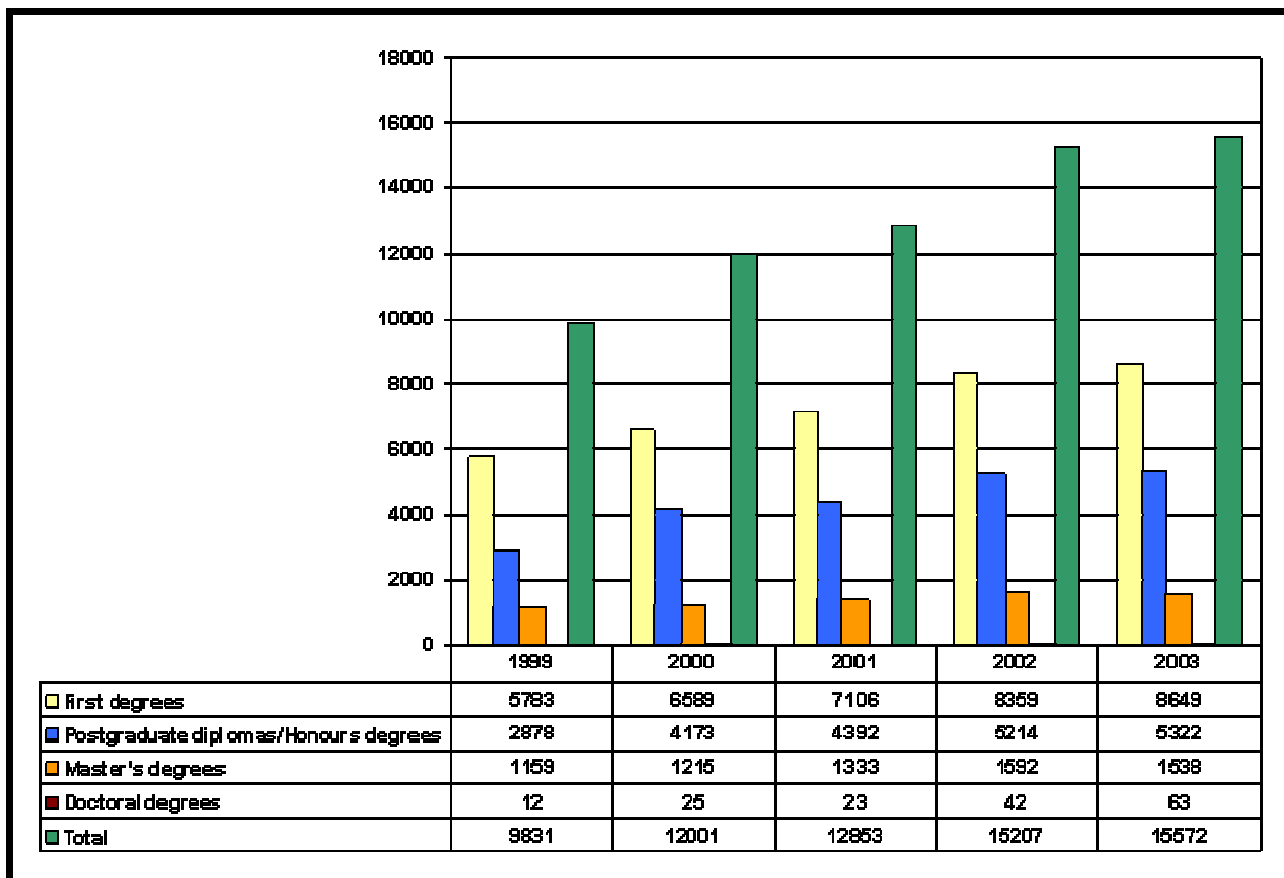
Figure 3-13 Qualifications awarded by universities in business, commerce and management sciences according to qualification level: 1999-2003

Figure 3-12 Senior Certificate passes in accounting: 2004



Source: Department of Education, Statement on the 2004 Senior Certificate Examination Report, December 2004

⁴⁹ Human Sciences Research Council, *Skills Development in the Financial and Accounting Sector*, Fasset, Johannesburg, October 2002.



Source: Calculated from DoE, HEMIS Table 2.13, 1999 to 2003.

Table 3.2 shows the specific fields of study and the increase in the number of qualifications awarded in each field by universities. The number of accounting graduates was higher than the number of graduates in other fields, and the average annual growth rate in this field of study over the five-year period was 12%.

Table 3-2 Qualifications awarded by universities in business, commerce and management sciences according to field of study: 1999-2003

Field of study	1999	2000	2001	2002	2003	Average annual growth rate (%)*
Accounting	5 164	6 748	6 321	7 905	8 123	12
Administrative and Office Services	38	9	12	0	4	
Banking and Finance	271	414	482	461	614	23
Business Data Systems	164	173	323	204	182	3
Entrepreneurship	1 175	1 101	966	684	881	-7
Information Communications	319	449	478	521	523	13
Insurance and Risk Management	44	74	88	108	105	24
International Business	0	2	4	45	50	
Management	977	1 098	1 916	3 252	3 338	36
Marketing	201	262	364	412	427	21
Other Business, Commerce and Management Sciences	1 240	1 324	1 395	1 220	977	-6
Personnel Management and Administration	188	295	395	345	296	12

Field of study	1999	2000	2001	2002	2003	Average annual growth rate (%) [*]
Quantitative Methods	46	49	105	50	51	3
Real Estate	5	2	4	0	0	
Total	9 832	12 000	12 853	15 207	15 571	12

^{*}Unweighted average.
Source: Calculated from DoE, HEMIS Table 2.13, 1999 to 2003.

Apart from Unisa, the largest output was from the Universities of Pretoria and the Witwatersrand, the Rand Afrikaans University (RAU) (now part of the University of Johannesburg) and the University of KwaZulu-Natal. Most Master's level learners were from universities with business schools attached to them, namely Unisa and the Universities of Stellenbosch, Cape Town, the Witwatersrand and Potchefstroom (now the University of North West).

