

Fasset Sector Skills Plan 2005 to 2010

**Update for the 2008/2009
Financial Year**

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ACRONYMS AND ABBREVIATIONS

AAT	Associate Accounting Technician	IAC	Institute of Administration and Commerce
ABASA	Association for the Advancement of Black Accountants	IBS	Institute of Business Studies
ABET	Adult Basic Education and Training	ICMCI	International Council of Management Consulting Institutes
ACCA	Association of Chartered Certified Accountants	ICSA	Institute of Chartered Secretaries and Administrators
ADRA	Association of Debt Recovery Agents	IDC	Industrial Development Corporation
AETA	Association for the Education and Training of Accountants	IFA	Institute of Financial Accountants
AFP	Associate Financial Planner	IFAC	International Federation of Accountants
AGA(SA)	Associate General Accountant	IFRS	International Financial Reporting Standards
AIMR	Association for Investment Management and Research	IIA-SA	Institute of Internal Auditors South Africa
AsgiSA	Accelerated and Shared Growth Initiative for South Africa	IIP	Investors in People
ATO	Approved Training Office	IMCSA	Institute of Management Consultants of South Africa
ATR	Annual Training Report	IRBA	Independent Regulatory Board for Auditors
BBBEE	Broad-Based Black Economic Empowerment	JIPSA	Joint Initiative for Priority Skills Acquisition
BEE	Black Economic Empowerment	LL	Lifelong Learning
BER	Bureau for Economic Research (BER)	LFS	Labour Force Survey
CA	Chartered Accountant	IPFA	Institute of Public Finance and Auditing
CAT	Certified Accounting Technician	MBA	Master in Business Administration
CBET	Competency Based Education and Training	MIAC	Member of the Institute of Administration and Commerce
CFA(SA)	Institute of Commercial and Financial Accountants of Southern Africa	NLRD	National Learners' Records Database
CFA	Certified Financial Accountant	NQF	National Qualifications Framework
CFA	Chartered Financial Analyst	NSA	National Skills Authority
CFP	Certified Financial Planner	NSDS	National Skills Development Strategy
CIA	Certified Internal Auditor	NSF	National Skills Fund
CIBM	Chartered Institute of Business Management	PDI	Previously Disadvantaged Individuals
CICB	Certificate of Membership of the Institute of Certified Bookkeepers	PE	Professional Evaluation
CIMA	Chartered Institute of Management Accountants	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
EEA	Employment Equity Act	RFP	Registered Financial Planner
ETQA	Education and Training Quality Authority	RGA	Registered Government Auditor
FAIS	The Financial Advisory and Intermediary Services Act, No. 37 of 2002	RTO	Registered Training Office
Fasset	Sector Education and Training Authority for Finance, Accounting, Management Consulting and other Financial Services	SAICA	South African Institute of Chartered Accountants
FCCA	Fellow of the Chartered Certified Accountants	SAIFM	South African Institute for Financial Markets
FET	Further Education and Training	SAIGA	Southern African Institute of Government Auditors
FPI	Financial Planning Institute	SAIPA	South African Institute for Professional Accountants
FSB	Financial Services Board	SAQA	South African Qualifications Authority
GAAP	Generally Accepted Accounting Practice	SARB	South African Reserve Bank
GAP	Global Accounting Proficiency	SARS	South African Revenue Service
GDS	Growth and Development Summit	SDA	Skills Development Act
GRAP	Generally Recognised Accounting Practice	SDF	Skills Development Facilitator
GIA	General Internal Auditor	SDL	Skills Development Levy
HEMIS	Higher Education and Management Information System	Seta	Sector Education and Training Authority
HET	Higher Education and Training	SCG	Strategic Cash Grant
HSRC	Human Sciences Research Council	SIC	Standard Industrial Classification
IAC	International Association of Bookkeepers	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



EXECUTIVE SUMMARY

SECTOR PROFILE

Overview of the sector

In 2006 the Financial and Accounting Services Sector consisted of 7 700 levy-paying organisations that employed approximately 115 000 people. The sector contributes some 2,5% to total output and 1% to employment in the country. Organisations in the Financial and Accounting Services 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.

More than half of the people working in the sector (58%) are white. African workers constitute 22% of the workforce and Indians and coloureds 10% each. More women are employed in the sector than men – 55% of all employees are women.

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 Financial and Accounting Sector's 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. One 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 to continuously adapt to new technology. Another exception is the proposed changes to the Companies' Act (No. 61 of 1973) – specifically the proposal that small companies should be exempted from auditing requirements. This may impact on the demand for labour in the sector and it may influence the supply of professionals, as auditing firms may reduce the number of learnership positions in their organisations.

A particular challenge facing the sector is increasing the participation of black people¹ 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

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

beyond the current limited pool of professionals. Another challenge facing the sector is retaining financial skills that are being lost to the international market.

THE 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.

Woman 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 flow 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 4 300 to 8 600 positions a year if economic growth in South Africa can be sustained at 5.5% to 8.5% 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, 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 and associated professionals categories, and it is unlikely that the demand for workers in lower occupational levels 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.

THE 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 Statistics South Africa (StatsSA). The September 2006 survey indicated 535 600 potential workers with post-school qualifications in the field of business, commerce and management studies existed, 88 500 (17%) of whom were unemployed at the time of the survey. For those with only a post-matric diploma or certificate, the unemployment rate was 22%. However, the unemployment rate dropped to 1% for those with postgraduate qualifications. The analysis furthermore showed that the circumstances of African graduates differed substantially from those of members of the other three population groups. At all qualification levels, their unemployment rates were higher.

A more detailed analysis of the availability of public Higher Education and Training (HET) graduates with qualifications in the financial field, and more specifically in accounting, was made possible by the National Learner Records Database (NLRD), which is maintained by the South African Qualifications Authority (SAQA). The analysis shows that in 2004, the total number of graduates with qualifications in accounting and in commerce, business management and business administration was 297 000. However, of these, only 23% (67 000) had majored in accounting. In the accounting field, the number of graduates increased annually by 8.5% from 29 590 graduates in 1994 to 67 052 graduates in 2004. The annual average growth in graduates in commerce, business management and business administration was 9.1% from 96 521 graduates in 1994 to 229 975 graduates in 2004.



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 public HET institutions in the fields of accounting, and commerce, business management and business administration has grown consistently over the 10-year period from 1995 to 2004. A steady increase has occurred in qualifications awarded in business, commerce and management sciences – the total number of qualifications awarded by public HET institutions from 1995 to 2004 rose on average by 8.4% a year. NLRD data showed that people tend to stay longer in the HET system while the number of people with postgraduate qualifications is increasing. NQF level 7 qualifications, which included four- year first degrees i.e. BTech degrees and honours degrees, showed the highest average growth over the review period. The average growth rate of NQF level 8 and above (post graduate) qualifications was higher than NQF level 6 (three year first degree, national diploma) qualifications.

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). In 2004/2005 930 employers submitted training reports. This group of employers spent R156 million on the training of 30 000 employees.

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 black people, 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 scarce skills in the sector are mainly in the following occupational categories:

Managers

- Corporate managers
- Finance managers

Professionals

- Accountants and learners on accounting learnerships
- ICT professionals – specifically SAP consultants
- Management consultants



- Financial investment advisors

Clerical and administrative workers

- Contract, program and project administrators
- General clerks

Critical skills 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 NATIONAL SKILLS DEVELOPMENT STRATEGY (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 lifelong learning 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 Investors in People (IIP) standard.



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).

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.

In early 2006 the Government announced its Accelerated and Shared Growth Initiative for South Africa (AsgiSA) and the formation of a new institution to look at skills development - the Joint Initiative for Priority Skills Acquisition (JIPSA). 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. Therefore support the work undertaken by JIPSA and incorporate the economic growth targets set by AgsiSA.

The SSP and the updates indicate to education and training providers and communities the skills that are currently needed or will be needed in the future. The annual updates also afford Fasset the opportunity to update information in respect of changes that may have occurred in the sector since the submission of the SSP. These changes are considered by the Fasset Management Board in its annual strategic planning processes.

This SSP annual update draws extensively on information collected through various research projects commissioned by Fasset. 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 six years of the implementation of the skills development legislation (these applications reflect the information collected from the employers who participated in the Fasset grant system, 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 Financial and Accounting Services 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 scarce and critical skills. The final chapter highlights issues related to the NSDS indicators not directly covered in the chapter on scarce and critical skills.



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 Standard Industrial Classification (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 Financial and Accounting Services 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 Independent Regulatory Board for Auditors (IRBA), 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	
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	

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
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

In 2004 the Financial and Accounting Services Sector consisted of 7 200 levy-paying organisations that had 9 300 operational units⁴ across the country and employed approximately 106 000 people. In 2006 the number of levy-paying organisations had grown to more than 7 700 (an increase of 8% in the total number of organisations). It is estimated that employment has grown to approximately 115 000 employees⁵ - an annual growth of 4%.

The sector contributes 2,5 % to total output and 1% to employment in the country. 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 only 3% of the organisations, 2% of the operational units and 2% of employees in the sector (Table 1.2).

Table 1-2 Composition of the sector: organisations, operational units and employment ⁴

Subsector	Organisations (%)	Operational units (%)	Employment (%)	Turnover (%)**
Investment Entities and Trusts and Company Secretary Services	20	18	15	37
Stockbroking and Financial Markets	13	13	13	29
Development Organisations	3	2	2	4
Accounting, Bookkeeping, Auditing and Tax Services	44	40	42	19
Activities Auxiliary to Financial Intermediation	14	19	6	7
Business and Management Consulting Services	6	5	8	4
SARS and Government Departments	0	2	13	
Total***	100	100	100	100

*Estimated turnover 2002.

**Percentage excluding SARS and government departments.

***Figures have been rounded and therefore totals do not necessary add up to 100.

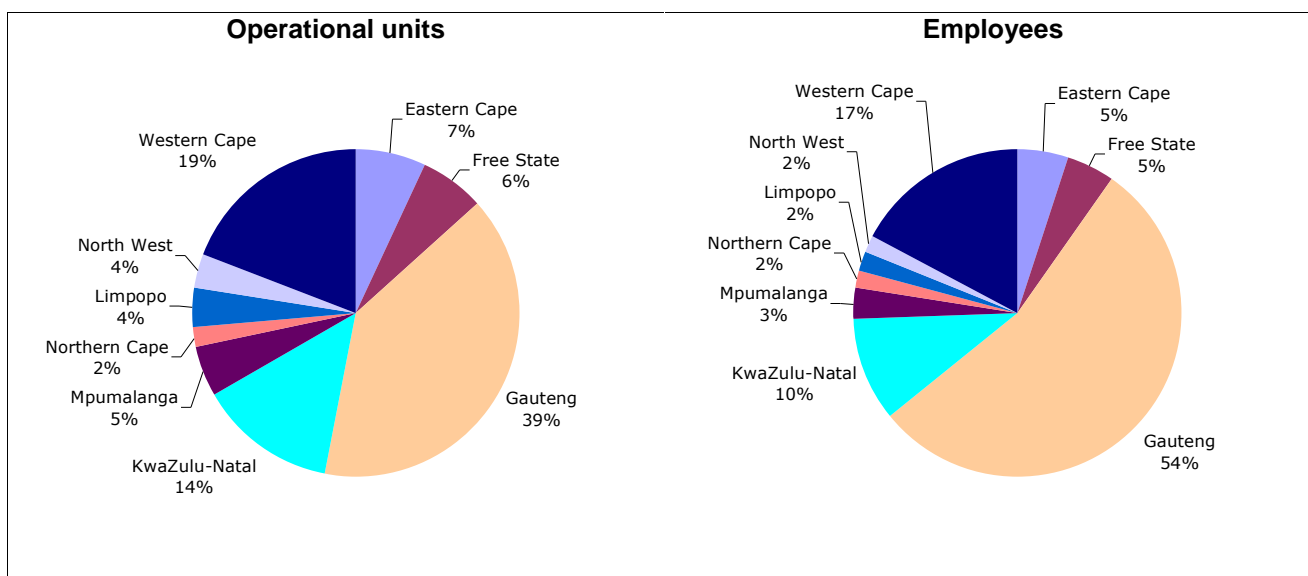
Sources: Fasset Sector Study and WSPs submitted in various years by SARS, the National Treasury and two Provincial Treasuries.

The enterprises are situated 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).

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 Skills Development Levy (SDL) number.

⁵ Employment estimated by weighting of employment data submitted in WSPs in the year 2005/2006. In the absence of any recent data from SARS employment in that organisation is based on their WSP submitted in 2003/2004.

Figure 1-1 Provincial distribution of operational units and employees



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

The Financial and Accounting Services Sector comprises mainly small organisations. The vast majority (97 %) of the organisations employ fewer than 50 people while only 2 % employ between 50 and 149, and 1 % employ more than 150 workers. In fact, as many as 82 % of the organisations employ fewer than 10 people. However, almost half (48 %) of the workforce is 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 1.4)

Table 1-3 Size distribution of organisations in the sector

Organisation size	Organisations (%)	Employees (%)
1 - 9 employees	82	21
10 - 19 employees	11	10
20 - 49 employees	4	7
50 - 149 employees	2	13
150 + employees	1	48
Total*	100	100

Figures have been rounded and therefore totals do not necessary add up to 100.

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

1.4 CURRENT EMPLOYMENT

a) Population group

More than half of the people working in the sector (58%) are white. African workers constitute 22% of the workforce and Indians and coloureds 10% each. The need for greater racial equity is important 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 81% of employees in this occupational group are white; only 10% are African, 4% 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	8	4	8	81	100
Professionals	14	6	10	70	100
Technicians & Associate Professionals	19	8	13	59	100
Clerks & Administrative Workers	24	18	9	49	100
Service & Sales Workers	62	18	3	18	100
Skilled Agricultural & Fishery Workers	50	38	0	13	100
Skilled Workers, Craft & Related Trades	33	10	4	53	100
Plant & Machine Operators & Assemblers	44	9	1	46	100
Labourers & Elementary Occupations	85	12	0	2	100
Total*	22	10	10	58	100

*Figures have been rounded and therefore totals do not necessary add up to 100.

Sources: Calculated from WSPs approved by Fasset in 2005/2006.

b) Gender

More women are employed in the sector than men – 55% of all employees are women. African women constitute 12% of the total workforce, coloured women 7%, Indian women 5% and white women 31%. The predominance of women is largely attributable to the large percentage (81%) of women in clerical and administrative occupations. Only 30% of legislators, senior officials, managers and owner managers are women. (Table 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	5	2	2	2	6	2	57	24	70	30
Professionals	8	6	3	3	6	4	42	28	58	42
Technicians & Associated Professionals	9	10	3	5	7	7	28	31	47	53
Clerical & Administrative Workers	8	16	3	14	2	7	6	43	19	81
Service & Sales Workers	26	36	5	13	2	1	8	10	40	60
Skilled Agricultural & Fishery Workers	44	6	38	0	0	0	13	0	94	6
Skilled Workers, Craft & Related Trades	30	3	7	3	4	0	51	3	92	8
Plant & Machine Operators and Assemblers	41	3	6	3	1	0	39	6	88	12
Labourers & Elementary Occupations	35	50	8	5	0	0	1	1	44	56
Total	10	12	3	7	5	5	27	31	45	55

Source: Calculated from WSPs approved by Fasset in 2005/2006.

c) 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 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 Financial and Accounting Services Sector itself, the loss of older and more experienced professionals has profound implications, especially for the need to develop managerial talent and skills.

