

**CONFLICTS IN THE ROLE OF BUSINESS AS A SOCIAL  
PARTNER IN THE SOUTH AFRICAN ECONOMY: A STUDY  
OF SKILLS DEVELOPMENT IN THE BORDER-KEI REGION**

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## **ABSTRACT**

This thesis analyses conflicts in the role of business as a social partner in the South African economy by studying skills development in the Border-Kei Region. Skills development is a key component of the South African government's programme of labour market regulation and is founded on a participatory approach. The skills development framework requires the participation and co-operation of multiple social partners but relies heavily on the role of business in the attainment of national and sectoral skills development objectives. Unfortunately, however, there are significant conflicts in the role which business is expected to play which consequently hinder the efficiency of the framework and the likelihood that that these objectives will be realised. One of the most pertinent examples of these conflicts is the voluntary nature of the skills development framework, which incentivises but does not compel organisations to invest in training and development. Other conflicts include dissonances between national and employer led strategies and organisational disincentives to engage in training and development. This qualitative study uses an interpretive approach to study how and to what extent the Skills Development Act is implemented in selected organisations in Buffalo City as well as studying the issues pertaining to the implementation process. By using a purposive sampling approach, this research includes both primary data in the form of semi-structured interviews and secondary data in the form of documentary sources. The data represents the perspectives of business, labour and government and provides significant depth of insight into the discussions and issues surrounding skills development in Buffalo City. This dissertation argues that South Africa's vocational training system, institutionalised through appropriate legislation, may not be sufficient to mobilise social partners, and of primary concern in this research – business – to invest in skills development. It suggests that extensive reliance on business is an insufficient way in which to upskill the labour market. However, with few alternatives to this approach, it is subsequently essential that business is encouraged to buy into the collective interest of skills development objectives. This primarily entails overcoming the challenges that embody the framework and increasing state emphasis on skills development.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

ANC	African National Congress
ATR	Annual Training Report
CATHSSETA	Culture, Art, Tourism, Hospitality, Sport Sector Education and Training Authority
CHIETA	Chemical Industries Sector Education and Training Authority
FASSET	Finance, Accounting, Management Consulting and other Financial Services Sector Education and Training Authority
FET	Further Education and Training
GEAR	Growth, Employment, and Redistribution
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ITEC	Institute of Education and Training for Capacity Building
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MICT SETA	Media, Information and Communication Technologies Sector and Training Authority
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
OECD	Organization for Economic Co-Ordination and Development
PGDP	Provincial Growth and Development Plan
PMI	Production Management Institute of Southern Africa
RDP	Reconstruction and Development Programme
SDA	Skills Development Act 97 of 1998

SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act 9 of 1999
SETA	Sector Education and Training Authority
SME	Small to Medium Enterprise
SSP	Sector Skills Plan
W and R SETA	Wholesale and Retail Sector Education and Training Authority
WSP	Workplace Skills Plan

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# **CHAPTER 1:**

## **INTRODUCTION**

### **1.1 THE CONTEXT OF THE RESEARCH**

When South Africa achieved representative democracy with the African National Congress (ANC) being voted into power, the victory bore with it immense developmental challenges. Apart from the massive social inequalities which desperately needed to be addressed, from an economic standpoint South Africa not only had to confront the challenge of emerging from the isolation of economic sanctions but simultaneously had to catch up with a world economy completely transformed by globalisation (Mercurio and Mercurio, 2000: 12). As outlined in the Report of the Presidential Commission to Investigate Labour Market Policy, while South Africa's economic structure was characterised by highly skewed income distribution, it fortunately presented strong economic diversity or lack of specialisation. Even compared with internationally traded goods and services, South Africa had significantly established capacity across the range of sectors and products (Presidential Commission to Investigate Labour Market Policy, 1996: c1).

The re-exposure of South Africa to international markets consequently put downward pressure on unskilled wages and reinforced the shift in the composition of labour demand away from unskilled labour and towards skilled occupations. Unfortunately, however, these two effects, taken together, were expected to have the detrimental impact of widening differentials between skilled and unskilled earnings. Therefore, in order to avoid a rise in unemployment of unskilled workers, the initiated response was to develop and implement a labour market framework combining flexibility with security through improved regulation (Presidential Commission to Investigate Labour Market Policy, 1996: c1).

Subsequently, in June 1996, after consultation with social partners (business, labour and government), the government published the Growth, Employment and Redistribution (GEAR) macroeconomic framework which included its macroeconomic strategy and was designed to work in conjunction with the Reconstruction and Development Programme

(RDP) (GEAR, 1996). GEAR (now replaced by the Accelerated and Shared Growth Initiative for South Africa) was used as a structural and strategic framework to consolidate and further the economic strategies represented in the RDP (Padayachee, 2006: 1). The commitments represented in the RDP and GEAR programmes constituted the government's measures for socio-economic transformation. Both programmes identified the urgent need for development in order to create fundamental change and move away from the authoritarianism of the apartheid era, which was associated with extreme poverty and inequality (Taylor, 2000: viii).

However, despite the urgent need for development and the commitments to socio-economic transformation, the task of achieving development objectives in the context of South Africa's newly regulated labour market was neither a simple nor an easy one. According to Bhorat and Kanbur (2006: 1), the first ten years of South Africa's democracy were characterised by rising unemployment, rising income poverty, and rising income inequality, all in the context of a weak performance in economic growth. Arguably, one of the central reasons for these shortfalls in growth and development were persistent structural irregularities inherited from the previous (apartheid) regime. South Africa's former exploitative apartheid system of governance had deprived the substantial majority of the South African population of many opportunities, including adequate education and the acquisition of technical and professional skills (Botchway, Noon and Setshedi, 2004: 396).

Many of these structural problems and irregularities created by the apartheid regime remain entrenched in South African society today (Adelzadeh, Alvillar and Mather, 2001: 235). Adelzadeh et al. (2001: 235) argue that South Africa's structural problems fall into three categories: "key micro- and macro-economic attributes, backlogs in investment in human resources and social services, and labour market constraints on job creation and poverty eradication". Because of these structural deficiencies, Marais (2011: 195) argues that South Africa's economy is currently divided into a "thriving 'first economy' that is skilled, well resourced, productive and competitive and a precarious 'second economy' that is marred by poor skills, endemic under- and unemployment and by dependency on state beneficence" (Marais, 2011: 195). This division is commonly referred to as the 'two economies'. According to Marais (2011: 195) South Africa's key economic challenge is to span the divide between these two economies. In order to do this, sustainable development of human resources and human capital is required. Skills development consequently forms an essential

part of the South African government's programme of labour market regulation and an indispensable part of South Africa's strategy for human resource development.

The Skills Development Act, No. 97 of 1998 (SDA) and the Skills Development Levies Act, No. 9 of 1999 (SDLA) were introduced as part of the government's human resource development strategy (Grobler, Warnich, Carrell, Elbert, Hatfield, 2002: 349). These Acts form the cornerstones of the statutory skills development framework. The SDA has five key principles: "To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualifications Framework contemplated in the South African Qualifications Authority Act, 1995; to provide for learnerships that lead to recognised occupational qualifications; to provide for the financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith" (Skills Development Act, No. 97 of 1998, 1998: para1).

The SDA therefore seeks to address the structural deficiencies of the labour market, and develop a workforce that can respond to a modern economic environment while taking into account the equity considerations in South Africa (Department of Labour, 2006: 2). It is important to understand that the skills development framework does not exist in isolation, but is reinforced by various developmental agendas and approaches to upskilling the labour market. In attempting to rectify the skills mismatch and become globally competitive, South Africa chose to pursue a high-skills economy and a knowledge economy simultaneously, in the context of a developmental state approach. Studies on skills development in South Africa are incomplete without adequate recognition of these approaches.

The first approach, the high-skills economy, refers to an economy with a wide distribution of workforce skills that are fully utilised to achieve high productivity across a wide range of sectors. The results are increased wage rates and relative income equality (Ashton, 2004: 100). According to Lauder and Brown (2006: 31), "the aspiration to develop a high-skills economy is based on the idea that if the demand and supply of skills can be raised, individuals and nations will gain because the returns to skill will make both better off. More skilled work should lead to greater individual satisfaction with work and greater stability and opportunity in finding work and staying employed".

The emphasis on pursuing a high-skills economy is not unique to South Africa. Due to the emergence of China and India as low cost manufacturing bases, many industrialised countries started urgently encouraging employers to demand higher skills levels, to move up the value chain, and to develop a better-qualified and skilled workforce in order to maintain national growth and innovation (Raddon and Sung, 2006: 5). The key concept associated with the high-skills thesis and its concern for the relations between institutional substructures (such as the education system, the labour market and the economy) is that of joined-up or cross-sectoral co-ordination (Kraak, 2006: 6). Ashton (2004: 100) suggests that in order to achieve this, a high level of workforce co-operation, supported by both governments and capital initiatives, is required.

In addition to the pursuit of a high-skills economy, the South African government recognised the need to pursue a 'knowledge-based economy'. As outlined by the Organisation for Economic Co-operation and Development (OECD) (1996: 9), the term "knowledge economy" or "knowledge-based economy" expresses a fuller recognition of the role of knowledge and technology in economic growth. The argument for pursuing a knowledge economy is that human capital (the knowledge embodied in human beings) and technology are central to economic development (OECD, 1996: 9). As stated in the Leitch Review of Skills Final Report: "In the new global economy, people's economic security cannot come from trying to protect particular jobs, holding back the tide of change. Instead, it comes from enabling people to adapt to change, and this relies upon equipping people with the skills to be flexible and take advantage of new opportunities. In the new century, improving and updating skills is the best way to help people make the most of change" (HM Treasury, 2006: 27). Rapid changes in knowledge and an increasing reliance on technology require learning to be a permanent process of economic life (Crouch, Finegold and Sasko, 2004: 1).

What is evident in the pursuit of both the high-skills economy and the knowledge economy is the emphasis on the need for institutional substructures to work together to achieve development goals. This emphasis is not limited to the skills development framework but is similarly apparent in South Africa's overarching development agenda, namely the development state approach. The development state approach stresses the need for 'embeddedness' which, in this context, refers to a state's ability to work with social partners, such as business, in order to generate internationally competitive industries (Jahed and

Kimathi, 2008: 105). According to Flynn (2001: 52), “the developmental state argument, made by Chalmers Johnson and others, was that the connection between the state and business was not simply one of ‘interference’ or ‘direction’ by the state or the market”. Instead, it emphasised the need for partnerships between the state and social partners (Flynn, 2001: 52).

The concept of the developmental state does not simply mean that the government actively directs economic development. Rather, it articulates the ability of the state to drive development by guiding capital toward new activities while maintaining broad-based support, including support from workers (Makgetla, 2008: 144). The developmental state approach, the pursuit of the high-skills economy and the pursuit of a knowledge economy are all based on the need for social cohesion between the public and the private sector. As a result, the skills development framework requires strong relations between these two spheres of the economy in order for the objectives of the framework to be attained. Mercorio and Mercorio (2000: 53) state that the SDA “encourages partnerships between public and private sectors of the economy to provide education and training in and for the workplace”.

The involvement and investment of business as a social partner is thus essential for the success of the skills development framework and also for the growth of the national economy. The third National Skills Development Strategy states, “a partnership and collective responsibility between stakeholders – government, business organisations, trade unions, constituency bodies – and our delivery agents – SETAs [Sector Education and Training Authorities], public bodies, employers, trade and professional bodies, public and private training providers, community-based organisations, cooperatives and NGOs – is critical to achieving our aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce to support a skills revolution in our country” (Department of Higher Education and Training, 2011b: 25-26).

## **1.2 MOTIVATION FOR THE STUDY**

Business is a key role player in the skills development framework and consequently there is considerable reliance on business to collaborate in the pursuit of national and sectoral skills development objectives. The problem, however, with heavy reliance on business is that research has consistently shown that businesses generally do not regard training and development as a priority in the workplace and therefore often engage minimally in skills development activities. Stuart (2007: 272) argues that if companies are left to their own devices, it is 'natural' for them to under-invest in the development of skills. There are numerous reasons for this, ranging from cultural disinclinations to train to financial and time constraints. According to Keep (2000: 11) despite the endless rhetoric that there is a need for dramatic upskilling across all levels of the workforce in order to maintain economic competitiveness, managers in many organisations still believe that large sections of their workforce require limited skills.

Considering the general disinclination of businesses to provide training in the workplace, the likelihood of employers and managers training in a manner that aims to respond not only to organisational skills needs but also to national and sectoral skills objectives, is extremely low. As Crouch et al. (2004: 10) explain, whether businesses engage in training or not, firms are geared to maximise profitability and are generally not concerned with collective objectives such as public policy goals. Furthermore, research conducted by SETAs has consistently indicated that only a small minority of organisations are adequately responding to scarce and critical skills needs, engaging in learnerships and skills programmes and thus responding to industrial policy objectives.

The ability of the state to bridge the gap between the 'two economies' and jointly pursue a high-skills economy and knowledge economy is severely constrained by business's lack of investment in training and development. One of the central conflicts in South Africa's skills development framework is therefore (considering the regulated nature of the labour market) that while organisations are legally compelled to pay a skills development levy, there is no obligation on businesses to engage in skills development in their respective workplaces or participate in any external skills development initiatives. While businesses are incentivised to engage in training and development through, for example, the distribution of monetary

grants, there is no guarantee that these incentives will be motivation enough for businesses to train and develop workers.

According to Crouch et al. (2004: 6), “the goal of a learning society presents itself initially as a set of clear and simple messages. For individuals it is: ‘get educated to as high a level as you are able’. For firms: ‘keep working to improve the knowledge base of your activities in order to stay ahead of your competition’. For governments: ‘improve the quality of education facilities and ensure that as high a percentage as possible of your population participates, and you will maintain your standard of living and avoid mass unemployment’”. Unfortunately, one cannot be certain that individuals, firms, governments and other social partners will be willing to assist each other in attaining their respective goals. If businesses do not adequately engage in skills development, not only will the gap between the so-called ‘two economies’ remain disconcertingly wide, but the ability for the state to pursue a knowledge economy and a high-skills economy will be considerably jeopardised.

### **1.3 THE PURPOSE AND STRUCTURE OF THE THESIS**

The voluntary nature of South Africa’s skills development framework has created challenges in the participatory approach of the framework and, as a result, has been criticised by policy-makers and social scientists for being inefficient in ensuring that business will participate in the skills development framework. According to Turok (2008a: 10), there is not enough regulation of the private sector to ensure adequate benefits for the disadvantaged. The main purpose of this qualitative study is therefore to investigate the conflicts in the role of business as a social partner in the South African economy by using skills development as a focal area. This thesis analyses how and to what extent the SDA is implemented in selected organisations in Buffalo City as well as studying the issues pertaining to the implementation process. According to the Buffalo City Local Economic Development Strategy (2008a: 13), building the skills base of people living in Buffalo City and surrounding areas has been recognised as one of the key areas of focus for enabling people to access economic opportunities.

The structure of the thesis is as follows. This, the first chapter, provides a contextual overview of the thesis and well as explaining the purpose of this research and the way in which the respective topics will be analysed. The second chapter provides a comprehensive

overview of the literature on skills development, beginning with a brief outline of South Africa's socio-economic history and the origins of democratic development. An explanation of the need for human capital and human resource development follows and the skills development framework is delineated. The role of government and the role of business are then outlined, and the chapter concludes with an analysis of the challenges to skills development from a national, sectoral and organisational perspective.

The third chapter describes the design of the research by providing a brief overview of the research context, the sample, and the methods adopted to collect and analyse the data. It includes a discussion on the validity and reliability of the study as well as the ethical considerations and challenges taken into consideration in this research. It also highlights the aims of the research, which include: determining the awareness and the understanding of skills development amongst top personnel and employees; identifying the extent to which business engages in the skills development framework; establishing the degree to which business, as a social partner, accepts collective responsibility for national skills development objectives; and analysing key challenges and contradictions in the role of business. The following five chapters analyse the data obtained from the respondents, compare, and contrast the findings of this data with the existing theory and research on skills development (outlined in Chapter 2).

Chapter 4, the first of the five data analysis chapters, is primarily concerned with contextualising the research and reveals the respondents' levels of awareness and understanding of skills development. It begins by exploring how the concept of skills development is understood by the two groups of respondents – namely, managerial respondents and employee respondents – and identifies the respondents' knowledge of the skills development framework in South Africa, particularly concerning the SDA and the SDLA. This is followed by an analysis of the respondents' understanding of the government's role in skills development in South Africa and the extent to which businesses are aware of the Sector Education and Training Authorities (SETAs).

Chapter 5 analyses how business engages in the skills development framework, based on the findings outlined in the preceding chapter. This chapter examines the degree to which business, as a social partner in the skills development framework, is an active role player in achieving skills development outcomes and upskilling in the national economy. These issues



are explored in the light of government reliance on business as a social partner and the assumption that business will join with other major role players in pursuing sectoral and national skills development objectives. This chapter therefore studies the implementation of skills development at the level of the workplace, ranging from the application of skills development grants and the ways in which companies engage with their SETAs to the formulation and implementation of companies' workplace skills plans (WSP's).

The analysis of the role of business continues in Chapter 6, which investigates the extent to which businesses accept collective responsibility for national skills development objectives. This chapter explores the extent to which business regards itself as an investor and as a collectively liable social partner within the skills development framework. The discussion begins by exploring organisational alignment to national and sectoral skills development strategies and then identifies how organisations respond to national and sectoral skills needs such as scarce and critical skills. Finally, business's response to the pursuit of a high-skills economy and a knowledge economy is discussed and analysed.

Chapter 7 changes the direction of the analysis by drawing on understandings established in the previous three chapters, to assist with identifying the main challenges in the skills development framework. This chapter analyses these challenges at a national, sectoral and organisational level. At a national level, the challenges fall into three main categories: the alignment between education and training and the effects of this at the level of the workplace; challenges pertaining to health issues and the consequent impact of these issues on the workplace; and challenges within the context of the national skills development strategy. These categories are further broken down into individual challenges and barriers to skills development. Sectoral level challenges to skills development also fall into three main categories: the lack of skills development information with which to plan and strategise; the inadequate implementation of skills development and the misuse of the levy system; and challenges relating to the awareness and implementation of skills development.

The final section of Chapter 7 deals with challenges to skills development at the level of the workplace. These challenges include: cultural challenges and managers' attitudes and approaches to skills development; financial barriers and access to training as well as provision of training; awareness and understanding of skills development and related issues; technological barriers to organisational skills development; challenges with the SETAs'

online grant system; and, finally, business and trade union partnerships in workplace skills development.

Concluding the chapters of data analysis, Chapter 8 analyses the role of business in relation to socio-economic development. It does this not by simply reiterating the challenges already established, but by suggesting how these challenges can be overcome and consequently how business, as a social partner, can potentially make a more meaningful contribution to economic transformation.

Chapter 8 begins by arguing that, in order to overcome the challenges in the skills development framework one needs to start by identifying the framework's central contradictions. It therefore analyses the voluntary approach to skills development and the implications that this approach has for the likelihood of organisations engaging in the skills development framework. Furthermore, this chapter argues that considering the nature of South Africa's labour market regulation and the voluntary approach to skills development, there is an urgent need for collective buy-in in order to attain skills development goals. Concluding this chapter, the impact of the success or failure of national development goals is discussed by focusing, firstly, on the pursuit of the knowledge economy and the high-skills economy and finally on the achievement of the developmental state approach and the creation of sustainable development.

Chapter 9, the final chapter of this dissertation, draws conclusions from the previous chapters and highlights the main arguments presented in this study. This includes the argument that vocational training systems, institutionalised through appropriate legislation, may not be sufficient to mobilise social partners and (of concern in this research) business in particular, to invest in skills development in South Africa. However, with few alternatives to this approach, it is essential that businesses are convinced of the benefits of organisational training and development and buy into the collective interest of skills development. This will entail overcoming the conflicts and challenges that characterise the skills development framework and increasing state emphasis on skills development through methods such as increasing awareness and providing easier access to skills development incentives.

# **CHAPTER 2:**

## **SKILLS DEVELOPMENT AND THE SOUTH AFRICAN ECONOMY**

### **2.1 INTRODUCTION**

With South Africa's post-apartheid emphasis on a partnership approach to achieving its development objectives there is a need to study the individual roles and responsibilities of the various social partners. This research focuses on the conflicts in the role that business plays, as a social partner, in the achievement of development objectives by using skills development as a focal area. Skills development is arguably one of the most influential factors in lessening economic and social exclusion. Consequently, issues pertaining to training and development have been at the forefront of much of the literature surrounding individual, organisational and national development over the last decade. The purpose of this chapter is to review the literature associated with the issues of skills development and extend this discussion to those issues associated with the role that business plays in achieving skills development objectives. In order to explore these matters a brief description of South Africa's socio-economic history will be outlined, followed by an explanation of the effect that this history has had on present development needs and outcomes. In addition, discussion of South Africa's past and current state of skills development will include an outline of the objectives of the SDA as well as the roles that the various social partners play in contributing to the development of skills. The chapter will then identify some of the central challenges facing the achievement of skills development in South Africa, from both an economic and a social perspective. Finally, this chapter will argue that the success of skills development initiatives in South Africa is considerably stunted by the reliance on business and the inconsistencies evident in the role of business as a social partner.

## **2.2 A BRIEF OVERVIEW OF SOUTH AFRICA'S SOCIO-ECONOMIC HISTORY AND THE TRANSITION TO DEMOCRACY**

### **2.2.1 The Socio-Economic History of South Africa and the Origins of Unskilled African Labour**

The underdevelopment of skills in South Africa and the desperate need for increased education and training has a long political, economic and social history. Understanding this history is extremely important in adequately contextualising the current issues within South Africa's skills development arena. The following section will therefore outline the socio-economic history of South Africa and the origins of unskilled African labour. It will also briefly explain the transition from apartheid to democracy, outlining the key approaches and policy documents adopted to address South Africa's urgent need for economic and social development.

South Africa's history of oppression and discrimination has arguably been the strongest contributing factor in the lack of appropriately skilled and educated people in the country. As Marais (2011: 8) explains, South Africa's systematic social polarisation is rooted in the late nineteenth century, when the development of capitalism accelerated rapidly with the onset of diamond mining in 1867 and gold mining in 1886. During this time, commercial and agricultural capitalism was established in the coastal regions, which were colonised by Britain. The hinterland, however, remained pre-capitalist and was characterised by exploitative Boer trekkers living off rents paid in labour and in kind by the indigenous peoples whose land they had seized or whom they had enslaved (Marais, 2011: 8). As the mining industry developed it rapidly set in motion structures and processes that shaped South African history, and more specifically, shaped the South African labour market for years to come.

Due to a huge influx of foreign, mainly British, capital South Africa's mining industry was put on the world map. The mining industry rose to and remained at the core of the South African economy for the following century (Marais, 2011: 8). Soon after the influx of foreign capital, a rush of European immigrant labour supplied the semi-skilled and skilled labour that the industry required. This, in turn, raised a need for a steady supply of cheap, unskilled

labour. This labour was generally sourced from African peasantry who were recruited from the entire subcontinent (Marais, 2011: 9). As Marais (2011: 9) explains, “capital accumulation was based on the exploitation of a low-wage, highly controlled, expendable African work-force, that was to be reproduced in a system of ‘native reserves’ at minimal cost to capital”.

Organised white labour acted strongly and militantly to ensure that coercive measures were applied to regulate the constant availability of the unskilled African labour (Marais, 2011: 8). These measures included administrative systems and policies of segregation which were established to create and control racial divisions that separated the skilled white (mainly European) labour from unskilled African labour (Marais, 2011: 8). While white dominance persisted, a problem arose when the numbers of semi-skilled and skilled workers were not enough to cope with the rapid growth of the industry. According to Feinstein (2005: 230), “in the initial post-war years, during the phase of rapid economic growth, expansion to modern industry and related services was increasingly retarded by a lack of skilled and semi-skilled workers”.

As Wolpe argued, rural South Africa was also becoming less and less capable of sustaining cheap labour paid below reproduction level (cited in Freund, 2012: 5). This was not only evident in the mining industry: the agricultural industry similarly faced the constant dilemma of how to recruit and retain sufficient unskilled labour at the low wages they were willing to offer (Feinstein, 2005: 230). In response to this potential economic vulnerability, the National Party government instituted the apartheid system in order to preserve white-only rule and maintain dominance (Freund, 2010: 5). Law was used to ensure, and at times increase, the racial segmentation of the labour market (Nattrass and Seekings, 2002: 215).

An example of these discriminatory practices was evident in the use of modern knowledge systems, which differentiated ‘civilised’ Europeans from ‘primitive’ Africans, and used these social protocols to control and oppress black people (Von Holdt, 2010: 248). Highly skilled jobs, which generally also meant higher paid jobs, were only available to white people. There was little or no opportunity for non-white employees to gain access to these positions. Maintaining low-paid and unskilled work was a form of intentional political suppression. Racial segmentation in the labour market and racial discrimination in education and training collectively produced a racially defined low skills model (Ashton, 2004: 106). As Marais

(2011: 530) explains, skills consequently formed an important part of the country's "ideological and technological arsenal of domination".

### **2.2.2 The Transition from Apartheid to Democracy**

According to Ashton (2004: 105), while the global economy became increasingly inter-dependent, South Africa's apartheid system was inwardly focused and designed to use the economy to maintain the political and economic dominance of the white community. While new industrial economies were developing competitive strategies to catch up with the older industrial nations, and attracting foreign capital, South Africa focused on maintaining its discriminatory and exploitive system of governance (Ashton, 2004: 105). Consequently, South Africa's economy was in many respects isolated from the processes of globalisation (Ashton, 2004: 105). South Africa rapidly became distinguished by its racially discriminatory political system and its high level of economic inequality (Nattrass and Seekings, 2002: 215).

The exploitative apartheid system of governance deprived the substantial majority of the South African population of many opportunities, including adequate education and the acquisition of technical and professional skills (Botchway, et al., 2004: 396). These and other traits of domination and economic inequality eventually resulted in extended ostracism of South Africa by much of the international community through economic sanctions and other means, which forced the government to make significant changes to the political system or risk complete economic isolation (Fiske and Ladd, 2004: 14). After huge political, social and economic resistance towards the discriminatory apartheid regime, South Africa held its first democratic elections in 1994 and consequently achieved representative democracy with the ANC being voted into power.

This victory bore with it immense developmental challenges. South Africa not only had to confront the challenge of emerging from the isolation of economic sanctions but simultaneously had to catch up with a world economy completely transformed by globalisation (Mercorio and Mercorio, 2000: 12). Responsibility for development was placed on the new democratically-elected government and presented two foundational challenges, namely: "to bring about sustainable growth and to facilitate redistribution – in part through job creation, and in part through the redistribution of state expenditure" (Nattrass and Seekings, 2002: 215). Point 26 of the Report of the Presidential Commission to Investigate

Labour Market Policy noted that while South Africa's economic structure was characterised by highly skewed income distribution, it fortunately presented strong economic diversity or lack of specialisation. Even in comparison to internationally traded goods and services, South Africa had significant and established capacity across the range of sectors and products (Presidential Commission to Investigate Labour Market Policy, 1996: c1).

The re-exposure of South Africa to international markets consequently put downward pressure on unskilled wages and reinforced the shift in the composition of labour demand away from unskilled labour and towards skilled occupations. Unfortunately, however, it was anticipated that these two effects, taken together, could have the detrimental impact of widening differentials between skilled and unskilled earnings. Therefore, in order to avoid a rise in unemployment of unskilled workers, the initiated response was to develop and implement a labour market framework combining flexibility with security through improved regulation (Presidential Commission to Investigate Labour Market Policy, 1996: c1).

On 9 February 1996, during his opening speech to Parliament, former President Mandela identified and focused on South Africa's slow economic growth, rising unemployment and persistent poverty. He then called on the public and private sectors to develop and implement, as he stated, a "national vision to lift us out of this quagmire" (Nattrass, 1996: 25). This was to be conducted by South Africa's 'social partners' (business, labour and government) presenting their contrasting economic visions and strategies. In February 1996, the South African Foundation (SAF) – an organisation of top South African companies – presented 'Growth for All' (SAF, 1996) to President Mandela and distributed copies around the country. Following that, the National Economic Development and Labour Council (NEDLAC) and Labour Caucus (COSATU, FEDSAL and NACTU) responded a few months later with 'Social Equity and Job Creation' (Labour, 1996) (Nattrass, 1996: 25). This joined approach to the creation of economic development initiatives emphasised that development, like democracy, was a shared responsibility.

In June 1996, after considering the perspectives of all social partners, the government published the GEAR macroeconomic framework, which included its macroeconomic strategy and was designed to work in conjunction with South Africa's RDP (GEAR, 1996). Many activists recognised the RDP as a key component of the ANC's 1994 election victory. However, in the context of post-apartheid democratic governance some argued that the RDP

was merely a set of critical analyses of social circumstances that showed no way forward in terms of the larger context of a fiscally constrained economic policy (Freund, 2010: 9). GEAR was therefore used as a structural and strategic framework to consolidate and further the economic strategies represented in the RDP (Padayachee, 2006: 1).

Both the RDP and GEAR cover a broad range of policies with differing emphases on technical, economic, institutional and political arrangements. All of the strategies stress the importance of productivity growth, and all see a role for some government intervention in the supply-side of the economy, such as training and the provision of economic services (Nattrass, 1996: 25). Together, these two documents contained the new government's economic and social policies and initiatives. The commitments represented in the RDP and GEAR programmes constituted the government's measures for socio-economic transformation. The papers identified the urgent need for development in order to create fundamental change and move away from the authoritarianism of the previous regime, which permitted extreme poverty and inequality (Taylor, 2000: viii). The need for human capital development was central to these objectives.

## **2.3 THE NEED FOR HUMAN CAPITAL DEVELOPMENT**

### **2.3.1 The Challenge of a Dualistic Economy and the Need for Human Resources and Human Capital Development**

Much has been written about the role of human capital in promoting economic development and growth, especially in the context of an increasingly global economy. This is simply because developing countries with sufficient human capital have proved to be in a better position than those without these resources (Fiske and Ladd, 2004: 14). According to the Department of Provincial and Local Government (2006: 7), people are the single greatest resource that any country has. Developing all citizens and increasing their skills leads to increased opportunities for stimulating local economies. A better trained and educated population can enable a country to adjust more readily to a world economic system increasingly characterised by quick flows of international capital (Fiske and Ladd, 2004: 14).

The following section will outline the challenge that a dualistic economy poses for South Africa and the consequent need for human resource and human capital development. It will



also explain the two main approaches adopted by the South African government in order to rectify the country's skills mismatch: namely, the pursuit of a high-skills thesis and the knowledge economy. During the apartheid era, economic policies encouraged capital-intensive activities, particularly in the agricultural, mining and manufacturing sectors. Job reservation laws resulted in long chains of command, authoritarian control, limited opportunities for black mobility and limited training of black workers (Adelzadeh et al., 2001: 237). When South Africa became a democracy these laws and policies were done away with but the legacy of the apartheid regime remained evident in the organisation of work (Adelzadeh et al., 2001: 237).

This was particularly clear in so far as the economy was, and continues to be, divided into a "thriving 'first economy' that is skilled, well resourced, productive and competitive and a precarious 'second economy' that is marred by poor skills, endemic under- and unemployment and by dependency on state beneficence" (Marais, 2011: 195). This division is commonly referred to as the 'two economies' and is a result of the structural implications of the oppressive apartheid system. The notion of the 'two economies' hit the headlines in the early 2000s and has since served as a mould for the ANC's thinking about post-apartheid development. While Thabo Mbeki may have been the flag-bearer of the model of the two economies, it acquired self-evident status among ANC leaders and survived the purging of Mbeki and his acolytes (Marais, 2011: 193). According to Marais (2011: 195), spanning the divide between these "two economies" is South Africa's key economic challenge. However, the task of designing and implementing the programmes and plans needed to overcome this challenge is both challenging and complex.

As Badroodien (2004a: 44) explains, the new democratic government inherited an extremely poor skills regime based on voluntarism, poor quality and narrow, employer-led definitions of skill as well as the absence of joined-up state policies. The result of this was the adoption of three major problems. First, skills had previously been profoundly racialised and gendered. Black South Africans, and especially females, had been denied access to skills development. On the occasions that they did receive training, they rarely received certification or recognition for their real levels of skills and knowledge gained. Second, the absence of consensus and cooperation around skills development was not related simply to issues of access. The state had abandoned much of its responsibility for building skills and the business community seemed incapable of developing a strategic position on skills development. Not

only did South Africa have one of the most conflictual industrial relations systems in the world, but there was also very little possibility of genuine tripartism (McGrath and Akoojee, 2007: 424).

Third, South Africa's apartheid-driven industrial development path had led to an intense polarisation of skills between high skill and low skill elements. This resulted in a grave underdevelopment of the intermediate skill segment, essential to successful industrialisation and international competitiveness (McGrath and Akoojee, 2007: 424). From an education perspective, the challenge was far more complex than simply improving the quality of education for existing school age children. It was compounded by the poor education levels of a large proportion of the adult population, and the lack of adequate adult education and training available to deal with this challenge (Fiske and Ladd, 2004: 14). This therefore left a large pool of the adult South African population uneducated and unskilled.

It was essential that when the newly elected democratic government designed strategies to address the unique developmental challenges within the so-called first and second economies, problems such as those outlined above should be taken into consideration. As Matchete (2008: 120) explains, the fact that these 'economies' are different implies that their respective developmental strategies need to differ as well. Today, South Africa's dualistic economy poses unique developmental challenges and requires substantial and sustainable human resources and human capital development.

The Human Resource Development Strategy for South Africa 2010 – 2030 describes human resource development as the formal and explicit activities that enhance the skills, knowledge and ability of all individuals to reach their full potential. The result of these enhancements is improved work productivity, whether in a formal or informal setting, which has a positive impact on economic development as well as social development because of the improvements to the national skills base (Department of Education, 2009:7). As outlined in the Strategy (2009: 5), human resources development is critically important in South Africa's development agenda. Strongly designed and executed human resources development strategies can safeguard the development of South Africa's human capital base.

According to Dimov and Shepherd (2005: 6), "human capital represents the knowledge and skills that individuals bring to an organisation. As it is developed through both education and

personal experience, it contributes to both the explicit and tacit knowledge of the firm”. Feinstein (2005: 230) suggests that the development of human capital at every level, from rudimentary literacy to the highest ranks of science and technology, is arguably one of the most important changes required in the new democratic state in order to overcome enormous deficiencies in all forms of social infrastructure (Feinstein, 2005: 230). Literature on skills development indicates that two main approaches were pursued in response to South Africa’s need for human resources and human capital development. The first approach deals predominantly with the need for increased human resources through the pursuit of a high-skills economy. The second approach responds to the need for human capital development through the pursuit of what is commonly termed the knowledge economy.

### **2.3.2 The Skills Mismatch and the High-Skills Thesis**

At a national level, the primary concern regarding human resources development is to accelerate development so that there is a match between supply and demand for human resources (Department of Education, 2009: 7). The imbalance between the supply and demand for human resources has resulted in what economists refer to as the ‘skills mismatch’. The skills mismatch additionally refers to the incongruity between skills and education and the demands for jobs in the current economy. Handel (2003: 135) argues that if governments don’t adequately respond to this human capital challenge, the problem could become even more severe because of the accelerating pace of change, such as the way in which jobs are becoming increasingly high tech and are involving greater employee participation in the workplace. According to South Africa’s Human Resource Development Strategy, addressing this problem requires taking purposeful action to increase aggregate skills levels in the workplace (Department of Education, 2009: 7).

In attempting to rectify the skills mismatch South Africa chose to adopt the high-skills thesis and aimed to create a high-skills economy. A high-skills economy refers to an economy with a wide distribution of workforce skills, which are fully utilised to achieve high productivity across a wide range of sectors. This produces increased wage rates and relative income equality (Ashton, 2004: 100). In order to achieve this, the high-skills thesis requires a high level of workforce co-operation supported by both government and capital initiatives (Ashton, 2004: 100). This approach is not unique to South Africa; it has been adopted by many other countries which have identified the need to ‘upskill’ their economies.

According to Kraak (2006:1), the high-skills thesis arose out of the work of a team of British educationalists in the late 1980s and 1990s, who aimed to explain the high degree of divergence and variability in production systems and economic performance across societies that, apart from economic performance, appeared very similar. Their research was conducted in the context of advanced economies. The team argued that the key to this diversity lay with the differing social foundations and cultural and historical factors underpinning economic development in these countries (Kraak, 2006: 1). The key concept associated with the high-skills thesis and its concern for the relations between institutional substructures (such as the education system, the labour market and the economy) is that of joined-up or cross-sectoral co-ordination (Kraak, 2006: 6).

According to Kraak (2006: 6) ‘joining up’ refers to the necessity for educational reforms to interlock with macroeconomic, industrial and labour market reforms so that their combined impact has a stronger chance of meeting the conditions of global competitiveness. Therefore, the success of one institutional reform is based on the success of the others. Countries that can successfully develop ‘joined-up’ policies are most likely to achieve a significant upgrading of skills (Brown, Green and Lauder, 2001: 44). Lauder and Brown (2006: 31) state that “the aspiration to develop a high-skills economy is based on the idea that if the demand and supply of skills can be raised, individuals and nations will gain because the returns to skill will make both better off. More skilled work should lead to greater individual satisfaction with work and greater stability and opportunity in finding work and staying employed”. The issue of integrated or joined-up policy in relation to skills formation is at the forefront of South African policy initiatives (Kraak, 2006: 4).

### **2.3.3 The Pursuit of a Knowledge-Based Economy**

As stressed in the National Skills Development Strategy (NSDS), the foundational aim of the skills development framework is not narrowly to pursue so-called ‘high-skills’, but rather to respond to the challenges of globalisation and international competitiveness on one hand and to poverty reduction and social development on the other (McGrath, 2005: 10). While the high-skills thesis responds to the need for human resources development, the need for human capital development is more aptly responded to through the pursuit of the knowledge-based

economy. The logic behind this approach is fairly simple and is explained through the theory of new economics.

Kim and Mauborgne (1999: 44) suggest that based on observations, the real world of business is consistent with the theory of new economics. New economics proposes an endogenous growth theory, which suggests that growth and innovation come from within a particular system. Usually the nation-state is used as a reference point in the application of this theory; however, economists suggest that the principal argument in endogenous growth theory is similarly applicable to the firm. The idea of the knowledge economy is thus derived from this principal argument of new economics, and suggests that innovations can be created with the ideas and knowledge within a system (Kim and Mauborgne, 1999: 44). As outlined by the OECD (1996: 9), the term “knowledge economy” or “knowledge-based economy” is derived from a fuller recognition of the role of knowledge and technology in economic growth.

The argument for the perusal of a strengthened knowledge economy is that human capital (the knowledge embodied in human beings) and technology is central to economic development (OECD, 1996: 9). A knowledge-based economy can therefore be defined as one that is “directly based on the production, distribution and use of knowledge and information” (OECD, 1996: 7). This is why economists regard increasing education and the development of skills as both a consumer and a capital good. As a consumer good, it offers value to consumers and serves as an input into the production of other goods and services, while as a capital good, it is used to develop the human resources necessary for economic and social transformation (Olaniyan and Okemakinde, 2008: 157). However, gaining knowledge and skill is ultimately about increasing one’s adaptability in a constantly changing economy. The ability to be adaptable and flexible is essential for keeping labour and capital competitive (Lange, Ottens and Taylor, 2000: 5).

Rapid changes in knowledge, such as an increasing reliance on technology, require learning to be a permanent process in the economic life of the future (Crouch et al., 2004: 1). Skills development is therefore a crucial element of any strategy which aims at improving organisational competitiveness and pursuing a knowledge-based economy (Lange et al., 2000: 6). Kim and Mauborgne (1999: 45) claim that, based on their observations, companies that have achieved sustained high growth and profits are those that have pursued value

innovation, for example through education and training. This means that their strategic focus is not on outcompeting within given industry conditions, but on creating fundamentally new and superior value within the product or service they offer. This in turn makes their competitors irrelevant. This principle underlying the competitiveness of the knowledge economy can be applied at an individual, organisational or national level.

Globally, governments are viewing education and skills as a core tool for increasing economic competitiveness and promoting social inclusion (Akoojee, 2010: 261). In all advanced industrial countries, debates about education and vocational skills have acquired a distinctive prominence and urgency (Crouch et al., 2004: 1). According to Crouch et al. (2004: 1), everywhere the argument is broadly the same: that the acquisition of knowledge and skills is both the main challenge and the central opportunity for achieving a return to full employment in a post-Keynesian economy. In addition to creating stronger economies, the acquisition of skills is also used as a key determinant of fairness. As stated in the Leitch Review of Skills Final Report “in the new global economy, people’s economic security cannot come from trying to protect particular jobs, holding back the tide of change. Instead, it comes from enabling people to adapt to change, and this relies upon equipping people with the skills to be flexible and take advantage of new opportunities. In the new century, improving and updating skills is the best way to help people make the most of change” (HM Treasury, 2006: 27).

In keeping with international trends, South Africa recognised the emphasis given by global policymakers to the importance of education and skills in relation to economic competitiveness (McGrath and Akoojee, 2007:427). According to McGrath and Akoojee (2007: 427), the rationale for this emphasis is two-fold. First, globalisation reduces the scope for state intervention in many traditional areas of social and economic policy, leaving education as one of the few key areas of accepted state intervention. Second, the emergence of the knowledge economy reinforces previous arguments about the centrality of human capital investment to individual and national economic performance. This conjunction has encouraged governments internationally to regard education and skills as a core tool for increasing economic competitiveness and promoting social inclusion.

## **2.4 SKILLS DEVELOPMENT IN SOUTH AFRICA**

### **2.4.1 Origins and Definitions of Skills development**

As mentioned in the above two sections, the need to address the challenges evident in South Africa's dualistic economy is what initially necessitated the need for human resource and human capital development. Having outlined the two main approaches to human resources and human capital development, namely the pursuit of a high-skills economy and a knowledge-based economy, the following section will focus on the issue of skills development in South Africa. It will begin by outlining the origins and definitions of skills development. This will lead to a descriptive overview of the legislative and institutional framework that governs skills development in South Africa. The discussion will also explore the participatory and sustainable approach to skills development, as well as South Africa's pursuit of the development state model..

The focus on skills development has been a key idea in labour economics for many years. According to Speelman (2005: 27), "from the 1800s to the early 1960s, research into skilled performance and skill acquisition was largely devoid of any clear direction, theory or results". During this time, the focus was almost exclusively on motor skills with a particular emphasis on discovering methods to enable faster learning and the transferring of situations and tasks (Speelman, 2005: 27). As a result, the definition of what constituted skilled performance was limited to referring to muscular performance. It was only during the 1960s cognitive revolution that cognitive performance started to be considered by psychologist Paul Fitts (1964) under the definition of skills (Speelman, 2005: 36).

Fitts (1964) suggested that the process of acquiring skills involved three phases, 'the cognitive stage'; the 'associative stage'; and the 'autonomous stage'. The 'cognitive stage' lasts briefly while the subject comes to terms with instructions and develops strategies of how to perform a required task. The 'associative stage' follows as features of the previous strategies that are appropriate to the situation are strengthened by feedback. And finally, the 'autonomous stage' takes over, whereby the performance strategy, or components of it, become more autonomous, requiring less processing and hence being less subjected to cognitive control. In turn, this frees processing resources for use in other activities (Speelman, 2005: 37).

As a result of Fitts' (1964) addition of the cognitive dimension to skills acquisition, other cognitive scientists began to be more interested in this particular field of human development. This resulted in additional theories, definitions and ideas (Speelman, 2005: 38). However, theories surrounding skills development and the way in which 'skills' as a concept was defined continued to be predominantly understood in terms of theoretical knowledge, intellectual abilities and/or manual dexterity (Keep, Mayhew, SKOPE and Mark Corney MC Consulting, 2002: 12). Recently, however, the notion of skill has been developed to include other aspects such as generic skills or competences (for example, the ability to work in teams and the ability to communicate) and personal attributes (such as leadership and motivation) (Keep et al., 2002: 12).

As the theories and definitions of skills evolved, it became increasingly evident that skills are largely socially constructed. According to Tilly (1998: 452-453):

“As a historical concept, skill is a thundercloud: solid and clearly bounded when seen from a distance, vaporous and full of shocks close up. The common sense notion—that “skill” denotes a hierarchy of objective individual traits—will not stand up to historical scrutiny; skill is a social product, a negotiated identity. Although knowledge, experience, and cleverness all contribute to skill, ultimately skill lies not in characteristics of individual workers, but in relations between workers and employers; a skilled worker is one who is hard to replace or do without, an unskilled worker one who is easily substitutable or dispensable”.

Tilly (1998: 453) thus described skilled workers as those who (1) perform essential steps in production; and (2) exercise monopolies over both (a) required knowledge and (b) the supply of labour to jobs requiring that knowledge. The two monopolies, to the extent that they are effective, hold employers at bay and exclude other potential workers from the jobs in question”. The Leitch Review of Skills Final Report defines skills as “capabilities and expertise in a particular occupation or activity” (HM Treasury, 2006: 6). This report goes on to suggest that there are a large number of different types and categories of skills and that in most occupations, employees use a range of different skills to complete their required tasks (HM Treasury, 2006: 6).



Basic skills, for example, such as literacy and numeracy, and generic skills, such as team working and communication, are used in almost all occupations whereas specific skills refer to those skills designed to meet the particular requirements of the job (HM Treasury, 2006: 6). While the most common measures of skills development are often recognised through qualifications, on the job training is also an imperative source of developing ones skills (HM Treasury, 2006: 6). In contemporary terms, when organisations and employers discuss skills development they are generally referring to the development of job-related skills and attributes which increase a person's productivity in the workplace. This is what economists refer to as 'human capital' (Richardson, 2004: 10).

#### **2.4.2 South Africa's Legislative and Institutional Framework of Skills Development**

The core of any economic theory is that markets matter, which is why economists argue that the primary role of government is to ensure that markets operate efficiently to equate the wants of consumers on one side of the market with those of producers and investors on the other (Remenyi, 2004b: 115). According to Bodibe (2008: 216), "one cannot however, rely solely on economic markets to undertake the transformation of society". States need to be as effective as possible, ensuring that the correct policy prescriptions are in place and that they have the capacity to support the desired development initiatives such as that of skills development. South Africa's labour market is therefore regulated in a manner which aims to achieve these objectives.

Benjamin (2005: 2) states that "labour market regulation goes beyond the goal of regulating existing employment relationships and seeks to regulate the broader operation of the labour market". The term 'labour market regulation' refers to a range of laws and policies whereby the primary purpose is to regulate the labour market (Benjamin, 2005: 2). It is thus divided into various sub-categories namely: a) minimum conditions of employment; b) collective bargaining; c) institutions of government; d) dispute resolution and adjudication; e) promoting equity in the workplace; f) providing skills development and placement within the labour market; and g) providing employment-linked social security (Benjamin, 2005: 4). Skills Development therefore forms one of the sub-categories of the state's system of labour market regulation (Benjamin, 2005: 2).

Discussions surrounding the design of the skills development framework in South Africa began prior to the election of the first democratic government. Leading up to South Africa's first democratic elections, policy discussions around the architecture of the new education and training system confirmed that there would be a single Ministry of Education and Training to govern matters of education and skills development. However, after discussions continued, this idea was changed to favour a split in functions between what was named the Department of Education and the Department of Labour (Akoojee, Gewer and McGrath, 2005: 105). Responsibilities on the education side were further divided between the national department and nine new provincial departments.

Akoojee et al. (2005: 105) argue that despite these divisions of authority and responsibility, the government stayed powerfully politically committed to the integration of education and training which led to the establishment of the South African Qualifications Authority (SAQA) Act No. 58 of 1995 (RSA 1995). This Act proposed the development and establishment of a National Qualifications Framework (NQF) designed to integrate education and training provision through a common set of qualifications. According to Akoojee et al. (2005: 105) the South African Qualifications Authority is "a body appointed by the Ministers of Education and Labour. The functions of the Authority are essentially twofold:

- promoting the development of the National Qualifications Framework (NQF) through facilitation of the establishment of bodies responsible for establishing education and training standards or qualifications and for monitoring and auditing achievements in terms of such standards and qualifications; and
- ensuring that these bodies and structures work in keeping with the principles of the NQF and international best practices".

Additionally, as a part of the government's overall human resource development strategy, two Acts, the Skills Development Act, No. 97 of 1998 (SDA) and the Skills Development Levies Act, No. 9 of 1999 (SDLA) were introduced (Grobler et al., 2002: 349). President Nelson Mandela assented to the SDA on 20 October 1998 after a three-year consultation process (Mercorio and Mercorio, 2000: 50). The Act has five key principles: "To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualifications Framework contemplated in the South African

Qualifications Authority Act, 1995; to provide for learnerships that lead to recognised occupational qualifications; to provide for the financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith” (Skills Development Act, No. 97 of 1998, 1998: chap1).

As outlined in the SDA, the purposes of the Act are:

“(a) to develop the skills of the South African workforce--

- i. to improve the quality of life of workers, their prospects of work and labour mobility;
- ii. to improve productivity in the workplace and the competitiveness of employers;
- iii. to promote self-employment; and
- iv. to improve the delivery of social services;

(b) to increase the levels of investment in education and training in the labour market and to improve the return on that investment;

(c) to encourage employers--

- i. to use the workplace as an active learning environment;
- ii. to provide employees with the opportunities to acquire new skills;
- iii. to provide opportunities for new entrants to the labour market to gain work experience; and
- iv. to employ persons who find it difficult to be employed;

(d) to encourage workers to participate in learnership and other training programmes;

(e) to improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education;

(f) to ensure the quality of education and training in and for the workplace;

(g) to assist--

- i. work-seekers to find work;
- ii. retrenched workers to re-enter the labour market;
- iii. employers to find qualified employees; and

(h) to provide and regulate employment services” (Skills Development Act, No. 97 of 1998, 1998: chap1).

The SDA embodies a strategic, planned approach to link education and training to the changing needs of the economy, based on regularly updated labour market information (Mercorio and Mercorio, 2000: 51). South Africa’s skills development legislation has therefore been described as “a ‘window of opportunity’ that can be effectively used to improve employees’ competencies, develop tailor-made training programmes that meet specific company needs and generate a pool of skills essential for the success of the company” (Grobler et al., 2002: 349). There are close linkages between the SDA and several other laws introduced to transform education, training and the workplace. The most important of these are the South African Qualifications Authority Act, the Employment Equity Act (EEA) and the Further Education and Training (FET) Act (Mercorio and Mercorio, 2000: 5)

These acts are part of a legislative framework, which has a number of interlocking themes that include equity, access, redress, quality assurance and stakeholder management (Mercorio and Mercorio, 2000: 5). The SDA and all programmes flowing from the Act are administered and overseen by the Department of Labour. The function of the SDA is to introduce a system in which levies can be used to finance skills development of both the employed (mostly through their employers) and the unemployed (Martins and van Wyk, 2004: 7). These levies are paid in the form of a monthly tax whereby enterprises are taxed at one per cent of their annual payroll expenditure (Morris and Reed, 2009: 203).

