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OPTIMISING STRATEGIC FINANCING STRATEGIES FOR SKILLS DEVELOPMENT IN SOUTH AFRICA

by

KHULEKANI KHOZA

Student number: 2530511

A research report submitted in partial fulfilment of

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in the

Faculty of Commerce, Law and Management

University of Witwatersrand

Supervisor: Prof Thabang Mokoaleli-Mokoteli

February 2025

DECLARATION

I, Khulekani Khoza, declare that this research report, titled "Optimising Strategic Financing Strategies for Skills Development in South Africa", is my original work. It has not been submitted to any other university or institution for the award of any degree or qualification.

All sources used in this study have been properly acknowledged and cited in accordance with academic integrity standards.

I further declare that this research complies with ethical guidelines, and no part of it has been plagiarised or falsely presented.

Signature: _____ **Date: 21 February 2025**

KHULEKANI KHOZA

Student Number: 2530511

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ABSTRACT

This study explores strategic financing mechanisms for skills development in South Africa, focusing on the effectiveness of current funding models and potential areas for optimisation. The research examines the role of Sector Education and Training Authorities in financing skills development and assesses the challenges and barriers faced in funding allocation and implementation.

The study employs a qualitative research approach, gathering insights from key stakeholders in the skills development sector, including Sector Education and Training Authorities' executives, policymakers, and industry experts. Key themes analysed include the impact of government grants, employer levies, public-private partnerships and alternative funding models on the sustainability of skills development initiatives.

The findings indicate that while government grants remain the dominant funding source, inefficiencies such as delayed disbursements, rigid application processes, and limited industry collaboration hinder optimal utilisation. The study highlights the need for innovative funding models, enhanced stakeholder partnerships, and performance-based financing strategies to ensure sustainable and impactful skills development.

The research contributes to the growing body of knowledge on skills development financing and provides recommendations for policymakers and funding bodies to refine financial structures that align with industry demands and national workforce development goals.

Keywords: financing models, public-private partnerships, Sector Education and Training Authorities skills development, workforce development

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LIST OF ACRONYMS

AQA	Accreditation & Quality Assurance
DHET	Department of Higher Education and Training
HDIs	Historically disadvantaged individuals, youth and women.
HE Act	Higher Education Act 1997
M & R	Monitoring & Reporting
MG/DG	Mandatory & Discretionary SETA Grants
NQF	National Qualifications Framework
NSDP	National Skills Development Plan
NSDP	National Skills Development Plan
NSF	National Skills Fund
PEG	Promote Economic Growth
PPP	Public-Private Partnership
QCTO	Quality Council for trade and occupations
RPL	Recognition of Prior Learning
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SDA	Skills Development Act No. 97 of 1998
SDGs	Sustainable Development Goals
SDL	Skills Development Levy
SDLA	Skills Development Levies Act No. 9 of 1999
SETA	Sector Education and Training Authority
TVET	Technical and Vocational Education and Training
WBL	Work-Based Learning

CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 Introduction

This chapter introduces the thesis by presenting the background of the study. The research problem is stated, as well as the research objectives. Section 1.5 explains the rationale for the study and Section 1.6 describes the delimitations of the research. The structure of the thesis is outlined in Section 1.7.

1.2 Background of the study

Since the inception of democracy in South Africa (SA) in 1994, the country has been confronted with a serious skills shortage, as it endeavours to rebuild its economy after the apartheid years (Dias, 2007).

To address the persistent skills shortage, the post-apartheid government introduced several interventions, the most significant being the enactment of the Skills Development Act of 1998. This legislation aimed to develop and implement sector-specific skills development initiatives tailored to the needs of the economy (Halabi, 2013). In line with the Skills Development Act, Sector Education and Training Authorities (SETAs) were established in SA to drive skills development and training within specific economic sectors.

Skills development plays a vital role in promoting economic growth, advancing social progress, and enhancing individual prosperity (Halabi, 2013). In the context of SA, where socio-economic disparities persist, the need for effective skills development programmes is paramount. Strategic financing is pivotal in supporting these initiatives, ensuring adequate resources are allocated to address skill gaps and promote sustainable development. The literature review chapter explores the theories underpinning skills development, examines existing financing mechanisms, and identifies challenges and barriers in SA and other countries (Halabi, 2013).

1.3 Research problem

The dire need for skills development in SA and the consequences of skills shortages are apparent in areas of economic growth, unemployment, and socioeconomic issues, including poverty and crime rate, causing a collapse in infrastructure.

Sustainable Development Goal (SDG) 4 advocates:

- Investigate the inclusivity of skills development programmes implemented by SETAs in SA in alignment with SDG 4.
- Evaluate the quality of education and training provided through SETA programmes in SA, considering SDG 4's emphasis on equitable and quality education.
- Explore the provision of lifelong learning opportunities within the skills development framework in SA, aligning with SDG 4's goal of promoting continuous learning.
- Examine the integration of sustainable development principles into skills development programmes, reflecting SDG 4's emphasis on education for sustainable development.
- Develop robust monitoring and evaluation frameworks to track progress towards SDG 4 targets within the skills development sector in SA.

Despite the government's efforts through SETAs and incentives, the skills shortage remains a problem, raising questions as to the efficacy of the funding mechanisms used.

1.4 Research objectives

The intended aim of the research is to explore methods and strategies to improve the effectiveness and efficiency of financing mechanisms for skills development.

- To determine factors that influence the amount funded to different SETAs
- To analyse the perception that SETAs' funding varies by the executives' roles
- To determine whether the source of funding has any relationship with the perception of its effectiveness
- To assess the relationship between the funding barriers and their strategies and initiatives.

1.5 Rationale of the study

The funding gaps or mechanisms in skills development have elements that require some deliberation in the study:

- Limited comprehensive comparative analyses of skills development financing models across countries or regions, leaving a gap in identifying international best practices applicable to SA.

- Insufficient exploration of stakeholder perspectives, particularly those of SETAs, employers, training providers, and government officials, which are essential for designing effective strategies.
- Lack of detailed research focusing on concrete strategies for optimising strategic financing, with existing literature providing broad recommendations without in-depth analyses of implementation mechanisms.
- Inadequate examination of innovative policy interventions and reforms aimed at enhancing skills development financing, such as outcome-based financing and sector-specific funding mechanisms.
- Absence of longitudinal studies tracking the long-term impact of skills development financing initiatives, leaving a gap in understanding sustained effectiveness and contribution to economic growth and social development.

