

## **Key outcomes of the 2019 NSA conference: implications for the merSETA**

### **Introductory/opening remarks**

Good morning ladies and gentlemen

I must first of all start by welcoming you all to this year's merSETA Inter-Chamber Consultative Conference. This annual event is an important feature on the merSETA calendar. It provides opportunity for our key stakeholders represented in Chambers to review and reflect on their work and craft inputs for the merSETA strategy going forward, which inputs form part of discussion at the Accounting Authority Strategic Planning session that takes place annually in July. This year's conference focuses on identifying transitional priorities for 2019/20 and improvements needed that will enhance the skills development role and responsibilities of Chambers in the implementation of the NSDP and other economic and labour market needs and policies of business, labour and government, the core social partners driving skills development priorities. Recommendations from this conference will be tabled at the next merSETA Accounting Authority strategic planning session (July 2019) for further alignment against the recently promulgated National Skills Development Plan 2030 (NSDP) and the proposed new SETA landscape beyond 31 March 2020, trusting that the latter will have been announced by the time the AA has its planning session.

Chamber Committees are committee structures of the merSETA Accounting Authority (AA) and are established to support the Accounting Authority in carrying out its skills development mandate. Chambers have a consulting, monitoring and advisory role. My "bosses" from the division that is hosting this conference have asked that my speech to open this conference include key outcomes of the 2019 NSA conference and the implication of these for the merSETA. However, before I do that I would like to briefly touch on the economic and socio-political environment that affects our work as stakeholders of the merSETA.

In the year 2018/19, South Africa experienced a period of protracted economic weakness, mainly as a result of domestic constraints. This is reflected in low levels of private investment, growing unemployment, and declining real per capita income in recent years (National Treasury, 2018). South Africa experienced a recession that spanned the first two quarters of the year, with the economy shrinking by 2, 7% in the first quarter and contracting further by 0, 5% in the second. Despite the recession, positive growth in the third (2, 6%) and the fourth (1, 4%) quarters was just enough to push overall growth for the year into positive territory, with the real annual growth rate coming in at 0, 8% according to Statistics South Africa (2019). Despite continued challenges, the manufacturing sector grew by 1, 0% and contributed 0, 1 % to the GDP growth.

Policy and political uncertainty as we drew closer to the 2019 elections continued to erode business and consumer confidence. These factors in turn have continued to undermine the growth of the manufacturing sector and the economy in general. Political certainty and political stability are important in promoting economic growth as they directly impact policy certainty and governance among other factors. Accusations of state capture which have implicated some high level political figures, political parties, State Operated Entities (SOEs), private citizens, business people and private entities have had a negative impact. This will continue to affect investor confidence and trust in South Africa's public institutions. Eradicating

corruption and strengthening governance in both public and private entities remains critical in restoring public trust and investor confidence.

With elections having come and gone the nation looks forward to a number of commitments made by the incoming Administration led by President Cyril Ramaphosa to deal with corruption and state capture as well as non-performance and poor governance in State Operated Companies, with the view to assisting in restoring trust and investor confidence.

Against the backdrop of a significantly improved political environment, which is impacting positively on consumer, business and investor sentiment; alongside a relatively benign inflation outlook, supportive monetary policy and more favourable prospects for the world economy, including higher commodity prices, the outlook for the South African economy has improved considerably (IDC, 2018). However, the VAT increase from 14% to 15%, effective 1 April 2018, as well as higher excise duties and the rise in the fuel levy and the electricity crises limited projected economic growth. This situation impacted consumer spending which is a key driver of economic growth. The uncertainty surrounding BREXIT continued to affect exports and financial flows with one of South Africa's largest European trading partners. The implementation of economic reforms remains critical to facilitate faster growth and sustain the ongoing economic recovery. Unemployment remains high at around 27%, reflecting a stagnating economy; inequalities in opportunities and incomes also remain high in South Africa. Furthermore, the introduction of the new minimum wage in January 2019 to address income inequalities caused mixed reactions from workers, political parties, labour unions and employer bodies. Some castigated it for having the potential to cause massive job losses. On the other hand some claimed it was still too low to improve the plight of the poor working class. Some hailed it as a positive step towards improving the plight of workers in South Africa. These differing views point to the need for civil society, labour, government and business to work together in coming up with sustainable solutions to address some of the challenges.