Companies that complete training in their organisations, and hence develop their employee’s skills, are eligible for grants. These grants provide a way in which companies can ‘claim back’ a portion of their monthly levy. This policy is known as levy financing. From the perspective of policy makers, there is a dual function behind a levy paying system, which offers payback to employers who invest in training. Firstly, it might be used as a means of justifying state expenditure to rectify instances of market failure, and perhaps of identifying

where such interventions should best be targeted. Secondly, it might be used to encourage employers to invest more in training (Keep et al., 2002: 6).

In addition to the grants made available to employers, 20 per cent of all levies paid by employers are paid into the National Skills Fund (NSF) (Department of Labour, 2005: 2). The NSF was established in 1999 in terms of the SDA to support the implementation of the NSDS (Department of Labour, 2005: 2). According to the NSDS III (Department of Higher Education and Training, 2011b: 24), “The National Skills Fund is a ‘catalytic’ fund – enabling the state to drive key skills strategies as well as to meet the training needs of the unemployed, non levy-paying cooperatives, NGOs and community structures and vulnerable groups”. Each year the Minister of Labour decides on the allocation of subsidies from this fund based on the advice provided by the National Skills Authority (NSA) (Department of Labour, 2005: 2). The National Skills Authority (NSA) is a stakeholder body representing all social partners (Mercorio and Mercorio, 2000: 1).

As stated in the NSDS III (Department of Higher Education and Training, 2011b:25), “The National Skills Fund is therefore a national resource which will be used to both initiate as well as to respond to national skills priorities. It will be used to target gaps and complement resource shortages for national priorities. Its objectives will be achieved within the overall framework of the HRDSSA II [Human Resource Development Strategy for South Africa II] and the NSDS III.” The purpose of the NSDS is therefore to set out national priority skills areas and indicate the primary objectives for skills development (Mummenthey, 2010: 18).

The strategy is informed and guided by a number of overarching government programmes. These include South Africa’s Human Resource Development Strategy, the requirements of the New Growth Path, the Industrial Policy Action Plan, the outcomes of the Medium-Term Strategic Framework, the rural development strategy as well as the new environment strategy, amongst other priorities of government (Department of Higher Education and Training, 2011b: 9). The NSDS seeks to encourage and actively support the integration of workplace training with theoretical learning. One of the ways in which this is done is by facilitating the journey individuals make from school, college or university, or even from periods of unemployment, to sustained employment and in-work progression (Department of Higher Education and Training, 2011b: 5).

The purpose of the NSDS is ultimately about responding to the needs of the labour market and promoting closer links between employers and training institutions and between both of these and the 25 SETAs (Department of Higher Education and Training, 2011b:5). While South Africa's Human Resource Development Strategy provides the strategic overarching framework for the government's approach towards skills development in South Africa, the NSDS focuses on the contribution that the central skills' development institutions, such as the SETAs and the National Skills Fund (under the governance of the National Skills Authority) make and are held accountable for (Marock, 2010: 25). The NSDS aims to link learning to the demands of the world of work, develop the skills and knowledge of existing workers and enable employers to become more productive and competitive (Mercorio and Mercorio, 2000: 1).

Arguably one of the most important roles of the NSDS is to provide the overarching strategic guide for skills development and provide assistance with direction and implementation of a Sector Skills Plan (SSP) for each of the 25 SETAs (Department of Higher Education and Training, 2011b: 8). This is done as per section 10(1)(a) of the SDA. The 25 SETAs are established as education and training intermediaries between employers, employees and the Department of Labour (Mercorio and Mercorio, 2000: 14). The SETAs form the vital link between economic sectors and the National Skills Authority (Mercorio and Mercorio, 2000: 58). According to the Framework for the NSDS 2011/12– 2015/16, published by the Department of Higher Education and Training (2010: 5), SSPs are five-year Sector Education and Training Skills Development reports prepared by SETAs, aimed at identifying:

- “The skills needs of industry/economic sectors (skills shortages, skills gaps and skills supply) based on the standard industrial classification codes allocated to each individual SETA by the Minister in the SETA establishment and re-certification process;
- Possibilities and constraints in the effective utilisation and development of skills in relation to government's priorities and the objectives of the HRDS [Human Resource Development Strategy], the NSDS, Provincial Growth and Development Strategies (including major projects) and relevant industry/economic strategies”.

Through the implementation of SSPs by the various SETAs, the NSDS aims to increase both the relevance and credibility of education and training and enhance the quality and quantity

of learners entering the labour market (Mercorio and Mercorio, 2000: 18). One of the most important ways in which this is done is through a system of learnerships. Learnerships are designed to provide opportunities to new entrants to the labour market by allowing them to gain work experience in occupations for which there is a clear demand (Mercorio and Mercorio, 2000: 1). This is done by providing a work-based approach to learning and assisting learners in gaining qualifications in line with the South African Qualifications Authority Act through structured work experience (practical) and structured institutional learning (theory). The intention of this system of learnerships is to address the gaps in the labour market (FASSET, 2012b: 1).

The NSDS emphasises the importance of learnerships as a complement to apprenticeships, and as a key method to improve skills development for high, intermediate and low skills levels (Morris and Reed, 2009: 203). While supporting legislation encourages a partnership approach between the state, employers, trade unions, learners and education and training providers, it is important to consider that the objectives of the SDA envisage benefits for all stakeholders in society, including individuals who are currently employed as well as those seeking employment (Mercorio and Mercorio, 2000: 2). The SDA therefore seeks to address the structural deficiencies of the labour market, and develop a workforce that can respond to the modern economic environment while taking into account the equity considerations in South Africa (Department of Labour, 2006: 2).

### **2.4.3 A Participatory and Sustainable Approach to Development**

South Africa's skills development framework, which exists out of the need for increased human resources and human capital development, is an excellent example of how the approaches which inform South Africa's overall development model are filtered down into individual development frameworks. The skills development framework reflects South Africa's broad development methodology because it encompasses two distinctive approaches in achieving its desired objectives - participation and sustainability. According to Lowitt and Altman (2008: 37), "the government's development model is premised on a growth path, which requires the economy to restore itself in order to become internationally competitive, thereby increasing growth based on an export-orientated approach".

As Manchidi and Merrifield (2001: 413) explain, when GEAR was initially introduced the government recognised the need for cooperation with the private sector through public-private partnerships. This is arguably one of the points at which the participatory approach was introduced. The basic premise of the participatory or partnership approach is that markets are more likely to deliver when states are effective and citizens are active (Green, 2009: 191). The emphasis on participation and cooperation between the public and the private sector is evident in the skills development framework. The partnership approach in the skills development framework requires that all social partners interact in order to create and establish the necessary composition of required skills (Grobler et al., 2002: 340).

According to Mohamed and Roberts (2008: 94), “South Africa requires a diversified industrial base, where we move up the value-added chain, as our economy develops the necessary wealth, skills and capacity”. Kraak (2004c: 4) explains that this kind of growth requires “large-scale investments in education and training institutions, employer associations, innovation partnerships between higher education institutions and industry, and industrial peace”. This is best attained through co-operation between the state, employers and civil society (Kraak, 2004c: 4). From a sustainability perspective, Poon (2009: 3) argues that South Africa’s development paradigm aims to encourage the achievement of broader nationally determined developmental objectives while also building production capacities which focus on sustainable, rising real wages and living standards.

The concept of ‘sustainable development’ has been prominent in development discourse for over twenty years and is described in the Brundtland Report as “development that meets the need of the present without compromising the ability of future generations to meet their own needs” (cited in Green, 2009: 113). In order to be fully sustainable, a country’s productive infrastructure needs to be continually renewed. According to Michie (2006: 86), this includes links to education, housing, entrepreneurship and an almost endless range of inherently interrelated economic and social factors. Once again, skills development is a highly relevant example in this regard.

Palmer (2007: 398) argues that if education and skills training aims to promote the socio-economic well-being of the poor, it needs to improve people’s prospects for ‘decent’ work and higher earnings. This is precisely because experience has proven the importance of competition, not just at a market level but at an individual level as well. Jointly, the ability of



even the poorest person to choose what is in their personal best interests, and the role that good governance can play to protect these interests, can ensure the consistency of sustainable development and sustainable wealth creation (Remenyi, 2004b: 115). It is therefore not only training that opens doors for sustainable development, but the nature of the links between training initiatives and the local economy. These links include job opportunities and increasing self-employment (Wallenborn, 2009: 555). As Green (2009: 178) argues, a healthy private sector is essential in the fight against poverty and inequality.

The nature of the SDA is that employers are required to increase their investments in the training and development of their employees, and hence their investments in human capital, for national objectives to be reached (Meyer, Opperman and Dyrbye, 2003: 3). The general idea behind the skills development framework is that while private firms need to be able to turn a profit, they should do so in ways that strengthen national development and benefit poor people (Green, 2009: 178). The strategies that companies adopt to achieve their desired profit should therefore focus on investing in their employees rather than exploiting them (Green, 2009: 178). It is essential that when one studies skills development, sufficient consideration is given to the participatory and sustainable nature of the framework in order to gain a comprehensive understanding of the framework's objectives and the challenges in attaining these objectives.

#### **2.4.4 The Present Developmental State Approach**

Since the transition to democracy, the emphasis on the partnership approach to development has remained consistent. This is particularly evident in South Africa's shift towards a developmental state approach. During the first term of Thabo Mbeki's presidency, which was characterised by an emphasis on the GEAR programme, the state was generally leaning towards providing the legal environment for the private sector to deliver on the GEAR targets. However, during the second term of his presidency, debates about the "developmental state" emerged. This shifted the focus back towards the state, as the aim was to define a more interventionist role for the state in the operations of the market and the economy (Thomas, 2008: 178).

South Africa's turn towards the developmental state model arose from a growing concern that policy pronouncements had given inadequate attention to the role of the state in development.

It had therefore failed to give sufficient attention to critical issues such as the upgrading of physical infrastructure, the enhancement of technological capability and the need to address the serious challenges of unemployment, poverty and inequality (Turok, 2008a: 3). It was agreed that while the private sector clearly had a major role to play, it could not single-handedly solve the country's economic problems (Turok, 2008a: 3).

At the Polokwane conference in 2007, the ANC pledged to build a developmental state that would play a central and strategic role by directly investing in underdeveloped areas, directing private sector investment, addressing the problems of high unemployment, poverty, and inequality, accelerating economic growth, and addressing the skewed patterns of ownership and production (Edigheji, 2010: 1). This included dealing with the issues surrounding education and skills development for a highly underdeveloped labour market. It was believed that South Africa was in a strong position to construct a democratic developmental state because the government had already recognised that addressing developmental challenges, such as growing the economy and reducing the high rates of poverty, inequality and unemployment, required a socially inclusive approach to development (Edigheji, 2010: 1).

Johnson (1982: 319) defines “a ‘developmental’ or ‘plan-rational state’ as one that is determined to influence the direction and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate economic resources”. The concept of the developmental state does not simply mean that the government actively directs economic development. Rather, it articulates the ability of the state to drive development by guiding capital toward new activities while maintaining broad-based support, including from workers (Makgetla, 2008: 144). Key to this particular model of development is the notion of embeddedness. This refers to a state's ability to work with social partners, such as business, in order to generate internationally competitive industries (Jahed and Kimathi, 2008: 105).

According to Flynn (2001: 52), “the developmental state argument, made by Chalmers Johnson and others, was that the connection between the state and business was not simply one of ‘interference’ or ‘direction’ by the state or the market”. Rather, it emphasised the need for partnerships between the state and social partners (Flynn, 2001: 52). The participatory nature of the developmental state model is consistent with South Africa's initial post-

apartheid development model and, in so far as skills development is concerned has reinforced the emphasis on participation and collective responsibility of social partners.

## **2.5 THE ROLE OF GOVERNMENT AS A SOCIAL PARTNER**

### **2.5.1 An International Perspective on Skills Development**

For South Africa's skills development framework to be successfully implemented, inputs need to occur at three levels: the national, organisational and individual level. Each level refers to the role of a particular social partner. As outlined by Coetzee and Stone (2004: 5), the *national level* describes the many dynamic environmental influences that impact on the business operations of organisations, such as globalisation, technological changes and the NSDS. The *organisational level* describes the key business mechanisms involved in designing, implementing and managing the development of employees, including career-orientated human resources development systems. Finally, the *individual level* describes the individual aspects that need to be taken into consideration in the organisational level inputs, such as the role of training (Coetzee and Stone, 2004: 5).

Studying and comparing other countries' approaches to skills development enables one to compare and contrast international approaches with local initiatives and perspectives. Therefore before looking at the various levels of input necessary to ensure successful skills development in South Africa, various international perspectives will be considered. Globally, a wide range of policies and skills development models have been tested, with mixed results. These include incentives or subsidies for employers; incentives or subsidies for individuals; direct employment/job-creation schemes; work-sharing/reducing labour supply; vocational training-based schemes; job-search training and counselling; and improving labour market information (Altman, 2005: 10).

In analysing the experiences of countries that have recently been successful in the skills development arena, Ashton (2004:111) describes two positive models. One model is seen in countries such as Hong Kong and Ireland, whereby there is a 'free market' system used to deliver full employment and a subsequent move into a higher proportion of skilled jobs. Alternatively, there is a contrasting model, as implemented in Singapore, which is characterised by the role of government being far more proactive in 'shaping the market'.

South Africa's pursuit of a developmental state and the subsequent emphasis on a participatory approach places it somewhere in between these two models.

When one looks at these various policies and models it is important to understand that countries have different understandings of the meaning, scope and delivery of skills. For example, for vocational occupations there are differences between the Anglo-Saxon conception of skills and some European understandings, particularly in Germany, Netherlands and France (Toner, 2011: 12). In Germany for example vocational education, or *berufsbildung*, is based on a vastly different understanding of skill compared to some other European countries. Students are taught how their particular skill or activity fits into the broader production process and into society as a whole (Toner, 2011: 13). The ultimate focus is on 'the ability to apply theoretical knowledge in a practical context'. Here theoretical knowledge does not just include technical subjects but encompasses subjects such as mathematics, work planning, autonomous working, problem solving and critical thinking. As a result, wages are linked to the attainment of qualifications (Toner, 2011: 13).

In the United Kingdom, the National Vocational Qualification (NVQ) system describes skills in terms of "a discrete set of manual tasks or 'competencies' that are assessed through the performance of practical demonstrations" (Toner, 2011: 13). Due to the practical assessment-based nature of the competencies, one can therefore only gain a National Vocational Qualification through undergoing some sort of formal training (Toner, 2011: 13). According to the Leitch Review of Skills Final Report, compared to its historical standards the United Kingdom's skills profile has noticeably improved; however, it faces its own daunting challenges (HM Treasury, 2006: 25). Like South Africa, policies relating to skills development in the United Kingdom simultaneously fulfil economic and social goals, often including multiple stakeholders. These policies focus on meeting industry and labour market needs and enhancing social participation, inclusion and employability (Raddon and Sung, 2006: 4).

Benjamin (2005: 6) suggests that a similar premise is adopted across Europe whereby one can identify multiple themes in labour and employment law. Collins (cited in Benjamin, 2005: 6) argues that in European labour law there are basically three main themes which drive employment law: social inclusion, competitiveness and citizenship. With regard to social inclusion, employment law functions with other laws and policies to reduce social exclusion

in the market society, for example through laws pertaining to discrimination and dismissals. The second theme, competitiveness, refers to government's attempts to improve particularly the long-term competitiveness of business and national economies in order to be competitive in the global economy. It therefore provides an institutional framework to support competitiveness (Benjamin, 2005: 6).

Lastly, the notion of citizenship includes a range of issues such as education, culture and social issues (Benjamin, 2005: 6). Collins (cited in Benjamin, 2005: 6) argues that European states therefore have a duty to their citizens to secure traditional civil liberties which should be equally evident in the workplace (Benjamin, 2005: 6). European employment law consequently does not only focus on workers attaining a job and developing within one particular job but it is linked to broader issues and underlying themes. In many countries, skills policy frameworks similarly aim to embrace and deliver on multiple objectives and not only on national skills formation (Raddon and Sung, 2006: 4). Likewise, in South Africa, the NSDS has a dual focus in that there is an emphasis on both economic and social objectives.

The NSDS aims to build the national economy to gain increasing global competitiveness whilst developing skills for work, social inclusion and social equity (Raddon and Sung, 2006: 4). As a tool for developing human capital, skills development in South Africa exists within a much broader developmental framework that considers past inequalities, present challenges and future aspirations. According to the Eastern Cape Provincial Growth and Development Plan (PGDP) (Province of the Eastern Cape, 2004: 78), at the heart of the ANC-led government's labour market and human resource policies lies the need to ensure equity and justice with respect to access to jobs, training, treatment at work, payment and the welfare of the poor and marginalised. As Khosa (2001: 10) states, skills development initiatives in South Africa seek to "transform capital development with struggles against patriarchy, racial, gender and ethnic discrimination, environmental degradation and other forms of exploitation and subjugation".

In the above examples of international approaches to skills development there are two popular themes. First there is a clear indication that skills development does not exist in isolation but is a part of a broader framework for social and economic development. Second, as Raddon and Sung (2006: 3) argue, meaningful skills development cannot be achieved by one single entity but is a product of joint responsibility between social partners including the

state, employers and employees. As a result of the emphasis on joined responsibility, labour market policies are increasingly being created to achieve labour market security through policies that promote what is known as “protected mobility” (Benjamin, 2005: 18). This concept is generally associated with small European economies such as Ireland, Netherlands and Denmark and offers adaptability for firms and security for workers.

As Benjamin (2005: 18) explains, the underlying argument in this approach is that protected mobility is necessary for efficiency and equity in labour markets in open economies and flexibility, stability and security are needed for a productive economy and a labour market that offers decent work. But protected mobility or protected flexibility, as it is sometimes called, is not just found in developed countries. The use of this kind of social protection is similarly found in countries in Central Europe, Malaysia and the Republic of Korea. In fact, the Korean system is an excellent example of successfully linking active labour market policies to unemployment assistance and unemployment benefits. However, again one must emphasise that one of the most significant features in these economies is the emphasis placed on social pacts and joined accountability (Benjamin, 2005: 18).

Ashton (2004: 111) argues that if any of these development models can assist the South African economy the government needs to recognise these, establish the conditions under which they were effective and determine whether such conditions currently do or could exist in South Africa. Today fundamental changes in the world of work and the global economy mean that the future prosperity of advanced economies increasingly depends on each country's skills bases. With economies and technological change advancing rapidly and global migration increasing, the skills needed in each economy constantly increase. Consequently, the more skills obtained as rapidly as possible, the stronger and more competitive the economy (HM Treasury, 2006: 27). Since 1996, various policies have been implemented in South Africa to improve labour market facilitation but as Altman (2005: 10) explains, in the context of extremely high unemployment and low education and training, this set of policies evidently needs to become more effective. One of the key questions regarding skills development in South Africa is therefore whether the government can and does make a significant difference in shaping the economy.

## **2.5.2 The National Level Approach to Skills Development**

At the national level, the South African government has implemented a system of flexible labour market regulation, a framework for the development of human capital, and laws and policies specifically pertaining to the development of skills. Furthermore, the NSDS has been drafted in order to enforce a strategy to encourage human capital development and enhance the development of skills. The strategy aims to link the demands of the economy with various learning initiatives. In order to fully comprehend the approach and the objectives of the NSDS it is important to understand that the NSDS is driven by the pursuit of a high-skills economy.

As Kraak (2004b: 117) explains, the high-skills economy, as discussed in section 2.3.2, is characterised by an emphasis on “‘joined-up’ state policy and co-ordination; the importance of intermediary institutions (the SETAs) in obliging stakeholders to invest further in enterprise training; and on the importance of social consensus in the regulation of the skills regime” (Kraak, 2004b: 117). In the case of developing economies like South Africa, where there is extreme skills differentiation, the push for higher skills is still highly applicable because even less-developed countries need to create strategies for moving up the value chain towards higher value-added production (Kraak, 2006: 4). Lauder and Brown (2006: 31) highlight key factors that have led governments to believe that economic and social progress depends on increasing the skills of the workforce. These include:

- “The decline of economic nationalism, walled economies and high-wage, low-skills jobs;
- The retreat from Keynesian welfare state settlements, which has left workers vulnerable in the market and without skills;
- The possibility that progress towards a high-skilled economy could alleviate poverty and unemployment;
- Globalisation and the competition between nations; and
- The rise of the so-called knowledge economy”.

According to Lauder and Brown (2006: 34), two broad elements contribute to forming the foundations of a high-skills economy. The first is capacity building, which concerns the main

conditions required to orientate an economy towards a high-skill approach. This includes “an inclusive and systematic process of skills upgrading linked to learning; a high level of entrepreneurial and risk-taking activities, whether in terms of new business ventures or through innovation within existing enterprises focused on upgrading skills; institutionally embedded relations of ‘high trust’, which encourage individual discretion and collective commitment; a model of human capability based on an assertion that all have the potential to benefit from skills upgrading and lifelong learning; a system of occupational selection that values the diverse range of human talent, knowledge and creativity, whether these are based on gender, social background, ethnicity, race or religion; and a means of co-ordinating the supply and demand of labour, which includes a way of incorporating the increasing numbers of those with tertiary education into high-skilled jobs” (Brown, 1999: 233-252).

As Kraak (2006: 63) argues, human resource developments in South Africa will only flourish in the context of a strong interconnected governing structure. Therefore, as Crouch et al (2004: 109) suggest, even if the state is not active as a direct provider of training, its role in the broader objective of the Act will nearly always be central. The second element which contributes to forming the foundations of a high-skills economy, addresses the issue of motivation and culture. While the state may have the capacity to pursue a high-skills economy, if policy-makers, entrepreneurs and workers lack the motivation to pursue this upward approach to skills development it will inevitably fail (Lauder and Brown, 2006: 34). There is therefore a need to create a culture of motivation regarding skills development at a national, organisational and at an individual level (Lauder and Brown, 2006: 34). McGrath (2004: 2) suggests that while it is often taken for granted that skill programmes in South Africa are critical to economic and social growth, government’s focus on skill development needs to go beyond an idle political gesture.

The ‘joined-up’ nature of South Africa’s human resource development framework effectively means that the role that government plays in skills development has an effect on the role of business. Disorganised states lead to disorganised business communities and vice-versa. When states have the corporate coherence necessary to pursue collective goals, solid ties with the business community can become vehicles for the construction of joint public-private projects in pursuit of economic transformation (Evans, 1997: 50). According to Evans (1997: 65), “in all of the interrelated facets of business that either make transformation possible or put it out of reach, the state is deeply implicated”. This is because the structure of the state



and the character of the capital that operates within its territory are intricately linked and therefore mutually determined (Evans, 1997: 65).

### **2.5.3 The Sectoral Level Approach to Skills Development**

The idea of sectoral approaches to skills development is not new. It dates back for centuries in the form of traditional industrial training and apprenticeship agreements. Not only in South Africa but globally, sectoral approaches are being identified as the best way to engage employers in skills development (Raddon and Sung, 2006: 5). The sectoral approach to skills development is consistent with South Africa's overarching emphasis on participation and sustainability in achieving socio-economic objectives. In so far as the emphasis on 'joined-up' state policy and co-ordination is concerned, Kraak (2006: 7-8) states that "the key requirements for joined-up state action are firstly, the effective co-ordination of information across a wide array of policy domains; and secondly, cross-sectoral planning and processes based on comprehensive information".

The emphasis on joined-up state action, which necessitates joint responsibility between state, employers and individuals, is possibly the main reason why sectoral approaches are becoming increasingly prevalent both nationally and internationally. Another reason is that vocational education and training systems are often criticised for not meeting industry and labour market needs and thus failing to contribute sufficiently to the knowledge economy (Raddon and Sung, 2006: 5). Sectoral approaches provide a link between desired training at a national level and executed training at an organisational level. As Kraak (2009b: 16) reiterates, evolutionary economists argue that the primary mechanism for achieving policy implementation consists of strategically placed institutional intermediaries who play an interlocutor role between the state and capital.

In South Africa, arguably the most important examples of these are the "social market institutions such as the National Economic Development and Labour Council (NEDLAC), the 25 SETAs and the social compacts signed regularly between government, employers and labour" (Kraak, 2004c: 8). SETAs are institutional mechanisms set up as intermediary structures between government and organisations in the private sector to assist in providing the necessary co-ordination, financial incentives and social obligations to invest in training (Kraak, 2004b: 117). They are essential actors in the provision of workforce skills as they

combine an important characteristic that the state possesses but the individual employer lacks (capacity for strategy at a collective level) with one that the state lacks (closeness to business needs) (Crouch et al., 2004: 135).

According to Crouch et al. (2004: 141), SETAs thereby embody both public regulation and objectives, including a maximisation of training goals and sensitivity to business needs, particularly at a sectoral level. As intermediary bodies, SETAs are an excellent example of the close linkages between the state and capital. As Kraak (2004b: 117) explains, SETAs enable training activities at the enterprise level to be linked to those at the sectoral level, all within the context of a single regulatory framework. Sectoral approaches to skills development subsequently form an essential element of the combined aim of creating economic wealth and achieving social objectives (Raddon and Sung, 2006: 4).

As Sutherland and Rainbird (2000: 193) argue, governments are interested in promoting the competitiveness of the economy as a whole through an adequate supply of skills as a means of promoting a positive trade balance. This also means managing processes of industrial restructuring and ensuring that workers, especially those who were previously disadvantaged, are equipped with the skills to find employment in expanding sectors of the economy through active labour market policies (Sutherland and Rainbird, 2000: 193). Sectoral approaches to skills development assist government in this regard by allowing government to identify at a national level what skills are needed by determining what growth is occurring at a sectoral level. According to Worrall and Cooper (2001: 34), the level of organisational change in the economy as a whole and in particular sectors provides a reliable proxy measure of the pace of work and skills intensification across the board, as well as exposing sectoral variations in the extent of work intensification.

#### **2.5.4 The Provincial Level Approach to Skills Development**

At a provincial level, one of the most important ways in which development strategies are formalised is through the Provincial Growth and Development Plan (PGDP). Each Provincial Government formulates the PGDP with assistance from various social partners including public entities, municipalities, business, labour, NGOs, and higher education institutions. The incorporation of these partners in the process of formulating the plan, aims to encourage long-term co-operation based on a coherent socio-economic development strategy.

Furthermore, each plan is in line with the national policy framework for socio-economic planning (Province of the Eastern Cape, 2010: 15). While the PGDP does not deal solely with skills development, the implications of the plan are directly linked to matters of education and training.

According to the Eastern Cape PGDP, the plan provides a strategic framework aimed at rapidly improving the quality of life of the country's poorest people (Province of the Eastern Cape, 2010: 15). The plan sets out a vision for the ten-year period that it is in place, with sequenced targets in the areas of economic growth, employment creation, poverty eradication and income redistribution (Province of the Eastern Cape, 2010: 15). In Eastern Cape, the period of the plan is from 2004-2014, which provides the opportunity for medium-to-long range strategic planning to prioritise and address major structural deficiencies in the economy and the conditions of society (Province of the Eastern Cape, 2010: 15).

In 2004, the initial year of the current PGDP, it was confirmed that there were low levels of education in the province. As stated in the Eastern Cape PGDP in 2001, "only 6% of the population had a higher education (HE) qualification, 14% had a Senior Certificate, 30% had some secondary education, while half of the Eastern Cape population had primary school education or below. Alarming, a staggering 23% of the population had no formal education whatsoever. In addition, in 2003 the Province had an illiteracy rate of 42%" (Province of the Eastern Cape, 2004: 36). Unfortunately, but not surprisingly, the province's skills base reflects these broad patterns of uneven development.

While the PGDP is essential to South Africa's overall growth strategy it is vitally important that one considers provincial goals in relation to the particular configuration of skills needed within each sector, as this provides an imperative layer of information for understanding the unevenness of employment growth (Bhorat and Oosthuizen, 2008: 63). For example, while some sectors, such as the financial and business services sector, are largely dependent on high-skills, others, such as the hospitality and tourism sector, have the potential for growth in low-skills employment. Some sectors require both high and low skills (Kraak, 2004c: 70).

One of the biggest tasks confronting industries in South Africa is therefore the need to examine the labour requirements within individual sectors in order to identify training needs, job shortages and vacancies. Training and development should be directed towards particular job specifications to promote productivity and the creation of a more professional and higher

skilled worker (Martins and van Wyk, 2004: 5). It is also extremely important that, from a labour perspective, labour market entrants are provided with as much information as possible about what skills are needed, where to study and how or where to find a job. This information should include a clear indication of skills needs at a sectoral and at a provincial level. As Altman (2005: 8) suggests, this is particularly important when one considers the diversity of workplaces, the emergence of new and smaller firms and changing industrial structures.

## **2.6 THE ROLE OF BUSINESS AS A SOCIAL PARTNER**

### **2.6.1 Levies, Grants and Learnerships**

Many employers choose to train their workers regardless of national expectations just as many employers choose to train their workers in spite of a lack of national obligations. It is therefore important for one to understand that the role of business as a social partner in the skills development framework and the reasons why organisations choose to engage in training and development are two related yet separate matters. While these two issues will often be dealt with simultaneously in this dissertation, the following section will primarily focus on the role which business is intended to play in the participatory and joined-up approach to skills development. The section will begin by outlining the legal requirements of business and further opportunities and expectations of business within the skills development framework. It will then explore the concept of training for employability in response to the high-skills thesis, and the development of knowledge workers in response to government's pursuit of a knowledge economy.

Nowhere in the legislative framework for skills development is the role of business explicitly laid out. Rather business's role is implied in the structural design of the legislative framework and its supporting strategies. The SDA and the SDLA together create a system whereby organisations are required to contribute financially through the payment of the skills development levy, but are also encouraged and incentivised to become actively involved in skills development through the application of skills development mandatory and discretionary grants. Benjamin (2005: 37) states, "Employers are required to pay a skills levy equivalent to 1% of their wage bill. 80% of levy funds are distributed to SETAs and 20% to the National Skills Fund. Employers who develop skills development plans may apply to their SETA for a mandatory grant equivalent up to 50% of their levy".

In order for employers to claim grants against the skills development levy paid, they need to be compliant with the SDA and the associated legislation, which includes ensuring that training is conducted and planned within their organisation (Mercorio and Mercorio, 2000: 154). Training is regarded as a necessary part of an employer's duty to comply with statutory requirements (Lange et al., 2000: 8). Following the guidelines of the SDA, the key tool to successful implementation of skills development initiatives is a well-designed workplace skills plan (WSP). This enables employers to increase productivity, reduce waste and enhance customer service and satisfaction (Mercorio and Mercorio, 2000: 27).

The SDA allows organisations the opportunity to link their own managerial initiatives for training to external market pressures in order to secure their competitive advantage. According to Carey (2000: 20), where training is directly linked to competitiveness, these initiatives are likely to become a strategic rather than an operational issue. What this means is that organisations can conduct and plan to do whatever training is most beneficial for their organisation, and are not compelled to align their training initiatives to any provincial, sectoral or national skills development needs in order to receive their mandatory grant.

As mentioned above, all organisations that apply for skills development grants are required to comply with all the statutory requirements of the SDA. Arguably the two most important requirements, from a strategic viewpoint, are appointing a skills development facilitator (SDF) and establishing a training committee. According to the Finance, Accounting, Management Consulting and other Financial Services Sector Education and Training Authority (FASSET) (2011: 6) the “SDF is responsible for the planning, implementing and reporting of training in an organisation”. All organisations that apply for grants, regardless of size, are required to appoint a SDF. Furthermore, the SDF can be internal, someone appointed from within the organisation, or external, such as an outsourced party who has the knowledge and expertise to fulfil the SDF functions. The functions of a SDF are to:

“Assist the employer and employees to develop a Workplace Skills Plan (WSP) which complies with the requirements of the SETA

- Submit the WSP to the relevant SETA
- Advise the employer on the implementation of the WSP

- Assist the employer to draft an Annual Training Report (ATR) on the implementation of the WSP.
- Advise the employer on the quality assurance requirements set by the SETA.
- Act as a contact person between the employer and the SETA
- Serve as a resource with regard to all aspects of skills development
- Communicate Seta initiatives, grants and benefits to the employer
- Communicate with branch offices, and all employees in the main office and branch offices, concerning events and grants being offered at the SETA” (FASSET; 2011: 6).

Organisations with more than 50 employees are required to establish a training committee for the purposes of consultation on training matters. All stakeholders should be represented on this committee/forum, including representative trade unions, employee representatives from all occupational levels and senior managers (FASSET, 2011: 9). Training committees provide an excellent opportunity for communication and consultation between management and employees on skills development matters (Mercurio and Mercurio, 2000: 153). The inclusion of all stakeholders is fundamentally important.

From an employee viewpoint, employee involvement creates a feeling of participation and motivates employees to be committed to both the training and development as well the organisation itself. From a managerial perspective, managers and supervisors are in outstanding positions to provide accurate information about employees’ performance and assess the need for training in their relevant divisions (Grobler, Warnich, Carrell, Elbert, and Hatfield, 2006: 309). Furthermore, improving relationships between employers, managers or supervisors and employees can lead to more collaborative organisational strategies (Mercurio and Mercurio, 2000: 154). While building organisational relationships is time consuming and requires constant work, it is essential with respect to partnership development and the overall transformation process (Trim and Lee, 2007: 337).

Morris and Reed (2009: 205) therefore suggest that skills planning should take into consideration two main factors. Firstly, the organisation’s strategic vision of the future and secondly, the skills gaps that exist within the organisation. It is the thoughtful and creative implementation of skills development, and particularly the WSP, which holds promise for real workplace change. This will also ensure that the return on investment outweighs the

costs of the necessary training (Mercorio and Mercorio, 2000: 154). In addition to the mandatory grants available, organisations may also apply for Discretionary and Pivotal Grants. Pivotal grants are relatively new and aim to encourage employers to train both employed and unemployed people in structured education and training programmes. Where employers can provide evidence that selected individuals have successfully completed a degree or diploma, or have registered or completed a learnership or internship, the SETA can pay out 10 per cent of the organisation's SDL (in addition to the monies received from the mandatory grants) (FASSET, 2011: 66).

Learnerships are an essential part of the pivotal grants. According to Benjamin (2005: 36), "learnerships and internships for unemployed persons have been identified as a key aspect of growth and development strategies of the second economy". As outlined above, encouraging workers to participate in learnerships and training programmes is one of the purposes of the SDA. Learnerships, which are established by the SETAs, provide a flexible framework for skills development by employees as well as new entrants into the workforce (Benjamin, 2005: 36). Learnerships consist of two components: a structured learning component and a practical work experience component. The completion of a learnership must lead to an occupationally related qualification recognised by the South African Qualifications Authority (Benjamin, 2005: 36).

Business is essential in the realisation of learnerships because for learnerships to be completed and for the respective outcome of the Act to be achieved, business has to play an active role as a site provider and facilitator of the learning programme. Since business is not legally compelled to engage in any training initiatives, there are numerous incentives for employers to engage in such programmes. For example, employers may apply to their SETA for subsidies to cover both the costs of a learnership and the learner's allowance (Benjamin, 2005: 36). Additionally, on the commencement and completion of the learnership employers may claim a commencement allowance for each year of the learnership (FASSET, 2011: 73).

Employers who use the legislation effectively are able to upgrade the skills and knowledge of their employees as well as new entrants to the world of work and consequently benefit from the available incentives (Mercorio and Mercorio, 2000: 27). Implementing and managing skills development in organisations enables individuals, employers and organisations to respond to an ever-changing economy, contribute to improved efficiency and productivity

and meet the personal and career development needs of individuals (Sutherland and Rainbird, 2000: 192).

### **2.6.2 Training and Development for Employability**

According to Coetzee and Stone (2004: 2) over the past years, significant changes in the world of work have pressurised employers to re-evaluate many aspects of work and the workplace that were previously taken for granted. These changes include the ways in which rapidly changing technology has rendered many jobs obsolete and increased the need for continual skills development or lifelong learning. Along with these changes, economic conditions and high unemployment rates have shifted the emphasis from being employed to being employable (Coetzee and Stone, 2004: 2). As opposed to simply increasing task-specific skills (as seen in the industrial era), employers are now encouraged to train and develop workers in a manner which will focus on increasing their employability.

In the early days of the industrial era, one would generally acquire a specific set of skills that would be used throughout one's life, such as accountancy, plumbing or engineering. An employer would generally be satisfied with the individual's skills and he or she could start work immediately. Nowadays, skills sets are changing so rapidly that formal schooling, even including a tertiary education, can no longer meet the needs of the changing workplace (Maclean and Ordonez, 2007: 135). With South Africa pursuing a high-skills economy and consequently focusing on a wide distribution of workforce skills, this change in emphasis has influenced the kinds of training required by employers at a workplace and at a national level.

According to Kraak (2004c: 35), one of the most important aspects of the South African human resource development framework is the notion of 'transversing'. Transversing refers to "the movement of people into and out of employment throughout their working lives" as well as the mobility (or lack of mobility) of workers up the occupational ladder through training and promotional policies (Kraak, 2004c: 35). Fortunately, in today's economy the question of whether there should be training has changed to "which employees should be trained, in what area(s), by what method(s), by whom, when or how often, what outcomes should be expected and what will the cost be" (Grobler et al., 2006: 300). Numerous studies have shown that training is the key to developing the workforce required in the twenty-first



century (Mercurio and Mercurio, 2000: 17). In South Africa, employee training, development and education programmes are valued at over R5 billion per year (Grobler et al., 2006: 300).

A recognition of the need and the importance of training and development in South African workplaces has come about as a result of social and economic pressures, such as the relevant legislation, international competition, corporate reorganisation and technological advances (Grobler et al., 2006: 300). Training is understood as a key factor in meeting employers' strategic, business and operational goals. Its functions include improving employee and organisational performance, updating employee skills, solving organisational problems, bringing new employees on board, succession planning and personal growth development (Grobler et al., 2002: 302-303).

With the increased emphasis on training and development, it is important for businesses to understand that the actual process of training workers is only a small part of the overall skills development process. What this means is that for skills development (both at an organisational and a national level) to be effective it needs to go beyond the modest completion of a course or programme. Grobler et al. (2002: 304) suggest that successful training and development involves three major phases: namely, assessment, training and development, and evaluation. Assessment of skills refers to the process where knowledge is measured using a suitable assessment tool. Based on the results of the measurement, the assessment process indicates the gap between current knowledge and knowledge needed for an individual to be able to complete a specific task or group of tasks. The required training is then identified and customised if necessary (Deloitte, 2009: 14). Successful skills development initiatives depend largely on the thoroughness of the needs assessment.

According to Grobler et al. (2002: 310), after a needs assessment has identified a performance gap (the difference between desired and actual performance) or another specific set of developmental needs, training and development can take place. This can happen in numerous ways, including on the job training, coaching, mentoring, attending a course and so on. Training and development should be conducted in accordance with a company's WSP. Lastly, evaluation provides a way in which one can determine whether a trainee or trainees gained the required skills and acquired the desired knowledge (Grobler et al., 2002: 322). With millions of rands being spent each year on training and development, the process of

evaluation is extremely important in indicating whether businesses are getting their money's worth (Grobler et al., 2002: 323).

According to Godat and Atkin (2011: 4), "success in today's corporate climate is dependent upon achieving optimal advantage over competitors, establishing strategies to align with business demands and capability development to meet organisational objectives within a growing global economy". However, as the South African skills development framework continually emphasises, skills development is more than just meeting organisational objectives. Skills development commitments in South Africa not only focus on upholding equal opportunities, but also include redressing past and present inequalities in access to learning. Whilst some groups of workers experience no problems of access to learning at work, others still face considerable obstacles (Sutherland and Rainbird, 2000: 201).

According to Heyes (2000: 162), training provision involves far more than questions about how skills are developed. It also has political implications, because skill is the medium through which power is exercised in the workplace, and the skill one acquires becomes a resource that can potentially be used to achieve personal as well as organisational goals. Organisations are constantly seeking to increase their competitiveness and market shares in profitable and sustainable ways; learning is a tool to achieving this by raising the competence of individuals (Godat and Atkin, 2011: 2).

The guiding principle of skills development is therefore that skills development outcomes should cultivate sustainable development for both the individual and the organisation in terms of both the organisation's goals and the individual's career development plans (Godat and Atkin, 2011: 4). Employees who have access to training can potentially transform their 'performance potential', constituting themselves as strategic resources as opposed to disposable commodities (Heyes, 2000: 149). For learners, the successful management of their own learning process and career could potentially be the difference between continuing employability in a rapidly changing, dynamic workplace and being left behind in a competitive labour market (Coetzee and Stone, 2004: 1).

### **2.6.3 The Development of ‘Knowledge Workers’**

Kraak (2009a: 324) argues that the changes from the traditional model of the internal labour market are a result of the demands of innovation in the knowledge economy. These include an emphasis on enterprise-based learning, the development of tacit knowledge and the harnessing of a firm’s dynamic capabilities as the basis for generating new knowledge and innovation. These factors are rooted in the work of ‘evolutionary economics’ which argues that work-based learning is a critical prerequisite for innovation in the so-called ‘knowledge economy’ (Kraak, 2009a: 324). The primary focus of evolutionary economics is “the study of the firm as a social as well as an economic institution, and in particular, the role played by ‘learning’ within the firm in the new global economy” (Kraak, 2009b: 7).

The emphasis of ‘evolutionary economics’ is therefore that, as social as well as economic institutions, businesses’ role and scope of influence stretches far beyond the individual workplace. As social institutions, businesses are required and incentivised to train employees in a manner that will not only enhance their employability but will allow them to be capable workers in the context of the knowledge economy. With the transformation of the workplace from the product or service-orientated Industrial Age to the knowledge-based Information Age, organisations require a different type of worker. The ‘new’ worker, as Maclean and Ordonez (2007: 125) observe, has been termed a ‘knowledge worker’ since he/she is required to use logical-abstract thinking to diagnose problems, research and apply knowledge, propose solutions, and design and implement those solutions, often as a member of a team.

As Coetzee and Stone (2004: 2) explain: “employees are no longer technical or production workers; they have become knowledge workers – specialists that help drive the achievement of organisation strategy by enhancing the supply of knowledge and information to the company”. The idea of a ‘knowledge worker’ is derived from the notion of a “knowledge-based economy”. As outlined earlier in this chapter, a knowledge-based economy, or knowledge economy, refers to an economy that has a fuller or more incorporative recognition of the role of knowledge and technology in economic growth (OECD, 1996: 9). Knowledge (which is embodied in human beings as ‘human capital’ and in technology) has always been central to economic development but has been recognised in the last few years as increasingly important (OECD, 1996: 9). This is primarily because the relationship between organisations

and workers has evidently changed and evolved dramatically within the last 15 years (Bennett, Dunne and Carre, 2000: 121).

According to the OECD (1996: 9), of which South Africa is a member, output and employment are expanding fastest in high-technology industries, such as computers and electronics. Similarly, knowledge-intensive service sectors, such as education, communications and information are growing even faster than these high-technology industries. It is estimated that more than 50 per cent of Gross Domestic Product (GDP) in major OECD economies is now knowledge-based (OECD, 1996: 9). Enterprises that increase employees' and/or potential employees' access to training and skills development will be in a better position to exploit new technologies. Additionally, good quality training can boost the skills levels, motivation levels and efficiency of workers (Human Sciences Research Council State of Skills Report, 2008: 23).

Since South Africa has historically always been a resource-based economy, the transformation into a knowledge-based one presents a substantial challenge (Department of Science and Technology, 2007: 2). It requires that South Africa continually develop the four interconnected, interdependent pillars that the knowledge economy rests on, namely innovation; economic and institutional infrastructure; information infrastructure and education (Department of Science and Technology, 2007: 2-3). According to the Department of Science and Technology (2007: 2), "the government's broad developmental mandate can ultimately be achieved only if South Africa takes further steps on the road to becoming a knowledge-based economy, in which science and technology, information, and learning move to the centre of economic activity".

Business is essential in realising that these steps are taken because training and development generally happens at the level of the workplace. The manner in which business executes this education and training will have a direct influence on how new knowledge is acquired and whether or not it can be reproduced in a different setting or work environment. As Maclean and Ordonez (2007: 126) explain, the foundation on which more and more learning is increasingly built must sufficiently enable the new 'knowledge' worker to understand and apply new knowledge to the evolving demands of the workplace.

## **2.7 CHALLENGES TO SKILLS DEVELOPMENT: A NATIONAL AND SECTORAL PERSPECTIVE**

### **2.7.1 Labour Market Segmentation**

Government, in its inclusive partnership approach to development initiatives, has placed a substantial amount of responsibility and expectation on the role of business in skills development. This is outlined in the sections above. Considering this partnership approach, the extent to which business will actively engage in skills development is largely dependent on the strength of the structures and strategies put in place at a national and sectoral level. The onus is therefore on government to ensure the cohesiveness and solidarity of the skills development framework in order to facilitative business in the role that it is expected to play. Since the inauguration of the skills development framework government has experienced significant challenges at varying levels. The following section will highlight some of the main challenges in the skills development arena from a national and a sectoral perspective, including labour market segmentation, the alignment between education, training and other policies; employer engagement with the NSDS; issues with the pursuit of the high-skills economy; and challenges faced by the various SETAs.

The first challenge that bears mentioning is the pertinent issue of labour market segmentation in South Africa. Labour market segmentation can be defined as “the historical process whereby political economic forces encourage the division of the labour market into separate submarkets, or segments, distinguished by different labour market characteristics and behavioural rules” (Reich, Gordon and Edwards, 1973: 539). South Africa’s past system of apartheid governance is an example of this segmentation. Historically, in South Africa the labour market was characterised by major differences between white and black workers, for example through job protection, workers’ rights and available opportunities. The result was massive social and economic distortions, where society was characterised by an extremely high-skilled white population alongside a low-skilled African population. These distortions created an extremely polarised and unbalanced educational and economic legacy (Akoojee et al., 2005: 99).

As Reich et al. (1973: 539) explain, segmented labour markets are outcomes of the segmentation process. South Africa’s segmented labour market is an outcome of its history of

enforced segmentation. The reason why this is such an important issue to consider in the context of skills development literature is that, while South Africa is no longer characterised by laws or policies which intentionally segment the labour market, the consequence of past practices have had a direct bearing on the approach to development, and particularly skills development, today. Altman (2005: 3) suggests that since South Africa became a democracy the labour market landscape has changed dramatically. Numerous new policies have been created, aimed at rectifying many of the policies which existed during apartheid and which purposefully built divisions within the country to advantage white people both educationally and economically at the expense of other population groups (Akoojee et al., 2005: 99).

Unfortunately, however, a persistent imprint of dualism and segmentation is increasingly evident in the South African economy and its related institutions of enterprise training (Kraak, 2004c: 47). According to Hofmeyer (1999:2), “the current situation is a manifestation of segmentation of the labour market into noncompeting submarkets, in terms of which some individuals are not free to move between segments for reasons unrelated to their productive potential, and may therefore be severely prejudiced in their ability to improve their own economic position relative to more fortunate individuals or groups”. Fields (2009: 2) explains that labour market segmentation exists if “1) Jobs for individuals of a given skill level differ in terms of their pay or other characteristics, and 2) Access to the more attractive jobs is limited in that not all who want the better jobs can get them”.

When there are two segments, the model of labour market segmentation is referred to as “dualistic” labour market segmentation (Fields, 2009: 2). Dualistic or dual labour market segmentation distinguishes between the two parts of the labour market. These parts can be termed in various ways. As Fields (2009: 2) described, one sector is usually called “formal,” “modern,” “industrial,” “good jobs,” or “urban”, while the other is alternatively called “informal,” “traditional,” “agricultural,” “bad jobs” or “rural.” Therefore, the term dual labour market segmentation does not necessarily mean that there are always only two parts to the labour market division but rather that there is a certain level of fragmentation which causes problems (Fields, 2009: 2).

Segmentation is not only detrimental to the people it directly affects but it can also have severe consequences for the entire economy, because resources are not efficiently allocated and growth may consequently be prejudiced (Hofmeyer, 1992: 2). What is currently

happening in South Africa is that a progressively advancing high-technology sector is leaving behind a larger intermediate-skill middle economy and a low-skill peripheral economy, characterising the lower two skills economies with minimal skills development (Kraak, 2004c: 47). The reality of the situation is that many people find it difficult to access skills development because of the position they are in within the labour market.

Large amounts of people are excluded from the job market based on their lack of skills, which in turn has a major role to play in cumulative poverty levels (Province of the Eastern Cape, 2004: 78). Another example of current labour market segmentation, and one that is closely tied to education and training issues, is South Africa's large informal economy. According to Von Kotze (2009: 17) the informal economy contributes between seven and 12 per cent of Gross Domestic Product (GDP), yet the norm for what is considered 'work' remains the notion of working in the formal economy. As a result, workers in the informal economy are often overlooked when it comes to education and training plans for 'capacity building'.

Von Kotze (2009: 17)) explains that since 1996 policies have been implemented to improve labour market facilitation and to bridge the gaps of the segmented labour market; but in the context of extremely high open unemployment this set of policies needs to become more forceful. The same can be said for skills development, because while there are well developed strategies and policy frameworks to encourage skills development at an individual, organisational and government level, much more needs to be done to ensure the implementation of these strategies and policies at all levels. Skills need to be created and developed in ways that promote both competitiveness and equity for all people. As stated in the Wholesale and Retail Sector Education and Training Authority (W and R SETA) SSP 2011 – 2016 (1011: 65), "government has placed the creation of decent work at the centre of economic and social policies. Its actualisation depends on the restructuring of the economy".

### **2.7.2 The Alignment between Education and Training**

The second major challenge in South Africa's skills development framework concerns the alignment between education and training. Public policy on skills development and education is generally preoccupied with two central questions. Firstly, can countries ensure that their working populations are competing internationally at the 'sharp end' of skills? Secondly, can

training and education help solve the problem of mass unemployment? (Crouch et al., 2004: 31). With reference to the first question, Martins and van Wyk (2004: 1) explain that human resource development is measured through the availability of qualified people in a country. South Africa has been rated as having very poor skills availability, which has a direct impact on its global competitive status. Additionally, it suggests a low quality of life for a large number of the South African workforce (Martins and van Wyk, 2004: 1).