1.6 Delimitations of the study

The research focuses on exploring methods and strategies to improve the effectiveness and efficiency of financing mechanisms for skills development. This may involve identifying best practices, evaluating existing funding structures, and proposing changes to optimise resource allocation and outcomes (Bennell, 1999). A proven track record is a crucial sign of financial sustainability.

1.7 Study structure

Chapter 1 provides a brief background on optimising strategic financing strategies for skills development in SA, identifying the research problem, objectives, and study rationale.

Chapter 2 presents a literature review, exploring relevant management theories and the conceptual framework underpinning the study.

Chapter 3 details the research methodology, covering the target population and sample selection, data collection methods, data gathering procedures, techniques used for data analysis, and adherence to ethical guidelines throughout the study.

Chapter 4 presents the research findings, offering a detailed analysis of the data collected. The chapter examines key aspects such as the factors influencing funding allocation to different SETAs, variations in funding perception across executive roles, the relationship

between funding sources and perceived effectiveness, and the impact of funding barriers on strategic initiatives. The findings are discussed in alignment with the study's objectives, providing empirical insights into the effectiveness and challenges of skills development financing in SA.

Chapter 5 provides a discussion and conclusion, linking the research findings to existing literature and theoretical frameworks. The discussion interprets the findings in relation to management theories and conceptual models, evaluating whether they support or contradict previous studies. The chapter concludes with key recommendations for policy improvements, funding optimisation strategies, and future research directions to enhance the effectiveness and sustainability of SETA financing mechanisms.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The study explores literature on strategies for funding skills development, with a specific focus on SA. The chapter unfolds in a structured manner, commencing with an examination of the foundational management theories in Section 2.2, laying the groundwork by elucidating the theoretical frameworks that underpin effective skills development strategies. Following this, Sections 2.3 to 2.10 discuss the criticality of skills development, elucidating the pressing need within SA. Against the backdrop of these foundational insights, the study then proceeds to delve into the heart of the matter—optimising strategic financing strategies for skills development in SA. This critical examination aims to provide actionable insights and recommendations tailored to the unique challenges and opportunities inherent in the context of SA, ultimately contributing to the enhancement of skills development initiatives and the broader socio-economic landscape.

2.2 Underpinning management theories

2.2.1 Human Capital Theory

The Human Capital Theory posits that investments in education and training contribute to the development of human capital, which in turn enhances productivity and economic growth (Cheng et al., 2023). This theory argues that investment in education enhances productivity and justifies financial allocation (Iqbal, 2013). In the context of vocational education financing, this theory underpins the argument for investing in vocational education as a means to develop a skilled workforce and address unemployment. The research seeks to examine how investments in vocational education translate into improved employment outcomes and economic performance. The focus is on identifying and addressing the needs of various stakeholders involved in an organisation or sector (Trzcinski & Randolph, 1991). In the realm of vocational education financing, a diverse range of stakeholders, including government agencies, employers, educational institutions, and students, are deeply invested in the funding and efficacy of vocational education programmes. The current study seeks to provide insights that can enhance the alignment of funding strategies with the diverse needs of all involved parties, while ultimately contributing to the optimisation of vocational education programmes.

2.2.2 Social Capital Theory

The Social Capital Theory emphasises the importance of social networks, relationships, and community resources in fostering economic development and facilitating skills acquisition (Kilpatrick et al., 2003). Exploring how social capital influences skills development initiatives can provide insights into leveraging networks for financing and support.

2.2.3 Institutional and Stakeholder Theory

The Institutional Theory examines the roles and interactions of institutions in shaping organisational behaviour and outcomes. Understanding the institutional landscape surrounding skills development can inform effective financing strategies and policy interventions (Raynard, 2015). The theory further examines how organisations conform to institutional pressures and norms within their environment. For example, the adoption of vocational education financing models may be influenced by institutional pressures from international organisations like the European Union, which advocates for alignment with European standards (Raynard, 2015).

The Stakeholder Theory, according to Parmar (2010), suggests that various stakeholders should play a role in financial decision-making. The Resource Dependency Theory suggests that organisations experiencing financial constraints tend to adopt innovative funding mechanisms to sustain their operations (Hillman et al., 2009).

2.3 The need for skills development

Today, skills are increasingly recognised as integral to education's role in preparing individuals for the labour market. These skills are often developed through problem-solving, communication, teamwork, and other core competencies (McGrath, 2002)

The importance of strengthening basic and secondary education is highlighted as a critical need in many countries, as learners often lack the essential literacy and numeracy skills necessary for further learning and employment. Despite increased demand for secondary schooling, inadequate foundational skills persist, hindering progress towards achieving SDG 4. While there is a growing recognition of the significance of non-technical skills, such as critical thinking and social competencies, in the evolving job market, efforts to integrate these skills into education systems remain limited, with many countries only including them in curriculum

outcomes. However, there is a shift towards prioritising these skills, which is expected to contribute to SDG Target 4.4 (Comyn, 2018).

Furthermore, there is a call for re-evaluating occupational standards and qualifications to adapt to the changing demands of the workforce and to accommodate the increasing diversity of learning achievements. The rise of digital technologies offers opportunities for more flexible delivery and assessment methods, allowing for a broader range of modularised learning offerings. This shift towards a broader mastery of competencies and trans-disciplinary solutions challenges traditional occupational classifications and credentialing systems, leading to the emergence of digital credentials like badges and micro-credentials. Overall, there is a growing recognition of the need for education and training systems to provide greater flexibility and breadth of learning to meet the demands of a rapidly changing world (Comyn, 2018).

2.4 Significant causes of skills development needed

SDG 4 aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. This goal emphasises the importance of access to quality education at all levels, including technical and vocational education and training (TVET), to equip individuals with the knowledge and skills necessary for employment, decent work, and entrepreneurship. SDG 8, on the other hand, focuses on promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Together, Goals 4 and 8 highlight the critical link between education, skills development, and economic empowerment, advocating for systems that enable people to learn continuously and contribute meaningfully to the labour market throughout their lives (United Nations, 2015).