The merSETA was one of the key participants in 2019 National Skills Conference, hosted by the National Skills Authority. The **purpose** of the skills conference was to: bring together all education and training and skills development role players; and, solicit solutions to the challenges and blockages experienced in the implementation of skills development interventions within the economic situation above outlined. The theme of the 2019 conference was: ***“Building a demand-led skills development system that focuses on inclusive economic growth”***. This year's theme resonates with the merSETA strategy whose focus has been building a skills development system that is responsive to the needs of workers, employers and national priorities in the context of promoting inclusive growth. The merSETA as one of the key players in the skills development system has an important role in supporting the implementation of some of the outcomes of the conference through its various initiatives. Allow me to take this opportunity to share briefly the outcomes of the NSA conference that emanated from the presentations, commissions and plenary discussions and inputs and indicate where merSETA is already putting in place responses. For purposes of my address these are themed as follows: partnerships & collaboration; research, planning, monitoring and evaluation; governance, administration and resourcing; and, current and future skills.

**The conference outcomes in relation to partnerships and collaboration were:**

- Building a demand-led system, by putting in place the necessary partnerships to build brokering capacity with a focus on addressing the specific needs of small and micro businesses and actively support their participation
- Sustaining the TVET system, through collaboration across the DHET branches and building capacity and managing changes
- Creating more partnerships with employers to make workplaces a place of learning
- Developing inter-SETA partnerships and collaboration
- Strengthening the already existing social partnership model of SETA governance

**As the merSETA some of our responses are manifest** in how the merSETA has built a responsive partnerships model with TVET colleges, HEIs, government, NPOs, companies, labour organisations and international organisations. We have strengthened the role of the merSETA in creating linkages between industry and HEIs and TVETs so as to promote the responsiveness of education and training to industry needs and changing trends. Projects such as: the Centres of Excellence; the support to the East Cape Midlands College in collaboration with the CSIR to establish a learning factor that will lead to innovation, transformation and skills development for I4.0 and other priorities for the TVET system; support to Walter Sisulu University with respect to industry responsive engineering curriculum and the concomitant academic development of engineering lecturers (masters and PhD) are but a few examples.

**With regard to research, planning, monitoring and evaluation the conference outcomes were:**

- Emphasis on the approach that skills development is essentially about economic growth, in particular the structure and nature of economic growth and its impact on skills; and the perspective for skills development must take into account the economy and labour demand and labour supply – current and future, and the relationship between occupational classification and qualifications
- Setting up a dedicated, high-level **skills planning for the skills policy environment in the DHET** that can read the signals, analyse and plan accordingly for our skills requirements, including revamping the Labour Market Intelligence Programme (LMIP) through a research consortium led by the DPRU.
- Emphasis on the need for efficient monitoring and evaluation to promote an efficient, seamless education system which will ensure necessary skills.
- The need to monitor and evaluate our performance against set goals
- The need to measure the Return on Investment of the R16 Billion that has been spent on skills development to date
- *Dealing with data challenges*, with a focus on data governance, management, analysis and monitoring

- Inclusion of basic education as an integral part of the skills development planning component.

**The current merSETA response which must continue to be strengthened is,** we have built a strong internal research capability complemented by a network of strong research partnerships with HEIs and research organisations (e.g. HSRC, CSIR, JET, DPRU, Stellenbosch, NMU, UWC, UJ, Wits etc). One of the core focus areas of work of Chambers is research and innovation, and this is being supported by building research capacity of Chamber stakeholders. The support for this core area of Chambers is also bearing fruit in that through Chamber research projects we are beginning to see our research network extending to employer and labour sponsored research organisations. We are strengthening internal processes for data and information governance and management through an integrated approach to enterprise content management; implementation of the NSDMS; leading the development of an inter operable digital ecosystem that will strengthen, coordinate and improve efficiencies for decision making within the PSET ecosystem. The merSETA is implementing an organisation wide M&E framework that clearly articulates roles and responsibilities from governance structures through to the management and staff. Our Research and Skills Planning Unit is a very active and influential participant of the DHET collaborative working group that focuses on research and M&E. The merSETA has a MoU with the Department of Basic Education to support technical schools.

**In as far as the theme relating to governance, administration and resourcing, is concerned conference outcomes included:**

- Building capacity within the PSET system to promote efficiency in management and administration.
- Reviewing SETA funds to focus on quality and impact and creating a more competitive model for SETA funding.
- Strengthening the governance of SETA by having stronger Accounting Authorities (a key issue raised by the Minister) through: measures to address inherent conflict of interest factor of constituency based Accounting Authorities; reviewed role and capacity of constituent representatives to balance attention to both specific constituency aspirations and common sector wide growth and development needs; relevant and appropriate capacity of Accounting Authority members to carry out fiduciary and statutory roles and responsibilities for SETA mandate; and clarifying the role of Chairpersons as non executive members on boards structured along the social partnership model.

**The merSETA response thus far is:** building capacity within the merSETA governance structures by pursuing HEI accredited customised training programmes for the AA and chambers; reviewed grant and projects policies, systems and models that are responsive to the need to support transformation, innovation, skills 4.0 and other priorities; and, building robust governance and management policies, systems, processes, procedures and other mechanisms to promote best practice governance and operational efficiency for evidence based decision making and strategy implementation.