In response to the second question, McGrath (2005: 13) claims that the failure of the education policies to engage with discourses such as those of skills development has seriously undermined the prospects for a coherent strategy on skills for all people, including those who are unemployed (McGrath, 2005: 13). Government policies across interrelated areas such as education, training, labour market regulation, and industrial restructuring can stimulate the demand for and access to education and training (Kraak, 2004a: 230). As Grobler et al. (2002: 340) explain, ensuring that a country's workforce has the necessary mix and level of skills is not just the responsibility of individual organisations, but primarily of two complementary systems – namely, training and education.

According to Marock (2010: 6), “the skills development system is premised on the assumption that the schooling system will produce graduates with the requisite foundational skills so that these individuals are ‘more employable’ and ‘more trainable’. Theory argues that the supply of individuals that are ‘more trainable’ will increase the propensity of employers to invest in training due to perceptions linking skills acquisition by better schooled employees with higher levels of productivity and employer competitiveness”. However, studies and reports have shown that many learners in South Africa struggle to attain the necessary schooling requirements.

The Baseline Study of the Department of Education Intermediate Phase Systemic Evaluation Report (December 2005) indicates that six out of ten South African learners in Grade 6 are scoring less than 50 per cent in the language of learning assessment task, and eight out of 10 are achieving less than 50 per cent in mathematics assessment tasks (cited in Marock, 2010: 7). There are also many learners who leave school with a Grade 9 and therefore do not attain their Grade 12 certificate (Marock, 2010: 7). Based on figures provided by the Council for Higher Education Transformation, Marock (2010: 7) claims that annually there are



approximately 420 000 young people that leave school in Grades 10 and 11 and 160 000 young people that do not pass Grade 12.

The reason why these figures are so important in relation to skills development is that they have a direct effect on the provision and acquisition of occupational qualifications (Marock, 2010: 7). If businesses do not have sufficient availability of 'trainable' or 'employable' workers, employers will likely be reluctant to engage in skills development activities, since the time and money spent on training minimally educated workers may not justify the outcome of the training. Training alone is therefore insufficient to enable broader developmental outcomes to materialise (Palmer, 2007: 410). Evans (1997: 67) argues that what is required is interdependence between various social and economic systems such as education and skills development, as these systems feed into each other.

This interdependence is what Evans (1997: 67) refers to as an embedded autonomy, which provides the structural basis for pursuing a joint public-private project for economic transformation. A strong structural basis can facilitate greater investments in human capital development beyond the realm of the classroom or workplace. As Remenyi (2004a: 200) explains, the focus on education and training and the accumulation of human capital may also have an enabling effect on the achievement of sustainable poverty reduction. The Leitch Review of Skills Final Report claims that in order for people to be able to adapt to constant social and economic changes they need to be equipped with basic skills, because in the global economy those who lack basic skills bear the highest risk of economic exclusion (HM Treasury, 2006: 13).

There are still a large number of individuals who are economically vulnerable as a result of their lack of education and skills. Despite the extensive body of legislation and policy documents which aim to deal with these issues, the reality remains that a large portion of the workforce are in vulnerable, low paying jobs with limited access to workplace entitlements such as medical aid, pensions or training (Altman, 2005: 3). While working may be the clearest pathway out of poverty for the poor, the type of jobs that people get is critical (Palmer, 2007: 410). According to Remenyi (2004a: 200), "when the skill set available is small, the number of dependents high, and opportunities for rewarding employment scarce, the climb above the poverty line is an almost insurmountable task without external assistance".

For many people, access to education and training opportunities can be the difference between poverty and sustainability. While improved and enhanced focus on education and training will undoubtedly have a significant positive effect on a country's workforce, both socially and economically, it cannot by itself eliminate the issues of unemployment, social disintegration and poverty (Crouch et al., 2004: 249). South Africa and other countries facing similar challenges need to combine education and training policies with other strategies to expand the labour market (Fiske and Ladd, 2004: 14).

### **2.7.3 The National Skills Development Strategy and Employer Engagement**

The third challenge regarding skills development in South Africa is the issue of employer engagement, particularly in relation to the objectives of the NSDS. According to Archer (2009: 296), the NSDS aims at the construction of skills plans at a workplace, sector and national level. The basic premise of the NSDS is that the achievement of these plans has the potential to reverse the legacy of low skill levels in South Africa (Badroodien, 2004b: 156). The general logic behind the NSDS is that the more firms that participate in enterprise training and the more funds that become available for training, the more individuals will have an opportunity to gain skills and hopefully higher-level employment through systematic upskilling (Badroodien, 2004b: 156).

However, as Kraak (2004a: 237) explains, one of the numerous challenges faced by the NSDS is that many employers have not yet been convinced of the arguments presented by the strategy. If one looks at the skills development levy-grant system the percentage of companies that claim back grants from their SETAs is significantly less than those who pay the skills development levy (Kraak, 2004a: 237). While this may not be an accurate indication of the amount of organisations that engage in training and development, it does indicate that many organisations are not engaging with the skills development system in South Africa. Kraak (2004a: 237) explains that this is because many employers still view the levy as little more than an additional tax requirement.

Low employer participation in the training process is consequently one of the key problems in skills development in South Africa. It is generally recognised that firms that commit to some kind of training prefer in-house or on-the-job training, especially for lower skilled

workers. The truncated and unstructured nature of this training has the potential to work against the goals of the NSDS in the long-term (Badroodien, 2004b: 156). It also does very little to undo the past systems of training, which is expressed as a key purpose of the NSDS (Badroodien, 2004b: 157).

According to Badroodien (2004b: 157), the success of the NSDS is dependent on “greater commitment from employers to view training as an asset that can contribute to increased productivity and growth”. Employer engagement in the skills development framework and particularly with the NSDS is critical to the achievement of skills development outcomes. For this reason there is significant tension between the voluntary nature of the skills development framework, which implies that employers should be left to decide their own approach to skills development, and the reality that the ‘short-termism’ of this approach does little to reach the goals of the NSDS (Kraak, 2004a: 230).

The voluntarist approach to skills development poses one of the biggest challenges to achieving the goals of the NSDS as many employers continue to disregard the levy-grant system and training altogether (Kraak, 2004a: 235). Evidence suggests that even when firms do make a major contribution to training and retraining their employees, only a few adopt strategies of decentralising authority to front-line employees. Most firms are therefore pursuing upskilling for only a small number of their employees (Crouch et al., 2004: 226). If the NSDS is to make a difference, it needs “greater state intervention to turn around the structural inequalities in the labour market and the ‘low skill’ impediments in the new skills regime” (Badroodien, 2004b: 157).

Governments need to take into account that many employers are simply unaware of the skills needs in their particular industry. Many employers are even unaware of their own organisational needs with respect to training and education (Rainbird, 2000: 3). Much greater networking between employers, education and training providers and government departments is required to facilitate the participation of individual employers and hopefully increase their investments in and coordination of skill formation in South Africa (Badroodien, 2004b: 156).

#### **2.7.4 Capacity and Co-ordination Challenges for the SETAs**

In South Africa, the SETAs are designed to play the role of ‘intermediaries’ between organisations and the state and are intended to link the goals of organisations with those of the NSDS. As neo-corporatist structures, they are required to bring together strategic public-policy responsibilities and sensitivity to business needs (Crouch et al., 2004: 162). Not only do SETAs need to ensure that all funding decisions are informed by the need to make a substantial and lasting impact, but they also continually face the challenge of proving that they are adding value in a sustainable manner (FASSET, 2012a: 7). As institutions which have been established to steer and fund skills development activities, SETAs therefore face considerable challenges relating to their performance and the extent to which they are able to ensure that the training that takes place is in line with both sector and national priorities (Marock, 2010: 12).

The challenges that SETAs face can be divided into two main groups: namely, challenges of capacity and challenges of co-ordination. The problem with capacity is that even though SETAs as corporatist organisations have been designed to facilitate interaction with individual firms, it is difficult to be adequately sensitive to the needs of individual businesses (Crouch et al., 2004: 162). Additionally, since the conception of the SETAs there has been a continual lack of clarity about whether the SETAs’ primary focus should be those who are employed, those who are unemployed or those in pre-employment (Marock, 2010: 13). Beyond the uncertainty of which groups of workers the SETAs should be focused on, Marock (2010: 13) explains that in addition to SETAs’ multiple objectives and responsibilities, as outlined in the SDA, a review of documentation suggests that SETAs have been given even further responsibilities, many of which fall outside their sphere of influence or capacity.

One can take, for example, the formulation of the SSPs, which the SDA outlines as one of the key functions of the SETAs. According to Marock (2010: 14), SSPs are “focussed on identifying labour market trends and putting strategies in place to address priority skills demand areas for their sectors, in consultation with stakeholders”. However, there are major challenges in the process of researching and formulating reliable SSPs, primarily because of the complexity of the task, which involves setting specific targets as reflected in the NSDS and identifying scarce and critical skills (Marock, 2010: 14).

According to Barnes (2009: 39), the Department of Labour “differentiates between ‘scarce’ and ‘critical’ skills, with ‘scarce skills’ describing those occupations experiencing a shortage of qualified or experienced individuals to form an adequate workforce. ‘Critical skills’, however, describe fundamental ‘top up’ skills required within an occupation”. Scarce skills are typically a result of an absence of appropriately qualified people, and also employment criteria that prohibit firms from hiring the qualified and experienced people available. Critical skills, on the other hand, are further divided into two types. Firstly, key or generic skills, which include cognitive functions such as problem-solving, literacy, mathematical skills, and so on; and occupationally-specific skills or ‘top up’ skills (Barnes, 2009: 39).

Fundamentally, there is a general agreement that the demand for certain skills required to develop the economy is far in excess of current supply (Barnes, 2009: 29). An inaccurate identification of scarce and critical skills can potentially have a negative effect on economic development. In light of this, a serious challenge facing SETAs is that most SETAs lack the necessary experience in labour market analysis required to accurately formulate a SSP (Marock, 2010: 14). The problem or challenge of co-ordination closely relates to that of capacity. According to Kraak (2006: 7), the problem of co-ordination in complex capitalist societies arises because of a lack of communication between transacting economic agents. The result is social partners not knowing what each other’s concurrent decisions and plans are, thereby undermining any kind of joined-up relationship (Kraak, 2006: 7).

An example of this is organisations being unaware of their sector’s scarce and critical skills or the opportunities available to them through the various grants and skills programmes. From a national administrative point of view, Marock (2010: 16) states, “administrative systems and procedures are not standardised across all SETAs, making it difficult to effectively govern institutions and to leverage synergies between SETAs. The multiplicity of HR, financial and information gathering/data and reporting systems means that there are no unified standards to which institutions can be held accountable”.

As a result, SETAs have been criticised as being unnecessary government-imposed bureaucracies “tying up managerial resources, diverting financial resources, and imposing an unnecessary bureaucratic layer between firms and training providers/activities” (Morris and Reed, 2009: 217). For the skills development framework to be successful it is essential that the role of the SETAs, in strategically facilitating the drive for skills development at a

sectoral level, is aptly and adequately played out. As Nattrass and Seekings (2002: 222) argue, since South Africa is fraught with major developmental challenges it requires a much higher degree of institutional co-ordination. Unless there is stronger coherence amongst social partners, including intermediary bodies such as the SETAs, policy objectives may become unattainable.

## **2.8 CHALLENGES TO SKILLS DEVELOPMENT: A BUSINESS PERSPECTIVE**

### **2.8.1 Business and the Voluntary Approach to Skills Development**

The challenges concerning business in skills development can be divided into two broad themes. Firstly, there are challenges concerning the conflicts and inconsistencies of the role which business is expected to play in the skills development framework. Secondly, there are organisational challenges that businesses face, at the level of the workplace, concerning training and development. Adequate consideration of both of these challenges is essential in analysing the role of business as a social partner in South African skills development. While some may view the arguable legal, policy and strategy inconsistencies (which will be discussed) as national and not business challenges, the implications that these inconsistencies have for business require them to be explored from an organisational perspective. The section will therefore begin by discussing the voluntary nature of skills development followed by the dissonances between national and employer-led strategies to skills development. It will then focus on challenges at a workplace level including employers' disincentives to train and develop workers.

Arguably, the central challenges or inconsistencies which business faces in the skills development framework are the inherent conflicts in its role as a social partner. This is primarily because on one hand, business is inherently designed to maximise profitability while, on the other hand, business is expected to be a key player and partner in achieving the goals outlined in the skills development framework. There is a common uncertainty that these two objectives will coincide. This therefore poses a major threat to the achievement of socio-economic sustainability and national skills development goals. To understand the nature of this central contradiction one needs first to recap the issue from a historical perspective.

When South Africa became a democracy the government implemented new education and training strategies to enhance learning at the level of the workplace and realise a more equitable and just society (Cooper and Walters, 2009: xix). This was largely done through new labour laws such as the SDLA and the SDA. These laws, which focus on skills development, seek “to promote the employability of individuals through national and sectoral schemes providing training and skills development for employees and work-seekers as well as mechanisms for the placing persons in work” (Benjamin, 2005: 4). In South Africa, the establishment of the skills development legislation was and continues to be used as a mechanism to encourage organisations to engage in skills development.

As outlined in the South Africa’s Human Resource Development Strategy, human resource development goals, which include skills development goals, will be achieved through collective ownership and collective effort of stakeholders in society, including business (Department of Education, 2009: 2). The strategy specifically emphasises that its scope and importance extends beyond government and requires the collective commitment of all enterprises and organisations to invest time and resources in the pursuit of national human resource development (Department of Education, 2009: 5). This same emphasis on collective responsibility is evident in the developmental state model, which argues that the relationship between business and government should be characterised by an embedded autonomy.

As outlined in section 2.7.2, this refers to the way that the developmental state “orchestrates the activities of economic bodies, offering sources of capital and other inducements in return for cooperation in the implementation of industrial policy” (Burnell and Randall, 2008: 239). An example of this in the skills development framework is the skills development grants made available to employers by the SETAs in return for employers’ commitment to train and submission of proof of training in the workplace. Another example would be the learnership programmes established and facilitated by the SETAs and executed through businesses at the level of the workplace. Evans (1997: 66) argues that an embedded autonomy lies at the heart of a democratic developmental state.

As a constitutional democracy, the agenda of a developmental state in South Africa requires that delivery not only take place in the economic and social spheres, but must also deepen its democracy (Gumede, 2009: 7). South Africa’s democratic developmental state is consequently distinct from others in that the way that it aims to achieve its economic and

industrial objectives is through widening participation in the economy for those who have been previously structurally excluded (Creamer, 2010: 205). However, the problem with the developmental state model in South Africa and its subsequent democratic development initiatives is that the extent to which business will collaborate with government and other social partners is completely dependent on the willingness of the business community.

Returning to the initial contradiction highlighted at the start of this section: from a skills development perspective, engagement in the skills development framework is voluntary, apart from organisations paying the SDL. This presents a major challenge to the achievement of skills development objectives, as most businesses are inclined toward activities that have low risk and maximize short-run returns. Sustainable economic growth however requires a longer-run perspective and less avoidance of risk than most entrepreneurs can afford, more especially in developing countries like South Africa (Evans, 1997: 67). Even the initial involvement of business in the skills development framework, through the SDL, has resulted in criticism and resistance from some employers. Some employers have viewed the SDL as an additional tax imposed on organisations that negatively affects organisations' profitability (Grobler et al., 2006: 337).

Some employers have even cut their internal training budgets in order to make up for the levy amount (Grobler et al., 2006: 337). However, from a policy perspective Lauder and Brown (2006: 41) explain that the establishment of the SDL opens the institutional route used by intermediary institutions such as SETAs in order to establish their functions. The essentiality that business pays this levy is critical to the overall skills development framework. Considering the strong emphasis on a system of co-financing and support in South Africa, the ability for the skills development system to engage successfully with employers is vital for the actualisation of skills development policy goals (Raddon and Sung, 2006: 4).

The ultimate challenge in the skills development framework is therefore that business has a dual character as an economic actor. On the one hand, it aims to make a profit and on the other, it is the source of productivity-enhancing investments (Evans, 1997: 63). As mentioned at the start of this section, there is unfortunately no guarantee that these two objectives will coincide. According to Keep et al (2002: 16), where rewards are determined by the achievement of specific targets, it is likely that rational managers will seek to achieve those targets at the expense of other outcomes that are not within groups of activities that will



determine the reward. What this means for skills development is that if training and development initiatives do not contribute to the immediate achievement of business targets, for example production or financial goals, they are likely to be disregarded or ignored. In the same sense, if the grant incentive offered by the skills development levy system is lesser in comparison to other organisational incentives, it may also be ignored in pursuit of more immediate or financially rewarding incentives.

As Evans (1997:64) explains, employers are reluctant to invest in things which may only produce a return in the long term, regardless if this is what is required for economic transformation. Evans (1997: 65) states that “even if states where unitary actors, which they clearly are not, they would not be able to shape growth as they choose. The extent to which states can promote transformation depends on the character of the business community with which they have to work”. Governments cannot pursue skill-maximisation strategies unless they are in close touch with business interpretations of what this means in practice (Crouch et al., 2004: 134). When a coherent and dense business-government relationship exists, the business community has the potential to become a powerful vehicle for the construction of joint public-private ventures and simultaneously pursue economic transformation (Evans, 1997: 66). Considering the contradictions between the partnership approach to skills development in South Africa and the voluntary nature of the skills development framework, it is essential that strong relations between business and government exist.

## **2.8.2 Dissonances between National and Employer-Led Strategies**

Skills development policies and strategies often assume that employers are willing to play a major role in equipping those they employ with skills; not purely job-related training, but wider, generic, transferable skills that can support employability within the broader labour market (Keep, 2000: 1). Whilst some employers do engage in broader transferable types of training, to assume that this is the case for all, or even most, employers, would be incorrect. Ashton (2004: 1010) argues that unless there are important external institutional constraints, which force companies to act in terms of broader long-term interest, organisations will continue to behave in accordance with their own short-term needs.

This is not because employers do not see the value in skills development but because most employers would agree that whilst the workplace is an enormously significant site of

learning, its primary purpose is not learning but the production of goods and services. Business's ultimate goal is not the development of individual skills, but the creation of profit in the private sector or delivery within budget in the case of the public sector (Rainbird, 2000: 1). Therefore, when organisations choose to engage in skills development, they do so in a way that will be responsive to the needs of their organisation. According to Maclean and Ordonez (2007: 133), just as most successful business ventures are premised on a timely and perceptive reading of a specific need that can be met by a product or a service, so skills development must be correctly suited to what is needed in an organisation (Maclean and Ordonez, 2007: 133).

As Mercorio and Mercorio (2000: 119) explain, each company differs with regards to its age, size, structure, location and many other aspects. This means that the composition and profile of the workforce varies from one organisation to the next, and therefore requires skills and knowledge suited to the company's operational requirements (Mercorio and Mercorio, 2000: 119). Unfortunately, however, in many workplaces, owners and managers view training as something that happens when necessary and not as an integral part of a continuous skills development process (Lange et al., 2000: 7). Employers often tend to view training and development as an operational rather than strategic requirement (Rainbird, 2000: 1). Even in today's knowledge based economy many organisations still do not see the link between training and organisational objectives.

Keep and Mayhew (1996: 307) state, "The fact that many firms are often apparently less convinced of a link between training and profits has important consequences for the success of an employer-led training strategy and for the reliance on a market-based approach to investment in human capital". If employers do not understand the advantages of investing in human capital through training and development within their organisations there is little chance that they will be willing to align their training activities to sectoral or national strategic objectives. Evidence also suggests that of the organisations that engage in training, many do so for only a minority of their staff (Crouch et al., 2004: 218). Furthermore, many employers rely on ad hoc, outdated and strategically misaligned training and career development efforts (Coetzee and Stone, 2004: 2).

There is also a disinclination to train those who are unemployed or haven't recently entered the workplace. These disinclinations are partly rooted in the apartheid era. Mummenthey

(2010: 10) explains that under the apartheid system, training and education at the workplace was not only reserved for white people but was predominantly reserved for the young. Therefore, once people obtained their post-school education or training they generally remained in their chosen profession, often with their original employer, and did not receive any additional training (Mummenthey, 2010: 10). There were few reasons or incentives for employers to train their workers, which resulted in an enterprise training culture that was unconvinced of the advantages of participating in continuous education and training (Mummenthey, 2010: 10).

According to Rees (2000: 141), individuals with tertiary qualifications are presently three times as likely to participate in job-related training as those who have not completed upper-secondary education. Older workers also tend to be disadvantaged. The unemployed and those outside the labour market and education system have even less of a chance to access training and generally have very little opportunity to participate in any job-relevant learning (Rees, 2000: 141). According to Crouch et al. (2004: 220), training efforts in organisations are generally focused on managerial and other already highly educated employees rather than on upskilling those in more economically vulnerable positions.

The problem with this minimalistic approach to training is that the achievement of collective goals and strategies, such as those indicated in the NSDS; largely depend on private actors like businesses, who have little incentive to achieve those goals (Crouch et al., 2004: 8). The issue here is that many organisations do not regard training and development of their employees as an essential business activity; yet business continues to be regarded as the key role-player in the achievement of sectoral or national level skills development objectives. Crouch et al., (2004: 9) argues that in a rapidly changing economy characterised by highly competitive markets there is substantial reliance placed on the role of individual firms in human capital development matters such as skills development.

According to Heyes (2000: 151), “organisations require skills that are simultaneously ‘high’, in the sense that they embody significant levels of technical competence and ‘broad’ in that they facilitate flexible working and rapid adaption. Yet rational employers are argued to lack incentives to invest in training leading to ‘broad and high’ skills”. This not only presents a challenge to organisations but places severe limitations on the ability of the state to achieve the goals and objectives of the NSDS (Kraak, 2004a: 228). The lack of alignment between

organisational and national objectives presents a serious threat to the likelihood of the achievement of national skills development objectives.

### **2.8.3 Organisational Challenges and Disincentives to Train and Develop**

According to Bellis and Hattingh (2004: 1), there are three reasons why companies should take skills development seriously. Firstly, there is the legal imperative. They argue that contrary to what some employers may believe, the government and the SETAs are not imposing eccentric or unrealistic systems on organisations. The SDA and supporting legislation formalise processes that are recognised as essential for developing skills to enhance individual and organisational performance (Bellis and Hattingh, 2004: 1). The second reason refers to the business or organisational imperative, which suggests that one should take skills development seriously simply because it makes business sense to do so (Bellis and Hattingh, 2004: 1). A better-trained workforce will generally result in increased organisational performance, which will lead to heightened productivity levels (Michie, 2006: 86).

Developing employees' skills ensures that the organisation is equipped with the relevant skills capacities to achieve the organisation's short, medium and long-term goals (Bellis and Hattingh, 2004: 1). Furthermore, as Antonacopoulou (2000: 40) suggests, "the emphasis on the interdependence between individual and organisational input in the process of development has led to the assumption that there is a strong link between individual development and organisational development". The third reason deals with the moral imperative, which suggests that organisations should engage in skills development because it is the right thing to do (Bellis and Hattingh, 2004: 1). There is clearly a need for organisations to contribute towards developing the skills of all South Africans in order to address the unhealthy social and economic imbalances in our society. This will therefore require organisations to focus on individuals and groups who previously did not have the opportunity to develop the appropriate skills to enter the job market (Bellis and Hattingh, 2004: 1).

While these reasons, and many others, can easily justify the need for training and development at a workplace and at a national level, employers are also convinced of many

reasons why not to engage in training and development. Green (2009: 110) argues that particularly with neo-classical approaches to skills development, economists often tend to focus so much attention on an idealistic model that they ignore the situational complexities such as attitudes, beliefs, and social and political influences and individual self-interest. According to Rainbird (2000: 1), “the nature of financial markets, competitive strategy, organisational structures and labour market deregulation have all been identified as contributing to an environment in which there are disincentives for employers to invest in workforce development”.

As Kraak (2004a: 228) explains, in South Africa’s post-apartheid economy, due to the continuance of key elements of the old economic regime, there have been severe implications for skills development. Most importantly, constrained demand has discouraged employers from viewing training as a long-term investment as opposed to a cost burden that is to be avoided (Kraak, 2004a: 228). Employers often fail to see the link between training and added value to the organisation and consequently often tend to view training as a waste of time, resources and effort (Meyer, Opperman and Dyrbye, 2003: 1). According to Heyes (2000: 161) managers are perceived to “confine the scope of skills development to semi-skilled tasks, and close off access to certain forms of training once a ‘sufficient’ number of workers have acquired the necessary skills”.

Some employers also view education and training as a disadvantage because of the perception that it can distract workers from their jobs and interfere with their work routines (Heyes, 2000: 157). This perception however is not expressed only from an employer or managerial perspective but is seemingly reiterated at an employee level. According to Heyes (2000: 161) employees often feel that skills acquisition requires immense effort and stress, particularly in pursuing higher skills activities. Furthermore, while development of new skills may result in an increase in the productive potential of employees, it can also threaten forms of job control based on the ownership and utilisation of these skills (Heyes, 2000: 162). Employees, even those bound by a trade agreement, can often use an organisation to gain as many skills as possible before being poached by competitors or leaving on their own accord. Additionally investing in training may increase the need for more staff, and whilst this may be beneficial for the economy, it is not always in line with the strategic plan of many small to medium enterprises (SMEs) due to factors such as budgetary constraints (Keep et al., 2002: 16).

Another challenge is that managers do not always understand how to make use of the skills that employees acquire, through training or other means, and therefore view skills development activities as nothing more than a time-consuming and costly activity. It is extremely important that skills are used effectively for their benefits to be fully utilised (HM Treasury, 2006: 22). Unfortunately, however, the benefits associated with training are generally not achieved within a short time period, which is why changes in employers' attitudes to training may encourage a business environment that allows for medium- to long-term planning (Lange et al., 2000: 9).

According to Hansen (2000: 76), "organisations that are successful in the long term are likely to be those that develop their managers' and employees' skills, understanding that these skills will be useful in various contexts, some which may not yet exist". Even if organisations were convinced of the many advantages of workplace training, the benefits associated with training are generally not achieved within a short time period (Lange et al., 2000: 9). Organisations face a tension between short-term returns and long-term change and adaptability, but while this tension is influenced by organisational, sectoral and national contexts, short-term returns and long-term change cannot be understood as completely separate (Hansen, 2000: 76).

It is commonly acknowledged that skills acquisition can result in increased labour productivity, primarily because acquiring new skills makes employees more adaptable which is essential for maintaining competitiveness (Lange et al., 2000: 5). There is also strong certainty that skilled workers can positively influence investment at the enterprise level as well as in the general economy (Human Sciences Research Council, 2008: 23). The problem however, as indicated above, is that business firms are equipped to maximise their own profitability and not the collective objectives of the state. Skills development has therefore stood as both one of the South African economy's greatest doors and also one of its most prevalent barriers to potential economic growth. This is not only because of the socio-economic history, such as the apartheid government's restrictions on the training of black workers, but also because of massive employer apathy in this regard (Kraak, 2004c: 45).

## 2.9 CONCLUSION

Gumede (2009: 25) claims that the South African Constitution enshrines a vision of a society based on equality and social justice. In a study involving the relationship between education and economic development, Lauder and Brown (2006: 11) argue that those in pursuit of social justice as well as economic growth recognise the investment in education and training as the only way to enable workers to become fully employable at a time when it is extremely difficult for states to guarantee employment. In the light of skills development, the Act has a dual focus. “Firstly, it aims to nurture more appropriate human resources for the formal economy and secondly to respond to unemployment by developing education and training for self-employment” (Mercurio and Mercurio, 2000: 12).

While economists and social scientists may disagree as to how these objectives should be pursued, what is evident in almost all approaches to skills development is that in order for a country to compete globally it must have a well skilled and productive workforce (Martins and van Wyk, 2004: 1). Evans (1997: 71) argues that the key is to ensure that business’s search for profit remains connected to its potential for transformation. This is the essence of preserving the economically progressive potential of market societies and fundamentally depends on the character of the business community (Evans, 1997: 64). According to Evans (1997: 65), “the state and business reshape each other in reciprocal iteration”. The way and the manner in which business plays out its role as a social partner in the achievement of national skills development objectives is therefore extremely important at the individual, organisational and national levels.

# **CHAPTER 3:**

## **RESEARCH DESIGN AND METHODOLOGY**

### **3.1 INTRODUCTION**

The main purpose of this qualitative study is to investigate the contradictions in the role of business as a social partner in the South African economy by using skills development as a focal area. This was done by studying how and to what extent skills development is implemented in organisations in Buffalo City, in relation to the goals and objectives encompassed in the national skills development framework. Furthermore this study identifies and analyses the main issues pertaining to the implementation process. This study used semi-structured interviews and documentary sources to gather a wide range of data. In addition to the main purpose of the research, it further aims to do the following:

1. determine the levels of awareness and understanding of skills development amongst top personnel and employees;
2. establish the degree to which business understands the role of WSPs and ATRs and the effectiveness and impact of training in organisations;
3. identify the extent to which business engages in the skills development framework in the context of the partnership approach;
4. identify the extent to which business, as a stakeholder in the skills development framework, accepts collective responsibility for national skills development objectives;
5. establish the extent to which national skills development goals are reflected in business strategies and practices by comparing the organisational goals and objectives to national strategies;
6. determine and evaluate the views of organised business and labour regarding labour market regulation, and more specifically the voluntary nature of skills development, by using the SDA as a focal point; and
7. identify challenges and contradictions in the skills development framework from a national to an organisational level.



### **3.2 RESEARCH CONTEXT**

Buffalo City is situated in the Eastern Cape, South Africa's second largest province. It is an attractive centre for import-export business and its strategic location makes it an important investment destination. Not only is it well placed for trade with the rest of Africa, America, Europe and the Pacific Rim, but it is also equidistant from South Africa's major market centres, Johannesburg, Durban and Cape Town (Buffalo City Municipality, 2004: 1). Buffalo City is comprised of a population of 800,000 and has a considerable number of disadvantaged communities inside and outside the formal boundaries. It plays a vital role as a centre for trade, commerce and industry for the densely populated and underdeveloped rural hinterland (Eastern Cape Tourism, 2013: 1).

While the majority of economic growth potential exists in East London, there are many locations, particularly rural settlements, where much attention is needed in order to enhance economic potential (Buffalo City Local Economic Development Strategy, 2008: 13). Building the skills base of people living in Buffalo City and surrounding areas has been recognised as one of the key areas of focus for enabling people to access economic opportunities (Buffalo City Local Economic Development Strategy, 2008: 13). According to the Buffalo City Local Economic Development Strategy (2008: 13), "the critical importance of labour force skills development is being recognised by local governments who are playing an increasingly active facilitation role in linking the SETAs, education service providers, and key economic sectors in order to enhance the development of appropriate local skills training programs which effectively meet the needs of the local economy".

### **3.3 SAMPLING**

Daly and Lumley (2002: 299) state that qualitative research begins with a "systematic review of the literature to show that the topic being studied is significant and unresolved". Once the literature review has been completed, the researcher faces the challenge of selecting and justifying a sample and using that sample to apply the results to other groups. The research sample therefore needs to be able to respond comprehensively to the important issues expressed in the research (Daly and Lumley, 2002: 299). Considering that this dissertation aimed to study and analyse the partnership approach to skills development, it was essential

that the research sample adequately represented the perspectives of business, labour and government.

The research sample of this study consists of both primary data in the form of semi-structured interviews and secondary data in the form of documentary sources. Business and labour were represented through semi-structured interviews and include top personnel in employers' organisations, SDFs and employees. As opposed to business being represented in the interviews by employers only, it was decided, prior to the interviews, that it would be more beneficial if the sample consisted of top personnel and SDFs in employers' organisations. The reason for this was two-fold. Firstly, top personnel and SDFs are more easily accessible and secondly the research required respondents who had a direct role to play in training and development. Since, compared to employers, managers and top personnel are more often directly involved in determining, planning and executing training and development in the workplace it was more beneficial to the research that they be included in the study.

Research respondents were identified through a process of purposive sampling. The purposive sampling technique, also termed judgment sampling, refers to "the deliberate choice of an informant due to the qualities the informant possesses" (Tongco, 2007: 147). Therefore, purposive sampling can also be described as a technique that involves the researcher deciding what needs to be known and identifying who can provide the necessary information after considering their knowledge and/or experience (Tongco, 2007: 147). Where the organisation had a designated SDF, it was preferable that the SDF was interviewed. If the organisation did not have a designated SDF, a line manager whose responsibilities included training and development was interviewed instead. The sample from the interviews included executive managers; line managers; SDFs; a specialist consultant in skills development; and employees.

The research aimed to include approximately thirty respondents. However, the exact number of respondents was dependent on the value of the data collected from the interviewees and eventually included a total number of twenty respondents. As Marshall (1996: 523) states, "an appropriate sample size for a qualitative study is one that adequately answers the research question". He continues by explaining that the number of respondents needed should become clear as the study progresses, as new categories, themes or explanations stop emerging from the data (Marshall, 1996: 523). Because South Africa's skills development framework is

embedded in a sectoral approach, it was important that the respondents represented numerous sectors. Collectively, the organisations interviewed represented nine different sectors, including Services; Culture, Art, Tourism, Hospitality and Sport; Chemical Industries; Finance, Accounting, Management Consulting and other Financial Services; Construction; Manufacturing, Engineering and Related Services; Media, Information and Communication Technologies; Transport; and Wholesale and Retail.

Additionally, five of the organisations interviewed operated on a training and/or consulting basis, namely: the East London Industrial Development Zone; the Production Management Institute of Southern Africa (PMI); LabourNet; Entecom and the Institute of Education and Training for Capacity Building (ITEC). Respondents from these organisations were consequently able to provide a broad perspective when answering questions, as they often took into account the companies they trained or offered consulting services to. They were also able to offer valuable insight into sectors from which data was not directly captured (sectors other than those mentioned in the above paragraph), which ensured an even wider range of input.

Another important part of the purposive sampling process was to ensure that the sample included both large organisations and SMEs. The following large organisations participated in the research: First National Battery, PMI, LabourNet and the Kempston Group of Companies. The following SMEs participated in the research: Used Spares Association; Blue Lagoon Hotel and Conference Centre; Border Towing and Recovery; East London Golf Club; Entecom; RLS Projects and the Slipknot Group. Additional respondents include one non-governmental organisation, ITEC, a division of the ITEC Group and one quasi-governmental organisation, the East London Industrial Development Zone. Refer to Annexure 3 for a full list and description of all organisations that participated in this research.

The part of the sample that included secondary data refers to the documentation collected from SETAs and government departments. Included in this documentation is the 12<sup>th</sup> Annual Commission for Employment Equity Report; the National Skills Development Strategy III; the Human Resource Development Strategy for South Africa; the Framework for the National Skills Development Strategy 2011/12 – 2015/16; and numerous SSPs. In order to maintain cohesion between the primary and secondary data, only documentation from SETAs which were represented in the respondents' interviews was used. The use of this secondary data

ensures that, while the focus of the analysis remains on business, the perspectives of all social partners are taken into account. Furthermore, obtaining and analysing data from multiple perspectives facilitated a broad understanding of the issues identified throughout the research.

### **3.4 DATA COLLECTION**

Terre Blanche, Durrheim and Painter (2006:47) explain that qualitative research involves collecting data in the form of written or spoken language, and analysing that data by identifying and categorising themes. As mentioned at the start of this chapter, two forms of data were collected and analysed: namely, semi-structured interviews and documentary sources. Semi-structured interviews were completed and collectively formed the primary source of data. According to Kvale (1996: 129), a semi-structured interview involves an outline of topics to be covered with suggested questions. Questions are therefore prepared in advance, but are designed to be sufficiently open. So, while subsequent questions cannot be planned, the researcher must be able to improvise in a careful and theorised way (Wengraf, 2004:5).

Hancock (1998: 10) describes how semi-structured interviews “tend to work well when the interviewer has already identified a number of aspects he wants to address”. In line with the aims of the research, as outlined in Section 2.1, each interview schedule was designed in a way that reflected the main themes of the research. The interview questions were divided into four main sections. The first section aimed to gain an understanding of the state of skills development in South Africa by determining each respondent’s level of awareness and engagement with the South African skills development framework. Particularly for line managers and SDFs, this included determining if the organisation they worked for applied for any skills development grants.

The following section proceeded to explore the role of business in South African skills development. It particularly focused on identifying how the SDA is implemented in organisations. Of the organisations that applied for skills development grants, this section also explored what role and affect the organisation’s WSP played in determining training in the workplace. This theme was extremely important for establishing the extent to which business engages in the skills development framework and the degree to which business regards itself as collectively liable for national skills development objectives. The third

section explored the role and contribution of other social partners, apart from business, in South African skills development. This section of the interviews focused on the relationship between organisations and the SETAs which they belonged to, as well as the relationship between organisations and other social partners such as trade unions.

The final section of the interview schedules aimed to identify conflicts and challenges faced by top personnel, SDFs and employees. This section of the interviews distinguishes between organisational level and national level challenges. The questions that made up this section of the interview schedules were designed to enable respondents to further articulate their views on economic development and labour market regulation by using skills development as a focal point. This section also focuses on the extent to which national skills development goals are reflected in business strategies and practices.

Using semi-structured interviews was beneficial in gathering the kind of data needed to answer the central research questions and address the aims of this dissertation. Additionally, since this research included respondents from different positions and occupational levels, semi-structured interviews provided the advantage of being able to tailor questions and topics to different informants at different stages of the research enquiry. This was especially important in that many of the research respondents, especially the employees, had limited knowledge of matters associated with skills development. As Thomas and Mohan (2007: 171) explain, one of the benefits of semi-structured interviews is that questions can be modified in response to information gained in earlier interviews.

Each interview was conducted individually and lasted approximately one hour. All interviews were voice recorded, using a recording device. It was explained to each respondent that the interviews were recorded so that all information could be transcribed at a later stage in order to ensure accurate data processing and analysis. The interviews were held at the respondents' choice of location, which was always at their respective workplaces. Prior to beginning the series of interviews, a plan was co-ordinated as to which respondents would be contacted, to ensure that as wide a range of respondents as possible were interviewed. After contacting the relevant top personnel and employees, and setting up suitable meeting times, the interviews commenced. Separate interview questions were prepared for the top personnel and employees (see appendices 1 and 2).

The collection of secondary data in the form of documentary sources was equally important in the data collection process. Documentary sources were accessed via the internet through official government and SETA websites and include, amongst others, skills development legislation, the National Skills Development Strategy III, the National Skills Accord, Sector Skills Plans and various other documentary resources, primarily made available by the SETAs. Documentary sources were used in preference to interviewing SETA and government officials because the information contained in these documents such as the SETA's SSPs deals accurately and directly with the aims and the objectives of this research. This is particularly evident in the SETA documentation, which is often founded on extensive research.

### **3.5 DATA ANALYSIS**

According to Huberman and Miles (2002: 309), qualitative data analysis is essentially about detection. As part of the detection process, the tasks of “defining, categorizing, theorizing, and explaining, are fundamental to the role of the analyst” (Huberman and Miles, 2002: 309). However, there is not only one kind of qualitative data analysis or single way it should be done. Rather, there are varieties of approaches. The approach that a researcher chooses to adopt is dependent on the perspectives and purposes of the researcher (Dey, 1993: 1). According to Dey (1993: 1), “different preoccupations may lead to emphasis on different aspects of analysis”. Ultimately, the aim of the data analysis is to transform the data or information that has been collected in order to answer the original research question (Terre Blanche et al., 2006).

While quantitative data deals with numbers, qualitative data deals with meanings. This means that qualitative data focuses on conceptualisation while quantitative data focuses on statistics and mathematics (Dey, 1993: 3). In addition to the qualitative approach of this research, an interpretive paradigm was adopted. The interpretive paradigm is based on the belief that what is to be studied is based on the research respondents' subjective experience (Terre Blanche et al., 2006: 7). The interpretive approach develops an understanding of social life and how people create meaning in their natural settings by taking into account subjectivity and reflexivity (Terre Blanche et al., 2006: 415).

Taking into consideration the context in which the research respondents contributed information was extremely important in this particular qualitative research, mainly because of the wide range of research respondents interviewed. As highlighted above, respondents included personnel from various different occupational levels, positions and industries. Furthermore, each respondent had different levels of understanding regarding skills development matters. The primary sources of data collected, the voice recorded semi-structured interviews, were transcribed into text after the interviews were complete. These voice recordings can be described as raw data, which refers to “a collection of unprocessed measurements” (Terre Blanche et al., 2006: 178).

A popular misconception surrounding the collection of raw data in qualitative research is the idea that the data that the researcher aims to collect is ‘out there’ ready and waiting to be collected. This, however, is not the case. Rather, the researcher is required to ‘produce’ the data by selecting the necessary information, using appropriate techniques, and accurately transcribing the data (Dey, 1993: 16). The interpretive paradigm greatly assists in this regards as it allows the researcher to focus on a number of different issues at one time, as well as providing the flexibility to incorporate issues into the evaluation that emerges from the process of collecting the data (Terre Blanche et al., 2006: 415). After the interviews were transcribed, main themes within the texts were identified and evaluated in relation to the previously reviewed literature.

So whilst the semi-structured interviews provided a guideline for identifying the information that needed to be obtained, it was still necessary to ensure that correct data was collected from the interviews as well as the documentary sources, in order to have sufficient data to analyse. A similar approach was taken with the secondary data. Each document obtained was carefully reviewed so that the key themes applicable to the research could be used in the substantive chapters. The lack of rigidity in this approach allowed for a stronger linkage between the methodological orientation and the theoretical framework of the research. It must be noted that all of the primary data and the majority of the secondary data was collected prior to the new SETA regulations, which came into operation on the 1<sup>st</sup> of April 2013. This research therefore does not take these changes into account.

### **3.6 VALIDITY AND RELIABILITY**

According to Roberts and Helena (2006: 41), “reliability and validity are ways of demonstrating and communicating the rigour of research processes and the trustworthiness of research findings”. Golafshani (2003: 604) claims that in the qualitative research paradigm, “reliability and validity are conceptualized as trustworthiness, rigor and quality”. Therefore, in order for research to be useful, it needs to avoid being misleading to readers and those who make use of it (Roberts and Helena, 2006: 41). Reliability describes the extent to which a particular test, procedure or tool will produce similar results in different circumstances, while validity refers to the closeness of what we believe we are measuring to what we intended to measure (Roberts and Helena, 2006: 41). These two key terms refer to the issues of objectivity and credibility of research in the field of social science (Perakyla, 2004: 293).

Ensuring that this qualitative research project is both reliable and valid refers to the credibility, transferability, and trustworthiness of the research (Golafshani, 2003: 600). Golafshani (2003: 600) suggests that, while the credibility in quantitative research depends largely on how instruments are used to gather data, in qualitative research the interviewer takes on the role of the research ‘instrument’ and therefore the gathering of credible data is primarily dependent on the techniques used by the interviewer (Golafshani, 2003: 600). Enhancing objectivity and credibility in this particular research involved ensuring the accuracy and inclusiveness of the voice recordings on which the research data was based (Perakyla, 2004: 293). Perakyla (2004: 285) explains that working with audio and video recordings and transcripts immediately eliminates many of the problems confronting qualitative researchers who use other methods such as field notes and observations. The selections of quotations from the transcriptions reflected a range of responses generated to provide the most accurate interpretation of the interviews.

### **3.7 ETHICAL CONSIDERATIONS AND CHALLENGES**

Informed consent, referring to the process of seeking the explicit and voluntary agreement from subjects to participate in the research project, was discussed and negotiated with each research respondent prior to the interviews (Terre Blanche et al., 2006). This was done by clearly outlining the goals and objectives of the research so that each respondent was fully aware of the objectives of the study. Additionally, if a respondent was opposed to answering



any questions, their prerogative was respected and they were not compelled to answer the question. Furthermore, an official Rhodes University letter was produced before each interview, assuring the legitimacy of the research. With regard to confidentiality, all respondents were informed that they, as well as the organisations they represented, had the option of anonymity. In a case where a respondent preferred that their name or the name of the organisation they represented, be excluded from this research a pseudonym was used in the place of the name. Pseudonyms are indicated, in Annexure 3, by an asterix placed before the name of the respondent.

In addressing issues of ‘bias’ and ‘generalizability’, researchers are often concerned with the extent to which their research is valid and accurately represents the area or issue being investigated (Daly and Lumley, 2002: 299). One of the ways in which these issues were addressed in this research was by identifying potential challenges that might arise prior to the interviews. Of the anticipated challenges, the following were evident in the research. Firstly, the issue of accessing respondents was a challenge in that numerous organisations that were approached declined being involved in the research. This meant that the intended sample of respondents had to include a margin for personnel that would decline involvement. The two main reasons for potential respondents not wanting to be interviewed were time constraints and the explanation that they were unable to be involved in the research because the organisation they were employed by did not engage in skills development.

The issue of time limitations was also evident in the interviews because most respondents explained that they had limited time available in their schedules to fit in an interview. This meant that key themes and questions needed to be covered as rapidly as possible. As a result, while the interviews remained semi-structured, the time available for elaboration and discussion was limited in order to ensure that all questions outlined in the interview schedules were covered. The final issue was that many respondents presented a lack of awareness and understanding of the concepts and matters pertaining to skills development. Consequently, certain terms, documents and notions needed to be explained when asking questions.

### **3.8 CONCLUSION**

The research design provided a guideline by which this qualitative study could be initiated and completed. The purpose of this study of skills development in Buffalo City was to

analyse the conflicts in the role of business as a social partner in the skills development framework, in order to establish the extent to which business makes a meaningful contribution to socio-economic development in South Africa, particularly with regard to the pursuit of human capital and human resource development. One of the central intentions of this study was to add to discussions surrounding local economic development in Buffalo City. As stipulated in the National Framework for Local Economic Development, local economies should seek to mirror the success of macro-economic strategies and complement them (Department of Provincial and Local Government, 2006: 37). By using a purposive sampling approach within the interpretive paradigm, this research gathered data from a range of primary and secondary sources, which contributed valuable information. This type of sampling, along with the semi-structured nature of the interviews, allowed for a significant depth of insight into the discussions and issues surrounding skills development in Buffalo City.

# **CHAPTER 4:**

## **UNDERSTANDING THE SKILLS DEVELOPMENT FRAMEWORK**

### **4.1 INTRODUCTION**

As indicated at the start of this research, the intention of this dissertation is to study the conflicts in the role of business as a social partner in the South African economy by studying skills development in the Border-Kei region. The purpose of the following five chapters, which include this chapter, is to analyse the data obtained from the research respondents, and compare and contrast the findings of this data with the existing literature outlined in Chapter 2. This chapter, the first of the five substantive analysis chapters, establishes the research respondent's levels of awareness and understanding of skills development. Establishing and exploring this information is extremely important with regard to analysing the collected data and formulating research findings because it helps to determine the validity and reliability of the answers provided by respondents. If, for example, it is identified that a respondent's knowledge and understanding of skills development is minimal, this is taken into account when analysing their answers, opinions and other contributions.

Likewise, occupational level, years of experience, position within the organisation, responsibility in terms of skills development matters and other issues will similarly be taken into consideration. This chapter will start by exploring how skills development is understood by the two groups of research respondents, namely managerial respondents and employee respondents. It will then look at the respondents' knowledge of the skills development framework in South Africa, particularly regarding the SDA and the SDLA. This will lead to an analysis of respondents' understanding of government's role in skills development in South Africa, and finally of the extent to which businesses are aware of the SETAs. The primary objective of this chapter is to establish a point of departure on which one may contextualise the issues raised in the subsequent chapters. Its purpose is therefore to provide a context to the following chapters and as a result is limited in its discussions of the

implications of the research findings. These implications will be explored comprehensively in the following chapters.

## **4.2 SKILLS DEVELOPMENT IN SOUTH AFRICA**

### **4.2.1 Understanding the Meaning of Skills Development**

Since the beginning of South Africa's democratic governance, the fundamental position adopted by the ruling party, the ANC, was to "build a nation state based on non-discrimination, non-racism and equality" (Erwin, 2008: 132). The creation of South Africa's human resource development strategy and its drive for skills development formed a vital part of the ways in which government opted to achieve these objectives. The South African Human Resource Development Strategy includes skills development as one of its key components. As outlined in the most recent W and R SETA SSP, the Strategy includes the following key issues:

- "To ensure universal access to quality early childhood development, commencing from birth up to age four
- To eradicate adult illiteracy in the population
- To ensure that all people remain in education and training up to age 18
- To ensure that all new entrants to the labour market have access to employment focused education and training opportunities
- To ensure that levels of investment are above global averages for all areas of education and training
- To ensure that inequality in education and training outcomes is significantly less than the prevailing income inequality
- To ensure that education and training outcomes are equitable in terms of race, gender, disability and geographic location
- To ensure that the balance between emigration and immigration reflects a net positive inflow of people with priority skills for economic development
- To ensure that all adults in the labour market have access to education and training opportunities that will enable them to achieve a minimum NQF level 4 qualification

- To ensure progressive improvements in the external efficiency and effectiveness of higher education, further education and the occupational learning system” (Department of Higher Education and Training, 2011a: 13).

The above objectives clearly show that the strategy is required to be farsighted and focused on the development of skills in order to create a more sustainably equitable and socially inclusive society for all (Department of Higher Education and Training, 2011a: 13). According to the W and R SETA SSP, the strategy aims to do this it by creating “an environment within which the occupational learning and the further and higher education systems can focus on continuous improvement in the quality of educational inputs and outputs and increase the level of throughput”(Department of Higher Education and Training, 2011a: 13). Business is a key component in creating and forming this environment as occupational learning generally occurs at the level of the workplace. The importance of business in this regard and the necessity of its role in skills development is emphasised in the participatory nature of the skills development framework. The skills development framework in South Africa places substantial impact on the role of business as a social partner in the achievement of skills development objectives.

For business to play out its role as a social partner adequately, it is essential that the concept of ‘skills development’ is thoroughly understood at the workplace level. This is not only necessary at a managerial level, but at an employee level as well. While managers may be executing skills development initiatives, employees, as recipients of training and development, should understand the reasons why they are receiving training and, at the very least, what affect this training will have on their job and/or career and on the organisations they are employed by. All respondents were consequently asked, at the outset of the interview, how they understood skills development.