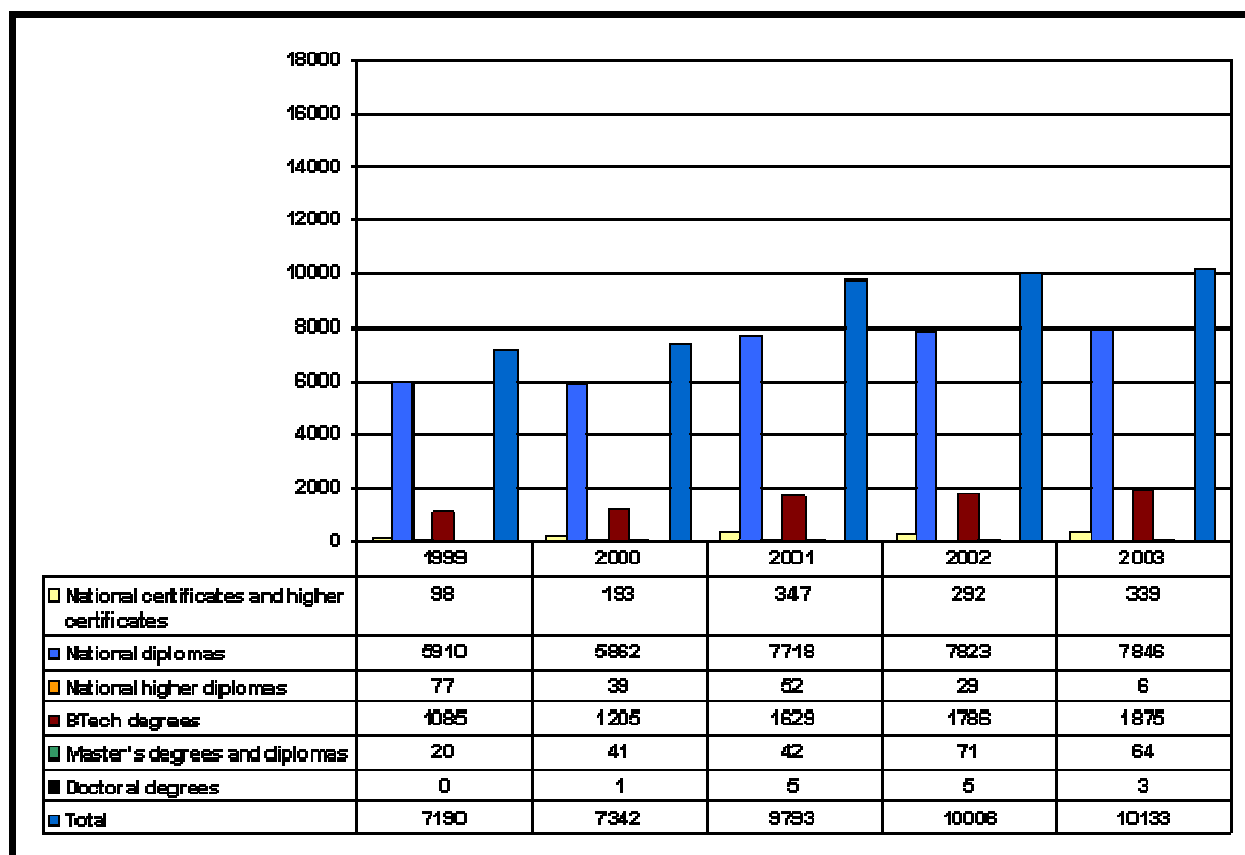
Technikons

All the technikons offer training in accounting and in commerce, business management and business administration. The specific specialisations offered at technikons are cost and management accounting, financial accounting, internal auditing, financial information systems and financial management. Some of the technikons also offer training towards the Chartered Institute for Secretaries (CIS) qualification.⁵⁰

From 1999 to 2003, technikons experienced an average annual growth rate of 9% in business, commerce and management sciences graduates (Figure 3.5). Most of the qualifications awarded were at the national certificate, higher certificate, Master's degrees and diploma level. The number of BTech degrees increased by 47% during the period.

⁵⁰ The CIS qualification is the professional qualification offered by ICSA for company secretaries.

Figure 3-14 Qualifications awarded by technicians in business, commerce and management sciences according to qualification level: 1999-2003



*Unweighted average.

Source: Calculated from DoE, HEMIS Table 2.13, 1999 to 2003.

Table 3.3 details the qualifications awarded by technicians in business, commerce and management according to field of study. Similar to universities, more qualifications were awarded in accounting than in any of the other fields of study. The annual growth rate for accounting was 19%.

Table 3-3 Qualifications awarded by technicians in business, commerce and management sciences according to field of study: 1999-2003

Field of study	1999	2000	2001	2002	2003	Average annual growth rate (%)*
Accounting	1 846	1 922	3 407	3 381	3 647	19
Administrative and Office Services	493	560	617	870	822	14
Banking and Finance	54	116	43	49	47	-3
Business Data Systems	127	45	50	16	18	-39
Entrepreneurship	90	69	221	163	197	22
Information Communications	76	136	155	215	143	17
Insurance and Risk Management	0	0	0	0	0	
International Business	24	0	0	0	0	-100
Management	1 752	1 888	2 804	2 684	2 880	13
Marketing	678	683	731	878	791	4