**Last but not least, the NSA conference focused on current and future skills particularly as they pertain to I4.0.** This emphasis came through from the Minister's key note address, the Minister in the Presidency's address and commission and plenary discussions and inputs. **The conference outcomes in this regard were:**

- Promote skills development that will create jobs and entrepreneurs.
- Promote stronger foundation skills and enhance digital skills training for the fourth industrial revolution; and foster core employability and transferrable skills.
- Turnaround TVET colleges to produce the desired quality
- Promote work integrated learning.
- Link skills development to more localised (provincial and regional) socio-economic priorities and not only to national and global requirements.
- Promote inclusivity, particularly of people with disabilities, the youth and other vulnerable groups
- Strengthening efforts to address current/existing workers re-skilling and upskilling

**Our merSETA response thus far includes:** research into future skills including the impact of industry 4.0 in order to build an atlas of jobs for our sector; growing focus on the SME, cooperatives and community based income generation activities through our grants and projects policies; promoting an eco-systematic approach to the development of curriculum that responds to the changing notion of training and education; putting in place TVET, HEI, and CSIR partnerships that respond to I4.0; exploring innovative ways of delivering skills in response to changing trends driven by industry 4.0 e.g. ICT4 APP; strong participation in BRICS skills fora and activities; and initiating an innovation project to career development for the youth and adults in collaboration with career development practitioners.

**I would like to highlight a few key takeaways from the conference which have the potential to influence deliberations in the coming two days.** Going forward the merSETA governance structures broadly and chambers in particular need to contribute in:

- Firmly placing skills development within **the economic growth and labour market demand paradigm**
- Building a stronger merSETA that is responsive to the changing skills development ecosystem (e.g. enterprise workplaces – large, medium, small, academic institutions, community and vocational training, community based/NPO training institutions and organisations, professional training etc)
- Exploring innovative ways of delivering skills in response to changing trends driven by policy imperatives, the economy, technology and the needs of employers, labour and government
- Reconstituting the merSETA chambers to become responsive to not only employer and worker needs but also national growth and development priorities through

considering: the value chain approach; identified focus areas of economic growth, employment creation and social development encapsulated in strategies such as those for growing manufacturing through localisation and development of Black Industrialists; skills development to change the structure of the manufacturing sector in terms of ownership, control and management; and the growth of the SME sector viewed as key to employment creation.

This conference has to emerge with clear recommendations that strengthen the role of chambers in driving the skills development agenda in the context of: the need for structural transformation of the manufacturing economy; using the value chain that underpins our mer sector as a lever; converging industry 4.0 skills needs across industries; and, changing policy imperatives that can be leveraged for the good of all mer stakeholders. When Chambers were originally configured, a key aspect of the rationale at the time was how to set up these structures to be inclusive of stakeholders from the previous training dispensation mainly ITBs and the new role of labour organisations in skills policy and implementation. Further the context then was that ITB were structures closely aligned to Bargaining Councils. Given the circumstances, the approach to align to the bargaining council/ITB structure was both wise and prudent in order to build trust, confidence and a firm foundation to coalesce what could have been conflicting and competing interest in these newly established structures and thus drive towards a collaboration and cohesive vision for the sector.

### **In closing I would like to leave you with a few questions for reflection**

- How can chambers strengthen their role and influence in the broader manufacturing sector in the context of skills development?
- What opportunities exist for merSETA stakeholders to configure a chamber structure that will foster collaboration from research, planning through to implementation of qualifications and learning and influence merSETA policy and strategy direction that is responsive to the economy (e.g. Industry 4.0, localisation, SME growth), global trends and the changing labour market?
- How can we promote collaboration between workers, organised labour, employers, organised employers and government in fostering common goals for moving the sector and economy forward?
- How do we contribute to the development of a demand led skills development ecosystem that is considerate of the needs of the workers, employers (large, medium, small and emerging) as well as national priorities for sector growth, job creation, stable communities and the converging occupational context emerging as a result of advanced manufacturing broadly and I4.0 in particular?
- How do we promote inclusivity / inclusive economic growth in the context of global competitiveness, sustainability and other developments?
- How can we collaborate with the PSET regulatory bodies for qualification standards and quality assurance of learning (SAQA, QCTO, CHE, UMALUSI) that addresses both quality relevant learning as well as rapid responsiveness required by the fast

changing manufacturing economy and the needs of our employer/labour/unemployed stakeholders?

These are but a few of my humble questions, insights and issues that I would wish this conference to deliberate, amongst several others that will come out from the presentations to be made.

I thank you all and wish you a successful and fruitful two days.