The purpose of this question was twofold. First, it aimed to gain an understanding of the level of awareness and comprehension of skills development amongst managers and employees, both individually and collectively. As outlined in the introduction of this chapter, the reason why this is so important to the rest of this research is because if, for example, a respondent indicated very little knowledge or understanding of skills development, the likelihood that they would meaningfully contribute to more in-depth questions around skills development was lessened. Similarly, it encouraged further discussion with those respondents who

expressed intricate knowledge and understanding of skills development matters. Second, it aimed to formulate a point of analysis to guide the following themes of this research. While no answers were disregarded, establishing the levels of respondents' understanding at the start of the interviews assisted with contextualizing the information provided and ensuring as accurate an analysis as possible.

Amongst managers and top personnel, there was a generally coherent understanding of the concept of skills development. Brian, who is employed as the skills development specialist of the East London Industrial Development Zone, described skills development as “securing the technical as well as the intellectual skills, commercial skills, whatever is required to make a business run - from the lowest of low levels to the highest levels” (Brian, Skills Specialist, 7 November 2012). All other top personnel reiterated this understanding and similarly described skills development as the process of organisations training and upskilling their employees. This consensus amongst respondents indicated two main points: firstly, that skills development was understood by top personnel respondents as the responsibility of the organisation and secondly, that it was generally understood as being confined to training and developing employees within their respective organisations.

To elaborate on the second point, the perception of skills development amongst top personnel was limited to training and developing one's own staff and noticeably did not include any mention of training workers outside of the workplace through, for example, internships or learnerships. However what was interesting to note was that while top personnel did not consider the idea of training workers other than those workers already employed, almost all top personnel respondents recognised the need for more available suitably qualified workers. What this indicated was that top personnel identified what is commonly known as the ‘skills mismatch’. As outlined in Chapter 2, this refers to the problematic misalliance between available jobs and suitably qualified workers, particularly with regard to the difficulty in finding and employing workers with the necessary qualifications and skills sets to fill vacancies in organisations.

For workers, the skills mismatch is predominantly interpreted and understood as an unemployment issue, as many workers are unable to access work; while for employers and top personnel the problem of the skills mismatch is an inability for businesses to access a ready and adequate supply of labour. As explained in the NSDS III, there are “inadequate

linkages between institutional and workplace learning, thus reducing the employability and work readiness of the successful graduates from FET and HET institutions, not to mention the many who enter the world of work without a formal Qualification” (Department of Higher Education and Development, 2011b: 6). One of the questions raised in response to respondents’ definitions and explanations of skills development was therefore: if top personnel recognise the skills mismatch and the impact it has on employers’ organisations, why do organisations fail to include training of unemployed workers in their understandings of skills development?

One reason, which is discussed in the following chapters, suggests that most employers and top personnel expect to employ workers who already have the necessary skills or at least most of the necessary skills, to fill organisational vacancies. Evidence of this is apparent in literature on skills development which suggests that employers rarely provide training at the beginning of employment relationships, possibly because they expect new employees to already have the necessary skills to perform the tasks associated with the job. Rather, training is provided mainly in response to organisational and/or positional changes. The second possible answer relates to the notion of responsibility raised by the respondents in their understandings of skills development.

While respondents recognised skills development as the responsibility of the organisation, the scope of this responsibility was considerably limited. The extent of the responsibility described in respondent’s definitions excluded the idea of training workers for the purpose of equipping them with the necessary skills to fulfil vacancies despite this being beneficial to the organisation. The issue of responsibility in relation to skills development is one of the main themes of this research and will be further elaborated on in the following chapters. The definitions and descriptions provided by respondents indicated that there is an obvious misalliance between the understanding of skills development amongst top personnel, the recognition of the skills mismatch and a willingness to train and develop unemployed workers in response to this problem. Therefore, despite the recognition of the skills mismatch top personnel respondents did not consider providing training to workers who were not employed by the organisation or who were newly employed.

As outlined in Chapter 2, if organisations fail to respond to the skills mismatch, the profitability and sustainability of firms in an increasingly competitive and global economy

will inevitably be threatened. However, organisations are not the only ones impacted by businesses' limited understandings of skills development and limited willingness to train and develop outside of the organisation. As Kraak (2004c: 45) argues, training forms a key internal labour market divide seen in the various skills divisions in society. Shortfalls in skills development and high unemployment levels halter the country's prospects of future growth and development and are arguably the greatest obstructions towards an equal society (Mummenthey, 2010: 9).

According to Mummenthey (2010: 9), despite the progress that South Africa has made in overcoming the skills legacy of its past, one of the country's biggest challenges in realising a better future for all remains the low levels of skills among the majority of the formerly disadvantaged population, and stubbornly high unemployment rates. If top personnel, as key role players in the training and development of workers, fail to recognise the linkages between skills development and unemployment, it could potentially lead to serious consequences for the success or failure of South Africa's skills development framework. Employers and managers have a significant impact on the likelihood of overcoming the skills mismatch in South Africa. However, as long as their understandings of skills development remain confined to those workers already employed and fail to embrace the need to train workers outside the boundaries of the organisation, the likelihood of overcoming this mismatch is minimal.

Compared to the top personnel, employees presented a far more limited understanding of skills development. When asked what they understood skills development to mean, employees were generally uncertain as to how to respond to the question and when responses were provided they were often vague and non-specific. There was a definite lack of clarity surrounding the concept of skills development amongst employees and, particularly, a prominent uncertainty as to who was responsible for implementing training and development to upskill workers. Ayanda (Industrial Relations Consultant, 9 November 2012), industrial relations consultant from LabourNet, described her understanding of skills development as: “an attempt by government or companies or whoever partakes in such things to develop people, to equip them, due to a shortage of skills that we have in the country”.

Overall, the most common understanding of skills development amongst employees was “broadening one's skills – skills that one does not have or maybe adding even more to what



one already knows” (Anda; Receptionist, 6 November 2012). What was however consistent within the answers provided by the two groups of respondents was the understanding that skills development is something that occurs amongst employees only. Sue, administrator from The Kempston Motor Group, described skills development as “something that the company contributes towards in order to advance their employees in whatever situation” (Administrator, 13 November 2012). While the vagueness and uncertainty of this answer was consistent with the answers provided by the rest of the employee respondents, what was noticeable about Sue’s response was the narrowness of the definition. Had this answer been given by another respondent it would have been simply accepted as a constricted understanding of the concept of skills development; however it was particularly significant in this instance because the Kempston Motor Group is a leading training provider in its industry.

Nonetheless, training offered to workers who were not employed by the Kempston Motor Group was not even considered when Sue described her understanding of ‘skills development’. Ayanda (Industrial Relations Consultant, 9 November 2012), who is also employed by an organisation which serves as a training provider, similarly did not consider this when describing how she understood skills development. Therefore regardless of how, or the extent to which, organisations were engaged in skills development, employees understandings remained vague, uncertain and confined to the internal labour market. One of the problems with the lack of specificity of the definitions provided by employee respondents is that very little is mentioned about whose responsibility it is to provide access to training or within what framework one can access this training either within or outside of the workplace.

Only one employee mentioned the role of government in skills development in their response to the question. This seemed to indicate the limited awareness and understanding of skills development and the skills development framework. The implications of this will be discussed in the subsequent chapters. A final notable observation with regard to the understanding of skills development amongst employees is that the answers provided by employee respondents indicated a link between understanding of skills development and occupational levels. Those employees who held professional or skilled positions had a considerably more in-depth understanding of skills development compared to those employees who held semi-skilled or unskilled positions. This also indicated a lack of information filtering down from government to the level of the workplace and from top

personnel to lower occupational levels. This was particularly evident within the lower occupational levels, which arguably need training and development the most.

In comparing the responses of employees with those of top personnel, two observations were made. The first observation was that both groups of respondents confined their understandings of skills development to training offered to employees within the workplace in order to enhance ones skills. The second observation was that employee respondents seemed to offer similar yet ‘watered down’ definitions and understandings of skills development compared to those of top personnel. One could therefore suggest that employees’ understandings and general awareness of skills development, while not necessarily influenced by organisational approaches to training, were affected by the level of understandings of the top personnel within the organisations they were employed by. Where top personnel indicated limited understandings of skills development, employees seemed to indicate similar responses.

#### **4.2.2 Knowledge of the Skills Development Act and the Skills Development Levies Act**

As outlined in Chapter 2, skills development, which forms a vital part of the human capital development framework, is governed by two Acts: namely, the SDA and the SDLA. Following the questions that probed the respondents’ understanding of skills development, respondents were asked if they were familiar with the SDA and the SDLA. It was important to ask these questions because these Acts form the cornerstones of the skills development framework. If respondents could correctly describe skills development, but were unaware of the Acts that governed skills development in South Africa, it could conceivably indicate a lesser understanding of the actual procedural implementations of skills development in South African workplaces.

The analysis of the data indicated that all top personnel respondents were aware of the Acts. It is important to note here that for respondents to participate in this research it was a prerequisite that, regardless of whether or not any training and development initiatives were engaged in, the organisations they were employed by paid the skills development levy. This was to ensure that research participants had a certain level of awareness of skills development matters and could offer information that would assist with answering at least the majority of questions pertinent to this research. One could assume that this influenced respondents’

awareness of the Acts. Employee respondents were also asked whether they were familiar with the SDA. A majority of employee respondents stated that they were familiar with the Act, but were unsure what it entailed. This showed a lack of awareness and confirmed the limited understanding of skills development at an employee level that was indicated in the responses to the initial questions.

### **4.3 A PARTNERSHIP APPROACH TO SKILLS DEVELOPMENT**

#### **4.3.1 Businesses' Understanding of Government's Role in the Partnership Approach**

The general idea behind the South African skills development framework is that government, business and labour will work together in order to upskill the economy in a manner that is mutually beneficial to all parties. It is therefore important to understand that skills development is not only beneficial to workers receiving training and to organisations benefiting from increased productivity, but it has inherent benefits for government as well. McGrath (2004: 2) argues that skills development has a dual focus in that it is critical to both social and economic objectives. The benefits and implications of a successful skills development strategy are in the interest of workers, the business community and government. This mutual interest is consequently why South Africa chose to adopt a partnership approach to its skills development initiatives. As Evans (1997: 67) explains, an encompassing set of state-society networks that includes institutionalised ties between the state and other social groups has the potential to provide a better means of sustainable transformation.

Literature on skills development indicates that this participatory approach is not unique to South Africa. At an international level, one premise is common in skills development literature – namely, skills development cannot be achieved by a single entity but is a product of joint responsibility between social partners. As outlined in the Department of Labour's Commission for Employment Equity's Annual Report 2011-2012, "stakeholder collaboration is one of the most vital ingredients to empower any nation and to build human capital. Transformation requires extra effort in the input, throughput and output processes to be sustainable, which is why education, training and experiential learning are so important" (Department of Labour, 2012: 3).

An understanding of the partnership approach to skills development is therefore essential to any debate on or study of skills development and, considering the central question of this research, is the foundation on which one can explore and analyse the issues related to skills development in South Africa. While the majority of the questions of this research are centred on studying the role of business in skills development, it was important to include questions pertaining to the role of government in the skills development framework in order to identify the extent of understanding and/or the acknowledgement of the “joining up” or partnership approach. In further exploring the awareness and understanding of the skills development framework, respondents were asked to explain where and how government fits into this framework, beyond the design and implementation of the SDA and SDLA.

Most top personnel stated that they understood government to have an important role to play. Kim, an executive manager at PMI, who has been involved in skills development for the last twelve years, argued that the role of government in skills development is critical (Executive Manager, 9 November 2012). She explained that since skills development is a process and not an activity, it is not confined to the organisation because it has to tie in with various legislation and policies that are directly related to employment creation (Kim, Executive Manager, 9 November 2012). Her explanation emphasised the interconnectedness between skills development at an organisational level and the national context of skills development which, in South Africa, is strongly interconnected with its broader developmental agenda such as that of job creation.

What was significant in the answers provided by the respondents was not just the acknowledgement that government has an important role to play in skills development, but also the subsequent discussion on how business perceived government to be playing this role. In studying skills development in South Africa, it is essential to understand that government is a key player in the skills development partnership, and its role is therefore not limited to setting up the infrastructure for skills development to operate. Particularly considering government’s aim of achieving an economy characterised by high-skills and the concurrent pursuit of the knowledge economy, its role is required to go beyond purely designing the relevant legislation to facilitate skills development activities, and include actively facilitating the implementation and execution of these activities.

As Houghton and Sheehan (2000: 19) argue, particularly in the context of an increasingly globalised economy, the role of government in pursuing a knowledge economy has evolved from that of governance to being the 'host' of many economic activities. In discussions with respondents, managers expressed that in their opinion, regardless of what was necessary or required at a national level, government, despite having an important role to play, was playing a passive and/or submissive role in skills development. According to Kim (Executive Manager, 9 November 2012) while the government has, in her opinion, very good skills development legislation and policies, South Africa is currently falling short in the realisation of those policies.

Brian (Skills Specialist, 7 November 2012) reiterated this, stating, "Everybody's saying skills are a priority. It's a national target, a provincial target. Everybody's saying skills development is a target and there are a lot of efforts and there's a lot of money being pumped into skills development, but not for the right reasons and it doesn't have the right effect". Brian (Skills Specialist, 7 November 2012) offered an example to explain why he believed that government is not playing a strong enough role in skills development:

"A company came to me less than a month ago. They want to settle in East London. It is an eighteen million rand contract. They will employ two hundred and fifty staff members. We had a meeting and they indicated to me that it would cost them two hundred and twenty six million rand to train people to fill all the positions that they need. I then requested: 'why didn't you go to your SETA and ask them for assistance?' They then said the problem that they have is the following: the technologies that they are going to bring into the country are so new that there's not one service provider in South Africa that can offer those programmes. There's not one college or university, private or public that can offer those skills. And the skills to me were too high, we don't have that. In other words, what they have to do is either to have all of these people trained abroad or they have to bring in people from abroad and have all of these people trained up. I escalated this to the particular SETA, they can't help me. I've actually tried to intervene; I actually took it up with government and I'm still waiting for an answer from government. The government didn't even have the audacity to answer me. I had a personal meeting and I took my time and I said to them, these are the skills I need, these are the numbers that are attached to it,

this is the problem, we going to lose this investor. They said ‘okay, we will look at it’. I haven’t heard anything, I’m still waiting”.

This is undoubtedly one of the most pivotal examples provided in this research because it directly relates to what is arguably one of the most important barriers to successful skills development. The example essentially raises two questions. Firstly, ‘what does this situation say about the role of government?’, and secondly ‘what is the overall effect of failing to resolve the issue provided in this example?’. Regarding the initial question, the situation echoes the uncertainty regarding the active nature of government as a role player in skills development. It highlights that government as well the established intermediary institutions (SETAs) are not playing the role that they should be playing in facilitating skills development.

One of the consequences of this inactivity or inefficiency by government and SETAs is clearly evident in so far as top personnel do not adequately understand the skills development partnership and the roles that the various social partners are expected to play. The role of the SETAs will be elaborated on below, and government’s facilitation function will be further explored in Chapter 7. The second question raises issues which relate to the earlier explanation that the impacts of skills development are not confined to individual organisations but have socio-economic implications as well. Firstly, there is the issue of unemployment. Brian (Skills Specialist, 7 November 2012) described how not only was the organisation he was employed by faced with the probability of losing an R18 million investment, but there would also be a concurrent loss of two hundred potential full-time jobs. And since one person in South Africa financially supports six to seven dependents, ultimately hundreds of people would be affected by such a loss (Brian, Skills Specialist, 7 November 2012).

According to Kim (Executive Manager, 9 November 2012) “employment creation will not be realised without the appropriate skills development”. In light of Kim’s statement, the consequence of the company (described in the example above) deciding not to invest in Buffalo City and possibly not in South Africa is hugely influential. Furthermore, the example does not only highlight the massive potential job losses but it also insinuates the possible loss of economic spin-offs such as provincial and national economic growth. Houghton and Sheehan (2000: 20) explain that in order to be globally competitive government will need to

do more than just focus on creating an attractive business environment. They need to “customise investment attraction in such a way as to attract the sorts of investments, corporations, asset ‘bundles’ and cultures that fit with their strategic vision for the economic development of their location” (Houghton and Sheehan, 2000: 20).

The example provided above sheds light on the obvious dissonance between the goals of South Africa’s human resource development strategy and the implementation and understanding of skills development as a priority to economic development at a national, sectoral and an organisational level. Amongst employees, the extent of knowledge and awareness around the role of government in skills development was similar compared to that which was expressed in the answers to the initial research questions. Most employees were unsure how or where government fitted into skills development. This was however anticipated, considering their limited understanding of skills development in general.

Only one employee provided an in-depth explanation of what she understood government’s role to be in skills development. Ayanda (Industrial Relations Consultant, 9 November 2012) explained that government’s main role in skills development is to set up an infrastructure or framework where there is a template for companies to implement skills development at the level of the workplace. She elaborated by saying that it was not her understanding that it was government’s responsibility to ensure that people are equipped and skilled but rather to provide a foundation or an infrastructure for employees to be able to access skills development opportunities if they wanted to. The general consensus amongst employees was that, if government does play a role in skills development, that role is certainly a passive one.

While Ayanda’s answer is partly correct in that government is responsible for setting up a framework for skills development and a ‘template’ for managers to implement skills development in their own workplaces, the notion that government is not responsible for ensuring that people are educated and skilled is incorrect. In Section 29 of the Constitution of South Africa, which forms part of the Bill of Rights, it states that everyone has the right - “a. to a basic education, including adult basic education; and b. to further education, which the State, through reasonable measures, must make progressively available and accessible” (Department of Education, 2009: 5).

From the narrow answers provided by all the employees interviewed, it was evident that there is a clear absence of understanding, and in some cases, a misunderstanding of the role that government plays in the skills development framework and subsequently its role as a social partner. If employees do not understand the skills development framework, it is possible that they may be similarly unaware of their constitutional right to basic education and further education. Since basic education comes before further education, it is often the initial point of contestation in debates around the right to education and is therefore frequently given more attention than the right to further education.

Much has been written and publicised about the right to basic education in South Africa, arguably because of the large number of people who were unable to access satisfactory basic education in the apartheid era, and the consequent legacy of highly uneven education levels that South Africa inherited. There is therefore significantly less literature on the right to further education. As stated by McGrath (2004: 2), “the term ‘skills development’ needs to be engaged with critically and problematized in terms of its impact and consequences, especially for those denied access to skills training in the past”. From the answers provided by the respondents, it is clear that there is a lack of understanding as to where and how government is involved in skills development, and the participatory nature of the framework.

#### **4.3.2 Business’s Awareness of Sector Education and Training Authorities**

While most respondents knew very little about the role of government in skills development, it was anticipated that they might be more aware of the role of the SETAs since SETAs, by their nature, are designed to be intermediary bodies forming a link between government and business. Both managers and employees were asked what SETA the organisation they worked for belonged to. Most managers were able to answer this question; however, of this group, a majority of these respondents were uncertain as to whether or not their answers were correct. Taking into consideration that these top personnel were either responsible for skills development or involved in training and development in the organisations they were employed by, their uncertainty was concerning. It indicated an obvious unfamiliarity with the SETAs, which could suggest limited interaction between the organisations and the SETAs.

Only a few managers did not know what SETA the organisation they worked for was affiliated to. At an employee level, no respondents could answer this question although the



sample of respondents represented employees from all occupational levels). Some employees even suggested that they could not answer the question because they were not aware of what a SETA was. This was similar to the findings discussed above and indicated a clear lack of understanding of the skills development system. If employees do not know what SETA they belong to, it is doubtful that they are aware of any opportunities or correspondence on skills development matters made available by the SETAs.

Unfortunately it is very difficult for one to assign blame for employee ignorance in this regard because the skills development framework is largely silent on whose responsibility it is to make employees aware of skills development matters such as this. One could argue that the onus is, at least in part, on employers and SDFs to filter this information down to employees. According to the Culture, Art, Tourism, Hospitality, Sport Sector Education and Training Authority SETA (CATHSSETA) Annual Report, companies are often not working with SETAs to utilise employment opportunities offered by them (SETAs) to improve the employment rate and levels of services within their sector (Department of Higher Education and Training, 2012a: 10). However, if this is true, then it is equally fair to suggest that based on the partnership approach to skills development, government and SETAs (along with employers) should share the responsibility of ensuring that that employees at all occupational levels are made aware of available opportunities through the SETAs.

One could also argue that the onus is at least in part on trade unions, which represent the interest of employees and therefore should also shoulder blame in this regard. However, the bottom line is that with no party solely or jointly responsible, it appears that the task of communicating opportunities is not being carried out. The matter of lack of awareness and lack of understanding regarding skills development is a theme that is consistent throughout this dissertation and will be further explored in the following chapters.

Of the organisations that were aware of what SETA they belonged to and applied for skills development grants through their SETA, most respondents described good working relationships with their respective SETA. Gwen, Manager at ITEC (ITEC, 12 November 2012), indicated that her relationship with her organisation's SETA was strong and described how assistance from the SETA was constantly available and valuable. As a skills specialist, who consulted with many organisations and therefore dealt with a wide range of SETAs, Brian (Skills Specialist, 7 November 2012) explained that even though he believed the

establishment of the SETAs to be fairly controversial, he had worked very well with some of the established SETAs over the years. This work included assistance with planning, receiving funding and working together on projects centred on the development of scarce and critical skills.

However, he went on to explain that while there have certainly been success stories with some SETAs, he has experienced just the opposite with other SETAs, particularly because of their lack of performance (Brian, Skills Specialist, 7 November 2012). Lee, Human Resources Manager of Slipknot Group of Companies, explained that since her organisation comprises different companies that belong to different SETAs she too had experienced vastly different experiences with the SETAs. She described the FASSET online grant application process as easy and ‘user-friendly’ and stated that all queries put through to the SETA were responded to. Conversely, with Services SETA, she claimed that she was unable to register online and received little, if any, telephonic support (Human Resources Manager, 12 November 2012). Respondents generally felt that some SETAs were performing well, while others offered little support and minimal assistance.

#### **4.4 CONCLUSION**

As explained in Chapter 2, the post-apartheid government’s emphasis on human capital development and particularly on skills development is apparent in legal, policy and strategy documents and focuses on solving the country’s skills crisis in order to improve the strength of the national economy and the potential for economic competitiveness. However, based on the introductory questions posed in the interviews, it appears that government’s emphasis on skills development has not adequately filtered down to the level of the workplace and, even when it has, it has not spread to all occupational levels. The findings in this chapter also suggest that the commitment to skills development found in legislation and policy documents is not always manifested in the workplace. This is evident in the lack of awareness and understanding surrounding skills development, and how respondents relate skills development to other socio-economic issues such as unemployment and poverty. Additionally, there was a serious lack of understanding regarding the role of the government in skills development and the participatory nature of the skills development system. This raises important questions as to the degree of business’s engagement with the overall skills development framework and the level of cohesion between business and other social partners

engaged in these processes. These issues, and their implications, form the cornerstones of this research and inform the following chapters.

# **CHAPTER 5:**

## **BUSINESS ENGAGEMENT IN THE SKILLS DEVELOPMENT FRAMEWORK**

### **5.1 INTRODUCTION**

The biggest challenge for organisations is to develop strategies which make business sense, benefit management and employees, and ensure future organisational growth (Mercorio and Mercorio, 2000: 154). Rees (2000: 135) argues that for organisations to attain economic growth and productivity the implementation of effective training policies is essential. An emphasis on learning in industrial policies relates directly to the need for competition to be based on quality and not focused purely on cost (Kraak, 2009b: 2). However, as the previous chapter outlined, despite the essentiality of learning and training in the workplace, many organisations continue to view skills development as something that happens only if and when necessary and is almost always confined to workers already employed by the respective organisation. Constricted understandings of skills development affect the way in which training is implemented in the workplace. This chapter will analyse how business engagement in the skills development framework reflects these narrow understandings.

The logic behind this analytical development is simply that one's actions are generally determined by how one understands corresponding matters. Therefore how business understands skills development has a direct bearing on how business engages in training and development at the level of the workplace. This chapter aims to establish the degree to which business, as a social partner in the skills development framework, plays an active role in achieving skills development outcomes and upskilling the national economy. These issues are explored in response to the reliance on business as a social partner and the assumption that business will collaborate with other major role players in pursuing sectoral and national skills development objectives. The chapter therefore analyses the implementation of skills development at the workplace level, ranging from the application of skills development grants and the ways in which companies engage with their SETAs to the formulation and implementation of companies' WSP.

## **5.2 THE SKILLS DEVELOPMENT PARTNERSHIP**

### **5.2.1 The Partnership Approach as Outlined in the National Skills Development Strategy III**

The notion of ‘partnership’ is a popular term and catchphrase in the business world today (Cage, 2004: 3). From phone companies advertising themselves as being “partners in communication” to medical practitioners wanting to be “partners in health” the term has become increasingly widely used in business activities (Cage, 2004: 3). Cage (2004: 3) explains how the overuse of the term *partner* has taken away its traditional meaning which, in business, refers to two or more people joining by putting together their resources and taking a risk in the hope of creating a sustainable venture. Traditionally, the term partnership also suggests that parties commit to working together in order to advance their mutual interests. As discussed previously, the skills development framework is often referred to as being premised on a ‘partnership’ approach. This is because it requires multiple partners to work together in order to create a sustainable venture: in this case, a well-trained workforce and an efficiently functioning occupational training and development system.

As outlined in Chapter 2, the SDA requires employers to increase their investments in the training and development of their employees for national objectives to be reached (Meyer et al., 2003: 3). Hence, the general idea behind the skills development framework is that while private firms need to be able to turn a profit, they should do so in ways that strengthen national development and benefit poor people (Green, 2009: 178). The partnership approach requires all social partners to interact in order to create and establish the necessary composition of required skills (Grobler et al., 2002: 340). In order to understand the role of business as a social partner in skills development one needs to study the nature and the expectations of this particular partnership, keeping in mind the traditional understanding of a business partnership.

The NSDS III states that “a partnership and collective responsibility between stakeholders - government, business organisations, trade unions, constituency bodies – and our delivery agents – SETAs, public bodies, employers, trade and professional bodies, public and private training providers, community-based organisations, cooperatives and NGOs – is critical to achieving our aspirations of higher economic growth and development, higher productivity

and a skilled and capable workforce to support a skills revolution in our country” (Department of Higher Education and Training, 2011b: 25-26). The two requirements mentioned at the beginning of this quote – namely, “partnership” and “collective responsibility” – will form the basis of the discussion in the following two chapters. This chapter will analysis the role of business as a social partner by studying the level of engagement with the skills development framework. The following chapter will then focus on the extent to which business is a co-investor in South Africa’s skills development initiatives by analysing the extent to which business regards itself as collectively responsible for the achievement of skills development objectives.

To set the tone for this chapter, it is important to understand that one of the most important parts of any partnership is that partners have a duty to one another and understand that the actions of one partner affect the others (Cage, 2004: 3). As Mercurio and Mercurio (2000: 2) explain, the successful implementation of the SDA and policies relating to skills development, such as the PGDP, depend on the formation and development of vibrant working relationships between the social partners. This means that the stronger the cohesion between the partners, the greater the opportunity for achieving skills development outcomes. From the perspective of business, these partners include government and the SETAs. The absence or resistance of even one social partner will have a direct effect on both the objectives of the SDA as well as related socio-economic strategies.

### **5.2.2 Reasons why Companies Engage in Skills Development**

The degree to which business is a social partner in the skills development framework can arguably be measured by the extent to which it engages with the skills development framework. In order for businesses to engage in this framework, they need to be engaging in training at an organisational level. Literature on skills development indicates multiple reasons why companies do and should engage in training and development in the workplace. Chapter 2 outlines that these reasons generally fall into three main categories: namely, the legal, organisational and/or moral imperatives to train (Bellis and Hatting, 2004: 1). The legal imperative claims that business is regarded as a social partner in the skills development framework and therefore is jointly responsible for the achievement of skills development objectives. The organisational imperative suggests that a better-trained workforce often leads to higher productivity levels. Finally, the moral imperative argues that businesses should train

because it is the right thing to do, particularly considering South Africa's discriminatory and unequal social and economic history.

During the interviews for this study, top personnel were asked to describe why the organisations they were employed by chose to engage in training and development in the workplace. The motive behind this question was to identify whether organisations' reasons for training reflected a legal, organisational and/or moral perspective. This question also aimed to identify whether or not organisations considered their role as a social partner in the skills development framework when initiating and engaging in training. An indication of this would generally be identified in respondents' recognition and acceptance of the legal imperative to train.

Michele, human resources administrator and person responsible for training and development at Blue Lagoon Hotel and Conference Centre (also referred to as Blue Lagoon) explained that the hotel chose to engage in training because management identified the need for developing their staff (Michele, Human Resources Administrator, 7 November 2012). Her focus regarding training, and the focus of the top personnel within the organisation she was employed by, was to ensure that the hotel employees were equipped with the necessary skills to be fully and efficiently functional. Blue Lagoon's reasons to train fell predominantly into the organisational imperative category. Gwen (Manager, 12 November 2012) echoed the organisational imperative to train by arguing that from her perspective as both a manager and a training provider, it is essential to train employees because of the vital role that employees play in organisations.

She argued that without efficient and competent employees, organisational efficiency would inevitably decrease. Gwen's reasons for training were not, however, confined to its organisational benefits. When providing her answer she continued to explain that training should not purely be understood as advantageous to the organisation because training benefits both the organisation and the individual or individuals whose skills are being enhanced (Gwen, Manager, 12 November 2012). Gwen explained that ITEC's reasons for engaging in skills development were not confined to the organisational imperative to train but included a clear moral imperative as well. She (Gwen, Manager, 12 November 2012) stated that "it is imperative if we are saying that there is a lack of skills, particularly in the Eastern Cape, to start [upskilling from] within the organisation".

Gwen further explained how ITEC's top personnel believed that, as a training provider, it was important to train its own employees from all occupational levels of the organisation in order to justify them recommending training to other organisations (Gwen, Manager, 12 November 2012). In summary, ITEC's top personnel believed that they could not ethically recommend and promote training to other companies if they did not give skills development the same importance within their own organisation. For ITEC this meant embracing the organisational and the moral imperative to train. Likewise, Kim of PMI, which like ITEC is in the training and education industry, described how in order to answer this question she, like Gwen, needed to take into consideration the company's dual role as an employer and training provider.

Kim suggested that the answer to the question of why PMI trains is twofold: the answer must explain both why PMI trains their employees internally and why they participate in the field of training and education (Kim, Executive Manager, 8 November 2012). In providing the first part of the answer Kim indicated three main reasons for training employees internally. The first reason was simply that training employees is critical in maintaining organisational efficiency. She argued that increased efficiency results in a better organisation (Kim, Executive Manager, 8 November 2012). The first reason therefore refers to the organisational imperative to train. The second reason why PMI engages in skills development is so that the organisation can be considered an 'employer of choice' (Kim, Executive Manager, 8 November 2012).

This reason refers to both the organisational and the moral or employee imperative to train. According to Kim (Executive Manager, 8 November 2012) "a number of employees, if they were interviewed, would tell you that they work here because of the opportunities that there are for development". She continued by explaining that from an organisational perspective, employees regard their employer in a better light if they are given the opportunity to develop their skills through training. For PMI, training therefore ensures that the organisation is regarded as a preferred organisation to work for - an 'employer of choice' - because employees consider training to be an attractive part of their job and future career prospects (Kim, Executive Manager, 8 November 2012). The third and final reason why PMI trains its employees is again related to the notion of being an 'employer of choice', and deals with the



matter of employee retention. Once more, this reason refers to both the organisational and the employee imperatives to train.

Kim (Executive Manager, 8 November 2012) argued that training was regarded as integral from a retention perspective, since many of PMI's employees remained in the organisation because of the opportunities available for personal and career developments, which are made possible through access to training. To verify her argument, she explained that when PMI was commissioned by the Services SETA to do a study on the benefits of skills development for temporary employees, the results showed two key benefits. Training reduced disciplinary incidents and also proved to be a good retention strategy because employees were more likely to remain in the organisation if they had access to skills development opportunities (Kim; Executive Manager, 8 November 2012). The idea that training can be used as a retention strategy for both permanent and temporary employees is extremely important in so far as it reinforces the evidence that training is regarded by employees as one of the key mechanisms for career development.

The second part of the answer to the question 'why does PMI train' deals with why PMI participates in the field of education and training. According to Kim (Executive Manager, 8 November 2012) top personnel at PMI believe that its business model, which includes offering training and development to external organisations, is a good one because of the constant need for occupational training and development. PMI also participates in the field of education and training because its employers and top personnel believe that the national funding model available within the skills development framework is a beneficial one that can be utilised by companies if they are willing to train and develop workers. This, the latter part of the answer, indicated PMI's legal imperative to train exercised through their role as a training provider.

Tracey (13 November 2012), SDF of the Kempston Motor Group also argued that the reason that the Kempston group engages in skills development is not purely for organisational purposes. With regard to training employees, she stated that: "at the end of the day you are not just upskilling one person, they then take those skills into the outside world and upskill other people by sharing the knowledge that they've gained" (Tracey, Skills Development Facilitator, 13 November 2012). Whether or not this is true, it demonstrates clearly that Kempston recognised both the organisational and the moral imperatives to train.

Furthermore, like ITEC and PMI, the Kempston group is an accredited training provider offering training to their own staff and to external workers in response to scarce and critical skills identified in their industry. This therefore indicated that in addition to the organisational and moral imperatives to engage in skills development, the legal imperative to train was also acknowledged through Kempston's response to the skills needs of its industry. Further details on Kempston's response to the industry's scarce and critical skills will be discussed in further chapters.

In the answers given by the top personnel respondents, it was evident in all organisations that the central reason why businesses engage in training and development in the workplace is the benefits which trained/skilled employees bring to the organisation – reflecting the organisational imperative to train. These benefits include increased efficiency and better retention levels. This finding was not surprising since the primary purpose of any business is to make profits and therefore companies would naturally consider what is best for the organisation (the organisational imperative) before considering what is best for an employee, sector or state. Returning to the final reason why this question was asked – to gauge to what extent organisations' role as a partner in the skills development framework formed part of their reason to train – one particularly interesting finding bears mentioning. Of the entire sample of organisations, only large organisations considered or alluded to the legal imperative to train.

Furthermore, the legal imperative to train and the acceptance of the need to respond to industry and/or national skills needs, was always rooted in organisations' roles as training providers and not in their roles as employers. For example, Kim (Executive Manager, 8 November 2012) indicated three reasons why PMI trained its employees, none of which included a legal imperative to train. The legal imperative was acknowledged only when she discussed PMI's role as a training provider and its responses to scarce and critical skills needs. Overall, respondents' answers showed that national and/or sectoral skills development objectives were generally not considered when organisations engaged in workplace training. In contrast to large organisations, all of the small and medium enterprises (SMEs) focused primarily on the organisational imperative to train while only few organisations considered a moral imperative. From these findings one could argue that national and/or sectoral skills development objectives are generally not considered when organisations formulate their skills

development strategies and plans, and where they are considered, this happens only after organisational and moral imperatives to train have been adequately addressed.

### **5.3 BUSINESS AND SECTOR EDUCATION AND TRAINING AUTHORITIES**

#### **5.3.1 The Role of the Sector Education and Training Authorities in the Skills Development Partnership**

The previous section outlined whether the reasons why businesses chose to engage in skills development reflected a legal, moral and/or organisational imperative to train. While this sheds light on the reasons why businesses train it does not necessarily indicate how and to what extent businesses engage with the skills development framework. For example, organisations may choose to engage in skills development based on an organisational, moral and/or legal imperative without ever registering with their SETA, applying for skills development grants or engaging in related activities. This is important to consider because the emphasis of this research is not only on the extent to which business engages in training in the workplace but also, and more particularly, on the extent to which businesses engage in the skills development framework in so far as the social partnership is concerned.

Going back to the example stated in the above paragraph, it is therefore possible that organisations may be actively involved in skills development initiatives within their organisation without ever engaging in the skills development framework beyond the payment of the skills development levy. According to Kim (Executive Manager, 8 November 2012), in her experience, which included consulting to a multitude of organisations across various industries, there are numerous organisations that engage in skills development in the workplace without engaging in the skills development framework simply because they're not interested in the bureaucracy of the processes and procedures attached to it. Reasons why organisations choose not to engage in the skills development framework will be explored in the following chapters but for the purpose of this chapter, the following section will analyse if (and how) businesses engage with the skills development framework through engaging with the various SETAs.

One of the findings of this research, as outlined above, is that company's top personnel rarely take into consideration the legal imperative to train, and as a result rarely consider skills

development needs and plans beyond those that directly affect the internal labour market. However even if companies focus on organisational needs alone, in order for them to benefit from skills development grants, they are required to engage with the skills development framework by registering and engaging with the SETA their organisation belongs to. As described in Chapter 2, the SETAs are put in place as institutional mechanisms to facilitate skills development and to be the link, at a sectoral level, between government and organisations. SETAs are an example of South Africa's 'joined-up' approach, which essentially necessitates the interlocking of educational reforms with macroeconomic, industrial and labour market reforms (Kraak, 2004c: 7).

As Kraak (2004c: 7) argues, the motive behind the 'joined-up' approach is that the combined impact of these reforms will result in strong interlocking of institutions and hence trigger synergistic and complementary policy outcomes. The SETAs have four main functions: namely, "to disburse grants in terms of the levy grant scheme; to register learners in learnerships; to register providers, assessors, moderators and verifiers of education and training; to support the sector to meet skills needs" (FASSET, 2011: 15). The efficiency of SETAs is fundamental to the role of business as a social partner because of the facilitation and intermediary role that they play. SETAs consequently have a direct influence over how and to what extent business engages in skills development based on the extent to which they actively play out their four main functions.

Likewise, business has a direct effect on the ability of SETAs to perform these functions and hence reach their sectoral goals and objectives (as outlined in their SSPs). In studying the levels of engagement of business with the skills development framework it is important to identify to what extent companies engage with their respective SETAs. As explained in Chapter 2, organisations'

engagement with the skills development framework begins with the payment of the skills development levy (SDL). It is the function of the SDA to introduce a system in which levies can be used to finance skills development of both the employed (mostly through employers) and the unemployed (Martins and van Wyk, 2004: 7). These levies are paid, by organisations, in the form of a monthly tax whereby enterprises are taxed at one per cent of their annual payroll expenditure (Morris and Reed, 2009: 203).

Organisations with an annual payroll of R500 000 or more are required to pay the skills development levy. Companies that complete training in their organisations, and hence develop their employee's skills, are eligible to apply for skills development grants from their respective SETA. This provides a way in which companies can 'claim back' a portion of their monthly levy. This policy is known as levy financing. During the course of the interviews all top personnel respondents were asked if they were aware of the skills development levy (SDL) and whether or not the organisations that they worked for applied for grants made available through the levy financing system. All respondents, considering that they were responsible in full or in part for skills development in their workplace, stated that they were aware of the SDL payment and that the companies they were employed by paid the SDL to South African Revenue Services (SARS).

However, not all organisations applied for grants through their SETA despite having paid the levy. Out of the sample of respondents, two respondents stated that the organisations that employed them did not apply for any skills development grants. The first of these two organisations was RLS Projects, a relatively new organisation. Bruce, owner and director of the organisation, stated that his firm did not apply for grants because very little training had been completed since the company's inception. He explained that very little training had been done because, with a small start-up complement of staff, all employees were recruited with the necessary skills sets to "hit the ground running" and, as a result, the company was functioning efficiently without any formal training activities (Bruce, Owner/Quantity Surveyor, 10 November).

Unlike RLS Projects, the second of the two organisations that indicated that they did not apply for any skills development grants, was neither a new nor a small organisation. Kelly, from Border Towing, explained that while the organisation she worked for paid the SDL, they had not applied, and did not intend to apply, for any skills development grants (Administrator, 7 November 2012). She claimed that although they did very little training, their primary reason for not applying for any grants was that, other than the payment of the SDL, the organisation had no knowledge of matters relating to skills development such as the availability of skills development grants and what SETA they belonged to. Additionally they were unsure as to where to access this information. She went on to explain that although she was the company's bookkeeper and office administrator, and therefore responsible for paying the SDL, there was no designated person in the organisation responsible for training and

development: an additional reason why this function may have been ignored in the organisation (Kelly, Administrator, 7 November 2012).

Both Bruce from RLS Projects and Kelly from Border Towing indicated that apart from the payment of the SDL, they did not apply for mandatory grants and did little, if any, training. Based on the information provided by these two organisations, there were three main reasons why they chose not to apply for skills development grants through their SETAs. The first reason was that little, if any, training was initiated and completed at the workplace and therefore it was assumed by the persons responsible for paying the skills development levy that there was no purpose in applying for skills development grants. The second reason was that, besides the payment of the skills development levy, there was no person or persons responsible for skills development in the workplace, which is arguably the reason why little or no training took place. Lastly, there was a lack of awareness of the processes and procedures of the skills development framework. This resulted in a sense of apprehension about engaging in skills development activities and in the skills development framework.

Since both of these organisations did very little, if anything, in addition to paying the SDL, the extent of their engagement in the skills development framework was clearly minimal. Based on this information their contribution to business's role as a social partner in the skills development framework was extremely small, as it was confined to their skills development levy payments. One could therefore argue that organisations that simply pay the skills development levy without further engaging in the skills development framework have very little role to play in the skills development social partnership, as the strength of the partnership is premised on the engagement and the participation of the social partners.

Apart from RLS Projects and Border Towing, all other SDL paying respondents indicated that the organisations that they were employed by applied for mandatory grants by submitting their WSP and ATR to their SETA. However, the application for mandatory grants by the majority of the research respondents does not accurately reflect the national levels of grant applications. The majority of organisations in South Africa engage in skills development in a manner that is arguably similar to RLS Projects and Border Towing. According to the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA) Sector Skills Planning Final Report (2009: 7), only 15 per cent of employers submit WSPs/ATRs and most of these organisations are large employers. Likewise, the

CATHSSETA 2012 Annual Report stated that “out of 28 586 companies registered with the CATHSSETA, only 1 292 companies submitted their WSP and the SETA in return issued payments to 1 117, in rejecting the remainder of the submissions” (Department of Higher Education and Training, 2012a: 10).

With regard to discretionary or pivotal grant applications, only three organisations of the group of research respondents applied for discretionary or pivotal grants. All three of these were large organisations. The higher involvement in grant applications by large organisations is evident in both the mandatory and the discretionary grant application processes, as indicated in the above statistics. The fact that very few organisations are applying for discretionary or pivotal grants indicates that the majority of training that is happening in the workplace is training of workers who are already employed. This finding is therefore consistent with respondents’ understandings of skills development outlined in the previous chapter. This conception rarely takes into account the need or responsibility to train workers who are not employed by the organisation. Once again, this indicates limited engagement with the skills development framework particularly concerning training beyond the requirements of the mandatory grant.

### **5.3.2 Sector Education and Training Authorities’ Career and Training Opportunities**

In studying the role of business as a social partner it is essential not only to identify how organisations engage with their SETAs in order to access skills development grants, but also if and how individual employees who are employed by these organisations interact with the SETAs. An excellent starting point in this regard is to identify the extent to which employees are aware of SETA career and training opportunities and whether they have engaged in any of these opportunities. As described above, two of the main functions of SETAs are to register learners on learnerships and to support the sector to meet skills needs (FASSET, 2011: 15). Both of these functions have a direct effect on workers. The higher the numbers of workers and job seekers that go through the learnership programmes and gain theoretical and practical knowledge, the higher the availability of qualified and skilled employees.

This is especially important when one considers the many scarce and critical skills identified in South Africa’s industries and the needs of many employers to access individuals who have these skills sets. If employees are not made aware of opportunities, it is unlikely that the

SETAs will be able to fulfil their function of meeting the skills needs in their particular industries. When employee respondents were asked if they were aware of any opportunities available to them through the SETAs, such as learnerships or skill programmes, not a single employee provided an affirmative response. Apart from employees' lack of interaction with the SETAs, their answers also indicated that no employee respondent had engaged in a learnership or skills programme through any of the 25 SETAs.

Based on these answers two observations were made. The first observation is that where top personnel were aware of opportunities such as learnerships made available through their SETAs they were evidently not filtering this information to employees. The second observation showed that while employers may not be filtering this information to all the employees in the workplace, SETAs were also to blame as they too are failing to ensure that employees are aware of the opportunities available to them. If information concerning SETAs' career and training opportunities is not being filtered down to employees it is doubtful that this information is reaching current job seekers and future job seekers, including school learners and students. Since SETAs are required to address the skills needs of their industry it is essential that workers and potential workers are made aware of sectoral and national skills needs such as those skills which are regarded as scarce or critical.

Ensuring that this information is adequately distributed is not only beneficial for job seekers but equally has a direct influence on the business community because businesses need to ensure that they have an adequate supply of suitably skilled and qualified workers to ensure organisational strength and sustainability. This, in turn, will affect the overall strength and sustainability of the national economy. According to the Chemical Industries Education and Training Authority (CHIETA) SSP 2011-2016, a critical element driving the availability of suitably skilled workers is the availability of reliable and credible information on career options within the sector (CHIETA, 2011: 56). For employees and potential employees to be able to make informed decisions about career options, they need to be able to access information that will guide them in their decision-making.

It is the responsibility of the SETAs, as representatives of the respective sectors, to make this information available. The pipeline for the supply of skills to the sector should in no way be limited to the training offered by employers in the workplace, but should include the education and training provided and acquired at schools, colleges, universities, universities of



technology, and other learning and training institutions (CHEITA, 2011: 56). Ensuring that this information is visible and accessible is one way in which SETAs can correlate their requirements and functions at a sectoral level with the career choices made at an individual level.

If, for example, based on the information made available by the SETAs a student or job seeker is made aware that there is a need for chefs in the hospitality industry, they may be inclined to choose to study or train in this field, with the expectation of potential future career prospects and job opportunities. Additionally, if SETAs incentivise individuals to study and/or train in line with scarce and critical skills needs, it is even more likely that these skills needs would be addressed. This, in turn, will influence businesses as the amount of suitable and available qualified workers with the necessary skills sets will be increased. This is why it is essential that business, as a social partner, engage with SETAs in order to attain the mutually beneficial objective of upskilling individuals, both employed and unemployed.

## **5.4 IMPLEMENTING SKILLS DEVELOPMENT IN THE WORKPLACE**

### **5.4.1 The Role of Managers and Top Personnel in Skills Development**

According to Mercorio and Mercorio (2000: 120), successful implementation of skills development requires “commitment of senior management; involvement of stakeholders in the skills development process; establishment of an education and training committee; communication and critical analysis of the functioning of the company”. Skills planning and skills development can therefore be described as a comprehensive process and is not purely the responsibility of the SDF (Bellis and Hatting, 2004: 19). Effective implementation of skills development requires the direct and indirect involvement of a wide range of stakeholders, which include management (Bellis and Hatting, 2004: 19).

For training and development to be effective, line managers and staff administrators need to work closely together on all phases of the training and development process. It is essential that both parties need to understand and recognise their roles and responsibilities within the skills development process (Grobler et al., 2002: 359). In the interviews with respondents, top personnel respondents were asked to describe the role that managers and top personnel play in the skills development process. Various answers were outlined, ranging from the daily

supervision of tasks and daily management of performance to providing input regarding training needs at an annual strategic meeting.

A good example of the role of management in the skills development process was outlined by Geraldine, SDF of First National Battery. She explained that in First National Battery all divisional managers are responsible for the performance management of the staff within their division. Their responsibilities include completing a periodic performance review with each employee. If employees feel that they need or want training, they are able to raise the matter at their regular performance review meetings. These meetings are therefore beneficial for managers and employees. All performance reviews are sent to the SDF, who then uses them to assist with identifying any skills gaps and training needs. Once the SDF has completed this process, a meeting is set up with each divisional manager to consult on the SDF's findings (Geraldine, Skills Development Facilitator, 6 November 2012). This system ensures that managers efficiently provide input into prescribed training initiatives.

Kim from PMI (Executive Manager, 8 November 2012) also claimed that managers play an integral role in skills development planning because, similarly to First National Battery, in PMI managers are directly involved in the management of their employees' performance on a daily basis. Kim (Executive Manager, 8 November 2012) explained that PMI ensured that they had "all the right" human resources processes in place such as a coherent performance management system, and were confident that their overall human resources methodology, which included skills development, was comprehensive (Kim, Executive Manager, 8 November 2012).

This research found that in companies that implemented performance management systems and career development strategies for their employees, managers had a better understanding of their role in the training and development process. This is primarily because managers understood their role in skills development. They understood how their input affected the efficiency of the organisation when, for example, they were able to identify strengths and weaknesses through performance reviews. Managers could therefore use these systems as a tool to identify training needs. Human resource development systems and processes were therefore used by these organisations as templates to contextualise skills development.

Other organisations within the group of respondents, including those that were engaging in skills development by applying for grants and consulting with a skills development committee, expressed uncertainty about where managers fitted into the skills development process. The danger in this is that it could result in managers' participation being severely limited and managers lacking commitment towards training initiatives. Although training and development responsibilities and functions vary between organisations, certain responsibilities are usually reserved for managers. Line managers who are unwilling to cooperate with the training and development process often find that the process does not help the organisations they are employed by because they cannot see the value in it (Grobler et al., 2002: 359).

As Tracey described, most of the managers in the Kempston Group were not enthusiastic about attending training themselves as they felt that their position, being a managerial one, did not require additional training (Tracey, Skills Development Facilitator, 13 November 2012). She stated "I think training should start with the managers. Most of the managers, they're not, I won't say they're reluctant, but they're not keen, they take on the position of 'I'm a manager, I'm already in this position, why do you think I need training' whereas if you have that attitude, the staff you deal with are going to have that same attitude" (Tracey, Skills Development Facilitator, 13 November 2012). According to Tracey (Skills Development Facilitator, 13 November 2012), this apprehension about training could likely influence other employees who might need and want training. This could negatively affect the overall skills development process.

If the attitudes of managers and top personnel staff filtered down to lower occupation levels, training could be seen as a negative activity rather than a constructive one. Managers' understating the value of skills development suggests that training is provided for people who are not able to fulfil their job requirements adequately, rather than emphasising the constant need to build onto ones current skills sets. Their misunderstanding of the need for training and development in the workplace, and their somewhat defensive attitudes towards their own possible training needs, indicated a clear lack of understanding of skills development. According to Rees (2000: 138), "while there are undoubtedly fundamental changes occurring in industrial society which are leading to a questioning of traditional forms of work organisation, it does not necessarily follow that there has been a genuine, sustained and irreversible shift in management thinking".

