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Vocational Training in the Informal Sector Report on the South Africa Field Survey

Richard Walther, ITG Consultant

With inputs from Ewa Filipiak (filipiake@afd.fr) and Christine Uher
Translation: Adam Ffoulkes Roberts

The analysis and conclusions of this document are those of the authors. They do not necessarily reflect the official position of the AFD or its partner institutions.



Département de la Recherche

Agence Française de Développement 5 rue Roland Barthes
Direction de la Stratégie 75012 Paris - France
Département de la Recherche www.afd.fr

Contents

1. Introduction	5
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2. The economic and social issues	6
2.1. South Africa: the heavyweight of the African economy	6
2.1.1. An economy driven by the democratic process	6
2.1.2. A changing economy faced with major structural problems	7
2.2. An effective but unequal educational system	8
2.2.1. Good universal education	8
2.2.2. Literacy rates influenced by the legacy of the past	9
2.2.3. The quest for quality and effectiveness in the education system ¹²	9
2.3. Highly varied development and employment levels	10
2.3.1. A very unequal social situation	10
2.3.2. Different unemployment rates for whites and blacks	10
2.3.3. Increased demand for skilled jobs	11
<hr/>	
3. A long-underestimated informal sector	13
3.1. South Africa's specific approach to the informal sector	13
3.2. A rapidly growing informal sector	14
3.2.1. The sharp growth of the informal economy between 1997 and 2001	14
3.2.2. Informal employment coupled with social and racial discrimination	14
3.2.3. Simultaneously high and unequal levels of education and training	15
3.3. Towards an inclusive "formal sector/informal sector" approach	16
3.3.1. The increasing informalisation of non-agricultural activities	16
3.3.2. The underestimation of the informal sector's contribution to national wealth	17
<hr/>	
4. The National Skills Development Strategy	18
4.1. Current support and financing instruments	18
4.1.1. Reorganisation of current vocational training policies	18
4.1.2. Organisation of the skills development system	19
4.2. A skills strategy underpinning overall growth and jobs policy	24
4.2.1. Economic and social development priorities	24
4.2.2. A pro-active job creation strategy	25
4.2.3. Fostering links between education, the economy and employment	26
4.2.4. A new direction for the National Skills Development Strategy	28

5. Innovation and good practices in the informal training area	31
5.1. Innovative schemes run by the SETAs	31
5.1.1. The agricultural sector: where mentorship and access to information meet	31
5.1.2. The wholesale and retail sectors: from innovation to roll-out	33
5.1.3. The services sector: between experimentation and modelling	34
5.2. Good practice in the private sector	35
5.2.1. Schemes in the breweries sector	35
5.2.2. Welder training organised by the SEIFSA	36
5.3. Developing a structured learnership system for the informal sector	37
5.3.1. The system's testing and validation phase (1996-2004)	37
5.3.2. The pilot roll-out phase (2004-2007)	38

6. The strengths and weaknesses of the South African system	39
6.1. Strengths to build on: the complementarity of stakeholders and funds	39
6.1.1. The excellent synergies generated by the sectoral and territorial approach	39
6.1.2. The shared responsibilities of public authorities and firms	40
6.1.3. The inseparable link between training and support for business creation	40
6.1.4. The structured nature of informal sector training	40
6.2. Weaknesses to address: the quality of public and private schemes	41
6.2.1. Quality differences between SETAs	41
6.2.2. The need for greater solidarity between sector funds	42
6.2.3. Effectiveness of the training system	42
6.2.4. A more administrative than partnership-based management system	43

7. Conclusion : outstanding reforms	44
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List of acronyms and abbreviations	45
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References	47
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List of figure

Figure 1. Skills development for a dual labour market Resources and communication flows	21
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List of tables

Table 1.	Comparison of the main macroeconomic indicators for South Africa and Sub-Saharan Africa	5
Table 2.	Share of GDP (in %)	6
Table 3.	Net enrolment ratio in primary schools (in %)	7
Table 4.	Education completion rates (en %)	8
Table 5.	Education, according to population group, as a percentage of those aged 20 and over (2001)	8
Table 6.	Analysis of the structure of South Africa's economically active population	10
Table 7	Proportion of formal and informal workers by education level	14
Table 8.	Distribution of employed by sector and percentage	15
Table 9.	The 2005-2010 National Skills Development Strategy	22

1. Introduction

South Africa is a dynamic emerging nation rather than a developing country. On one hand, it is similar to developed countries in that whole swathes of its economy are in good enough shape to meet the technological, organisational and industrial challenges of the most competitive international markets. On the other hand, along with the other African countries surveyed (Benin, Cameroon, Senegal, etc.), the informal economy still has a large impact on its labour market and it is having to deploy considerable efforts to enable a large section of its population to develop subsistence activities in order to escape widespread poverty.

South Africa was included in the list of countries surveyed in the study on informal sector training precisely because of this double-edged situation, both at economic and social level. The other reason is that, following the end of apartheid, the country has actively decided to invest in a far-reaching skills and qualifications revolution, based on the conviction that this would greatly underpin its future development. South Africa, which has by far the biggest economy in the continent, has in some way shown the way and even supported many African countries in their efforts to combine economic and social development with investment in training and skills for their human resources.

Between the mid-1990s and early 2000s, South Africa established a legislative and structural framework that is now starting to show what can be achieved. It launched a national qualifications framework and policy (1995), and adopted the Skills Development Act (1998), which has shaped the current institutional system: the National Skills Authority (NSA), the National Skills Fund (NSF), the skills development levy, and the National Skills Development Strategy (NSDS). South Africa has thus created and developed dif-

ferent arenas and instruments to promote collective bargaining and, more widely, dialogue between the different communities that make up civil society.

Moreover, since 2003, the country has developed a growth and jobs strategy that includes the informal sector (also known as the “second economy”) as an integral part of industrial investment policies, the labour market and education and training systems.

These different strategic decisions, institutions, measures and policies help to explain why the field survey on informal training in South Africa tackles the issue of training development in a very specific context: that of a large country which, more than the other countries, has to cope with the unique legacy of apartheid, the coexistence of highly varied and almost conflicting levels of development, the paradox of a labour market which requires both highly specialised expertise and very basic minimum skills and, lastly, a set of financial instruments that were mainly developed to support the formal economy but which are increasingly having to take account of a rapidly growing informal economy.

The study tries to reflect the complexity of these situations, although it is not possible to describe everything in detail. It was decided to focus on training and skills development schemes developed for the second economy, while setting them clearly in their overall political, economic and financial context. The analysis is undoubtedly incomplete and imperfect. However, it has the advantage of providing an insight into the realities described by the people met, while putting this into perspective using texts and documentation that set out the positions of the public and private stakeholders involved.

2. The economic and social issues

South Africa is the only emerging nation among the seven African countries examined in the study on training in the informal sector. Since 1994, it has been undergoing a transformation which has restored the country's economic health and credibility and given it a heavyweight role in southern Africa and across the whole African continent. The resulting growth has nevertheless

been insufficient for tackling high unemployment in the labour market and skills shortages in the labour force as a whole, especially the black labour force. The informal sector, therefore, still accounts for a large section of the labour market, and mainly consists of the black population, which was restricted to low skilled employment by apartheid law.

2.1. South Africa: the heavyweight of the African economy

With a Gross Domestic Product (GDP) of \$165.3 billion in 2004, South Africa has the most diversified and richest economy in the African continent. It produces more than a third of Sub-Saharan Africa's GDP (38%) and more than three quarters of southern Africa's GDP.¹ At world level, this data makes the South African economy comparable to those of Thailand and Greece.

2.1.1. An economy driven by the democratic process

In 2004, South Africa had a population of 45.5 million inhabitants,² of whom 32% are under 14. Its per capita GDP in 2004 was \$3,630, which is much higher than the average for Sub-Saharan Africa as a whole (\$601).

Table 1. Comparison of the main macroeconomic indicators for South Africa and Sub-Saharan Africa

South Africa's Gross National Income (GNI) (in billions of dollars, at current prices, Atlas method)	70.33	101.81	146.43	130.97	122.70	114.66	125.96
Sub-Saharan Africa's GNI (in billions of dollars, at current prices, Atlas method)	252.95	280.21	302.18	314.48	313.73	311.03	350.69
South Africa's Gross Domestic Product (GDP) (in billions of US dollars, at current prices)	80.54	112.01	151.11	128.02	114.23	106.34	159.89
Sub-Saharan Africa's GDP (in billions of US dollars, at current prices)	271.12	298.38	317.52	326.24	324.87	337.21	439.29
South Africa's GDP growth (in %)	9.2	- 0.3	3.1	3.5	2.7	3.6	1.9
South Africa's per capita GNI (in dollars, at current prices, Atlas method)	2 550	2 890	3 740	2 980	2 740	2 530	2 750
Sub-Saharan Africa's per capita GNI (in dollars, at current prices, Atlas method)	660	550	520	480	470	450	500

Source: World Bank (2005), *World Development Indicators*.

¹ French Economic Mission in Johannesburg (Mission économique de Johannesburg), (2005), *Situation économique et financière de l'Afrique du Sud*.

² World Development Indicators Database, 2006.

South Africa was penalised by sanctions during much of the apartheid period, and its GDP growth progressively declined from an average of 6.3% during the 1960s to 3.6% in the 1970s, 1.5% in the 1980s, and then right down to -0.6% between 1990 and 1993. However, the country has progressively regained its economic dynamism, with its growth rate reaching an average of 2.8% since 1994. The democratisation process has led to real economic, social and political changes: the macroeconomic situation has gradually stabilised, the country has become increasingly integrated into the global trade system, and policies aimed at reducing social inequality and fighting poverty have been introduced. South Africa is thus one of the most developed countries in the continent and has advanced infrastructure across the whole country. According to the very latest data,³ the South African growth rate increased from 3.7% in 2004 to 4% in 2005.

In spite of this period of growth, the longest in its history,

South Africa still needs to grow faster if it is to rapidly remove the disparities inherited from apartheid's two-speed economy. It is now faced with a major challenge, which is to succeed in improving its economic performance whilst at the same time reducing social inequalities.

2.1.2. A changing economy faced with major structural problems

While South Africa is the world's biggest producer of gold, manganese and platinum, the country has nevertheless managed to diversify its economy, with economic rent (generated by gold, diamonds, platinum and coal production) currently accounting for less than 7% of GDP. Currently, the economy is mainly based on services, which accounted for 65.2% of GDP in 2003, as opposed to 3.8% for agriculture and 31% for industry.

Table 2 Share of GDP (in %)

	1980	1990	2000	2003
Value added in agriculture	6,2	4,6	3,2	3,8
Value added in industry	48,2	40,1	31,1	31
Value added in services	45,6	55,3	65,6	65,2

Source : World Bank (2005), *World development indicators*.

This shift to the services industry has not stopped the South African economy from basing its growth on its exports of minerals such as iron, steel and precious metals (sometimes in the form of semi-finished products). They account for nearly 40% of overall sales volume and consequently make the country particularly vulnerable to fluctuations in the world economy. As for finished products, catalytic converters and motor-vehicles are the second biggest export category after gold. The production of consumer goods for the local market and the African market, often using imported parts and machines, is another major economic sector. According to a recent report by the OECD,⁴ agriculture is increasingly integrated in the world economy given that a third of production is exported (wine, fresh fruit, sugar, etc.). However, the sector still comprises a small

number of huge farms owned by whites, with a great many smallholdings managed by blacks. The current process of property reform is supposed to rectify this problem because it aims to return to blacks at least 30% of the land that was taken from them during the colonial and post-colonial periods.

More generally, the South African economy has to deal with a range of structural problems, which can be described as follows:⁵

- a considerable lack of skilled personnel, especially in technical sectors and management positions. In the long term, only improved access to high-quality education will correct this situation. In the short term, a more flexible immigration policy offers a solution, notably for jobs of a

³ French Ministry of Foreign Affairs.

⁴ OECD (2006), *Review of Agricultural Policies*, South Africa.

⁵ Data from the Belgian Ministry of Foreign Affairs.

highly technical nature. The new immigration laws that came into force in June 2005 are restrictive, but they at least benefit from being clear;

- a geographical situation on the periphery of the global economy, and in a politically unstable region;
- in terms of purchasing power, the upper and middle sections of the population only account for 12 million people out of the country's 45 million inhabitants;

- the AIDS epidemic, which will have a major socio-economic impact, although this will be difficult to estimate in quantitative terms. According to the latest figures available, there were an estimated 5.6 million HIV+ people at the end of 2003;
- crime figures, which have been decreasing for some years, are still very high.

2.2. An effective but unequal educational system

Until the end of apartheid in 1991, South Africa's education system educated whites, coloureds, Indians and blacks in separate schools, with each community having its own structures run by the Department of Education (DoE). The effects of this situation can still be seen today.

2.2.1 Good universal education

In South Africa, nearly nine out of ten children of school age (6-14 year-olds) are really at school (89% in 2002). Rates for girls and boys are broadly comparable (89.3% for girls and 88.7% for boys). The net enrolment ratio in secondary schools is lower, at 65.5% of the children of the age group concerned.

Table 3. Net enrolment ratio in primary schools (in %) ⁶

	1990	2000	2002
Net enrolment ratio, primary school	87.9	89.6	89.00
Net enrolment ratio for girls, primary school	89.1	89.6	89.3
Net enrolment ratio for boys, primary school	86.7	89.7	88.7
Net enrolment ratio, secondary school	..	62.0	65.55
Net enrolment ratio for girls, secondary school	..	65.1	68.4
Net enrolment ratio for boys, secondary school	..	58.8	62.7

Source : World Bank (2005), *World development indicators*.

Although the number of children per teacher in primary schools is increasing slightly (from 33 to 35 children between 2000 and 2002), it is nevertheless much lower than the average in Sub-Saharan Africa (45 children per teacher in 2002).

According to UNESCO, school-life expectancy⁷ is relatively

high in South Africa, at 13 years in 2003. This situation is coupled with a relatively low repetition rate (5% in primary schools for 2003) and a relatively high survival rate of 84% in 2002. The transition rate from primary to secondary education was 95% in 2002, which also reflects the good level of the South African education system.

⁶ The net enrolment ratio is the percentage of enrolled children of the official age for the education level indicated to the total population of that age. Net enrolment ratios exceeding 100% reflect discrepancies between these two data sets. (UNDP, Human Development Report 2003).