Table 1-6 Average age of workers in the Financial and Accounting Services 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.

d) People with disabilities

The sector employs very few disabled people. Only 0,6 of all employees were reported as having some disability.⁶ 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 BEE AND CO-OPERATIVES

In 2007 5,2% of the levy-paying firms in the sector could be classified as black economic empowerment (BEE) firms. These firms are supported by Fasset through the provision of free lifelong learning (LL) and the learnership grant for PDIs.

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.

1.6 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 Financial and Accounting Services 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 quality assurance partners for the learnerships registered with Fasset.

The professional bodies associated with Fasset are listed in Table 1.7 below, which also indicates their current total membership. Total membership of those bodies that provide individual membership is approximately 78 100. In some instances, linkage of individual professionals to the professional bodies is through corporate or institutional membership.

⁶ Fasset Sector Study.

Table 1-7 Professional body membership

Professional body	Acronym	Membership*
Association for the Advancement of Black Accountants	ABASA	2 500**
Association of Chartered Certified Accountants	ACCA	1 800
Association of Debt Recovery Agents	ADRA	<i>Corporate membership</i>
Chartered Institute of Management Accountants	CIMA	4 300
Chartered Institute of Business Management	CIBM	<i>Included in ICOSA membership</i>
South African Institute of Professional Accountants	SAIPA (previously CPA)	8.500
Global Accounting Proficiency	GAP	<i>Corporate membership</i>
Institute of Administration and Commerce	IAC	1 100
Institute of Business Studies	IBS	<i>Included in ICOSA membership</i>
Institute of Certified Bookkeepers	ICB	8 600
Institute of Internal Auditors of South Africa	IIASA	5 000
Institute of Management Consultants	IMC	50***
Institute of Public Finance Accountants	IPFA	2 400
South African Institute of Chartered Accountants	SAICA	35 700
South African Institute of Chartered Secretaries and Administrators	ICSA	7 300
South African Institute of Financial Markets	SAIFM	500
Southern African Institute of Government Auditors	SAIGA	400
Total		78 150

*Figures were obtained from the professional bodies in March 2007. 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.

** The membership figure was obtained from this professional body in July 2006 and could not be verified or updated in March 2007.

***The membership figure was obtained from this professional body in September 2005 and could neither be verified or updated in July 2006 or in March 2007.

1.7 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.^{7 8}

1.8 CROSS-SECTORAL INVOLVEMENT IN SKILLS DEVELOPMENT

An important feature of the Financial and Accounting Services 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 Financial and Accounting Services 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 Financial and Accounting Services 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.

⁷ Fasset, Trade Union Survey, 2004.

⁸ It should be noted that SARS did not respond to the survey. A larger percentage of their workers may belong to trade unions.

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.

1.9 DRIVERS OF CHANGE

Over the past number of 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 Financial and Accounting Services 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.

1.9.1 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),⁹ the Preferential Procurement Framework Act¹⁰ and the more recent Broad-Based Black Economic Empowerment (BBBEE) Act,¹¹ as well as in policy documents such as the 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 Financial and Accounting Services 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 Financial and Accounting Services 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 Services Sector.¹² 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 Services Sector, shareholder activism and corporate social 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 Financial and Accounting Services 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 Financial and Accounting Services Sector. Two aspects of the charter are especially important: the short-term targets set in terms of the employment of black people (especially women) in managerial positions and the procurement targets that specify the desired percentage of procurement from BEE-accredited companies. In the former case, financial institutions will be competing more vigorously for black professionals in the financial field, and, in

⁹ Employment Equity Act, No. 55 of 1998.

¹⁰ Preferential Procurement Framework Act, No. 5 of 2000.

¹¹ Broad-Based Black Economic Empowerment Act, No. 53 of 2003.

¹² The Financial 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).

the latter case, financial services will be procured from BEE-accredited companies – thus compelling organisations in the rest of the Financial and Accounting Services Sector to change their ownership and management structures if their client bases are situated in the Financial 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 was developed by the accounting profession¹³, aims, among other things, to increase the supply of black chartered accountants in South Africa. After country-wide meetings and lengthy consultation with the relevant stakeholders, the charter was completed and soft signed on the 10th of August 2006.

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 Act¹⁴ and the subsequent amendments to this Act. The Department of Trade and Industry (DTI) is revising the Companies Act as part of its two-phased process of reforming corporate law in SA. During phase 1, interim amendments to the Companies Act were proposed in the Corporate Laws Amendment Bill¹⁵ that was considered by Parliament in June 2006. The purpose of the Bill was to address urgent matters, amongst others, the introduction of two new types of companies for purposes of financial reporting, the public interest company and the limited interest company, differential reporting requirements based on this distinction and additional corporate governance requirements for public interest companies. The second phase of the reform is expected to be completed and enacted in 2007. One of the most important changes expected in Phase 2 is the removal of the audit requirement for small companies¹⁶.

While small companies could save thousands on audit fees, this change could negatively impact on the demand for the services of small audit firms. This in turn may have a negative effect on the number of training opportunities available to prospective chartered accountants (small audit firms provide more than half of the learnership opportunities for chartered accountants).

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, 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 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 Financial and Accounting Services Sector. Taxation will consequently always be a component of the skills development needs of the sector.

¹³ www.cacharter.co.za

¹⁴ Companies Act, No. 61 of 1973.

¹⁵ Corporate Laws Amendment Bill, Government Gazette of the Republic of South Africa No 28765, 2006

¹⁶ SAICA 2006. *The audit of small companies*. Discussion paper

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

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

In the 2002 budget the Minister of Finance announced that SARS would initiate discussions on the regulation of tax consultants and advisors to promote better compliance and to ensure that taxpayers would receive advice consistent with tax legislation. A discussion document entitled *Regulating Tax Practitioners* was released for public comment in November 2002. SAICA¹⁹, raised concerns about the possible exclusion of certain professionals from the legislation that would provide certain sectors with an unfair advantage by not requiring them to register.

A number of refinements to the document were then made, including its introduction in two phases. The first phase, which was completed in June 2005, involved the registration of over 17 000 tax practitioners with SARS. The second phase included the establishment of an independent regulatory board for tax practitioners in terms of a separate Bill. The draft *Regulation of Tax Practitioners Bill*²⁰ and consequential amendments to Acts administered by the Commissioner for SARS was released for public comment early in 2007. Comments on the draft Bill and amendments could be submitted to SARS until 5 April 2007.

The work of the regulatory board would be, among other things, to prescribe the standards of qualification and experience required for registration as tax practitioners, to maintain the registration system and to implement a code of professional conduct. In terms of the draft Bill registration of tax practitioners with the Board will become compulsory, and it will be expected of accredited practitioners to report irregularities in connection with tax and fraud to the relevant authorities.

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).²¹

The different treasuries, of which there are a number in the Financial and Accounting Services 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. These frameworks and the GRAP standards will influence the public sector members of the Financial and Accounting Services 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) The Auditing Profession Act, 2005

After almost of decade of debating new legislation to regulate the auditing profession, the Auditing Profession Act (Act 26 of 2005) was signed into legislation in January 2006. The act repeals the Public Accountants' and Auditors' Act, (Act 80 of 1991) and aims 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 ensure that potential conflicts of interest between auditors and their clients are minimised and that swift and appropriate actions can be taken to rectify a situation where the independence of an auditor is at stake.²²

The Act establishes an Independent Regulatory Board for Auditors (IRBA) to register auditors and hold them accountable for their professional conduct, and to implement auditing standards comparable to international standards. The IRBA replaces the Public Accountants and Auditors Board (PAAB). The new act also creates Standards-Setting Boards for Auditor Ethics and for Auditing itself. Proposed amendments to the Companies Act, 61 of 1973 will ensure that only financial professionals who are registered as auditors with IRBA may be appointed as the auditor of a company and that all audits of company accounts will be subject to the controls and safeguards of the Act. The Act furthermore provides for more stringent requirements with regard to financial disclosure by auditors of irregularities and criminal and fraudulent financial practices.

An important aspect of the new act is that it requires individual auditors as well as auditing firms to register with the Board and to subject themselves to the oversight of the Board. (Auditing Profession Act, 2005) Concerns have been raised that the requirements of registration at the firm level as well as the

¹⁹ SAICA's National Tax Committee 2004 *Proposed Regulation of Tax Practitioners. Discussion document* https://www.saica.co.za/Documents/Proposed_legislation_of_tax_practitioners.pdf

²⁰ www.sars.gov.za/legislation/Policy/2007/Draft%20Regulation%20of%20Tax%20Practitioners%20Bill.pdf

²¹ The Public Finance Management Act, No. 1 of 1999 as amended.

²² Moores Rowland, Public comment on the draft Auditing Profession Bill, 2004 (February 2005).

individual auditors' level may be too onerous for small auditing firms and sole proprietors. The new regulatory requirements are also expected to increase the cost of auditing services by a substantial margin.²³

The new legislation will impact not only on the public component of the Financial and Accounting Services 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 2002.²⁴ The proposed legislation could further influence the amount of work contracted to private audit firms in the future, with the resultant capacity implications.

h) Debt Collectors Act

Debt collections forms part of the subsector Services Auxiliary to Financial Intermediation and several of the major debt collecting firms are registered with Fasset (although debt collection firms are also registered with several other Setas).

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 before 2004 there were no qualifications available for this category of workers. However, during 2004 Fasset supported the development of such a qualification and in December 2004 the Further Education and Training Certificate in Debt Collection was registered under the Education and Training Quality Authority (ETQA) scope of Fasset. Currently Fasset is developing a learnership that leads to this qualification. These measures will contribute to the professionalism of this component of the sector, which in turn may increase the demand for its services.

i) The National Credit Act

The National Credit Act (Act 34 of 2005) was signed into legislation in March 2005. This Act aims to

- promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- promote black economic empowerment and ownership within the consumer credit industry;
- prohibit certain unfair credit and credit-marketing practices;
- promote responsible credit granting and use and for that purpose to prohibit reckless credit granting;
- provide for debt re-organisation in cases of over-indebtedness;
- regulate credit information;
- provide for registration of credit bureaux, credit providers and debt counselling services;
- establish national norms and standards relating to consumer credit;
- promote a consistent enforcement framework relating to consumer credit;
- establish the National Credit Regulator and the National Consumer Tribunal.²⁵

Knowledge of this Act is not only imperative for various components of the Financial and Accounting Services Sector, for example for accounting practices and the debt collection industry, but the Act will also influence the way in which certain functions are performed. One of the specific requirements of the Act, namely the provision of debt counselling services to consumers will probably lead to the development of a new occupation i.e. debt counsellors.

j) 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

²³ Temkin, S, *Auditors generally welcome new law despite concerns about education roles*. Business Day, 7 April 2006

²⁴ Gloeck, J.D. Advancing or retreating in the quest to improve public accountability and government auditing. *South African Journal of Accountability and Auditing Research*.

²⁵ National Credit Act, Act 34 of 2005.

Seta. Individual professionals employed in the Financial and Accounting Services Sector also have to comply with the legislation.

k) *The Financial Intelligence Centre Act*

The Financial Intelligence Centre Act, No. 38 of 2001²⁶ is aimed at curbing money laundering activities in South Africa and requires financial service providers, many of whom are in the Fasset Sector, to establish the identity of their clients, to keep certain records and to provide certain information to the authorities. Knowledge of and compliance with this Act are important for organisations in the sector.

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

Participation in the levy-grant system has increased dramatically since its inception in 2000/2001. Of the 7 200 organisations that paid levies to Fasset in 2000/2001, approximately 5% submitted workplace skills plans (WSPs). In 2005/2006 the participation rate in the WSP grants had increased to 34%.

m) *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 Financial and Accounting Services 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.²⁷

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.

1.9.2 Economic factors

a) *Globalisation*

"Faster methods of transportation, together with instantaneous information, have allowed the world to become one giant marketplace."²⁸ 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.

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

²⁶ Financial Intelligence Act, Act 38 of 2001

²⁷ Brown, F. & Ooi, E., Implications of Sarbanes-Oxley, <http://www.pwcglobal.co/extweb/manisseu>

²⁸ Albrecht, S.W. & Sack, R.J. 2000. *Accounting Education: Charting the Course through a Perilous Future*, American Accounting Association, Accounting Education Series, Vol. 16.

complex business transactions, increased uncertainty and the explicit recognition of risk.²⁹ 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 Financial and Accounting Services 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 2003.³⁰

d) Economic growth

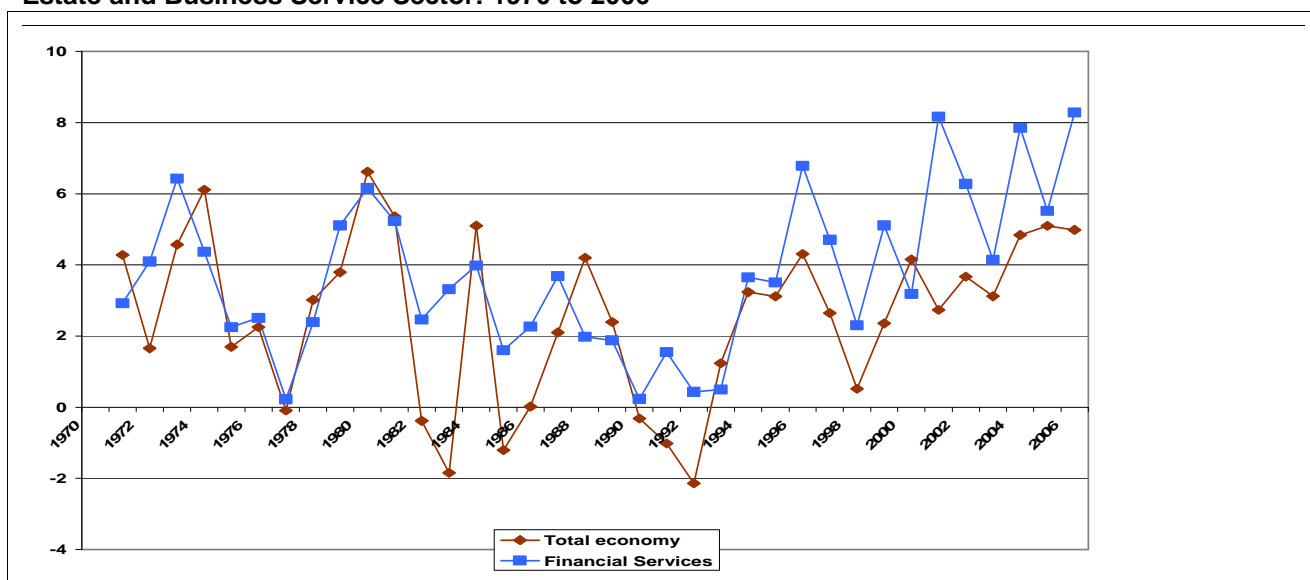
Since the need for financial services is linked to the level of economic activity in the country, the sector is sensitive to economic changes. However, the Financial Intermediation, Insurance, Real Estate and Business Service sector,³¹ in which most of the Financial and Accounting Services Sector resides, has been able to sustain an average annual growth rate of 4% over the 35-year period from 1969 to 2005. 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. These trends will most probably continue over the next four to five years and will stimulate employment growth in the sector – especially if Governments economic growth targets of 4,5% - 6% over the next couple of years are attained.