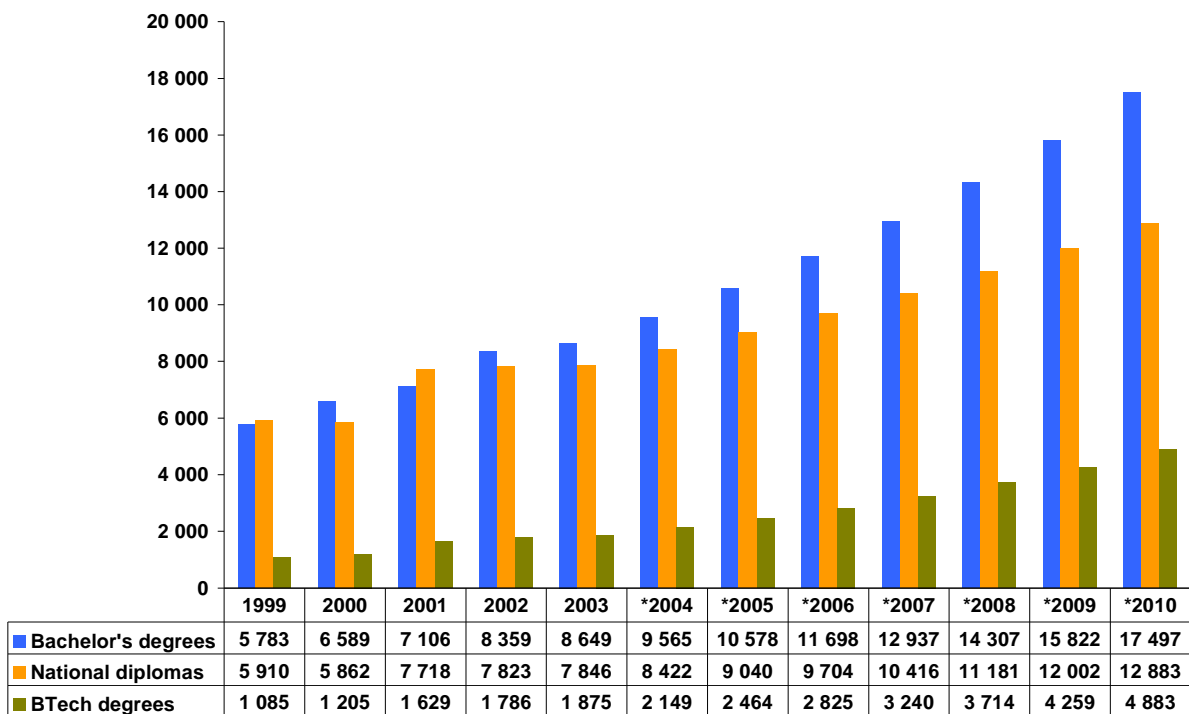
Field of study	1999	2000	2001	2002	2003	Average annual growth rate (%)*
Other Business, Commerce and Management Sciences	1 057	887	779	637	652	-11
Personnel Management and Administration	868	941	953	1 024	895	1
Quantitative Methods	81	47	24	55	29	-23
Real Estate	44	48	34	36	15	-24
Total	7 190	7 342	9 818	10 008	10 136	9

*Unweighted average.
Source: Calculated from DoE, HEMIS Table 2.13, 1999 to 2003.

Projection of new entrants from the public HET sector

Figure 3.3 shows the number of new graduates who qualified between 1999 and 2003, and the number that will qualify per annum if the average annual growth rate is sustained. The figure provides a measure of the supply of new entrants to the labour market from the public HET sector and by 2010 the HET sector could produce as many as 134 000 new graduates. This projection however depends on a number of factors, these include; the capacity of the HET sector to sustain this level of growth and the DoE's subsidisation of the HET sector.

Figure 3-15 Actual and projected entry-level qualifications in business, commerce and management sciences from the public HET sector



*Figures projected, using the average annual growth rate observed for the period 1999 to 2003
Sources: Calculated from DoE, HEMIS Table 2.13, 1999 to 2003 and own projections from 2004 to 2010.

c) Private FET and HET institutions

On 9 September 2002, 111 private higher education and training institutions were registered with the Department of Education. These institutions offer mainly certificates and diplomas that fall within Levels 5 and 6 on the NQF. Twenty of the currently registered private institutions provide training relevant to the

Financial and Accounting Services sector. (See Annexure G2 for a list of these institutions and the courses they offer.)⁵¹

Private further education and training institutions are currently not obliged to register with the Department of Education; consequently, there is not a similar register of FET institutions. However, many private FET institutions offer qualifications that are awarded by the professional bodies and are therefore accredited by these organisations.

d) Professional bodies

The roles that professional bodies play in the provision of education and training to the sector differ from organisation to organisation. The most common functions performed by these bodies are the setting of educational standards, the development of curricula for the qualifications they award, the provision of training, the accreditation of training institutions that wish to offer their courses and qualifications, the setting of examinations, the administration of examinations and the awarding of qualifications. The specific functions that each of the professional bodies associated with Fasset fulfil are summarised in Table 3.4. The table shows that most of the professional bodies are involved in the quality assurance, examination and certification processes and that only a few actually offer training themselves.

Table 3-4 Roles of professional bodies in education and training

Professional Body	Role in education and training						
	Setting of Standards	Development of Curricula	Provision of Training	Accreditation of Training Institutions	Setting of Examinations*	Administration of Examinations*	Awarding of Qualifications
ACCA	√	√	√	√	√	√	√
ADRA							
CPA	√	√			√	√	√
CIMA	√	√		√	√	√	√
FPI	√				√		√
GAP	√	√		√	√	√	√
IAC	√	√			√	√	√
ICB	√	√		√	√	√	√
ICSA	√	√		√	√	√	√
IIA SA	√				√	√	√
IMCSA	√						
IPFA	√	√	√	√	√	√	√
SAICA	√	√		√	√	√	√
SAIFM	√	√	√		√	√	√
SAIGA	√	√			√	√	√

*Including the assessment of practical experience

Source: Fasset, The Need for Strategic Learnerships in Finance, Accounting, Management Consulting and Other Financial Services, 2003.

⁵¹ Fasset Sector Study.

