

BUSA SUBMISSION ON THE PROPOSED SETA LANDSCAPE 2010 / 11 – 2015 / 16

INTRODUCTION

This document deals with the proposed SETA Landscape 2011-2016. The recommendations to the National Skills Authority (NSA) on a possible new SETA landscape should be read in conjunction with:

- The draft National Skills Development Strategy (NSDS III)
- The Government Medium term Strategic framework
- The Industry Policy Action Plan

BUSA welcomes the opportunity to comment on the proposed SETA Landscape, and does not oppose the reduction of the number of SETAs and amalgamation, however Business have a number of questions and concerns that arose from the proposal.

BUSA strongly supports the Minister's reviewing of the governance mechanisms for SETAs with the aim of improving their functioning and considering patterns of mismanagement and non-performance evident of certain SETAs.

KEY ISSUES, QUESTIONS AND RECOMMENDATIONS

FINANCIAL VIABILITY

Business studied the proposed SETA landscape 2011-2016 and is concerned about the viability of the new Social Security and Development SETA. The transfer of Welfare sub sector to the Social Security and Development SETA raised a concern with regard to financial viability in line with the following concerns:

It is noted that labour unions will now fall into the new SETA from ETDP but:

Will the new proposed SETA have the propensity to capacitate and support the skills development needs of labour unions on its own? Has the principle of viability been considered?

BUSA recommends that, if this proposal is to be accepted, a set of guidelines should be tabled, where union representation is present in more than one sector. This proposal is also supported in terms of joint constituency capacity building of organised Business and organised Labour for the sector to build governance and participation as SETAs are governed by organised Business and Labour.

The second concern is related to PSETA and its ability to accelerate skills development in the public sector. Is the current system adequate to service the needs of the public sector (which is the largest employer in South Africa)?

A suggestion is that the funding model for PSETA be re-visited for consideration in the new SETA landscape where skills has a direct bearing on quality and consistency of service delivery to the electorate.

Thirdly, regarding SME's, would the SETAs in their re-establishment, have the capacity to accelerate training to the SME and informal sector in terms of their financial resources, i.e. discretionary funding?

Our previous Minister of Finance, Trevor A Manuel, in his budget speech in 2005 exempted the bulk of SMEs from paying levies by expanding the threshold from R250 000.00 to R500 000.00, as a small business "tax" reform .¹This has led to the exclusion of a huge bulk of the emerging and small economically active business from participating in the SETA skills development process. As a consequence, SARS is not obliged to supply SETAs with any employer detail if they are exempted from paying levies. While the intention was to reduce the regulatory burden of SME's, It is difficult to ascertain if the gap in funding has been adequately addressed by other state agencies. Moreover the consequence has resulted in a move away from the sectors for said SMEs to that of national support initiatives such as the National Skills Fund, SEDA and other SME support organisations.

Is the exclusion of SME from this regulatory framework and the consequent gap created being addressed adequately by other state institutions or should the sectoral support be re-visited by the new SETA establishment process? BUSA recommends that a discussion on the levies for SME's should be tabled as part of the SETA re-establishment and the NSDS iii. Another issue was around red tape involved to get access to the funding. A possible method to overcome SME access to funding could be simplified claim forms implemented by all SETA's.

1 <http://www.info.gov.za/speeches/2005/05022316151001.htm>

1.4 It is our view that for rural development to succeed, support to small-scale and emerging farmers as well as for land reform beneficiaries should increase and it is of critical importance to focus on the relevant sectors training needs.

GOVERNANCE

BUSA disagrees with the “SETA landscape 2011-2016 Recertification and DHE&T Coordination” document which states: “Greater government line department involvement, particularly at board level for increased governance and performance improvement”.²

Business is concerned with the role of Government line department’s involvement at SETA board level and would like to address the following concerns:

Do these Government line departments have the capacity, particularly at board level, to participate at a decision making level with the SETA boards?

What are the criteria for SETAs choosing a Government line department, in light that some SETAs might be involved with more than one government department?

Also of concern are the current challenges facing boards of state owned enterprises that are driven by government line departments. As a recent example one could look at the SABC as a case in point.

BUSA would like to recommend that SETA boards remain autonomous and continue to be governed through representation of organised Business and organised Labour. It also recommends that SETA boards and their Constitutions allow for the co-option of key government representatives onto boards linked to attainment of specific national projects and objectives as and when necessary.

SETA PERFORMANCE

The SETA Constitution states “For every financial year the SETA must conclude with the Director-General a SLA concerning –

The SETA’s performance of its functions in terms of the Act and the NSDS;³

2 SETA Landscape 2011-2016 Recertification and DHE&T Coordination; slide 8; May 2010

3 Skills Development Act, 1998

BUSA believes that the criteria against which SETA performance is measured is not sufficient for business as it is largely quantitative and key performance should also relate to qualitative components of stakeholder satisfaction, etc. With regards to performance improvement and monitoring and evaluation of SETAs, BUSA suggests that the Institute of Directors (IOD) programmes be included to strengthen the capacity building of the board members.

Another recommendation is for the IOD and DHET to work together for the development of a fit, effective and appropriate evaluation tool to measure performance over and above the quantitative focused evaluation scorecard framework used by the DHET.

The avenues for recourse when issues of non performance or governance indiscretion occur should be clearly defined and implemented. Amongst this would be:

- 1) Internal dispute resolution methods/disciplinary procedures.
- 2) The Auditor General as watchdog over financial indiscretions.
- 3) The DHE's role as watchdog over output disfunctionality.
- 4) A further recommendation is for the appointment of a SETA Ombudsman to address some or all of these issues.