²⁹ Ibid

³⁰ 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.

³¹ 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 Financial and Accounting Services Sector and includes various other activities, such as banking, insurance and real estate. Most of the private sector activities included in The Financial and Accounting Services Sector description occur within this broader sector.

Figure 1-2 Economic growth in South Africa and in the Financial Intermediation, Insurance, Real Estate and Business Service Sector: 1970 to 2006



Source: Reserve Bank, data series KBP6006Y and KBP6640Y.

e) Accelerated and Shared Growth Initiative for South Africa (AsgiSA)

AsgiSA has been mentioned in the introduction to this SSP update. This initiative consists essentially of a set of projects and other government initiatives that aim to halve poverty and unemployment in South Africa by 2014. Not all of the projects that form part of this initiative have direct relevance to the Financial and Accounting Services Sector, but, if the growth targets mentioned earlier are attained, the growth of this sector may also be accelerated.

One of the AsgiSA focus areas that has a more direct bearing on the sector, is the preparation of sector strategies aimed at promoting private-sector investment. In this context, two sectors have been identified for special priority attention: business process outsourcing (BPO) (which is relevant to organisations in the sector) and tourism. BPO refers to the trend of business worldwide, especially in countries where labour is costly, to locate back-office activities such as accounts or claims processing or front office activities like call centres in cheaper centres. According to AsgiSA South Africa has attracted about 5 000 of such jobs from the rest of the world so far. The sector has the potential for 100 000 additional direct and indirect jobs by 2009. Government and business have a joint project, supported by the Business Trust, led by the Minister of Trade and Industry and the Chair of Standard Bank to remove obstacles and refine incentives to achieve this goal.³²

The BPO strategy may provide organisations in the Financial and Accounting Services Sector, for example debt collecting and accounting firms, with opportunities for business expansion. This will have to be supported by appropriate skills development initiatives.

f) Joint Initiative for Priority Skills Acquisition (JIPSA)

AsgiSA mentioned above, uses mainly existing structures and institutions to attain its objectives. The exception is a new institution, the Joint Initiative for Priority Skills Acquisition (JIPSA). This institution is led by a committee of the Deputy President, key ministers, business leaders, trade unionists and education and training providers or experts. Its job is to identify urgent skills needs (especially skills needed for the successful implementation of the AsgiSA projects) and quick and effective solutions to these skills needs. Solutions may include special training programmes, bringing back retirees or South Africans and Africans working out of Africa, and drawing in new immigrants where necessary. It may also include mentoring and overseas placement of trainees to fast-track their development. JIPSA will have an initial timetable of 18 months, starting in March 2006, after which its future will be reviewed.³³

It is obvious that JIPSA will co-operate closely with the Setas and that the work of the Setas will have to support JIPSA.

³² Government of South Africa, Accelerated and Shared Growth Initiative for South Africa, <http://www.info.gov.za/asgisa/asgisa.htm>

³³ Ibid.

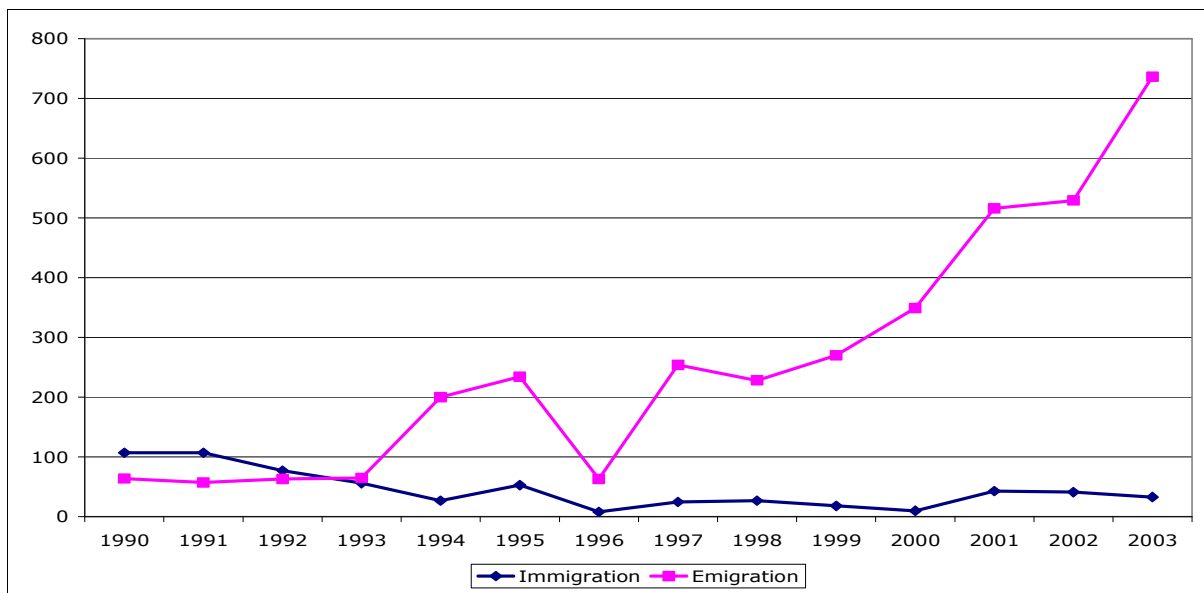
1.9.3 Social factors

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 Financial and Accounting Services Sector but also out of the financial service professions.³⁴

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 Financial and Accounting Services 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. In 2003 over 700 financial professionals left the country (Figure 1.3). The unofficial figure could, however, be much higher as many professionals leave the country temporarily or do not declare their permanent emigration. At the end of January 2007, 5 863 chartered accountants registered with SAICA were working abroad³⁵ (approximately 23% of all chartered accountants). At the same time, immigration of these professionals has declined since 1991 and is currently negligible.

Figure 1-3 Immigration and emigration of accountants and related professionals: 1990 to 2003³⁶



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.

³⁴ Members of Fasset's Skills Planning Working Committee (2004).

³⁵ SAICA's membership statistics published on <http://www.saica.co.za>, March 2007.

³⁶ In 2004 Statistics South Africa stopped collecting and publishing emigration figures. Emigration trends can therefore not be traced beyond 2003.

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 workforce in the Financial and Accounting Services Sector 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.³⁷

1.9.4 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 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.³⁸

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.³⁹

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.⁴⁰

1.9.5 Environmental factors

The King Report on Corporate Governance for South Africa (2002) states that companies should move from single to “triple-bottom-line” reporting,⁴¹ 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.⁴² 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.

1.10 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 and medium size 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.

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.

³⁷ Ibid.

³⁸ Ibid.

³⁸ Department of Labour, Fasset Sector Brief, 2002.

³⁹ Gerrits, E., Partner, PricewaterhouseCoopers, Telephonic interview, January 2004.

⁴⁰ Cassim, Z., Institute of Public Finance and Auditing, Interview, January 2004.

⁴¹ Dekker, C. King Report on Corporate Governance for South Africa, 2002.

⁴² Van Rensburg, A.M., *Management Accounting as an existing decision making tool*, 2003.

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 professionalisation 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. One 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. A second exception is the proposed changes to the Companies' Act which may have a profound effect on the demand for accounting and auditing services. The way in which these changes may affect the need for accounting and auditing services will to some extent depend on other aspects of corporate regulation, for example the tax reporting requirements that will still be imposed on small firms. It is imperative that the effect of these changes on the demand as well as the supply side of the financial services labour market should be monitored very closely over the next couple of years.

A particular challenge facing the sector is to increase the participation of black people 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.

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 black people in all categories and women in managerial positions. The employment of more disabled people also requires attention.

THE 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 Financial and Accounting Services 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

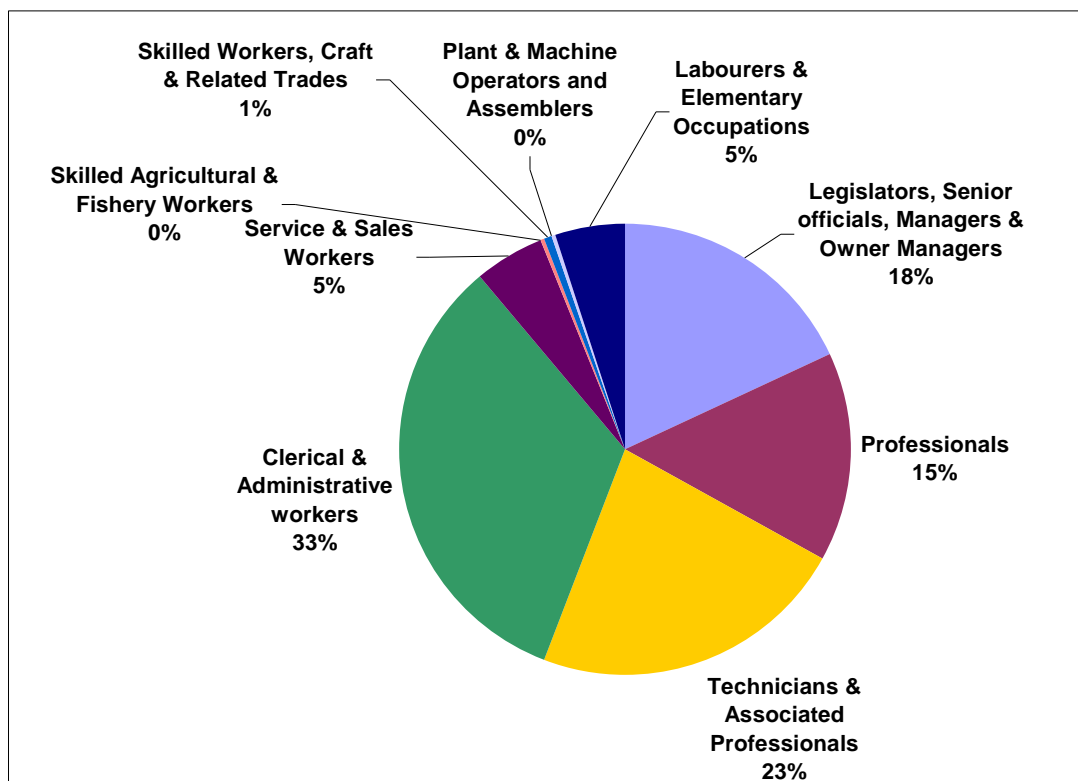
2.2.1 Current employment composition

The services provided by the Financial and Accounting Services Sector are mostly of a professional nature. This is reflected in the occupational composition of the sector, which indicates that 54% of the staff is employed in managerial, professional and semi-professional occupational categories (Figure 2.1). 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. Many of these people are in fact professionals but are classified in this category because they are the owners of their own firms or practices.

Professionals constitute 15% of the total workforce. The professionals encountered most frequently in the sector are accountants and auditors, financial and management consultants, and investment professionals. Similarly, the technicians and associated professionals category (23%) 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 receptionists⁴³ and constitutes 33% of employment in the sector. Labourers and workers employed in elementary occupations constitute only 6% of the sector's workforce.

⁴³ Occupations reported by employers in the Fasset Sector Study 2002.

Figure 2-1 Occupational composition of the sector



Source: Calculated from WSPs submitted in 2005/2006

2.2.2 Skills of the current workforce

Workers in the Financial and Accounting Services Sector are obliged to update their knowledge and upgrade their skills continuously. 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. Many of the professional bodies expect their members to undergo continuous professional education in order to maintain their membership and professional status.

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 demographic 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 between 2001 and 2006.

In 2005/2006 the professional occupations with the highest numbers of vacancies were accountants and auditors, financial advisors and economists. Accounting and auditing clerks (accountant trainees)

showed the highest numbers of vacancies in the technicians and associated professionals category. Programme or project administrators was the occupation with the highest number of vacancies in the category clerical and administrative workers.⁴⁴

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 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 income⁴⁵.

2.4 FORECASTING OF FUTURE DEMAND

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.

2.4.1 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).⁴⁶

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.⁴⁷ 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.

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 Research⁴⁸ 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%.

⁴⁴ Fasset, Analysis of Grant Submissions Year 2005/2006.

⁴⁵ 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. The surveys have been discontinued and more recent data are not available.

⁴⁶ 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.

⁴⁷ 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.

⁴⁸ Bureau of Market Research, *A Projection of the South African Population, 1996 to 2021*, University of South Africa, Pretoria, 1999.

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 2003.

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. This was done by varying only two variables: the economic growth rates for the Financial Services Sector 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. In this year's SSP update the economic figures were changed to 5,5% and 8.5% to bring the model more in line with the economic growth rates seen over the last couple of years in the Financial Services Sector. (In the previous version of the SSP the model assumed growth rates of 4.5% and 6%)

The permutations used in the four scenarios are as follows:

Scenario	Economic growth of sector	Employment elasticity
A	5,5%	0,65
B	5,5%	0,78
C	8.5%	0,65
D	8.5%	0,78

The results of the model are shown in Annexure A. Scenario A gives an annual growth rate of 3.6% in the number of positions to be filled. The growth rates arising from the other three scenarios are 4.3%, 5.5% and 6.6% 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	25,863	4,311	53,576	8,929
B	31,599	5,266	54,924	9,154
C	41,980	6,997	57,328	9,555
D	51,798	8,633	59,564	9,927

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. Similarly, the proposed changes to the Companies' Act discussed in Section 1.9.1 (c) may also start affecting employment in the period under discussion.

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 and technicians and associated professional categories are growing and will probably continue to grow 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 the growth of the Financial Services Sector is sustained at approximately 5,5% to 8,5% per annum, employment in the sector can be expected to grow by 4 300 to 8 600 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 8 900 to 9 900 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 unemployment among the potential workforce of 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.