The qualifications offered by the professional bodies are summarised in Table 3.5. The table also indicates how the qualifications link up with the professional designations used in the sector, the NQF levels at which each qualification has been registered, and whether a learnership has been registered that leads to the qualification.

Table 3-5 Professional qualifications available to the sector

Professional body	Qualification	Link with designation	NQF level	Learnership
ACCA	ACCA	ACCA – Designation is registered as qualification	7	Yes
ACCA	Certified Accounting Technician (CAT)	None	5	Yes
CIMA	Chartered Management Accountant	ACMA – Associate membership	7	Yes
CIMA	Diploma in Management Accounting	None	6	Yes
CIMA	Certificate in Business Accounting	None	5	Yes
CPA	Commercial and Financial Accountant: Public Practice Specialism	CPA(SA) – Full membership	7	Yes
CPA	Commercial and Financial Accountant: Commerce and Industry Specialism	CPA(SA) – Full membership	7	Yes
GAP	Accounting Technician	None	5	Yes
IAC	Certificate in Office Administration *	None	5	No
ICB	Registered Accounting Clerk	None	3	No
ICB	National Diploma : Technical Financial Accountant	Fellow Member (FICB)	5	Yes
ICB	National Certificate Small Business Financial Management	Certificate Member (CICB)	4	No
IPFA	National Diploma in Public Sector Accounting	Registered Public Sector Financial Officer and other specialist designations	4	Yes
IPFA	National Diploma in Public Sector Accounting	Registered Public Sector Financial Officer and other specialist designations	5	No
SAICA	Chartered Accountant: Audit Specialism	Member of SAICA	7	Yes
SAICA	Chartered Accountant: Financial Management Specialisation	Member of SAICA	7	Yes

* This project is on hold.

Source: Information provided by Fasset's Learnership Division, September 2005.

e) Employers

Employers play a crucial role in the formation of entry-level skills in the sector. As indicated above, most of the professional qualifications are attained through learnerships, and most of those that are not currently linked to learnerships require a certain amount of workplace experience. Employers' roles are therefore to provide the workplace exposure and mentorship needed by new entrants to the sector.

By September 2005, 21 learnerships had been registered by Fasset with the Department of Labour. All told, 12 566 individual learnership contracts had been registered by this date. Most (88%) of these learners were on the learnership for Chartered Accountants: Audit Specialism. Just under half (46%) of all

the learners were women, and 33% were previously disadvantaged individuals.⁵² The learnerships and the number of learners registered in each are listed in Table 3.6.

Table 3-6 Learnerships registered with Fasset as at 20 September 2005*

Title	NQF Level	Professional Body	Number of Fasset Registered Learners
Chartered Accountant: Audit Specialism	7	SAICA	11 048
Commercial and Financial Accountant: Public Practice	7	CPA	1 105
ACCA Learnership	7	ACCA	165
Associate General Accountant	6	SAICA	111
Registered Accounting Clerk	3	ICB	39
Registered Bookkeeper	4	ICB	33
National Certificate in Public Sector Accounting	4	Fasset	17
Associate Accounting Technician	5	SAICA	16
Certificate in Business Accounting	5	CIMA	10
Chartered Management Accountant	7	CIMA	6
Commercial and Financial Accountant: Commerce and Industry Specialism	7	CPA	6
National Diploma : Technical Financial Accounting	5	ICB	4
Diploma in Management Accounting	6	CIMA	3
National Certificate in Business Administration	4	IBS	2
National Certificate in Business Administration	3	IBS	1
Certified Accounting Technician	5	ACCA	0
Chartered Accountant: Financial Management Specialism	7	SAICA	0
GAP – Accounting Technician	5	GAP	0
National Certificate in Public Sector Accounting	5	Fasset	0
National Certificate: Small Business Financial Management	4	ICB	0
National Diploma in Office Administration	6	IAC	0
Total			12 566

*Figures include only learners registered in Fasset's sector. It should, however, be noted that some of the learnerships registered with Fasset are specifically designed for the development of skills in government and in commerce and industry. These learners will be registered mainly in other sectors.

A critical element in the successful implementation of learnerships is employers' readiness to take on learners. This, in turn, is a function of various factors including employers' knowledge of learnerships in general and the availability of specific learnerships; their knowledge of and perspectives on the possible benefits associated with learnerships; their perceptions of the administrative processes involved in learnerships; and their perceptions of the inputs that they, as role players, would have to contribute.

Fasset's research on the need for strategic learnerships in the sector revealed that organisations differ vastly in their readiness for learnerships. At the one end of the spectrum are organisations that are well informed about the concept, that are already involved with learnerships and that are ready to become involved in new and "non-traditional" learnerships. At the other end, are organisations that are totally unfamiliar with the concept or that are vaguely familiar with it but are uninformed about the benefits such as tax concessions and learnership grants. A particular challenge to the sector is to get more small firms involved in learnerships, especially the newly registered learnerships.

⁵² Information provided by Fasset's Learnership Division.

Another way in which employers contribute to skills development in the sector is by making bursaries available. In 2003/2004, over 1 500 PDIs had received some sort of financial assistance for their studies from employers. Financial assistance for these candidates was offered from one year to as many as four years depending on the length of the course. Some of the recipients of these bursaries would find employment in the organisation after graduation while others benefited from the work experience, which equipped them for future employment opportunities.⁵³

3.4 DEVELOPMENT OF SKILLS OF THE EXISTING WORKFORCE

Continuous education and training of the workforce in the sector is essential because of the ongoing changes in the legislative and policy environment as well as the changes in financial practices and in computer technology. Chapter 2 covered the relatively high turnover and the need to replace people who have left the sector. The development of the skills of the workforce beyond entry-level skills is consequently a prerequisite for the successful functioning of organisations and individuals in the sector.