⁷ School-life expectancy is defined as the total number of years of schooling which a child of a certain age can expect to receive in the future, assuming that the probability of his or her being enrolled in school at any particular age is equal to the current enrolment ratio for that age (UNESCO).

Table 4. Education completion rates (in %)

School-life expectancy ISCED 1-6 ⁸ (years) (2003)	13
Percentage of repeaters, primary school % (2003)	5
Survival rate ⁹ % (2002)	84
Transition rate from primary to secondary school (2002)	95

Sources : UNESCO, Institute of Statistics.

2.2.2. Literacy rates influenced by the legacy of the past

Although these figures are broadly positive, it should nevertheless be stressed that South Africa has inherited a two-speed economy from the previous system of apartheid, underpinned by poor quality education and training among the black population. This continues to hamper the country's human development and, in turn, its growth potential. In contrast to the education system for white people, school

for black people during apartheid was in reality neither compulsory nor free. There were wide differences in quality between the various education systems.¹⁰ Education for black people was mediocre, while that for whites was generally good. Only a few private schools, which were generally linked to churches, provided free access to education for all. The consequence of all this was that many black adults still have a very low educational level or are illiterate (40.8%), whereas only 2.6% of whites are in the same situation.

Table 5. Education, according to population group, as a percentage of those aged 20 and over (2001)

	Blacks (in %)	Whites (in %)	South Africa-all population groups combined (total numbers)
Beyond MATRIC ¹¹	5.2	29.8	2 151 336
MATRIC level	16.8	40.9	5 200 602
Incomplete secondary level	30.4	25.9	7 846 125
Have only completed primary level	6.9	0.8	1 623 467
Incomplete primary level	18.5	1.2	4 083 742
Uneducated	22.3	1.4	4 567 497

Source : Census 2001.

This legacy of the past did not prevent adult literacy rates from reaching 86% of the population in 2002, which means that South Africa has achieved a performance 21.1 points over the observable average for Sub-Saharan African countries (64.9%). The rates for men and women are relatively equal, at 86.7% for men and 85.3% for women respectively. Literacy rates among young people for the same year are as high as 91.8% for 15-24 year-olds, which is 11.5 points above the observable average for Sub-Saharan Africa.

2.2.3. The quest for quality and effectiveness in the education system¹²

According to data for 2004, 76% of young people between the ages of 14 and 18 attend secondary education, which means that 24% of this age group are uneducated or lagging behind. However, it should be noted that about 15% of grade 10 and 11¹³ students leave school and that the same percentage repeat these grades. Poor quality maths and science teaching has resulted in a low number of final

⁸ The International Standard Classification of Education (ISCED) goes from Level 1, which corresponds to primary education, to Level 6, which corresponds to the second stage of tertiary education.

⁹ Percentage of a cohort of pupils enrolled in primary school reaching the last year.

¹⁰ Segregated education also existed for coloureds (mixed race people) and indians. The difference between the four categories in terms of quality was notably due to differences in budget allocations, teacher training, infrastructure quality, curricula, etc.

¹¹ The matric (or Matriculation Endorsement), is the high school diploma and university access exam run by Umalusi, formerly known as the Southern African Certification Council. It is equivalent to the French Baccalaureate or UK A levels

¹² Most of this data on the education system was provided by Lindsay Falkov, Resolve Group (2006), in an unpublished paper entitled "An overview of the South African Education and Training system".

¹³ School life spans 13 years - or grades - although the first year of education, grade 0 (or "reception year"), and the last three years, grade 10, 11 and grade 12 (or "matric" year) are not compulsory. Many primary schools offer grade 0, although this pre-school year may also be completed at nursery school.

year students (grade 12) going on to university, notably to study science, technology and engineering subjects, which suffer from a chronic lack of students.

The fifty-nine Further Education and Training Colleges (FETCs) educate only 4% of the secondary school population. Until recently they were highly criticised for their inability to respond to the needs of the labour market or to help the young people they trained into work (33% go on to find jobs)¹⁴.

2.3. Highly varied development and employment levels

South Africa's economy and labour market are still marked by the economic and social divisions of the past. At the same time, they are being transformed as a result of big changes taking place in sectors that require increasingly technical and skilled jobs. Yet, they are also having to cope with the high prevalence of AIDS and the lack of skills among workers.

2.3.1. A very unequal social situation

South Africa is ranked 120th out of 177 countries in the UNDP's Human Development Index for 2003, and its achievements in recent years have been mixed. With a Human Development Indicator (HDI) of 0.658 in 2003, South Africa has almost fallen to its 1975 level (when its HDI was 0.655), despite the fact that it had been increasing almost constantly until 1995 (when its HDI reached its highest level of 0.742). This trend is notably due to the general impoverishment of the population and the devastating effect of the AIDS pandemic. However, it is also due to the improved reliability and greater representativeness of studies carried out, because the policy of apartheid tended to hide the real conditions of black people.

The country is among those most affected by AIDS. According to sources, the rate of prevalence among adults

Higher education in South Africa is relatively efficient. It includes universities, technology institutes and specialised colleges. However, the low level of secondary education and current financial constraints have generated a high level of failure and dropouts from first degrees. According to the DoE, only 25% of students entering university obtain bachelor's degree level or equivalent.

is between 20 and 21.5%. The highest rates are recorded in its neighbouring countries, Botswana and Swaziland (37.3 and 38.8% respectively in 2003).

Poverty affects just over one person in ten: 11% of the population were living on less than \$1 per day in 2000. If the proportion of the population living with less than \$2 per day is used as the measure, the figure increases to 34%. It should also be stressed that the country is still affected by great inequalities in terms of income distribution, with the Gini Index in 2000 being as high as 0.58.¹⁵ Although comparisons between countries should be considered with caution because of differences in methods and collection of data in household surveys, the following examples could be given for the same period: the Gini index for Morocco was 0.39, 0.41 for Senegal and 0.45 for Cameroon. Thus it would appear that, among countries included in the ranking, South Africa is the 9th most unequal country in the world in terms of income distribution.

2.3.2. Different unemployment rates for whites and blacks

According to the statistical data published by South Africa's employment ministry—the Department of Labour (DoL)—the

¹⁴ HRSC (2006), Research Report for Gauteng Provincial Government HRD Strategy.

¹⁵ According to the UNDP, the Gini index is a unitless coefficient, ranging between 0 and 1, which makes it possible to measure the inequality of income distribution in a given country. The nearer the indicator is to 1, the greater the level of inequality.

economically active population increased from 15.9 million to 16.2 million people between 2003 and 2004.¹⁶ Over the same period, the number of people in employment increased from 11.4 to 11.5 million and the number of unemployed people decreased from 4.8 to 4.6

million. According to the World Bank, which puts the economically active population at 19.4 million people, available data suggests that work by children aged 10 to 14 is not widespread.

Table 6. Analysis of the structure of South Africa's economically active population

	2000	2001	2002	2003
Employment rate of 10-14 year-olds (as a % of the age group)	0	0	0	0
Total economically active population	18 317 200	18 675 128	18 917 147	19 138 981
Unemployment rate (as a % of the economically active population)	..	29.5	..	..
Unemployment rate of women (as a % of the female economically active population)	..	33.3	..	..
Unemployment rate of men (as a % of the male economically active population)	..	26.1	..	..
Unemployment rate of young people (as a % of the economically active population aged 15-24)	44.2	..	..	..
Unemployment rate of young women (as a % of the female economically active population aged 15-24)	46.7	..	..	..
Unemployment rate of young men (as a % of the male economically active population aged 15-24)	42.1		..	..

Sources : World Bank (2005), World Development Indicators.

However, the new increase in growth, notably seen since 1998, has not been enough to bring down unemployment, which reached 28.4% of the economically active population in 2004. This rate is based on the ILO's definition,¹⁷ which does not take account of discouraged job seekers.¹⁸ According to the French Economic Mission in Johannesburg, the wider unemployment rate including this latter category of job seekers is really 40% of the economically active population and is much higher for the black pop-

ulation (49% as opposed to 10% for the white population). This situation explains why a large proportion of black people, especially the young, seek refuge in the informal sector in order to find work corresponding to their needs. It is also one of the possible causes of crime. According to the same source, it is "the legacy of apartheid-related practices that has led to a structural imbalance in terms of qualifications and know-how and to insufficient labour market flexibility, and which also sustains relatively high labour costs".¹⁹

¹⁶ Labour Force Survey, Statistics South Africa.

¹⁷ International Labour Organisation.

¹⁸ According to the French national statistics agency, INSEE, these are people who say that they are no longer looking for a job because there is little prospect of finding one.

¹⁹ Mission économique de Johannesburg, op. cit.

2.3.3. Increased demand for skilled jobs

The following observations can be made further to analysis of labour market trends:

- employment structure according to types of jobs and professions shows that, between 2002 and 2003, there was a sharp fall in the number of jobs in agriculture and fisheries, and a slight fall, if not a near-standstill, of jobs for manual and crafts workers. In contrast, it shows an increase in the number of jobs for experienced technical and professional workers, and a sharp increase in the number of jobs for experienced managers;
- employment structure according to sector of activity confirms that there has been a sharp decline in agricultural employment and a sharp increase in manufacturing and services employment. All other sectors are constant;
- if linked to qualification levels, labour market trends show an increase in the number of jobs for men and women who have achieved or surpassed the level of entry into higher education, whereas less skilled employment is increasing slightly for men, but decreasing for women.

Analysis of South African employees' qualification levels shows that 48% are at National Qualifications Framework (NQF) Level 1,²⁰ which means they have achieved a degree of functional literacy. According to data for 2004,²¹ 24% of them have received training during the year. South Africa has a major shortage

of medium-level and advanced technical skills and qualifications, notably in the areas of engineering and project management.

This has adverse effects on economic growth and the success of the Government's Expanded Public Works Programme (EPWP). Additional skills needs required by this investment programme are as follows:

- 1,000 qualified engineers and 300 experienced technicians for the next four years;
- about 10,000 crafts workers for the same period, bearing in mind that some 54% of current crafts workers will retire in the next few years.

Bearing these employment trends in mind, it can thus be concluded that there is a trend towards increased demand for skills and therefore training, notably for the most skilled jobs in the industry and services sectors. Furthermore, the prevalence of AIDS (26% of all workers according to the Canadian International Development Agency) means that South Africa's working population is smaller, younger and less experienced.

This increased demand for skills in the formal economy goes hand in hand with an informal sector which is growing, but which is still a place for largely under-qualified labour and jobs.

²⁰ The South African National Qualifications Framework has eight levels: they go from Level 1, which includes Adult Basic Education Training and national qualifications obtained at the end of the first cycle of secondary or vocational education (Grade 9), to Level 8, which corresponds to Masters, PhD or post-PhD level. Training schemes make it possible either to access these qualification levels directly, or to obtain credit units which progressively lead to the qualification levels aimed at.

²¹ HRSC (2006), op. cit.

3. A long-underestimated informal sector

Three labour force surveys carried out in 2000, 2001 and 2005 by Statistics South Africa (Stats SA)²² offer a quantitative and qualitative insight into the country's informal sector, which President Thabo Mbeki calls the "second economy". The first was used as the basis for an analysis by the International Labour Organization (ILO)²³ within a broad study

on the role of men and women in the informal economy. The second was used for in-depth research into the characteristics of South Africa's informal economy. The third was examined by the National Economic Development and Labour Council (NEDLAC) as part of its analysis and recommendations on the impact of labour market policy on the informal economy.

3.1. South Africa's specific approach to the informal sector

According to ILO analysis, the development of the informal economy is rooted in policies introduced during the apartheid era. Although informal sector activity was prohibited by the Government, it developed as a result of policies designed to exclude blacks from certain economic activities and of the problems they encountered in finding work in the formal sector. This was notably the case for women. Since the end of apartheid, the informal sector has developed because the ban on blacks owning their own company has been lifted and they are now encouraged to set up small and micro enterprises. However, the ILO believes that the concept of the informal sector is still vague, and it is often confused with illegal activities.

According to the statistics in the 2000 Labour Force Survey, South Africa's informal sector covers companies that are not registered for tax purposes or subject to social security regulations, as well as paid domestic work. It comprises 4 million workers, which represents 34% of total employment: 26% of these workers are employed in enterprises and 8% in domestic work. The statistical data highlights that a greater proportion of women work in the informal sector than men (45% compared with 25%). It also reveals that 39% of the women working in the informal sector are employed in domestic service, which only accounts for 8%

of total employment and 25% of informal employment.

According to the survey, the distribution of jobs per category is as follows:

- 53% of the economically active population in non-urban areas are in informal employment, as opposed to 27% in urban areas;
- agricultural employment and the services sector accounts for 52% of informal employment;
- 30% of informal sector workers work in construction and trade, with women accounting for 60% of trade sector jobs;
- 81% of farmers, gardeners and skilled agricultural workers are in the informal sector, as are 36% of non-skilled workers and 32% of crafts workers.

The survey also emphasises that 80% of informal firms depend on formal firms for inputs, 36% of them sell their products directly to formal sector firms, and 50% of them are in direct competition with formal sector firms. It also shows that only 14% of informal firms had received subcontracted work. However, it should be emphasised that the survey takes no account of people working informally in formal firms. According to the statistical data, almost one formal firm

²² Statistics South Africa, Labour Force Surveys.

²³ International Labour Organisation, Geneva (2002), Women and Men in the Informal Economy: A Statistical Picture.

in ten (9%) fails to comply with so-called formal working conditions in the following areas: the existence of a written contract, duration of employment and entitlement to paid leave. Furthermore, 33% of micro-firms (1 to 5 employees), 50% of very small firms (6 to 20 employees) and 60% of small firms (21 to 49

employees) hire temporary labour.

Lastly, the survey shows that the South African economy is one of the least informal in the African continent because the informal sector's contribution to GDP was 28.4% in 2002,²⁴ as opposed to 50 to 60% for the informal sector in Benin and Senegal, for example.