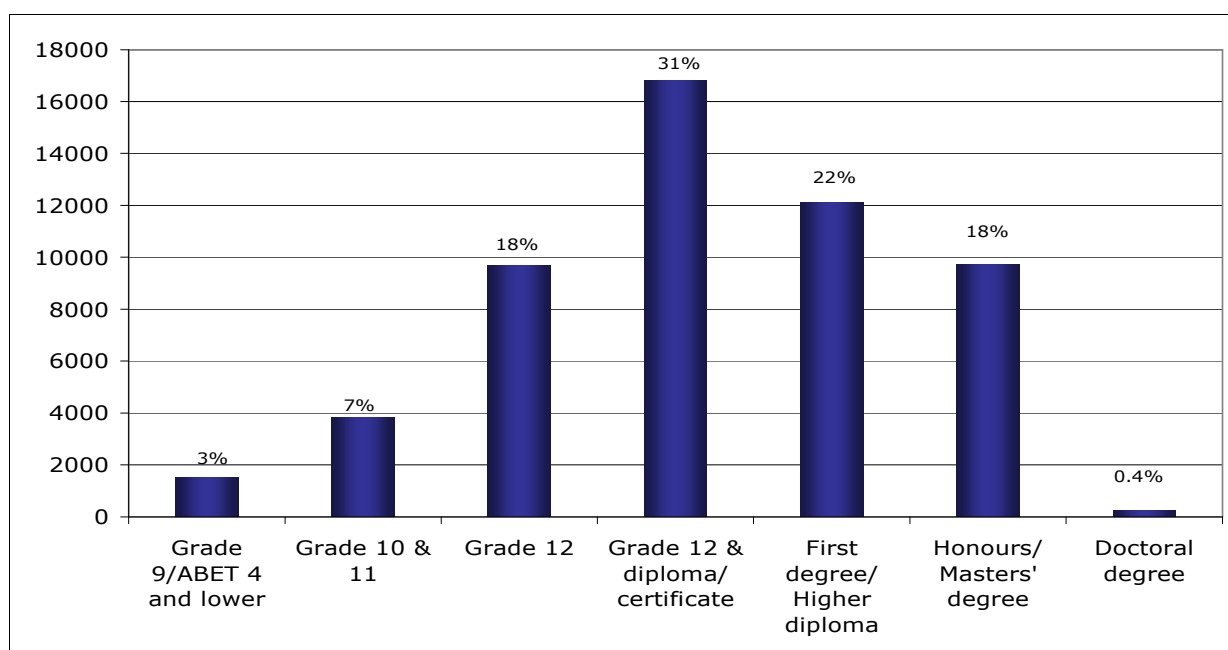
The second part of this chapter deals with the formation of new skills for the sector – more specifically, the role of the higher education institutions and professional associations and learnerships in this regard.

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

3.2 CURRENT EMPLOYMENT

The educational profile of the current workforce corresponds with the occupational composition of the sector. As can be seen from Figure 3.1, 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 3-1 Highest educational qualifications of workers in the sector⁴⁹



Source: Fasset Sector Study (2002).

3.3 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 February 2006 survey, there are approximately 2,2 million economically active⁵⁰ people in South Africa with post-matric qualifications. Of these, 535 600 (24%) have qualifications in the field of business, commerce and management studies. More than two thirds (67%) of

⁴⁹ Excludes the educational qualifications of workers in SARS and government departments. This information was not available.

⁵⁰ 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.

the people qualified in this field of study have post-matric diplomas or certificates; 23% have degrees and 10% have postgraduate degrees.

Of the 535 600 potential workers in this field, 88 500 (17%) 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 22%. However, the unemployment rate dropped to 1% for those with a postgraduate qualification (Table 3.1).

Table 3.1 shows that the circumstances of African graduates differ from those of members of the other three population groups. At Diploma/Certificate with Grade 12 level, their unemployment rate (35%) is much higher compared to the overall unemployment rate in this educational category of 22%. African graduates with a first degree or a first degree and a diploma have an unemployment rate of 13% compared to a 3% unemployment rate among white graduates with this level of qualification. This improves slightly at the postgraduate level where the unemployment rate for Africans is 6%.

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	%	N	%	
Diploma/Certificate with Grade 12/Std 10	African	139 542	65	74 155	35	213 698
	Coloured	9 696	82	2 119	18	11 816
	Indian	23 906	99	270	1	24 176
	White	108 003	99	1 563	1	109 565
	Total	281 147	78	78 108	22	359 255
Degree/Degree and diploma	African	47 487	87	6 908	13	54 395
	Coloured	6 523	100	0	0	6 523
	Indian	10 914	91	1 075	9	11 989
	White	48 105	97	1 710	3	49 815
	Total	113 028	92	9 693	8	122 722
Postgraduate degree	African	11 342	94	739	6	12 081
	Coloured ⁵¹	1 764	100	0	0	1 764
	Indian	980	100	0	0	980
	White	38 869	100	0	0	38 869
	Total	52 955	99	739	1	53 694

Source: Calculated from the September 2006 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 with post-matric qualifications in business, commerce and management studies are young (88% are 34 years or younger) and many are living in areas where organisations belonging to the Fasset sector are thinly spread, for example 11% are living in Limpopo, 20% in the Eastern Cape and 9% in North West.

Most of the unemployed with post-matric qualifications in Limpopo (62%), the Eastern Cape (74%), KwaZulu-Natal (84%) and Mpumalanga (92%) are women.

Information on the total number of higher education graduates in South Africa with qualifications in the financial field, and more specifically in accounting, was obtained from the National Learners' Records Database (NLRD), which is maintained by the South African Qualifications Authority (SAQA). Unlike before data were not broken down into university and technikon graduates due to the restructuring of the higher education system which took place in recent years.⁵²

⁵¹ 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.

⁵² The transformation and restructuring of the higher education system was officially launched in May 2001 to solve amongst other things, problems of duplication, the lack of access to higher education in certain areas and to improve the quality of educational programmes on offer. The number of higher educational institutions was reduced from 36 to 24 through institutional mergers. In some

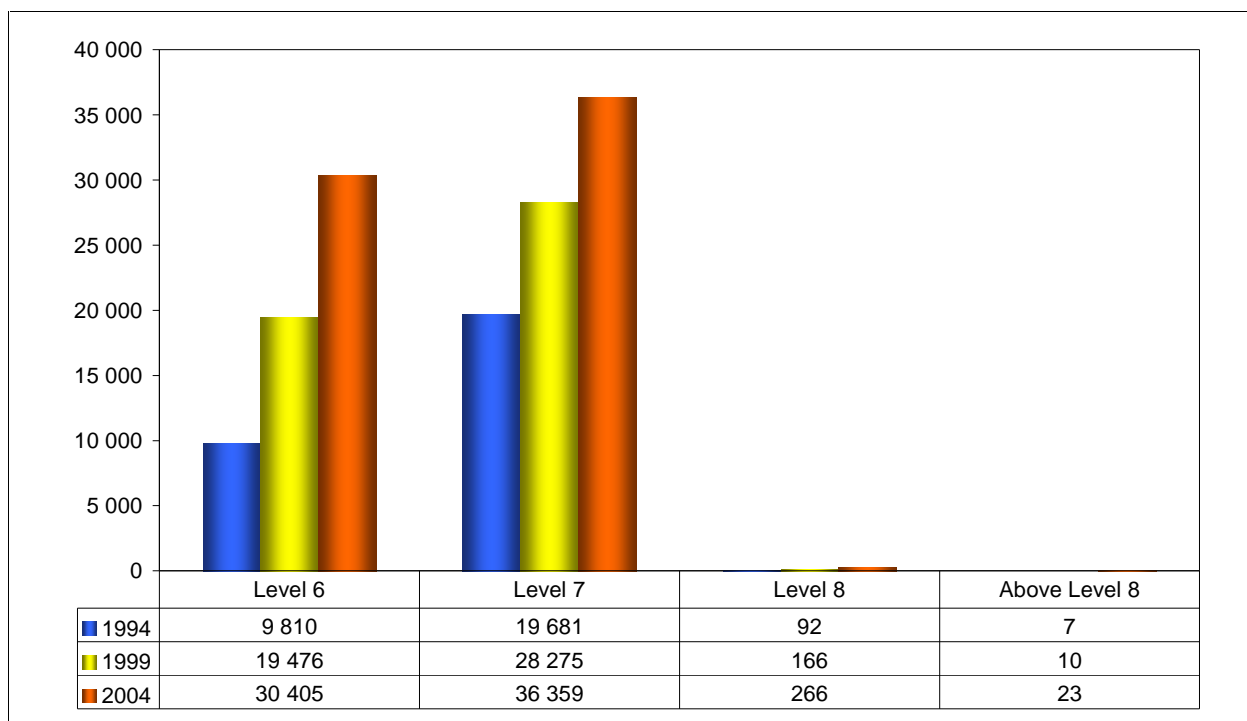
The figures below give an indication of the stock of graduates available in the labour market. We could distinguish between the number of graduates with qualifications in accounting and those in the more general field of commerce, business management and business administration. Unfortunately, the NLRD does not provide information on the employment status of graduates.⁵³

The analysis shows that in 2004, 297 000 graduates had qualifications in either accounting or in commerce, business management and business administration. However, of these, only 22.6% (67 000) had majored in accounting.

Figures 3.2 and 3.3 provide information on the availability⁵⁴ of people according to their highest NQF level of education. (See Annexure D for an explanation of NQF levels.) Qualifications achieved on NQF level 6 include national diplomas and three-year first degrees. NQF level 7 qualifications consist of national higher or post-graduate diplomas, four-year first degrees (including BTech degrees) and honours degrees, while masters degrees are on NQF level 8 and doctoral degrees and Laureatus diplomas above NQF level 8. The figures also show how the number of graduates changed in the period 1994 to 2004.

A first observation that can be made from the figures is that many learners who have qualifications in accounting continued with postgraduate studies. The number of graduates with NQF level 7 qualifications exceeds the number with only NQF level 6 qualifications. This is largely because postgraduate diplomas (including the Certificate in the Theory of Accounting (CTA)) or Honours degrees are requirements for entry into the professional cadres, for example entry into the qualifying examination of the IRBA 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. However, In 2004 10.3% of the pool of graduates with highest qualifications in commerce, business management and business administration had masters and doctoral degrees (qualifications on NQF level 8 and above) while only 0.4% of graduates in accounting had qualifications at this level.

Figure 3-2 Number⁵⁵ of public HET graduates who majored in accounting by highest level of education



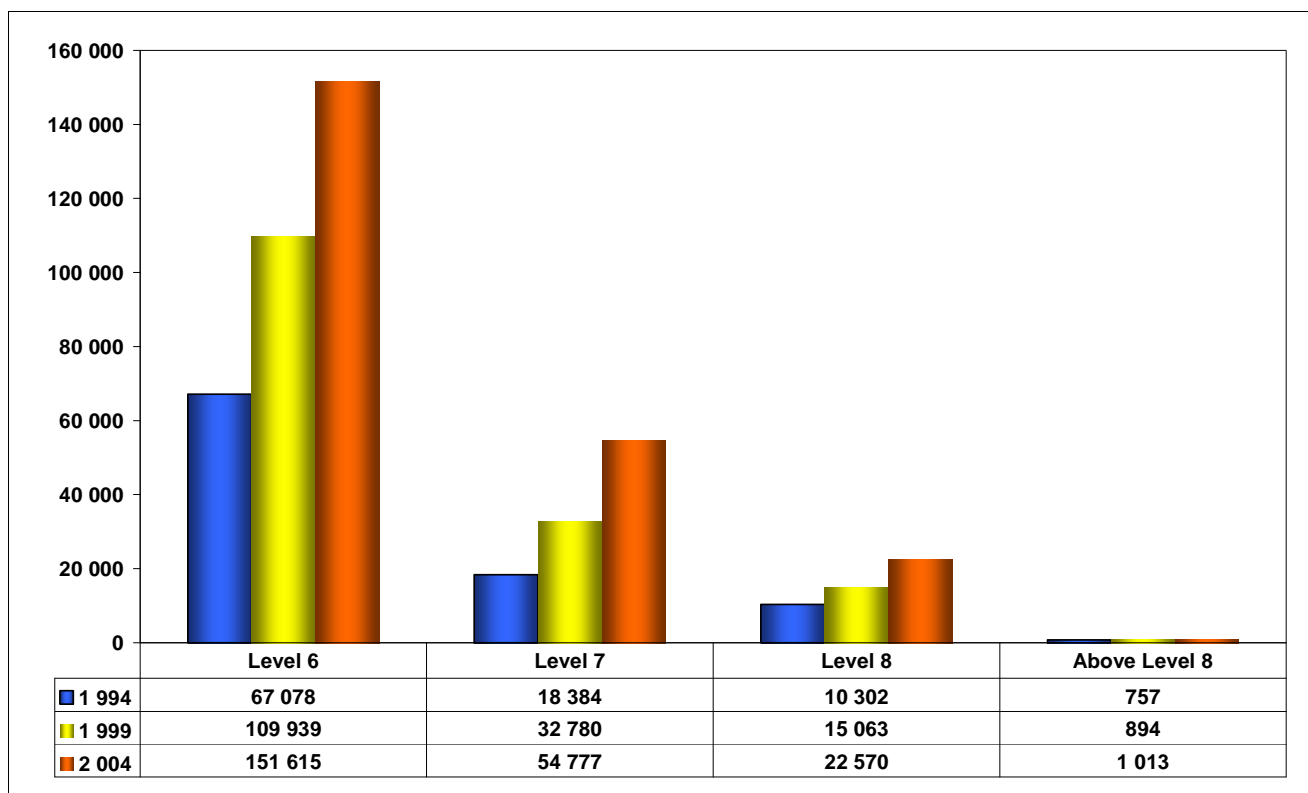
instances universities and technikons were transformed into "comprehensive institutions" which offer programmes previously offered by technikons as well as a range of university programmes. For example the former Rand Afrikaans University has merged with Wits Technikon in Gauteng to form the University of Johannesburg. As a result changes occurred in the way in which SAQA reports on graduation trends in South Africa. Thus, for the first time the analysis presented in the SSP update does not distinguish between university and technikon graduates. The analysis also uses NQF levels in stead of qualification types.

⁵³ 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 Department of Education's SAPSE system. The analysis of the SAPSE data was commissioned by SAQA. All information is published with their permission.

⁵⁴ 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.

⁵⁵ The numbers of graduates reflected in Figures 3.2 to 3.9 refer to the total number of individuals under the age of 65 who had obtained a degree or diploma at a public higher education institution in South Africa prior to or during 2004. The NLRD does not contain up-to-date information on emigration, mortality or labour market participation. The numbers therefore do not refer to the *actual* number of people who are available for work.

Figure 3-3 Number of public HET graduates in commerce, business management and business administration by highest level of education



Figures 3.4 and 3.5 illustrate the total growth in the number of graduates in accounting and in commerce, business management and business administration. In the accounting field, the total number of graduates increased by 8.5% per year from 29 590 graduates in 1994 to 67 052 graduates in 2004. Over the same decade, the growth in graduates in commerce, business management and business administration was 9.1% per year and the total pool of graduates increased from 96 521 in 1994 to 229 975 in 2004.

