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**Understanding the Size of the  
Problem: The National Skills  
Development Strategy and  
Enterprise Training in South  
Africa**

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# Introduction

- Consider the status and distribution of enterprise training in South Africa against the backdrop of training provision in the apartheid era and the promulgation of a new skills development regime
- Explore the extent to which goals of NSDS is being realised in SA
- Provide some indicators to explain state of enterprise training
- Examine the potential of the micro and very small enterprise sector

## Training provision backdrop

- South Africa's education and training system historically was a low-skills training regime shaped by racial segmentation in the labour market and social discrimination in the education system and larger society.
- The labour market up to the mid-1970s was shaped by racial factors that ensures that more privileged primary market jobs was for white workers and African, coloured and Indian workers were trapped into permanent secondary labour market employment.
- The secondary stratum was predominantly low-paid, unskilled and insecure work, while the independent primary market stratum had the best work opportunities and skilled positions.
- The predominance of whites in the independent primary market jobs was a result of privileged access to the best schools, colleges and universities alongside very privileged admission to the labour market.

# Why change?

- Reform needed in period from the late 1970s to the early 1990s in response to new labour market requirements associated with economic modernization and the collapse of influx control.
- Reform also response to the intensification of political struggles in education and the workplace
- New forms of cheap, semi-skilled labour power needed to meet the racial division of labour and segmented labour markets in South Africa. This had to be reconstituted so as to allow for a greater number of African and semi-skilled workers
- Measures introduced to move African workers from unskilled employment to semi-skilled operative positions (by 1990 semi-skilled African workers exceeded two million in South Africa and for the first time superseded the 'unskilled African proletariat as the numerically dominant stratum of the African working class')

## **Apprenticeship collapse**

Dramatic collapse of the apprenticeship labour market in South Africa, informed by the impact of sanctions, labour unrest and the economic crisis. The decline in enterprise training also linked to:

- A downturn in the business cycle after 1984 which impacted on both in-service training as well as training for the unemployed.
- The proliferation of narrow training modules aimed at development of single-tasked operative capabilities. In cases the training activity of employers focused only on acquisition of narrow work-based competence through provision of short courses.
- The cost implications of training invariably determined the levels of training provided. When the costs of training were considered to be too high, employers tended not to worry about the future growth benefits of enterprise training

## **Employers and skills training**

**In past employers ignored required upskilling needs of the majority of the population**

**Both National Training Board (NTB) and HSRC in 1980-1990s criticised lack of adequate employer training. They noted:**

- Lack of commitment among employers to train.**
- Employers felt that training of employees meant less production**
- Lack of awareness of benefits of training**
- Employers had problems in identifying training needs in their companies.**
- When employers evaluated training, they often thought it had been ineffective because they confused training and what it was worth with issues related to poor management, supervision and planning.**
- Employers could poach trained workers from other companies. Why train then.**

# **Decline in training in period 1986-1998**

- By 2000 only 152 870 workers reportedly being trained (table 1)
- In-service training: 319 011 people to 77 812
- Training for unemployed and work-seekers: 4 570 to 66 806
- Artisan training (by almost 80%): 29 826 to 16 667

**Table 1: Enterprise Training in the period 1986 to 2000**

MACRO OVERVIEW OF TRAINING ACTIVITIES AS REPORTED BY THE DEPARTMENT OF LABOUR, 1986-1998

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Rate of change in training expenditure since 1986 1998
<b>Artisan Training</b>														
Apprentices	29825	23416	24448	25785	22015	18546	16577	-44.4%						
<b>In-Service Training</b>														
Adult Basic Education	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	0%
Training Schemes where Levies apply	7149	73620	19885	34638	28205	37753	1267	-82.2%						
Training Schemes (Section 48 of LRA)	6570	4676	17630	13637	10568	1622	-82.2%							
Subsidised In-Service Training	10000	24448	25785	22015	18546	16577	-44.4%							



# **POST-APARTHEID PERIOD**

**No. of factors after 1994 that informed push to train and to develop institutional framework. Five key factors were:**

- The new education and training demands of the global economy
- Scarce skills arising from South Africa's pre-apartheid highly protected economy
- The impact of increased emigration after 1994
- Undoing the inequity and disadvantage fostered by apartheid
- Assisting the most vulnerable in the labour market (the unemployed)

**These factors underpinned introduction of new skills development regime in South Africa**

# National Skills Development Strategy

New institutional environment facilitates strategic investment in education and training in South Africa, and provide intermediary structures between government and organizations in the private sector to assist in providing the necessary coordination, financial incentives and social obligations to stimulate investment in training

Intermediary institutions and regulatory mechanisms required to link training activities at the enterprise level with the sectoral level and the state.