The main providers of this training are employers themselves, private training institutions and training consultants, professional bodies, and universities and technikons. The extent to which employers engage in the training and development of their workers (either directly through their own training divisions and programmes or indirectly through outsourced training opportunities) is reflected in the annual training reports submitted to Fasset. In 2001/2002, 621 employers submitted training reports to Fasset in which they reported that they had provided approximately 20 000 training interventions⁵⁴ and that they had trained approximately 32 000 workers – almost their total workforces. The amount spent by these organisations on training amounted to R112 million.⁵⁵ In the 2002/2003 period, 1 381 organisations submitted training reports in which they reported that they had trained 27 000 employees (69% of their employees), and that they had spent R136 million on training.⁵⁶

The most recent information for the 2003/2004 period reveals that 931 employers submitted training reports in which they reported they had trained 30 000 employees.⁵⁷ More than R147 million was spent on training with organisations investing most of the money in top-up skills such as specialised financial skills (R43 million), management and leadership skills (R40 million) and basic computer skills (R24 million).

The number of people trained in each occupational category can be seen in Table 3.7. The occupational category in which most of the beneficiaries of training fell was technicians and associated professionals. This is to be expected as most of the trainees in the sector are classified in this occupational group, for example trainee accountants and auditors.

Table 3-7 Beneficiaries of training: 2003/2004 according to occupational category

Occupation	Employed	Employees Trained	%	% of Employment
Legislators, Senior Officials, Managers & Owner Managers	5 963	4 799	16	80
Professionals	7 246	5 926	20	81
Technicians & Associated Professionals	11 273	11 257	37	99

⁵³ Fasset, Analysis of Grant applications Year 4 (2003/4).

⁵⁴ A training intervention is a training course or training opportunity attended by one or more employees.

⁵⁵ Fasset, Analysis of Grant Submissions Year 2.

⁵⁶ Fasset, Analysis of Grant Submissions Year 3.

⁵⁷ Fasset, Analysis of Grant Submissions Year 4.

Clerical & Administrative Workers	11 650	7 167	24	60
Service & Sales Workers	1 460	793	3	53
Skilled Agricultural & Fishery Workers	9	6	0	21
Skilled Workers, Craft & Related Trades	262	31	0	11
Plant & Machine Operators and Assemblers	178	64	0	36
Labourers & Elementary Occupations	1 014	240	1	23
Total	39 055	30 283	100	77

Source: Fasset, Analysis of Grant Submissions Year 4.

3.5 CONCLUSIONS

The analysis presented in this chapter indicates that the sector is served by a well-established and diversified education and training system that spans all the components of the public and private education sectors, professional bodies and employers. The qualifications available to the sector range from NQF Level 3 to Level 8 – with learnerships registered at each level.

Despite the relatively low percentage of matric exemptions and the limited numbers of learners who pass matric with mathematics as a subject, the output of universities and technikons in the fields of accounting and commerce, business management and business administration has grown consistently over the past decade.

The overall impression gained from the surveys that preceded the SSP development is that the provision of education and training to the sector is comprehensive and generally of a high standard. In fact, the education and training available in South Africa is of world-class standard; hence the fact that South African professionals are sought after in the international market. The role that the professional bodies play in maintaining these standards should not be underestimated.

Despite an overall positive picture of education and training, the sector is faced with the realities of too few learners from the previously disadvantaged groups moving up to the higher professional qualification levels. The challenge is accordingly to remove all unnecessary obstacles and to maximise support for these individuals in order to alleviate the problem in the short to medium term.

SCARCE SKILLS AND CRITICAL SKILLS IDENTIFICATION

4.1 INTRODUCTION

This chapter looks at skills needs in the sector with specific reference to scarce and critical skills. The term *scarce skills* refers to those occupations characterised by a scarcity of qualified and experienced people (current and anticipated) – in other words, occupations in which numerical imbalances exist in employment because of a divergence between the demand for and the supply of skills.

The term *critical skills* refers to particular skills within an occupation,⁵⁸ or the qualitative deficiencies that may exist or develop in the skills apparatus of the existing workforce.

The skills needs discussed in this chapter arise from the business environment and the labour market situation described in the first three chapters of this report. The skills needs of the sector can be seen in terms of the need for new workers, the development of skills in critical skills areas, and the rectifying and prevention of the formation of skills gaps.

In addressing the skills needs of the sector, provision should also be made for opportunities for career advancement, changing the racial profile of the sector, increasing the absorption of unemployed youth, increasing the employment of people with disabilities and addressing institutional constraints that may hamper skills development.

4.2 THE DEVELOPMENT OF NEW WORKERS

The sector needs to ensure a flow of new entrants into the labour market that is sufficient to fill new employment opportunities as well as to replace workers who leave the labour market or the sector. A large enough flow of new entrants to the labour market will prevent the development of new areas of scarcity and the exacerbation of existing skills shortages. The race and gender composition of new entrants in the labour market is of critical importance to the attainment of transformational objectives.

4.2.1 Growth in demand

The legislative and policy changes that have a bearing on corporate governance and financial and accounting practices in the public and private sectors all tend to stimulate the demand for the financial services offered by the Fasset sector. The demand for financial services is also driven by economic growth. Although employment demand is relatively inelastic (i.e. employment grows more slowly than output), the demand model developed for the sector, as well as the WSPs submitted to Fasset, indicates that new employment opportunities can be expected to increase by between 2 300 and 4 200 annually. These opportunities will occur in all employment categories, but the largest growth will be in the professionals, and technicians and associated professionals categories.

⁵⁸ Department of Labour, Framework for Identifying and Monitoring Scarce Skills, 2005.

A particular challenge for the sector is to replace people who have moved out of the labour market or out of the sector. Although some recruitment has occurred from other sectors, the general trend is rather for people to enter into financial occupations via the Fasset sector and then to move into other (more senior) positions in other sectors. This leaves Fasset sector with the responsibility to train more people than it otherwise would have trained.