For skills development initiatives to be successful at an organisational and national level it is essential that managers and top personnel understand the impact and benefits of training and development. Engaging in skills development does not suggest that an employee is incapable of doing his or her job, but rather that through obtaining additional skills or improving existing skills one may be able to complete ones job in a more efficient and comprehensive manner. Tracey's statement is extremely important because it shows that managers and top personnel, even if they are not directly involved in the skills development process, can still have an influence over training and development initiatives in the workplace through, for example, the attitudes that they demonstrate towards skills development. This is why it is essential that skills development is thoroughly understood at all occupational levels and not only by the company's SDF.

#### **5.4.2 The Role of Skills Development Facilitators in Organisations**

As outlined in Chapter 2, all organisations that apply for skills development grants, regardless of size, are required to appoint a SDF. This SDF can be internal (someone appointed from within the organisation) or external, if for example the work is outsourced to someone who has the knowledge and expertise to fulfil the SDF functions adequately. Either way, the SDF forms the link between the organisation they represent and the SETA that their organisation belongs to. All SDFs are required to be registered with their respective SETA (Mercorio and Mercorio, 2000: 44). Mercorio and Mercorio (2000: 44) argue that the SDF is responsible for the development and planning of an employer's skills development strategy. This strategy informs the WSP and the ATR, which is annually submitted to the SETA to which the organisation belongs and serves as the application for the mandatory skills development grant. The SDF, as the name suggests, is therefore responsible for promoting and facilitating the skills development processes at a company level (Mercorio and Mercorio, 2000: 160).

Of the organisations interviewed those that applied for skills development grants had all suitably appointed a SDF. Some of these organisations had appointed the SDF internally (someone from within the organisation) while others had chosen to outsource this function and appoint an external SDF who served as the organisation's external skills development consultant. All of the large organisations, including PMI and First National Battery, appointed an internal SDF, meaning that they appointed an employee from within the

organisation. Furthermore, these internal SDFs appointed by the large organisations played a designated role within the broad Human Resource Development function, since their position, job title and responsibilities were confined to this role.

In contrast to the large organisations that appointed internal SDFs, all of the SMEs that applied for skills development grants had appointed external SDFs. These external SDFs were accessed through human resources consulting firms. In this situation, organisations would pay a periodic fee and be serviced by a consultant who would manage the company's skills development function in terms of an agreement made with the organisation. One of the primary reasons why organisations prefer to use an external consultant is that companies often do not have the resources to manage skills development internally. These resources may include time and knowledge of the necessary processes.

Further to the discussion on appointing SDFs, what was also evident amongst all the SME respondents that applied for skills development grants was that in all of these organisations only one person was responsible for the organisation's human resources function: for example, a human resources manager or human resources administrator. This meant that when the organisation made the decision to manage skills development internally rather than outsourcing this function, there was a strong probability that the role of the SDF would be given to the person responsible for human resources. Therefore, considering the structure of the SMEs in the sample of respondents, where the human resources function was generally limited to one employee, there were practical and valid reasons for organisations appearing to favour outsourcing over managing skills development internally.

Another reason why organisations outsourced the management of their skills development function was provided by Lee (Human Resources Manager, 12 November 2012) who was employed by Slipknot Group of Companies. While she had previously applied for skills development grants for at least one of the organisations in the group of companies, she indicated that in the following year the organisation planned to outsource the firms' skills development function and assign an external SDF to manage matters related to skills development. This would be done for all organisations within the group of companies that paid the SDL. In explaining the motive behind this decision Lee stated: "the company has developed, when I got here it was big but not as big as this and as I said, I spend most of my time doing payroll, we don't have a designated person in that position [SDF] and basically

nobody has the time. And I think you need to dedicate someone who's solely going to run the proper 'HR' [human resources] side of things" (Lee, Human Resources Manager, 12 November 2012). Slipknot Group of Companies also planned to implement structures and strategies to facilitate the application of skills development grants (Lee, Human Resources Manager, 12 November 2012).

The research data thus indicated that while large organisations generally appoint SDFs from within the organisation that are singly responsible for managing the skills development function of the firm, SMEs prefer to use external consultants. In addition, when comparing organisations that appointed internal SDFs to those that appointed external SDFs/consultants, it was found that organisations belonging to the latter group were considerably less invested in the overall processes of training and development than those in the former group. One could argue that this is because the reliance on an external party to fulfil the skills development function caused transference of responsibility and consequently a lack of investment in matters associated with training and development, regardless of the organisational implications.

Brendan, General Manager (7 November 2012) of the East London Golf Club provided an excellent example of this transference of responsibility. He indicated that the golf club used an external consultant to manage their skills development function and claimed to know very little about matters pertaining to the skills development processes within the organisation, particularly with regards to the firm's WSP and grant applications. He explained that he was unaware that the club even had a WSP and was not interested in how the skills development grant application was submitted or what information was contained in the application as this was the responsibility or, as he stated, the "problem" of the external SDF/consultant (Brendan, General Manager, 7 November 2012).

This level of disengagement with the skills development processes is cause for concern. Not only does it highlight a severe ignorance concerning skills development matters which is particularly concerning considering that this respondent held the position of general manager but it also indicates a lack of willingness to partner with the external consultant in facilitating and implementing skills development in the workplace. It further raises the following question: if organisations placed full responsibility for their training and development function on their external consultant, to what extent was this function integrated into other

developmental aspects of the organisation? An example of this would be career development, departmental strategies and even organisational strategies.

In an interview with Johan, Human Resources Manager of the Used Spares Association Group (USA) he described how the group of companies, which appointed an external consultant/SDF, did not have any formal processes for formulating their WSP, nor did their employees have any career paths on which to base training needs (Johan, Human Resources Manager, 6 November 2012). This particular section of the research analysis distinctly showed that within the organisations that appointed external SDFs and consultants to manage their skills development, the skills development function was not coherently embedded in the rest of the human resources function and therefore the rest of the organisation.

In addition to the transference of responsibility from the firm to an external party, one could also argue that a possible reason for this is the limited partnership between the person or persons responsible for human resources and the external consultant. This research indicates that despite this partnership being potentially beneficial to the organisation, many organisations rarely partner with external consultants. Based on this information, it is doubtful that organisations that outsource the skills development function of the organisation will be willing to partner with SETAs for the sake of their industries' development or the development of the national economy.

In stark contrast, companies that appointed an internal person to manage the organisation's skills development function appeared far more informed, invested and engaged with skills development. Additionally, training and development of their employees in these organisations was notably more connected to individual, departmental and organisational strategies, as will be further discussed below. The organisations from this research sample that did not apply for skills development grants did not have a SDF or anyone in their company who was responsible for training and development.

### **5.4.3 The Role of Organisations' Skills Development Committees**

According to FASSET (2011: 6) the "SDF is responsible for the planning, implementing and reporting of training in an organisation". One of the central duties of the SDF is to establish a training committee for organisations with more than 50 employees for the purposes of

consultation on training matters. All stakeholders should be represented on this committee/forum including representative trade unions, employee representatives from all occupational levels and senior managers (FASSET, 2011: 9). Training committees, otherwise known as skills development committees, provide an excellent opportunity for communication and consultation between management and employees on skills development matters (Mercorio and Mercorio, 2000: 153).

Since establishing and facilitating the skills development committee forms one of the duties of the SDF, many of the findings pertaining to an organisation's engagement with skills development, which are based on their levels of interaction with their SDF, filter down to the committee level as well. What this means is that if for example an organisation engages minimally with their SDF it is likely that they carry this same level of engagement through to their training committees. While all organisations can appoint a committee if they choose to, only those organisations that are comprised of 50 or more employees are legally required to appoint such a committee. Based on the answers and discussions provided by the respondents of this research, most, but not all, organisations that applied for skills development grants did set up committees, and met on a regular basis. During the interviews with the respondents, employees were asked about the skills development committees in the organisations they were employed by.

Of the organisations that engaged in skills development and established training committees, employee respondents were initially asked if they were part of the skills development committee. While it seems like a relatively straightforward question, most employees were very uncertain as to how to answer it, while others simply admitted that they did not know. Generally, there was a lack of awareness of the skills development committees. This is problematic because it indicates shortcomings in the filtering down of skills development awareness and information as well as a lack of involvement of employees in the skills development processes.

Chuma, an employee of LabourNet, claimed that she had no knowledge of any skills development committee within the organisation (Chuma, Branch Administrator, 9 November 2012). This meant that either the organisation she worked for had not established a skills development committee or, if they had, the information from the skills development meetings had not been distributed to all employees. It also meant that since the purpose of a skills



development committee is to represent the needs of employees from all occupational groups, Chuma's needs and conceivably the needs of her colleagues, were probably not being represented.

What was particularly distressing with regard to Chuma's answer was that LabourNet specialises in human capital consulting services, part of which is the implementation and facilitation of skills development in organisations. This service generally entails external consultants and SDFs being allocated to organisations in order to manage their skills development function, as referred to in the above section. If LabourNet, as a provider of these services, was not adequately managing skills development internally, it could suggest that skills development was being similarly mismanaged in the organisations that outsourced their skills development function to LabourNet consultants/SDFs.

Ayanda (Industrial Relations Consultant, 9 November 2012) who, like Chuma, was also employed by LabourNet, indicated that she was not a member of a skills development committee and was not aware of whether her organisation had established a skills development committee. She also indicated that she was therefore unaware of how, or by whom, her training needs or suggestions were being represented. In the absence of a recognised skills development committee, she described her understanding of how, in her opinion, a committee should be appointed and should operate. She stated:

“My understanding is that this committee should form employees or people nominated by employees to represent them because I think that this committee should be the people that are coming back to the ground, to the floor as it were. People who would be able to speak to the employees and find out what do they think people need to be skilled in. It should be people who are aware of the organisation and where it's going so that they're able to identify what types of skills are necessary in the organisation. So that if they need to then train people in new skills that maybe they [employees] don't know or they don't know they need, but that will be beneficial in terms of where the organisation is supposed to go, then I think that would be their role as well. So, I would assume, I would picture a committee that is filled with both, sort of, senior management employees but then also representatives of the normal employee on the ground so that they can address those two basic issues” (Ayanda, Industrial Relations Consultant, 9 November 2012).

Ayanda's statement raised two important points. First, all employee levels – from unskilled employees to top management – should be represented on the skills development committee. Second, the committee should include people who are aware of the skills needs in the organisation as well as the strategic requirements of the organisation. This could for example be a Human Resources Manager. This is important because people with an understanding of the organisation's goals and objectives will be able to contribute valuable input and align the organisation's strategic development goals with its skills development needs. If employees are unaware of the skills development committees in the organisations they are employed by and/or are also unaware of who represents them on these committees, it is unlikely that their needs and ideas are being represented at committee meetings and therefore one can assume that they have little, if any, role to play in determining what training will be conducted in the organisations that employ them.

Of the group of employee respondents, those respondents who indicated that their needs were represented on a skills development committee by a committee member or by a direct manager, appeared to be far more engaged with the overall skills development process. Sue (Administrator, 13 November 2012), an employee of Kempston, explained that prior to the committee meeting she submitted her training requests to her manager, who would determine if the requested training was beneficial to her position. If so, the manager would then forward the request to the committee. If the committee approved the training request, the training process would go ahead. The only restriction was that the training needed to be in line with the employee's job function (Sue, Administrator, 13 November 2012). In her answer she suggested that employees were aware of when the skills development committee meetings would take place so that they were able to submit their applications for training prior to the meetings.

Anda (Receptionist, 6 November 2012), an employee of First National Battery, described her organisation's approach, which similarly represented her needs on the skills development committee. She claimed that employees at First National Battery were encouraged to put forward their training needs (Anda; Receptionist, 6 November 2012). Employee engagement in the skills development process is essential for overall success of skills development initiatives. If employees understand the processes of skills development, including how training and development is planned and executed in the workplace, they are far more likely

to involve themselves in skills development initiatives by, for example, requesting or suggesting training.

Analysis of the role of skills development committees showed a pattern noticeably consistent with that described in the previous section: namely, that employees of large organisations appear to be far more engaged in skills development in the workplace. Once again, one could argue that this could be due to the non-transference of responsibility for the skills development function and the integration of skills development with other human resources systems such as performance management and career development. Having said this, whether or not organisations choose to manage skills development internally or use an external consultant, the findings of this research consistently confirm that successful implementation of skills development in organisations is largely premised on the synergy of engagement between managers, SDFs, representatives of all occupational levels and systems which strategically align the needs of workers with the needs of the organisation.

## **5.5 THE DESIGN AND IMPLEMENTATION OF THE WORKPLACE SKILLS PLAN**

### **5.5.1 Determining the Training Needs that Inform the Workplace Skills Plan**

Once a SDF has been appointed and a skills development/training committee has been established in the workplace, the next most important part of the skills development process is perhaps the formulation of a WSP. According to Mercorio and Mercorio (2000: 160), a WSP is an education and training plan that is jointly drawn up by managers and employees at the company level. Ideally, meetings held by the skills development committee, which should be comprised of management and employee representatives, would provide the opportunity to consult on the WSP and jointly formulate it. The duty of the SDF is to “assist the employer and employees to develop a workplace skills plan (WSP) which complies with the requirements of the SETA” and not to simply design it themselves (FASSET, 2011: 6).

As mentioned above, the WSP forms part of the skills development mandatory grant application and indicates the training that an organisation plans to complete in the following year. Throughout the year, skills development initiatives should be informed by the WSP. The formulation and the consequent use of the WSP are central activities on which

businesses' levels of engagement with the skills development framework can be analysed. While the process of formulating and executing a WSP seems relatively straight forward, this research found that many organisations did not follow this process, either partially or completely. In order to establish how training needs were determined in the workplace, top personnel were asked to describe how their WSP was formulated and most importantly what, if any, analysis was done to identify what skills and training needs existed in the company they worked for.

In the context of what has already been established in this chapter concerning the role of managers, SDFs and skills development committees, and in light of the answers provided by respondents, two main issues were raised regarding the design of the WSP. The first issue is that of inefficient consultation. Most respondents argued that to formulate their organisation's WSP they consulted with divisional managers and a skills development committee and formulated the plan based on these inputs as well as their own. However, the focus of the questions posed to respondents was not simply to identify whether or not consultation took place but rather to analyse how this consultation happened and how it informed the formulation of the WSP. In other words, the questions probed the efficiency and the value of the contribution that resulted from the consultation.

Tracey (Skills Development Facilitator, 13 November 2012) of the Kempston Group stated: "obviously because we're nationwide I get a feel, I send an email out, and I get a feel per manager what do you require in your department or what can you see; what are the skills gaps that you can see; and then obviously I go on that, and I take a holistic look at ...skills development". The consultations that informed the WSP were therefore based on a single email sent to managers, assumedly once a year. Based on the answer provided, and the fact that prior to this answer Tracey had claimed that the Kempston group had not yet incorporated a career planning or similar type of system in the workplace, only very limited strategic planning informed this consultation. Instead, divisional managers, like Tracey, simply "got a feel" for what training they "felt" was necessary. Furthermore this lack of efficient consultation meant that Tracey, the organisation's internal SDF, was not only facilitating the formulation of the WSP, as the SDF role requires, but was formulating the WSP herself with only partial assistance from the divisional managers. Additionally no mention was made of any consultation with the skills development committee despite the presence of a committee that met and consulted regularly.

Michele, of Blue Lagoon Hotel (7 November 2012) indicated that the hotel adopted a similar approach to determining training needs and formulating a WSP. The difference, however, was that, as Human Resources Administrator, she was responsible for formulating the plan before it was forwarded to the external SDF. However while managers were asked for their input in determining training initiatives for the following year, employees seemed to be largely excluded in this process. Once again, no mention was made of consultation with the skills development committee, despite the presence of such a committee and the regular meetings that were held. Rather, Michele suggested that if employees wanted to receive training they would raise the matter themselves - this is how employees were included in the process of determining their training needs (Michele, Blue Lagoon, 7 November 2012).

One respondent, Brendan, went as far as to say that not only was he totally disengaged with the process of formulating the WSP but also believed that his organisation had previously received their mandatory grant without the submission of their WSP. Brendan (General Manager, 7 November 2012) suggested that while he understood the process of the grant application in that it included reporting on completed as well as planned training, he said his organisation had never had or submitted a WSP, which is assumedly incorrect since previously he claimed that the firm had received grants from their SETA. He also claimed that the company had never sat down and discussed any training strategy or plan (Brendan, General Manager, 7 November 2012). Rather, this responsibility was given to the external SDF.

What was left unanswered here was where the external SDF obtained the information in order to put together the WSP and how the SDF could have formulated the organisation's WSP without this information. The remainder of top personnel respondents claimed that they did, in different ways, contribute to formulating the WSP. However, as previously mentioned, the issue being analysed is not just about contributing to the formulation of the WSP but rather the value of this contribution. Like any plan, the strength of a WSP exists in its ability to be applied to a given situation or structure. If planned training is not properly designed and not strategically aligned to the needs and objectives of the organisation and the individuals within the firm it is unlikely that an organisation will benefit from the WSP, assuming that the planned training is completed.

The issue of strategically aligning training with the needs and objectives of the organisation raises the second issue, namely the alignment to other human resources and/or strategic management systems. It is vital that within organisations, whatever training and development initiatives are pursued, acquired knowledge should be in line with employees' career paths, organisational objectives and broader economic sustainability. This includes discussions to develop portfolios that integrate transferable skills and competencies, information about employment opportunities, and ideas for concrete action planning (Coetzee and Stone, 2004: 15). In summary, where there are no human resources or related systems for skills development planning to be integrated with broader organisational objectives, it is particularly difficult to design a coherent and strategic WSP.

The majority of organisations interviewed stated that they did not have any performance management or career development systems for their employees. Of the organisations that did have a performance management system, only two organisations, PMI and First National Battery, both of which were large organisations, implemented this system for all of their employees. Kim (Executive Manager, 8 November 2012) claimed that PMI formulated its WSP by consolidating information at all levels of the workplace. She explained that firstly, every position in the organisation has a job description with clearly defined key responsibility areas. Every job description, together with its key responsibility areas, is aligned to performance criteria. Additionally, each position has an individual development plan, which forms a link between the performance criteria and existing qualifications, outcomes based or otherwise. Furthermore, the individual development plan is not only in line with the key responsibility areas of the position, but also with the company's goals and performance levels and, as a result, informs the company's WSP (Kim, Executive Manager, 8 November 2012).

Managing employees' performance and aligning employees' jobs to a career path is not only beneficial in the formulation of a WSP but also enhances employee motivation. According to Grobler et al. (2002: 354), "effective career management will help ensure a continuous supply of professional, technical and managerial talent so that future organisational goals may be achieved". Furthermore, career management can also greatly assist in the skills needs analysis process, which directly feeds into the training and development process and the formulation of an organisation's WSP. When job performance is linked to employees' career path progression, employees are likely to be motivated to perform at higher levels so that career goals may be accomplished (Grobler et al., 2002: 354).

Other than PMI and First National Battery, respondents from the remainder of the organisations that implemented a performance management, career development or similar type system, indicated that these systems were only implemented with selected individuals, groups of individuals or in certain occupational levels. It appeared that the majority of employees had no career paths and therefore no plan for their personal training and development. This undoubtedly affects the determination of training needs and the way in which the WSP is formulated. For WSPs to be effective, they should be informed by individual, departmental and organisational strategies and plans.

Even if companies do not have any systems to measure performance or set career goals for their employees, there is still a need to complete some kind of analysis to identify what skills needs there are in an organisation, in order to inform the compilation of the WSP. As stated in the W and R SETASSP 2011-2016, “insufficient or incorrect training could be detrimental to a business”(Department of Higher Education and Training, 2011a: 10). From a theoretical perspective, this ultimately raises the question why, considering the many benefits of training, organisations do not take skills development more seriously. According to Meyer et al. (2003: 3), one of the main reasons is that organisations often fail to see significant returns on investment on completed training and skills development, both in monetary value and in human capital development.

Meyer et al. (2003: 3) state that “in South Africa, the Skills Development Acts require employers to increase their investment in training and development of employees. Therefore, managers are increasingly demanding accountability for development programmes, as well as evidence of how training interventions benefit their companies in terms of financial impact”. However, based on the data of this research, while managers and top personnel require this accountability and evidence of return on investments, many organisations fall short in terms of implementing systems and strategies that can adequately produce this feedback. The result of this is a multi-faceted contradiction whereby managers fail to recognise return on investment of skills development initiatives, therefore decreasing the amount of training completed in the workplace while simultaneously receiving pressure from the state to increase their investment in skills development.

If the WSP is viewed by employers and top personnel as simply a document which forms part of the application for skills development grants, and not as an important strategic blueprint for individual and organisational development, there is little chance that employers will be willing to increase their investment in skills development, as the state desires. Furthermore, it is extremely difficult for companies to measure return on investment when employees' performance is not measured or aligned to development goals. This same logic is evident in the argument that it is similarly difficult for organisations to formulate a WSP without adequate information. In light of exploring the role of business as a social partner in skills development, these issues may seem insignificant; however, it is these business level issues that ultimately affect the success or failure of the national skills development framework.

If companies do not take skills development seriously, it could potentially undermine the strength of their organisations, which will inevitably impact on the strength of the national economy and its potential for increased global competitiveness. Rather than organisations ignoring skills development, one of the greatest problems evident at an organisation level appears to be that skills development is not being properly managed and engaged with at the level of the workplace. The relationship between SDFs, managers and employees reflects a generally weak and disconnected partnership. A fragile partnership between role players within an organisation leads to weak partnerships with SETAs, which ultimately affects the success or failure of skills development at a national level.

### **5.5.2 Following and Implementing the Workplace Skills Plan**

The previous section showed that only a minority of organisations interviewed had put in place human resources systems (such as performance management systems) which would inform the company's annual WSP. Most organisations, especially SMEs, had an informal approach to analysing skills development needs and thus their WSPs appeared to be formulated using an ad-hoc approach primarily consisting of informal consultations with line managers. This showed that WSPs, and hence training and development, were not coherently aligned to individual employee needs and business strategies, despite employers' need for adequate return on investment. However, what was even more surprising was that when respondents were asked to what extent skills development was aligned to the targets and goals of the organisations they were employed by, all respondents, including those that had



limited systems in place to ensure such alignment, argued that their WSP was closely aligned to the needs and the strategies of the organisation.

In order to understand this apparent contradiction, respondents were asked to what extent the organisation which they were employed by followed its WSP. The reasoning behind this question was that if organisations explained that they minimally followed the WSP it could suggest that while training initiatives might be aligned to employee and organisational needs they might nevertheless be predominantly reactive and unplanned (and therefore not captured in the WSP). Even those organisations that formulated their WSP in a manner based on accurate data and integrated human resource systems might still choose to disregard the WSP or only partially follow it. Alternatively, companies that strictly follow their WSP and choose to make few or no changes within the duration of the plan may struggle to respond to unanticipated skills needs that arise during the course of the year. Hence, this question was asked in order to determine how businesses followed and implemented the WSP and, by doing so, gauge an understanding of top personnel perspectives on the usefulness of the plan.

From the perspective of an organisation with articulate and coherent human resources systems and strategies in place, Kim (Executive Manager, 8 November 2012) from PMI suggested that the ideal situation in any organisation would be that organisations would be able to adapt their WSP as and when they need to. However, she went on to describe how, if an organisation's skills development plans and human resources systems are well structured and training is directly linked to employees' jobs, the only time one would require changes to be made is if the nature of one's job changes or if a position becomes redundant (Kim, Executive Manager, 8 November 2012). While this explanation is theoretically sound and may be true for PMI, the reality is that many organisations, as described above, do not have such human resources systems in place and therefore would not be able to design their WSP with as much accuracy as PMI does.

Furthermore, even for those organisations that do have such systems, the ideal situation that Kim described is still not always attainable because of unpredicted changes which happen during the course of the year. As Geraldine (Skills Development Facilitator, 6 November 2012) explained, the WSP of First National Battery, which is well planned and accurately informed by individual, departmental and organisational skills needs, is not followed "one hundred per cent" because organisational changes that happen constantly during the course of

the year need to be taken into account. These changes automatically affect the organisation's training and skills development needs. For example, managers may require that certain planned training initiatives be postponed to make space for new requirements (Geraldine, Skills Development Facilitator, 6 November 2012).

In similar vein to the answer provided by Geraldine, most respondents said that the organisations they were employed by were fairly flexible when it came to their planned training and how they implemented their WSP. The general consensus amongst respondents was that organisations used the WSP, as the name indicates, as a plan to guide training initiatives throughout the year but were not strictly confined to what was incorporated in the plan. There was therefore room for flexibility so that businesses could respond to the various changes which occurred during the year. The problem with this approach is that the flexibility described by these companies is limited in that organisations' ATRs are often measured by the SETAs against the previous year's WSPs. Grant approval is based on the extent to which organisations have realised their planned training initiatives, as indicated in the previous year's plan.

Brian (Skills Specialist, 7 November 2012) from the East London Industrial Development Zone confirmed this and suggested that, having experience and knowledge of assisting companies with their WSPs and training strategies, he understood that companies are required to stick very closely to their WSP because grants are paid out based on money spent on or against these planned training targets. In continuing his explanation, he stated: "I see it as a problem, not even a challenge, purely a problem because things change" (Brian, Skills Development Specialist, 7 November 2012). Training plans need to be flexible in order to respond to such changes (Brian, Skills Specialist, 7 November 2012). According to Brian (Skills Specialist, 7 November 2012) not only is it extremely difficult for companies to forecast skills needs but also no one can be certain of when or how markets will change.

The same applies to changing technology, which will be discussed in depth in the following chapters. Because companies are largely restricted to the training indicated in their WSP and have limited flexibility in this regard, organisations often design their WSPs to include very generic types of training, and avoid including core or specific skills needs. This is so that during the course of the year if the training indicated in the WSP is (for example) no longer financially viable, organisations have some flexibility to substitute a particular course or

training initiative with a cheaper option (Brian, Skills Specialist, 7 November 2012). Apart from financial implications, organisations may choose to include largely non-specific training, such as in-house training, in their WSP as opposed to indicating specific courses.

The problem with this is that the more generic an organisations WSP is, the more difficult it is to hold the organisation accountable to specific career-aligned training initiatives. This once again reflects the previously discussed issue concerning return on investment: that is, top personnel are unable to measure or to see an adequate return on their monies spent on skills development although the training they provide is ad-hoc, non-specific and not aligned to individual development plans. According to Lange et al. (2000: 5), studies have shown that a significant number of SME owners/managers are hesitant to engage in regular, formal training and are more willing to participate in training on the job and/or informal training where the direct link between cost and benefit is more visible (Lange et al., 2000: 5).

Due to the limitations that the SETAs place on the issuing of skills development grants, from an organisational perspective it simply makes ‘business-sense’ for firms to restrict the amount and types of training that are captured in their WSP. One of the central problems with business engaging with the skills development framework is therefore that the WSPs are limiting the flexibility of organisations in responding to their skills development needs. For skills development to be successful it needs to be responsive to the changing needs of the organisation and hence a degree of flexibility is essential. If one re-examines the reasons provided by Kim (Executive Manager, 8 November 2012) as to why companies would need to change their WSP, they are correct but limited.

As other respondents revealed, there are many reasons why organisations require a degree of flexibility and need to be able to be responsive to training needs, including financial and strategy changes. The danger in organisations stringently abiding by their WSP is that training and development may become a rigid and unresponsive exercise. There is also the risk that if organisations are unable to deviate from their WSP, they may limit the training to only what is captured in the plan and complete this training simply in order to access skills development grants. The objectives of the skills development framework could potentially be lost in the rigidity of the system of grant applications. As Bellis and Hattingh (2004: 1) argue, if organisations establish processes for planning the development of employees’ skills merely

to satisfy the requirements of the SETA and get money from the Skills Levy, they are unlikely to reap much benefit.

## **5.6 CONCLUSION**

As outlined in Chapter 2, through the SDA, the South African government has provided an institutional framework to create and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce (Skills Development Act, No. 97 of 1998, 1998: para1). From the analysis above, it is evident that there are notable shortcomings concerning the level of engagement of business in the skills development framework. In line with the findings of the research, Lange et al. (2009: 10) argue that while training and learning opportunities in large organisations appear to be organised, planned and structured, smaller companies seem to offer training if and when the need arises adopting an ad hoc approach to skills development. Similarly, large organisations appear to be more engaged with the skills development framework and with the alignment of skills development plans and organisational strategies within the workplace compared to small and medium enterprises. The generally low and at times minimal engagement with the skills development framework at an organisational level suggests that business, as a social partner, is not adequately playing the role that the state intends it to play in the skills development framework.

# **CHAPTER 6:**

## **BUSINESSES' ACCEPTANCE OF RESPONSIBILITY AS STAKEHOLDERS IN THE SKILLS DEVELOPMENT FRAMEWORK**

### **6.1 INTRODUCTION**

As stated in the previous chapter, NSDS III states that “a partnership and collective responsibility between stakeholders – government, business organisations, trade unions, constituency bodies – and our delivery agents – SETAs, public bodies, employers, trade and professional bodies, public and private training providers, community-based organisations, cooperatives and NGOs – is critical to achieving our aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce to support a skills revolution in our country” (Department of Higher Education and Training, 2011b: 25-26). The partnership approach to skills development was discussed in the preceding chapter by analysing the extent to which businesses engage in the skills development framework. With reference to the above quote, the following chapter will continue the analysis of the role of business as a social partner in the skills development framework by analysing the notion of “collective responsibility” and studying the extent to which business, as a social partner, accepts and acts on this responsibility.

The term ‘collective responsibility’ is synonymous with that of ‘collective liability’ and can be understood as the joint acceptance of success and/or failure within a group. In business, one generally commits to being collectively responsible for something by engaging in a partnership agreement. This agreement would generally require a certain level of investment (monetary or other) by those committing to it. Depending on the nature of the agreement, the idea is that if one party fails the others will be jointly responsible for this failure. Likewise, if one party succeeds the success will be shared according to the specifications of the agreement. It is highly unlikely that one would feel collectively responsible or liable for the success or failure of a partnership that one has not committed to or invested in. Instead, one would only accept this responsibility if one is somehow party to the partnership agreement.

The skills development framework in South Africa stresses that business is a key partner in the achievement of skills development goals and is thus regarded as jointly responsible for the success or failure of skills development. However, as Chapter 5 identifies, there are notable shortcomings concerning the levels of engagement of business in this partnership, which suggests that, as a social partner, business may not be accepting collective liability as the skills development framework intends. This chapter will therefore explore the extent to which business regards itself as an investor and as a collectively responsible partner in the skills development framework. This will be done by firstly exploring organisational alignment to national and sectoral skills development strategies and secondly, by studying how organisations respond to national and sectoral skills needs such as scarce and critical skills.

## **6.2 THE ALIGNMENT BETWEEN WORKPLACE SKILLS PLANS AND NATIONAL AND SECTORAL SKILLS DEVELOPMENT STRATEGIES**

### **6.2.1 Organisational Alignment to the National Skills Development Strategy**

Despite the findings outlined in the previous chapter, according to the Human Resource Development Strategy for South Africa (2010 – 2030), “investment in training has grown significantly since the implementation of the Skills Development Act, 1998 (Act 97 of 1998) and the Skills Development Levies Act, 1999 (Act 9 of 1999) (Department of Education, 2009: 16). There is also evidence of a steady growth in the investment in worker training by private enterprises, over and above the investment linked to skills development levies”. While this may be true, one cannot assume that because national training levels are increasing, organisations are becoming increasingly responsive to national or sectoral skills development needs. On the contrary, organisations may simply be increasing their amounts of training in order to respond to their own cumulative business needs without taking into consideration national or sectoral objectives.

Therefore, in order to identify the extent to which business accepts collective responsibility for the success or failure of national skills development objectives, and simultaneously acts on this responsibility, it is essential that one goes beyond simply identifying that there has been a national increase in overall training levels. As outlined in the introduction to this

chapter, in order to do this one needs to focus on two central issues. The first issue is the extent to which organisations align their WSPs to national and sectoral skills development objectives. The second issue is the extent to which organisations respond to national and sectoral skills needs such as scarce and critical skills. This section will focus on the former issue, followed by a comprehensive discussion of the latter in the subsequent section.

The 12<sup>th</sup> Annual Employment Equity Report states that “stakeholder collaboration is one of the most vital ingredients to empower any nation and to build human capital” (Department of Labour; 2012: 3). This statement is consistent with literature on skills development, which emphasises a ‘joined-up’ approach to training and development and highlights the need for collective action in order to achieve an economy characterised by a wide range of transferable skills. The need for a collaborative approach to skills development is also emphasised in the SDA which states that one of the purposes of the Act is to “encourage partnerships between the public and private sectors of the economy to provide education and training in and for the workplace” (Skills Development Act, No. 97 of 1998, 1998: chap1).

Furthermore, the need for a participatory approach to skills development is reiterated in the NSDS, which is designed to support skills development legislation and structure efforts towards achieving skills development objectives. As stated in the strategy “the NSDS is the overarching strategic guide for skills development and provides direction to sector skills planning and implementation in the SETAs. It provides a framework for the skills development levy resource utilisation of these institutions as well the NSF [National Skills Fund], and sets out the linkages with, and responsibilities of, other education and training stakeholders” (Department of Higher Education and Training, 2011b: 8). Mummmenthey (2010: 18) explains that the purpose of the NSDS is to set out national priority skills areas and indicate the primary objectives for skills development. An example of this evident in the most recent NSDS is the goal of increasing access to occupationally-directed programmes in order to fill the gaps in South Africa’s pool of intermediate skills (Department of Higher Education and Training, 2011b: 13).

Learnerships are an excellent example of these occupationally directed programmes and are managed, at a sectoral level, by SETAs. In the light of this chapter’s focus, what is arguably most important to understand about the NSDS is that it seeks to promote a skills development system that effectively responds to the needs of the labour market and social equity by

establishing and promoting closer links between employers and training institutions and between both of these and the SETAs (Department of Higher Education and Training, 2011b: 6). The emphasis here is not necessarily on what the NSDS aims to do but how it aims to do it – by establishing and promoting closer linkages between employers, training institutions and SETAs. If, for whatever reasons, employers are not working with training institutions and SETAs one can assume that the probability of the goals and objectives of the NSDS being realised is substantially lessened.

Since one of the aims of this research is to analyse the extent to which national skills development goals are reflected in business strategies, top personnel respondents were asked whether their WSP was aligned to the NSDS or the PGDP. Evidence of alignment would be any correlation between organisational training or strategies and the goals and objectives of the NSDS or the PGDP. Examples of this alignment include the following: organisational engagement in “occupationally-directed programmes” such as learnerships; “addressing the low levels of youth and adult language and numeracy skills to enable additional training” such as enrolment of employees in Adult Basic Education and Training programmes; and “encouraging and supporting cooperatives, small enterprises, worker initiated, NGO and community training initiatives” (Department of Higher Education and Training, 2011b: 12 – 19).

Of the group of respondents, only two organisations stated that their WSP was aligned to either of these documents. Both of these organisations were large organisations. Geraldine of First National Battery (Skills Development Facilitator; 6 November 2012) explained that while her organisation’s plan was aligned to the SSP and the NSDS, she was not certain if it was aligned to the PGDP (Geraldine, Skills Development Facilitator, 6 November 2012). Apart from the two large organisations mentioned, all the other respondents claimed that they had no knowledge of any of these plans and strategies. Furthermore, some respondents, even though they did not know what was entailed in the strategies and plans, said that they simply assumed that their WSP was in line with them.

Brian, who consulted with numerous organisations, including SMEs and large companies, on skills development matters, said that all of the organisations he worked with focused purely on their own company’s needs and did not take into consideration any national or sectoral strategies and/or plans when formulating and executing their WSP (Brian, Skills Specialist, 7



November 2012). He stated, “they purely focus on their own company’s needs - I can categorically state that” (Brian, Skills Specialist, 7 November 2012). The lack of alignment between organisational WSPs and national, sectoral and provincial objectives is a serious problem in the overall skills development trajectory because the skills development framework relies heavily on business to respond to skills development challenges in achieving its objectives. As explained in the latest Eastern Cape PGDP: “in facilitating growth and development, the State requires effective partnerships with business, labour and civil society to meet the socio-economic challenges of the Province” (Province of the Eastern Cape, 2004: 69).

The data of this research showed that, despite the reliance on business by strategies such as the NSDS there was very little correlation between the training captured in the WSP and national or provincial strategies and objectives, unless organisations were engaged in specific SETA-aligned programmes such as learnerships. This led to the subsequent question as to why companies were not aligning their organisational training and development initiatives with national or sectoral skills development objectives, or at least considering these objectives when formulating their WSP. The obvious answer is that organisations are generally focused on turning as high a profit as possible and therefore, when they do engage in training initiatives, this is done primarily in order to contribute to the pursuit of profits (as already identified in the previous chapter). The findings of this research also identified that levels of awareness amongst respondents played an important role in the extent of businesses’ engagement in skills development and the extent to which businesses aligned their WSPs to strategies such as the NSDS. In analysing the answers provided by respondents in relation to this topic, there appeared to be two distinct groups of respondents. The first group comprised respondents that were aware of the various skills development strategies and plans and indicated that the organisations that they were employed by aligned their WSPs to these strategies and plans. The second group comprised the majority of respondents who indicated that they were not aware of the NSDS or the PGDP. They also indicated that the organisations they were employed by did not align their WSPs to either strategy or plan.

In comparing the answers provided by the two groups of respondents, one could argue that one of the reasons why organisations aligned their WSPs to national or provincial strategies was because they were aware of these documents and understood the need to be responsive to the goals and objectives outlined in them. However, having said this, one cannot simply

assume that if the latter group was made aware of these strategies and plans organisations would automatically align, or even partially align, their planned training to broader skills development needs such as addressing the low levels of youth and adult language and numeracy skills. However, one could argue that, based on these findings, increased awareness could heighten the chances of alignment. The issue of awareness is paramount and will be further discussed in the following chapters.

In deepening the discussion on national and provincial strategies, employee respondents were similarly asked what they believed was the role of the organisation in achieving national skills development goals and objectives such as those outlined in the NSDS. With the exception of one participant, employees either stated that they did not know if the organisation they worked for played a role in achieving these objectives or alternatively stated that, in their opinion, the organisation does not play a role at all. Of the group of employee respondents, only one, who was employed by a large organisation, expressed that she felt that the firm she worked for played a role in achieving these goals. Anda (Receptionist, 6 November 2012) stated, “I would say we play a role in achieving these goals, or at least contributing towards achieving them - the company takes training seriously”.

While her answer was correct, her reason for providing this answer was based on the approach to training taken by the organisation she worked for and not on any specific knowledge or understanding of skills development strategies and plans. The issue of awareness, or rather lack of awareness, was therefore similarly evident amongst employees as it was amongst top personnel respondents. Both had very little information to offer on aligning organisations’ WSPs or skills objectives with national or provincial skills objectives. The findings of this particular section of this research were therefore limited in so far as the issue of businesses’ collective responsibility is concerned.

According to Benjamin (2005: 4) “labour laws seek to promote the employability of individuals through national and sectoral schemes providing training and skills development for employees and work seekers as well as mechanisms for the placing persons in work”. Even if the complexities of the legal and policy framework are not fully understood, it is critically important that managers, employees and work seekers are aware of the strategies and laws in place to promote employability and access to training and development. This is not just for the benefit of employees but also so that organisations can come to understand the

role that they play in the skills development framework and how the training captured in their WSPs can influence the achievement of sectoral and national skills development objectives.

### **6.2.2 Employer Engagement with Sector Skills Plans**

For the same reasons that top personnel and employee respondents were asked to evaluate the alignment of their training and development to the NSDS and the PGDP, respondents were also questioned about the extent to which the organisations they belonged to aligned their WSP to their respective SETA's SSP. Along with the Department of Higher Education and Training, one of the key responsibilities of the SETAs outlined in the NSDS III is to achieve decent employment through inclusive economic growth (CHIETA, 2011: 1). In order to fulfil this function, SETAs collect information, research sector labour market trends and analyse national and provincial growth and development strategies. SSPs are formulated based on the integration of this information.

In terms of the SDA, a SSP is required by all SETAs every five years and must be prepared within the framework of the relevant NSDS (CHIETA, 2011: 1). According to the most recent CHIETA Five Year SSP (2011: 1), the SSP is aimed at identifying:

- “The skills needs of industry/economic sectors (skills shortages, skills gaps and skills supply) based on the standard industrial classification codes allocated to each individual SETA by the Minister in the SETA establishment and re-certification process;
- Possibilities and constraints in the effective utilisation and development of skills in relation to government's priorities and the objectives of the Human Resource Development Strategy, the NSDS, Provincial Growth and Development Strategies (including major projects) and relevant industry/economic strategies”.

Each SETA's SSP is unique to that particular sector and therefore comprises different objectives, constraints and other relevant sector-related information. Key features of the SSPs are: professionally researched, sound analyses of the sector; articulate and agreed-upon strategies to address skills needs; identified supply challenges in relation to high level scarce skills gaps; strategies for addressing these skills gaps; and capacity needs of relevant departments and entities (Department of Higher Education and Training, 2011b: 12 – 22).

The MERSETA SSP 2010/11 – 2015/16 for example includes, amongst other things, the national and strategic context for skills planning, the economic profile of the manufacturing sector, an economic overview of the sector as well as an employment profile and an analysis of skills demand. All of this information informs the subsequent plans of the SETAs which aim to respond to any skills shortcomings and hence upskill the sector. Furthermore, the SSP can be used by employers and employees to access the necessary information they need in order to understand the economic landscape of their sector and respond accordingly (MERSETA, 2010: 12-13).

When top personnel respondents were asked whether the WSPs of the organisations they worked for were aligned to their SETA's SSP, only two respondents stated that they were. These were the same two respondents who indicated that their WSP was aligned to the NSDS and both were employed by large organisations. Once again, all other participants were either unaware of what the SSP was or indicated that they simply assumed their WSP was automatically in line with it. Johan (Human Resource Manager, 6 November 2012) for example stated, "Our industry doesn't really have a plan in motion but we try to identify the guys that we can so that they can better themselves". Johan's statement is incorrect since the organisation he was employed by was affiliated to MERSETA.

Once again this highlights the issue of awareness but moreover it presents a serious problem in that if companies are not responding to the contents of their sector's SSP the goals of the SSP will not be reached because the achievement of these goals and objectives are premised on a collaborative approach. For example, the workplace skills programmes designed by SETAs to respond to various skills needs or 'skills gaps' in the sectors cannot exist without workplaces in which to accommodate them. It is for this reason that SETAs offer grants such as discretionary and PIVOTAL grants to encourage and incentivise business to participate in such programmes. Referring back to the findings outlined in the previous chapter with regard to organisations' engagement with the skills development framework beyond the application for the mandatory grants, it appears that only the minority of firms actually engage in such workplace training programmes, which leave SETAs in an extremely difficult and somewhat redundant position.

The so-called usefulness of SETAs is premised on the extent to which other social partners are willing and able to engage with them in pursuing and realising collective sectoral

objectives. The failure of business to engage actively with SETAs places sectoral and consequently national skills development objectives at risk. As far as the mandatory grants are concerned, these same issues are evident. According to Marock (2010: 14), “while mandatory grant payments by SETAs over the period 2005–2009 reflect that on average 73 per cent of registered employers within the skills development landscape are claiming and receiving mandatory grants, there is insufficient evidence to indicate whether this reflects training undertaken in terms of priorities developed within the SSP or if this training is simply the repackaging of training that employers would carry out regardless of the levy-grant system”.

This is extremely concerning because if employers are not using the money claimed from the mandatory grant to respond to specific sectoral needs as outlined in the SSPs, especially for those who are spending more than one per cent of their payroll on training and development, then the purpose of the mandatory grant is questionable (Marock, 2010: 15). Even if companies that are paying their skills development levy and not claiming grants back from the SETA are not completing any workplace training, at least they are still contributing to a central pool of funds, which can be used by the SETA to respond to sectoral skills needs (Marock, 2010: 15). As Marock (2010: 15) argues, these issues have led to a questioning of the value of the mandatory grant and the suggestion that the purpose of the mandatory grant should change, as well as the basis for claims.

However, one cannot be certain whether changing the regulations of the mandatory grant system in order to encourage organisations to train in line with sectoral skills needs will increase or decrease the amount of actual training completed. According to Keep et al. (2002: 13), “when policy makers talk about training and skills impacting on company performance or the bottom line they are often conflating a wide range of measures, and, in some instances, these are very different ones from those used by company managers in making managerial or investment decisions”. This is because reasons to train and hence the motivation behind skills development at the level of the workplace are often vastly different to conceptions of the need to train formed at a sectoral or national level.

Policy makers are generally focused on the macro-level and how skills development can influence broader economic development, while organisations are focused on the micro-level and the effects that skills development will have on the organisation. Understanding this

chasm in the general logic behind national and organisational skills development initiatives is extremely important when studying the relationship between national strategies and companies' WSPs. The identification by SETAs of sectors' scarce and critical skills indicated in the SETAs' SSPs and organisations' responses to these skills needs is an excellent example of this and will be discussed in the following section.

## **6.3 RESPONDING TO NATIONAL SKILLS NEEDS AT AN ORGANISATIONAL LEVEL**

### **6.3.1 Scarce and Critical Skills**

Every sector or industry is presented with the challenge of scarce and critical skills. According to the definitions used by the Department of Labour, scarce skills refer to “those occupations in which there are a scarcity of qualified and experienced people, currently or anticipated in the future, either (a) because such skilled people are not available or (b) they are available but do not meet employment criteria” (Department of Higher Education and Training, 2011a: 118). Critical skills are defined as “specific” key or generic and “top-up” skills within an occupation. In the South African context, there are two groups of critical skills:

- Key or generic skills, including (in South African Qualifications Authority-NQF terminology) critical cross-field outcomes. These would include cognitive skills (problem solving, learning to learn), language and literacy skills, mathematical skills, ICT skills and working in teams.
- Particular occupationally specific “top-up” skills required for performance within that occupation to fill a “skills gap” that might have arisen as a result of changing technology or new forms of work organisation (Department of Higher Education and Training, 2011a: 119).

During the series of interviews, top personnel respondents were asked if they were aware of the scarce and/or critical skills within the sector in which the organisation they worked belonged. And, depending on respondents' answers to this question, if and how these organisations responded to their sector's scarce and critical skills. Having already established

that only a few organisations within this research sample aligned their workplace training and their WSP to the NSDS, Provincial Growth and Development Strategy or the SETAs SSPs, it was anticipated that organisations' answers would be consistent with previous answers in terms of limited awareness and even lesser responsiveness to needs outside the scope of their workplaces.

Surprisingly, the findings of the analysis indicated that that even though almost all top personnel and employee respondents were unaware of the NSDS, PGDP and the various SSPs, there was definitely an increased awareness regarding scarce and critical skills. This was interesting, considering that since scarce and critical skills form part of SETAs' SSPs one would assume that knowledge or awareness of the scarce and critical skills would correlate with knowledge and awareness of the SSPs. Furthermore, almost all respondents were able to definitively mention specific scarce and/or critical skills in their sector which, on comparison with their SETA's SSP proved to be consistent with those indicated in the plans.

An example of this was Michele (Human Resources Administrator, 7 November 2012) from Blue Lagoon Hotel who claimed that the hotel ensured that it took into consideration its sector's scarce and critical skills needs. When asked to provide an example of a scarce or critical skill in the industry she stated "well there seem to be a shortage of chefs coming in, right from assistant chefs right to executive chefs, right to the top" (Michele, Human Resources Administrator, 7 November 2012). The example she gave was consistent with CATHSSETA's current SSP, which includes chefs on both the scarce and critical skills lists. The CATHSSETA SSP states that the chef occupation forms part of the top three technicians and associate professionals' occupations in terms of current and potential future vacancies (Department of Higher Education and Training, 2013: 39).

It further states that in terms of identifying scarce and critical skills "chef is a consistent finding and has actually increased from 155 current vacancies and 232 potential vacancies to 227 current vacancies and 320 potential vacancies. It must be noted that these vacancies are often driven by the fact that chefs tend to travel both locally and globally to work in diverse restaurants to gain work experience in preparing various cuisines" (Department of Higher Education and Training, 2013: 39). In trying to make sense of why respondents were generally aware of the sectors scarce and critical skills while often being unaware of their sector's SSP or other related documents such as the NSDS, further analysis was done on the

individual answers provided by each respondent. What was subsequently identified was that while Michele and other respondents were often able to provide examples of scarce and critical skills that correlated with those outlined in their SETA's SSP, the skills which they identified were always those which directly affected the organisations they worked for.

For example, with reference to Michele's answer, the reason why she mentioned that, in her opinion, chefs were a scarce and critical skill area was because the organisation she worked for had noticed a shortage of individuals in this profession, which presumably had had an effect on the firm when trying to fill vacancies. Likewise, Brendan from the East London Golf Club (General Manager, 7 November 2012), when providing an example of scarce and/or critical skills stated that, in his opinion, the green keeper occupation would definitely fall into the scarce skills category. Again, this was consistent with the CATHSSEETA SSP that not only includes this occupation in the scarce skills list but states that "the occupations of Landscape Gardener and Green Keeper are of particular concern as these occupations require a significant amount of experience in addition to education and training" (Department of Higher Education and Training, 2013: 32).

The motivation behind Brendan's answer was similar to Michele's, in that the organisation he worked for had recently had trouble in finding workers to fill this potential vacancy. What these findings suggested was that respondents may only have been aware of these scarce and critical skills because of the impact that these scarcities had on the firm in which they worked. The answers provided by respondents were therefore possibly not based on any knowledge of the scarce and critical skills lists but were simply reflective of organisational skills needs. While one cannot be certain if this assumption is correct, it would explain why respondents were often unfamiliar with their SETA's SSP but were, in contrast, accurately familiar with the scarce and critical skills which formed part of the SSP.

Furthermore, assuming this is correct it would also explain why most respondents, even those who correctly gave examples of scarce and critical skills in their sector failed to provide any information on how the organisations they worked for responded to the scarce and critical skills they identified. This could arguably be because organisations responded to these scarce and critical skills, not because of any sense of collective responsibility and/or alignment to SETAs' SSPs, but purely because it made business sense to do so, given the effect which particular scarce or critical skills had on their organisation. Organisations therefore could



likely respond to these skills shortages despite them being indicated on any scarce or critical skills lists. The primary reason why organisations respond to these shortages was therefore to deal with organisational scarce and critical skills gaps and not to purposefully partner with sectors to rectify skills gaps.