3.2. A rapidly growing informal sector

The study on the informal sector published by the Human Resources Development Review reports on current research on the sector and is based on the results of the 2001 Labour Force Survey²⁵. It defines the informal sector as one which employs workers not covered by social protection or employment rights. It then describes the sector as encompassing a wide variety of economic activities, employment relations and activities with economic potential. It also demonstrates that the formal and informal sectors are not mutually exclusive, but that they are integrally linked in different ways, depending on the contexts and circumstances of the activity or jobs in question. Lastly, it asserts that the term "informal economy" is more suitable than "informal sector", because workers not covered by relevant legislation exist in both the first and the second economies.

The study shares the ILO's view that the legal restrictions of apartheid created flexible and informal forms of labour by forcing black workers to earn their livelihoods outside the formal economy. It also concludes that this situation led to the development of a much less diverse informal sector than in other African countries, and, in contrast to these countries, it notably restricted the development of manufacturing activities.

3.2.1. The sharp growth of the informal economy between 1997 and 2001

Using various household surveys and the 2001 Labour Force Survey, the study's authors highlight that the number of workers employed in the informal economy (excluding subsistence agriculture and domestic work) doubled from 965,000 to

1,873,000 between 1997 and 2001. Although they question the validity of these figures, which they believe to be partly related to improvements in the data-gathering process, they nonetheless conclude that the informal sector grew significantly during this period and that informal sector workers (including agricultural and domestic workers) account for at least 30% of the South African labour market. This is largely confirmed by the above-mentioned ILO analysis based on the 2000 Labour Force Survey.

These figures also show that, while South African informal sector is growing—as is the case for all of the African countries visited for the AFD's study—, it nevertheless contrasts starkly with developing countries such as Cameroon, Benin and Senegal, where the informal sector employment rates are over 90% of total employment.

3.2.2. Informal employment coupled with social and racial discrimination

Cross-analysis of the results of 2001 Labour Force Survey enable the researchers to highlight several important points about the South African informal economy:

- 84.5% of informal sector workers are black (as opposed to 6.8% coloureds, 2.1% Indians and 6.6% whites);
- the employment gender gap is much wider in the formal sector (38.9% women, compared with 61.1% men) than in the informal sector (45.5% compared with 54.5%);
- wholesale and retail are by far the biggest sectors of acti-

²⁴ According to World Bank data.

²⁵ Devey, R., C. Skinner, and I. Valodia (2003), *The Informal Economy*, Human Resources Development Review.

vity (50.1%), followed by construction (13.8%) and manufacturing (10.7%);²⁶

- analysis of occupations by race shows not only that blacks account for 84.5% of informal jobs, but also that they do the least skilled jobs. Thus 34.6% of them do the least skilled occupations, compared with 18.1% for coloureds, 22.2% for Indians, and 9.7% for whites. At the other end of the scale, only 2.5% occupy management positions, compared with 4% for coloureds, 10.5% for Indians, and 10.7% for whites;
- women also have low skills levels in comparison to men insofar as they are massively present in the most elementary occupations (43.9% compared with 21.3%) and they are three times less likely to exercise management responsibilities than men (1.6% compared with 4.9%). On the other hand, they are overrepresented in service occupations;
- analysis of incomes confirms the existence of unequal situations as a result of race and gender. Thus black

South Africans are overrepresented in the low income levels and whites are overrepresented in the high income levels. The same difference applies between women and men.

These data confirm that the distinction between the formal and informal sector in South Africa is aggravated by social and racial discrimination, and thus includes economic and social factors other than worker status and company registration. It also shows that informal sector jobs are primarily low skilled subsistence jobs rather than jobs which enable people to make social and economic progress.

3.2.3 Simultaneously high and unequal levels of education and training

The comparison of workers' education levels in the formal and informal sectors reveals the wide difference between the

Table 7. Proportion of formal and informal workers by education level

Education level	Formal economy (in %)	Informal economy (in %)
No education	2.7	10.1
Primary	14.1	33.7
Secondary (excluding Grade 12)	27.6	36.5
Matric	30.4	14.2
Post-Matric	25.2	5.5
Total	100.0	100.0

Source : Statistics South Africa (2001b), Human Resources Development Review.

two economies in terms of educational achievement. The table clearly shows that, whereas 55.6% of formal sector workers have at least their matric, 80.3% of informal sector workers have not reached this level. There is, therefore, a very clear distinction, if not opposition, in education and training terms between informal and formal sector workers. Nevertheless, compared to the education levels of men and women who work in informal production units

(IPUs) in West Africa, South African informal sector workers have a certain advantage, as 70% of them have completed primary or secondary education, whereas the average length of education of employees in WAEMU countries is only 3.5 years.

Similarly to what is happening in the other countries surveyed, education levels have knock-on effects on income levels. Depending on the level of education attained,

²⁶ These data differ little from those for other African countries, because the 1-2-3 survey of major West African cities reveals that 48% of informal activity is in trade rather than in production (including construction). See STATECO (2005), *Méthodes statistiques et économiques pour le développement et la transition*, No.99.

incomes increase above a monthly income of 500 rand (equivalent to 54 euros)²⁷ and those who have been to university can earn monthly wages of over 11,000 rand (equivalent to nearly 1,200 euros). However, the calculation made by the Human Resources Development Review's researchers on the return on investment in education makes it possible to assert that education only really has a noticeable impact on income after secondary and higher education level, and other factors such as gender,

race and place of residence also have an effect.

The survey does not provide any information on the demand for training expressed by the various informal sector actors, although the study's authors point out that, according to a survey carried out in Durban in 1997,²⁸ 15% of women and 12% of men interviewed had identified the lack of technical, managerial and commercial skills as one of the main barriers to the development of their business.

3.3. Towards an inclusive “formal sector/informal sector” approach

A paper by NEDLAC²⁹ published in June 2006 proposes a new South African labour market policy and argues for “a single and inclusive labour market system consisting of a single regulatory framework incorporating the entire labour market with the extension of protective measures to all workers in both formal and informal employment.”³⁰ This approach echoes the Government's desire to forge links between the first and second economies, as President Mbeki calls them. NEDLAC uses the report to present an analysis of the latest data on the informal sector by exploiting Stats SA's 2005 Labour Force Survey.

3.3.1. The increasing informalisation of non-agricultural activities

The data gathered in 2005 show that the informal labour

market is a well-established phenomenon (31% in 2005, compared with about 30% for the readjusted figures for 2001 and 34% in 2000). However, the figures published by NEDLAC, which are based on its own analysis of available data, show that changes are taking place within the sector. While the number of people working at home remains constant (between 10% in 2000 and 9% in 2005), informal jobs in agriculture are declining (from 9% in 2000 to 3% in 2005) whereas informal employment in all other sectors of activity is on the increase (up from 15% in 2000 to 19% in 2005). The survey does not provide any information about how unemployed people, whose numbers remained relatively stable between 2000 and 2005 (from 32% to 30.5% in 2005), perform subsistence activities while waiting to find work.

Table 8. Distribution of employed by sector and percentage

	2000	2001	2002	2003	2004	2005
Formal agriculture	6	6	7	7	5	5
Other formal	57	63	63	64	66	64
Other informal	15	16	14	15	15	19
Informal agriculture	9	4	5	3	4	3
Home-based work	10	10	9	10	9	9
Total	100	100	100	100	100	100

Source : Labour Force Survey : NEDLAC's own calculations

²⁷ All of the conversions in this study are based on the following exchange rate: 1 euro = 9.1759 rand on 01/07/2006.

²⁸ The survey was published by Durban Metropolitan Council in 1998.

²⁹ NEDLAC (National Economic Development and Labour Council) was set up in 1995. It brings together the public authorities, the social and economic partners and representatives of various national organisations in order to establish joint positions in the economic and social fields. The term “social dialogue” is used to define this whole process.

³⁰ NEDLAC Community Constituency Paper (2006), Impact of Labour Market Policy on the Informal Economy. Analysis and Recommendations

Analysis of changes in the formal sector compared to the informal sector shows that the growth of formal employment in 2001 reached a ceiling in 2003 and 2004 and then declined sharply in 2005, while informal sector employment (the “other informal” category) increased sharply between 2004 and 2005, reaching a relatively high peak of 19% of employment. The formal/informal employment ratio increased from 0.39 in 2003 to 0.44 in 2005. It is therefore not an exaggeration to state, as did several people met during the field survey, that the South African economy is becoming increasingly informal, especially bearing in mind that the statistical data does not record the increasing informalisation of certain formal sector jobs.³¹ Two people met even said they believed the figure of 31% for informal sector employment to be greatly underestimated, and they think it is nearer 50% than 30%.

3.3.2. The underestimation of the informal sector's contribution to national wealth

The NEDLAC paper tackles the issue of the informal sector's contribution to GDP and estimates that the 8-10% range contribution identified in certain studies seems greatly underestimated, bearing in mind some of the turnover figures for highly informal sectors such as transport, the food industry and the wholesale and retail trade. This contribution is all the higher given the strong links between the formal and informal economy in these sectors, as well as in the clothing and agri-food industries.

The field survey discovered that many SAB drinks outlets are in fact taverns which fail to comply with legislation. Similarly, the trade union officials met reported on the fun-

damentally informal nature of the taxi driver occupation. These two examples are cited in the NEDLAC analysis, alongside those of rubbish collection, alcohol sales, and all large firms whose products end up in informal traders' shops.

There is therefore a great deal of interaction between the formal and informal economies, which concerns people who work alternately between them, as well as production and distribution activities. As a result, it is almost impossible to calculate the informal sector's contribution with any precision. All that can be said is that it constitutes a major and growing share of national wealth. Employers' representatives met during the field survey confirmed that this is a valid analysis of the situation.

Taken together, these data provide a relatively accurate insight into the situation in the informal sector, which the South African research community prefers to call the “informal economy” and which the South African President calls the “second economy”. The different analyses of the statistical data for 2000, 2001 and 2005 reveal that the informal sector, which has long been ignored and underestimated, constitutes a major part of the South African labour market (at least 30% of total employment). Moreover, it is growing as the formal sector is finding it difficult to develop the kind of growth that generates more employment. It also reveals that the frontiers between formal and informal activities are blurred, and that it is becoming increasingly difficult to deal with the labour market through a two-sided or compartmentalised approach. The skills development schemes identified during the survey reflect the interrelationship between the formal and informal sectors, as well as the fact that public authorities and businesses are jointly responsible for ensuring that this interrelationship serves as a driving force for country's overall economic growth.

³¹ HRD Review, op.cit.

4. The National Skills Development Strategy

In face of the country's economic and social challenges, the South African Government, in cooperation with all the economic and social partners, has forged a National Skills Development Strategy (NSDS) which itself is based on the development of socio-economic programmes aimed at reducing poverty, creating jobs and boosting economic growth. This strategy aims to develop vocational training schemes to help young job seekers and people in work

acquire the skills they need in order to both contribute to the development of the national economy and do a job that will enable them not merely to survive, but also earn a decent living and evolve professionally. This strategy is part of a national funding and support framework that has been developed since the end of apartheid, and which is constantly changing in face of the economic and social challenges the country has set itself.

4.1. Current support and financing instruments

The current institutional framework, of which the NSDS is part, has been shaped by recent history, which started with the great struggles in 1973 and came to an end at the beginning of the 2000s. It is marked both by the gradual development of current vocational training policies and the introduction of the management and financing tools that form the essential framework for any training scheme in the informal sector.

4.1.1. Reorganisation of current vocational training policies

Under apartheid, technical and vocational training was provided in technical colleges. The system was as divided as the education system, with white-only and black-only institutions. The latter were given less state support and were located in quasi-independent homelands with very limited industrial activity. Black students were given mainly theory or very basic workshop-based practical skills and did not enjoy the benefits of obtaining apprenticeship contracts with industry which they were legally forbidden to enter until 1981.³²

The vocational training system began to change in the 1980s. Its development can be divided into some major phases, each of which is marked by the adoption of a piece

of legislation or the creation of advisory, decision-making or management structures.

The Manpower Training Act

The Manpower Training Act of 1981 was one of the Government's responses to the challenge of the national strikes of 1973, which led to the re-establishment of the black trade unions. It introduced several liberal measures:

- the participation of black workers in training and apprenticeship;
- the creation of the National Skills Authority (NSA), which included members from industry and training organisations. It was initially composed of only whites, coloureds and Asians, but representatives of the black trade unions were admitted after Nelson Mandela was freed in 1990.

As from 1990, the Government amended this Act by creating Industrial Training Boards (ITBs), along the lines of the British model. These were initially introduced in order to manage apprenticeship, but their number expanded to a total of thirty-three. These sectoral boards, which involved employers and trade unions, set up voluntary funds to finance training. According to a 1995 study, these funds gathered as much as 100 million rand (equivalent to about 11 million euros).

³² (2002), National monograph on technical and vocational training in South Africa. A. Bird

Growing awareness of the importance of vocational training

The rapid changes that took place at this time in the mines (blacks took over maintenance tasks that had traditionally been carried out by whites) and the competition brought about by new forms of work organisation (subcontracting and outsourcing) helped the black population to assert itself, as it became increasingly aware of its own ability to influence the labour market. In parallel, the grouping of black trade unions within the Congress of South African Trade Unions (COSATU), and COSATU's alliance with the African National Congress (ANC)—which was becoming increasingly powerful at the time—helped to create the conditions for the launch of current skills development and vocational training policies, as well as the instruments which still fund them.

Five financing instruments were then introduced, and these also became a means of developing training for workers, the unemployed and young people:

- the ITBs created voluntary sector funds in order to develop training. This led to the collection of at least 150 million rand (nearly 17 million euros) for continuing training and apprenticeship. These funds were initially managed by the DoL (which was called at the time the Department of Manpower), but were later decentralised to the provinces;
- large firms invested in training for their own employees, although funds primarily went to the most skilled employees and to the development of skills in high demand;
- the DoE financed training provided in colleges, although there were no links with the DoL, and students enrolling were asked to make a financial contribution;
- many private and charitable organisations also provided training for unemployed people, aided by funds collected from voluntary contributors.

Development of the current legislative and institutional framework

In 1995, a study financed by Japanese funds enabled South Africa to conduct an analysis of financing instruments and methods introduced by eight countries, including Chile,

Brazil, Malaysia, Australia and Germany. It identified a range of options for how to meet South Africa's existing financing needs. The idea of a levy on total payroll and its use for financing training for both employees and the unemployed were strongly supported by the trade unions and the DoL.

The debate on financing was accompanied by a range of institutional decisions which meant it became underpinned by a close partnership between the public authorities, the social partners and civil society stakeholders, and an overall framework based on a single quality and accreditation system for all of the institutions involved.