The figures also show the pace at which the population group distribution of graduates had been changing. In 1994, 85% of all graduates who had majored in accounting were white and only 3% were African, 2% were coloured and 7% were Indian. By 1999, African graduates had increased their share to 11%, coloureds to 4% and Indians to 10%. In 2004 62% of the pool of accounting graduates was white, while the proportion of Africans increased to 22%. In the more general field of commerce, business management and business administration, the pace of change has been somewhat slower, although from a higher basis than accounting, with the proportion of African graduates increasing from 7% of graduates in 1994 to 24% in 2004.

Figure 3-4 HET accounting graduates by population group: 1994 - 2004

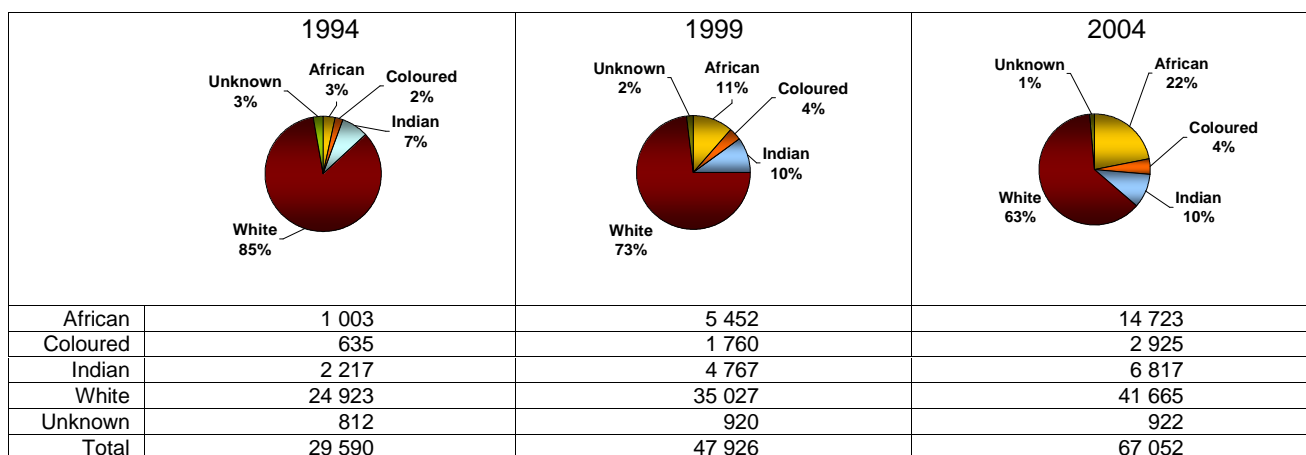
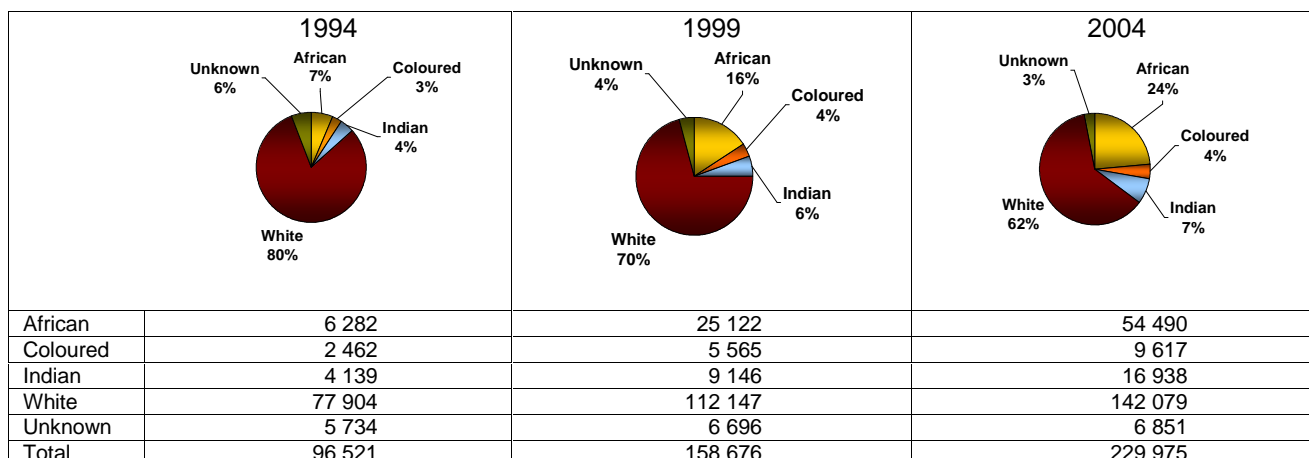


Figure 3-5 HET graduates in commerce, business management and business administration by population group (excluding accounting):1994 - 2004



Figures 3.6 and 3.7 illustrate the pace at which the gender distribution of graduates had been changing. In 1994, only 20% of all graduates who majored in accounting were female. By 1999, female graduates had increased their share to 30% and in 2004 38% of the pool of accounting graduates was female.

In the field of commerce, business management and business administration, the female graduates' share increased from 20% in 1994 to 38% in 2004.

Figure 3-6 HET graduates in accounting by gender: 1994 - 2004

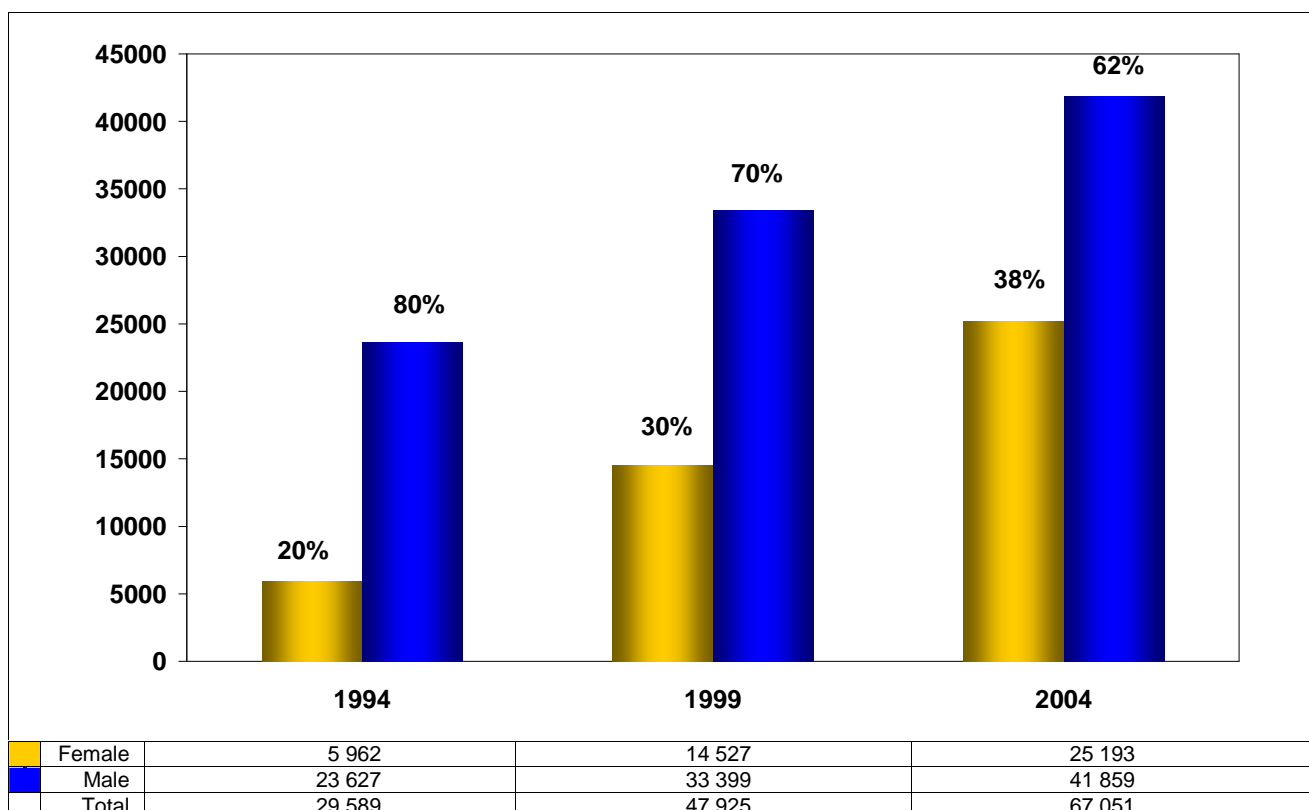
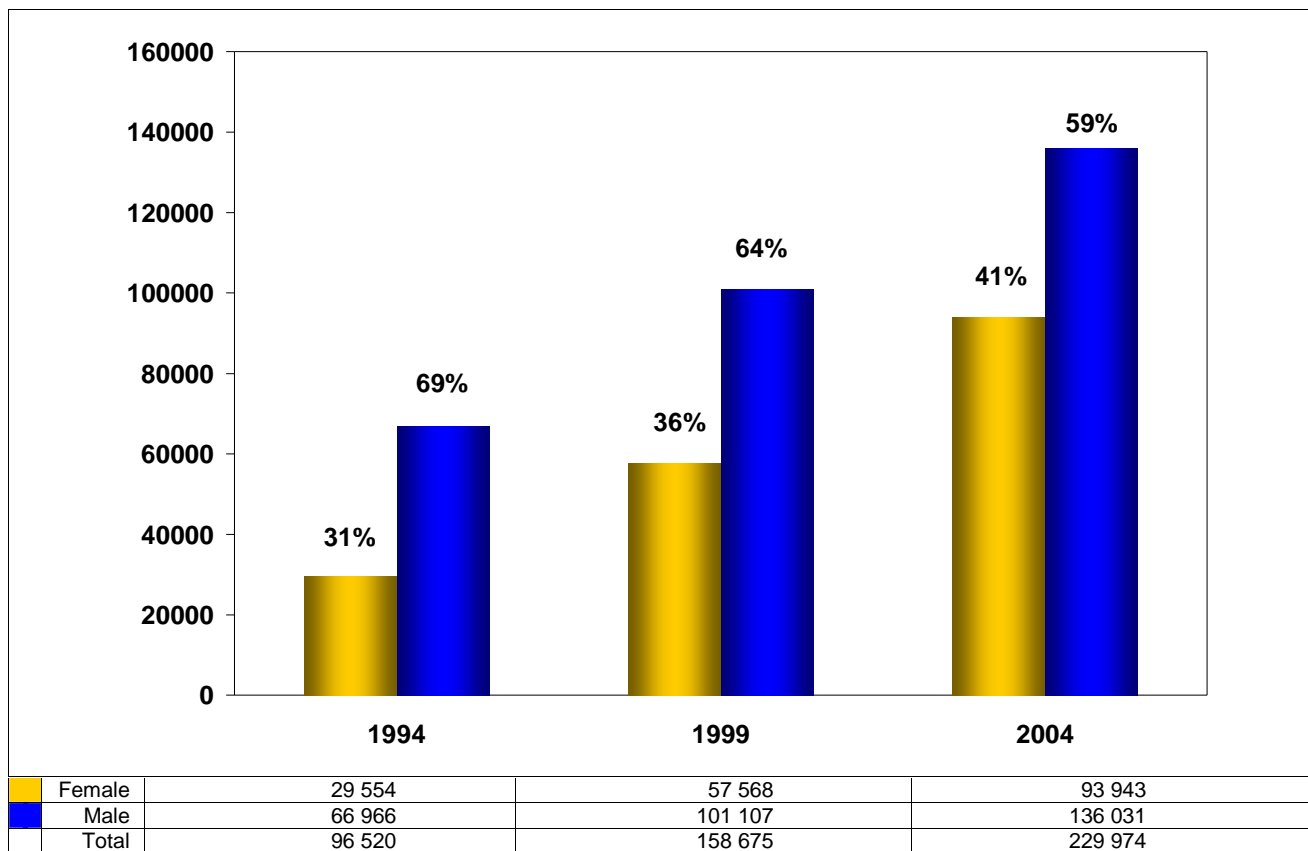


Figure 3-7 HET graduates in commerce, business management and business administration by gender (excluding accounting): 1994 – 2004



3.4 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.

3.4.1 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 and professional accountants.

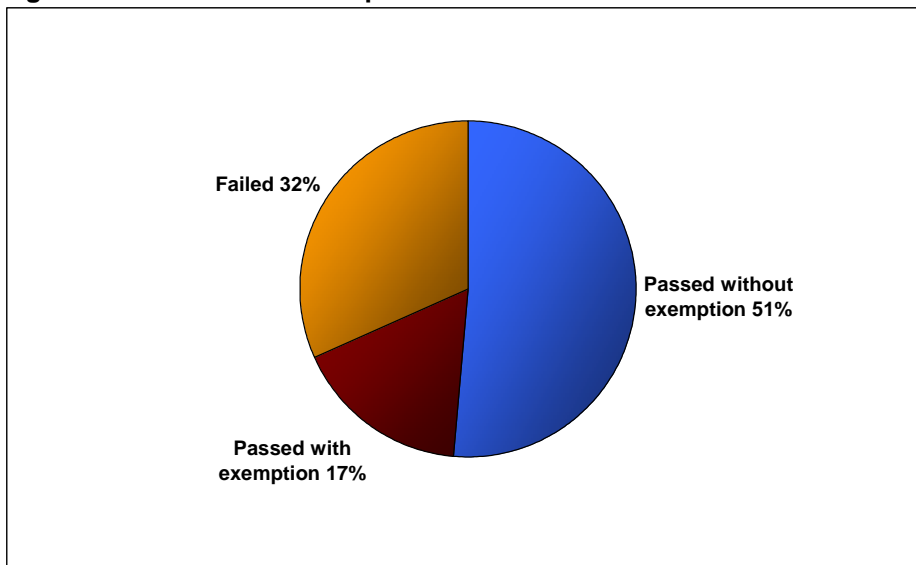
3.4.2 Providers of education and training

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 roles that each of these groups play, and the most important qualifications offered by them, are discussed below.

a) Schools⁵⁶

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. In 2005, a total of 508 363 learners sat the Senior Certificate examination. Of the full-time candidates with six or more subjects, 68.3% passed the examination – 17.0% with matriculation exemption and 51.3% without exemption (Figure 3.8)

