



Chartered Institute of Management Accountants  
comment on the proposed changes to the  
Sector Education and Training Authority  
Landscape post March 2020

## **1 Principles underpinning the proposed new SETA landscape**

In terms of the Government Gazette, 22 August 2018, No 41856 and relating to call for public comments on the proposed new landscape for sector education and training authorities post 31 March 2020, The Chartered Institute of Management Accountants (CIMA) would like to submit the following comment to the Honourable Minister. CIMA generally agrees with and supports the intention of the principles underlying the proposed changes. Our comment per principle, is detailed below.

### **1.1 Fit for purpose**

To date, there have been a number of criticisms raised over the role that any individual SETA has played or plays and the degree of success that has been achieved in terms of the intention of the creation of SETAs. SETAs were established to manage the many skills development needs. Each SETA co-ordinates skills development in its particular sector.

CIMA agrees that SETAs be should be fit for purpose. In addition to the SETAs traditional role as an intervention in the labour market, we would further propose that fit for purpose become inclusive of addressing the issues of youth unemployment and poverty alleviation.

Part of the narrative that the SETA drives should include dialogue on youth entrepreneurship and the shift from job seekers to job creators and driving skills development programmes. These programmes could be formal and informal and implemented through Technical and Vocational Education and Training and Community Education and Training colleges. However, an important caveat is that a SETA's funds must be exclusively spent on skills development and not used for general operating costs of public post school education institutions.

### **1.2 Comprehensive coverage**

CIMA agrees with and supports this approach. However, we would highlight that there are a number of skills that are not limited to a particular industry sector: for example accounting, human resources and IT. As well as comprehensive coverage of economic sectors, we would recommend that consideration is given to important multi-sector skills that are considered the critical skills for the workforce of the future.

We would agree that SETA strategies should align with employment equity considerations and include designated groups. We would go further and suggest that priority should be given to the youth.

### **1.3 Viability and sustainability:**

CIMA believes that the proposed reduction in the number of SETAs will not achieve improved performance as an outcome. Bigger does not necessarily equal better. Indeed, experience of the FASSET SETA over the prior years has shown that a SETA with a narrow focus is able to make targeted, meaningful interventions.

Centralisation of services (shared services in terms of IT and reduced numbers of SETA employees) will not necessarily lead to efficiency. It is important that this is thought through thoroughly and that the credentials of outsourced providers are vetted for experience.

It is the recommendation of CIMA that subjecting SETAs to an evaluation of performance against their 'Fit-for-purpose' indicators will support the primary purpose of why SETAs were established and thus

enhance the SETAs contribution to skills development of the nation, with particular reference to the top scarce skills by industry sector.

#### **1.4 Value chain and value proposition:**

It is intuitive to wish to group similar sectors together in order to achieve efficiencies through the reduction in staff and through scale. However, large organisations run the risk of losing focus.

We would urge that, given the importance that skills development plays in preparing youth for employment that in this instance, a narrow focus is better. CIMA therefore does not agree with the clustering of the Finance services SETAs, namely, Fasset, InSeta and BankSeta.

## **2 Questions to be addressed**

### **2.1 SETA Demarcation**

There is no compelling reason to take three separate, well-functioning SETAs and merge them into one. We strongly **OBJECT** to the proposed merger of FASSET, BANKSETA and INSETA on the assumption that there is a value chain and value proposition in such a merger. Some of our reasons for objecting are outlined below:

- The scarce and critical skills are not the same.
- The employer sector is not the same.
- The resource base is sustainable and the SETAs are financially viable.
- Each does not deal with similar functions although they service the same industry sector.
- There is no economic or efficiency benefit to be gained through the merger.

In the original SETA landscape, the FASSET sector codes were part of the Services SETA. We believe that over the intervening cycles, FASSET has proved that it is financially sustainable and has made measurable impacts in terms of achieving its targets with regards to NSDFI, II and III.

We would urge the department to give consideration to a SETA which is funded by a percentage of income from other SETAs which administers cross sectoral skills development in areas such as human resources, accounting and marketing. In this way, SETAs which were established in accordance with the Skills Development Act 97 of 1998 to manage and administer the Skills Development Levy (SDL) funds within the specific sector, can be sustainably managed.

To illustrate our point, we use the example of CIMA management accountant students. They fall primarily within the ambit of Fasset but include an array of other SETAs as well. From statistics obtained from Fasset on 2018-09-11, the below represents the distribution of CIMA management accounting students across the various SETAs and can thus contribute to skills development across multiple industry sectors:

CIMA has 679 learners on learnerships. Of these, 53 learnerships are registered with SETAs other than Fasset and these include BANKSETA, MERSETA, MQA, MICT, CHIETA, W&R SETA, TETA, HWSETA. This hopefully validates our objection on the grounds that the base assumption is flawed. Value chain and value proposition is not limited to a sectoral approach as taken in Government Gazette, 22 August 2018, No 41856.

## **2.2 Scope and reach**

South Africa is currently experiencing a youth unemployment crisis. An unemployment segmentation of the general unemployment statistics indicates this as a specific problem for the 15 to 24 age cohort not in employment, education or training (NEETs).

One in 12 young people (15-24) have given up looking for work (QLFS 3 2017). 25% of this segment are in NEETs. In addition, what needs to be known is that:

- 74, 9% of 15-24 year olds are in NEETS (QLFS, September 2017)
- This cohort would have accessed SA's basic education provision which is rated 134 out of 138 countries (WEF Report: 2016-17)
- Educational attainments are unequally accessed and distributed by race (SA's legacy issue of apartheid)
- SA's formal sector cannot create jobs at the required rate to absorb this cohort
- Of every 40 students who complete Grade 12, only 4 go to university. What happens to the other 36 and what can this concept contribute to the future of those 36?

More recent reporting suggest that the unemployment rate for the youth younger than 25, using the expanded definition (NEETs), is a shockingly high 67.4%. The rate of youth unemployed has become a national crisis, with significant social, economic and political implications (Fin24: 2017-08-08). The question we pose is: How does South Africa turnaround the current threat of youth unemployment situation that results in the loss of human capital into an opportunity for skills development by industry sector through utilisation of institutions such as TVET and CET colleges?

Professional body qualifications, such as those offered by CIMA, are not limited to a particular segment of the market. Our qualification can be accessed by high school leavers to seasoned professionals. Our qualification's greatest impact is that it can support employees seeking to progress their career as well as catalyse and promote the narrative of job creators amongst youth in South Africa, thus engaging individuals constructively in the economy.

Working through the specific SETAs, individuals can identify scarce skills and address any knowledge gaps. The individual SETAs are designed to increase the skill sets needed at multi-levels, including:

- at the organisational level, in the workplace in private and public sectors;
- sectoral levels of occupations in high demand; and
- at national level.

Using the SETAs, organizations can formulate Workplace Skills Plans and Sector Skills Plans. These plans can potentially drive solutions to youth unemployment. Key stakeholders to partnering the SETAs will be institutions of education such at the TVETs and CETs and qualification development partners, and most importantly, professional bodies such as CIMA.

## **2.3 Rationalisation of other structures**

It is unclear what the department seeks to achieve from structural rationalisation. We would suggest that an analysis of systemic issues would inform potential rationalisation in the future.

## **2.4 Additional remarks**

Thank you for the opportunity to participate in this consultation and CIMA wishes to reiterate its commitment to and support of skills development in South Africa.