Of the sample of respondents, only two organisations, PMI and the Kempston Group, explicitly stated that they actively and purposefully aimed to deal with the scarce or critical skills in their industry. Additionally, both of these organisations achieved this through their roles as training providers and not necessarily within their own organisations. Kim (Executive Manager, 9 November 2012) discussed that PMI designed qualifications and courses to deal with critical skills shortages. Tracey (Skills Development Facilitator, 13 November 2012) from Kempston Group explained that the organisation she worked for had opened a driving academy, accredited through Transport Education Training Authority (TETA), specifically to respond to some of the scarce skills in the transport industry.

After noticing the scarcity of qualified and available drivers, the Kempston Group opened the academy for the purpose of training its own employees as well as any other workers wanting to gain driving qualifications. This includes training for Code 8 licenses, truck drivers' training and training on heavy-duty vehicles (Tracey, Skills Development Facilitator, 13 November 2012). In addition to what has already been established, two central issues were identified with regard to organisations responding to scarce and critical skills. The first issue, which is consistent with an argument raised in the previous section, is the substantial lack of awareness. The argument holds that if employers, workers and those seeking employment were more aware of skills development matters, including scarce and critical skills, the likelihood of rectifying skills gaps and overcoming skills shortages would be significantly enhanced.

While top personnel respondents could identify some of the scarce and critical skills that affected the organisations they worked for, this does not necessarily mean that they were responsive to these skills shortages, as the findings of this research clearly showed. Bearing this in mind, if these same respondents were aware of available skills programmes such as learnerships accessible through their SETAs and specifically aimed at rectifying skills shortages, employers may be more inclined to respond actively to the scarce and critical skills in their organisation. Awareness of the monetary incentives that accompany these skills

programmes could further incentivise organisations to become more responsive to these skills needs. The importance of being aware of scarce and critical skills is not only applicable to top personnel and employers but is also extremely important for employees and job seekers as it can have a significant impact on career development.

To explain this impact, one can use the example of the butcher's profession, which is regarded as a scarce skill in the Wholesale and Retail Sector (Department of Higher Education and Training, 2011a: 125). An insufficient number of trained and qualified butchers could significantly hamper the process of meat production, from preparation to distribution. This, in turn, could disrupt the supply of meat, which would affect not only the wholesalers and retailers selling meat, but also the entire meat industry, including multiple sectors such as the agriculture and transport sector. At an individual level, if workers and work-seekers are not aware of what skills are required in the labour market they may choose to study towards an occupation, or learn a particular skill, where there are very few job vacancies because the labour market already has enough qualified workers to fill these positions.

However, had this individual chosen to learn the skills required in becoming a butcher, for example, the likelihood that they would be employed would have been increased. As outlined in Chapter 2, what this means on a broader scale is that studying or training in line with the needs of the labour market could potentially lessen unemployment, which could consequently affect poverty and the potential for sustainable development. The issue of awareness, from an organisational to an individual level, is therefore of paramount importance. This leads to the second issue: the imperfect distribution of information. While awareness is essential, it is of equal importance that the information that individuals and organisations access or receive is accurate and therefore applicable.

However, another challenge associated with responding to scarce and critical skills, and one that will be explored in more detail in the following chapter, is that the process of identifying the scarce and critical skills is somewhat controversial. The W and R SETA SSP describes how both scarce and critical skills must be identified at an occupational level. Scarce skills are considered against the occupation itself and critical skills are reflected as specific skills within the occupation (Department of Higher Education and Training, 2011a: 119). As stated in the NSDS III, "there is currently no institutional mechanism that provides credible

information and analysis with regard to the supply and demand for skills. While there are a number of disparate information databases and research initiatives, there is no standardised framework for determining skills supply, shortages and vacancies, and there is no integrated information system for skills supply and demand across government” (Department of Higher Education and Training, 2011b: 12). As a result, the role of identifying scarce and critical skills falls on the shoulders of the various SETAs that lack a framework or guidelines to assist in the process of analysis and determination.

SETAs currently play an important role in gathering information on labour market skills needs and training provisions because of their intermediary position between government and business, which allows them to document and communicate recent and emerging trends and to develop determining indicators (Department of Higher Education and Training, 2011b: 12). Nonetheless, scarce and critical skills that are identified by the SETAs are, at best, tentative and expressed in general terms because of the difficulty of accurately assessing future needs (Department of Higher Education and Training, 2011a: 119). For example, one of the ways in which SETAs collect data on scarce and critical skills is by allocating a section in the mandatory grant applications for SDFs for applicants to indicate which skills they regard as scarce and critical within the context of the organisations they represent. The problem with this approach is that there is no guarantee that the skills which organisations recognise as scarce are an accurate representation of actual scarce and critical skills in the industry to which they belong. As explained in the most recent CHIETA SSP, company-specific drivers of scarcity exist when companies report difficulties in filling posts even though no real scarcity may exist in the labour market. Factors that may determine the perceived scarcity include geographic location, unattractive remuneration and ineffective recruitment policies (CHIETA; 2011: 13).

Non-company-specific reasons for scarce and critical skills include the following: the poor quality of graduates, which results in graduates not matching the skills demands of the sector; a lack of information on career opportunities, resulting in learners being unaware of the career options in the economy and therefore not following recommended learning paths; the demand for subsector specialists; the lack of succession planning in organisations; and new skills needs (CHIETA; 2011: 13). An additional dilemma concerning the imperfect distribution of information is that scarce and critical skills are not particular to the needs of provinces or regions. Brian (Skills Development Specialist, 7 November 2012) argued that, in

his opinion, the problem with scarce and critical skills sets and the reasons why they are not being adequately responded to is because these skills sets that are being identified by the SETAs on an annual basis are reflective of national statistics and are not particular to a certain region or province.

Scarce and critical skills fail to consider provincial or regional needs. While a certain skill set may be scarce in Eastern Cape, there may be an abundance of suitably qualified and experienced people with this necessary skill set in another province. The skills that are required nationally are subsequently not always the skills that are required within a particular organisation (Brian, Skills Development Specialist, 7 November 2012). Therefore, from an organisational perspective, scarce and critical skills appear both theoretically and practically redundant in so far as they will most likely be considered only if they have a direct effect on the organisation. And even then one cannot be sure, taking into consideration the way in which these skills needs are identified, that they are accurate representations of sectors' skills needs. Furthermore, businesses will only engage with skills programmes and other initiatives aimed at bringing skills gaps if these respond directly to organisation needs.

### **6.3.2 Responding to the Needs of the 'Knowledge Economy'**

Key to literature on responding to national skills needs is the fundamental concern that South Africa needs to respond to the desperate need for human capital. While human capital development is a multi-faceted topic, arguably the two main focal points in terms of skills development are responding to the emerging 'knowledge economy' and the pursuit of high skills. The aims to respond adequately to the pursuit of a knowledge economy and a high-skilled economy inform strategies such as the NSDS and the PGDP. As a collectively responsible social partner, business is regarded as jointly accountable for the pursuit of the knowledge economy and the achievement of a high-skills economy. While these two concepts or approaches do at times have overlapping mandates, they will be dealt with separately.

As outlined in Chapter 2, the term "knowledge economy" or "knowledge-based economy" is derived from a fuller recognition of the role of knowledge and technology in economic growth and the argument that human capital and technology is central to economic development (OECD, 1996: 9). A knowledge-based economy can therefore be defined as one

that is “directly based on the production, distribution and use of knowledge and information” (OECD, 1996: 7). As Crouch et al. (2004:1) explain, rapid changes in knowledge, such as an increasing reliance on technology, has required that learning become a permanent process in economic life. Skills development has therefore become central to the business strategy of companies (Mercorio and Mercorio, 2000: 15). This is because, as the economy has evolved, it has necessitated a new kind of worker and thus has required organisations to design new ways of learning. This new worker, termed a ‘knowledge worker’, is required to learn and apply new knowledge to the evolving demands of the workplace (Kraak, 2004c: 35).

According to Smith, De León, Marshall, and Cantrell (2012: 8), advances in technology constitute one of the main reasons why employees require a growing portfolio of skills. An excellent example of this can be seen in Hilton Hotels and Resorts, where housekeepers and service staff are trained not only to clean and check guests into their rooms but also to help travellers connect their iPads in the hotel and troubleshoot for guests using self-check-in kiosks (Smith et al., 2012: 8). Another example is seen in the automotive industry where production workers, who have traditionally been regarded as unskilled, now require sophisticated technology, communication and problem-solving skills in order to work advanced equipment and solve quality-related problems (Smith et al., 2012: 8).

In the light of the issues reflected in these examples, an important question posed to respondents was how changes in knowledge and technology have affected the organisations that employ them. In analysing respondents’ answers, there was a clear indication that organisations were acutely aware of the impacts of technological changes and developments which affect them. An interesting example provided by Johan (Human Resources Manager, 6 November 2012), from the Used Spares Association, was the way in which the panel beating industry is affected by changes and development in automotive paint. He suggested that while paints used on motor vehicles were traditionally oil-based, vehicles are now painted with water-based paint. This means that workers now need to be trained on how to mix and use these different materials in their daily work. While this is not directly a technological development it arose as a result of technological changes in vehicle production.

Furthermore, Johan claimed that workers had expressed to him that they were experiencing similar type changes regarding the use of automotive materials and tools on the mechanical side of the business (Johan, Human Resources Manager, 6 November 2012). He explained

that considering the focus of the business -restoring and repairing multiple different vehicles on a daily basis - it was becoming increasingly challenging for the company to keep up to date with all the advancements on the various vehicles, particularly the newer models. As a result, the organisation was unable to assist all of its clients and customers and at times needed to refer them to their vehicles dealership so that they could be guaranteed assistance from someone with specialised and up to date knowledge of their vehicle (Johan, Human Resources Manager, 6 November 2012).

Bruce (Owner/Quantity Surveyor, 10 November 2012), owner of a construction company, claimed that he had also experienced technological changes in the construction industry that affected the day-to-day running of his business. He described these changes as affecting both the production and the pace of production in the industry. He explained how the use of equipment such as tablets and 'smart' cellular telephones on construction sites is becoming increasingly popular and is changing and accelerating the pace of production as a result. An example of this is the updating of construction plans and blueprints. Bruce described how workers can now use electronic devices such as cellular telephones on site to change and update electronic versions of construction plans immediately, rather than writing notes to update plans later back at the office. For example, one strategy involves taking a photograph of the construction site, drawing plans and pictures of the required changes on top of the photograph and simply emailing them to the relevant recipient – using a single electronic device throughout (Bruce; Owner/Quantity Surveyor, 10 November 2012).

Another example of technological changes affecting production in the construction industry is the rapid changes in construction equipment. Bruce (Owner/Quantity Surveyor, 10 November 2012) explained that plant machinery and related construction equipment are now often remote-controlled, making construction easier and faster but requiring workers to learn new and rapidly changing skills. In responding to the developments of the knowledge-based economy, it is important to understand that new technology is both an asset and a liability because it simultaneously deskills and reskills employees. For example, the discussion with Bruce (Owner/Quantity Surveyor, 10 November 2012) revealed that in order to use a cellular telephone device to redesign construction plans in the way described above, someone who is not an architect would need to acquire new design skills, presenting a challenge and/or cost to the individual and the organisation. However the skills involved are of course advantageous in eliminating the time and cost of sending the construction plans with the proposed changes

back to the architect. Another issue is that the acquisition of a new skill by one party can also have a negative effect on another. In the above example, the elimination of the role of the architect in the re-drafting process has a negative effect on the organisation to which the architect or designer belongs. The architect or designer in this sense has been, to a certain extent, deskilled. Employers, and employees, therefore need to be constantly aware of the dual effect of changing technologies and respond to the issues raised by reskilling or upskilling as well as deskilling. Brendan of the East London Golf Club (General Manager, 7 November) similarly described how technological changes with regard to communication devices had affected the club, especially with regard to the use of social media. He described how, from a business perspective, the golf club tried to use social networks such as Facebook to communicate matters such as events and general news, but there were limitations in that older employees did not always have access to these networks.

He explained that the use of touch screen computers to enter golf scores raised similar issues because, once again, older employees were not always comfortable with this process. He argued that these changes do not necessarily have a negative impact, but do pose the business with the challenge of keeping people updated with the relevant skills (Brendan, General Manager, 7 November 2012). Learning to use a touch screen computer to enter golf scores for example, also demands some reskilling of club members who may not be willing to learn this new skill. What is interesting in this example is how the necessity of learning new skills and the impact of changing technologies, such as being able to use a touch screen computer, is not only relevant to workers and work-seekers but applies to individuals outside of these groups as well, including school children and pensioners.

A dominant theme in the analysis of the data collected was that most respondents felt that it was becoming increasingly important for all individuals to be computer-literate. Chuma, an employee of LabourNet (Administrator, 9 November 2012), stated that from an administrative perspective, “everything’s computerised now and nothing’s just written down”. She went on to describe how in the organisation she worked for the emphasis on internet and computer use in employees’ daily job function meant that all employees were required to be computer literate and all workers applying for jobs in the organisation needed to be computer literate in order for their job application to be considered (Chuma, Administrator, 9 November 2012).

The increasing need for computer literacy was reiterated by Anda (Receptionist, 6 November 2012) who stated that “there’s definitely a need for people to be more computer literate – a lot of the older generations don’t know how to use a computer and I think it’s something we as a younger generation often take for granted” (Anda, Receptionist, 6 November 2012). From a managerial perspective, Kim (Executive Manager, 9 November 2012) indicated that computer literacy was very important in the organisation she worked for because, taking into consideration the size of the organisation and the fact that it is a national company, all employees have access to and use computers, email and internet to communicate, amongst other things. Additionally, all employees are linked through a company network, which is regularly updated (Kim, Executive Manager, 9 November 2012).

Arguably, one of the industries most affected by rapid technological changes is the manufacturing industry. In an interview with Geraldine, skills development facilitator of a national manufacturing organisation, she explained that with robots being involved in the making of certain parts used in manufacturing processes, there is a need to send employees on robot training and other forms of training to keep up to date with the pace of the technological advancements (Geraldine, Skills Development Facilitator, 6 November 2012). Apart from Geraldine, while most respondents expressed that they acknowledged the impact of technological changes and the reliance on technology in the present economy, very few of these respondents discussed ways in which they, or the organisations they worked for, responded to these changes at the level of the workplace, for example, through training and development.

In returning to the overall issue of the knowledge economy, it is important to note that changes in technology that affect workers and organisations alike represent only one part of the knowledge economy. The emphasis on technology in this section is therefore used as an example to illustrate the way in which changes in both knowledge and technology rapidly and strongly affect organisations. This research indicates that while respondents recognised the effect these changes had at an individual and a company level, almost all respondents lacked strategies and approaches to respond to these changes. It is essential that, as with the established scarce and critical skills per sector, organisations as well as individual workers not only acknowledge the changes consistent with the pursuit of a knowledge economy but adequately respond to these changes. As indicated in Chapter 2, gaining knowledge and skill is ultimately about increasing one’s adaptability in a constantly changing economy. The



ability to be adaptable and flexible is essential for keeping labour and capital competitive (Lange et al., 2000: 5).

### **6.3.3 Responding to the Pursuit of a High-Skills Economy**

The second key issue to be discussed in the analysis of the pursuit of human capital development in South Africa is the attainment of an economy characterised by high skills. As outlined in Chapter 2, a high-skills economy refers to an economy with a wide distribution of workforce skills, which are fully utilised to achieve high productivity across a wide range of sectors. This, in turn, produces increased wage rates and relative income equality (Ashton, 2004: 100). Like the knowledge economy, achieving the objectives of what has been termed the ‘high-skills thesis’ requires a high level of workforce co-operation supported by both governments and capital initiatives (Ashton, 2004: 100). In the light of these requirements, business has an important role to play in responding to issues pertaining to training and development.

The issues raised in the previous section regarding the knowledge economy and the creation of knowledge workers, emphasise the need for organisations to train and develop in line with technological advancements in the workplace. As outlined in Chapter 2, Maclean and Ordonez (2007: 126) suggest that the foundational skills and knowledge on which further learning is increasingly built must enable the new ‘knowledge worker’ to understand and apply new knowledge to the evolving demands of the workplace. The creation of ‘knowledge workers’ additionally emphasises the importance of upskilling workers at all levels by encouraging the acquisition of transferable skills by employees. This is not only true for the arguments towards the pursuit of a knowledge economy but is evident in the arguments relating to the pursuit of a high-skills economy as well.

Both arguments suggest that employers should change their training and development focus from ‘training for employment’ to ‘training for employability’. This is primarily because training and development is at the centre of a person’s ability to transverse, and his or her ability to transverse is at the heart of a high-skills economy. As Kraak (2004c: 35) explains, transversing refers to “the movement of people into and out of employment throughout their working lives” as well as the mobility of workers up the occupational ladder through training and promotional policies. The matter of one’s ability to transverse raises three key issues.

Firstly, there is the issue of what training initiatives employees have completed in the past; secondly, what training employees are currently completing; and lastly, what training employees want to complete.

To explore the first issue, all employees in the group of respondents were asked if previous training that they had completed prior to working in their current occupation had any effect on their current job. All but one of the employees interviewed stated that previous training that they had attended, even if it was unrelated to their current position, had a positive impact on their current job. Chuma from LabourNet (Branch Administrator, 9 November 2012) explained that even though her previous and current occupations were different, the training she received in her previous job had a notable influence on her present job because it taught her various skills such as how to understand and interact with clients. This skill was necessary to both her past and present jobs. As a result, she regarded her previous training as applicable in her current position, which suggests that these skills were transferable.

The second issue (what kinds of training employees are currently engaged in) and the third issue (what kinds of training employees are planning or intend to engage in) will be dealt with simultaneously. The matter of career planning and development is at the heart of this issue and while this has already been discussed in an earlier chapter, it bears mentioning here because it relates directly to the pursuit of a high-skills thesis. The rationale here is quite simple: achieving a wide distribution of fully utilised workforce skills requires strategic planning and careful consideration and since organisations play such a significant role as sites of learning, it is essential that the training that employees receive is not purely reactive or ad hoc but planned in line with organisational and national objectives. If training is planned and managed correctly, it can and should have a financially positive influence on organisations based on the return on investment achieved as a result of the development of financial and human capital.

In analysing the data provided by the respondents, it was clear that most organisations do not have an adequate career development system in place to provide career-aligned opportunities to their employees. In the light of these findings, it was particularly ironic that despite the lack of career development systems many of these same organisations still require proof of return on investment of completed training. Meyer et al. (2003: 3-4) argue that in South Africa and internationally, the pressure to measure returns on investment regarding skills

development is high because it provides a powerful means of demonstrating the value of training to top management in financial terms. However, it is extremely challenging to measure returns on investment without career-aligned goals to measure against.

If one looks at this issue purely from a financial perspective, implementing a performance management or career planning system may be a costly activity, but the monetary advantages of implementing such a system may be equally financially beneficial. Kim (Executive Manager, 9 November 2012) of PMI explained that when there were vacancies in PMI, managers were able to fill these vacancies internally because of the company's investment in skills development and career planning. As Grobler et al. (2002: 354) explain, there are actually many advantages of promoting employees from within the organisation, one of which is that the process is much more effective than filling the position with a new employee. In the case where there are no viable applicants to fill a vacant position from within the organisation, recruiting new employees may be easier if applicants realise that the company develops its employees and provides career opportunities (Grobler et al., 2002: 354).

A lack of effective career management can result in a high rate of employee turnover as employees may feel that little opportunity exists within the organisation (Grobler et al., 2002: 354). Alternatively, organisational training can be regarded as an incentive to continue the employment relationship (Wachter and Wright, 1990: 244). Within the internal labour market, workplace training, which is regarded as a firm-specific investment, makes workers more productive within their current firm, reduces the incentive for competing firms to 'poach' them and increases the marginal product of workers in their current job (Wachter and Wright, 1990: 244). In other words, training increases an employee's productivity. If organisations are concerned about employees leaving after receiving training, there are ways in which they can be pro-active in dealing with this matter. One example is through training bonds that ensure that employees either work for a designated period of time following the training that they receive, or if they choose to leave before this time period has ended, they pay the company a portion (or the full cost) of the training received. In interviews with respondents, it was revealed that managers and top personnel generally only implement training bonds with their employees for long-term and high-cost courses, such as post-graduate degrees.

In further exploring the financial aspect of organisations' approach to and investment in skills development, the data gathered from the respondents indicated that most organisations did have training budgets set aside specifically for skills development. This indicated that even though organisations may not be effectively planning training in line with individual career paths, organisations were still willing to allocate finances to training and development. This even included an organisation that did not follow their WSP at all and only engaged in ad-hoc training. Surprisingly, however, one respondent from a large organisation that actively engaged with skills development processes, including having a designated internal SDF and a skills development committee, stated that the firm she was employed by did not have a specific training budget to work with (Tracey, Skills Development Facilitator, 13 November 2012).

While the lack of a training budget in this organisation seemed somewhat incongruous and inconsistent with the rest of the data collected from the respondent employed by this firm, Keep et al. (2002: 13) explain that even with the current emphasis on skills development, many firms continue to have no training budgets. Additionally, the costs (direct and indirect) that employers attribute to training varies enormously from firm to firm (Keep et al., 2002: 13). Of the organisations that did not apply for skills development grants, all participants stated that their employer organisations did not have a training budget because they engaged minimally in training and skills development.

The third and final issue identified what types of training employees were interested in completing in their employers' organisation, regardless of whether or not they had a career development plan. As indicated throughout this study, the opportunities that workers have for the development of their skills are greatly affected by the learning provided by employers (Richardson, 2004: 34). According to Grobler et al. (2002: 354), "the current generation of employees is very different from those of generations past. Higher levels of education have raised career expectations. And many workers hold their employers responsible for providing opportunities so that those expectations may be realised". It was therefore somewhat surprising that when employee respondents were asked whether there was any training they wished to complete within their current position and what this training was, almost all employees indicated that there was no training that they wished to complete.

This raises a number of serious concerns of which the underlying issue is that employees are at least partially disengaged with the processes of skills development. It arguably also raises concerns regarding organisations' approaches to training and the lack of commitment to the components of a high-skills thesis and a knowledge economy. If employers are not encouraging training and development through (for example) career development or career planning strategies and systems, it is likely that employers' attitudes of apprehension may filter down to employees and discourage employees from pursuing skills development opportunities.

## **6.4 CONCLUSION**

In exploring the extent to which business regards itself as collectively responsible for the success or failure of national skills development objectives, this chapter highlights that there appears to be a significant disassociation between employers' acceptance of collective responsibility and the pursuit of national skills development strategies. This was particularly evident with regard to organisations' acknowledgment of and responses to the goals and strategies of the NSDS, PGDP, SSPs and scarce and critical skills lists. The findings outlined in this chapter consequently raised important questions as to businesses' level of investment in skills development, not only at a national or sectoral level but at an organisational level as well. While some organisations strongly acknowledge the importance of training and the positive implications of training for individuals, organisations and national development the reality is that this acknowledgement occurs in a minority of organisations.

Furthermore, while almost all organisations recognised the importance of training in the workplace, this recognition was not always borne out by evidence of adequate, appropriate and strategically aligned training initiatives in these organisations. Few organisations recognised or understood how decisions regarding training and development at a workplace level impact on the achievement of national strategies and objectives. This became additionally evident in the analysis of businesses' responses to South Africa's pursuit of a knowledge economy and the pursuit of a high-skills economy. Considering the role of business as a social partner in achieving skills development outcomes, the consequences of businesses not actively accepting collective responsibility for skills development inevitably affects the realisation of skills development goals. As Evans (1997: 65) states: "the extent to

which states can promote transformation depends on the character of the business community with which they have to work”.

# **CHAPTER 7:**

## **CHALLENGES IN THE SKILLS DEVELOPMENT FRAMEWORK: FROM A NATIONAL TO AN ORGANISATIONAL LEVEL**

### **7.1 INTRODUCTION**

The previous two chapters explored the levels at which business engages in the skills development partnership in South Africa and the extent to which the business community considers itself collectively liable for the success or failure of skills development initiatives. It is evident throughout both chapters that numerous challenges constrain businesses in their levels of engagement and partnership with the skills development framework. This chapter aims to outline these challenges by exploring them at a national, sectoral and organisational level. In order to do this it will use the challenges already identified and described in the literature review as a basis on which to analyse the barriers recognised during the data analysis process. Analysing the challenges to skills development enables one to respond coherently to the foundational concern of this research – namely, the conflicts in the role of business as a social partner.

At a national level challenges fall into three main categories. First, there is the alignment between education and training and the effects at the level of the workplace. Second, there are challenges pertaining to health issues and the consequent impact of these issues on the workplace. And finally, there are challenges within the context of the national skills development strategy, such as the role of provinces in skills development and the lack of adequate data on matters related to training and development. These categories are further broken down into individual challenges and barriers to skills development. Sectoral level challenges to skills development also fall into three main categories. The first sectoral level challenge is actually a continuation of the final national level challenge and concerns the lack of information with which to plan and strategize. The second sectoral challenge is the inadequate implementation of skills development and the misuse of the levy system. Lastly,

the section concludes with a pertinent discussion of the challenges relating to awareness and implementation of skills development.

The final section in this chapter is the most comprehensive as it deals with challenges to skills development at the level of the workplace. The following challenges are discussed: cultural challenges and manager' attitudes and approaches to skills development in the workplace; financial barriers and access to and provision of training; challenges pertaining to accessing and providing training; awareness and understanding of skills development and related issues; technological barriers to organisational skills development; challenges with the SETAs' online grant system; and finally business and trade union partnerships in workplace skills development. These workplace level challenges, as well as the challenges identified at a national and sectoral level, are by no means all of the challenges in the skills development framework. Rather, they are a reflection of the challenges that were identified as having an impact on the sample of respondents of this research. They were therefore analysed primarily on the basis of this identification.

## **7.2 NATIONAL SKILLS DEVELOPMENT CHALLENGES AND THEIR IMPACT AT THE LEVEL OF THE WORKPLACE**

### **7.2.1 The Alignment between Education and Training and the Effects at the Level of the Workplace**

As outlined in Chapter 2, the extent to which business will actively engage in the skills development framework is largely dependent on the strength of the structures and strategies put in place at a national and sectoral level. What this means is that if national and sectoral structures and strategies are weak, the likelihood of business adequately engaging and partnering in the skills development framework is lessened. Furthermore, because of the interconnected nature of the skills development framework, in so far as its success is dependent on the engagement and partnership of multiple social partners, this also means that the challenges experienced by one social partner will likely impact on the others. From an organisational perspective, identifying national challenges is therefore indispensable to contextualising challenges at the level of the workplace.



This section will outline some of the main national level challenges that have affected the implementation of skills development at an organisational level. While all of the national level challenges discussed in Chapter 2 will be further explored below, challenges in addition to those previously identified have been included. It is important to reaffirm that the challenges outlined in this section are not randomly selected, but are a direct reflection of the issues raised by respondents, which have evidently affected all or part of the sample of organisations in this research. They are therefore, by no means, representative of all or even most of the national or macro level challenges which business face.

During the course of the research interviews, both top personnel and employee respondents engaged in discussions about the main challenges that they, and the organisations they worked for, faced in terms of skills development. While interrelated, the national level challenges fell into three main groups – firstly, the alignment between education and skills development; secondly, the impact of health issues such as the Human Immunodeficiency Virus and Acquired Immunodeficiency Syndrome (HIV and AIDS) and finally; challenges within the context of the national skills development strategy. This section will begin by analysing the issue of alignment between education and training and discuss the effects which this alignment, or lack of alignment, has on organisations.

The nature of the labour market in which the skills development framework exists is the context in which all issues pertaining to skills development need to be understood. South Africa's labour market can be described as dualistic and segmented. As stated in Chapter 2, according to Fields (2009: 2) labour market segmentation exists if “1) jobs for individuals of a given skill level differ in terms of their pay or other characteristics, and 2) access to the more attractive jobs is limited in that not all who want the better jobs can get them”. When both of these segments exist, the model of labour market segmentation is referred to as “dualistic” labour market segmentation (Fields, 2009: 2). South Africa's labour market includes numerous factors that contribute to this dualism such as the widening gap between formal and informal jobs and (the focus of this section) between workers who are uneducated and/or unskilled and those who are educated and/or skilled.

In order to overcome the dualism and segmentation which characterises South Africa's labour markets, it is necessary that these gaps which create widening social and economic divides are bridged. As Palmer (2007: 410) argues, training alone is insufficient for broader

developmental outcomes to materialise. What is required is interdependence between various social and economic systems such as education and skills development (Palmer, 2007: 410). The misalignment between education and training, and the impact of this misalignment, was one of the most prominent issues raised by respondents in this research. Ensuring that education and skills development are closely aligned is in the interest of both national human capital development goals as well as economic development objectives. Organisations as primary sites of workplace learning have an important role to play in ensuring that workers acquire the necessary types and levels of skills needed to complete their jobs adequately. However, as Grobler et al. (2002: 340) argue, ensuring that a country's workforce has the necessary mix and level of skills is not just the responsibility of individual organisations, but primarily of two complementary systems: namely, education and training.

As stated in Section 2(G) of the SDA, one of the purposes of the Act is “to assist – (i) work-seekers to find work; (ii) retrenched workers to enter the labour market; (iii) employers to find qualified employees”. However, as Handel (2003: 135) argues, “there is a widespread belief that workers’ skills and education are not adequate for the demands of jobs in the current economy”. Extensive evidence suggests that there is a mismatch between the skills that workers possess and those that employers require – which is what economists have described as an imbalance between the supply of and demand for human capital. It is also believed that this issue will become increasingly detrimental because of the accelerating pace of change in the workplace (Handel, 2003: 135). As described in Chapter 2, the pursuit of the knowledge economy and the high-skills economy are excellent examples of these workplace changes. If what Handel argues is true, the likelihood of the purposes of the SDA (stated above) being achieved is somewhat questionable.

The findings of this research indicate that, particularly with regard to the third purpose of the Act – assisting employers to find qualified employees – respondents faced considerable challenges. In discussing this issue, Geraldine (Skills Development Facilitator, 6 November 2012) shared a concern regarding the limitations of the education system by suggesting that skills development in the workplace is becoming increasingly challenging because of the low levels of education workers are bringing to the workplace at entry. She suggested that even when organisations choose to accept only those job applications with a minimum of a matric certificate it is still challenging teaching employees skills where they have limited or no prior experience or training (Geraldine, Skills Development Facilitator, 6 November 2012).

According to a report compiled by the Eastern Cape Socio Economic Consultative Council on the 2012 Eastern Cape Development Indicators, “the literacy rate in the province is relatively high with just under 20% of the population being functionally illiterate” (2012: 19). Nonetheless, this report suggests that while the figure is dropping, the number of people 15 years or older without any schooling is cause for concern. In 2010, just over 500,000 adults, representing 7.2 per cent of the population, had not received any schooling (Eastern Cape Socio Economic Consultative Council, 2012: 19). Fortunately this is a significant improvement compared to the almost 700,000 adults, and almost 10 per cent of the population, that had not received schooling in 1995 (Eastern Cape Socio Economic Consultative Council, 2012: 19).

This report claims that, while jobs may still be difficult to find, education considerably enhances the chances that individuals have of finding employment (Eastern Cape Socio Economic Consultative Council, 2012: 19). Nevertheless, as Kraak (2006: 26) explains, increasing numbers of young people are successfully graduating from school, but many of these graduates are unable to make the transition to work, partly because of the scarcity of jobs but also because they lack the skills needed for employability. Employability refers to the ability for one to be employed and is influenced by numerous factors including education, skills, location and so forth. As outlined in the NSDS III, skills needed for employability include technical skills as well as adequate reading, writing and numeracy skills (Department of Higher Education and Training; 2011b: 5). As Geraldine indicated in the example above, even when workers are employed with a matric certificate, it is still challenging to identify and then equip them with the necessary skills needed to complete the required job.

According to the NSDS III, the promotion of skills needed for employability (which includes basic and technical skills) requires close cooperation between the Department of Basic Education and the Department of Higher Education and Training (Department of Higher Education and Training; 2011b: 5). As stated in an annual report by the Eastern Cape Development Corporation (ECDC) titled ‘Exploring the Province’s Potential’ “education remains a constraint to provincial and economic growth development” (2010: 33). This report suggests that even though the number of people with no schooling in the Eastern Cape has declined since 1995, the uptake into secondary education has been remarkably low. Consequently, there has only been a tiny increase in the proportion of highly skilled people in

the province since 1995, which has hampered the level of provincial economic activity (Eastern Cape Development Corporation, 2010: 33).

Despite the enrolment in higher education institutions steadily increasing, only a small portion of students actually complete the requirements for their qualification within the scheduled timeframe, which means that there is an inefficient throughput of skills and qualifications (CHIETA; 2011: v). While literature on education and skills development often emphasises the aim of increasing individual employability, the issue of an insufficient number of educated and skilled workers has a direct bearing on the ability of organisations to become economically competitive, especially in the context of the increasingly competitive global economy. Just as individuals require employability, employers require workers who are employable.

According to section 2(f) of the SDA, one of the purposes of the Act is to “to ensure the quality of education and training in and for the workplace” (Skills Development Act, No. 97 of 1998, 1998: chap1). This objective is further discussed in the NSDS III which states that the strategy “seeks to encourage and actively support the integration of workplace training with theoretical learning and to facilitate the journey individuals make from school, college or university, or even from periods of unemployment, to sustained employment and in-work progression” (Department of Higher Education and Training, 2011b: 5). Unfortunately, however, there appear to be significant shortages in terms of both basic education and further education ensuring an adequate pool of suitably qualified and skilled workers from which businesses can recruit potential employees.

According to Anda (Receptionist, 7 November 2012), South Africa has a long way to go in terms of skills development because of the many people who have minimal skills sets, let alone the multitudes who have not had the opportunity of an education. While the onus to train and develop falls partly on business, as social partners in the skills development framework, it is vital that employers and managers have access to qualified and skilled workers. It is unlikely that business will actively engage in initiatives such as learnerships and skills programmes, which aim to develop human capital, if they do not have access to the basic human capital needed to run their organisations. It is crucially important and indeed essential that South Africa’s basic education, higher education, and skills development systems function in a manner which is not only coherently aligned to the needs of all of these

systems but also feeds into the needs of the business community. The implications of this national level challenge for the workplace will be discussed in the following chapter.

### **7.2.2 Health Issues and their Impact on the Workplace**

When identifying the main national level challenges to skills development in Chapter 2, the issue of health was not mentioned, as it was not an issue that regularly appeared in literature on skills development. However, the findings of this research suggest that health issues such as the influence of HIV and AIDS have a significant influence on skills development at the level of the workplace. Evidence in this regard was particularly apparent in the reports and plans compiled by the various SETAs. As outlined in the most recent CHIETA SSP, HIV and AIDS have resulted in increased absenteeism, reduced productivity and a loss of skilled workers. Additionally, because of the risk of losing investments made in HIV-positive learners, companies are often resistant to training these workers (obviously assuming that their status is made known to the employer) (CHIETA; 2011: ii).

In an interview with Brian (Skills Development Specialist, 7 November 2012) from the East London Industrial Development Zone, he stated, “the AIDS epidemic is hitting home [Eastern Cape] very badly”. In the Eastern Cape, the prevalence of HIV and AIDS grew from 2.4 per cent in 1995 to 16.7 per cent in 2007 with the majority of people affected being between the ages of 25 and 49 (Eastern Cape Development Corporation, 2010: 33). Furthermore, Brian (Skills Development Specialist, 7 November 2012) argued that HIV and AIDS is not the only health-related issue that is having a significantly detrimental effect on the workplace. He claimed that tuberculosis is the biggest health-related killer in the Eastern Cape even though it is a curable illness. According to the Eastern Cape Provincial Strategic Plan for HIV and AIDS, STIs and TB: “in 2010, the total of new TB and re-treatment cases identified in the province stood at 62 226” (Eastern Cape Aids Council, 2012: 24).

The matter of health in South Africa, like education and training, is both a national, organisational and individual issue. From an organisational perspective, employers do not only need workers with the necessary education and qualifications, but they also need workers who are healthy and fit enough to complete their job requirements. Discussions on the impact of HIV and AIDS and other health related issues in the workplace are therefore pertinent in the context of skills development. These, and other health issues, undeniably

have a detrimental effect on business, which in turn affects both economic development and global competitiveness.

In the interview with Brian (Skills Development Specialist, 7 November 2012), he claimed that health issues and the impact of these issues are a big problem, and that they are significantly worse than people anticipate. According to the FASSET ‘Skills at Work Annual Integrated Report 2011-2012’, addressing societal challenges, such as HIV and AIDS, poverty and unemployment requires partnerships between stakeholders and is no longer the sole responsibility of the government (FASSET; 2012a: 81). While this may be true, it is instructive to analyse the extent to which business regards itself as collectively responsible for skills development and to note the reluctance of many organisations to accept collective responsibility. One could argue that businesses might very possibly adopt the same or a similar approach in responding to health-related issues, even those which have a direct effect on workplace productivity.

### **7.2.3 Challenges within the Context of the National Skills Development Strategy**

The challenges that relate to the NSDS generally fall into three broad groups. First, it has been argued that the NSDS is very broad and lacks specificity. Second, there is a lack of clarity on the role of the provinces within the skills development framework. And, finally, there is a lack of data to indicate in which groups and in what areas skills development is improving or worsening. Ayanda, a consultant and employee of LabourNet, argued that the government needs to take a stand and commit to equipping the people of South Africa with the necessary skills for personal and economic development by committing to skills development initiatives and reinforcing the infrastructure intended to achieve the necessary skills development objectives (Industrial Relations Consultant, 9 November 2012). The NSDS, which is premised on a partnership approach, is arguably the cornerstone of skills development infrastructure in South Africa.

Chapter 2 shows that the NSDS aims at the construction of skills plans at the workplace, sector and national levels (Archer, 2009: 296). The basic premise of the NSDS is that the achievement of these plans has the potential to reverse the legacy of low skill levels in South Africa (Badroodien, 2004b: 156). The NSDS III emphasises the promotion of training to meet the needs of both the public and private sector (Department of Higher Education and

Training; 2011b: 25). As already mentioned, it does this by encouraging a partnership approach to skills development. This approach, as stipulated in the NSDS III, encourages partnerships between employers, public education institutions (FET colleges, universities, universities of technology), private training providers and SETAs (Department of Higher Education and Training; 2011b: 3).

The successive strategies have however been criticised as being “focused on targets, reflecting a wish list of national stakeholder requirements and a balancing of different interests, rather than providing a strategic focus for skills development intermediaries” (Marock, 2010: 18). According to Marock (2010: 18):

“The lack of clear allocation of responsibilities and the broad manner in which indicators are framed has led to confusion and delays in implementation as well as in reporting achievements. For example, indicators pertaining to learning programme enrolments and achievements for both employed and unemployed learners, including new entrants, are aggregated against a national target and include both learning programmes which result in the award of occupationally-directed qualifications (learnerships and apprenticeships) as well as learning programmes which result in the award of one or more credits (skills programmes). SETAs are thus able to achieve the target through supporting skills programmes only and the actual number of learners benefiting from enrolment in learning programmes is thus open to questions of relevance and appropriateness to sector and national skills demand”.

The second challenge is related to the lack of clarity concerning the role of provinces in skills development. As mentioned earlier, one of the challenges with regard to organisations responding to the needs and objectives of their sector is that sectoral and provincial needs are not aligned. According to Roberts (2008: 43), “there is a lack of clarity on the role of provinces in industrial development”. A much clearer definition of the provincial function is needed, along with provincial mandates, in order to create a more coherent vision of industrial policy, and a path towards more inclusive and equitable growth (Roberts, 2008: 43). Turok (2008a: 9) argues that “presently provinces do not have the necessary competencies to guide development, such as capacity for planning and information”.

Kraak (2009: 320a) suggests that there is a need for greater alignment between skills development and industrial policies in South Africa in order to overcome the limitations of the ‘one-size-fits-all’ approach to skills development thinking. At a sectoral level, it is becoming increasingly challenging to integrate and align the strategic plans of the SETAs with broader objectives such as those outlined in the PGDP (Department of Higher Education and Training, 2011a: 8). This is, however, extremely important because skills requirements differ between provinces (Department of Higher Education and Training, 2011a: 15). As stated in the W and R SETASSP, “once the challenge of integrating the strategic plans of W and RSETA with that of PGDP is addressed, significant broad-based improvement in skills is possible”(Department of Higher Education and Training, 2011a: 8).

The final challenge pertaining to the NSDS is the lack of credible data on which to accurately design policies, strategies and related matters. According to the W and R SETASSP 2011 – 2016, one of the major challenges concerning the skills development environment is the lack of a national labour market information system. Consequently, policy choices and public investments in education and training are made without credible data (Department of Higher Education and Training, 2011a: 113). Another issue for SETAs is that there is no occupational forecasting, which makes it impossible to predict future skills demands within reliable parameters (Department of Higher Education and Training W and R SETA; 2011a: 113). Issues such as these can considerably hinder the success of skills development at an industry and organisational level.

The effects of the lack of a credible labour market information system also mean that there are complexities in measuring the impact of the skills development system. According to Marock (2010: 11) “despite the implementation of two NSDSs, which report on numbers accessing training, there is insufficient data to indicate whether the system has contributed to lifting the skills base”. The absence of a comprehensive monitoring and evaluation system is regarded as a serious challenge to the on-going development of the system (Marock, 2010: 11). Furthermore, administrative systems and procedures within the SETAs are not standardised, which makes it difficult to govern institutions effectively and to create synergies between SETAs. Since the SETAs have different systems, such as financial systems and reporting systems, there are no unified standards to which the SETAs can be held accountable (Marock, 2010: 16). This will be further discussed below.



With regard to how these challenges affected the sample of organisations in this research, numerous matters can be raised, most of which have already been mentioned in previous chapters. In relation to the first challenge - the broadness and lack of specificity of the NSDS – perhaps the most prominent example of how this challenge has affected organisations is evident in the substantial lack of awareness of the NSDS and other documents such as the SSPs, which the NSDS informs. As Marock (2010: 18) argues above there is a lack of a clear allocation of responsibilities, which has led to confusion and delays in the implementation of the strategy. Nowhere in skills development legislation, or in related literature, does it clearly outline whose responsibility it is to promote the awareness of the NSDS.

As this research has already shown, this has resulted in many organisations being completely or mostly unaware of the NSDS and related documents, and therefore not using these documents as a guideline when formulating their WSP and engaging in skills development initiatives. While the NSDS is a national strategy and will always be somewhat broad in its approach to skills development goals, the ambiguity and lack of specificity concerning the allocation of tasks and responsibilities (such as that of promoting awareness of the strategy) will likely result in many organisations continuing either to be unaware of the NSDS or to acknowledge it with little interpretation of the content.

Another issue with regard to the NSDS that is evident in the analysis pertains to the second challenge mentioned above – the lack of clarity on the role of provinces. Data on the role of provinces in skills development is somewhat scanty. While the most recent Eastern Cape PGDP mentions objectives which refer to skills development very little is said about how these objectives will be achieved. For example: “the need to scale up investment in skills development” is stated as a core challenge in the area of human resource development; however few details are provided as to how this will be done (Province of the Eastern Cape, 2004: 254). In the interviews which informed this research only two respondents were even aware of the PGDP and only one of these organisations claimed to refer to the objectives of the PGDP when formulating their WSP and skills development strategies.

Discussions with respondents indicated that one area in which there is a definite need for provinces to have more influence is the area of scarce and critical skills. Currently, scarce and critical skills, which are indicated in the various SETAs SSPs, do not take into consideration skills needs that are particular to a certain region or certain province. According to Brian

(Skills Development Specialist, 7 November 2012), “with the scarce skills sets that are coming out on a yearly basis ... those are national stats that they use and [are] not particular to a certain region or certain province”. If provinces play a more prominent role in skills development, for example in the identification of which scarce and critical skills are particular to certain provinces, the task of dealing with skills shortages could be more efficiently and effectively achieved.

Furthermore, organisations will be able to easily identify and predict which training initiatives need to be prioritised in order to deal with these skills shortages and will be more likely to do so if the impact of these shortages in the area in which their business operates is fully understood. Considering the role that businesses play, it is critically important not only that business be aware of strategies such as the NSDS but also that business understands the implications of these strategies and thus the plans and strategies that the NSDS will consequently inform. If employers focus only on the needs of their individual business, it is doubtful that serious strategic development will take place in the skills development framework, particularly considering the substantial reliance on business. As stated in Chapter 2, Badroodien (2004b: 156) argues that much greater networking between employers, education and training providers and government departments is required to facilitate the participation of individual employers and hopefully increase their investments in and coordination of skill formation in South Africa.

### **7.3 THE IMPACT OF SECTORAL SKILLS DEVELOPMENT CHALLENGES AT THE LEVEL OF THE WORKPLACE**

#### **7.3.1 A Lack of Information with which to Plan and Strategize**

Chapter 2 explains that in South Africa the SETAs are designed to play the role of intermediaries between the state and organisations, as well as to link the goals of organisations with those of the NSDS. As neo-corporatist structures, they are required to bring together strategic public-policy responsibilities and sensitivity to business needs (Crouch et al., 2004: 162). When it comes to policy implementation, the state, as a bureaucratic entity, is not always well positioned to interact directly with employers on matters such as skills development. Thus successful policy implementation, especially with regard to policies that rely heavily on co-operative relations, is one of the most challenging

tasks for government to achieve as it often requires overcoming ideological divides between business, government and labour (Kraak, 2009b: 16). As a result SETAs face challenges in maintaining efficiency, successfully carrying out their intermediary role and ensuring co-operative relations between business and government.

Considering the intermediary role that SETAs play, these challenges inevitably implicate the businesses within their respective sectors. The first challenge that bears mentioning is a continuation of the final challenge discussed in the previous section: namely the lack of credible information on which to base policy design, strategic decisions and related matters. As stated in the CHIETA SSP (2011: 24), “the demand for skills and in particular the future demand for skills is determined by establishing the occupational profile of the sector, which provides the total number of posts and thus skills that will saturate the market and then add the number of posts that will become vacant through the incumbents leaving, as well as new posts that are created by changes in the sector”. However, the lack of reliable data regarding the education levels of workers within sectors and the generally limited nature of available information make it very difficult for SETAs to assess the adequacy of skills and the required skills in the sector (Department of Higher Education and Training, 2011a: 10).

Gaining realistic values for the above variables is dependent on reliable data being available and prior knowledge of impending developments within a sector (CHIETA, 2011: 25). Since this data is not currently available, the values are generally estimated based on broad economic trends, WSP data and qualitative engagements with stakeholders (CHIETA, 2011: 25). As explained in the W and R SETA SSP this makes it very difficult for SETAs to be able to respond to needs of the labour market such as those outlined in the NSDS. Additionally, SETAs are finding that employer bodies and trade unions are failing to compile reliable data in the form of reports concerning employment and employees (Department of Higher Education and Training, 2011a: 44). The lack of reliable data not only affects SETAs in attaining their objectives but also affects organisations when workplace skills development strategies and plans are aligned to sectoral objectives.

While few organisations in the sample of respondents for this research claimed to respond purposefully to the sectoral skills development objectives, such as scarce and critical skills, some organisations ensured that sectoral needs were taken into account when planning their WSP. Another way in which organisations responded to sectoral needs was through engaging

in learnerships, as well as offering training to external parties. If organisations are encouraged to take into consideration national and sectoral objectives, the data on which these objectives are based needs to be accurate. If not, business as a collective entity may train in a manner which is not conducive to sectoral or national skills development objectives. Finally, it is essential that businesses are made aware of the necessary plans and strategies on which their skills development plans should ideally be based. The issue of lack of awareness and lack of understanding in this regard is one of the most crucial and pertinent issues raised in this research and will be further discussed below.

### **7.3.2 Inadequate Implementation of Skills Development and the Misuse of the Levy System**

The second issue pertaining to the impact of sectoral issues at the level of the workplace concerns the lack of adequate implementation of skills development, and the misuse of the skills development levy system. According to the Media, Information and Communication Technologies Sector and Training Authority (MICT SETA) Annual Report some of the main challenges recognised by the SETA through processes of monitoring and evaluation were the lack of training committees and the non-alignment of WSPs to ATRs (Department of Higher Education and Training, 2012b: 31). Additionally, in some instances, the training interventions that were implemented and reported were not aligned to WSPs and did not attempt to address scarce and critical skills in the workplace (Department of Higher Education and Training, 2012b: 31). The findings of this research have proved to be strikingly consistent with this information.

As outlined in the previous chapters, numerous organisations indicated that they had not set up a training committee and that very little strategic planning went into the design of the WSP. As a result, apart from one organisation that closely followed the WSP, respondents from all other organisations in the research sample claimed that the WSP was simply used as a guideline when determining training and was often not well aligned to the ATRs. Furthermore, when identifying respondents' awareness of scarce and critical skills, and analysing how the organisations they worked for responded to these skills shortages, only two organisations, PMI and the Kempston Group, explicitly claimed to engage purposefully with the scarce or critical skills in their industry. This was despite respondents claiming to be

aware of their industries' scarce and critical skills as well as many respondents being able to provide accurate examples of these skills.

Judging by the findings established in this research, particularly with regard to the limited engagement by the majority of organisations in the skills development framework, it is not surprising to learn that SETAs are experiencing challenges regarding the implementation of skills development at the workplace level. Another issue that was evident in numerous SETA documents was the misuse of the levy financing system. While this system has many benefits, there are also many uncertainties around whether firms make use of the system as intended by policy makers. These concerns stretch beyond the acknowledgement that organisations' training initiatives and strategies are often not aligned to sectoral or national objectives. A prominent example of the misuse of the levy financing system is that actual training expenditure, at times, differs from that which is reported by employers (Crouch et al., 2004: 219).

As indicated in the MERSETA Sector Skills Planning Final Report (2009: 7), not only is the percentage of employers who apply for mandatory grants small in relation to the number of employers that could be applying for these grants, but the information contained in the WSPs and the way in which the WSPs are compiled are not always based on good practice workplace skills planning. In analysing the data of this research, issues pertaining to the misuse of the levy system were somewhat difficult to identify considering that the organisations which formed the sample were those that, prior to the interviews, stated that they paid the skills development levy and were willing to discuss skills development matters. Their willingness to take part in the research suggested that they did not have anything related to skills development which they wished to hide.

However, as described in Chapter 3, when contacting organisations prior to the interview process, many individuals turned down the request for an interview even though they confirmed that the organisation they worked for paid the skills development levy. The basis on which they declined the interview was often either that they did not apply for grants, or that they applied for grants based on minimal training and did not engage in skills development activities beyond completing the required training in order to receive their mandatory grant from their respective SETA. Furthermore, of the group of respondents who did choose to participate in this research, various examples were provided to indicate that the

organisations which these respondents were employed by, did not always implement skills development in the intended manner.