Figure 3-8 Senior Certificate passes: 2005



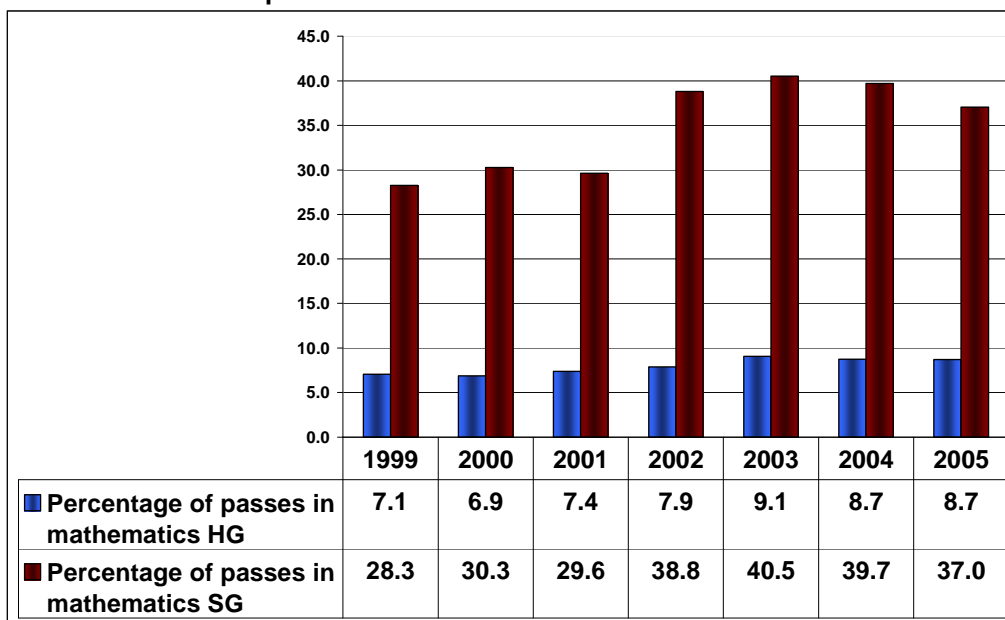
Source: Department of Education, Education Statistics in South Africa at a Glance in 2005

Of all the candidates who wrote the examination, 303 152 wrote mathematics with 55.7% passing the subject. Only 8.7% of all the learners passed mathematics at the higher grade and a further 37.0% passed the subject at the standard grade. This situation had not changed since 2004, when 276 094

⁵⁶ Information for this section was obtained from the following publications :
Department of Education. 2006. *Education Statistics in South Africa at a Glance in 2005*
Department of Education. 2005. *Education Statistics in South Africa at a Glance in 2004*
Department of Education. 2005. *Education Statistics in South Africa at a Glance in 2003*
Department of Education. 2004. *Education Statistics in South Africa at a Glance in 2002*
Department of Education. 2003. *Education Statistics in South Africa at a Glance in 2001*
Department of Education. 2002. *Education Statistics in South Africa at a Glance in 2000* (<http://www.education.gov.za/emis>)

learners wrote mathematics. Of those only 24 143 (8.7%) passed mathematics on higher grade. The low number of mathematics passes severely limits the pool of candidates for study in accounting and related fields. Figure 3.9 shows that the percentage of learners that passed mathematics on higher grade did not change much since 1999.

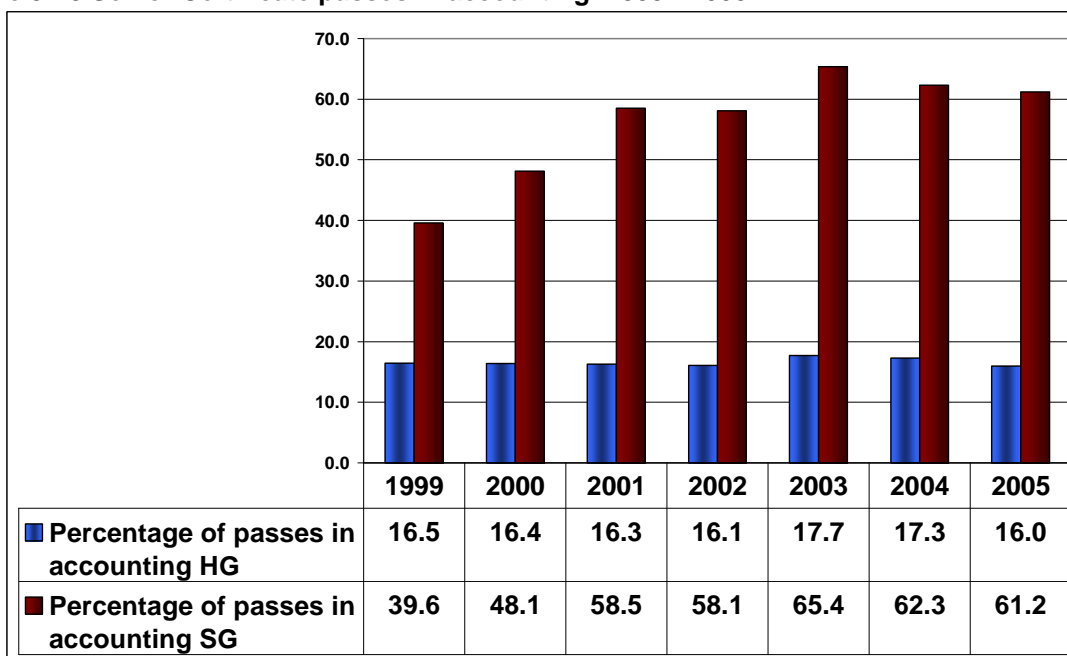
Figure 3-9 Senior Certificate passes in mathematics: 1999 - 2005



Source: Department of Education, Education Statistics in South Africa at a Glance in 2000, 2001, 2002, 2003, 2004, 2005

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 2005, a total of 162 856 learners (32.0% of all the learners who sat the Senior Certificate examination) wrote accounting; 16.0% passed at the higher grade and 61.2% at the standard grade. Figure 3.10 shows that, similar to mathematics, the percentage of learners that passed accounting did not change much since 1999.

Figure 3-10 Senior Certificate passes in accounting: 1999 - 2005



Source: Department of Education, Education Statistics in South Africa at a Glance in 2000, 2001, 2002, 2003, 2004, 2005

The flow of learners through the higher education system and the entry of Grade 12's 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.⁵⁷

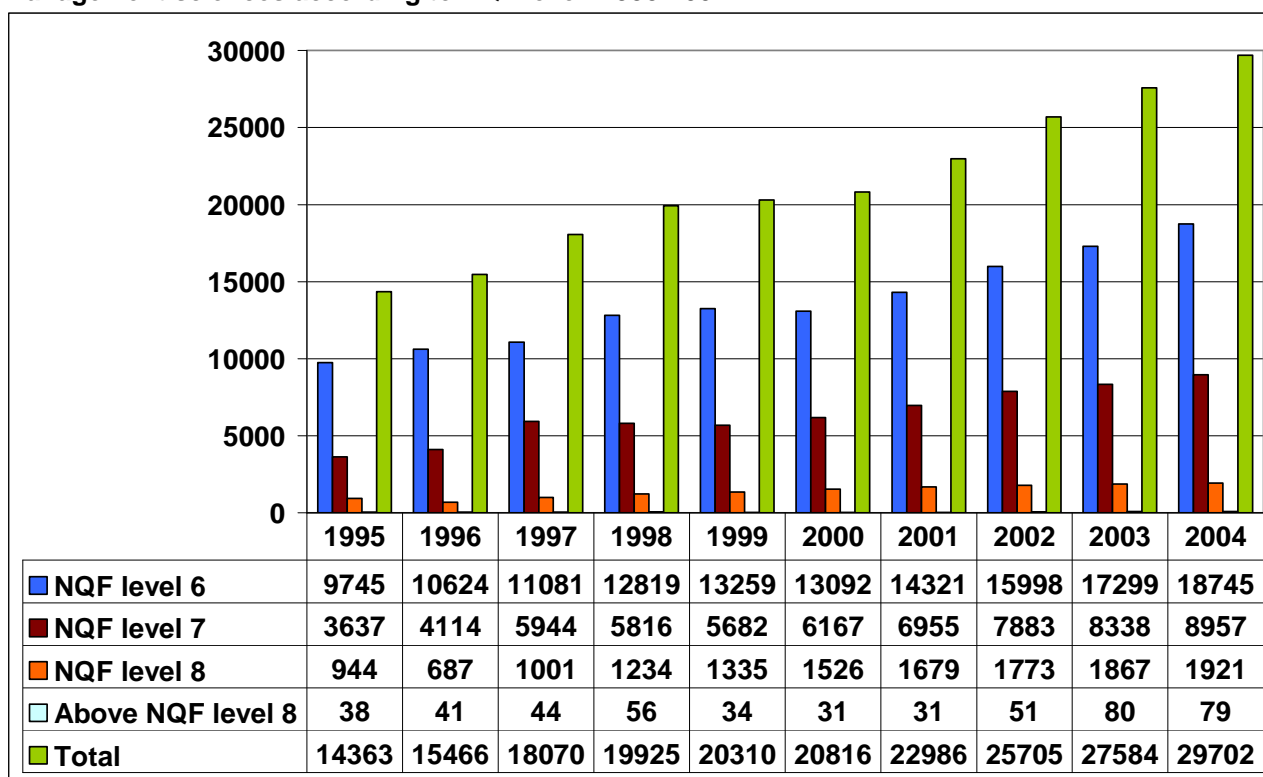
b) Public FET and HET Institutions

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 3.11 shows the qualifications awarded by public higher education institutions in business, commerce and management sciences according to NQF level from 1995 to 2004. The number of graduates in this field increased on average by 8.4% a year. The data show that people tend to stay longer in the HET system while the number of people with postgraduate qualifications is increasing. For example, NQF level 7 qualifications, which included *four* year first degrees e.g. BTech degrees and honours degrees, showed the highest average growth over the review period. The average growth rate of NQF level 8 and above qualifications was higher than that of NQF level 6 qualifications.

Figure 3-11 Qualifications awarded by the public HET sector in business, commerce and management sciences according to NQF level: 1995-2004



Source: Calculated from NLRD database, SAQA

Tables 3.2 and 3.3 show the number of qualifications that was awarded in the study fields of accounting and commerce, business management and business administration from 1995 to 2004.

Over the ten-year period, the annual number of accounting graduates who completed their degrees was lower than the number of graduates in commerce, business management and business administration but the average annual growth rate in accounting (11%) over the period was higher than in commerce, business management and business administration (7%).

⁵⁷ Human Sciences Research Council, *Skills Development in the Financial and Accounting Sector*, Fasset, Johannesburg, October 2002.

In accounting, the highest average growth in qualifications awarded since 1995 occurred at NQF levels 6 and 7. These levels include qualifications such as three and four year first degrees, national diplomas and honours degrees.

Table 3-2 Qualifications awarded by public HET sector in the study field Accounting according to NQF level: 1995-2004

NQF level	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average annual growth rate (%)*
NQF level 6	1418	2094	2256	2081	2406	1989	2507	2575	3008	4009	12
NQF level 7	1095	1394	2231	2094	1910	1959	1821	1846	2201	2754	11
NQF level 8	911	658	924	1140	1206	1419	1580	1668	1763	1823	8
Above NQF level 8	38	41	44	51	24	27	21	47	62	62	6
Total	3461	4186	5456	5366	5546	5394	5929	6136	7034	8648	11

Source: Calculated from NLRD database, SAQA.

In the study field commerce, business management and business administration the highest average growth in qualifications awarded occurred at NQF level 7. Level 7 qualifications include four year first degrees, national higher diplomas and honours degrees.

Table 3-3 Qualifications awarded by the public HET sector in the study field Commerce and Business Management and Business Administration according to NQF level: 1995-2004

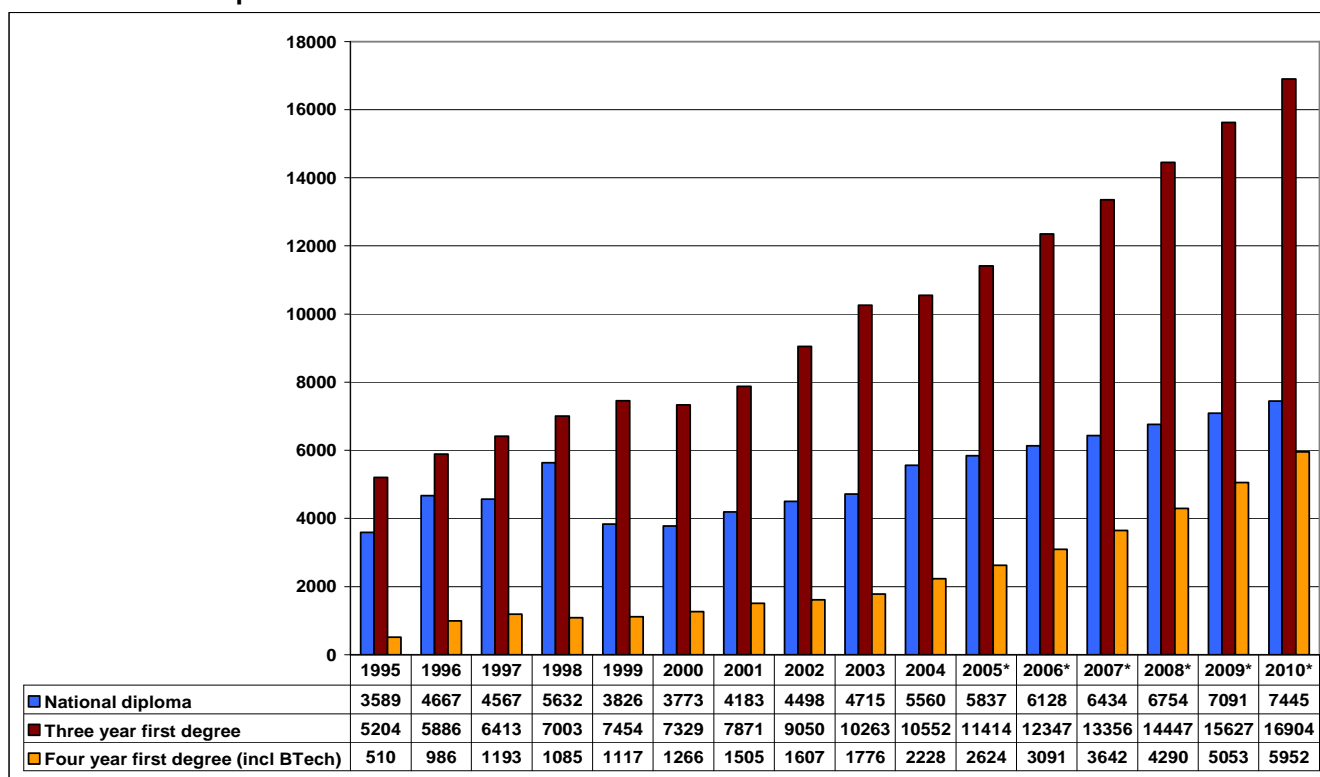
NQF level	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average annual growth rate (%)*
NQF level 6	7375	8459	8724	10553	8874	9113	9547	10973	11970	12103	8
NQF level 7	2113	2515	3259	3349	3272	3764	4663	5410	5514	5312	11
NQF level 8	911	658	924	1140	1206	1419	1580	1668	1763	1823	8
Above NQF level 8	38	41	44	51	24	27	21	47	62	62	6
Total	10437	11673	12950	15093	13376	14323	15811	18098	19309	19300	7

Source: Calculated from NLRD database, SAQA.