The following developments took place:

- the South African Qualifications Authority (SAQA) was set up in 1995 in order to establish quality standards applicable to both education and training;
- the 1998 Skills Development Act created the current institutional framework: the National Skills Authority (NSA), the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF);
- the 1999 Skills Development Levies Act introduced a 1% levy on firms' total payroll (which actually came into effect in 2001). This levy firstly applied to all firms paying total annual salaries of a minimum of 250,000 rand, which is equivalent to about 27,000 euros (this amount has since been increased to 500,000 rand, or about 54,500 euros).

Together, these measures constitute the framework for South Africa's current skills development policy and financing instruments.

4.1.2. Organisation of the skills development system

The skills development system, under the responsibility of the DoL, basically entails the development of training schemes and resources for the economically active, whether they be in work or unemployed. However, because the skills development system is based on a close partnership between the economic world and the training world, it has significant effects on the field of initial training, notably on the development of new forms of dual training (college training combined with work experience) and apprenticeship.

The National Skills Authority (NSA)

The NSA is an advisory institution representing the public authorities and the social partners. Its function is to advise the Minister of Labour both in skills development strategy and policy field, and on how to manage and allocate resources. In a different form, it is the successor to the National Training Board created by the 1981 Manpower Training Act. It consists of twenty-four members representing the social partners, national associations representing the general public (women, young people and disabled people, for example), the public authorities, education and training providers and the South African Qualifications Authority (SAQA). It also includes four skills development and labour policy experts.

Skills Development Levies

Skills Development Levies were enacted in 1999 as a permanent means of financing all skills development training measures. They were first introduced in April 2000, with employers having to pay an amount corresponding to 0.5% of their total payroll. They increased to their current level of 1% in April 2001. All employers with a minimum annual payroll of 500,000 rand (about 54,500 euros) have to pay the levy.

The levy is paid monthly as part of payments to the South African Revenue Service, and then transferred, in proportions fixed by law, to the NSF and to the SETA to which the firm belongs. In cases where firms come under several sectors, the levy is apportioned to each SETA according to the proportion of employees per type of activity.

The annual amount of the levy is about 3.4 billion rand (roughly 370 million euros).³³ National and provincial government departments are exempted from the levy, as are religious and charitable institutions, and national or provincial bodies whose expenditure is directly or directly reimbursed by public funds voted by Parliament. Other exempted organisations include non-governmental organisations (NGOs), community-based organisations (CBOs) and community-based cooperatives (Coops). However, the National Skills Development Strategy for 2005-2010 obliges national and provincial government departments to devote 1% of their payroll budget to training schemes until 2010.

The National Skills Fund (NSF)

The NSF is financed by 20% of the funds raised by the skills development levy. Its mission is to distribute part of the funds collected on the basis of specific budgets (or funding windows) identified in national skills development strategies.

According to its director, the NSF adopts a grassroots approach via provincial delegations and primarily targets the informal sector. It finances schemes such as training for employees working on development projects (public works, road infrastructure, etc.), training for job seekers to help them into formal employment, and training projects initiated by other ministries and which are a key part of their mission or which aim to enable participants to enter self-employment (including domestic work) or enhance the profitability of existing activities. The NSF helps informal sector firms through the formal training organised by the SETAs. It has thus been able to finance training schemes for taxi drivers, small-scale fishing enterprises and the transport sector.

As part of the NSDS, the NSF has opened funding windows to include the following schemes:

- basic adult education, which is mainly provided by NGOs;
- support, in cooperation with the SETAs, to help unemployed people acquire critical skills and scarce skills identified at sectoral level;
- training for employees in firms that are not subject to the skills levy and those employed in cooperatives.

The NSF has also introduced a request for proposal (RFP) procedure through which provincial authorities, on the basis of their skills needs assessment, may make project proposals designed to underpin local development and growth strategies. These projects are part of the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), which targets both the formal and informal economies. Funding requests range from 20 million to 100 million rand (about 2.2 to 10.9 million euros) and must concern skills development. Many Eastern Cape cooperatives have applied for access to learnership, training and apprenticeship schemes, as well as critical skills development activities.

³³ According to other sources, this amount would be roughly 5 billion rand (around 545 million euros).

Figure 1. Skills development for a dual labour market Resources and communication flows

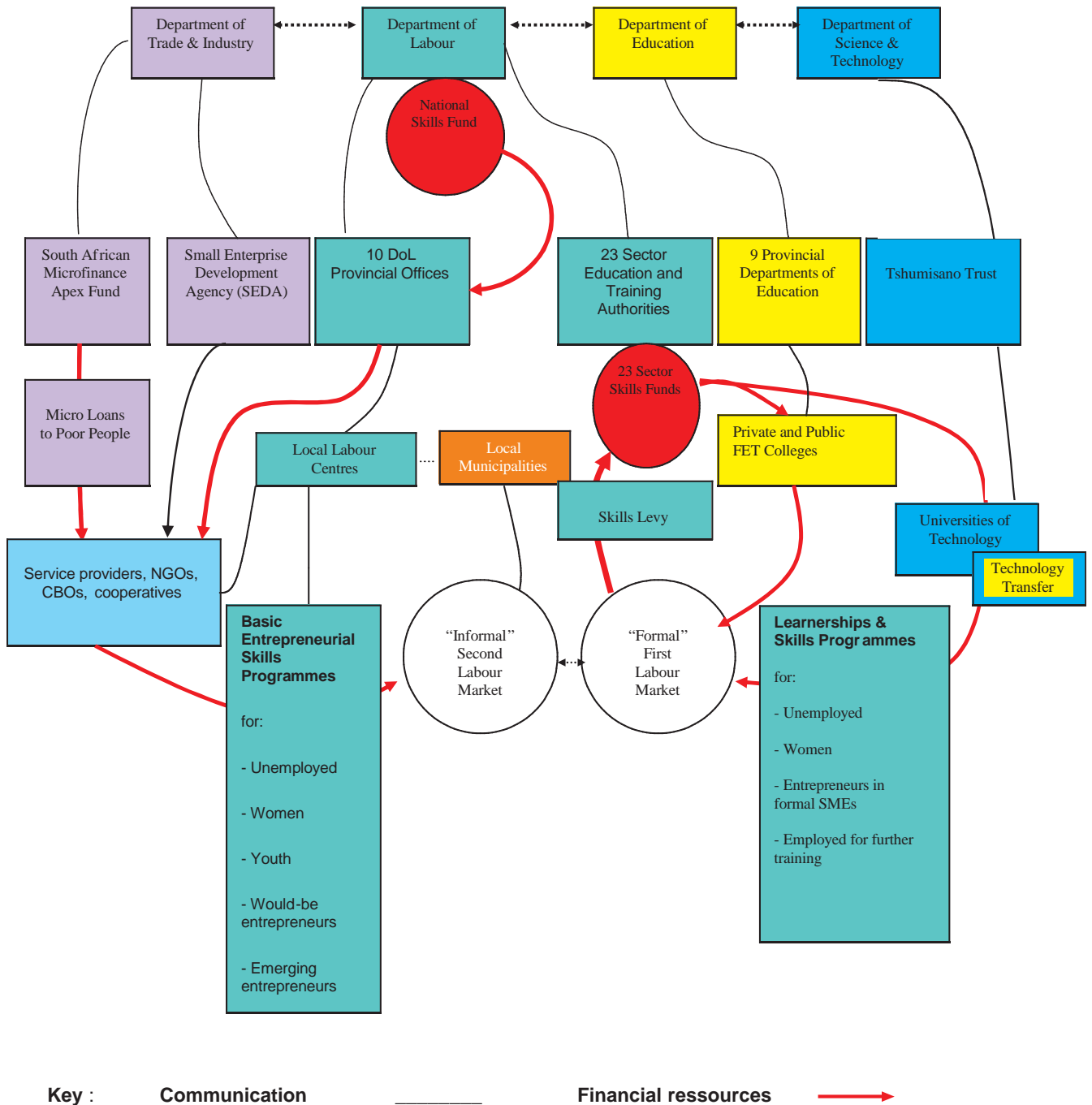


Diagram produced by Werner Heitmann (GTZ/SDSI) for the DoL

Sector Education and Training Authorities (SETAs)

The SETAs were set up in 1998 in 25 sectors, reduced today to 23 sectors (finance, banking, textiles, chemicals, agriculture, etc.). These sector funds are administered by boards comprising 50% employers' representatives and 50% employees' representatives. The boards are responsible for determining sector strategy, managing activities, informing members about them, and taking decisions aimed at developing the sector's priority skills needs.

The SETAs are obliged to draw up an annual development plan for their sector. They receive 80% of the amount collected through the 1% skills development levy. Funds allocated to them are divided up as follows:

- 0.50% (0.60% until early 2005) goes to Workplace Skills Grants (mandatory grants), which are allocated to the contributing firms who ask for them. To obtain these grants, firms must draw up a structured skills plan. Afterwards, they must be able to provide proof that the training has been organised. The SETAs have no freedom of decision in this area and they only check that firms' requests and justifications of expenditure comply with the rules;
- 0.20% goes to Discretionary Funds, which are thus called because their allocation depends on the decision of a SETA board. In reality, the SETAs distribute these funds as part of the missions given to them within the NSDS. The main aim over the 2005-2010 period is to identify the sectors' critical skills, to train sectoral training specialists, to help job seekers into new jobs, to raise skills levels among untrained or poorly trained adults in areas where skills are lacking, and to help the informal sector to make a better assessment of its skills needs. To pursue these various activities, the SETAs may have access addi-

tional funding from the NSF;

- 0.10% of funds are spent on the SETA's personnel and internal administration.

Activities undertaken by the SETAs were evaluated further to the completion of the first NSDS for the 2001-2005 period. The various people met hold a range of views on the value of their action, but there seems to be a consensus that some SETAs need to drastically improve the quality of their work by ensuring their managers are better qualified, and that it is vital for the NSDS for 2005-2010 to ensure that efficiency improvements are made.

The National Skills Development Strategy (NSDS)

The NSDS is drawn up by the DoL in consultation with and with help from the NSA. It takes the form of multi-annual plan published by the DoL. Each strategy details the principles underpinning the measures to be taken, and then sets the objectives to be achieved by the various stakeholders, as well as the success indicators for each objective. Quarterly reports (notably by the SETAs to the central government) are made on progress made towards the objectives. All institutions responsible for delivering the strategy also have to make annual reports. It is worth noting that, whilst the National Skills Development Strategy targets the beneficiaries of training, it does not specify what skills must be taught. This is determined by the SETAs on the basis of information they gather through research into their sectors.

A first NSDS was launched in February 2001. It ended in March 2005, and an evaluation report is being prepared for publication. It was not possible to obtain a copy of this report during the visit to the DoL. A new NSDS was launched on 1 April 2005. The main characteristics of the strategy are outlined in the table below.

Table 9 The 2005-2010 National Skills Development Strategy

Objectives and indicators	Source of funds to finance the objective		Interest group served
	80% SETA funds	20% NSF funds	
1. Critical skills identified	SETAs use discretionary funds to identify the skills	-	Country
2. Critical skills information disseminated	SETAs fund sector guides and advisors	NSF to fund a guide	Learners making choices of study, providers planning programmes
3. 80% large firms and 60% medium firms	Non-discretionary grants with major improvements in efficiency	-	Firms and their workers
4. At least 40% of small firms	SETA determines grants and support allocated from funds	-	Firms and their workers
5. Government departments spend 1% of personnel budget	-	-	Government and employees
6. 500 firms achieve national standard of good practice	Non-discretionary grant	-	High performance firms
7. Small Black Economic Empowerment firms and cooperatives supported by SETAs	SETA grants	-	Small black firms and cooperatives
8. South African citizens trained for employment in new investments	-	NSF Skills Support Programme grant	Unemployed
9. 700.000 workers achieve literacy	SETA grants	(for unemployed see 13 below)	Illiterate workers
10. 125.000 workers get quality assured training	SETA grants		Workers
11. 450.000 unemployed trained	-	NSF Social Development Funding Window	Unemployed
12. Informal economy enterprises supported	20 % SETAs grants	80% NSF grant	Informal economy enterprises
13. 100 000 unemployed achieve literacy	-	NSF funding window	Illiterate unemployed
14. 125 000 unemployed get quality assured training	SETAs pay grants and bursaries	NSF grants	Unemployed
15. Learners in formal education institutions get help getting work experience placements	SETA grants	-	Students
16. 10 000 young people trained and mentored to form new enterprises	SETA grants	NSF grants	Young entrepreneurs
17. Set up links with formal education institutions	SETAs grant to education institutions	-	Learners at these institutions
18. Each province has two providers to support new entrepreneurs	SETA grants	NSF grants	Young entrepreneurs
19. Support to SAQA	SETA grants	NSF grants	Learners
20. Improve the capacity of NSA constituencies and their commitment to NSDS	SETA grants	NSF grants	NSA members

Sources : Table drawn up by A Bird, (unpublished paper), on the basis of the document National Skills Development Strategy 1 April 2005-31 March 2010, Department of Labour.

The design and delivery of a skills development strategy aimed at boosting the country's economic and social development is presented in such a way as to show that South Africa has established a comprehensive and complex process for organising and financing skills development for young people seeking to enter the labour market, as well as for adult workers and job seekers. This process is underpinned by the 1% levy paid by formal enterprises. The funds primarily target large and small firms

that contribute to the recently established national and sectoral training funds. However, the new NSDS for 2005-2010, as well as the schemes run by the various national and sectoral stakeholders met during the field survey, show that the informal economy is becoming more of a priority for South Africa's public and private sector leaders. In reality, political and economic policies are increasingly promoting an inclusive approach that encompasses both sectors.

4.2. A skills strategy underpinning overall growth and jobs policy

The NSDS, supported and financed by the NSF and SETAs, is part of the South African Government's wider policies for promoting the country's future development. A DoL report on skills and qualifications in 2005,³⁴ as well as the findings of the field survey, provide a useful insight into the main priorities pursued at national and sectoral level.