The loss of skilled personnel is not limited to the local labour market – permanent emigration and temporary employment abroad are causing a substantial drain of people with financial skills.

4.2.2 Growth in supply

If one looks at the output of the higher education sector, it seems as if the supply of skills is growing at a sufficient pace to keep up with the growth in demand. However, the Fasset sector is by no means the only sector that is drawing from this skills pool. At this stage, little information is available on the demand for financial skills in the total economy. A direct comparison cannot therefore be made between demand and supply. Another key question is whether the higher education system will be able to sustain its growth, especially in the midst of the current restructuring of the sector and the changed subsidy formulas applied by the Department of Education.

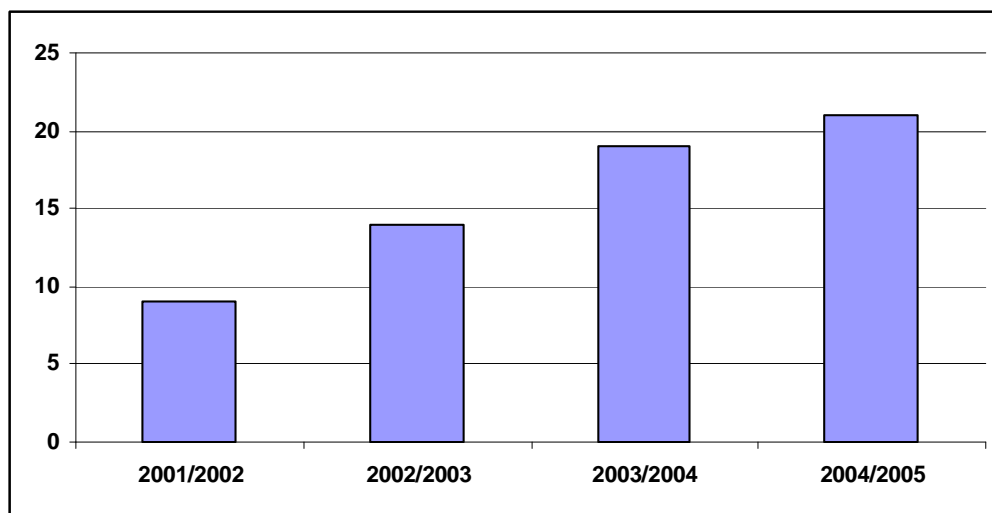
The increase in the numbers of black graduates in the general fields of commerce, business management and business administration should to some extent ease the pressure on the sector to change its racial profile. However, the change in the specialised field of accounting is slower and requires more focused attention. As this problem has its roots in the school system, especially in the number and quality of matric passes in mathematics, it should be addressed from this level and upwards. (See the discussion of institutional factors below.)

Professional qualifications are highly valued and sought after in the Fasset sector. For certain functions (e.g. the audit function), professional qualifications are a prerequisite. The pace at which professionals qualify is therefore a critical issue in the supply side of the market.

Table 4.1 shows the growth in the number of registered learnerships over the four-year period from 2001/2001 to 2004/2005. At this stage, Fasset has registered 21 learnerships that link up with the professional qualification structure, and more are being developed. The registered learnership contracts are, however, largely limited to the chartered accountant learnership. Although the training of these professionals is crucial, the number of learners in all the learnerships has to be increased.

Learnerships are a particularly useful vehicle to draw more black professionals into the labour market and into the sector. However, the change in the racial profile of learners is very slow. In 2001/2002, 29% of the learners registered with Fasset were black, and, by September 2005, this figure has increased to 35%. A major constraint is finding employment opportunities for learners. The involvement of more employers in learnerships is accordingly a priority for Fasset.

Figure 4-1 Growth in learnerships



4.3 SCARCE SKILLS

Scarce skills are manifested in unfilled positions that exist over prolonged periods of time, in above-average growth in remuneration and in the inability of small organisations and rural areas to attract skilled people. Research⁵⁹ shows that scarce skills already exist in the sector – mainly in the professionals, and technicians and associated professionals occupations. These occupational categories are also experiencing above-average growth. However, it is also evident that the shortages are often related to very special skills sought by employers.

The lack of qualified blacks is experienced as a serious problem, especially in the higher level occupations and professional designations. Many (especially large) employers find it difficult to meet their employment equity targets because of the unavailability of suitably qualified black staff.

Listing scarce skills is challenging for organisations in the Fasset sector, which comprises mainly small professional organisations. In these organisations, skills shortages are seldom reflected in formal vacancies. The organisations tend to grow by taking in more partners or directors or by taking in more learners on professional learnerships. A small organisation with growth potential may continue to search for new talent, but it will not necessarily create posts or have vacancies. However, vacancies provide some indication of scarce skills.

The number of long-term vacancies reported in the 2003/2004 WSPs was 363, representing 0,7% of the total employment in the sector.⁶⁰ The highest (1,0%) vacancy rate occurred in the occupational categories legislators, senior managers and owner managers, and professionals. The top nine specific occupations listed by employers were:

- Audit managers
- Managers
- Accountants

⁵⁹ Fasset Sector Study and Fasset, Analysis of Grant Submissions Year 1, Year 2, Year 3 and Year 4.

⁶⁰ Information in this section should be read with caution as only a small number of employers completed the vacancy and recruitment sections of the WSP grant applications with the result that the information is not representative of the Fasset sector.

- Auditors
- Consultants
- Accountant/Auditor Trainees
- Administrators
- Bookkeepers
- Clerks

When asked why they could not fill these particular positions, employers cited reasons that were all linked to skills shortages or the scarcity of skills. Those most frequently mentioned were:

- Lack of suitably qualified individuals
- Lack of suitably qualified black individuals
- High salaries demanded by applicants
- Lack of skilled individuals in the particular business area

Table 4.2 provides the list of scarce skills in the sector as required by the Department of Labour. The occupations listed were derived from the occupational classification list known as the Organising Framework for Occupation (OFO) against which Fasset is required to provide scarce skills. Two sources of information informed this list: the Fasset Year 4 Grant Analysis and information submitted to the Department of Labour on the Scarce Skills Project in June 2004.