Projection of new entrants from the public HET sector

Figure 3.15 shows the number of new graduates who qualified between 1995 and 2004, and the number that will qualify per annum if the average annual growth rate is sustained. The HET sector could produce as many as 283 700 new graduates in the fifteen-year period 1995 to 2010. 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 Department of Education's (DoE) subsidisation of the HET sector.

Figure 3-12 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 1995 to 2004
Sources: Calculated from NLRD database, SAQA and own projections from 2005 to 2010.

c) **Private FET and HET institutions**

Private institutions offering higher education must register with the DoE in accordance with the *Higher Education Act, 1997 (Act No 101 of 1997)*. On 1 March 2007⁵⁸, 79 private higher education and training institutions were registered with the Department of Education. A further 16 institutions were provisionally registered i.e. they had not fulfilled all the requirements for registration but the registrar believed that they would be able to fulfil the requirements within the period stipulated. These institutions offer mainly certificates and diplomas that fall within Levels 5 and 6 on the NQF. Nineteen of the currently registered private institutions provide training relevant to the Financial and Accounting Services sector.

Further Education and Training (FET) refers to education and training provided from Grades 10 to 12 (NQF level 2 to 4). Private institutions offering FET programmes must also register with the DoE in accordance with the *FET Education and Training Act, 1998 (Act No 98 of 1998)*. At the time of writing this SSP private further education and training institutions were still in a process of registering with the Department of Education and a register of private FET institutions was not yet available

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.

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.

⁵⁸ Department of Education 2007. Register of Private Higher Education Institutions Last update 1 March 2007.
<<http://www.education.gov.za/dynamic/dynamic.aspx?pageid=3268&dind=47>>

By June 2007, 20 learnerships had been registered by Fasset with the Department of Labour. In the 2006/2007 financial year 3 098 new learnership contracts were registered with Fasset, while 232 learners successfully completed their learnerships. Most of these learners were on the learnership for Chartered Accountants: Audit Specialism. Half (50%) of all the newly registered learners were women, and 45% were previously disadvantaged individuals.⁵⁹ The learnerships and the number of learners who were registered and who qualified in each are listed in Table 3.6.

Table 3-4 Learnerships contracts registered with Fasset and learnerships completed in 2006/2007*

	Title	NQF Level	Professional body	No of learners Registered	No of learnerships Completed
1	ACCA Professional Qualification: Chartered Certified Accountant	7	ACCA	0	0
2	Associate Accounting Technician	5	SAICA	0	0
3	Associate General Accountant	6	SAICA	0	6
4	National Certificate in Business Accounting	5	CIMA	33	0
5	Certificate in Debt Recovery	4		0	0
6	Certificate: Certified Accounting Technician	5	ACCA	0	0
7	Chartered Accountant: Audit Specialism	7	SAICA	2 672	927
8	Chartered Accountant: Financial Management Specialism	7	SAICA	29	0
9	Professional Qualification: Chartered Management Accountant	7	CIMA	2	0
10	Post Graduate Diploma: Professional Accountant in Practice	7	SAIPA	307	0
11	Post Graduate Professional Qualification: Professional Accountant in Business	7	SAIPA	7	0
12	National Diploma in Management Accounting	6	CIMA	2	0
13	Certificate in Public Sector Accounting	4		0	0
14	Certificate: Office Administration	5	ICB	1	0
15	National Certificate: Small Business Financial Management	4	ICB	0	1
16	Diploma in Public Sector Accounting	5		15	0
17	National Diploma: Technical Financial Accounting	5	ICB	1	0
18	Certificate for Registered Accounting Clerk	3	ICB	24	0
19	Certificate for Registered Bookkeeper	4	ICB	5	0
20	Certificate: Accounting Technician	5	AAT	0	0
	Total			3 098	934

*Figures as reflected in Fasset's system on 11 June 2007. 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.

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

⁵⁹ Information provided by Fasset's Learnership Division.

employment in the organisation after graduation while others benefited from the work experience, which equipped them for future employment opportunities.⁶⁰

3.5 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 interventions⁶¹ 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.⁶² 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.⁶³

The information for the 2003/2004 period reveals that 931 employers submitted training reports in which they reported they had trained 30 000 employees.⁶⁴ 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).

In 2004/2005 930 employers submitted training reports. In this year they spent R156 million on the training of 30 000 employees. 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 3-5 Beneficiaries of training: 2004/2005 according to occupational category

Occupational Group	Total employed	Total trained	%	% of employed trained
Legislators, Senior Officials, Managers & Owner managers	5 684	4 174	14	73
Professionals	8 414	5 775	19	69
Technicians & Associated Professionals	10 771	10 938	36	102
Clerical & Administrative Workers	10 950	7 758	26	71
Service & Sales Workers	1 060	868	3	82
Skilled Workers, Craft & Related Trades	215	84	0	39
Plant & Machine Operators and Assemblers	140	71	0	51
Labourers & Elementary Occupations	819	304	1	37
Total	38 053	29 972	100	79

Source: Fasset, Analysis of Grant Submissions 2004/2005

3.6 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 in the fields of accounting and

⁶⁰ Fasset, Analysis of Grant applications Year 4 (2003/4).

⁶¹ A training intervention is a training course or training opportunity attended by one or more employees.

⁶² Fasset, Analysis of Grant Submissions Year 2.

⁶³ Fasset, Analysis of Grant Submissions Year 3.

⁶⁴ Fasset, Analysis of Grant Submissions Year 4.

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,⁶⁵ or the qualitative deficiencies that may exist or develop in the skills apparatus of the existing workforce.

The chapter starts with a summary of certain of the demand and supply issues that have a direct influence on the scarcity of skills. This is followed by a discussion of scarce skills and then of critical skills in the sector.

4.2 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 mostly tend to stimulate the demand for the financial services offered by the Financial and Accounting Services Sector. An important exception is the proposed changes to the Companies' Act that will impact on small organisations' need for accounting and auditing services. This, in turn, may slow down the growth in the demand for accounting and auditing services and consequently the demand for labour in this sector. The effect of these changes will probably start to impact on the sector in the next year or two.

The demand for financial services is also driven by the positive economic growth experienced in South Africa over the last number of years. Although employment demand is relatively inelastic (i.e. employment grows more slowly than output), the demand model developed for the sector indicates that new employment opportunities can be expected to increase by between 3 500 and 5 800 annually. These opportunities will occur in all employment categories, but the largest growth will be in the professionals and technicians categories.

A particular challenge for the sector is to replace people who have moved out of the sector. One occupational group with a very high replacement demand is the accounting profession – more specifically trainee accountants. This replacement demand is a result of the occupational structure that has developed over time and the specific roles played by trainee accountants in the sector. The professional learnerships in accounting are relatively long (approximately three years) and the trainees who enter these learnerships are graduates – many already have honours degrees. Thus, in many accounting firms the bulk of the para-professional work is done by trainee accountants and the learnership positions have become a permanent component of the occupational structure of the sector. In some of the accounting and auditing firms learners constitute as much as twenty percent or more of the total workforce. However, it is widely accepted that most learners will leave the firms in which they trained after completion of their learnerships to find employment elsewhere. In the firms they are replaced by new learners. Many learners leave the sector altogether to become financial professionals and managers elsewhere in the economy. This leaves the Financial and Accounting Services Sector with the responsibility to train more learners than only those needed for the sector's own professional positions.

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.

In the demand analysis presented in Chapter 2 of this SSP the need to change the racial profile of the sector was emphasised. Thus, the demand for financial professionals from historically disadvantaged groups is particularly high.

⁶⁵ Department of Labour, Framework for Identifying and Monitoring Scarce Skills, 2005.

4.3 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 Financial and Accounting Services 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.

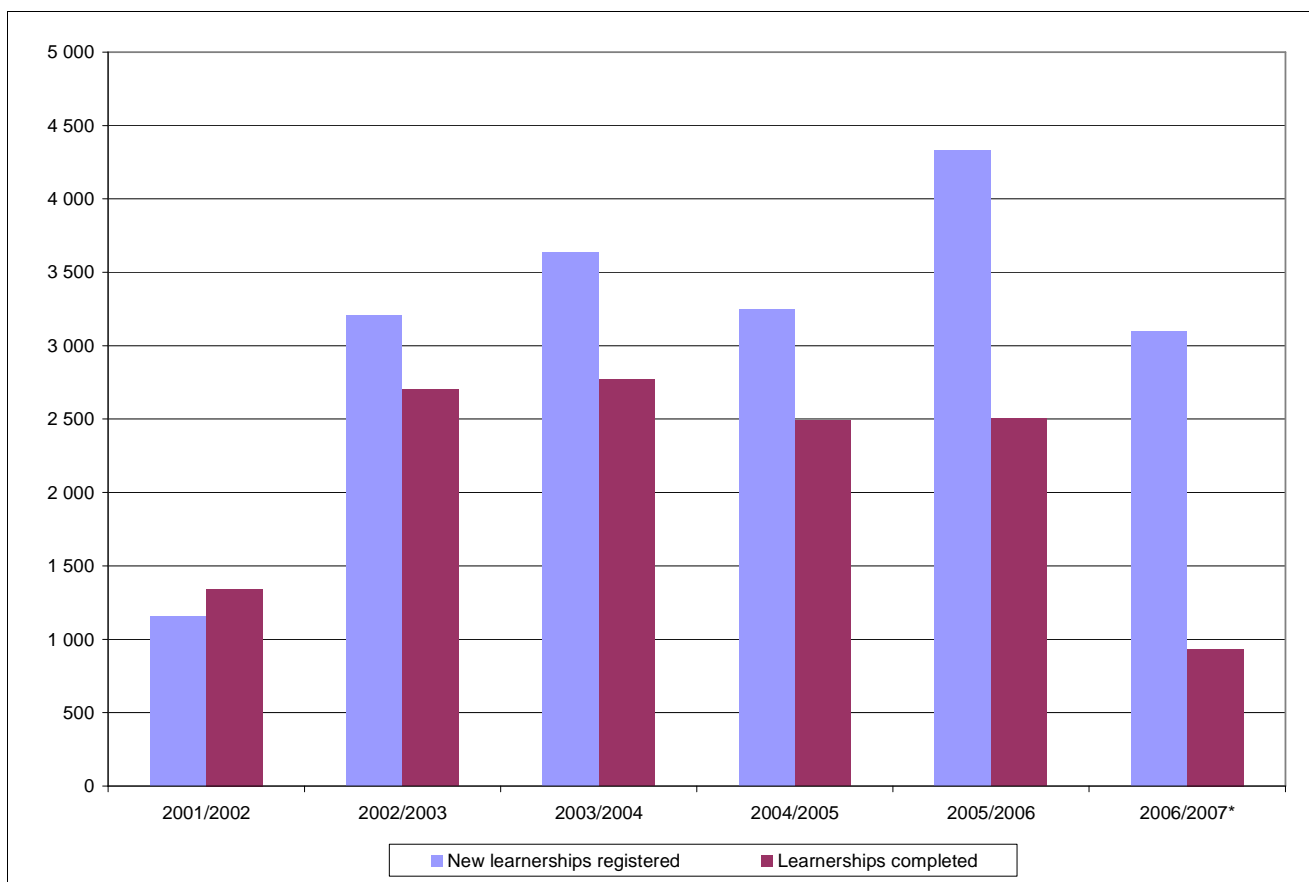
The increase in the numbers of black graduates in the general fields of commerce, business management and business administration should to some extent ease the pressure on the sector to change its racial profile. However, the change in the specialised field of accounting is slower and requires more 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.

Professional qualifications are highly valued and sought after in the Financial and Accounting Services 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.

At this stage, Fasset has registered 20 learnerships many of which 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.

Figure 4.1 shows the number of new learnership registrations and the number of learners who qualified over the five-year period from 2002/2003 to 2005/2007. The number of new learnership registrations increased substantially in the 2005/2006 financial year, but most of these learners will only qualify in three years' time. The change in the racial profile of learners is also relatively slow. In 2001/2002, 29% of the learners registered with Fasset were black, and, by June 2007, this figure had increased to 45%.

Figure 4-1 New learnerships registered and learnerships completed 2002 to 2007



*Total figures not available at the time of submitting this SSP update

Source: Fasset learnership registration system

4.4 SCARCE SKILLS

Scarce skills manifest 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. Research⁶⁶ shows that scarce skills already exist in the sector – mainly in the professionals, and technicians and associated professional occupations. These occupational categories are also experiencing above-average growth. However, it is evident that the shortages are often related to very special skills sought by employers.

The lack of qualified black people 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 Financial and Accounting Services 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 vacancies reported in 2004/2005 in the WSPs submitted to Fasset and the scarce skills identified in the 2006/2007 WSPs were used to identify and quantify the scarce skills in the sector. The WSP data were weighted in order to obtain a sense of the magnitude of scarce skills in the total sector. (See Annexure B for an explanation of the methodology used to weigh the data).

Annexure C provides the list of scarce skills in the sector as required by the Department of Labour.

The occupational categories with the highest numbers of scarce skills are:

Managers

- Corporate managers
- Finance managers

Professionals

- Accountants and learners on accounting learnerships
- ICT professionals – specifically SAP consultants
- Management consultants
- Financial investment advisors

Clerical and administrative workers

- Contract, program and project administrators
- General clerks

The shortage of learners for accounting learnerships was confirmed by a study commissioned by SAICA. This study found that there is a significant shortfall in the supply of CTA qualified first year trainees. The study furthermore estimated that in 2008 there would be a shortfall of 1 655 CTA qualified trainees. However, according to the study this shortfall is being met by the appointment of trainees with non-CTA qualifications. The study also found that there is a significant shortfall of first year trainees in the small training offices - in 2008 the shortfall in small organisations would be 658. However, the study warned that this shortfall should be interpreted in the context of Corporate Law Reform and its implications for statutory audit mentioned in section 1.9.1 (c). This study also concluded that the shortfall in the large and medium accounting firms is not significant in overall terms but is significant in the case of Black and CTA qualified trainees.⁶⁷

Although the need for accountants (at different levels and with different professional designations) is clearly evident from the research underpinning this SSP, it is also clear that Fasset needs to focus its skills development strategies on a relatively broad spectrum of professional fields and at NQF levels five and above. The shortages of managers will in the longer term also be alleviated by an increase in the availability of professionals.

⁶⁶ Fasset Sector Study and Fasset, Analysis of Grant Submissions 2000/2001, 2001/2002, 2002/2003, 2003/2004 and 2004/2005.