4.2.1. Economic and social development priorities

The South African authorities' national reconstruction and development policy is part of a range of broader policies that exceed this study's remit. These aim particularly to promote the development of the State's strategic management role, both concerning the selection of action priorities and the deployment of the resources necessary for delivering them. They also concern increased investment in the country's physical infrastructure (transport, energy, communications, etc.) and intangible infrastructure (new technologies, research and development, etc.), and entail the selection of economic sectors with good short and medium-term development potential. The Government has thus chosen to invest in export products (including textiles and automobiles), the agri-food industry, mining, bio-chemicals, craft industries and new communication technologies. Yet these priorities all share some common features that can be grouped into three main categories: the relationship between the formal and the informal economies, the development of small and medium-sized enterprises (SMEs), and black economic and social empowerment.

Investing in the links between the formal and informal sectors

Statistical analysis of the informal sector suggests that it is growing compared to the formal sector, which is suffering both from a lack of investment and sluggish job growth according to the employers' representative met during the survey. Similarly, broader research on the South African economy since the end of apartheid³⁵ shows that the country's economy is divided into three distinct areas:

- a core area, which participates in the global economy and is occupied by workers with high wages and job security;
- a periphery area, which is almost informal, concerns sub-contracting activities and occupies poorly qualified workers in precarious and low-paid jobs;
- exclusion area, which includes all informal workers and unemployed or discouraged job seekers.

Faced with this situation, the country's political and socio-economic leaders have decided to take action. A governmental initiative entitled Joint Implementation on Priority Skills Acquisition (JIPSA) was launched in March 2006 for a period of eighteen months. Chaired by the Deputy President, its purpose is to identify all existing logjams in the formal and informal economies that can be overcome by workers acquiring priority skills. NEDLAC, which brings together all of the public and private partners involved in the country's social and economic development, contributes to this initiative by arguing in favour of a common approach to the labour market that would

³⁴ Department of Labour (2005), State of Skills in South Africa.

³⁵ NEDLAC, op.cit.

give all workers, in both the formal or informal economies, a single regulatory framework not only for accessing skills but also for decent and stable working conditions.

This inclusive approach to the formal and informal sectors is rooted in a speech by the South African President in 2003, in which he called for a transfer of resources from the “first economy” to the “second economy”, so that the latter can lose its third-world character and ensure greater income and security for those concerned, notably through increased investment in education and training.

Investing in the development of small firms

The Department of Trade and Industry (DTI) has launched an Integrated Small Enterprise Development Strategy, which is designed to promote the development of entrepreneurship in the country and particularly to strengthen small firms' access to education and training resources. The creation of the Small Enterprise Development Agency (SEDA) in December 2004 is a clear sign of this desire to encourage greater participation of small formal and informal firms in the country's economy. Other aims include:

- to strengthen support for small firms' access to finance;
- to create an enabling regulatory environment;
- to expand market opportunities for specific categories of small firms;
- to develop a national network of information and advice access points;
- to fund minimum small, medium and micro enterprise (SMME) business facilities in cooperation with municipal authorities.

Given that the SEDA has only recently been created, it is not yet possible to gain a more detailed insight into its action in the training field. According to the manager met, the agency is currently assessing business training needs. It is planning to design training courses that focus mainly on helping small businesses to manage their financial, marketing and communication policies. It also aims to help them develop local, regional and international market strategies. The SEDA also intends to train local public officials in order to enable them to act as advisors in business creation and training needs assessment.

The agency has forged partnership links with the SETAs through the discretionary funds. It would also like to work closely with training providers, in order to help them respond to the specific needs of SMMEs. The final aim is to create single access points in the different provinces in order to integrate skills development into overall support schemes, which would include advisory services on business plans and development, support for finding finance, and, finally, analysis of training needs and training provision tailored to these needs.

Broad-Based Black Economic Empowerment (BBBEE)

The Growth and Development Summit held on 7 June 2003 in Johannesburg brought together all of the private and public partners usually involved in the NEDLAC and NSA consultation bodies. It was preceded by negotiations between the social partners on the objectives and possible results of the summit. The various conclusions adopted at the end of the summit included recommendations on economic and social empowerment for black people, in two main areas:

- the creation of an 85-billion rand (about 9.3 million euros), three-year support programme targeting the construction of low-cost housing, investment in national, regional and local infrastructure, the creation and management of enterprises by black people, and the emergence of black farmers in the framework of land reform;
- the introduction of incentive measures to help SMMEs promoted and managed by blacks to access financial support schemes, public and private calls for tenders, as well as skills acquisition in enterprise creation and management through mentorship.

The field survey identified some examples of support measures in the field of skills acquisition and mentorship, notably in the agriculture, services and trade sectors. They are described in detail in the chapter on innovation and good practice.

4.2.2. A pro-active job creation strategy

The agreements between the social partners at the 2003 Growth and Development Summit also focused on the urgency of deploying all possible means to create jobs. The main recommendations were as follows.

Greater growth based on more and better jobs

To achieve this objective, the various partners meeting in Johannesburg agreed to invest in economic sectors with good job creation potential, such as textiles, the agri-food industry, call centres and crafts. This decision entails a significant increase in capital investment (from 5.3% to 9%), in order to improve the quality of public infrastructure in transport, energy, communications, R&D and, more generally, the competitive environment of enterprises. It also involves improving the school to work transition phase, and notably the acquisition of skills required for current or future jobs. The field survey did not manage to verify whether these sectors had really managed to create jobs, but it was possible to confirm that investment in these sectors is still on the agenda.

Creating job opportunities through public works in the informal sector

This is to be achieved through Expanded Public Works Programmes (EPWPs) in areas such as home-based care for the aged and people in poor health, care for young children, school feeding, road and building maintenance, the environment, etc. Efforts to create all these jobs include training and skills development schemes supported by NSF funding.

The public works jobs agreed by the summit are currently being created in the framework of existing public funds and under the responsibility of existing governmental organisations. The programme as a whole is coordinated by the National Department of Public Works (NDPW). It aims to create over 1 million short-term job opportunities over the next five years for unskilled, marginalised unemployed. The aim is to create high quality public services, with all government departments making financial contributions.

The initial results show that the operation has had highly positive effects on employment. At least 130,000 public works jobs were created in 2005. The Construction Education and Training Authority (CETA) has developed learnership schemes providing training for 1,500 workers in the sector. Learnerships are also organised in the agriculture and services sectors.

All these measures demonstrate the extent to which South Africa is committed to its skills development and job creation strategies. Similarly to what has emerged in the other country surveys, all of the people met stressed that there is no point in training the young and adults if learning and vocational skills development schemes do not lead to job opportunities. Getting people into work can be achieved by creating jobs in public works. This can often be accomplished by making financial resources, grants or loans available to the people trained in order to help them launch or develop income-generating activities or micro-production and services businesses. In any event, the example of what is being achieved in the South African education and training systems shows that getting people into work depends on developing new links between education and industry.

4.2.3. Fostering links between education, the economy and employment

The different interviews conducted during the field survey all showed that the success of the skills development strategy implemented through the NSDS for 2005-2010 depended on extensive changes in the relationship between the education system, the vocational training system and industry. These changes are particularly vital given that analysis of employment absorption rates shows how few people leaving the education system go on to find work. Only 30% of young people who reach the last year of secondary education manage to find a job. 7% of them go into public higher education, 12% go into private higher education or private/public technical or pre-learnership colleges, and 51% are unemployed (the proportion is as high as 71% for the black population).³⁶ Several initiatives have been taken to offset the education system's failure to get people into work.

Supporting the transition from vocational training to the labour market

The first type of initiative aims to establish specific measures designed to help young people enter the labour mar-

³⁶ A. Kraak (2004), *An Overview of South African Human Resources Development* Cape Town, HSRC Press.

ket more easily. For example, the Umsobomvu Youth Fund, which was created by the South African Government in 2001 to facilitate and promote job creation and youth training for 18 to 35 year-olds, has launched several initiatives in this area.

The School-to-Work Programme

Given secondary and higher education's poor performance in preparing young people for the world of work, the programme aims to provide young unemployed people with the matric or a university degree with technical skills in areas where the South African economy is suffering from recruitment problems (ITCs, engineering, banking and insurance, sports and leisure, agriculture and accountancy). The programme also aims to give young black people access to professions that were previously not open to them, such as IT and accountancy. It seeks to mobilise a wide variety of stakeholders, including businesses, public organisations (for example, SETAs, Further Education and Training Colleges) and civil society stakeholders. Twelve partnerships have been launched with the SETAs, training 1,500 young people. In 2005, 1,300 young people were trained through new programmes started with the FETCs.

The Youth Service Programme

This programme aims to promote the involvement of young unemployed people in activities that benefit their communities and meet national or local development priorities (the fight against AIDS, protection of the environment, etc.), so that they acquire the skills and experience necessary to achieve economic independence and develop their own ventures. By the beginning of 2006, the Umsobomvu Fund had launched ten pilot schemes in which 1,000 youths had been trained and 3,153 were still undergoing training.

Business start-up programmes for young people

Two business start-up programmes have been launched by the Umsobomvu Fund. The Youth Entrepreneurship Programme aims to encourage young people to enter business by helping them to grasp opportunities for the creation of sustainable businesses, to access services that can help them draw up their business plan, and, by doing so, to receive the finance they need to start a business. The Business Development Services Voucher Programme

(BDSVP) is one of the Fund's landmark initiatives. Via a network of accredited providers, it offers young entrepreneurs services to improve business management (help in drawing up a business plan and making productivity improvements, assistance in tax and financial areas, advice for developing marketing and publicity plans, etc.). Participants used to have to contribute 10 to 40% of the costs of the service, but this has recently been reduced to a fixed contribution of 200 rand per person (about 22 euros). By early 2006, 7,673 entrepreneurs had benefited from this voucher programme. As a result, over 2,300 businesses and 7,200 new jobs have been created.

In terms of context and form, these job support measures are similar to initiatives taken in Europe in the 1980s as part of post-school training schemes to help young people find work quickly by acquiring job skills. The difference is that South Africa does just as much to train young people for self-employment in the informal sector as it does for business creation in the formal economy. The ultimate goal is to help young people earn a living and rise out of the poverty from which their peers in Europe are protected to a large extent by social protection legislation.

Bringing the worlds of work and business into the education system

According to the people met during the field survey, the absence of educational curricula, content and forms of delivery focusing on entrepreneurship and business creation is one of the reasons why South Africa's education system has so much difficulty in helping people into work. Several on-going schemes reveal the determination to change this situation by integrating employment issues and entrepreneurship into current teaching training modules, content and delivery.

The Enterprise Education Programme

In 2004, the Umsobomvu Fund launched a programme aimed at developing the enterprise spirit and promoting self-employment among young people. The programme is primarily targeted at upper secondary school students (although 18- to 35-year-olds who have left school are not excluded). Enterprise education has been included in school curricula (economics, management, and business

studies for two hours a week). The Fund also provides educational aids. These modules are for all schools in the country, although some teachers do not use them owing to poor knowledge of the subject. To remedy this situation, the Fund organises training sessions for teachers, to which local businesses are also invited.

Use of pre-learnership modules in the education system

The School Pre-learnership Project (SPLP) was launched by the Services SETA. It was started in March 2006 and offers students in their last two years of secondary education (grades 10 and 11) an opportunity to be trained in generic workplace functions and processes. The training provided thus enables young people to acquire core workplace skills. It includes thirty-nine modules that cover subjects ranging from contracting terms, personal responsibility and accountability, how businesses work, CV and interviewing skills, workplace behaviour to productivity and time management, etc.

The fundamental purpose of pre-learnership is to forge a pathway between theoretical learning in formal education and practical workplace learning. It also enables young people seeking to enter work to make the most of learnership schemes (college-based training combined with workplace experience) and thus to ensure they have the utmost chance of acquiring the skills needed to find work. It also enables trainees, trainers and employers to have a positive experience of the dual theoretical/practical approach, and thus to appreciate the added value of a learning method that combines formal schooling and workplace-based training. The Services SETA is currently piloting this initiative in fifty-two colleges in the nine South African provinces. 4,800 young people are involved. It is being evaluated by a research project with a view to possible roll-out across whole education system.

Current reforms of the vocational training system

The DoE is currently looking at ways of improving FETC students' preparation for the qualifications they will need in the future. The fifty FETCs have long provided an education that is poorly adapted to the labour market's qualification needs, but they are now changing in face of three demands:

- the public authorities have asked them to introduce,

alongside national curricula, learning content and delivery that is tailored to local market needs. This requirement is the only way the FETCs can do something about the low numbers of graduates going on to find jobs (only 35% do so). It is also the only way for them to respond to the DoL's suggestion that they forge working relationships and partnerships with firms, municipal authorities and sector bodies;

- SETAs are increasingly asking the FETCs to develop the theoretical side of learnerships, which is forcing them to update their practices so as to take account of the skills and qualifications needed in the scheme's partner firms;
- lastly, further to an agreement signed with the DoL and the DoE in 2005, the FETCs have become a partner in the Umsobomvu Fund for helping young job seekers.

Discussions are also taking place on how to develop, in partnership with the FETCs, a new apprenticeship system that offers real dual-type training based on workplace experience in inter-firm centres and learning content tailored to the dual theoretical and practical approach.

4.2.4. A new direction for the National Skills Development Strategy

The field survey made it possible to meet NSF managers and also provided an opportunity to learn about the activities of three SETAs that are extensively involved in the informal economy. The information gathered during conversations and the documentation provided by the various people met provides an insight into some recent developments regarding implementation of the NSDS.

The NSF's inclusive approach within the accelerated growth initiative

The description of the NSF's funding mechanisms showed that it has diversified its means of intervention, increased the number of funding windows and, above all, introduced a new request for proposal (RFP) procedure, through which provincial authorities, on the basis of their skills needs assessment, are invited to make project proposals designed to underpin local growth and development strategies.

The aim of this RFP procedure is not to distinguish between what is considered as being within the formal or informal sectors, but rather to examine the overall situation and above all to create the conditions for the skills development efforts required by the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA) launched in July 2005. This initiative, launched by the South African President and chaired by the Deputy President, aims to create the conditions necessary for a 6% annual growth, which is perceived as being the only means of halving unemployment and poverty levels by 2014. Asgi-SA has identified skills shortages as being one of the six obstacles hindering the level-of-growth targeted-by the country's goals. It has also stressed the importance of creating a sufficient number of SMMEs to bridge the gap between the informal and formal economies.