4.4 CRITICAL SKILLS IN DEMAND

Employers and professional associations play a central role in determining training needs and in providing training opportunities for their employees and members respectively.

The WSPs submitted for 2003/2004 exposed four critical skills areas: specialist financial skills, basic computer skills, administrative and support skills, and management and leadership skills. Specialist financial skills are the most important critical skills in the sector as they are required across all occupational groups. This confirms the results of the Fasset Sector Study (2002), where employers were asked to identify the areas in which skills gaps (critical skills shortages) exist in the sector. The critical skills are listed below, and the skills in question are grouped into broad categories and listed in order of priority within each category. However, when the total list is considered, basic computer skills, general accounting skills and knowledge of taxation were identified most frequently as areas in which employees lack know-how.

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Management and leadership

- Management skills/leadership skills
- Human resources management skills
- Workflow and imaging skills
- Organisational development/office management skills

Specialist financial

- Accounting skills
- Knowledge of taxation, including VAT and capital gains tax
- Bookkeeping skills
- Auditing skills
- Knowledge of commercial and statutory law
- Insurance knowledge
- Financial and mathematical skills
- Investment and micro-lending training skills

Information technology

- Computer skills, e.g. word-processing and spreadsheet skills
- Specialist information technology skills

Communication, customer care and marketing

- Communication skills
- Marketing skills
- Public relations skills
- Presentation skills
- Client service skills

Support and administration

- Administration skills
- Secretarial skills
- Business economics skills
- Clerical skills
- Reception skills

Personal development

- People skills
- Education/Basic adult education skills

Professional bodies⁶¹ confirmed the need for financial skills across a broad spectrum of workers in the sector. In the financial market, general financial and mathematical skills, knowledge of financial market instruments and financial market analysis, trading knowledge, and computer knowledge and skills were identified as areas of need.

⁶¹ Professional bodies that participated in the Fasset Sector Study.

In the management consulting profession, practitioners need to know what constitutes ethical behaviour. This subsector requires a combination of managerial expertise, industry knowledge, technical knowledge and an understanding of management issues.

In the public sector, a need exists for the following skills:

- Literacy and numeracy skills
- Basic accounting skills, especially in respect of new people who enter organisations in entry-level posts
- Accounting support skills (e.g. those needed by accounting technicians)
- Auditing skills
- Financial management skills
- Experience and training in credit control and debt management
- Risk assessment skills
- Computer literacy
- Management skills for newly appointed chief financial officers
- Experience in statistical models, econometrics and macro-economic modelling
- Knowledge of and experience in supply chains
- Financial sector policy advisory services and
- Exposure to public finance coupled with analytical skills with regard to budgeting, strategic planning and information overload assessments

4.5 CONCLUSIONS

The Fasset sector has to ensure a sufficient number of new entrants into the labour market, address skills shortages and prevent skills gaps from occurring.

The provision of a sufficient number of new entrants into the labour market starts at school level. Schools have to produce enough matriculants with endorsements and with mathematics and accounting as subjects. At the tertiary education level, access to the higher education system has to be ensured and unnecessary institutional constraints have to be reduced so as to provide a sufficiently large pool of graduates (especially in the specialised field of accounting) who can take up professional, and technical and associated professional positions in the financial services field. At a third level, it is also essential to increase the number of people in learnerships who can obtain the professional qualifications and designations required in the sector.

Critical skills gaps and skills gaps are generally the result of insufficient training prior to entry into the labour market, technological changes, and legislative and policy changes to which the sector is exposed on an ongoing basis. Skills gaps can occur across the whole spectrum of functions performed in the sector and can affect all levels and categories of workers. However, the indications are that the main areas currently requiring attention are the specialist financial skills (which cover a wide spectrum of skills needs), computer skills (ranging from basic computer literacy to highly specialised information technology skills) and managerial skills.

Table 4-1 Fasset sector scarce skills and critical skills

	OCCUPATION	SS	Specialisation/Job	Critical Skills	Inter-vention	NQF Levels	NQF Aligned		Need Period 1 April 2005- 31 March 2006	Comments
							Y	N		
1	MANAGERS									
	11		LEGISLATORS, CHIEF EXECUTIVES, DIRECTORS AND GENERAL MANAGERS							
	111		Legislators, Chief Executives, Directors and General Managers							
	1113		General Managers							
	111313		Owner Manager	Specialist Financial Skills	CPD /TP	4-8		N	7 593	Black legislators and managers are needed
	111313		Owner Manager	Basic Computer Skills	CPD /TP	4-8		N	2 070	Black legislators and managers are needed
	111313		Owner Manager	Management & Leadership	CPD /TP	4-8		N	3 568	Black legislators and managers are needed
	111313		Owner Manager	Marketing Skills	CPD /TP	4-8		N	2 448	Black legislators and managers are needed
	12		SPECIALIST MANAGERS							
	121		Business Administration Managers							
	1212		Finance Managers							
	121211	✓	Finance Manager	Audit Managers	LS/ED	5-7	Y		16	Black legislators and managers are needed
2	PROFESSIONALS									
	23		BUSINESS, HUMAN RESOURCE AND MARKETING PROFESSIONALS							
	231		Accountants, Auditors and Company Secretaries							
	2311		Accountants							
	23111	✓	General Accountant	Accounting Professional	LS	5-7	Y		1 700	Black professionals are needed
	23111		General Accountant	Specialist Financial Skills	CPD/TP	4-7	Y		5 554	Black professionals are needed
	23111		General Accountant	Marketing Skills	CPD/TP	4-6	Y		6 344	Black professionals are needed
	23111		General Accountant	Management & Leadership	CPD/TP	4-6	Y		4 259	Black professionals are needed
	23111		General Accountant	Basic Computer Skills	CPD/TP	4-6	Y		3 118	Black professionals are needed
5	CLERICAL AND ADMINISTRATIVE WORKERS									
	54		BOOKKEEPERS AND LOANS OFFICERS							
	541		Bookkeepers and Loans Officer							
	5411		Bookkeepers							
	541111	✓	Bookkeeper	Bookkeeping Clerk	LS/ED	4-6	Y		21	Black clerical workers are needed
	55		NUMERICAL CLERKS							
	551		Numerical Clerks							
	5511		Accounting Clerks							
	551111	✓	Accounts Clerk	Accounting Clerk	LS/ED	4-6	Y		14	Black clerical workers are needed
	551111		Accounts Clerk	Administrative & Support Skills	CPD	3-4	Y		5 666	Black clerical workers are needed
	551111		Accounts Clerk	Specialist Financial Skills	CPD	3-4	Y		6 117	Black clerical workers are needed
	551111		Accounts Clerk	Basic Computer Skills	CPD	3-4	Y		6 708	Black clerical workers are needed