One example in this respect was provided by Brendan (General Manager, 7 November 2012) who claimed that the organisation he worked for had received grant payments from CATHSSETA even though they never submitted a WSP. Even though this statement was obviously incorrect, he further suggested that East London Golf Club had recently outsourced the task of applying for skills development grants to an external consultant, but were unaware of what information was submitted in order to receive the grant or how the external consultant formulated the organisation's WSP. A second example was provided by Lee (Human Resources Manager, 12 November 2012) from Slipknot Group of Companies who claimed that while the organisation she worked for had previously received a skills development grant from FASSET, the organisation did not and had not engaged in any training. Yet in order to receive the grant, proof of training in relation to the company's ATR must have been submitted to the SETA as part of the grant application. What this suggested was that either Lee was incorrect in her earlier statement that the organisation she worked for had not engaged in any training or otherwise the company had submitted incorrect information to the SETA. Either way, in both of the examples provided, it could be argued that the levy grant system was being misused.

What these, and other examples evident in the research, indicated was that one cannot assume that, because an organisation applies for one or more skills development grants, that the firm is operating in terms of good practice or that it is genuinely engaged in the process of skills development. The question as to how this issue implicates business is therefore a straightforward one but, in order to answer it, one needs to consider more than just the employer and the SETA. Inadequate skills development and the misuse of the levy system may not have a noticeable impact on employers but it will undoubtedly impact the employees that work for the employers' organisations. If employers are inadequately implementing skills development at a workplace level and especially if employers are misusing the levy-grant system, employees will be disadvantaged in terms of receiving training.

Opportunities for both skills and career development are significantly hampered by the approaches that employers choose to adopt when engaging with their respective SETA. Like many of the other issues raised in this research, the foundational concern is not simply the

impact that issues like these have on skills development at the workplace level, but how this relates to business playing out its role as social partner. As various SETAs' reports substantiate, businesses as role-players are often not abiding by the rules of the so-called 'skills development game'. Numerous examples from the sample of respondents confirmed this observation.

### **7.3.3 Challenges Pertaining to the Awareness and Subsequent Implementation of Skills Development**

As has been established throughout this research, the success of the skills development framework is rooted in a partnership approach, which largely relies on 'buy-in' from employers and top personnel of employers' organisations. However, the findings of this dissertation show that numerous organisations are either choosing to ignore skills development altogether or are implementing skills development inadequately in the workplace. Many are even misusing the levy grant system. These issues pose major threats to SETAs because achieving sectoral objectives requires collaboration with organisations. At a sectoral level it is therefore essential to ask why organisations are failing to engage efficiently in skills development and what role SETAs play in overcoming this challenge.

Of all the challenges identified in this research, the issue of awareness of skills development is arguably one of the main reasons why organisations are not engaging in the skills development framework. This research found that many organisations are still unaware of numerous issues surrounding training and development. These issues include the legal requirements of implementing skills development in the workplace; how to apply for skills development grants; and why organisations should be applying for these grants. Both a top personnel and employees demonstrated an obvious lack of awareness and lack of understanding concerning matters pertaining to skills development at a national, sectoral and organisational level.

Bruce (Owner/Quantity Surveyor, 10 November 2012) from RLS projects explained that his company did not engage in skills development primarily because he knew so little about the skills development framework and the levy grant system. He elaborated by stating that if he had more information on skills development or knew where to access information regarding the SETAs, the grant system and so forth, he would definitely be more interested in training

and developing his employees as well as exploring the related opportunities. Kelly (Administrator, 7 November 2012) from Border Towing also provided an example as to the lack of awareness of skills development opportunities. She explained that while the company she worked for paid the skills development levy, managers did not know where to access skills development information such as where or how to apply for skills development grants. They therefore considered the skills development levy as purely a tax payment.

Kelly argued that, in her opinion, skills development was neither adequately communicated nor encouraged in South Africa because there is minimal awareness of the benefits and issues related to skills development.. Michele (Human Resources Administrator, 7 November 2012) who managed the human resources at Blue Lagoon Hotel claimed that she had been dealing with skills development in numerous organisations for over ten years and argued that there is definitely a need for the SETAs to be much more visible than they currently are (Michele, Human Resources Administrator, 7 November 2012). As Crouch et al (2004: 218) argues, if the state relies primarily on autonomous company initiative to achieve skills development objectives, it is unlikely that it will achieve the levels of skills development that it aspires to reach (Crouch et al., 2004: 218).

Essentially, the role of the SETAs is to facilitate the drive for skills development strategically at a sectoral level by linking organisational and national skills needs. One can therefore argue that based on the evidence of this research, ensuring that skills development is acknowledged and understood from an individual level right up to a senior managerial level is essential to ensuring that business actively engages in the skills development framework. The idea behind this is simple: the more organisations that are aware of the necessity of skills development and also the opportunities available when engaging in the skills development framework, the more likely it will be that business will play out its intended role.

## **7.4 SKILLS DEVELOPMENT CHALLENGES AT AN ORGANISATIONAL LEVEL**

### **7.4.1 Cultural Challenges and Managers' Attitudes and Approaches to Skills Development in the Workplace**

As mentioned earlier in this chapter, challenges at a national and a sectoral level inevitably affect the efficiency of skills development at an organisational level. The issue of the



alignment between education and training, for example, is not only necessary for national economic growth but is simultaneously essential for employers, in ensuring an adequate supply of available educated and skilled workers. As outlined in Chapter 2, with regard to the organisational level there are three broad challenges that businesses face in terms of skills development. The first concerns the voluntary approach to skills development. The challenge in this regard is not so much the nature of the approach but the implications that play out as a result. This challenge will be discussed in detail in the following chapter. The second challenge refers to the notable dissonances between government-led and employer-led strategies. Although this challenge directly implicates organisations, it is also rooted in the national and sectoral context and has therefore been dealt with throughout the previous two sections. In any event, the implications of this challenge will also be discussed in the following chapter. The last challenge concerns business's disinclinations and disincentives to engage in training and skills development and will be considered here.

In analysing the data obtained throughout this research it was evident that perhaps the most prominent organisational level challenge was business's disinclinations and disincentives to engage in training and development. This challenge is consistent with literature on skills development outlined in Chapter 2. Throughout the interviews with respondents, multiple reasons were provided and issues were raised in line with this specific challenge. These included cultural and financial barriers to skills development, technological challenges and difficulty in accessing and using the various SETAs' online grant application systems. In Chapter 2 it was stated that Lange et al. (2000: 8) argue that barriers to skills development can be sub-divided into four main categories: cultural barriers, which include attitudes towards skills development; financial barriers, which refer to issues concerning the costs and perceived costs of training and development; access and provision barriers, referring to problems that either prevent interested parties from accessing training opportunities or prevent the suitable provision of learning; and lastly, awareness barriers referring to knowledge of learning opportunities.

All four of these categories were evident in this research. In order to maintain a corresponding reflection of the literature in presenting the findings of this research, this section will begin the analysis of organisational level challenges by discussing the challenges evident in these four categories. Thereafter additional challenges will be described. The first challenge refers to culture and particularly focuses on the attitudes and approaches to skills

development in the workplace held by managers and top personnel staff. Organisational culture has a direct link to training and development because the culture of an organisation affects the attitudes of managers and employees towards skills development processes and vice versa.

Organisations generally require employees to have an educated adaptability in the workplace, but articulated according to a specific corporate culture, ensuring that the employee identifies with the organisation's goals (Crouch et al., 2004: 223). This means that organisations usually require employees to have the necessary education and skills to be able to react and respond to the various requirements of their job as well as being able to fulfil their job functions in a manner which is unique to the firm's corporate culture and so-called 'way of doing things'. The problem with this, as Crouch et al. (2004: 223) explain, is that "while employers increasingly stress the specificity of their cultures and their desire to inculcate their employees in them, they also increasingly stress the need for greater ease of hiring and firing and tell employees that they must expect to change jobs more frequently than was common in the past".

Goldman Sachs investment firm, for example, put out an advertisement in a developing country for investment managers. Of the hundreds who applied, only eight were chosen, and only three of these had formal advanced education in business or finance. The determining skills sets sought were not those of accounting or mathematics, but of flexibility, quickness to learn (trainability), persuasive communication and teamwork (Maclean and Ordonez, 2007: 135). As employers are regarding organisational culture as increasingly important, workers and more especially job seekers, are faced with the challenge of ensuring that their skills sets are made up of both job-specific and firm-specific skills.

In identifying challenges to skills development it was essential to establish the attitudes and perceptions of top personnel and employee respondents to determine to what extent training and development formed part of their organisational culture. This was done in order to establish whether culture was in fact, as Lange et al. (2000: 8) argues, a barrier to skills development. In determining the culture of training in an organisation, one of the most influential factors is the attitudes and perceptions of managerial and supervisory employees. Attitudes to skills development are a key determinant of organisational training culture. In order to explore these attitudes and perceptions research respondents were asked (a) whether

they viewed training as an investment or a liability and (b) why they choose to include or exclude training in the workplace.

There was a strong consensus amongst respondents, both top personnel and employees, that skills development was definitely an investment in organisations. Only two respondents expressed that they believed training was a liability, and both offered reasonable explanations to substantiate their answers. Lindi, an employee respondent of RLS Projects, claimed that the company she worked for definitely viewed skills development as an investment in general. However, given the size of the firm and the fact that it was relatively newly formed, training and development needs had not yet been identified. She stated “at this stage [training] would be a liability cost because the organisation is still so new and so small” (Lindi, Bookkeeper, 10 November 2012). She explained that, presently engaging in skills development would be an unnecessary cost and therefore a financial liability (Lindi, Bookkeeper, 10 November 2012).

The second respondent who viewed skills development as more of liability than an investment was Brendan. He claimed that the reason he felt skills development was a liability and not an investment was because he felt forced to pay the skills development levy whether he chose to engage in training or not (Brendan, General Manager, 7 November 2012). While this didn’t directly answer the question and he didn’t fully clarify his answer, in the context of the entire interview with this respondent one could assume that he alleged the following. If he chose not to engage in skills development and not to apply for skills development grants, the cost of the skills development levy that organisations are required to pay – regardless of whether or not they applied for grants – would be, in his opinion, a waste of money and thus a financial liability.

The two respondents that felt that skills development was a liability focused more on the decrease in financial capital caused by training and development than on the increase in human capital. As discussed in the previous chapter, an issue of skills development that often arises in organisations is the difficulty in measuring the return on investment in human capital development. Anaiadou et al. (2003: 30) suggest that most research on training and development looks at the impact of training on measured variables such as productivity, but rarely includes data on training costs. It therefore leaves unresolved questions of whether and when training is a good investment, or what the rate of return is on investments in training.

To answer this question, one would need data on the benefits of training in monetary terms and both the direct and indirect costs of training. In any event, whether correct or not, one can understand the apprehension of organisations towards skills development, particularly from a financial perspective.

Another common aspect of apprehension amongst organisations is the fear that employees may leave the firm after they have received training, particularly because of the increased access to opportunities resulting from their improved skills levels. According to Anaiadou et al. (2003: 30), the risk that trained employees may leave the firm is often cited as a disincentive for employers to invest in skills development within their organisations. This too can have a significant impact on organisations' training culture. Stuart (2007: 272) claims that if companies are left to their own devices, it is a rational decision for them to under-invest in certain types of skills, such as broad and high skills, because of the risk that trained workers may leave the organisation they work for in search of better opportunities or be poached by other organisations.

Rhett (Quantity Surveyor/Project Manager, 12 November 2012) who holds a senior level position in Slipknot Group of Companies and is partly responsible for managing staff, stated that skills development is definitely an investment, but it is also a risk. He argued that if an organisation sends a staff member on training and later that staff member finds an opportunity at another organisation, it could change the focus of training from being an investment to a liability (Rhett, Quantity Surveyor/Project Manager, 12 November 2012). Considering the argument above presented by Crouch et al. (2004: 223) that organisations generally require employees to have an educated adaptability in the workplace but articulated according to a specific corporate culture, employers are increasingly being encouraged to train employees in transferable skills. This approach is consistent with that of the pursuit of the high-skills economy, which encourages general kinds of training that can be used in multiple organisations and across multiple sectors.

Social scientists generally distinguish between general and specific training and suggest that while general training may result in employees being attracted by other firms, this will not apply to firm-specific training. However, even when employers choose to engage only in training which is specific to their organisation, as Anaiadou et al. (2003: 30) suggest, very little training is specific to only one organisation, which makes the issue of employees 'being

poached' or seeking other opportunities a legitimate concern for employers. The transferability of skills has already been highlighted in this research. Therefore, the threat that employers and managers feel regarding losing trained employees is both a legitimate and pertinent issue.

Despite the possible threat of employees leaving after they have received training, Anaiadou et al. (2003: 30) argue that evidence consistently points towards the provision of training lowering the risk of workers leaving rather than increasing it. When the question of investment versus liability was posed, Sue (Administrator, 13 November 2012) from the Kempston Group explained that, in her opinion as a SDF, skills development should definitely be regarded as an organisational asset rather than a liability because if an employee was offered training and development in their job function, one would assume that they would be motivated to remain in the company in which they are employed. Employers who provide training to their employees can potentially strengthen workplace relations by improving employee motivation and persuading employees that they are a good employer (Anaiadou et al., 2003: 30).

While the issue of employees leaving the organisation may be a risk to employers, the same argument could be made for employers who refrain from offering training and development. In such cases, employees may not be motivated to remain with the firm if they believe that there are limited opportunities for development. This research showed that, in the organisations where managers and top personnel failed to see the value in training and development, their attitudes filtered down to employees at lower occupational levels and contributed to resistance towards training initiatives. Geraldine (Skills Development Facilitator, 6 November 2012), stated that in her opinion as a SDF of a large organisation, one of the biggest challenges to successful skills development was definitely 'buy-in' from management. She suggested that the reason for this is that managers do not always recognise the benefit of training.

According to Keep (2000: 11), despite the endless rhetoric that there is a need for dramatic upskilling across all levels of the workforce in order to maintain economic competitiveness, data shows that managers in many organisations still believe that large sections of their workforce require limited skills. Geraldine (Skills Development Facilitator, 6 November 2012) argued that in FNB, which is in the manufacturing sector, skills development at times

proved to be challenging because in relation to the central goal of the organisation – the production of goods – human capital development was usually not regarded as a priority.

Tracey (Skills Development Facilitator; 13 November 2012) from the Kempston Group, who was also employed as a SDF, expressed a similar concern and claimed that one of the difficulties she faced in facilitating skills development was resistance from some of the line managers concerning training and development initiatives. She described how some managers were purely concerned with the ‘bottom line’ and therefore prohibited training and development of their staff because of the time it would take and the impact employees being ‘off the job’ would have on overall turnover (Tracey, Skills Development Facilitator, 13 November 2012). As Lange et al. (2000: 8) argue, culture is driven by the way business is conducted and the way an organisation is managed. It is therefore essential that managers ‘buy in’ to the skills development process. If they fail to do so, not only is the job of the SDF made significantly more difficult, but the effect on employee and organisational development will also almost certainly be detrimental.

#### **7.4.2 Financial Barriers and Access to and Provision of Training**

Lange et al. (2000: 8) suggest that there are many reasons why culture differs between organisations, which include the size of the company, the nature of the products and the types of technology used. Similarly, the costs of training and training budgets differ greatly between organisations and, in the same way, depend on numerous factors. Small employers, for example, are often more concerned with the immediate survival of the organisation compared to larger organisations that tend to adopt more long-term business strategies. Differing company approaches and strategies affect the amount of money and/or the resources spent on training and development in the workplace. According to Crouch et al. (2004: 19), most small and medium-sized firms often cannot afford internal training experts and therefore prefer not to engage in skills development activities. There are also trends in larger firms to reduce their personnel or human resources departments as part of their general strategy of concentrating more on core competencies.

The research on which this dissertation is based showed that the issue of cost, while not one of the most prevalent challenges identified, proved to be a barrier to training and development. This was mostly evident in small organisations. In the interview with Brendan,

who expressed his apprehension towards skills development, he stated that it is a challenge to set aside money for skills development and, as a result, the company he was employed by focused more on formal training for senior staff and minimal training for the remainder of the employees (Brendan, General Manager, 7 November 2012). He argued that the two central reasons why the organisation he worked for engaged so minimally in training was because of cost and time. Firstly, he indicated that courses aimed at all occupational levels were expensive and obviously required staff to stop working for the duration of their training.

Regarding the cost implications he stated “there [are] just so many things that you could [train on] you’d need an unlimited budget to go through them all properly” (Brendan, General Manager, 7 November 2012). The second reason was that because the company was in the hospitality industry and opened every day of the year, there was limited time to dedicate to training, which made in-house training preferable (Brendan, General Manager, 7 November 2012). Angela (Managing Member, 8 November 2012), a respondent who was not only engaged in skills development at a company level but was also a training provider, claimed that particularly from the perspective of small businesses such as the one which she was employed by, it was very difficult to access funding to execute desired training initiatives.

She believed that this, at times, resulted in organisations ignoring or neglecting training and development (Angela, Managing Member, 8 November 2012). According to Kim (Executive Manager, 9 November 2012), companies that are on the threshold of being regarded as too small or are just starting out receive little support in terms of skills development and as a result often fail to buy into the processes associated with training and development. An additional challenge concerning accessing funding and receiving skills development grants is that small organisations are often unconvinced of the value of the mandatory grant in comparison to the time and effort required by the process of applying for the grant. CATHSSETA’s annual report states, “small size employers with an annual wage bill between R500k and R1m find it difficult to comply with the WSP/ATR requirements even when supported by CATHSSETA. This reluctance is attributed to the small amount receivable even if there are no compliance costs to the employer” (Department of Higher Education and Training, 2012a: 25). Research by CATHSSETA showed that even with a simplified WSP/ATR process small employers are still frustrated with the time spent and costs associated with complying with skills development legislature (Department of Higher Education and Training, 2012a: 25).

### **7.4.3 Challenges Pertaining to Accessing and Providing Training**

As indicated at the start of this section, challenges concerning access to training and provision of training refer to problems that either prevent interested parties from accessing training opportunities or prevent the suitable provision of learning. According to Brendan (General Manager, 7 November 2012) one of the biggest challenges in terms of engaging in skills development initiatives is accessing appropriate training. He claimed that he found it immensely challenging to find appropriate and suitable courses that are pitched at an appropriate level for employees to understand and be able to implement what they have learned following the training they received, especially considering employees' differing levels of education (Brendan, General Manager, 7 November 2012). He stated "I think that probably one of the biggest challenges is finding an appropriate course for [employees] to do that's pitched at the right level for them to understand - something that they're not going to know until you've sent them [on training]" (Brendan, General Manager, 7 November 2012).

Michele, who also worked in the hospitality industry, similarly described how it was difficult to find training providers and training facilitators within the hospitality industry who are able to provide suitable and required training. Furthermore, she suggested that, in her opinion, finding suitable training was more difficult in Buffalo City than in larger cities and as a result she recently had to arrange for a training provider in George (in the Western Cape) to come to Buffalo City to train employees at the hotel she worked for (Michele, Human Resources Administrator, 7 November 2012). While it is not necessarily wrong that organisations make use of training providers outside of their city or region, it can at times have negative implications.

In Michele's example the implications of a hotel in Buffalo City using a training provider from George, for example, was that the costs of the training became substantially higher because it incorporated additional expenses such as travel and accommodation of the training provider. Using this provider consequently meant that there was considerably less money in the organisations' training budget for further training initiatives, compared to the potentially lesser cost of using a local training provider. Additional explanations and examples provided by respondents suggested that small businesses are often unable to access training and development opportunities, whether through a SETA or elsewhere.



According to Marock (2010: 16), “provider capacity in the skills development system remains a challenge and SETAs have largely not seen it as their role to facilitate the upgrading of provider capacity for sectors. A particular problem is the capacity to provide appropriate training for small and emerging businesses”. As Martins and van Wyk (2004: 6) explain, small businesses need to be considered as far as training is concerned. One of the most important reasons for this is that with 70 per cent of the population consisting of young people and increasing numbers being obligated to depend on the informal sector for economic survival, there is an urgent need for training young, up-and-coming small business entrepreneurs (Martins and van Wyk, 2004: 6).

The final issue in relation to accessing and providing training in the workplace is the apparent lack of a designated person responsible for the management and facilitation of skills development matters. Lee, human resources manager for Slipknot Group of Companies, claimed that the reason why the organisation she worked for engaged in a minimal amount of training was that they did not have a dedicated SDF or person responsible for training and development. She explained that this was primarily because when the organisation was established it was considerably smaller than it is today and initially did not engage in any skills development activities. Years later, when the organisation grew and the employer wanted to apply for skills development grants, Lee was given the task of managing the application of skills development grants as well as managing all other general human resources functions and despite having no training in this regard (Lee, Human Resources Administrator, 12 November 2012). Lee’s original and current position is in fact payroll administrator.

The outcome of this situation was that skills development remained a non-priority issue in the firm. Additionally, rather than not engaging in any training, the absolute minimum amount of training was completed purely in order to receive an annual skills development grant (Lee, Human Resources Administrator, 12 November 2012). Lee’s example is extremely important in highlighting the vital role played by the SDF in managing an organisation’s skills development initiatives. As outlined in Chapter 2, the “SDF is responsible for the planning, implementing and reporting of training in an organisation” (FASSTET; 2011: 6). The functions of a SDF include the following: assisting the employer and employees to develop a WSP; submitting the WSP to the relevant SETA; advising the employer on the implementation of the WSP; assisting the employer to draft an ATR based on the

implementation of the WSP; acting as a contact person between the employer and the SETA; and various other tasks relating to the facilitation of skills development (FASSET; 2011: 6). The presence of a SDF, whether internal or external, considerably influences the issue of access and provision of training in the workplace. If the job tasks associated with the SDF are simply handed to an employee, especially one who does not have the skills or qualifications to handle this facilitator role adequately, it is unlikely that skills development will be efficiently managed.

#### **7.4.4 Challenges in the Awareness and Understanding of Skills Development and Related Issues**

According to Marock (2010: 23), “with sufficient national attention from the relevant stakeholders (government, organised business, organised labour) and role-players (SETAs, providers, employers), coupled with good project design and implementation mechanisms, access to additional workplaces for structured work experience and accelerated skills development can be achieved on significant levels”. One of the keys to the success of the national skills development strategy is undoubtedly a broad national awareness of skills development, including the framework in which skills development should be conducted. The lack of awareness and knowledge of skills development matters in South Africa which was evident in this research poses a major challenge to the achievement of skills development objectives.

Issues of awareness have been highlighted throughout this dissertation but are reiterated here as one of the main challenges to skills development at an organisational level. Once again, the impact of this challenge is not confined to the level of the organisation, but simultaneously affects sectoral and national skills development goals as well. While mechanisms such as financial incentives have been established to encourage skills development at the level of the workplace, it will make little or no difference to skills development outcomes if organisations are unaware of these and other such mechanisms. The research on which this dissertation is based indicated that, from both a top personnel and an employee level, there was an obvious lack of awareness as to training and development opportunities which are made available through the SETAs, for example learnerships and skills programmes.

Bruce (Owner/Quantity Surveyor, 10 November 2012) for example stated that his greatest challenge related to skills development was “lack of information”. According to Bruce (Owner/Quantity Surveyor, 10 November 2012), “I’m not informed about it, I haven’t been approached or anything”. He went on to explain how being a new and small business, the opportunity had not arisen to train his staff and that since the company was currently functioning well, he saw no reason to train his employees. However, if an employee wanted to be trained in a particular skill or attend a course, he would try as far as possible to provide training for them (Bruce, Owner/Quantity Surveyor, 10 November). Bruce was therefore not opposed to skills development, but chose to adopt a reactive approach to training his staff.

What was interesting in his explanation was that, considering that his was a relatively new organisation, his answers indicated that skills development was not an initial aspect included in the design of his business strategy. However, considering his initial answer when questioned about what he regarded as a challenge to skills development one could assume that had he been aware of skills development opportunities such as the grants available through the SETAs his approach to skills development may have been less reactive and more pro-active. Brendan (General Manager, 7 November 2012), once again, provided an example of lack of awareness and lack of understanding of skills development matters and described his main challenge regarding skills development as being “disillusioned” by it.

He went on to explain that while he could understand the value of training in the workplace, he knew very little about how to apply for grants, the necessary procedures that should accompany the grant applications and what opportunities were available to him through the SETAs (Brendan, General Manager, 7 November 2012). As mentioned above he was definitely not the only respondent who expressed confusion and uncertainty regarding skills development matters. From an employee perspective, Ayanda (Industrial Relations Consultant, 9 November 2012) suggested that, in her opinion, the biggest challenge regarding skills development was the fact that she, as an employee, was largely unaware of matters associated with skills development. Her unawareness included a wide range of aspects from information on the skills development committee of the organisation she worked for to what SETA her company was a part of. She argued that, from her perspective as an employee, there was very little communication regarding skills development being filtered to the “employee on the ground” (Ayanda, Industrial Relations Consultant, 9 November 2012).

Ayanda's answer was interesting in that she had previously completed two Honours degrees and was therefore relatively highly educated; she was employed on a skilled occupational level; and she was working for an organisation that consulted on human resources matters. One could easily draw the conclusion that if a skilled and educated respondent, such as Ayanda, was so unaware of skills development matters it was likely that other respondents who were similarly or less educated and worked in similar or lower occupational levels, could be equally unaware of skills development matters. While government encourages workers, both employed and unemployed, to take responsibility for skills development and embrace learning opportunities, silence on legal entitlements of workers potentially contradicts this encouragement. The government needs to take into consideration that many workers have very little formal education, which lessens their access to formal training in the workplace. These workers are therefore less likely to engage in education outside of the workplace on their own initiative (Rainbird, 2000: 3).

#### **7.4.5 Technological Barriers to Workplace Training and Development**

In addition to barriers of organisational culture, finance, access and provision and awareness, respondents highlighted additional challenges in implementing and executing skills development within the organisations they worked for. The first of these challenges deals with changes in technology and the effect that these changes have on the workplace. Changes in technology are usually regarded as advantageous to economic development, especially considering South Africa's pursuit of a knowledge economy but, at an organisational level, these changes also present certain challenges. As Kim (Executive Manager, 9 November 2012) explained, technological changes will always be a challenge to skills development because technology is changing and being updated so rapidly that one simply cannot keep up.

Kim (Executive Manager, 9 November 2012) explained that one of the biggest concerns for Buffalo City is that most of the machinery used in manufacturing and production is not locally made and, as a result, by the time employees are trained on how to use the machinery and equipment, later models have already been created. This makes it extremely difficult to stay ahead of technological advancements both in accessing and in providing up-to-date training (Kim, Executive Manager, 9 November 2012). As Kim mentions in this example, issues of technological challenges to skills development are therefore often related to challenges of access to training and provision of training.

Furthermore, from the perspective of companies that offer training to other organisations, there are also substantial technologically related challenges. An example of this is the issue of competency alignment whereby a large number of organisations use different enterprise resource planning systems, which means that any other system that is introduced often does not interface with the existing system (Kim, Executive manager, 9 November 2012). Also evident from a training provider perspective is the issue that learning platforms are changing due to the increasing pace at which employees are expected to work. For example, since people rarely have time to sit in a classroom for long periods, training has had to evolve to suit new organisational needs. One way in which this training evolution is taking place is through ‘e-learning’ (the process of learning via the internet). E-learning is also currently being adapted for mobile use so learners can study by reading through material accessed via their smart phone device (Kim, Executive Manager, 9 November 2012).

One of the problems however, with ‘e-learning’ is that it eliminates the practical component of learning and therefore constricts the role of the training provider in the process of training and development. In a similar explanation to the one provided by Kim, Brian argued that from a skills development consulting perspective, many companies work with products and technologies that are rapidly developing to the extent that they change every few months. He explained that because of these rapid technological changes, some companies chose to replace workers with machines, which eliminates the costs and time associated with training employees. In justifying his argument Brian provided an example of a company that recently built two new machines to replace 20 workers, which resulted in the loss of 18 jobs (considering two of the workers became the machine operators) (Brian, Skills Development Specialist, 7 November 2012).

According to the CHIETA SSP (2011: 12), “the demand for skills in absolute numbers has been declining steadily over the last two decades with investments in capital equipment being largely used to replace labour. These reductions in employment have largely come at the expense of unskilled and semi-skilled workers resulting in the skills mix tending towards the higher level skills”. In studying the role of business in skills development, changes in technology and knowledge production are extremely important because the way in which business reacts to these changes ultimately affects the ability of the state to pursue a knowledge-based economy. As outlined in Chapter 2, the term “knowledge economy” or

“knowledge-based economy” is derived from a fuller recognition of the role of knowledge and technology in economic growth.

Rapid changes in knowledge, such as an increasing reliance on technology, require learning to be a permanent process in the economic life of the future (Crouch et al., 2004: 1). As stated by Coetzee and Stone (2004: 2), “changes in technology have rendered many jobs obsolete, have increased the need for on-going skills development, and have simultaneously reengineered the way in which we work”. It is therefore essential that, for organisations and nations to remain competitive, they need to be responding to the needs of the knowledge economy by prioritising training and development and including knowledge that is constantly changing. The argument for the pursuit of a strengthened knowledge economy is that human capital (the knowledge embodied in human beings) and technology is central to economic development (OECD, 1996: 9).

Due to the countless new trends in technological advancements and knowledge production, economic theories and models are being revised to include knowledge more directly in production functions. Whereas knowledge and technology are usually regarded as external influences on production in comparison to labour, capital, materials and energy, it is now being recognised that knowledge can in fact increase the productive capacity of other factors of production. One of the ways in which this is done is by stimulating more efficient methods of organising production, thereby creating new and improved products and services (OECD, 1996: 11).

According to MICT SETA Annual Report, rapid technological changes were cited as the main cause of deviation from organisations WSPs (Department of Higher Education and Training, 2012b: 31). This suggests that employers are responding to technological changes in the workplace. However, as outlined in Chapter 5, the extent to which SDFs can make changes to the WSP through the course of the year is limited in so far as skills development grant approval is based on the extent to which organisations have realised the planned training initiatives indicated in the previous year’s WSP. The grant application process does not take into account the possible need for an organisation to make changes to their WSP, for example due to technological changes. The rigidity evident in the grant application process could therefore potentially deter business from being responsive to the needs of the knowledge economy.

#### **7.4.6 Challenges with the SETAs' Online Grant System**

Continuing the theme of technological challenges, another challenge identified by respondents was the difficulty and problems experienced in accessing and using the SETAs' online grant system. The multiplicity of online systems used across the group of SETAs and the lack of uniformity has already been mentioned earlier in this chapter as a challenge in the skills development framework. Almost every SETA uses a different online reporting system, which not only results in a lack of standardisation but also complicates the amalgamation of skills development data. As a result, improving the effectiveness and efficiency of the skills development system is recognised as one of the foundational concerns of the NSDS (Department of Higher Education and Training, 2011b: 5). The complexity of the online systems is not only a problem in terms of strategy and policy creation but also presents a challenge to organisations.

What was evident in this research was that respondents believed that the SETAs' online grant application systems were often inaccessible and challenging to use. Among the group of respondents, of the organisations that applied for grants, most agreed that the application system was neither quick nor uncomplicated. Tracey, SDF from the Kempston Group, felt that the online grant application system was both time-consuming and repetitive (Tracey, Kempston, 13 November 2012). Geraldine, also a SDF of a large organisation, suggested that her biggest challenge with regard to the online grant application system was ensuring that her company's ATR and WSP were formatted exactly as per the SETA's formatting requirements or else the grant application would not be successfully uploaded onto the system. This made consolidating and formulating information which needed to be submitted to the SETA a significantly challenging task (Geraldine, First National Battery, 6 November 2012).

In answering the question as to whether participants felt that the online system was user friendly, Kim (Executive Manager, 9 November 2012) from PMI stated that "every SETA's got a different process or often use a different system, but the quick answer is: it's not user-friendly". She elaborated by saying that the reason she felt this was based on the fact that the online systems were often down (not working) or inaccessible and therefore the SETAs were constantly required to extend the deadlines (Kim, Executive Manager, 9 November 2012). She went on to explain that grant application is not an easy process but the reason why some companies continue to apply, despite the challenges of the application process, is because

they feel that the grants that they will receive in relation to the levy that they pay justifies the challenges they experience in applying for them (Kim, Executive Manager, 9 November 2012).

Bearing this in mind as well as the argument stated above that small organisations are often unconvinced of the value of the mandatory grant in comparison to the time and effort required in the process of applying for the grant, this could provide part of the explanation why large organisations appear to be significantly more invested in and committed to skills development than smaller organisations. Fortunately, the SETAs are aware of this problem. In the FASSET Skills at Work Annual Integrated Report (2012a: 63), it clearly stipulates that the SETA is committed to continually improving their reporting systems in order to provide useful and accurate reporting. They also aim to implement the requisite frameworks, strategies and policies because all of these are required for the SETAs to progress in their integrated reporting system.

The online system is considered to be one of the SETA's main areas of responsibility because it forms the basis for meaningful engagement with stakeholders for the year ahead (FASSET, 2012a: 63). From the data, it is evident that the online reporting systems are at times a deterrent for companies to engage in the skills development framework. Ensuring that the online reporting systems are 'user friendly' and efficient and that there is adequate support from the SETAs in using the system may significantly increase the number of organisations applying for grants. This would also inevitably increase the number of organisations engaging in skills development.

#### **7.4.7 Business and Trade Union Partnerships in Workplace Skills Development**

As explained in the CATHSSETA Annual Report, trade unions serve as stakeholders in the consultation process when formulating the SETA's SSP and identifying scarce and critical skills (Department of Higher Education and Training, 2012a: 26). This is because training and development are directly related to the purposes and representative nature of trade unions. In theory, trade unions can potentially play an important role in the facilitation of skills development in the workplace. In practice, however, this research indicated that trade unions had very little role in skills development at a workplace level. During the course of the interviews, top personnel respondents were asked if trade unions played a role in the skills



development processes of the organisations they worked for and if trade unions offered any training to their members.

Among the entire group of respondents, trade union involvement was only identified in organisations where shop stewards had representation on the skills development committees. However, even then the level of engagement was limited. Geraldine from First National Battery explained that shop stewards consulted on, checked and signed off the company's WSP before being submitted to the SETA, but this was the only way the union was involved in the company's skills development processes (Geraldine, Skills Development Facilitator, 6 November 2012). From an employee perspective, only one employee, Sue from the Kempston Group, said that she belonged to a trade union, but claimed that the trade union was largely silent on all matters, including skills development (Sue, Administrator, 13 November 2012).

When top personnel were asked if trade unions offered any training to employees, the only training that was mentioned was shop stewards' training for the relevant shop stewards. Notably, many unions that form part of the Congress of South African Trade Unions (COSATU) offer training courses to their shop stewards. Brian, who answered from a consulting perspective, having consulted to multiple organisations, explained that as far he was aware no union had offered any training to its members. He went on to suggest that there was only one union that he was aware of that offered training to its members. However unfortunately this union had no representation within any of the organisations that he consulted to (Brian, Skills Development Specialist, 7 November 2012). In a further discussion, it was indicated that this particular union, Solidarity, took a pro-active approach to training, including having their own training centre and additional resources for its members (Brian, Skills Development Specialist, 7 November 2012).

As discussed in the section above, there is an increasing emphasis on the notion of the 'knowledge worker', which in part means that for workers to remain employable they need to be able to adapt to different job requirements. Skills development is essential in enabling workers to gain this measure of adaptability. Particularly in certain sectors of the South African labour market, where employment is characterised by high levels of informalisation, unions have an opportunity and responsibility to empower their members by ensuring that they are equipped to survive in the increasingly competitive 'knowledge economy'. Rainbird

(2000: 10) suggests that trade unions owe it to their members to retain a critical appreciation of where their interests lie particularly with workers who may have literacy problems, may be on lower salary grades or whose experience of education prohibits them from accessing training and development opportunities (Rainbird, 2000: 10).

As explained in the W and R SETASSP the trade union movement in South Africa strongly oppose the informalisation of work because it perpetuates and deepens social inequalities. One of the ways informalisation does this is by discouraging investment in skills development and training infrastructures (Department of Higher Education and Training, 2011a: 17). The informalisation of work is just one example of employee vulnerability in the workplace. Business and trade unions working together as social partners can have a significant impact on the achievement of economic development through skills development and substantially lessen employee vulnerability. They can jointly ensure that employees are educated, trained and developed or can simply work together to offer training to members. Partnerships such as these can also significantly affect the role of business in the skills development framework by encouraging increased participation in skills development.

In analysing unions' involvement in skills development at the level of the workplace it is equally important to note that not one top personnel respondent was forthcoming in suggesting any possible plans or projects in which to include any union or unions in organisational skills development plans. Having said this, it is essential to indicate here that the purpose of this section is in no way to simply criticise unions or to suggest that the role of the unions should in any way absolve management from their largely poor and often dismissive record with regard to training and skills development. It is however included here to indicate the limitations, from a business perspective, of business as a social partner working with other social partners in achieving skills development objectives whether those are organisational, sectoral or national.

## **7.5 CONCLUSION**

The W and R SETA SSP indicates that South Africa's Human Resource Development Strategy contains numerous priorities which, if achieved, will promote a more equitable and socially inclusive society (Department of Higher Education and Training, 2011a: 13). The development of skills is one of these priorities. In analysing the effectiveness of skills

development and related issues, it is important to identify the factors that act as barriers and challenges in achieving a sustainable and coherent skills development system, because overcoming these barriers will essentially lead to the attainment of the country's skills development goals. This chapter has outlined the challenges in the skills development arena that are experienced at a national, sectoral and organisational level and have highlighted how these challenges impact the role of businesses in the skills development framework. A pertinent example of this is the substantial lack of awareness and concurrent lack of efficient implementation of skills development initiatives in the workplace. The reason why all of the challenges outlined in this chapter are so important in the discussion of the role of business in skills development is not only because they have had some kind of impact on the sample of organisations in this research, but ultimately because of the way in which these challenges prohibit businesses in playing out their role as social partners in the skills development framework.

# **CHAPTER 8:**

## **THE ROLE OF BUSINESS AND THE POTENTIAL FOR ECONOMIC TRANSFORMATION**

### **8.1 INTRODUCTION**

When South Africa made the transition to democratic governance it created a labour market framework which combined flexibility with security through improved regulation within the context of its neo-liberal economy. Skills development formed a key component of South Africa's labour market regulation and, as already outlined, was institutionalised through the creation of a legislative framework. As emphasised throughout this research, the skills development framework in South Africa is premised on a partnership approach and heavily relies on the willingness and the actions of the private sector to achieve its objectives. However, as the preceding chapters have shown, despite incentives to engage in skills development, the business community can generally be described as being minimally engaged in the skills development framework and accepting very little if any collective responsibility for the achievement of national skills development goals.

In analysing the reasons behind these findings, the previous chapter explored numerous challenges to skills development at a national, sectoral and an organisational level. The purpose of the present chapter is not to reiterate these challenges, but to suggest how these challenges can be overcome and consequently how business, as a social partner, can contribute to meaningful economic transformation. The chapter will begin by arguing that in order to overcome the challenges in the skills development framework one needs to start by identifying the central contradiction in the skills development framework. It will analyse the voluntary approach to skills development and the implications that this approach has for the likelihood of organisational engagement. This will lead to the argument that the success of skills development is founded on the potential for collective buy-in. In concluding the chapter, the impact of the success or failure of national development goals will be discussed by focusing firstly on the pursuit of the knowledge economy and the high-skills economy and

finally on the achievement of the developmental state approach and the creation of sustainable development.

## **8.2 OVERCOMING SKILLS DEVELOPMENT CHALLENGES**

### **8.2.1 The Central Contradiction in the Skills Development Framework**

In analysing the findings of this research, numerous challenges were identified and, as such, were discussed in the previous chapter. However, one overarching challenge was omitted from this discussion predominantly because it failed to relate solely to the national, sectoral or organisational level. This matter was recognised on reflection of the challenges identified and is perhaps more accurately described as a conflict or contradiction than a challenge. In analysing the barriers to skills development, it was identified that even if challenges such as lack of awareness, uncertainties as to the role of provinces and difficulties in using SETAs online grant systems, were completely eliminated, one cannot be certain that business would not continue to play an inefficient and sub-standard role as a social partner. The primary reason for this, and hence the contradiction, is that despite the challenges which businesses face, national skills development objectives and the approaches designed to attain them are often vastly different to the skills needs and subsequent approaches at the level of the workplace.

According to the Department of Economic Development's National Skills Accord (2011: 4), stakeholders, including representatives of business, organised labour, the community constituency and government have identified a number of commitments they can make to improve training and skills development. These commitments are as follows: "expand the level of training using existing facilities more fully; make internship and placement opportunities available within workplaces; set guidelines of ratios of trainees: artisans as well as across the technical vocations, in order to improve the level of training; improve the funding of training and the use of funds available for training and incentives on companies to train; set annual targets for training in state-owned enterprises; improve SETA governance and financial management as well as stakeholder involvement; align training to the New Growth Path and improve Sector Skills Plans; and improve the role and performance of FET Colleges".

It is argued that these commitments, outlined above, along with other actions taken by government can significantly increase the number of South Africans who can access training, which therefore has the potential drastically to increase the country's skills base (Department of Economic Development; 2011: 4). While these objectives are theoretically sound, from a business perspective there is little chance that employers will respond to them unless they are convinced of the direct impact the attainment of these objectives will have on the profitability and sustainability of their firms. In light of the objectives outlined above, literature on education and training in the workplace suggests that, apart from those employers who are completely unconvinced of the advantages of training, the average employer is often disinclined to train those who are unemployed and workers that have not recently entered the workplace.

Furthermore, training in the workplace is generally focused on managerial and highly educated employees, particularly those with tertiary qualifications as opposed to lesser-educated employees or those within the lower occupational levels. For example, taking into account the need for employers to make internship and placement opportunities available in the workplace, there is a substantial difference between the types of training that employers are engaging in compared to what is necessary in improving national training and skills development levels. Overall, the findings which inform this dissertation proved to be consistent with the literature on the approach to skills development adopted by an average employer.

The first issue analysed was the extent to which lower level employees received training compared to employees in higher occupational levels. Keep (2000: 10) argues that investment in non-task specific training for lower status employees is not normally a priority in workplace training. In analysing the data collected for this research, this was undeniably evident. While most of the respondents indicated that the amount of training available to the two groups was divided fairly, the remainder of the respondents said that managers received more training than lower level employees. Brendan (General Manager, 7 November 2012) suggested that if the organisation he was employed by was going to focus on skills development and spend money on training, they would rather train at a managerial or supervisory level than train lower level employees.

While he chose not to explain the reason for his answer, what had previously been established with regards to the organisation Brendan was employed by was that the organisation engaged minimally in training. One could therefore suggest that based on the amount of training completed in the organisation, senior level employees had very little chance of engaging in any training initiatives anyway, while training opportunities for lower level employees were highly unlikely. Geraldine (Skills Development Facilitator, 6 November 2012) claimed that in the large organisation she was employed by training provided to employees at an unskilled, semi-skilled and skilled level was predominantly instructional training, whereas training provided to managerial and/or supervisory employees was more formal training through (for example) external courses.

She explained that while employees at a managerial and/or supervisory level may not have received training as often as lower level employees, the training that they did receive would be regarded as more than the training received by lower occupational levels based on, for example, the financial value of the training (Geraldine, Skills Development Facilitator, 6 November 2012). Reflecting on the findings outlined in this research so far, it appears that training and development in organisations are not aimed at uplifting those who are socially or economically vulnerable. Furthermore, within the entire group of respondents, those that appeared to be most invested in skills development were the organisations that acted as training providers. Yet even then, the motive behind this training was primarily to make a profit and only partially to respond to the needs of the labour market.

In the NSDS III, it states that one of the intentions of the strategy is to make sure that education and training stakeholders, which includes business, focus their energy and resources on ensuring that national skills development challenges are addressed and consequently that measurable impact is achieved within the strategy's five-year lifespan (Department of Higher Education and Training, 2011b: 7). The findings, along with the literature on skills development, consistently indicate that objectives and intentions in strategies such as the NSDS are insufficient in ensuring that business will contribute to the upskilling of the South African labour market. With the reliance on business in the skills development framework, employers have substantial power and influence over the success or failure of skills development and the achievement of a higher skilled economy. This raises an important question of whether government and communities can do anything more than hope that firms will provide solutions to their need for higher skills (Crouch et al., 2004: 11).

According to Benjamin (2005: 37), the SDA, as a labour market regulation mechanism, has been criticised for focusing more on the needs of employers than the consequences of apartheid for employees, and is therefore driven by the approach of individual companies. Taking into consideration South Africa's segmented labour market, and the dual economy which has resulted from this segmentation, the lack of engagement in skills development by many employers is hugely problematic for the multitudes of workers and work-seekers wanting to enter the labour market. Organisations that act as intermediaries, in this case the SETAs, are similarly affected by the extent to which business participates in skills development.

Marock (2010: 24) states that in order to understand the challenges that are characteristic of many of the SETAs, "one has to examine how the fractured origins of the system, driven by stakeholders with varied expectations of skills development, has led to a legislative framework with multiple purposes. This, then combined with the challenges in relation to the current skills pipeline, translate into what is argued is an unrealistic scope and mandate for SETAs". To summarise this point, SETAs are only able to make a significant and substantial impact in their respective sectors if the business community which they need to work with is willing to participate in this partnership.

The limitations of what government can do in terms of organisational skills development and the increased reliance on the role of individual firms imply that government must try to involve employers in the skills development framework as much as possible (Crouch et al., 2004: 18). As Marock (2010: 23) explains: "mechanisms, including financial incentives to support and encourage increased employer participation in providing structured work experience for skills development will need to be a priority going forward. Furthermore, ways in which quality can be assured while minimising the level of bureaucracy imposed upon workplaces will need to be sought".

As stated in Chapter 2, governments will be unable to pursue skill-maximisation strategies unless they are in close touch with business interpretations of what this means in practice (Crouch et al., 2004: 220). Research conducted with Swedish employers, for example, indicated that even when business leaders share the objective of improving skills, they want to do so at a pace and direction chosen by the individual company (Crouch et al., 2004: 134).



Considering the nature of the social partnership on which the skills development framework is premised, and the reliance on business as a role-player in the achievement of skills development goals and objectives, the way in which business engages in the skills development framework poses a major challenge to attainment of the framework's goals.

### **8.2.2 Business and the Voluntary Approach**

In continuing the discussion above, Stuart (2007: 272) argues that if companies are left to their own devices, it is 'natural' for firms to under-invest in the development of skills and therefore, to address this dilemma, it is necessary for vocational training systems to be institutionalised with appropriate legislation to ensure that the parties will work together to achieve collective interests. However, the findings of this research have indicated that despite appropriate legislation, dynamic strategies and vocational training systems, business continues to engage minimally in skills development and accepts little responsibility for the attainment of skills development objectives.

The above section indicates that one of the main reasons for this, in addition to the challenges outlined in the previous chapter, is that national skills development objectives and the approaches designed to attain these objectives are often vastly different to organisational skills development goals and their subsequent methodologies. What this means is that while businesses may choose to train and develop workers they are not necessarily responding to the needs of the labour market such as training the unemployed through internships, apprenticeships and learnerships or responding to critical skills needs. Another reason why business has arguably under-invested in skills development is due to the voluntary nature of the skills development framework.

Apart from being legally required to pay the skills development levy, no organisation is compelled to engage in training and development. Organisations are, however, incentivised to do so. In popular terms, this approach is referred to as the carrot-and-stick approach. According to the Final Report to the National Quality Council prepared by TVET Australia (2010: 7), 'carrot' motivators are those incentives that encourage vocational education and training practitioners to undertake skills improvement through some type of recognition or reward system. 'Stick' motivators are those incentives that encourage vocational education and training practitioners to undertake skills improvement through threat of 'punitive action'.

According to Kraak (2004a: 235), the carrot approach to implementing the SDA and SDLA in South Africa has proven to be an insufficient incentive.

Altman (2005: 3) argues that problems in regulated sub-categories of the labour market such as skills development could suggest that the institutional framework may not be clear or strong enough to achieve its desired outcomes. According to Grierson and McKenzie (1996: 15) “it is commonly accepted that the inability of vocational training systems to serve labour markets is a problem of crisis proportions”. Turok (2008: 10) similarly argues that there is not enough regulation of the private sector to ensure adequate benefits for the disadvantaged. Unfortunately, however, the ruling economic ideology of our period – namely, neo-liberalism – offers few alternatives to this approach (Crouch et al., 2004: 11).

As Altman (2005: 3) explains, one of the dangers in the call for ‘de-regulation’, or what is better understood as re-regulation, which would reduce what some feel is a regulatory burden, is that this discourse refers back to the pre-democratic governing period. He suggests that a regulated labour market, on the other hand, enables and guides appropriate balances between efficiency and equity, including the exercise of democratic rights and certain minimum standards (Altman, 2005: 3). In light of skills development in South Africa, which is a sub-category of labour market regulation, Altman (2005: 3) suggests that the central question is what regulatory environment underpins a suitable balance between equity and efficiency.

As Stuart (2007: 238) explains, the reason for labour market regulations concerning skills development is not to hinder organisations’ approaches to training and education, but rather to allow firms to develop mechanisms to internalise investments in skills. These mechanisms do not only assist firms with developmental objectives but can also help organisations avoid labour reductions during periods of economic hardship. Stuart (2007: 283) states that, “in simple terms, analyses of national systems of vocational education and training (VET) have tended to focus on the relationship between regulation and training outcomes. In contrast to the neo-liberal mantra that regulation and labour market rigidities impede flexibility, commentators suggest that regulation is needed to produce superior training outcomes and a highly skilled workforce”.

Considering the reliance on business and the hugely influential role business plays in the skills development framework, one can argue that the voluntary nature of skills development is another reason why appropriate legislation, dynamic strategies and vocational training systems do not necessarily guarantee that businesses will invest in the development of skills. In light of presenting possible solutions as opposed to simply highlighting challenges, one could also argue that making skills development compulsory could eliminate some of the issues pertaining to businesses' level of engagement and acceptance of collective responsibility. During the interviews, top personnel and employee respondents were asked to express their opinions about the way skills development was currently governed, including if they felt that skills development should remain voluntary or become compulsory. Various opinions were expressed, arguing both for and against the way the system is currently structured concerning its voluntary nature.