An independent official should be appointed to act as a representative for stakeholder complaints and queries concerning SETA activities linked to improve SETA stakeholder relations and satisfaction. An example is the Motor Industry Ombudsman of South Africa, who offers an easily accessible dispute resolution forum at no cost to the motoring public at large, thereby enhancing the levels of customer care in the industry to the benefit of all concerned.⁴

In-depth investigation and audits into company WSP's and ATR's should be common practice.

EMERGING ISSUES RELATING TO NSDS III

The key business concern is ensuring that skills needs are adequately met and in many instances this requires multi-sectoral support to employers and employees. As an example AVBOB skills need cuts across three sectors, Construction (manufacturing of tomb stones, to Insurance (sales of funeral cover and benefits) to Services (funeral direction and burial services). Many such examples exist whereby employers skills needs are trans-sectoral and Mou's (memorandum of understanding) have not been successful in ensuring trans-sectoral funding and support takes place.

4 http://www.miosa.co.za/articles/MIO_Annual_Report_2008.pdf

The Department of Labour released a STANDARD OPERATING PROCEDURE (SOP) document in 2005 that dealt with the processes to be followed and co-operation among SETAs when lists of employers under an incorrect SETA have been identified and the employers' records and levy monies must be transferred to the correct SETA.⁵ The SOP has enabled a great number of employers to transfer to the relevant SETA thus making it possible for delivery of learning outcomes and effective implementation of the National Skills Development Strategy to take place.

Busa recommends that a set of guiding principles be developed during the new SETA re-establishment process. These guiding principles should ensure that trans-sectoral skills development, particularly those linked to national priorities, be included.

SETA clustering also needs to be more comprehensive in terms of the description and scope as it does not appropriately define the clustering of sub-sectors and associated industries. An example is, point five relating to the SETA cluster "Community and Personal Services related"⁶, which does not in its description include other business services, marketing, advertising, labour recruitment, industrial cleaning, property, hiring services, project management and other commercial services etc.

Busa recommends that the clustering be more representative of the included sub-sectors so as to avoid assumptions and omissions of key sub-sectors of the economy.

PROPOSED LANDSCAPE

The Draft Final Report from the Dti on the review of human capital development support measures of the dti towards the development of a policy framework guiding human capital investment⁷ considers developments at both the national and international levels. Busa recognises this as a pragmatic approach, but needs to see a stronger emphasis on supporting growth in the knowledge sectors of our economy. In essence the South African economy consists of over 75% services companies and over 70% small businesses. It is hoped that these key characteristics of the business sector be considered in the new landscape and approach to overall human capital development.

5 Department of Labour, STANDARD OPERATING PROCEDURE (SOP); 2005

6 SETA Landscape 2011-2016 Recertification and DHE&T Coordination; slide 22; May 2010

7 Draft Final Report "The review and evaluation of Human capital Development support measures of the dti towards the development of a policy framework guiding human capital investment"; DTI; February 2010

The Human Resource Development strategy states there will be a single process and set of products related to labour market analysis and the modeling of skills supply and demand for all sectors. These analyses must be credible and comprehensive enough to serve the needs of all major users, especially the NSA, SETAs, HE and FET.⁸

A concern has been raised about the comprehensive coverage of standard industrial codes (SIC) and the use of out-dated codes being used in South Africa. The SETA Landscape 2011-2016 recertification document states that there is, “No drastic change- there are no major structural changes in the economy to suggest changes in scope of coverage of SETA’s.”⁹

SIC codes are detailed industry coding system designed to facilitate the collection, analysis, and presentation of economic statistical data. Sustainable comparability has been attained between the industrial classifications of many countries and the International Standard Industrial classification (ISIC) by ensuring as far practicable, that the categories at detailed levels of national classifications fitted into only one category of ISIC.¹⁰

ISIC, version 3.1; harmonizes other activity classifications with classifications of goods and services. Although the general structure of the classification was not changed significantly, a greater level of detail was introduced, especially in dealing with services activities, reflecting the growth of this sector of the economy in most countries of the world. The reality is that economic structures in many countries of the world have changed at an unprecedented rate in the past 10 years. Currently South Africa is using a SIC code which was developed in 1989. The emergence of new technologies and new divisions of labour between organisations has created new types of activities and new forms of industry. This poses a huge challenge for statistical data.

An example is the current SIC code for Activities of professional Bodies in South Africa is 95120. ISIC, 2004 version 3.1 classifies Activities of professional Bodies as 9112 while version 4 classifies it as 8412.¹¹

8 http://chet.org.za/manual/media/files/chet_hernana_docs/South%20Africa/National/HRDS-SA.pdf

9 http://www.skillzhub.co.za/articles/DHET_SETALandscapeMay2010.pdf; Slide 4

10 International Standard Industrial classification of all economic activities (ISIC), version 3.1; United Nations, 2004; page 8

11 <http://amadeus.bvdep.com/amadeus/help/HelpAmadeus/ICISIC.htm>

A version of ISIC should be considered for future benchmarking of economic performance comparison. BUSA strongly recommends as a fundamental development activity that ISIC version 4 is considered for statistical purposes and expanded into the sectoral SIC code determinations made by the Minister of Higher Education and Training.

CONCLUSION

Busa hereby registers its intention to make a submission at the public hearing to be conducted by the NSA and encourages further dialogue on the recommendations and concerns raised.