SMALL BUSINESS, ENTREPRENEURIAL OPPORTUNITIES AND OTHER NSDS PRIORITIES

5.1 INTRODUCTION

This section covers those issues related to the NSDS indicators for 2005 to 2010 that do not directly concern scarce or critical skills in the sector, namely, small business opportunities, support for small levy-paying and non-levy-paying firms, ABET, the National Standard of Good Practice and stakeholder capacity building.

5.2 SMALL BUSINESS OPPORTUNITIES

It is the NSDS objective to assist new entrants to the labour market, create self-employment and develop entrepreneurs. Fasset has to identify specific opportunities in the sector for small businesses that can lead to job creation and poverty alleviation.

As part of its implementation plan, Fasset supports strategic interventions that lead to new employment opportunities in the labour market and that provide new entrants with the skills for self-employment. These operations include learnerships, social development projects funded by Fasset and Fasset's strategy for supporting new BEE firms.

On completion of Fasset learnerships (specifically those offered through SAICA and CPA), learners can open their own firms and practise as registered professionals. For example, once learners have completed their qualification through SAICA, they are registered as SAICA members with the designation CA (SA) and obtain a professional licence. With this specific designation and professional practicing licence, graduates can establish their own accountancy practices in the sector. Many of these learnerships such as the Chartered Accountant: Audit Specialism and the Commercial and Financial Accountant: Public Practice offer modules on practical management and business management skills for business owners.

Fasset also funds initiatives to promote the entry of new entrants into the labour market. For example, the Guarantee Trust Holdings Unemployed Tertiary Accounting Graduate Support Programme aims to:

- increase the number of previously disadvantaged individuals on registered learnerships;
- increase the level of success of these learners on the learnerships;
- support skills development in small businesses.

The intensive skills development programme comprises five months' full-time and part-time training including an internship at an accounting practice in the sector. Course material includes rules of professional conduct, communication skills, accounting practice orientation, computer literacy, office orientation and formulas for business success. The programme thus allows the sector to integrate (sometimes re-integrate) learners that have already made some progress towards gaining the skills required by the sector. The

programme also assists firms with their transformation efforts by providing them with appropriately skilled staff and by equipping learners with entrepreneurial and business skills.

Finally, Fasset supports the establishment of BEE ventures through the strategic cash grant (SCG) for 2005/6. Large and medium-size employers may qualify for SCGs if they assist PDIs in creating new ventures in the sector. The focus is not only on placement within existing enterprises but also on the individual persons' ability to create self-employment through new ventures.

5.3 ADULT BASIC EDUCATION AND TRAINING

The Fasset sector consists largely of skilled employees, with only 3% of employees at or below ABET Level 4. Fasset regards ABET as a priority area and is committed to developing learners in need of training. In August 2004, Fasset began implementing an ABET programme to assist adult learners in the sector to improve their literacy and numeracy skills and to further their path on the National Qualifications Framework (NQF). The programme delivers ABET Levels 1-4 and consists of the following:

- ABET level basic (Pre-ABET)
- ABET Level 1 (equivalent to Standard 1 or Grade 3)
- ABET Level 2 (equivalent to Standard 3 or Grade 5)
- ABET Level 3 (equivalent to Standard 5 or Grade 7)
- ABET Level 4 – NQF Level 1 (equivalent to Standard 7 or Grade 9)

5.4 NATIONAL STANDARD OF GOOD PRACTICE

The NSDS aims to accelerate the quality of training in the workplace by promoting the achievement of a national standard of good practice in skills development. No specific standard has yet been identified by DoL. Fasset is supporting the IIP standard until more clarity has been obtained on the accepted national standard of people development. As of 31 March 2005, 21 organisations were committed to the standard, and seven organisations have achieved the standard.

5.5 STAKEHOLDER CAPACITY BUILDING

Stakeholder groupings in the sector include Fasset management board members, Fasset committee members and Fasset members. All board members are annually inducted into their roles as board members. They are given a detailed overview of the sector, are advised on their role and obligations as members and are informed about Fasset corporate governance structures. Committee members are regularly updated on Fasset developments via the quarterly committee meetings. Members are invited to all SDF and CPE training interventions and are updated and briefed regularly on all developments and other changes to legislation that affect the sector.

5.6 CONCLUSIONS

Current initiatives such as learnerships, social development projects and Fasset's BEE strategy provide support in areas of skills needs (many of which are critical and scarce).

Various support structures for small businesses in the sector are already in place. Levy-paying small businesses can benefit from free CPE and SDF training as well as free assistance and advice on the completion of their grant applications. Small and medium-size businesses can also claim grants from Fasset if they employ PDI learners. Fasset considers ABET a strategic priority and funds a complete ABET programme for ABET employees in the sector. Fasset will continue promoting the IIP standard.

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