25 Sector Education and Training Authorities (SETAs) established in 1999 to oversee sectoral coordination. National Skills Authority (NSA) established in 1999 to provide coordination at the national level

SETAs replaced Industry Training Boards (ITBs) to guide and administer a system of structured learning and practical work experience. With regard to enterprise training, SETA activities are shaped by:

- The imposition of a skills development levy on all employers of 1% of total payroll costs
- A grant facility allowing employers to reclaim actual training expenditure from sectoral training funds.

Heart of institutional regime: Training networks between employers, education and training providers and government departments

## Three categories of people need training

- The pre-employed that comprise mostly young people who seek entry into the labour market;
- The currently employed that require enterprise-based training that encompasses all forms of employer-sponsored training during employment, whether that be formal or informal on- or off-the-job training.
- The unemployed that seek training and retraining to gain access to employment.

Space constraints necessitate focus only on enterprise training for the currently employed in South Africa.

## Enterprise size as key factor of training

Company size is important point of analysis, since company size affects investment in training.

Smaller companies generally train a smaller proportion of the workforce than larger employers

A joint Ntsika Enterprise Promotion Agency / Department of Trade and Industry document entitled "State of Small Business in South Africa 1998" noted in 1999 that there were approximately 200,000 enterprises in South Africa (Ntsika 1999: 4).

Majority of firms at the survivalist (self-employed), micro owner) and micro (1-4 employees) end, constituting about 650 firms or about 72% of the total number of firms. If firms with between six and ten employees were included, then the micro and very small enterprise category would constitute 92% of all firms in South Africa (Ntsika 1999: 4-5).

Over 1 million workers or 14% of the total workers in the private sector were employed / involved in survivalist/micro enterprises. When firms with between 6-10 employees are included, the micro and small enterprise (MSE) sector employs about 28% of workers in South Africa

76 239 small, medium and large (SML) firms constituted about 8.4% of the total number of companies in South Africa, yet they employed 5 295 800 workers or 72% of the total workforce

Of the total number of SML firms, 2 785 large firms in the manufacturing, mining, finance and business services, and retail/trade sectors employed almost two million employees, or 27% of the total workforce in South Africa in 1997.

Large firms constituted less than one percent of the number of enterprises in South Africa and employed about 43% of the total workforce in the private enterprise sector

The high number of employees in large manufacturing, mining, finance, retail and trade firms suggest that training will predominate in these sectors

**Table 2: Distribution of private sector enterprises by enterprise size and percentage of employment in 1997**

Enterprise size	Number of Enterprises	% of Enterprises	Employment number	% of Employment
Survivalist (self employed)	184,400	20.3	184,400	2.5
Micro (owner)	283,300	31.2	283,300	3.8
Micro (1-4 employees)	182,800	20.2	565,200	7.6
Very small (5-10 employees)	180,000	19.9	1,068,400	
Small (11-50 employees)	58,900	6.5	1,226,000	16.3
Medium (51-100 employees)	11,322	1.2	909,900	12.3
Large(100+)	6,017	0.7	3,159,900	42.7
<b>Total</b>	<b>906,700</b>	<b>100.0</b>	<b>7,397,200</b>	<b>100.0</b>

# What about Training?

## Available data on enterprise training

- SA in past lacked coherent, consistent data collection point on skills training
- With structures of new skills regime in place D...ment of Labour reports quarterly on state of training (SETA info)
- This will help understand differences across sectors in levels of provision, levels of employer participation by size and sector
- But not yet available, so wider variety of sources needed