2.4.1 Changing economic environment

Pro-poor development strategies emphasise the necessity of sustainable labour-intensive growth, bolstering social sectors, and providing safety nets for vulnerable populations. It advocates for empowering local communities through decentralisation of power and fostering civil society participation. The strategies underscore the importance of enhancing training and support across various sectors, including agriculture, rural development, vocational education, and public works programmes. They acknowledge historical biases towards vocational education for formal wage employment but stress the need to expand training

opportunities to encompass informal sector activities, enabling broader participation in local economic development (Bennell, 1999).

2.4.2 Technology

Technological change is a dynamic process characterised by both job destruction and creation, along with transformations in existing job roles and work organisation. Recent advancements, particularly in fields like artificial intelligence, robotics, and biotechnology, are amplifying each other, leading to unprecedented rates of change. While these changes may eventually lead to new job opportunities, initially, they often result in efficiency gains through job shedding. Some experts foresee a future with increasing technological unemployment due to the disruptive effects of innovations like robotics and 3D printing (Comyn, 2018). However, others argue that automation will not eliminate entire occupations but rather transform them, with some tasks being replaced while others evolve. Studies suggest varying degrees of risk for job loss due to automation across different countries and industries.

2.4.3 Globalisation

Globalisation compels poor countries to improve the quality of their workforce to attract foreign investment. Initially, developing nations benefit from low-cost manufacturing due to cheaper labour, but this advantage is temporary as other countries emerge as competitors. To remain competitive, developing nations must invest in enhancing their skills and capabilities. This shift is exemplified by the progression from China to other Asian nations like South Korea, Taiwan, and Singapore. The Heckscher-Ohlin model underscores the significance of a country's human resource quality in determining its comparative advantage in trade. Therefore, investing in human capital is essential for economic development and sustained competitiveness in the global market (Kuruvilla, 2007).

2.5 Sectoral methods of skills development

2.5.1 TVET colleges

The SDGs, especially goals 4 and 8, underscore the significance of TVET and skills development, aligning with existing international frameworks. This focus is expected to amplify attention on skills development, employability, and lifelong learning throughout the 2030 Agenda's implementation. Moreover, labour market trends and advancements within TVET institutions are poised to bolster the evolution of lifelong learning systems. However,

despite the SDGs prioritising lifelong learning, fragmented approaches and insufficient funding, particularly for adult and continuing education, remain obstacles. Addressing these challenges demands robust political commitment and financial investment to unlock the full potential of the sector and establish more effective lifelong learning systems, equipped to support learning for both work and life in the future (Comyn, 2018)

2.5.2 Small businesses (SMMEs)

The current state of entrepreneur training in SA reveals a fragmented landscape, with numerous stakeholders often pursuing objectives that diverge from the expectations set by academic literature. While there is a proliferation of training providers, many focus more on traditional management education rather than fostering entrepreneurial skills (Nieman, 2001). This confusion is compounded by a lack of standardisation and quality control, leaving the field open to a multitude of approaches. Despite initiatives like the South African Qualifications Authority (SAQA) aiming to introduce oversight, the training landscape remains largely unregulated. Moreover, while government initiatives aimed at coordinating training efforts were introduced, recent research suggests that the desired level of coordination has yet to materialise, highlighting a gap that must be addressed to support entrepreneurial growth effectively (Nieman, 2001).

2.6 Funding models between South Africa and other countries

Skills development is widely recognised as a critical component for enhancing workforce productivity, economic growth, and social development. In many countries, including Tanzania, various financing mechanisms and initiatives are employed to support skills development efforts. This literature review aims to provide insights into the effectiveness and challenges associated with these financing mechanisms, with a focus on public financing, private financing, skills development levies, financial instruments, tax incentives, and public-private partnerships (PPPs) (Andreoni, 2018).

The Skills Development Levy (SDL) and its impact in Tanzania: The SDL serves as a critical funding mechanism for skills development. Employers contribute a compulsory levy based on their employees' gross emoluments. This levy aims to support education and training initiatives outlined in the Skills Development Act. While SDL provides a significant funding stream, challenges related to resource allocation, coordination, and monitoring persist.

Efficient utilisation of SDL funds remains essential to address skill shortages and promote inclusive growth (Andreoni, 2018).

Beyond SDL: Diversification of funding sources to enhance skills development is crucial. Besides SDL, other avenues include:

- Government allocations and budgetary provisions for education and training.
- Donor support and external funding from international organisations.
- Private sector investments, companies investing in skill-building programmes.
- Trainee fees: Contributions from individuals participating in training.

2.6.1 Public and private financing for skills development

Skills development is a critical component for enhancing workforce productivity, economic growth, and social development. In Tanzania, various financing mechanisms are employed to support skills development efforts. Public financing, driven by government initiatives, plays a central role. Budget allocations, grants, and subsidies contribute to the accessibility and quality of vocational education and training (VET) facilities. Adequate funding ensures that skill-building programmes effectively address industry-specific needs. Additionally, private-sector investment complements government efforts. Corporate training programmes, apprenticeships, and partnerships with educational institutions enhance skill acquisition. Private financing, motivated by corporate social responsibility, contributes to workforce development and competitiveness (Andreoni, 2018).

2.6.2 Vocational education financing in other countries

In the USA, vocational education is crucial for Georgia's economic development, as it prepares individuals for the workforce and attracts international investments. Aligning with the EU labour market standards is essential but challenging without reducing unemployment and enhancing professional growth (Bentley Davey, 2021). In 2018, Georgia enacted legislation to modernise vocational education, aiming to meet European standards and address labour market demands (Leibbrandt et al., 2010). Additionally, the government introduced financing initiatives in 2013, including voucher financing and programme-based funding, to support vocational education programmes. These efforts are expected to lead to a skilled workforce, reduced unemployment, and increased productivity, contributing to Georgia's long-term economic growth (Bentley Davey, 2021).

In addition, financing and sponsored activities were issued by the Government of Georgia in 2013.

- Voucher financing refers to the provision of funds through vouchers that may be used to pay for goods or services.
- Financing vocational educational programmes consisting of modules involves providing funds for educational programmes that are structured in modules, allowing students to choose specific areas of study.
- Programme financing refers to the provision of funds for specific programmes or initiatives.
- Target programme financing involves providing funds for specific programmes or initiatives that have certain goals or targets.