Ayanda (Industrial Relations Consultant, 9 November 2012), who worked with numerous organisations on a consultative basis, claimed that this question was difficult to answer because there are challenges in both voluntary and compulsory approaches to skills development. She suggested that the skills development system, as it is currently governed, is not ideal because there are situations where companies simply write off the one per cent skills development levy and choose not to engage in any training. She stated, "It's not really ideal and it's not really working because now we have a situation where if a company is not fazed by losing a percentage of their wage bill, they just don't do anything" (Ayanda, Industrial Relations Consultant, 9 November 2012).

Ayanda (Industrial Relations Consultant, 9 November 2012) additionally explained that even within some organisations that pay the skills development levy and engage in training and development, there is often a lack of 'buy-in' into the skills development framework and its related procedures and as a result, skills development is often inefficiently managed in the workplace. She argued that, in her opinion, since skills development is very important, it should be something that businesses should be actively engaging in even if it is a resource-intensive or administratively tedious process. Therefore, Ayanda argued that if a decision had to be made whether to make skills development compulsory or voluntary it should rather be compulsory simply because the current system is not achieving the objectives it intended to achieve when it was initiated (Ayanda, Industrial Relations Consultant, 9 November 2012).

On the contrary, Michele (Human Resources Administrator, 7 November 2012) explained that she believed that organisational engagement in the skills development system should remain voluntary. She claimed that, in her opinion, the danger of making skills development compulsory was that organisations might react negatively to being forced to do something, especially those organisations that had no intention of engaging in training and development. Organisations may retaliate by finding reasons to oppose the system rather than simply incorporating training into their organisational framework. This would be particularly evident for many organisations that currently view skills development as a waste of time because they do not recognise or appreciate its long-term benefits (Michele, Human Resources Administrator, 7 November 2012).

From an organisational as well as a consultative perspective, Brian (Skills Development Specialist, 7 November 2012) argued that, because he felt the SDA is a very good piece of developmental legislation, making it compulsory would be a good thing. However, he suggested that the main issue regarding skills development legislation should not be whether it is compulsory to partake in skills development activities, but rather the application and implementation of the SDA. He explained that one of the main problems with organisational participation and partnership in skills development is that the implementation of skills development in the workplace often results in situations where the gains are outweighed by the effort that is required to achieve them (Brian, Skills Development Specialist, 7 November 2012).

An example of this is the implementation and effectiveness of learnerships in the workplace. As this research has shown, and as reflected in many of the SETAs' SSPs, only a small minority of organisations engage in learnerships in the workplace. According to Brian (Skills Development Specialist, 7 November 2012), "if you look at what a learnership is on paper and the potential of running a learnership versus an apprenticeship, you must get a better product at the end of a learnership compared to that of an apprenticeship, if you do it right. The problem is to put everything in place to run it according to how it's stipulated – it is practically impossible to do that because your human resources that you require to run programmes like that effectively and 'to the tee' correct, outweighs the gain. You just have too many high qualified people needed to run a programme like that; that load is too high; [so] the gains are outweighed by the effort that you've actually put in".

While Kim (Executive Manager, 9 November 2012) did not necessarily agree with Brian that skills development should be made compulsory, she did however reiterate the issue of easier access and the difficulties in implementing skills development in the workplace. She stated “I think the system as it stands now is good; they just need to facilitate easier access ... You know there’s the whole debate about the inflexibility of our labour laws at the moment; the same applies to the skills development arena. The trick is to make it easier for people to develop. If we’re going to develop on the scale that we need to, it needs to be easier to access those skills”. In agreement with Kim’s answer, making skills development compulsory will not necessarily be the best option in increasing businesses’ role in skills development. As both Kim and Brian explain, from a national perspective there is an apparent need to ensure easier access to skills development.

When GEAR was introduced, the government recognised the need for cooperation with the private sector through public-private partnerships (Manchidi and Merrifield, 2001: 413). As outlined in Chapter 5, the emphasis on the partnership approach in the skills development framework insinuates that neither government nor business are solely responsible for the achievement of skills development objectives but rather that success will be attained by parties working together to pursue respective goals. As Marock (2010: 37) subsequently argues, current circumstances clearly require public provision urgently to play an increased role in the development of occupational skills, but government cannot take on the full burden. Responding to the skills crisis therefore requires action at multiple levels: national, sectoral and organisational. At a national level, Altman (2005: 3) suggests that there is a need for the impact of labour market regulation to be properly analysed, which includes the nature of the skills development framework.

Altman (2005: 3) argues that this requires “improved monitoring and evaluation to review the interaction between the law and regulatory institutions and regulated organisations responsible for enforcement, interpretation and compliance”. In evaluating some of these same issues at a much smaller scale the findings of this research suggest that while the ‘carrot approach’ may not be working there is no guarantee that the ‘stick approach’ will reap any better results. Rather closer ties need to be created between government and organisations to mobilise skills development initiatives and achieve the desired results. This section argues that one of the ways in which this can be done, is not necessarily by making skills

development compulsory, but by creating easier access for organisations to attain the available incentives.

### **8.2.3 Encouraging Collective Buy-In**

Kim (Executive Manager, 9 November 2012) argued that the central issue regarding skills development should not be about compliance, but rather about facilitating easier access and ways of engaging with the skills development system. An example she provided to explain her argument was that it is often not easy claiming grants back from the SETAs because it can be onerous in terms of time and resources. The basic notion behind Kim's argument is that if these processes were made easier the likelihood of business engaging in the skills development framework would presumably increase. In continuing with the carrot and stick analogy, the above section argues that instead of exchanging the carrot for the stick one should rather enable easier access to the carrot.

While this may be a viable solution, it is still based on the assumption that business has the will to train and develop workers. Kim's argument is therefore based on the assumption that employers have the desire to train and develop their workers, but due to barriers evident in the system are discouraged and deterred from engaging in skills development. Unfortunately, while this may be true for some employers, this assumption is not always correct. According to Lange et al. (2000: 7) small, medium and micro enterprises view training as something that happens when necessary and not as a process of continuous development. This research has shown that evidence of this restrictive approach to training and development is similarly apparent in large organisations. One can therefore assume that even if skills development incentives were made easier to access, many organisations would remain unengaged and poorly invested in skills development.

In the light of all the challenges, contradictions and alternative approaches that have been discussed up to this point, what is arguably the key to ensuring that business, as a social partner, plays out its role in a manner which is efficient and productive, is the encouragement of collective buy-in. As Kim (Executive Manager, 9 November 2012) argues, if people buy into something as opposed to having to tick a compliance box, far better results would be generated. She (Executive Manager, 9 November 2012) stated that "people view [skills development] as an activity because they need to cover the bases as opposed to the process

that it's intended to be". Therefore, the idea of making skills development compulsory does not necessarily guarantee that the outcomes of the system will improve (Kim; Executive Manager, 9 November 2012). Likewise, making the incentives easier to reach does not necessarily do this either.

According to Crouch et al. (2004: 18), if an average firm – in economic theory this refers to an average middle-sized organisation in a competitive market – is faced with a skills shortage in the short term, rather than training and 'upskilling' workers from within the organisation, new workers with the required skills would be recruited. These workers would be attracted to the organisation through superior wages. The reason why organisations tend to recruit new workers as opposed to simply training their own staff is that the intended results, such as occupying a new organisational function, are achieved quicker and more efficiently (Crouch et al., 2004: 18). This is consistent with the findings of this dissertation which confirm that employers are reluctant to train unemployed workers or new employees because they expect to employ workers with the necessary skills to fulfil the immediate requirements of the job. As Lange et al (2000: 6) explain, even though government encourages organisations to develop their workforce through training, businesses often prefer recruiting a "final product".

In the overall context of skills development, what this means is that while employers unmistakably share the general interest in achieving a higher skills economy, they are reluctant to contribute towards this achievement (Crouch et al., 2004: 18). A challenge with many organisational approaches to skills development is that the benefits associated with training are not always realised within a short time period and require a business environment that allows for medium- to long-term planning in order to fully realise training benefits (Lange et al., 2000: 9). Additionally, as Keep (2000: 9) explains, in most organisations matters regarding skills development are usually 'third-order' issues, meaning that decisions about training usually exist within broader contexts and concerns, namely 'first-order' and 'second-order' issues. First-order issues usually concern competitive strategies, which implicate the second-order decisions or work organisation matters. Conversely, public policy such as that pertaining to skills development, acts at a third-order level and may do little or nothing to alter the first and second-order priorities and objectives (Keep, 2000: 10).

Therefore, in order to change employers' and managers' approaches to skills development one would first have to alter organisational competitive strategies, organisational systems and

people management (Keep, 2000: 9). Bearing in mind that skills development and public policy are both often regarded as third-order issues, changing employers' and managers' approaches to skills development is not an easy task. According to Lange et al. (2000: 11), one of the biggest challenges to successful skills development is to facilitate a change in attitudes to training in the workplace, thereby improving access to training and also provision of training. In the respondents' answers provided above, this is evident in the emphasis on 'buy-in' being considered more important than the matter of whether skills development should be made compulsory or not.

According to a report published by the City and Guilds Centre for Skills Development (2008:7), "attitudes and perceptions in South Africa are bleak. More people than anywhere believe that there is a skills crisis and shortfalls are higher". Unfortunately, these beliefs are relatively accurate in so far as South Africa shows a higher overall shortfall in basic skills and job-specific technical skills than any other country (City and Guilds Centre for Skills Development, 2008: 13). What is interesting is that while research shows that South Africans are aware of the skills crisis and shortfalls in the training and development arena, business engagement in the skills development framework remains relatively low.

Once again, these findings are consistent with the findings evident in this dissertation which indicate that while almost all respondents were able to recognise and described challenges pertaining to skills development in South Africa, only few organisations actively engaged in the skills development framework and aimed to react to at least some of the challenges they identified. Even though the specific term may not have been used, the majority of respondents in their discussions on skills development indicated that the organisations they were employed by regarded skills development as a 'third-order' issue. This was particularly evident amongst SMEs whereas the large organisations such as PMI and First National Battery proved to adopt a far more integrative and serious approach to training and development.

The argument behind the need to increase collective buy-in is therefore straightforward. Organisations need to consider skills development as more than simply a third-order issue. For this to occur, organisational competitive strategies, organisational systems and people management need to be altered. In order for this to happen, Keep (2000: 9) argues that the approaches adopted by employers and managers regarding skills development need to



change. Finally, the key to changing these approaches is to facilitate a change in attitudes to training in the workplace (Lange et al., 2000: 11). This does not mean that overcoming national, sectoral or organisational level challenges such as facilitating easier access to skills development incentives is not important. Rather, it suggests that in order for national skills development objectives to be reached there needs to be adequate consideration given to the fact that barriers to skills development are not purely structural.

To use the carrot and stick analogy once again, exchanging the one for the other, increasing the size of the carrot or ensuring easier access to the carrot are all possible solutions to the problem of businesses' lack of engagement and lack of collective responsibility in the skills development framework. However, there is no guarantee that any of these actions will sufficiently respond to the skills crisis. Buy-in from the business community is arguably the key to ensuring that organisations, in light of the voluntary nature of the legislative framework, invest in skills development. As Kraak (2004c: 4) argues, dynamic and meaningful growth depends on investments in infrastructure being made on a scale far beyond the means of any single employer. The success of national skills development objectives is premised on the collective action of the business community and not just the investment of a handful of organisations.

It is essential that in encouraging collective buy-in, organisations are not only sufficiently incentivised but are also convinced of the internal labour market benefits. As outlined in Chapter 1, Crouch et al. (2004: 6) suggest that, "the goal of a learning society presents itself initially as a set of clear and simple messages. For individuals it is: 'get educated to as high a level as you are able'. For firms: 'keep working to improve the knowledge base of your activities in order to stay ahead of your competition'. For governments: 'improve the quality of education facilities and ensure that as high a percentage as possible of your population participates, and you will maintain your standard of living and avoid mass unemployment'". With the heavy reliance on business as a social partner, the emphasis on national skills development objectives needs to consider that businesses will rarely take into account sectoral or national goals or objectives.

According to Crouch et al. (2004: 10), whether businesses engage in training or not, firms are geared to maximise profitability and are generally not concerned with collective objectives such as public policy goals. However if employers and managers are convinced of the

benefits of training and development within their own organisations the likelihood of an increase in businesses playing a substantial role in skills development in South Africa is considerably higher. As Brian (Skills Development Specialist, 7 November 2012) argues, while in principle the [skills development] system makes good sense, there are practicalities in terms of the implementation that make it extremely challenging. Pursuing high skills, for example, will only be actualised in organisations if there is a business need to do so but if organisations can come to understand how the need for high skills will invariably affect their profitability, a far higher level of investment in training and development will almost certainly be attained.

Similarly, Kim (Executive Manager, 9 November 2012), suggested that if companies truly recognise the benefits of skills development, such as improved efficiency of their business, they would engage in training and development regardless of whether or not there is a system in place. She argued that this is evident in the number of organisations that engage in training without paying their levies partly because they are not interested in the bureaucracy of the system (Kim, Executive Manager, 9 November 2012). Apart from the monetary incentives within the skills development framework, there are many other reasons for organisations to train and develop workers. According to Trim and Lee (2007: 341), by embracing the organisational learning concept, managers are able to put in place a number of programmes that focus on both immediate strategic needs and future strategic needs within organisations.

This thesis consequently argues that in the context of South Africa's skills development framework, considering its voluntary nature and the reliance on business, encouraging collective buy-in from the business community is perhaps one of if not the most important aspects in attaining skills development objectives. Furthermore, collective buy-in will be achieved at least in part by creating closer ties with the business community through overcoming structural challenges such as difficulties in accessing grants and increasing awareness of skills development matters in South Africa. As Marock (2010: 37) argues, expanding the base of private skills development is critically important. Once the business community has bought into skills development and understands that skills development is in the collective interest of both the business community and the national economy it will be substantially easier to encourage increased investments by organisations in skills development initiatives.

## **8.3 THE IMPACT ON NATIONAL DEVELOPMENT GOALS**

### **8.3.1 The Pursuit of the Knowledge Economy and the High-Skills Economy**

Having established the manner and extent to which the business community engages in skills development, as well as the numerous challenges that prohibit or deter business from investing in skills development, it is essential to identify the impact of these findings on national development goals. Chapter 2 described how the emphasis on skills development in South Africa is rooted in the pursuit of the knowledge economy and the high-skills economy. According to Crouch et al. (2004: 30), discussions of public policy on skills development and education are generally concerned with two questions. The first is whether countries can ensure that their working populations are competing internally at the highest level of skills. The second is whether skills development and workplace training can help solve the problem of mass unemployment.

The first question has a direct bearing on the pursuit of the high-skills economy and the knowledge economy, which characterises South Africa's development framework. Chapter 2 described that the pursuit of a high-skills economy arose because of the 'skills mismatch', which refers to an incongruity between skills and education and the demands of the jobs in the economy as well as an imbalance between the supply of and demand for human capital. The knowledge economy was pursued in the context of the pursuit for a high-skills economy by prioritising skills and education to keep up with international trends, particularly the rapid technological changes and the centrality of human capital investment to individual and national economic performance.

In South Africa, skills development places a strong emphasis on the pursuit of a high-skills economy, which, as outlined in Chapter 2, requires the low skills regime to be fully transcended in order for a high-skills transition to take place. This occurs through the process of 'upskilling', as previously explained (Kraak, 2004a: 212). Insofar as the high-skills economy appears to provide a win-win situation for all vested interests it promises business the prospect of increased economic growth, new markets and higher returns on capital (Ashton, 2004: 104). According to Green (2009: 180), "economic growth is a measure of the increase in the output of goods and services in the monetised part of the economy. Growth may result from an increase in the number of workers or an increase in their productivity –

producing more goods and services per worker”. The latter can be achieved through, for example, better technology, improved skills or greater efficiency via economies of scale (Green, 2009: 180).

However, even though the achievement of a high-skills economy promises economic growth incentives at an individual, organisational and national level, the question as to whether South Africa is actually in a position to achieve such an economy is somewhat different. The central question in the South African skills development discourse is whether South Africa’s institutional framework for skills development has the capacity to achieve a high-skills economy in such a vast and ambitious terrain (Kraak, 2004a: 224). For example, while there may be a high level of motivation for gaining credentials and training in South Africa, unless there are job opportunities available that motivation will become inconsequential (Lauder and Brown, 2006: 34). Furthermore, theories on high-skills approaches have only been tested in predominantly high-skilled societies, which differ significantly from South Africa (Kraak, 2006: 4).

Nonetheless, even if one was certain that South Africa was in a position to achieve a high skills economy there is still doubt as to whether the emphasis on and pursuit of high skills is the most contextually beneficial approach. According to Kraak (2004a: 212), the pursuit of a high-skills economy has been increasingly criticised in the last few years. Firstly, because it does not address the highly uneven way in which high skills and high performance production systems have evolved in the developed world and secondly, because it ignores the very harsh conditions and constraints facing developing economies in their attempts to move up the value chain. Many critics argue that it would be more appropriate to adopt a skills strategy, which targets jobs with basic skills as a prerequisite to re-balancing the economy, as this would eventually give rise to a higher proportion of intermediate and higher-level skills (Ashton, 2004: 114).

As a developing country, with a large proportion of its population unemployed and possessing very low levels of skill, Kraak (2004c: ix) argues that simply pursuing a high-skills approach to skills development is inappropriate as the single focus of human resources development in any strategy or organisation. Rather, there is a need for a multi-pronged human resources development approach, comprising of a joint high-skill and intermediate-skill strategy on the supply side, reinforced by a demand-driven strategy (Kraak, 2004c:

ix). There is therefore a need for simultaneous upskilling in the low, intermediate and high skill sectors of the economy (Kraak, 2004a: 213).

Similar concerns and challenges are evident with regard to the knowledge economy. Contrary to human capital theory, raising the demand for increasingly higher levels of skilled work is not just about organisations supplying skilled labour or upgrading technological capacity, but is largely about the role which the state plays in leading and increasing upskilling of the economy (Kraak, 2006: 4). Numerous issues need to be dealt with in order for South Africa to achieve this kind of participatory and sustainable development needed for social and economic transformation. One of the main issues is that government needs to spend more time and resources ensuring that markets work and addressing the absence of adequate and effective competitive policies (Remenyi, 2004b: 141).

According to Kraak (2006: 4) employers cannot simply be given complete responsibility in this regard as they ultimately have the prerogative of seeking to make profit either out of capital investment and the skills required to utilise the investment or by using low-wage, low-skilled workers. As indicated in the NSDS III, there is a need to find innovative ways of working together to improve the efficiency, quality and impact of education, skills development and training. This will mean that the linkages between the social partners need to be strengthened (Department of Higher Education and Training, 2011b: 25). Regardless of whether South Africa continues to pursue a high-skills economy or changes its strategy to one possibly more suited to the character of the national economy, if government does not find a way to increase the participation of business to a level that ensures the sustainability of skills development, the likelihood of increasing international competitiveness will surely diminish.

Government therefore has an extremely important role to play in facilitating business investment in skills development, and also in creating an economic and social environment which will attract the types of investments required and attract organisations to buy in to skills development. The alignment between basic education and further and higher education is an excellent example in this regard and has been outlined in the preceding chapter. As noted in Chapter 2, Marock (2010: 6) argues that “the skills development system is premised on the assumption that the schooling system will produce graduates with the requisite foundational skills so that these individuals are ‘more employable’ and ‘more trainable’”. Theory argues that the supply of individuals that are ‘more trainable’ will increase the

propensity of employers to invest in training due to perceptions linking skills acquisition by better schooled employees with higher levels of productivity and employer competitiveness”.

Considering employers’ difficulties in accessing adequately educated and skilled workers, a question was raised with respondents regarding how organisations responded to these gaps between education and training. Interestingly, of all the organisations in the research sample of this dissertation, only one organisation, PMI, a large national organisation, engaged in Adult Basic Education and Training. According to the Western Cape Government website, “there are an estimated 3.3 million illiterate adults in South Africa” (Western Cape Government, 2013: 1). Considering these statistics, the role of business in bridging this gap is significantly small. Furthermore, only two organisations, PMI and FNB, had engaged in learnerships at the time of the interviews and one organisation, Kempston, planned to engage in learnerships in the near future.

As mentioned in the previous chapter, all of these organisations were large organisations that actively engaged in skills development. Furthermore, not one of the SMEs engaged in Adult Basic Education and Training or in learnerships, which confirmed the findings identified in the previous chapters indicating the lesser levels of engagement in skills development and the minimal acceptance of joint responsibility in SMEs compared with larger organisations. From the answers provided by respondents, it is clear that data of this research is consistent with literature which suggests that employees on lower occupational levels are less likely to be afforded training than those on higher occupational levels. Having established this consistency, it is equally important to identify the impact of the conditions revealed by the findings.

With regard to the alignment between education and training, a simple way to understand this impact is as follows. If organisations are primarily focusing on training already educated and skilled workers such as those on senior occupational levels, it is likely that workers on lower occupational levels will be disadvantaged in terms of both career development and access to training opportunities. As Richardson (2004: 24) argues, “the opportunities which workers have for the development of skills are affected greatly by the sorts of jobs and learning provided by employers”. Furthermore, the gap between the two economies will continue to widen. However, it is also important to consider that while employers have a significant influence over the opportunities workers have in accessing training and skills development, a

key factor to take into account is the link between the nature of the job and training requirements.

If, for example, a particular type of job is menial and requires minimal skills, it is unlikely that there will be much incentive for the employer to train workers in this position. The reason why this matter is raised here is to emphasise that while business plays an important role in the skills development framework and responding to the needs of the knowledge economy and the high-skills economy, the onus is not purely on employers to ensure that workers are able to access adequate education and training. The bottom line remains that if organisations intend training to add significant value, it is essential that training efforts be linked to the organisation's objectives, goals and business strategies (Grobler et al., 2002: 304). As Crouch et al. (2004: 226) explain, it is doubtful that a strategy that relies solely on firms to enhance skills development can successfully upskill the labour market.

Therefore, while businesses have an essential role to play in skills development, it is paramount that government is committed to ensuring that there is a stable and conducive environment in which businesses can invest in human capital development. As Ayanda (Industrial Relations Consultant, 9 November 2012), an industrial relations consultant of LabourNet, explained: government's primary role is to lay out the foundations and design the framework in which skills development can be pursued by social partners and implemented in organisations. It is therefore imperative that this framework, which is premised on a partnership approach, functions efficiently and in a manner that continuously enables this partnership to function. If government fails in this regard, business will not be able to adequately play out its role in the social partnership.

### **8.3.2 The Developmental State Approach and the Creation of Sustainable Skills Development**

Crouch et al. (2004: 30) state that the second question pertaining to discussions of public policy on skills development and education is whether skills development and workplace training can help solve the problem of mass unemployment. Even though South Africa is regarded as a middle-income country, its severely skewed allocation of income, resources and opportunities mean that close to half the population lives in poverty (Marais, 2011: 203). According to an ECDC (2010: 33) report, "the analysis of the welfare of individuals and

households in the Eastern Cape province showed that 58.3% of the population were living in poverty in 2008. Furthermore, approximately two-thirds of the population had an income of below R800 a month in 2007. The Amatole and O.R. Tambo districts were home to the largest numbers of people living in poverty between 2004 and 2008". The report also states that access to basic services such as piped water, electricity and toilet facilities has deteriorated (Eastern Cape Development Corporation, 2010: 33).

In order to answer the question stated above one needs to take into consideration South Africa's developmental framework, namely the developmental state. According to Turok (2008b: 163), "An essential task of a developmental state in South Africa is to rectify inequality in the provision of social and economic infrastructure. This is because infrastructure has been unequal between racial categories and very fragmented". Freund (2010: 3) argues that whether or not we choose to term it 'freedom', there is a very broad awareness that development must involve an economic core, but is not narrowly economic alone. As outlined in Chapter 2, globally, governments are viewing education and skills as a core tool for increasing economic competitiveness and promoting social inclusion (Akoojee, 2010: 261). Furthermore, in addition to creating stronger economies, the acquisition of skills is also used as a key determinant of fairness.

The Leitch Review of Skills Final Report (HM Treasury, 2006: 27) states that "in the new global economy, people's economic security cannot come from trying to protect particular jobs, holding back the tide of change. Instead, it comes from enabling people to adapt to change, and this relies upon equipping people with the skills to be flexible and take advantage of new opportunities. In the new century, improving and updating skills is the best way to help people make the most of change". As Anda (Receptionist, 6 November 2012) argued, one of the main skills needed in the Buffalo City area is entrepreneurial skills because this would encourage people to take their skills back to their communities instead of having to leave their communities in order to find work elsewhere. She described how this would not only have an effect on the individual entrepreneur but also on the development of the entire community (Anda, Receptionist, 6 November 2012). This is an excellent example of sustainable skills development.

In studying the role of business as a social partner in the skills development framework, this research has indicated that there are evidently clear challenges regarding participation,



acknowledgement of collective responsibility and investment in the overall skills development framework. Due to the low levels of buy-in from business, one could consequently describe the level of embeddedness between the social partners in the skills development framework as weak and non-sustainable. The findings of this research show that the general perception amongst top personnel respondents concerning the current state of South Africa's skills is that the country is far from where it should be in terms of adequate skills levels. Employee respondents, in general, similarly expressed their belief that the current state of skills development was inadequate and fell short of national goals and objectives, despite not knowing exactly what these were.

Furthermore, respondents conveyed that, although skills development is currently in a transitional period, engaging in the system is becoming increasingly challenging. Unfortunately, the resulting non-committal and casual approach to skills development adopted by many organisations is in direct contrast to the explicit commitment of the NSDS III which encourages the linking of skills development to career paths as well as the promotion of sustainable employment and in-work progression (Department of Higher Education and Training, 2011b: 5). This is not to suggest that employers and managers do not care about upskilling the labour market. Rather, the findings of this research have indicated that if these concerns fall outside of the internal labour market, it is highly unlikely that employers will accept collective responsibility or be attracted to investing in skills development where the results of this investment do not directly affect the profitability of the organisation.

As Crouch et al. (2004: 18) explain, employers “do have an interest in a rise in the general VET (Vocational Education and Training) level even during the short term, because this improves the quality of the potential supply of labour, increases their choice and efficiency, and exerts a downward pressure on wages and salaries. They also share the general interest in the long term, since they would gain competitive advantage in moving to more highly skilled markets. However, whether they have an interest in themselves contributing to this outcome is subject to different calculations”. While the ANC aims to promote growth, efficiency and productivity within the framework of a developmental state model, its most important concern should be the need to be effective in addressing the current social conditions of the people and realising economic progress for the poor (ANC 2007b:18), including through the creation of decent work (Edigheji, 2010: 1).

For many people in South Africa, there is still a huge gap between economic performance (growth) and socio-economic gains. This situation in many ways reflects sources and forms of exclusion and marginalisation evident in South Africa's apartheid era. Apart from the socio-economic policy objectives of the RDP and GEAR, Chapter 2 of the South African Constitution (Act 108 of 1996) gives South African citizens fundamental socioeconomic rights, which the state is required to protect, regardless of the country's developmental strategies (Davids, 2009:45). According to Thomas (2008: 179), "much more debate is required on the substance of the South African developmental state, the role of the private sector in the economy, and how the developmental state aims to interact with different class forces and to mediate the inherent contradictions between the private sector and civil society".

While clear commitments have been made in pursuing the developmental state approach, Turok (2008a: 4) argues that in the absence of a comprehensive development strategy, South Africa cannot currently be characterised as a developmental state, but it can be said that it has taken significant steps in this direction. Since, like skills development, the developmental state model is premised on the notion of embeddedness and a partnership approach between government, business and labour, there is a need for serious consideration as to how this model will realise the kinds of embeddedness, and hence the kinds of 'buy-in' required to achieve its outcomes and realise economic transformation. This is especially evident within the context of South Africa's deeply segmented labour market.

## **8.4 CONCLUSION**

The purpose of this chapter was to discuss the role of business in respect of the potential for economic transformation. It aimed to focus on ways in which barriers to skills development could potentially be overcome rather than highlighting challenges within the skills development framework. In addition to the misalignment between national and organisational skill development strategies, the voluntary approach to skills development has proven inefficient in mobilising business to participate and invest in skills development. It is therefore argued that vocational training systems, institutionalised through appropriate legislation, may not be sufficient to mobilise social partners, and in the case of this research – business – to invest in skills development. However, with few alternatives to this approach,

this research argues that in order to overcome the challenges in the skills development framework it is essential that businesses buy into skills development and embrace the collective interest of skills development goals. If business fails to effectively engage in skills development in the workplace, and continues to regard it as a ‘third-order issue’ there will be a substantial impact on national development goals. Not only will it negatively affect South Africa’s pursuit of the knowledge economy and a high-skills economy, but the potential for the attainment of a developmental state will also be significantly lessened.

## **CHAPTER 9:**

# **CONCLUSION**

In light of the institutional character of democratic states, Heller (2001: 132) argues that key questions as to how responsive democracies are include the extent to which the state has changed its modes of governance, what social partners they have engaged with and the developmental goals they have prioritized. In South Africa's transition from apartheid to democracy, these questions have proven essential in trying to measure the extent to which sustainable development has been achieved. The notions of 'sustainable development' and 'participatory development' have formed the basis of many policy initiatives in South Africa, including those pertaining to skills development. According to Taylor (2000: ix) sustainable human development implies a rapid process of redress, social reconciliation, nation building and economic growth with equality alongside the sustainable utilisation of natural resources. In the context of an increasingly global economy, sustainable human capital and human resource development is regarded as an essential component in the overall promotion of economic growth and socio-economic development. As Fiske and Ladd (2004: 14) argue, this is essentially because developing countries with sufficient human capital have proved to be in a better position than those without these resources.

Bennel's (1999: 6) analysis of skills development among the economically vulnerable and socially excluded in developing countries shows that during the 1970s there was substantial optimism among policymakers and researchers about the potential impact of vocational training on productivity and incomes for the poor, particularly in the informal sector. While this optimism may have decreased, the question remains "if training is so easy to deliver and the potential pay-offs are so great, why hasn't this happened throughout the developing world?" (Bennel, 1999: 6). While there are many ways of answering this question, this research argues that one of the central reasons why this is so is because of the challenges and conflicts in the role that business plays as a social partner in the South African economy.

This dissertation argued that there is an inherent contradiction between the substantial reliance placed on business in the skills development framework and the voluntary nature of skills development, which allows business to determine the manner and the extent to which it

engages in training and development. The notion of business as a social partner and the emphasis on the role it is expected to play is explicitly outlined in the NSDS III (Department of Higher Education and Training, 2011b: 25-26) which states that a partnership and collective responsibility between stakeholders (including business) is critical to achieving South Africa's aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce to support a skills revolution in the country.

Prior to analysing the extent to which business considers itself a partner in the skills development framework or assumes collective responsibility for the achievement of national skills development goals, this study highlighted an additional conflict in business's role: extremely low levels of awareness and understanding of matters associated with skills development. This included skills development legislation such as the SDA and the SDLA, policy documents such as the NSDS, SETA affiliation, and national and sectoral skills development objectives. What this suggests is that government's emphasis on skills development -- evident, for example, in the pursuit of a high-skills and a knowledge economy -- has not adequately filtered down to the level of the workplace. Furthermore, in cases where respondents were aware of skills development matters such as a familiarity with the legislative framework of skills development, this awareness was generally restricted to senior occupational levels.

Respondents also revealed a considerable lack of understanding of the social partnership approach. This was initially evident in the uncertainty as to where and/or how government fits into the skills development framework and was later emphasised in the expressed ambiguity as to the role of the SETAs and their respective purposes and objectives. However, perhaps the most revealing evidence concerning the lack of understanding of the social partnership approach was evident in the way in which businesses understood their role in the skills development partnership. Throughout the research, it was increasingly evident that there are notable shortcomings concerning the levels of awareness and the levels of engagement in the skills development framework.

Consistent with the literature on training and development in the workplace, large organisations appeared to be far more engaged in skills development initiatives compared to small and medium enterprises, which generally viewed training and development as something that happens only when necessary. Despite some large organisations strategically

aligning their skills development needs to organisational objectives, the general low levels of engagement with the skills development framework suggest that business is not adequately playing the role that the state intends it to play in the skills development framework. This was not only evident in business's levels of engagement, but is also apparent when analysing the extent to which business regards itself as collectively responsible for the successes or failures of national skills development objectives.

The lack of alignment between WSPs and national and sectoral skills development strategies, and the extent to which business responds to national skills needs at an organisational level, indicates substantially low levels of shared liability within the context of the social partnership. Even when organisations recognise the necessity for training for individual, organisational and/or national growth, this recognition does not guarantee an appropriate response. The consequences of businesses not acting in a manner which reflects collective responsibility for skills development inevitably affects the realisation of skills development goals, regardless of whether or not business understands these implications. As Evans (1997: 65) states, "the extent to which states can promote transformation depends on the character of the business community with which they have to work".

However, despite business's low levels of engagement in skills development and limited acceptance of collective responsibility, what was particularly evident in this research was that there appears to be a general acknowledgement that training and development in the workplace is both beneficial and necessary. This highlights an additional contradiction between business's limited levels of engagement in the skills development framework through, for example, the application of skills development grants, and the belief that training and development is an essential component of workplace development. In referring back to Bennel's (1999:6) question at the beginning of this chapter, this contradiction leads one to question why, despite the acknowledgement, that training is important and beneficial, top personnel often fail to train in a manner that is constructive to individual and organisational growth. This dissertation argued that in order to answer this question, one needs to explore the many challenges that businesses face with regard to the skills development framework.

These challenges are not confined to the internal labour market, and hence to the level of the organisation, but include conflicts in sectoral and national systems of skills development implementation, including the alignment between systems of education and training, health

issues and inadequate information on which SETAs can plan and strategize. All of these challenges constitute significant obstacles that prohibit business from playing their role as a social partner, which in turn affects the extent to which the state can achieve socio-economic transformation. Given the urgent need for human capital development in South Africa to bridge the gap between the 'two economies' and achieve greater socio-economic equality, it is essential that these barriers be addressed at a national and sectoral level.

Finally, this research argues that even if these challenges are addressed, the extensive reliance placed on business to achieve sectoral and national skills development objectives has not yielded the desired outcomes and perhaps cannot do so. Vocational training systems, institutionalised through appropriate legislation, may not be sufficient to mobilise social partners, and in the case of this research – business – to invest in skills development. Rather, in light of the voluntary approach to skills development, it is essential that business 'buys in' to skills development and embraces the collective interest of skills development goals. This research argues that increasing awareness of skills development at all occupational levels, increasing businesses' incentives to train and develop workers and ensuring easier access to these incentives are all ways that could potentially lead to organisations increasing their investment in training and development and increasing their acceptance of collective responsibility in the skills development framework.

In an economy that is rapidly changing and becoming increasingly globalised, employers who are reluctant to involve themselves in skills development need to be encouraged to recognise the long-term benefits of workplace learning (Sutherland and Rainbird, 2000: 204). Likewise, individuals who have been discouraged from learning need to be convinced that training can in fact reinforce employment and career prospects, contribute to personal fulfilment and social well-being (Sutherland and Rainbird, 2000: 204). If business fails to buy into skills development in the workplace and continues to regard it as a 'third-order issue', there will inevitably be considerably detrimental impacts on national development goals. Not only will this affect South Africa's pursuit of a knowledge-based and high-skills economy, but also the potential for attaining a developmental state will be substantially lessened.

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## APPENDICES

### APPENDIX 1: INTERVIEW SCHEDULE – TOP PERSONNEL

1. Briefly describe the company you represent and mention which industry the company is in?
2. What is your position in the organisation and how long have you been working for the company?

#### *The State of Skills Development in South Africa:*

3. What is your understanding of skills development?
4. Does the company that you work for pay the annual Skills Development Levy as per the Skills Development Levies Act? Why/Why Not?
5. If not, is the annual payroll of the company above or equal to R500 000?
6. If yes (to answer number 5), are you aware that legally the company you work for is required to pay the 1% (skills development) levy to SARS?
7. Does the company you work for apply for an annual skills development mandatory or discretionary grants (June)?
8. Please describe the average demographics of the semi-skilled and unskilled occupational levels within the organisation (race, age, gender).
9. How would you describe the role that the state plays in skills development?

#### *The role of Business in South African Skills Development:*

10. Who is responsible for the application of the skills development grants / who is the company's skills development facilitator? (for example. external consulting company or internal employee)
11. If the grant is applied for internally, is the responsible person a designated 'skills development facilitator' for the company or do they have additional or alternative duties and responsibilities? For SDFs whose primary role is not skills development facilitation, are their SDF duties and responsibilities included in their job description?
12. Has the companies SDF gone on any training in order to accurately complete the companies Workplace Skills Plan (WSP) and Annual Training Report (ATR)?
13. For how many years have you applied for a skills grant and have you received the grant every year of application?



14. Please explain how the WSP and ATR are formulated (annually)?
  - Does the organisation you work for conduct a needs analysis or skills needs evaluation before formulating your annual WSP?
  - If not, how is training planned (and how is the firms WSP formulated)?
15. Is the training that you plan, whether indicated on your WSP or not, in line with employees career plans? Does each employee have a career development plan?
16. What kinds of training does the organisation engage in?
17. Is the organisations WSP aligned to the needs/strategy of the organisation?
18. What role does management play in determining the skills needs of the company and developing the skills of its employees? Please explain why the company adopts such a position on training and skills development?
19. Is the organisations' WSP aligned to the 'Provincial Growth and Development Plan'?
20. Is the organisations' WSP aligned to the 'National Skills Development Strategy'?
21. Is the organisations' WSP aligned to the 'Sector Skills Plans'?
22. Does any assessment follow the needs analysis to determine the success or effectiveness of the previous skills year's training interventions?
23. To what extent does the company follow or use the WSP in order to determine training?
24. Does the company have a designated training budget in line with its mandatory grant? Is the SDF aware of this budget?
25. Does the company have a skills development consultative committee and if so how often does the committee meet? Please explain.
26. Are employees engaged in the process of determining what skills are needed and what training they attend?

*The role and contribution of other Social Partners in South African Skills Development:*

27. What SETA does the company you work for belong to?
28. Please describe the company's relationship with your respective SETA?
29. Does the company engage in any Adult Basic Education and Training (ABET) or learnerships?
30. Do you feel that the skills development system should remain based on voluntary participation by organisations or should it be compulsory (such as Employment Equity)?
31. Do you feel like the WSP/ATR submission process is a 'user friendly' one? Have you had any challenges with regards to the submission process?

32. Are any of your employees members of a trade union? If yes, what role does the trade union play in the organisations skills development?

33. Does the TU offer any training to its members?

Challenges to Skills Development:

*Organisational:*

34. Is skills development aligned to the organisations targets and goals?

35. Are employees bound by any training bond? Do employees ever leave soon after receiving training?

36. What are your reasons for training/not training?

37. What is your perception of the current state of skills in South Africa?

38. What is your perception of the current state of skills in your industry?

39. On average how much training is given to employees on a supervisory or managerial level compared to employees on an unskilled/semi-skilled/skilled level?

40. Do you view skills development as more of an investment in your organisation or more of a liability cost?

41. What are some of the challenges you face regarding skills development in the organisation?

42. What is the impact of rapidly changing technology and knowledge in the organisation?

*National:*

43. Is the company aware of your industries scarce skills, and if so, do you take this into consideration in your workplace skills plan?

44. Is there a link between training in the organisation and the achievement of broader socio-economic development? If yes, please explain.

45. What do you feel is your company's role in achieving the goals described in the National Skills Development Strategy?

46. In your opinion, what are the main skills needs in your industry?

47. In your opinion, what are the main skills needs in Buffalo City?

48. What, if anything, should change with regards to the way skills development is currently governed in South Africa?

49. Where and how did you train for the position you are currently in?

50. Since you started working at the company, what training have you received?

## **APPENDIX 2: INTERVIEW SCHEDULE – EMPLOYEES**

1. What is your position in the organisation and how long have you been working for the company? What is your highest level of education?
2. Where and how did you train for the position you are currently in?

### *The State of Skills Development in South Africa:*

3. What is your understanding of skills development?
4. Since you started working at the company, what training have you received?
5. If you have received training since starting at the company, do you feel that this training was beneficial? Please explain.
6. What is the role of the state in South African Skills Development?

### *The role of Business in South African Skills Development:*

7. Are you part of a skills development forum or consultative committee within your company?
  - If yes, what influence do you feel that you have in determining the workplace training that is achieved and planned?
  - If no, what role do you believe the committee plays in analysis the skills needs of the company, determining what training needs to be done and ensuring that the necessary training is conducted in the agreed upon time?
8. Are training needs at an employee level taken into consideration when the company plans their training schedule?
9. If you wished to do a course, who would you speak to and do you feel that you would be granted this opportunity if it was applicable to your position?
10. Is the training that you attend in line with the goals and objectives of the organisation?
11. Within your current position, is there any training that you would like to complete? If yes, do you think the company you work for would send you on this training? Why/Why not?
12. Is the training that you receive (past or planned) aligned to a specific career path?
13. (Transversing) How many years have you been working for? How many jobs have you had so far? In how many of these jobs did you received training?
14. If you received training in previous positions, has this training had any impact on your current position?

15. If you have received training in your current organisation, was any evaluation completed after the training in order to give/receive feedback?

*The role and contribution of other Social Partners in South African Skills Development:*

16. What SETA does the company you work for belong to?
17. Are you aware of the opportunities available to you from your industries SETA?
18. Are you familiar with the Skills Development Act 97 of 1998 or the National Skills Development Strategy?
19. Are you part of a trade union? If yes, what role do they play in offering you training and in the organisations skills development initiatives?
20. Do you feel that the skills development system should remain based on voluntary participation by organisations or should it be compulsory (such as Employment Equity)?

*Challenges to Skills Development:*

*Organisational:*

21. Are employees bound by any training bond? Do employees ever leave soon after receiving training?
22. What is your perception of the current state of skills in South Africa?
23. What is your perception of the current state of skills in your industry?
24. Do you view skills development as more of an investment in the organisation you work for or more of a liability cost?
25. What are some of the challenges you face regarding skills development in your organisation?
26. What is the impact of rapidly changing technology and knowledge in the organisation you work for?

*National:*

27. What do you feel is the organisations role in achieving the goals described in the National Skills Development Strategy?
28. In your opinion, what are the main skills needs in your industry?
29. In your opinion, what are the main skills needs in Buffalo City?
30. What, if anything, should change with regards to the way skills development is currently governed in South Africa?
31. Where and how did you train for the position you are currently in?
32. Since you started working at the company, what training have you received?

### APPENDIX 3: LIST OF RESPONDENTS

- \**Anda*; Receptionist; 7 November 2012:

First National Battery: First National Battery is a large organisation and is the leading battery manufacturer in South Africa exporting to more than 30 countries worldwide. Their head office and automotive battery factory is based in East London and they have an additional four manufacturing sites. They supply batteries to leading organisations such as Mercedes Benz, Toyota, Nissan, Volkswagen SA and most major gold, coal and platinum mines (<http://www.battery.co.za/>).

- \**Brian*; Skills Development Specialist; 7 November 2012:

East London Industrial Development Zone: The East London Industrial Development Zone was established in 2003 as part of the South African government initiative to improve industrial competitiveness and economic growth in the country. It goes beyond simply offering companies physical space by customising solutions to suit industry and organisational requirements. The East London IDZ offers a specialised manufacturing platform, innovative industrial and business solutions, access to new markets and strategic industry networks. Businesses in the East London IDZ include renowned brands such as Foxtec-Ikhwezi, Mercedes Benz South Africa, the Feltex Group, Johnsons Controls, Ti Automotive, Sunningdale Dairy and Matla Diamond Works ([http://www.elidz.co.za/?page\\_id=100](http://www.elidz.co.za/?page_id=100)).

- \**Bruce*; Owner; 10 November 2012:

RLS Projects: RLS Projects is a recently established privately owned small to medium enterprise in the property developing industry and are based in East London.

- \**Sue*; Administrator; 13 November 2012:

Kempston Motor Group (A division of the Kempston Group): The Kempston is a large organisation that, over the last forty years, has grown to one of the largest, most successful motor vehicle dealership holding Groups in South Africa. It is also South Africa largest privately owned transport and related group of companies offering a broad spectrum of specialised services. It has diversified its interests and now operates in sectors outside the transport arena. Its head office is based in East London and it has branches countrywide (<http://www.kempstonmotorgroup.co.za/>).

- *Adrian*; Storeman; 6 November 2012:

Used Spares Association: The Used Spares Association Group (USA) is a SME which was established in East London in 1986. The group is made up of a ‘South African Motor and Body Repairers’ Association’ (SAMBRA) affiliated panel beating shop (USA Pannelbeaters); an insurance approved auto glass fitment center (My Glass); A new and used canopy fitment center; Used bakkie and truck spares division (Bakkie Spares); a new auto crash spares outlet and is a supplier of accident damaged repairable vehicles (<http://www.usaspares.co.za/about/company-profile>).

- *Angela*; Managing Member; 8 November 2012:

Entecom: Entecom is a provider of accredited Food Safety and HACCP Training Programmes and Business development courses. Additionally Entecom offers a consultation service for the implementation of Food Safety Management Systems. They are an SME with organisational representation in Gauteng, Western Cape and Eastern Cape. Their East London office was opened in January 2009 and services the Amathole, Chris Hani, OR Tambo and Ukhahlamba District areas (<http://www.entecom.co.za/Default.aspx?id=1729>).

- *Ayanda*; Industrial Relations Consultant; 9 November 2012:

LabourNet: LabourNet is large national organisation specialising in human capital consulting including industrial relations, payroll, transformation, health and safety and training and development. It has branches across South Africa and services a broad client base which includes many large organisations as well as SMEs. LabourNet provides holistic solutions and services to their clients by assisting them in managing and mitigating all labour-related risks (<http://www.labournet.com/about-us/about-labournet>).

- *Bhudman*; Scullery worker; 7 November 2012:

East London Golf Club: The East London Golf Club is one of the oldest golf clubs in South Africa and has retained a position of high recognition as one of the best Championship courses in South Africa. The club also has numerous function facilities and offers conferencing and catering services (<http://www.elgc.co.za/AbouttheELGC/tabid/38/Default.aspx>).

- *Brendan*; General Manager; 7 November 2012:  
East London Golf Club: The East London Golf Club is one of the oldest golf clubs in South Africa and has retained a position of high recognition as one of the best Championship courses in South Africa. The club also has numerous function facilities and offers conferencing and catering services (<http://www.elgc.co.za/AbouttheELGC/tabid/38/Default.aspx>).
- *Chuma*; Branch Administrator; 9 November 2012:  
LabourNet: LabourNet is large national organisation specialising in human capital consulting including industrial relations, payroll, transformation, health and safety and training and development. It has branches across South Africa and services a broad client base which includes many large organisations as well as SMEs. LabourNet provides holistic solutions and services to their clients by assisting them in managing and mitigating all labour-related risks (<http://www.labournet.com/about-us/about-labournet>).
- *Geraldine*; Skills Development Facilitator; 6 November 2012:  
First National Battery: First National Battery is a large organisation and is the leading battery manufacturer in South Africa exporting to more than 30 countries worldwide. Their head office and automotive battery factory is based in East London and they have an additional four manufacturing sites. They supply batteries to leading organisations such as Mercedes Benz, Toyota, Nissan, Volkswagen SA and most major gold, coal and platinum mines (<http://www.battery.co.za/>).
- *Gwen*; Manager; 6 November 2012:  
Institute of Education and Training for Capacity-building (ITEC): The Institute of Education and Training for Capacity-building (ITEC) is a non-profit sustainable organisation that has been working in the Eastern Cape since 1987. ITEC focuses on building capacity to create child-friendly communities by Early Childhood Development programmes; Libraries and Literacy programmes; Maths and Science programmes and Community Projects. These programmes are facilitated by creating connections between people and organisations that share a commitment for strengthening skills, knowledge and resources, and actively build partnerships that promote a safe and caring society (<http://www.itec.org.za/what-we-do/>).

- *Johan*; Human Resources Manager; 6 November 2012:  
Used Spares Association: The Used Spares Association Group (USA) is a SME which was established in East London in 1986. The group is made up of a Samba affiliated panel beating shop (USA Pannelbeaters); an insurance approved auto glass fitment center (My Glass); A new and used canopy fitment center; Used bakkie and truck spares division (Bakkie Spares); a new auto crash spares outlet and is a supplier of accident damaged repairable vehicles (<http://www.usaspares.co.za/about/company-profile>).
- *Kelly*; Bookkeeper/Office Administrator; 7 November 2012:  
Border Towing and Recovery: Border Towing and Recovery is an East London based SME and was established in 1986/7 by Martin van Zemmeren. The company specialises in heavy duty towing and recovery. Other services include towing and recovery of small cars, loads and abnormal loads ([http://www.bordertowingandrecovery.co.za/?page\\_id=7](http://www.bordertowingandrecovery.co.za/?page_id=7)).
- *Kim*; Executive Manager; 9 November 2012:  
Production Management Institute: The Production Management Institute of Southern Africa (PMI) is the largest diversified employment services company in South Africa and is a member of the Johannesburg Stock Exchange listed Adcorp Holdings Group. As a large national organisation, PMI is a leading provider of human capital development solutions and plays an active part in the national government's priority to address the national skills inequalities which are linked to issues of unemployment, poverty, underemployment, inequitable remuneration and low productivity (<http://www.pmi-sa.co.za/>).
- *Leanne*; Human Resources Managers; 12 November 2012:  
SlipKnot Group of Companies: Slipknot Group of Companies is a commercial and residential property owning company based in East London.
- *Lindi*; Bookkeeper; 10 November 2012:  
RLS Projects: Slipknot Group of Companies is a commercial and residential property owning company based in East London.
- *Michele*; Human Resources Administrator; 7 November 2012:  
Blue Lagoon Hotel and Conference Centre: Blue Lagoon Hotel and Conference Centre (Blue Lagoon) is a four star hotel situated on the Nahoon River in East London. The hotel



offers 67 standard rooms and 36 self-catering suites. Additional facilities include Highlander Restaurant, the Highlander Pub and the Tranqueray Cocktail Bar (<http://www.bluelagoonhotel.co.za/facilities.asp>).

- *Rhett*; Quantity Surveyor/Project Manager; 12 November 2012:  
SlipKnot Group of Companies: Slipknot Group of Companies is a commercial and residential property owning company based in East London.
  
- *Tracey*; Skills Development Facilitator; 13 November 2012:  
The Kempston Group: The Kempston is a large organisation that, over the last forty years, has grown to one of the largest, most successful motor vehicle dealership holding Groups in South Africa. It is also South Africa largest privately owned transport and related group of companies offering a broad spectrum of specialised services. It has diversified its interests and now operates in sectors outside the transport arena. Its head office is based in East London and it has branches countrywide (<http://kempston.co.za/>).