## **These sources were:**

1. P-E Corporate Services: 800 organisations with staff of over 1.5 million, focus on large firms, income levels between R25 million and R1 billion
2. National Baseline Survey of Industrial Training across all sectors conducted by an HSRC-led consortium in 2000. The sample for the baseline survey constituted 678 small, medium to large (SML) firms and 87 very small and micro enterprise
3. National Enterprise Survey conducted in 1998, profile of large manufacturing and services enterprises, conducted by Bureau for Economic Research at the University of Stellenbosch. A secondary analysis of survey by Bhora and Lundall in 2002
4. Survey commissioned by Ntsika Enterprise Promotion Agency and conducted by the Bureau for Market Research in 2002, focus on 1000 micro, very small and small businesses in three provinces in the food and beverage, manufacturing and services economic sectors
5. Funded by the Greater Johannesburg Metropolitan Council with the World Bank Resident Mission Office in South Africa, the 1999 survey conducted by the Bureau for Market Research— 2 reports.
6. First report focused on 325 large manufacturing firms spanning eight sectors. Second report surveyed 800 small, medium and micro formal enterprises across eight manufacturing and service sectors



# Key success indicators

- Levels of training in South Africa measured through skills levy payments and the disbursement of training grants to firms/companies that develop workplace skills plans.
- In *Provisional Annual Report for 2001/2002* about R3.2 billion collected from 120 225 firms through skills levies for the year 2001/2002. Updated figures in *The National Skills Development Strategy Synthesis Report of November 2002* indicate total number of firms paying skill levies to 143 770 out of 293 589 registered firms (Department of Labour, 2002, p. 5). Approximately 10% of firms paid roughly 90% of the collected skills levies.
- Of R3.2 billion almost R2 billion available for grant disbursement, eighty seven percent (R1.7 billion) has already been allocated to SDF. Disbursement of funds back to firms who train is very slow. Only 21% of 228 of the 120 225 eligible firms in South Africa claimed back levies September 2002 through the accessing of skills training grants
- Many other firms may be training workers but not yet a participant in the levy-grant scheme, or not claiming back their levies (thus treating the skills levy as a form of tax) or training workers and not being registered because their annual turnover was less than R250 000, it is thus not yet possible to accurately predict the number of workers presently being trained in South Africa.

- **The skills levy scheme has made it possible that enterprise training can be measured in terms of the number of firms participating in the levy-grant system**
- **But 'this measuring mechanism' remains inaccurate given the low percentage of participating firms and the predominance of large firms claiming back levies**
- **Part of the problem: DOL selected only key number success indicators: participants seem to only be collecting information related to achieving the goals set for them by these indicators.**

**Table 3: Measures of Progress against Key Success Indicators from the NSDS, 2002**

No.	Indicator	Extent of Success
1.	<p><b>NQF LEVEL ONE:</b> 70 per cent of workers must have at least a NQF Level One qualification on the national Qualifications Framework by March 2005.</p>	<p><b>Background:</b> About 5.6 million workers presently have a NQF Level One qualification and a further 100 000 workers still need to be assisted in achieving this 70% target before March 2005. The Department of Labour reports that a total of 170 061 workers participated in NQF Level One structured training programmes from the first quarter of year 2001/2002 to first quarter of year 2002/2003 (DoL 2002c: 8).</p> <p><b>NSDS Performance:</b> The progress so far against the stated objective to be achieved by March 2005 has not been an achievement because these trainees have not as yet acquired the qualification Level One training nor acquired the qualification Level One training nor acquired the qualification Level One training merely begun such training.</p>
2	<p><b>LARGE FIRMS:</b> At least 75 per cent of enterprises with more than 150 workers have to be receiving skills development grants by March 2005.</p>	<p><b>NSDS Performance:</b> In March 2002 almost 67% of enterprises in the category were providing workers access to skills training (Table 2). This percentage is high because, although only 0.5% of enterprises are large firms, they employ 42.7% of all employees (Table 2).</p>