2.7 Sustainable development goals linking to skills development

Collaboration and alliances are crucial for implementing SDG 4 in SA, particularly within higher education institutions and publicly funded entities. Better policy coordination and governance are needed to integrate SDG 4 effectively. Challenges like distrust between the government and civil society hinder partnerships (Haywood et al., 2019). Advocating for multi-stakeholder partnerships involving government, civil society, academia, and the private sector is essential. These partnerships can mobilise resources and work together to achieve the SDG 4 objectives. The United Nations highlights the importance of partnerships in balancing economic, social, and environmental development aspects. Collaboration can address gaps in national strategies and ensure fair development, including marginalised groups (Haywood et al., 2019).

2.8 Implementation of strategy challenges

The implementation of inclusive education policies faces significant challenges, primarily due to uncertainties in execution methods and a lack of capacity within provincial departments. Without clear directives and financial support, progress stalls, and school administrators, lacking assistance, revert to special education approaches (Donohue & Bornman, 2014). A structured implementation strategy is proposed, starting from the highest level of authority and cascading down, encompassing policy commitment, resource allocation, capacity building, development of guidelines and standards, monitoring and evaluation, stakeholder engagement, and sustainable support systems.

The Education White Paper 6, titled “Special Needs Education: Building an Inclusive Education and Training System”, was a significant step forward in recognising the rights of individuals with disabilities in SA. However, for this policy to have a meaningful impact, concrete measures and intentional actions must be implemented. Inclusive policies are only effective when put into practice and enforced by the Department of Education. The adoption of inclusive policies can lead to development in SA, provided that clear processes, directives, and responsible authorities are in place for implementation (Donohue & Bornman, 2014).

2.9 Conceptual framework

Utilising the management framework and doing literature research, a conceptual framework was developed about access to sufficient funding allocation, which is necessary to support comprehensive skills development programmes. Inadequate funding can lead to programme limitations, such as limited infrastructure, outdated training materials, and insufficient staff capacity. The latter refers to these entities that receive funding through the SDL, which is determined at 4.5% of the monthly salary of enterprises (Palmer, 2020). As for which countries have the best skills development funding mechanisms, it is challenging to make many definitive assessments without a comprehensive comparative analysis. However, countries like SA and Kenya have established structured funding mechanisms through levies (Skills Development Levy in SA and Industrial Training Levy in Kenya) (Palmer, 2020), which are used to finance skills development programmes. These countries have also implemented sector-specific training initiatives and robust governance structures to oversee fund utilisation. Additionally, countries with strong PPPs and effective monitoring and evaluation systems tend to have more successful skills development funding mechanisms (Palmer, 2020). Public training systems, which are typically the market leader in formal sector training and the primary provider of organised pre-employment training, have typically been formed concurrently. Institutions of higher learning in the public sector are mostly funded by funds allotted by the government. When fees are in place, they are typically set at simply nominal amounts and go to the government rather than the institutions themselves. As a result, public training institutions are not very motivated to create in-demand courses that could bring in money from fees. Furthermore, companies have the option to enrol their employees in ongoing training programmes, which are typically offered at subsidised fee levels rather than at full cost. There is minimal motivation for institutional training providers to match their

training offerings with the demands of the labour market since funding allotments to public training providers are typically unrelated to objective, outcome measures, such as the success of placing trainees in gainful employment (Ziderman, 2016). In Figure 1 below, shaded boxes represent training providers and black arrows indicate funding flows.

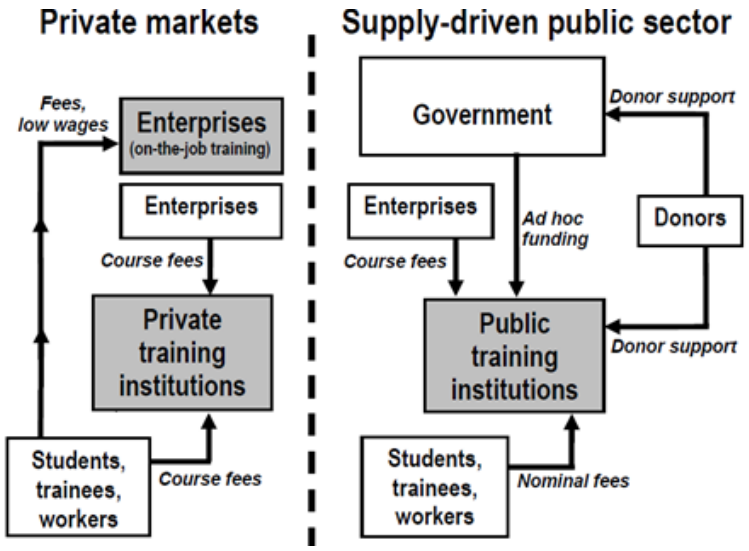


Figure 1: Conceptual framework of skills development financing and public vs private funding sources

Source: Johanson (2004)

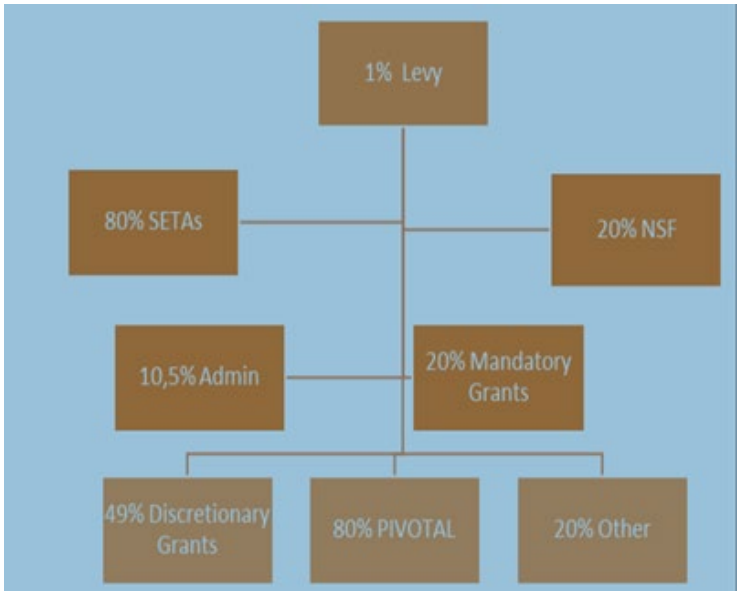


Figure 2: Skills development value chain & SETA funding allocation process

Source: Palmer (2020)