The NSF's new funding window is totally commensurate with the country's desire to invest even more in skills in order to stimulate the coordinated development of formal and informal economic activities and employment. To achieve this, it offers funds ranging from 20 to 100 million rand (about 2.2 to 11 million euros). The current RFP, which is being evaluated at the NSF, reveals that many cooperatives are requesting access to learnership, apprenticeship and critical skills development schemes.

A new mission for the SETAs: combining training with business creation

The learnership scheme being developed by the SETAs aims to enable participants to receive both theoretical training (at a centre) and practical training (in a firm), while at the same time accessing qualifications recognised by the SAQA (from Level 1 to Level 8, i.e. between skilled worker and qualified engineer).

The objectives

A new form of learnership—the Venture Learnership—has been created by the government. It is a dual-type of training aimed at business creation.

During the field survey, it was possible to meet with the Services SETA, which has been appointed to ensure the provision of training leading to Level 2 and Level 4

qualifications. It was also possible to meet representatives of the Wholesale and Retail SETA (W&R SETA), which is keen to become fully involved in this scheme. The information gathered about the new scheme can be summed up as follows:

- over 2004-2009, it is planned to create 3,000 venture learnerships, and it is expected that each business created would be likely to create three additional jobs, so there would be a total 12,000 new jobs;
- the scheme should also identify the owners of micro-businesses in the informal sector and provide training and skills development to help them move progressively towards the formal sector. It also targets persons that display entrepreneurial ability, with specific emphasis on historically disadvantaged individuals, women and youth.

The components of the scheme

The training lasts two years and leads to a Level 4 qualification. It includes a classroom part which is divided into three sessions and trains participants in areas such as entrepreneurship and management development. It also includes practical experience carried out in a public body, which is required to make the necessary means available for participants' on-site training. This practical component takes the form of a contract between the public body and the learner. A mentor is appointed to help each learner to acquire the target skills and to become increasingly independent as the learnership progresses. The mentors are businesspeople recruited to provide hands-on advice from their own experience. An extremely innovative approach has been adopted to face the growing number of mentors: the more experienced mentors train those less experienced to expand the reach of support available to new entrepreneurs.

The government department responsible for organising the scheme has asked those SETAs involved in the entire process to cover the costs of the learnerships. There are also plans to set up a management committee in each province. This committee will be responsible for identifying public services likely to be able to host learners, establish provincial skills plans involving the different economic sectors concerned, report to the central authorities on activities carried out, and supervise the organisation and evaluation of the whole scheme.

The scheme aims to encourage interest among candidates who have experience in managing a firm in the economic sector concerned, and a qualification level higher than the minimum specified, in order to ensure that they have the utmost chance of launching their own venture. It also plans to facilitate access to bank loans both to help them purchase the equipment required for their work and to provide them with working capital until they receive their payments.

Although this new form of SETA support is only just starting, it clearly entails a combination of training and

business creation support, which is one of the key factors for effective informal sector training in all of the countries surveyed. Training informal sector workers and providing them with technical and managerial skills are almost impossible without also giving them the means of earning a living. This new learnership scheme makes a clear and inseparable link between training and the development of income-generating activities. This link between training and helping people into work is a recurring theme throughout the whole survey and constitutes the cornerstone for any successful training scheme in the informal sector.

5. Innovation and good practices in the informal training area

Compared to the other countries surveyed, one of South Africa's marked characteristics is that it has a relatively small informal economy (30% of the labour market, compared with 90% in Cameroon and Senegal and 95% in Benin). Another feature is its skills development system, which, while specifically aimed at the formal sector, has knock-on and even direct effects on schemes designed to promote income-generating activities and SMME development. This is because the 2003 Growth and Development Summit³⁸ firmly grounded the idea that the country could not achieve its economic and social objectives without forging close links between the first and second economies, and that it is impossible to be competitive in international markets without developing basic skills for all economically active people. It is also due to the way the NSDS is designed and delivered: by ensuring that territorial and sectoral approaches to employment and training issues complement one another, and by proposing financial mechanisms

that provide across-the-board support for social development and economic competitiveness, South Africa has created favourable conditions for informal and formal sector training schemes that are mutually beneficial.

The schemes described above, which have been organised by the SETAs and certain private organisations, offer concrete examples of the interrelationship between the two economies' means and objectives. However, the very fact that they are so pioneering betrays their limitations. The formal sector has neither the capacity nor the duty to deploy its own resources to dynamise the second economy. This is primarily a responsibility for national and provincial authorities, and requires greater combined use of public and private resources. The current development of a specific informal sector training system does indeed seem to be going in this direction.

5.1. Innovative schemes run by the SETAs

The field survey identified that the SETAs working in sectors with the highest number of unstructured or unregistered micro-businesses (according to South African criteria) had developed training schemes that were tailored both to their sector's skills and qualification needs and to the basic reality of informal sector workers. Meetings with the managers of the agricultural, wholesale and retail, and services SETAs offered an opportunity to learn about these training schemes and to understand their importance both for the sectors concerned and for all those involved in the second economy

5.1.1. The agricultural sector: where mentorship and access to information meet

Training issues in South African agriculture are directly linked to the question of land reform, which aims to transfer 30% of land to black farmers by 2014. Land redistribution is a fundamental issue as the reform basically entails the transfer of huge capital-intensive and export-oriented farms to unskilled or poorly skilled farmers who run small farms more for survival purposes than for profitability.

³⁸ It was during this summit that President Mbeki raised the issue of the second economy and emphasised the importance of measures combining training, employment and poverty reduction.

The Mentorship Programme

Aware of the extent of the challenges and the unsuitability of conventional training schemes, AgriSETA³⁹ decided to implement a national mentorship programme in order to enhance sustainability of skills development in the primary agricultural sector, contribute meaningfully to the sustainability of farming ventures, and participate in a coherent manner toward national development initiatives. The programme aims to provide guidance to emerging/small farmers to a level where the farming venture is a healthy, self-sustainable business. To achieve this, it involves farmers who have no inheritors or who have decided to give up their farm but agree to mentor black farmers. The black farmers are responsible for choosing their mentor. The programme broadly makes finance available for the funding of mentorship activities, provides technical guidance to small farmers, and supports the transfer of technology, knowledge and good practice to small farmers.

The mentoring covers a wide variety of areas:

- people management: employees' work allocation and salaries, etc.;
- business management: finance, book-keeping, procurement, marketing and sales, taxation, etc.;
- technical skills: propagation, irrigation, post-harvesting handling and treatment, chemicals, etc.

The mentor also has a responsibility to help the mentee—who is often of a different race and culture—assimilate into the local farming community and wider agricultural networks.

Mentoring is not just limited to the agriculture sector, but an integral part of the schemes developed under the NSDS. However, AgriSETA's initiative is notable in that it offers an important means of supporting current land reform and of avoiding loss of farming expertise and traditions when land is redistributed from big landowners to small farmers.

The Manstrat project on access to information in rural areas

This project, which is currently being developed, aims to use new information and communication technologies (NICTs) to promote better access to information for farmers taking on land. It also aims to strengthen the expertise of Department of Agriculture (DoA) district-level extension officers whose task is to provide expertise and advice to farmers.

An Internet network linking the various stakeholders from the agricultural sector has been created using the Manstrat expert system. Its purpose is to give these stakeholders access to the information they need in order to keep their technical and professional expertise up to date. Rural development agencies will be equipped so that they can maintain direct contact with experts in various agricultural fields, deliver training courses and provide a kind of distance mentoring.

The Manstrat project has received support from the DoA, AgriSETA and agricultural banks. AgriSETA has committed itself mainly to covering the costs of training the DoA's extension officers, so that they can make the most of the programme and help farmers accordingly. The Development Bank of South Africa (DBSA) is also seeking to extend the programme at regional level in Southern Africa (Botswana, Zambia and Mozambique). The cost of the programme is estimated at 8.5 million rand over two years (about 930,000 euros).

These two schemes run by AgriSETA clearly demonstrate that the agriculture sector training, carried out within the current reforms, serves as a means of training black farmers who are often poorly educated and barely literate. Accordingly, it places equal emphasis on providing support, advice, expertise and access to information on the one hand, and ensuring the formal transmission of structured knowledge and know-how on the other. This resourceful approach is indicative of the way in which training must adapt to specific situations on the ground if it is to be useful as a vehicle both for changing individual circumstances and driving business development.

³⁹ The Agricultural Sector Education and Training Authority (AgriSETA) was created on 1 July 2005 following a merger between the Primary Agriculture Education and Training Authority (PAETA), which covered activities directly related to farming, and the Sector Education and Training Authority for Secondary Agriculture (SETASA), which covered agricultural activities carried out at a secondary level, such as the agri-food and drink industries.

5.1.2. The wholesale and retail sectors: from innovation to roll-out

Statistical studies on the informal sector highlight the importance of the role played by the trade sector in this area. It accounts for over half of the people working in South Africa's second economy (50.1% of jobs). Wholesale and Retail SETA (W&RSETA) has developed a very important training policy in its field of responsibility. Using mandatory grants (representing 0.50% of the skills development levy funds) and discretionary grants (0.20% of the levy funds), it has trained over 300,000 individuals in recent years, some of whom work in informal trade outlets.

The RAVE project

With support from NSF grants, W&RSETA has also run a major training project for wholesalers and retailers entitled *Retrenchees and Victory to Entrepreneurs (RAVE)*. It ran between October 2002 and May 2005, and involved 10,000 individuals, each of whom represent a wholesale or retail business and thus a much greater number of workers:

- 5,000 individuals were from existing small wholesale or retail businesses with monthly turnover between 1,000 and 50,000 rand (or about 110 to 5,500 euros). The aim was to improve their business performance and profitability while raising basic skills levels. The business was supposed to be stable and candidates had to have at least completed the first stage of secondary education;
- 5,000 of them had lost their job (as a result of retrenchment or restructuring) or were unemployed. The aim was to provide them with the skills they needed to launch a trading activity and to help them become capable of managing their own business. Candidates had to have taken the first steps towards creating their own business and had to have at least completed the first stage of secondary education.

The project as a whole focused on sectors such as the food and beverages trade, sales of sanitary and building equipment, fruit and vegetables, meat, bakeries and cake shops, clothing and textiles, and even second-hand objects such as cars, etc.

The training course included a ten-day, classroom-based component (organised into three sessions) and practical

training lasting three months, which included visits to trading businesses and workplace learning. It was organised in such a way as to provide learners with access to qualification units accredited by the SAQA. The five thousand learners already running a business were monitored by mentors who visited them in their business and helped them to use the skills acquired. The other five thousand who were just setting up their business received, on top of the classroom-based learning, individual support to help them set up their business and access bank loans.

A single lead provider was responsible for running the project in each province, with other support providers (mostly FETCs) reporting to it. The whole project was subject to quality assurance controls. Candidates for the scheme were selected by the lead provider further to a call for applications governed by the above-mentioned selection criteria.

The impact analysis for the whole RAVE project carried out by W&RSETA shows that significant progress was made in several areas: some learners who were already in business increased their turnover by 50% or saw a sharp increase in profits, some changed their pricing policy, some decided to give all their employees a salary, some started to keep a cash-control system and thus full accounts for their business, and some even recruited new staff.

W&RSETA's impact analysis of the whole RAVE project shows how important it is to forge partnerships with banks or financial bodies from the very beginning of a training scheme, so as to help learners to access the grants and loans needed for creating or improving their business.

Ongoing pilot projects

W&RSETA has set up two pilot schemes for the 2005-2010 period with a view to launching a new major learning project in the trade sector.

The first of these schemes, *Grow Your Own Business*, entails training street vendors, who are very typical of the informal sector. It runs for fourteen weeks and is supported by the City Council of Johannesburg and organised with help from the University of Witwatersrand in Braamfontein. The learners already work. They are chosen at random from a list of Gauteng Province businesses and informed by telephone or text message that they have been selected. Classes are organised after work on Saturday

afternoons, and the University pays for their meal costs and the educational resources necessary for the scheme's success. Once trained, they are supervised by a mentor, who helps them to use the knowledge and skills acquired in their work. W&RSETA has invested 1.4 million rand (nearly 153,000 euros) in the training, and the first 50 participants have just completed the course. A second session involving 225 participants started in February 2006. If the scheme proves successful, W&RSETA plans a nationwide roll-out.

The second scheme targets the wholesale sector, with the Schield company as a partner. The aim is to help young people to create their own business, with each paying for their own training. The company recycles port containers for them and provides them with an initial stock of merchandise so that they can launch their business. The scheme involves 60 young people in its pilot phase. Roll-out will depend on the results obtained.

W&RSETA is also running a venture learnership programme in Western Cape Province,⁴⁰ which includes the offer of an employment contract at the end of training. However, the programme is only just being launched.

These finished and ongoing projects for the wholesale and retail trade clearly show that situations where sectors take responsibility for informal workers and businesses in their area have the great advantage of helping young and adult learners to combine skills development for a given trade with the creation or improvement of a business. Moreover, the fact that learning activities are closely associated with follow-up or mentorship by an expert from the trade boosts the chances of ensuring that increased skills levels go hand in hand with access to income-generating or profitable business.

5.1.3. The services sector: between experimentation and modelling

The Services SETA is clearly one of the most dynamic and well respected in South Africa. It is the architect of the above-mentioned pre-learnership model that has been introduced in the education system. Along with the public authorities, it is the custodian of the EPWP Venture Learnership Programme,⁴¹ which is based on the government's decision to support the

creation of sustainable enterprises. It is also the SETA for a sector that has a majority of very small firms. Among 120,000 members, 91% have less than 20 employees, and 88,000 pay less than 500,000 rand in annual wages (about 54,500 euros), the threshold above which companies are subject to the skills development levy.

Evaluation and improvement of existing schemes

Within its field of responsibility, the Services SETA has organised and developed models for several types of learnership schemes and has:

- determined the optimal conditions in which young unemployed people employed in a small cleaning business acquire the basic skills of their trade and do not carry out tasks other than those listed in the training contract;
- tested a methodology for accrediting prior knowledge and skills that enables poorly educated adults to have their experience validated before they start a basic education course;
- analysed the effect that learnership schemes have on firms, which basically shows that such training can only succeed if there is parallel training for the manager responsible for mentoring young people on placement.