3	<p><b>MEDIUM FIRMS:</b> At least 40 per cent of enterprises employing between 50 and 150 workers should be receiving skills development grants by March 2005</p>	<p><b>NSDS Performance:</b> By March 2002 about 38% of levy paying medium-sized firms were accessing grants through developing workplace skills plans (Dol 2002b).</p>
4.	<p><b>SMALL FIRMS:</b> At least 20 per cent of new and existing registered small businesses have to be supported in skills development initiatives by March 2005.</p>	<p><b>Only 7% of levy paying small employers were providing training in March 2002 (Dol 2002b).</b></p> <p><b>Background:</b> During the financial year 2001/2002, a total of 9.3 million employees have participated in structured learning programmes, in 9).</p> <p><b>NSDS performance:</b> The above data suggests that roughly 10% of the workforce have received some form of training in financial year 2001/2002 (Dol 2002d: 9). Reports for the first two quarters of 2002/2003 in 166 216 employees have been trained (Dol 2002d: 9). It is clear that the training rate is increasing significantly year by year.</p> <p><b>Commentary:</b> 1 002 201 employees trained during 2001/2002 compared favourably with the very low levels of training reported under Apartheid training regime – which hit an all time low of 152 870 per cent in 1998 (See Table 1) – representing a training rate of below 3% as a proportion of the total workforce in 1998. However, the Apartheid era data reflects officially reported data, signifying a massive undercount of all unreported training. The NSDS data is more likely to report total levels of training in SETA Information systems.</p>
5	<p><b>STRUCTURED LEARNING:</b> A minimum of 15 per cent of workers have to have embarked on a structured learning programme by March 2005.</p>	<p><b>Background:</b> During the financial year 2001/2002, a total of 9.3 million employees have participated in structured learning programmes, in 9).</p> <p><b>NSDS performance:</b> The above data suggests that roughly 10% of the workforce have received some form of training in financial year 2001/2002 (Dol 2002d: 9). Reports for the first two quarters of 2002/2003 in 166 216 employees have been trained (Dol 2002d: 9). It is clear that the training rate is increasing significantly year by year.</p> <p><b>Commentary:</b> 1 002 201 employees trained during 2001/2002 compared favourably with the very low levels of training reported under Apartheid training regime – which hit an all time low of 152 870 per cent in 1998 (See Table 1) – representing a training rate of below 3% as a proportion of the total workforce in 1998. However, the Apartheid era data reflects officially reported data, signifying a massive undercount of all unreported training. The NSDS data is more likely to report total levels of training in SETA Information systems.</p>

**LEARNERSHIPS:** A minimum of 80 000 people have entered learnerships by March 2005.

**Background:** A total of 14 948 learnership agreements have been registered between April 2001 and June 2002, 10 277 of whom are people already employed and 4 682 who are new entrants into the labour market (DoL 2002c: 14).

**NSDS performance:** The achievements obtained so far constitute 19% of the success indicator. It is not clear how many trainees have completed their learnerships and how many have acquired employment after training.

**Commentary:** The achievements obtained so far be compared with training rates during the old Apartheid regime. Table 1 shows that 16 577 Apprentices were being trained in 1998. In contrast to Learnerships and 10 872 Apprentices (DoL 2002: 17) were reported in 2002 (a total of 20 872 trainees). This represents a 56% improvement in training at this critical intermediate level.

## **What is an Aggregate Training Rate**

An aggregate training rate is the average rate of training across the total employed population. Both the size of firm as well as the levels of variance across economic sectors influences rates of training.

### **Size:**

Large companies train more than small companies

HSRC 2000 study: rate of between 16% and 44% in 2000 for SML mean rate betw 20-30% though varying across sectors

Joburg study suggests that between 24-30% of MSEs with five and more employees invest in training in South Africa. However, less than 10% of with less than 5 employees undertake to train workers. Likely that figure for informal enterprises is lower.

### **Sector:**

Variance across economic sectors in South Africa.

Some industries are characterized by labour intensive, low skill and low-paid jobs, others like the wholesale and retail and financial services sectors require more high-level skills, while a sector like energy remains dependent on technically skilled artisanal and operative labour. Some SETA participation rates higher than others

**Table 4: Aggregate training rates according to five enterprise training surveys**

Training Rate	P-E Corporate Services (2001)	Human Sciences Research Council (2000)	First World Bank Report (2000)	Bureau for Market Research (2002)	Second World Bank Report (2000)
Estimated training rate for SMLs	91%	16% - 44%	33%		
Estimated training rate for SMIMES				18% - 29%	