Sectoral funding mechanisms at the national level are essential to workforce development. These solutions provide improved labour market outcomes, economic growth, and skill enhancement by concentrating on industry-specific demands. To comprehend the effects of sectoral funding, the study looks at case examples from Europe, Brazil, and SA in this review

2.10 Chapter summary

This chapter underscored the critical importance of skills development in SA and the role of strategic financing in supporting these initiatives. It explored management theories underpinning skills development, the significance of financing mechanisms, challenges and barriers in funding, and insights from international experiences. By addressing these issues, SA can enhance its skills development efforts and promote sustainable economic and social development.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology employed in the current study. The chapter provides a comprehensive explanation of the research design, target population, sampling techniques, data collection instrument, and data analysis procedures. The primary aim of this chapter is to describe the methods and processes used to gather and analyse data to address the research objectives effectively. The chapter is organised as follows: Section 3.2 presents the research design; Section 3.3 outlines the population and sampling; Section 3.4 discusses the data collection process including the research instrument and its administration; Section 3.5 presents the data analysis methods; Section 3.6 shows the limitations and delimitations of the study; Section 3.7 presents the ethical considerations of the research and Section 3.8, the chapter summary, concludes the research.

3.2 Research design

In line with Auriacombe (2016), this research design served as a methodical blueprint that guided the framework for data collection and analysis. This study adopted a qualitative research approach, focusing exclusively on senior executives from all 21 SETAs in South Africa. Data was collected through structured online questionnaires, targeting key decision-makers such as CEOs, CFOs, COOs, and other senior managers involved in strategic financing for skills development. While not a formal case study, the design incorporated an exploratory, descriptive approach, aiming to extract rich, contextual insights on funding strategies. Thematic analysis was used to interpret responses, with findings reported using the language and perspectives of the participants to preserve authenticity.

This design focused on developing answers to the models and strategies of a given problem.

- It described and provided an explanation for the problem.
- It provided explanations and interpretations of solutions that could be put into practice. It constructed a theory from the viewpoint of a researcher.
- The strategy that was employed was the utilisation of study and narrative biography.

3.3 Population and sampling

3.3.1 Target population

The target population for this study comprised key stakeholders in the SETAs in SA, including CEOs, CFOs, COOs, and other senior management involved to ensure diverse representation in skills development initiatives. The study focused on individuals who had substantial knowledge and experience in managing or influencing the financing of skills development programmes.

3.3.2 Sampling technique and sample size

The sampling frame comprised senior executives (CEOs, CFOs, COOs, and senior managers) from all 21 registered SETAs in South Africa. From this frame, a purposive sample of 41 executives was selected based on their strategic roles in skills development financing.

3.4 Data collection

3.4.1 Research instrument

Data was collected using a structured questionnaire specifically designed to gather information on the strategic financing strategies for skills development in SA. The questionnaire was divided into six sections, which are demographic information, SETA's details, current funding mechanism, strategies for improvement, policy and innovation and additional comments. The study approach was qualitative research to obtain adequate information through online questionnaires administered to 41 voluntary participants from 21 SETAs. Participants were CEOs, CFOs, COOs and other Senior Managers/Executives. The study employed a non-probability or purposive sampling approach. The method used a thematic analysis approach, which enabled the examination and interpretation of participants' perspectives. This is a process of interpretation in which data information is systematically examined to identify patterns within the data, to produce a descriptive account of the phenomena (Smith & Firth, 2011).

3.4.2 Questionnaire administration

Data collection can be done using online questionnaires. Using questionnaires was appropriate for optimising financing strategies for skills development in SA. This study gathered quantitative data through an online questionnaire employing demographic information, SETA details, current funding mechanisms and strategies for improvement. The

benefits of utilising questionnaires include anonymity, practicality, rapid and straightforward data collection, comprehensive coverage of a topic, and reliability and accuracy. These questions were designed to be inquisitive and focused on achieving certain goals, aiming to gather precise information and insights to address some problems and concerns raised in research. The detailed research instrument (questionnaire) appears in Appendix 1. The questionnaire consisted of 20 questions and contained a cover letter assuring the respondents about the confidentiality and anonymity of the information. The questionnaire has four sections: Section 1 is Biographical Data, Section 2 is SETA Details, Section 3 is Current Funding Mechanisms, and Section 4 is Strategies for Improvements.

3.5 Data analysis

The data collected from the questionnaires was analysed using quantitative data analysis techniques. Descriptive statistics were employed to summarise the demographic information and key variables. Frequency distributions, means, and percentages were calculated to provide an overview of the responses. Additionally, inferential statistics, including chi-square tests, were used to explore relationships between variables and determine the significance of the findings. The data was analysed using SPSS to ensure accuracy and reliability. The study objectives and research questions were addressed by utilising a structured online questionnaire schedule to collect pertinent data. The responses provided by the participants were examined by the researcher to develop themes and subthemes. The chosen samples responded directly to the questionnaire.

3.6 Delimitations and limitations

Limitations refer to external factors that are outside the researcher's control, which impose restrictions on the researcher's approach and the conclusion (Gelo, 2008). A significant constraint on this study is the limited time available to the researcher, which prevented them from conducting many data-gathering tasks. The data collection was conducted using a single tool, which was the online questionnaire. However, this approach might have presented a drawback since it required respondents to possess tools and equipment to participate in the research. Consequently, only those with access to these tools were able to participate.

3.7 Scope of the study

Delimitations refer to the decisions made by the researcher that need to be recognised and acknowledged (Gelo, 2008). Typically, these selections delineate the limits established by the researcher. This study topic is *Optimising strategic financing strategies for skills development in SA.* The participants were SETA Executives (CEOs, CFOs and COOs), DHET, QCTO, NSA, NSF and Department of Employment and Labour documents. The sample was obtained through a combination of basic snowball sampling and random sampling.