⁶⁷ Mulberry Leaf Consulting, *Trainee Chartered Accountants in South Africa: Supply and Demand*. A report prepared for SAICA, May 2007.

4.5 CRITICAL SKILLS IN DEMAND

The people working in the Financial and Accounting Services Sector, especially professionals have a constant need for skills development and therefore critical skills (as currently defined by the DoL) will probably always exist among a large proportion of the employees in the sector. These needs emanate from some of the factors discussed in Chapter 1 of this SSP. For example, it is imperative for many of the professionals to stay abreast of changes in the tax legislation and other changes in the tax regime, changes in financial reporting practices and requirements and new computer software. Some of the critical skills also stem from insufficient training prior to entering the labour market.

In the WSPs submitted for 2004/2005 employers identified the skills areas in which their employees needed training. The analysis of WSPs over time revealed that these skills areas remained more or less constant. Specialist financial skills are the most important critical skills in the sector and they are required across all occupational groups. The total list of critical skills identified by the sector is summarised below. The skills are grouped into six broad categories and listed in order of priority within each category.

Management and leadership

- Management skills/leadership skills
- Human resources management 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 skills

Information technology

- Computer skills, e.g. skills in handling word-processing and spreadsheet packages
- 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 bodies⁶⁸ confirmed the need for financial skills across a broad spectrum of workers in the sector. In the financial markets, 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.

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)

⁶⁸ Professional bodies that participated in the Fasset Sector Study.

- 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.

4.6 CONCLUSIONS

The Financial and Accounting Services Sector has to ensure a sufficient number of new entrants into the labour market, address skills shortages and prevent skills gaps from occurring. Interventions to address skills shortages or scarce skills have to be aimed at three levels:

a) School level

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.

b) Tertiary education level

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 positions in the financial services field.

c) Professional level

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 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 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.

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 SAIPA), 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 from IRBA. 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 2007/8. 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 SUPPORT TO SMALL ORGANISATIONS

As indicated in Chapter 1 of this SSP most of the organisations in this sector are small. More than 80% of the levy-paying companies employ fewer than 10 people and 97% employ fewer than 50 people. Fasset has various support structures for small businesses in the sector in place. These include free lifelong learning and SDF training opportunities, free assistance and advice with the completion of grant applications and access to the PDI learnership grant. Many of the social projects funded by Fasset also benefit small companies.

Fasset will continue its support for small levy-paying and non-levy paying companies during this planning period. The form and extent of this support will be reviewed and decided by the Fasset Management Board on an annual basis.

5.4 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)

5.5 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. As of 31 March 2007, 22 organisations were committed to the Investors in People (IIP) standard, and seven organisations have achieved the standard.

5.6 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 LL training interventions and are updated and briefed regularly on all developments and other changes to legislation that affect the sector.

5.7 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 LL 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.

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ANNEXURE A LABOUR DEMAND PROJECTIONS

	2003	2004	2005	2006	2007	2008	2009
Scenario A							
Total projected employment	110 240	114 181	118 263	122 491	126 870	131 406	136 103
New positions to be filled		3 941	4 082	4 228	4 379	4 536	4 698
Positions that need replacement		8 164	8 456	8 758	9 071	9 396	9 731
Total positions to be filled		12 105	12 538	12 986	13 450	13 931	14 429
Annual growth in positions to be filled:	3.6						
Scenario B							
Total projected employment	110 240	114 969	119 901	125 045	130 410	136 004	141 839
New positions to be filled		4 729	4 932	5 144	5 364	5 595	5 835
Positions that need replacement		8 220	8 573	8 941	9 324	9 724	10 141
Total positions to be filled		12 950	13 505	14 085	14 689	15 319	15 976
Annual growth in positions to be filled:	4.3						
Scenario C							
Total projected employment	110 240	116 331	122 758	129 540	136 698	144 250	152 220
New positions to be filled		6 091	6 427	6 782	7 157	7 553	7 970
Positions that need replacement		8 318	8 777	9 262	9 774	10 314	10 884
Total positions to be filled		14 408	15 204	16 045	16 931	17 866	18 854
Annual growth in positions to be filled:	5.5						
Scenario D							
Total projected employment	110 240	117 549	125 342	133 653	142 514	151 962	162 038
New positions to be filled		7 309	7 793	8 310	8 861	9 449	10 075
Positions that need replacement		8 405	8 962	9 556	10 190	10 865	11 586
Total positions to be filled		15 714	16 755	17 866	19 051	20 314	21 661
Annual growth in positions to be filled:	6.6						

ANNEXURE B METHODOLOGY USED TO WEIGH WSP DATA

- 1) The first step was to identify organisations that were “linked” in Fasset’s data system. These were organisations that submitted one WSP for two or more SDL numbers. The total levy amounts paid against each group of SDL numbers was calculated. (In other words a group of linked organisations was further on treated as one organisation.)
- 2) Organisations were then categorised into levy categories (using total levies paid in respect of the 2005/2006 financial year). The following levy categories were used:
 - 1 = R 2 mil +
 - 2 = R 1mil – R2 mil
 - 3 = R 500 000 – R 1 mil
 - 4 = R 100 000 – R 500 000
 - 5 = R 10 000 – R 100 000
 - 6 = R 5 000 – R10 000
 - 7 = R 1 000 – R 5 000
 - 8 = < R 1 000
- 3) Organisations were also categorised into subsectors using SIC codes.
- 4) A cross tabulation was made of all the levy paying organisations according to levy categories and subsectors.
- 5) A cross tabulation was made of all organisations that submitted WSPs according to levy categories and subsectors.
- 6) The proportion of companies that submitted WSPs in each subcategory was then calculated. (subcategory refers to levy category and subsector, for example the Development organisations that paid less than R 1000 in levies).
- 7) The weight for each subcategory was calculated: weight = inverse of proportion that submitted WSPs.
- 8) Each organisation was assigned a weight according to the subcategory to which it belonged.
- 9) The weights were applied in the statistical analysis, which was performed in SPSS.

ANNEXURE C FASSET SCARCE SKILLS LIST

OCCUPATION				level	SS	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
										Aligned	Period		
Y	N												
1	MANAGERS												
	13	Specialist Managers											
		131	Advertising, Marketing and Sales Managers										
			1311	Advertising, Marketing and Sales Managers									
			131102	Sales and Marketing Manager	1	√		Ed	5-6	√		10	Not enough black managers
		132	Business Administration Managers										
			1321	Corporate (Administration & Business) Services Managers									
			132101	Corporate (Administration & Business) Services Manager	1	√		Ed	5-6	√		228	Not enough black managers
			1322	Finance Managers									
			132201	Finance Manager	1	√		Ed, Ls	5-7	√		135	Not enough black managers
			1323	Human Resource Managers									
			132301	Personnel / Human Resource Manager	1	√		Ed	5-6	√		3	
			1325	Research and Development Managers									
			132501	Research and Development Manager	1	√		Ed	7-8	√		1	
		133	Construction, Distribution and Production /										



OCCUPATION				level	ss	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
										Aligned			
										Y	N		
Operations Managers													
		1332	Engineering Managers										
			133201	Engineering Project Managers	1	√		Ed	7	√		3	
		1335	Production/Operations Managers										
			133504	Operations Manager (Non Manufacturing) (Technical Project / Technical Contract Manager)		√		Ed	5-6	√		40	Not enough black managers
		135	Information and Communication Technology (ICT) Managers										
		1351	Information and Communication Technology (ICT) Managers										
			135102	ICT Project Manager	1	√		Ed, SC	5-6	√		2	
		136	Small Business, Office, Programme and Project Managers										
		1361	Small Business, Office, Programme and Project Managers										
			136102	Programme or Project Manager		√		Ed	5-6	√		10	
2	PROFESSIONALS												
	22	Business, Human Resource and Marketing Professionals											
		221	Accountants, Auditors and Company Secretaries										
		2211	Accountants										

OCCUPATION				level	ss	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
										Aligned			
										Y	N		
			221101	Accountant (General)	1	√		Ed, Ls	6-7	√		289	Not enough black professionals. Geographical shortages
			221101	Accountant (General)	1	√	Trainee accountants	Ed, Ls	6-7	√		400	Not enough black professionals. Geographical shortages
			221102	Management Accountant	1	√		Ed, Ls	6-7	√		2	Not enough black professionals. Geographical shortages
			221103	Taxation Accountant	1	√		Ed, Ls	6-7	√		20	Not enough black professionals. Geographical shortages
		2212	Auditors, Company Secretaries and Corporate Treasurers										
			221201	Company Secretary	1	√		Ed	6	√		12	
			221203	External Auditor	1	√	Forensic Auditor	Ed	6-7	√		2	
			221204	Internal Auditor	1	√		Ed	6	√		22	Not enough black professionals. Geographical shortages



OCCUPATION				level	SS	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
										Aligned			
										Y	N		
222 Financial Brokers and Dealers, and Investment Advisers													
		2221	Financial Brokers										
			222103	Insurance Broker	2	√		Ed, SP, L	4-6	√		5	
2222 Financial Dealers													
			222201	Financial Market Dealer	1	√		Ed	6-7	√		17	Not enough black professionals. Geographical shortages
2223 Financial Investment Advisers and Managers													
			222301	Financial Investment Adviser	1	√		Ed, L	6-7	√		25	Not enough black professionals. Geographical shortages
			222302	Financial Investment Manager	1	√		Ed	6-7	√		2	
223 Human Resource and Training Professionals													
		2233	Training and Development Professionals										
			223301	Training and Development Professional	1	√		Ed	5-7	√		1	
224 Information and Organisation Professionals													
		2243	Economists										
			224301	Economist	1	√		Ed	7-8	√		20	Not enough black

OCCUPATION	level	ss	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments			
							Aligned				Period		
							Y	N					
										professionals.			
			2244 Intelligence and Policy Analysts										
			224402 Policy Analyst	1	√				Ed	7-8	√	10	
			2247 Management and Organisation Analysts										
			224701 Management Consultant	1	√				Ed	6-8	√	35	
25	Health Professionals												
	254	Midwifery and Nursing Professionals											
		2544	Registered Nurses										
			254401 Nurse Practitioner	1	√				Ed	5-6	√	2	
26	ICT Professionals												
	261	Business and Systems Analysts, and Programmers											
		2611	ICT Business and Systems Analysts										
			261102 Systems Analyst	1	√				Ed	5-6	√	8	
		2613	Software and Applications Programmers										
			261302 Developer Programmer	1	√				Ed	5-6	√	155	
	262	Database and Systems Administrators, and ICT Security Specialists											
		2621	Database and Systems Administrators, and ICT Security Specialists										
			262103 Systems Administrator	1	√				Ed	5-6	√	2	
		2632	ICT Support and Test Engineers										
			263202 ICT Support Engineer	1	√				Ed	5-6	√	12	
27	Legal, Social and Welfare Professionals												
	271	Legal Professionals											



OCCUPATION				level	ss	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
										Aligned			
										Y	N		
		2713	Solicitors										
			271301	Solicitor (Attorney / Lawyer)	1	√		Ed	6-7	√		5	
3	TECHNICIANS AND TRADES WORKERS												
	31	Engineering, ICT and Science Technicians											
		313	ICT and Telecommunications Technicians										
			3131	ICT Support Technicians									
				313102	ICT Customer Support Officer	2	√	Ed, Ls	5-6	√		9	
5	CLERICAL AND ADMINISTRATIVE WORKERS												
	51	Office Managers and Program Administrators											
		511	Contract, Program and Project Administrators										
			5111	Contract, Program and Project Administrators									
				511102	Contract, Program and Project Administrators	2	√	WE, SC	4-6	√		36	
	52	Personal Assistants and Secretaries											
		521	Personal Assistants and Secretaries										
			5211	Personal Assistants									
				521101	Personal Assistant	3	√	WE, SC	4-5	√		13	
			5212	Secretaries									
				521201	Secretary (General)	3	√	WE, SC	4-5	√		19	
	53	General Clerical Workers											
		531	General Clerks										
			5311	General Clerks									



OCCUPATION	level	ss	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
							Aligned			
							Y	N		
			531101	General Clerk	4	√		√	114	
532	Keyboard Operators									
			5321	Keyboard Operators						
			532103	Word Processing Operator	4	√		√	4	
54	Inquiry Clerks and Receptionists									
542	Receptionists									
			5421	Receptionists						
			542101	Receptionist (General)	4	√		√	12	
55	Numerical Clerks									
551	Accounting Clerks and Bookkeepers									
			5511	Accounting Clerks						
			551101	Accounts Clerk	4	√		√	19	
			5512	Bookkeepers						
			551201	Bookkeeper	4	√		√	28	
			5513	Payroll Clerks						
			551301	Payroll Clerk	4	√		√	7	
552	Financial and Insurance Clerks									
			5522	Credit and Loans Officers						
			552201	Credit or Loans Officer	4	√		√	18	
59	Other Clerical and Administrative Workers									
599	Miscellaneous Clerical and Administrative Workers									



OCCUPATION				level	ss	Specialisation /Job	Critical Skills	Intervention	NQF Levels	NQF		Need	Comments
										Aligned			
										Y	N		
		5993	Debt Collectors										
			599301	Debt Collector	4	√		WE, LS	4		√	5	
		5994	Human Resource Clerks										
			599401	Human Resources Clerk	4	√		WE	4		√	6	
6	SALES WORKERS												
	61	Sales Representatives and Agents											
		611	Insurance Agents and Sales Representatives										
		6113	Sales representatives										
			611302	Sales Representative (Business Services)	4	√		WS, SC	4		√	32	
	62	Sales Assistants and Salespersons											
		621	Sales Assistants and Salespersons										
		6211	Sales Assistants (General)										
			621101	Sales Assistant (General)	5	√		WE	4		√	5	
7	MACHINERY OPERATORS AND DRIVERS												
	73	Road and Rail Drivers											
		732	Delivery Drivers										
		7321	Delivery Drivers										
			732101	Delivery Driver (Vehicle)	4	√		WE, L	2-3		√	2	

ANNEXURE D NQF LEVELS

Qualifications	NQF level
No schooling	Below Level 1
Grade 0	
Grade 1/Sub A	
Grade 2/Sub B	
Grade 3/Std 1/ABET 1	
Grade 4/Std 2	
Grade 5/Std 3/ABET 2	
Grade 6/Std 4	
Grade 7/Std 5/ABET 3	
Grade 8/Std 6/Form 1	
Grade 9/Std 7/Form 2/ABET 4	1
Grade 10/Std 8/N1/Form 3/NTC I	2
Grade 11/Std 9/N2/Form 4/NTC II	3
Grade 12/Std 10/N3/Form 5/NTC III	4
Matric & certificate/NTC IV, V, VI	5
First (three-year) degree/National diploma	6
Honours degree/ BTech degree/ Higher diploma/CA	7
Master's degree	8 and above
Doctoral degree	