A learnership project in rural areas

In the informal sector training area, the Services SETA has run a well built experiment that tailored a learnership scheme to the needs of a geographically isolated rural area with very little infrastructure and no regular jobs, assessors, mentors or training organisations. Following lengthy meetings and discussions with the tribal community, the managers of the scheme to be developed established several assumptions about how to overcome the lack of infrastructure or regular jobs. These involved:

- creating regular jobs in the spa tourism and health care field and using this as the starting point for training people likely to go on to work in providing services to people;
- organising relevant training in traditional rural occupations such as shepherds, healers, community leaders and educators;

⁴⁰ For more details, see paragraph 4.2.4.2.

⁴¹ The Expanded Public Works Programme (EPWP) Venture Learnership Programme was described in paragraph 4.2.4.2. The Services SETA has done some highly structured development work on the programme, and it is also producing studies and research which are beneficial to all SETAs.

- introducing training designed to stimulate job creation, which would enable people to set up their own business.

The SETA finally decided to organise a pre-learnership scheme for all members of the community wanting to participate in the training: 350 people from the community said that they were prepared to participate. 50 of them ultimately took part. Learning material was translated into Zulu to enable those with insufficient English to have the same chance of success. At the end of the training, only three of the people trained reached basic adult education Level 3, with the others reaching Level 1 or 2 in communication, and nobody reaching numeracy Level 1 or 2. The overall findings indicated that the traditional rural communities have skills requirements and needs that are difficult to meet. According to the scheme's manager, who was met during the field survey, the following conclusions can be drawn:

- the learnership system is not suited to the reality of rural areas. Reading, writing and numeracy requirements represent obstacles for many young people. It is necessary to develop alternative systems based on special learning aids, such as comic strips, songs, oral communication, etc.;

5.2. Good practice in the private sector

The statistical data published on the South African informal sector clearly highlights the interdependence between the formal and informal economies, for example, through subcontracting. This relationship occurs in well-developed production sectors such as metals or industrial manufacturing, and is almost institutionalised in the beverages sector, where many taverns are not on the trade register. Two training schemes demonstrate how companies and sector bodies have taken the initiative of training their partners or subcontractors.

5.2.1. Schemes in the breweries sector

South African Breweries (SAB) Limited has developed two innovative schemes to support young informal sector workers. The first, KickStart, focuses on skills development with a view to creating or improving businesses. The second more specifically concerns the train-

- this type of training is more costly (mainly due to transport costs) and time-consuming. Quantitative analysis of the results is insufficient, and the social impact should also be measured;
- some local leaders were opposed to the project. Traditional communities harbour great expectations from projects of this nature. They expect immediate dividends, especially financial ones. It is important to know how to manage these expectations and reactions in the communities and to discuss with them what can realistically be achieved in the time available.

The work undertaken by the Services SETA constitutes an essential departure point for the development of effective forms of intervention in informal sector training. It notably offers a wealth of evaluation experience that can be used to fine-tune the skills development system by focusing on learning conditions in given contexts. This SETA has developed a working relationship with French and European service sector bodies with a view to learning from international experience and improving the quality of its own work.

ning of taverners who sell liquor produced by the breweries, the majority of whom run informal-type establishments.

The KickStart project

The project was launched in 1995. Over the first ten years, it has provided training for over 22,000 people and subsidised more than 3,000 businesses to the order of 34 million rand (about 3.7 million euros). The objective is to provide support for business creation or expansion to young people between the ages of 18 and 35 who were disadvantaged under apartheid.

Between 1995 and 2000, the programme had a poverty reduction goal. Given the number of participants who failed to launch their own business, it was decided to reorganise the whole project in 2000 so that only viable businesses would be considered for support. A mentoring component was introduced into this new phase of the project.

In April each year, SAB organises a publicity campaign in six of the country's regions. Between 15 and 20 people are selected among the candidates in each region, and they take part in a ten-day business skills training programme. This also covers personal and social skills, and the young people are provided with information about the risk of AIDS. At the end of the training, each participant has one month to draw up a business plan for their future activity, during which time they receive support from business advisors. Between five and eight of the plans submitted are then selected and awarded grants of between 10,000 and 100,000 rand (about 1,100 to 11,000 euros). These participants are then mentored for a further eight months in order to ensure the successful launch of their business. Lastly, two candidates in each region are selected to participate in a national competition. The three winners are awarded additional grants of 500,000 rand (about 54,500 euros) and also receive support from their mentors for a further three months.

In 2004, 117 people participated in the various training programmes and 31 businesses and activities received KickStart grants.

Training for taverners

The Taverners Training Programme, which is entirely funded by SAB, was launched in 2003 in order to improve the economic performance of drinks retailers selling the firm's products. It also aims to provide taverners with management skills.

The training includes modules on management, customer service, business law, stock management, book-keeping and credit management. It lasts five days, after which trainers visit the business on two occasions. It is run across the whole country, with SAB subsidiaries being responsible for receiving applications. The course is in English, but trainers must also have a good knowledge of other national languages.

The training is recognised by the DoE. It is also accredited by the Tourism and Hospitality Education and Training Authority (THETA), which provides relevant learning material. Participants demonstrating good knowledge of the

training content can be awarded credit units under the National Qualifications Framework. Taverners who have completed the training usually take steps to obtain a formal license for their business.

5.2.2. Welder training organised by the SEIFSA

In 2003, the Steel and Engineering Industries Federation of South Africa (SEIFSA) carried out a study on SMME training needs and practices in three sectors (metals, plastics and engine manufacturing). The study showed that SMMEs tend to organise unstructured and unrecognised apprenticeships. As a result, SEIFSA launched a training project on welding in 2003 for unemployed people and retrenched workers, with funding from the Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA). In partnership with the South African Institute of Welding, one of the country's centres of excellence, it organised a six-week training course for people from the informal economy who were selected on the basis of their basic welding knowledge. The scheme comprised technical training modules as well as a management training component. It also led to a recognised certificate. The shortage of funds unfortunately made it impossible to set up a workplace mentoring system. However, the project covered the costs of participants' travel and meals. At the end of the training, each participant also received a complete set of welding equipment (a welding machine, helmet, goggles and apron).

These examples of training schemes organised by the metal work and beverages sectors—very different in terms of the type of activities and skills required—show that formal sector involvement in skills development in the second economy presents two clear advantages. Firstly, it forges a skills continuum between structured and unstructured firms, thus enabling people to move more easily between the two economies. This approach also helps internal capacity-building within the SETAs responsible for providing training to enable them to intervene more effectively in the informal sector. This is a vital pre-requisite for delivering an inclusive policy that combines the two economies, as desired by the public authorities and the social and economic partners.

5.3. Developing a structured learnership system for the informal sector

The innovative training schemes and good practices described thus far are all mainly financed through funding opportunities created by the 1% levy on formal firms' total payroll costs when these are at least 500,000 rand (about 54,500 euros). The funds collected through this levy—20% of which go to the NSF and 80% to the SETAs—were originally earmarked for financing employees in the formal sector or, failing that, for social development schemes run by local and provincial authorities to tackle unemployment. The examples of informal sector training described in this study show that the NSF and the SETAs are channelling more and more funds into skills development schemes for people working in the second economy. This illustrates the growing importance that the public and private sectors attach to raising skills levels in this area of the economy, and their belief that training can act as a driving force for the 30% of the working population who work in it.

However, the projects and schemes described do not constitute the informal sector's only or even chief means of access to training. A whole specific learnership system tailored to the informal sector's circumstances and challenges is currently being developed by the DoL with expertise and support provided by the German technical cooperation agency, GTZ. The initial assumption for this work is that conventional forms of training were failing to meet the skills needs of people working in this sector, and that it was necessary to design and develop learning content and methodologies tailored to the specific circumstances of the people to be trained. The advantage is that it has been tested and evaluated in Free State Province and is currently being rolled out and formally introduced on a national basis.

5.3.1. The system's testing and validation phase (1996-2004)

The BEST project (Basic Employment Skills Training) is the result of intense cooperation between Free State

Province and the GTZ's Skills Development Strategy Initiative (SDSI) support programme. It focuses on the design and testing of training methods for the informal sector, and primarily entails the formalisation of an innovative approach for skills development in the social field and in the informal economy entitled Basic Entrepreneurial Skills Development (BESD).⁴² The approach is based on two key components: the development of demand-led training (in other words, the design of training content and forms of delivery in response to a given project's needs), and the use of mentorship as a key factor to the success and effectiveness of informal sector training schemes.

Specific pilot projects have been developed in the construction and agriculture sectors. These have made it possible to identify, implement and evaluate new forms of training to help sheep farmers create sustainable agricultural enterprises, and have brought some fundamental support principles to light:

- training for the informal sector must be organised locally, be consistent with the economic environment and job opportunities available to learners, and be directly linked to participants' production cycles;
- the overall approach must be pro-active in terms of job creation and new economic opportunities, with the learning being an integral part of the job creation projects;
- the impact must be assessed in terms of job creation and income generation, as well as the reduction of unemployment or underemployment;
- the BESD approach must facilitate learner access to a minimal sum of start-up capital with which to launch their business;
- the training must be organised into modules and continue throughout the entire project. Knowledge transfer is enhanced if participants learn to resolve problems arising in situations which are as close to reality as possible;

⁴² South African-German Development Cooperation (2003), Introduction to the Basic Entrepreneurial Skills Development Approach, An Innovative Approach for Skills Development in a Social Sector and Informal Economy, Informal Economy Skills Development Series, Book 1. Commissioned by the Free State Department of Labour and the GTZ SDSI Programme.

- organisation of the overall process requires extensive consultation and cooperation with all of the stakeholders concerned;
- where possible, training programmes must be recognised by SAQA, which will make them transferable and, where appropriate, facilitate access to higher qualification levels;
- mentoring is a key feature of the approach's delivery and success.

The results thus obtained made it possible to start rolling out the informal sector learnership system in 2004.

5.3.2. The pilot roll-out phase (2004-2007)

Since 2004, the South African Department of Labour, in cooperation with GTZ, has been examining the lessons learnt from the BESD project in order to develop a pilot approach for training projects in the informal sector. The Active Labour Market Strategy (ALMS) is organised as follows:

- development of a local cooperation network at municipality level, involving NGOs and local cooperatives, the DBSA and the Local Economic Development (LED) Fund;⁴³
- coordinated identification, by the network, of the skills and qualifications needed for creating new businesses and self-employment;
- development of training schemes and the transfer of experience for future entrepreneurs (using the BESD methodology) using grants from the NSF, SETAs and local and provincial funds. Grants for start-up activities and micro-businesses will be provided at the end of training in the form of loans from micro-credit organisations and loans or grants from the DTI-managed APEX Fund;
- the new businesses and self-employed can access development aid services and apply for loans from finance institutions supported by the South African Government, such as Khula or Ntsika;
- once the new businesses or self-employed have become sustainable, they continue to develop and progressively

enter the formal economy.

The full project is currently being rolled out in Free State Province (Kroonstad, Bloemfontein). There are plans to roll it out across the whole country during the second phase (2007-2014). The project, which has a total budget of 16 million rand (about 1.7 million euros), will be financed by an NSF funding window (300 million rand, or about 33 million euros from 2007, which represents 30% of its revenue). According to the GTZ, the use of Government funds will be essential if the project is to be rolled out across the country.

These initiatives, approaches and projects in informal sector training reveal that South African officials have become much more aware of how important it is to boost the second economy in the future interest of the country. This awareness was encouraged and expressed at the highest level by President Mbeki during the 2003 Growth and Development Summit. It is currently being actively promoted by NEDLAC, the social partner body that voices the requirements of the social partners and advises the Government.

The various initiatives and good practices described here also reflect the fact that South Africa has a strategic, operational and financial framework (NSA, NSF, SETAs) shaped by legislation passed in the late 1990s as part of setting up a national skills development strategy. Although this system is in its early stages and maximum effectiveness is still being sought, it has demonstrated its capacity to enable varied and innovative actions in order to meet informal sector workers' skills needs and, above all, to combine technical and business training with support for business creation. A specific learnership system for the informal sector is currently being rolled out by the DoL, with support from the GTZ and financial contributions from the NSF and SETAs. This indicates that South Africa has decided to do all it can to boost self-employment and micro-businesses and to fully include the first and second economies in its approach.

⁴³ The LED Fund is administered by provincial and municipal authorities. It provides finance for four types of project: provision of business facilities, promotion of the agri-food industry, support to tourism initiatives, and human resource development programmes.

6. The strengths and weaknesses of the South African system

The analysis of the South African skills development and training policies leaves no doubt as to the country's determination to rise to the challenges posed by the informal economy. The informal economy is still growing and now employs a third of the economically active population. It constitutes the only source of jobs and means of subsistence for a large proportion of the black population and increasingly interacts with the formal sector. It also tends to create employment that is insecure and which offers no protection.

Considerable efforts are being made to reverse this situation. They are primarily of a political nature, since the country's decision-makers have decided to ensure everything is done to open up job opportunities for the most deprived, to progressively provide those in the informal economy with an opportunity to reach greatly increased skills and employability levels, and, in the medium term, to include

both the first and second economies in a unified national growth and jobs policy. These efforts are also of a financial nature, given that the funds collected by the NSF and SETAs increasingly take account of the needs of the self-employed and SMMEs, and aim to train an increasing number of less-educated and less-skilled people as part of the NSDS. Lastly, the efforts are of a collective and human nature to the extent that the range of policies and measures described in this report are based on a wide consensus between the various stakeholders representing the economic and social partners and civil society. Nevertheless, alongside these positive aspects, investment needs and organisational weaknesses persist. These must also be taken into consideration if South Africa's situation is to be described objectively, and if the NSDS pursued by all stakeholders is to be given an optimal chance of boosting the informal economy.

6.1. Strengths to build on: the complementarity of stakeholders and funds

The analysis of innovative schemes and good practice in the informal sector training field has clearly highlighted not only the real complementarity between the modes of intervention used by the NSF and SETAs, but also the public authorities' and firms' responsibility to reduce skills shortages among informal sector workers on the other.

6.1.1. The excellent synergies generated by the sectoral and territorial approach

The meetings with managers from the AgriSETA, W&RSETA and the Services SETA made it possible to identify the substantial benefits of the different approaches used for informal sector workers: they take account of the situations and trends in each trade; they are based on an accurate identification of those in need of training; they create the conditions for the success of the training activity organised, and they help lear-

ners progress towards the creation, consolidation and/or improvement of their business activity. One of the specific approaches used is mentoring, which enables trainers or experienced professionals to efficiently monitor skills acquisition and check that trainees can successfully implement the professional skills of the trade they were trained in.