3.8 Bias elimination

Bias is characterised as any inclination that leads to a biased evaluation of a research question (Hall & Wright, 2008) and they describe systematic bias as a situation where the sampling procedure or any tests used to be in favour of one answer or outcome over others. Bias can occur at any stage of the research process, encompassing study design, data collection, data analysis, and publication. Cellina (2021) reports that bias can be introduced into a study through various means. Volunteer bias refers to the phenomenon observed in research with voluntary participation, where individuals who perceive themselves as more capable are more likely to engage. Nevertheless, these individuals may not accurately reflect the characteristics of the intended group. This study employed simple random sampling and snowball sampling techniques.

Data collection bias is a type of data bias that arises when the researcher's personal beliefs influence the way data is gathered (Florczak, 2022). The researcher may possess a pre-existing notion that could potentially impact the methodology employed for data collection. In this study, the issue was resolved by obtaining a "second opinion" from a proficient person who evaluated these questions. Florczak (2022) also discusses the presence of measuring biases which might arise when the information or data collection instrument has not been sufficiently evaluated for either reliability or validity. The researcher dedicated sufficient time to thoroughly evaluate the instrument's reliability and validity to try to minimise any possible potential biases.

3.9 Ethical considerations

According to van Zyl et al. (2019), ethics in research refers to a collection of rules and principles that provide direction on the moral conduct process of research. This section expands and

provides further details on certain “right” rules. Ethical considerations in this research refer to a collection of concepts that guided the design and implementation of this study. The principles encompass voluntary involvement, informed consent, anonymity, confidentiality, potential for hazards, and disclosure of outcomes. Respondents participated voluntarily and had the freedom to withdraw from the study at any point if they chose to do so.

The following aspects were taken into consideration

- Firstly, they presented a comprehensive account of the sampling and data collection methodologies employed in the study.
- Additionally, they presented a comprehensive description of the analysis procedure and the results, with verbatim excerpts from the online questionnaires.
- Additionally, they deliberated upon the merits and constraints of the investigation, and how these factors might impact the understanding and analysis of the results

3.9.1 Ensuring that participants have provided informed consent

Research places significant emphasis on obtaining informed consent from participants before their involvement in a study (van Zyl et al., 2019). To guarantee informed consent, participants were requested to provide formal consent. This entailed ensuring the email contained the essential information along with the questionnaire link. Participants were asked if they comprehended the nature and purpose of the research. The research description employed straightforward and succinct English to ensure that the respondents understood the investigation’s purpose completely. Furthermore, participants were informed that they had the option to omit any question they found inappropriate to answer or to completely withdraw from the study at any stage.

3.9.2 Ensuring the safety and well-being of the respondents

It is crucial to guarantee the safety of the participants by preventing any form of harm such as physical discomfort, psychological suffering, or stress related to their employment (van Zyl et al., 2019). The researcher bears the obligation to guarantee that the study does not pose any hazard to the participants. The research was designed to eliminate any possibility of bodily or emotional injury to the participants. The researcher included contingency procedures to guarantee the respondents’ safety during their involvement in the study.

3.9.3 Ensuring preservation of privacy and protection of personal information

When doing research, it is crucial to guarantee that the privacy of the respondents is not violated (van Zyl et al., 2019). Typically, this is achieved by ensuring that the identities of participants are kept anonymous. It is crucial to maintain tight confidentiality among all participants. The introductory paragraph of the questionnaire explicitly emphasised that no personally identifiable information which could be used to identify the responder would be collected. Although the email addresses of all targeted audiences or employees are identified, the process of completing those surveys or questionnaires does not require the submission of email addresses. As a result, it was not possible to directly link any given response to a single participant. To maintain confidentiality, anonymity, and data protection, the researcher will retain the data for a period of 5 years for future analysis and subsequently dispose of it.

3.10 Conclusion

A survey research method was employed to gather data from a sample of certain individuals for the study (Alam, 2014). A questionnaire was created and distributed, utilising an online platform for data collection. The analysis of data used both inferential and descriptive techniques (Arkkelin, 2014). During this research, ethical concerns were carefully addressed, including safeguarding the participants, ensuring their anonymity, and gaining proper consent.

In the following chapter, the study findings are presented, thoroughly examined and analysed utilising the methodologies outlined in the chapter (Wiles et al., 2008).

CHAPTER 4: RESEARCH FINDINGS

4.1 Introduction

This chapter presents the research findings and is organised into Section 4.2 which presents the descriptive statistics and includes statistics on demographics, characteristics of SETAs and SETA funding mechanisms; Section 4.3 analyses the factors that influence the funding amount allocated to different SETAs; Section 4.4 analyses how the perception of SETA's funding varies with executive role; Section 4.5 analyses the relationship between source of funding and the perception of its effectiveness; Section 4.6 analyses the relationship between funding barriers and strategic initiatives and lastly, the chapter summary concludes the chapter.

4.2 Descriptive statistics

4.2.1 Demographics

Table 1 illustrates the demographic characteristics of the respondents. The majority of respondents were male (63.4%) compared to female respondents (36.4%). This gender disparity indicates that the management teams within SETAs are predominantly male, which contrasts with the broader demographic trends in SA, where the gender distribution is more balanced. This suggests a potential underrepresentation of women in leadership roles within SETAs

Table 1: Demographics of respondents

Indicator	Measure	Frequency	%
Gender	Female	15	36.6
	Male	26	63.4
Ethnicity	African	37	90.4
	Indian	2	4.9
	White	2	4.9
Age range	25 - 34	3	7.3
	35 - 44	18	43.9
	45 - 54	14	34.1
	55 and above	6	14.6
Qualification	Bachelors	1	2.4
	Honours	16	39.0
	Masters	17	41.5
	PhD	6	14.6
Work experience years	0-3	8	19.5
	4-6	15	36.6
	7-10	5	12.2
	11-15	9	21.9

Most respondents identified as African (90.2%), with minimal representation from Indian and White ethnic groups (each at 4.9%). This distribution reflects the demographic composition of SA and indicates that SETAs are largely managed by individuals from the African community. Furthermore, the age distribution of respondents shows a concentration of mid-career professionals, with the largest group falling within the 35–44 years age bracket (43.9%). This suggests that SETAs are managed by individuals who are likely to have accumulated substantial professional experience while still being actively engaged in career development. Respondents were found to be highly educated, with over 80% holding advanced degrees. Specifically, 39.0% of respondents had an Honours degree and 41.5% held a Master's degree. This high level of educational attainment indicates that SETAs are managed by individuals with strong academic backgrounds, which may contribute to strategic decision-making and effective leadership within these organisations.