**Table 5: Percentage Levels Of Training**

	Economic Sector (SETA)	Training Rate
1	Financial and Accounting services	56.6%
2	Banking	64.2%
3	Chemical Industries	31.9%
4	Clothing, Textiles, Footwear and Leather	41.7%
5	Construction	22.3%
8	Energy	38.8%
9	Food and Beverages	39.8%
10	Forest Industries	24.9%
12	Information Systems (IT), Electronics and Telecommunication Technologies	35.8%
13	Insurance	80.0%
15	Media, Advertising, Publishing, Printing and Packaging	30.5%
16	Mining	39.8%
17	Manufacturing, Engineering	34.4%
20	Primary Agriculture	16.2%
22	Secondary Agriculture	14.8%
23	Services	38.3%
25	Tourism and Hospitality	40.6%
26	Transport	33.7%
27	Wholesale and Retail	57.0%
	<b>TOTAL</b>	<b>44.9%</b>



## Mode of training- internal versus external

Three types of training:

- External training
- In-House training by external trainers
- In-House training by company staff

1. Impossible to gauge proportion of in-house versus external training
2. There are differences between the kinds of training provided within respective occupational levels. In-house or external-training programmes for different occupational levels.
3. Percentages provide very little insight into the preferred mode of training and in-house or external training which occupational groups receive particular modes of training.

## Duration of training

Disproportionate amount of short courses where over two thirds less than 5 days long. Short courses not good substitute for substantive 'long course' qualifications upgrading

**Table 6: Percentage of In-house versus external training per survey**

	SML Firms			SMME firms	
	P-E Corporate Services	Human Sciences Research Council	World Bank Report 1	Bureau for Market Research	World Bank Report 2
In-House training	68%	63%	35%	10%	
External training	32%	unavailable	24%	unavailable	22%

**Table 7: Summary of findings on enterprise training by occupation, race and gender**

Occupations	% of people trained	Gender		Race				
		Male	Female	Afr	Col	Indian	White	
Professional and managerial	10.9	71.9	28.1	16.4	4.9	7.4	71.3	
Technicians	11.1	82.9	17.1	27.8	8.1	8.6	55.1	
Clerical / administrative	23.2	41.2	57.9	30.9	15.8		37.9	
Service and sales workers	14.4	67.0	33.0	44.3	17.3	16.1		
Craft and related workers	11.4	93.5	6.5	49.0	8.8	2.6		
Plant and machine operators and assemblers	14.0	77.9	22.1	83.6	9.3	2.3		
Unskilled labourers	14.9	79.1	20.9	89.4	9.6	0.6		
<b>Total</b>	<b>100.0</b>	<b>69.9</b>	<b>30.1</b>	<b>47.5</b>	<b>11.5</b>	<b>8.6</b>	<b>32.4</b>	

## **Race and Occupational segmentation**

- **Training still racially framed and very gendered.**
- **Many occupations remain male and white dominated.**
- **Preponderance of whites receiving training in high skills occupations**
- **About 71% of employees trained in the managerial/professional category in 2000 was white, while only 16% were African.**
- **Majority of those trained in semi-skilled operative tasks in 2000 were unskilled African workers. Only 5% of those trained in lower level occupations were white, while 85% were African**
- **With regard to the training of women in enterprises women continue to dominate gendered jobs such as clerical and administrative positions (58%) and are significantly under-represented in the professional and management categories (28%). At the lower skill levels only 7% of craft workers and 17% of the technical occupational workers being trained were women**

# Key assertions

- The new skills development regime has enormous potential to increase skills training levels in South Africa, but employer participation remains low.
- The training provided to employees is minimal and comprises largely in-house, short course, and employer specific instruction. Such short course and part time training is unlikely to upgrade the skills base of the workforce in terms of the acquisition of the qualifications along the National Qualifications Framework.
- Reasonable progress is being made with training in large, medium-sized firms, and a significant turnaround in training intermediate level through the new Learnerships system.
- Low participation of small firms in the levy-grant system and very low levels of structured training offered to South African employees - a figure estimated at only 10.7 percent of the total workforce.
- The beneficiaries of key forms of training still remain white and male, particularly at the high skills end.
- Training delivery will have to be significantly 'speeded up' and 'opened up' to all South Africans if the National Skills Development Strategy is to have any real chance of success