The NSF's intervention through its social development funding window and, more recently, through the BESD approach is noteworthy in that it is a bottom-up approach based on local social needs. From this starting point, the aim is to train young and adult job seekers and, more broadly, disadvantaged people who are looking for work in order to subsist and survive.⁴⁴ The field survey showed that the informal sector support is increasingly directed at having provincial and municipal authorities take on responsibility for establishing a local skills development strategy to cover training for the most deprived and disadvantaged people.

⁴⁴ It should be stressed that 11% of the population lives on less than a dollar a day and 34% live on less than two dollars a day.

Although the field survey showed that these two approaches, at sectoral and local level, are not always sufficiently coordinated, it also clearly revealed how important it is that they complement each other. The first approach ensures that sector bodies make a contribution and has the advantage of underlining the importance of producing skills needed for those occupations that are developing. The second involves local public and voluntary stakeholders and is more aimed at providing people excluded from the labour market with the basic skills they need in order to enter self-employment or create income-generating activities. Now that a more structured informal sector learnership system is being introduced, it is vital that it should continue to draw on the contribution of both types of actors and approaches.

6.1.2. The shared responsibilities of public authorities and firms

A debate is currently going on in South Africa about the respective financial responsibilities of public authorities and private firms. Some sector bodies and SETAs are keen to restrict the use of levy funds to contributing firms, without catering for the needs of SMMEs that are not subject to the levy (those with a total annual payroll of less than 500,000 rand, or about 54,500 euros) or which are not registered for tax and social security purposes. Moreover, the public authorities do not seem to have grasped the extent of training needs among those outside the formal economy, and rely too heavily on the NSF and SETAs to fund job training and business creation schemes.

The solidarity that exists de facto between the first and second economies (subcontracting or recruitment of workers not covered by social legislation) clearly justifies attempts to collect the levy partly from the informal sector. The situation in other countries surveyed (Benin and Senegal) demonstrates that the practice whereby firms subject to the levy co-finance skills development in informal production units is increasingly perceived as the norm by all economic stakeholders. There is therefore no reason why SETAs should not provide training for all workers in their sector, whether they are in the formal or informal economy. Similarly, the public authorities' responsibility for ensuring that the country's entire economically active population has

a minimum level of skills is also and increasingly perceived as being a basic standard accepted by almost all developed and developing countries. Thus in South Africa it is inconceivable that the learnership currently being rolled out for the informal sector should only be dependent on firms' levy contributions without a significant contribution from public funds.

6.1.3. The inseparable link between training and support for business creation

South Africa has placed great emphasis on the vital nature of the link between training and support. It was stressed by the Director of the Wholesale and Retail SETA in the RAVE project's impact evaluation. He stated that financial organisations should be involved from the outset in the design of training schemes aimed at creating or improving businesses in order to ensure that the skills and qualifications acquired are as effective as possible. This link also underpins one of the Umsobomvu Fund's modes of intervention and is one of the motivating forces for SAB's KickStart project. It is, moreover, an integral part of the new informal sector learnership system being developed by the DoL with support from the German technical cooperation agency. Micro-credit providers, development banks and state funding agencies are de facto members of the local cooperation networks being developed, and they are providing structural support for the piloting, evaluation and roll-out of the system.

All of the field surveys show that training cannot be used to give a significant boost to the informal sector unless it is part of an overall package that includes learning support and financial aid, with a view to ensuring that skills acquired are successfully used to build income-generation capacity.

6.1.4. The structured nature of informal sector training

South Africa has clearly forged a structured approach to informal sector training that is known and used by all providers working in the sector. This approach has been developed through close cooperation between the DoL, the GTZ and local stakeholders (Manstrat), and has been tested in sectors such as agriculture and construction. It has helped

to develop a new type of training support for the informal sector⁴⁵ that defines the major elements of a training process aimed at business creation and entails the use of a learning approach that enables trainees to acquire skills in the workplace. It also involves measuring impact in terms of the number of jobs created, the profitability of the activities generated and their development potential.

The approach involves three noteworthy features:

- it is based on enabling informal sector workers to acquire the basic business skills they need to develop an income-generating activity or a micro-business;
- it uses a well-researched mentorship method that has highly experienced and qualified people intervene so as

to help transfer experience and ensure successful application in the workplace. The field survey gained an insight into the exceptional value of this method, chiefly with respect to the AgriSETA schemes;

- it enables learners to acquire credits which are valid within the National Qualifications Framework and thus, even when they start at a very low level, they can progressively acquire recognised skills and qualifications.

There is no doubt that all of the stakeholders met have taken this approach on board as a fundamental organisational feature of their work with informal sector workers.

6.2. Weaknesses to address: the quality of public and private schemes

The highly positive overview of innovative schemes and good practices implemented by the NSF and SETAs should not mask the poor quality of some SETA schemes and the shortfalls of the vocational training system and management of the whole skills development policy.

6.2.1. Quality differences between SETAs

Quality differences can be perceived given the wide variation between different SETAs' funding commitments with regard to the success indicators identified in the NSDS. This was publicly criticised by the Minister of Labour in Parliament in 2004. He mentioned those SETAs which he believed had not achieved targets and said that he had instructed them to improve their work and increase investment. Although the field survey covered SETAs that invest heavily in training, it was not possible to identify the weaknesses mentioned by the Minister, especially because the new NSDS, launched in April 2005, called on several SETAs to increase the quality and quantity of their work. However, the meetings held did pinpoint some critical issues:

- management quality: this is especially important because

managers have a great deal of independence (chief executive officers can directly commit expenditure of up to 200,000 rand, or nearly 22,000 euros). They are in a key position to make proposals for strategic and innovative projects on their SETA board, and the relationship they forge with firms in their sector greatly determines the success of skills development schemes;

- quality of training design: available funding resources can only be used effectively, particularly for strategic projects and specific target groups or sectors, if the SETAs have a high degree of expertise enabling them to develop learning methods tailored to the relevant situation. The meetings with AgriSETA, W&RSETA and the Services SETA showed that these sectors are using learning methods that have been developed in cooperation with the GTZ and place considerable emphasis on the importance of mentorship as a pre-requisite for successful informal sector training.

Financial analysis suggests that the areas requiring the most funds from SETA managers (skills development programmes for SMMEs, development of learnerships focused on creating self-employment and income-

⁴⁵ Free State Department of Labour/GTZ (2003), Introduction to the Basic Entrepreneurial Skills Development Approach (Book 1), Creating a Skills Programme in the Informal Sector (Book 2).

generating activities, development of projects for acquisition of critical skills or those which the labour market is lacking) highlight differences between effective SETAs and those that under-invest.

6.2.2. The need for greater solidarity between sector funds

It is clear that a sector fund representing banks or top-level financial institutions has very different resources and scope for action compared with a sector fund with mainly small farms as members, for example. Thus AgriSETA has limited resources (30 to 40 million rand, or about 3.3 to 4.4 million euros) to train several hundred thousand farmers, many of whom are illiterate, while FASSET (the Financial and Accounting Services SETA) and BANKSETA (the banking sector SETA) have a significantly larger income to train a workforce that is already highly skilled.

In the current circumstances, each SETA uses its levy income to train its member firms' employees, without there being a structured compensation fund allowing use of available resources in accordance with national or intersectoral competitiveness criteria.

Memoranda of understanding between SETAs evoking the possibility of developing joint training activities between several sectors are starting to emerge. It is difficult, however, to envisage any real solidarity or pooling of resources among the wealthiest and poorest funds, even if this were to be used to meet the national strategic development goals, which go beyond the mere implementation of training investment policy in each sector. Thus the agricultural sector, which is in full transition, has insufficient resources to meet the skills needs of the 700,000 farm workers, of whom 30% are illiterate.

Bearing this situation in mind, it is clear that a minimal requirement to ensure pooling of funds both at intersectoral and sectoral level could enable South Africa's SETAs to act in concert in certain priority areas, and notably to make common cause when intervening in those sectors that have the largest number of informal jobs and activities.

6.2.3. Effectiveness of the training system

The effectiveness of the financial resources made available by both the NSF and SETAs for training employees and the unemployed is hampered by persistent upstream weaknesses in the education system and training supply, and downstream weaknesses in company training practices.

According to an expert met during the survey, the education system has undoubtedly made considerable progress since the end of apartheid. However, educational achievement levels are still very low in both elementary and secondary education. This is why only a third of the 826,000 annual school-leavers who enter the labour market for the first time get a job.⁴⁶

In turn, skills development among employees is hampered by the lack of training culture in firms. A World Bank study on skills shortages in South Africa, which was published on the web-based Business Report in December 2005, emphasises the following points:

- out of 803 firms, mainly with white owners, 35% stated that their main problem was the lack of skills among employees;
- more than 80% of the employees asked said that they had not had any formal training;
- South African firms train less than firms in countries with a comparable level of income;
- the training funding system established through the SETAs does not use up all of the money available, which is undermining the Government's strategy.

These data can only be interpreted correctly if placed in the historical context of the skills development effort advocated by the various political, economic and social stakeholders, which consists of:

- major social inequalities between the black and white populations at the outset;
- a short development span (ten years), which needs time to be consolidated and mature;
- a significant lack of expertise, regarding both the management of the institutional system created, and the design and delivery of skills development schemes aimed to meet target group needs and help create a real workplace training culture.

⁴⁶ Ministry of Labour, (2005), State of Skills in South Africa.

All of the people met said that the NSDS for 2005-2010 offers a timeframe during which all public and private stakeholders can verify whether the existing skills development system really responds to the country's needs. Future assessments of its economic and social impact will determine whether or not this system has a future in its current form.

6.2.4. A more administrative than partnership-based management system

Cooperation between the public authorities, employer representatives and trade unions is considered as the cornerstone of the funding system. Funds are allocated according to agreement between the different parties, both at NSF level and at the level of SETAs' discretionary funds. However, it seems that the dialogue between the social partners and the State is encountering problems, for two reasons:

- the role of the public authorities is gradually changing: they are no longer just providing support and active partnership, but are acting as controller and final decision-maker. According to the employers, this change is detrimental to the dynamics of the

whole skills development system and represents a considerable change to the public/private partnership principle used at the outset;

- the State's preference for a dialogue with all stakeholders in civil society: the composition of the NSA, which advises the Minister on the design and delivery of skills strategy and the allocation of NSF funding windows, is more representative of the multiple stakeholders in civil society (young people, women, disabled people, training providers, public administration, etc.) than the priority partnership between the public authorities and the social partners, which exists in most of the other training funds. Both trade unions and employers would like the social dialogue to be given a greater role, as this would give them greater influence over decision-making processes that are generally in the hands of the State.

Most of the weaknesses listed here reflect the qualitative judgements concerning the current situation expressed by some of the people met, rather than unanimously observed facts. These opinions are nevertheless interesting because they pinpoint areas in which the strategic measures approved by the current Government can gain credibility and impact regarding the objectives set.

7. Conclusion : outstanding reforms

By deciding to consider the economy as a single entity which has a formal and an informal side, and by opting for a growth and jobs strategy that is inclusive of the second economy, South Africa has developed a pro-active training policy that notably promotes skills development among the least-skilled and progressively helps them enter self-employment or create profitable businesses. The innovative and good practices of the national and sectoral training and skills funds show that it is possible to have a useful and effective impact on the skills levels of workers in the second economy. This nevertheless requires more and better resources for both the NSF and the SETAs, and the public

authorities need to commit to an extensive effort in favour of those who were long prevented from starting a business by apartheid. As NEDLAC's constituency paper points out,⁴⁷ this also requires a labour market reform that meets the specific needs of informal sector workers, makes them as much of a priority as potentially highly productive workers when it comes to training and skills development schemes, and guarantees minimum conditions for decent jobs. Training measures for the second economy may be underway, but legislative reforms ensuring their long-term and widespread development are yet to be undertaken.

⁴⁷ Op.cit.

List of acronyms and abbreviations

AFD	Agence française de développement - French Development Agency
AgriSETA	Agriculture Sector Education and Training Authority
ALMS	Active Labour Market Strategy
ANC	African National Congress
Asgi-SA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	Broad-Based Black Economic Empowerment
BDSVP	Business Development Services Voucher Programme
BESD	Basic Entrepreneurial Skills Development
BEST	Basic Employment Skills Training Project
CBO	Community-based organisation
CETA	Construction Education and Training Authority
CIDA	Canadian International Development Agency
COSATU	Congress of South African Trade Unions
DBSA	Development Bank of South Africa
DoA	Department of Agriculture
DoE	Department of Education
DoL	Department of Labour
DTI	Department of Trade and Industry
EPWP	Expanded Public Works Programme
FETC	Further Education and Training College
GDP	Gross domestic product
GNI	Gross National Income
GTZ	Gesellschaft für technische Zusammenarbeit -German Technical Cooperation Agency
HDI	Human Development Indicator
ISCED	International Standard Classification of Education
ILO	International Labour Organisation
ITB	Industrial Training Board
JIPSA	Joint Implementation on Priority Skills Acquisition
LED Fund	Local Economic Development Fund
MERSETA	Manufacturing, Engineering and Related Services Education and Training Authority
MoU	Memorandum of understanding
NEDLAC	National Economic Development and Labour Council
NGO	Non-governmental organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NDPW	National Department of Public Works
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NITCs	New information and communication technologies

OECD	Organisation for Economic Cooperation and Development
UNDP	United Nations Development Programme
RAVE	Retrenchees and Victory to Entrepreneurs
RFP	Request for proposal
SAB	South African Breweries
SAQA	South African Qualifications Authority
SDSI	Skills Development Strategy Initiative
SEDA	Small Enterprise Development Agency
SEIFSA	Steel and Engineering Industries Federation of South Africa
SETA	Sector Education and Training Authority
SPLP	School Pre-learnership Project
SMMEs	Small, medium and micro enterprises
THETA	Tourism and Hospitality Education and Training Authority
UNESCO	United Nations Organisation for Education, Science and Culture
WAEMU	West African Economic And Monetary Union
W&RSETA	Wholesale and Retail Sector Education and Training Authority

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