The analysis of work experience reveals that a significant proportion of respondents have between 4–6 years of experience (36.6%), followed by those with 10–15 years of experience (21.9%). This distribution suggests a balanced mix of emerging and seasoned professionals within SETAs, contributing both fresh perspectives and experienced insights to the management of skills development initiatives.

4.2.2 SETAs and their characteristics

Table 2 illustrates the representation of respondents from diverse SETAs, although certain SETAs have higher representation than others, reflecting varying engagement levels across sectors.

Table 2: SETAs and their characteristics

Indicator	Measure	Frequency	%
No. of respondents from each SETA	AGRISETA	1	2.4
	BANKSETA	2	4.9
	CATHSSETA	2	4.9
	CETA	1	2.4
	CHIETA	1	2.4
	ETDPSETA	1	2.4
	EWSETA	3	7.3
	FASSET	9	22.0
	FOODBEVSETA	2	4.9
	FPMSETA	1	2.4
	HWSETA	2	4.9
	INSETA	1	2.4
	LGSETA	1	2.4
	MERSETA	3	7.3
	MICTSETA	2	4.9
	TETA	1	2.4
	MQA	1	2.4
	PSETA	1	2.4
	SASSETA	1	2.4
	SERVICESETA	2	4.9
	WRSETA	3	7.3
Roles of respondents	CEO	19	46.3
	CFO	3	7.3
	COO	1	2.4
	Other (CIO & Manager)	18	43.9
Size of the SETAs	Above 50	41	100
Types of skills development initiatives	Adult education and training	3	7.3
	Apprenticeships	4	9.8
	Bursaries and scholarships	6	14.6
	Learnerships	23	56.1
	Skills planning research	1	2.4
	Skills programme	1	2.4
	Candidacy	1	2.4
	All of the above except Apprenticeship	1	2.4

The data reveals that CEOs form the majority of respondents (46.3%), highlighting strong leadership representation. This is followed by 43.9% of respondents comprising CIOs, Corporate Services Executives, Senior Managers, and other managers within the SETA environment. This distribution indicates that while strategic leadership plays a key role, operational leaders who are "foot soldiers" in grants, skills levies, and funding distribution also significantly influence SETA operations.

In terms of SETA size, all respondents are from SETAs with more than 50 employees, reflecting the large-scale operational capacity required to manage skills development initiatives effectively. Respondents indicated that learnerships (56.1%) are the most supported interventions, underscoring SETAs' focus on practical skills development. These findings suggest a strong emphasis on experiential learning, with SETAs prioritising initiatives that enhance job readiness and practical competencies.

4.2.3 SETAs current funding mechanism

Table 3 shows that 80.5% of SETA funding comes from government grants (skills levies/taxes), making it the primary source, while employer levies and private funding each contribute only 2.4%. This centralised approach supports government efforts to address skill shortages but creates a risk of over-reliance, limiting the SETAs' flexibility to diversify programmes or quickly adapt to sectoral needs.

Table 3: Current funding mechanism

Indicator	Measure	Frequency	%
Current funding Mechanism	Government grants	33	80.5
	Employer levies	1	2.4
	Employers' skills levy	1	2.4
	Levies from qualifying employers	1	2.4
	Private funding	1	2.4
Effectiveness of the current funding mechanism	Very effective	16	39.0
	Somewhat effective	19	46.3
	Somewhat ineffective	5	12.2
	Neutral	1	2.4
More funding – skills development areas	Digital skills	6	15
	Entrepreneurship skills	5	12
	Higher education	14	34
	Soft skills	3	7
	Technical skills	4	10
	Vocational training	8	20
	Work placements	1	2
Financing mechanisms are adequately aligned	Agree	24	59
	Disagree	9	22
	Neutral	1	2
	Strong agree	5	12
	Strong disagree	2	5
Key strengths of the current funding mechanism	Adequate funding levels	5	12
	Alignment with industry needs	4	10

	Comprehensive monitoring and evaluation	4	10
	Flexibility in funding usage	3	7
	Focus on outcome-based funding	3	7
	Inclusivity and equity	2	5
	Stability and predictability	2	5
	Strong stakeholder engagement	3	7
	Support for diverse programmes	5	12
	Timely disbursement of funds	4	10
	Transparency in fund allocation	4	10
Weaknesses/challenges of the current funding mechanism	Delayed disbursement of funds	12	29.3
	Complex application & reporting processes	10	24.4
	Inefficient use of resources	9	22.0
	Insufficient collaboration with the private sector	7	17.1
	Encouragement of innovation	3	7.3

The minimal contribution from employers suggests limited private-sector engagement. This could indicate a gap in collaborative efforts between SETAs and industry stakeholders, potentially affecting the alignment of skills development initiatives with real-world demands.

Despite government grants being the primary funding source for SETAs, their effectiveness is questioned, with only 39% of respondents rating them as "Very Effective." The majority (46.3%) consider them "Somewhat Effective", indicating that while the grants play a crucial role, they may not fully meet expectations. Furthermore, 12.2% find them "Somewhat Ineffective", highlighting concerns about efficiency, accessibility, or impact. The minimal neutrality (2.4%) suggests that most stakeholders hold strong opinions on the matter. These findings indicate a need for improvements in funding distribution, administration, and adaptability to better support sectoral and organisational needs.

The funding allocation for skills development strongly prioritises higher education (34%), indicating a focus on degree-based qualifications over practical training. Vocational training (20%) receives moderate support, aligning with global best practices that balance theoretical and hands-on learning. Digital skills (15%) and entrepreneurship (12%) show a shift toward technology-driven workforce preparation and self-employment, supporting economic sustainability. However, technical (10%) and soft skills (7%) receive lower funding, potentially creating gaps in specialised industries and workplace adaptability. Work placements (2%) have

the weakest funding correlation, highlighting the limited integration of real-world experience into training programmes, which may impact graduate employability. A more balanced funding approach could bridge these gaps and enhance workforce readiness.

The majority (71%) believe current mechanisms are effective, providing a solid foundation for improvement. However, 27% express concerns, highlighting areas needing better alignment with operational or sectoral needs. Targeted interventions, such as stakeholder engagement and funding reviews, could address these gaps. With only 2% neutral, most respondents have clear opinions, emphasising the need to maintain strengths while refining strategies through adaptive policies and engagement for better satisfaction and alignment.

The current funding mechanism demonstrates several strengths, with adequate funding levels (12%) and support for diverse programmes (12%) being the most notable, ensuring a broad range of skills development initiatives receive financial backing. Alignment with industry needs (10%), comprehensive monitoring and evaluation (10%), and timely disbursement of funds (10%) contribute to ensuring that resources are effectively allocated and used efficiently. Transparency in fund allocation (10%) reinforces trust in the system, while flexibility in funding usage (7%) and outcome-based funding (7%) allow for adaptability in responding to sectoral demands. Strong stakeholder engagement (7%) enhances collaboration, though inclusivity and equity (5%) and stability and predictability (5%) indicate areas where further improvements could strengthen long-term funding effectiveness. Overall, the mechanism balances structure and adaptability, ensuring efficient skills development investment.

CEOs focus on long-term sustainability but struggle with complex application processes (24.4%), which hinder execution and stakeholder confidence. CFOs prioritise timely fund disbursement and efficiency but face challenges with delays (29.3%) and resource inefficiencies (22.0%). COOs advocate for innovation through technology and private-sector partnerships but encounter limited collaboration (17.1%) and a lack of innovation (7.3%) in funding strategies. Addressing these challenges can enhance overall financial planning, efficiency, and strategic alignment.

4.2.3 Enhancing skills development financing

The key to improving skills development financing in SA lies in government policy optimisation and strategic initiatives that address identified barriers. Encouraging private sector

partnerships (34%) is the most favoured approach, followed by implementing transparent accountability measures (22%), increasing budget allocations (20%), and simplifying funding applications (20%) to ensure efficiency.

Among strategic initiatives, leveraging technology (24.4%) and fostering PPPs (21.9%) are seen as crucial for modernising financing mechanisms, while a centralised skills development fund (19.5%) and outcome-based funding models (17.1%) offer structured approaches to financial sustainability.

However, several barriers hinder progress, with a lack of stakeholder coordination (24.4%) and resistance to change (21.9%) being the most significant challenges. Additionally, a lack of skilled professionals (19.5%), inadequate policy support (17.1%), and insufficient funding (12.2%) indicate systemic gaps that require targeted reforms. Addressing these barriers through transparent governance, digital transformation, and diversified funding sources will be key to strengthening SA's skills development financing system.

Table 4: Enhancing skills development financing

Indicator	Measure	Frequency	%
Government policies should be optimised to enhance financing skills development	Encouraging private sector partnerships	14	34
	Implementing transparent accountability measures	9	22
	Increasing budget allocations	8	20
	Simplifying funding application processes	8	20
Strategic initiatives could enhance skills development financing in SA	Leveraging Technology	10	24.4
	Fostering Public-Private Partnerships	9	21.9
	Centralised Skills Development Fund:	8	19.5
	Outcome-Based Funding Models	7	17.1
	Transparency & Accountability	6	14.6
Barriers identified by respondents	Lack of Stakeholder Coordination	10	24.4
	Resistance to Change	9	21.9
	Lack of Skilled Professionals	8	19.5

	Inadequate Policy Support	7	17.1
	Insufficient Funding	5	12.2

4.3 Analysing factors that influence funding amounts allocated to different SETAs

This analysis investigated the demographic factors that influence the amount of funding allocated to various SETAs. The aim is to investigate whether there is equitable resource distribution that ensures that SETA funding is allocated fairly across different sectors, considering industry size, skills demand, and economic impact.

Table 5: Correlation matrix between the amount of funding allocated to SETAS

Variables	Gender	Ethnicity	Age	Qualification	Work experience	Funding amount
Gender	1.0 (0.0)	0.4 (0.071)	0.12 (0.599)	-0.22 (0.332)	0.08 (0.744)	1.0 (0.0)
Ethnicity	0.4 (0.07)	1.0 (0.0)	0.08 (0.729)	-0.29 (0.203)	0.16 (0.497)	0.4 (0.071)
Age	0.12 (0.599)	0.08 (0.729)	1.0 (0.0)	0.23 (0.315)	0.67 (0.001)	0.12 (0.599)
Qualification	-0.22 (0.332)	-0.29 (0.203)	0.23 (0.315)	1.0 (0.0)	-0.02 (0.948)	-0.22 (0.332)
Work experience	0.08 (0.744)	0.16 (0.497)	0.67 (0.001)	-0.02 (0.948)	1.0 (0.0)	0.08 (0.744)
Funding amount	1.0 (0.0)	0.4 (0.071)	0.12 (0.599)	-0.22 (0.332)	0.08 (0.744)	1.0 (0.0)

The correlation statistics indicate a few notable relationships between the variables. The strongest positive correlation is observed between Qualification and Funding Amount (0.67, p = 0.001), suggesting that higher qualifications are significantly associated with increased funding amounts. the correlation between qualification and funding amount does not appear to be statistically significant. The correlation between qualification and funding amount (r = -0.22, p = 0.332) indicates a weak negative relationship, meaning higher qualifications are not strongly associated with increased funding allocation. Additionally, the p-value (0.332) suggests that the relationship is not statistically significant, implying that qualification does not play a decisive role in determining the amount of funding allocated.

On the other hand, Work Experience shows a weak negative correlation with Ethnicity (-0.29, p = 0.203) and Gender (-0.22, p = 0.33), though neither relationship is statistically significant. This suggests that work experience does not vary meaningfully across different demographic groups. Overall, the data highlights the potential importance of educational qualifications in securing funding while indicating no strong statistical link between demographic factors and work experience.

4.4 Analysing how the perception of SETA's funding varies with executive role

This section investigates whether different executives (e.g., CEOs, CFOs, COOs) may have varying views on SETA funding based on their responsibilities. For example, a CEO might focus on overall strategy and sector impact, while a CFO might emphasise financial efficiency and compliance.

Table 6: Executives' perceptions of SETA funding

Variable	Executive role	Seta's funding
Executive role	1.0 (0.0)	-0.105 (0.515)
Seta's funding	-0.105 (0.0)	1.0 (0.0)

A weak negative correlation (r = -0.105, p = 0.515) was found between executive roles and perception of SETA's funding. This indicates that perceptions of funding do not significantly vary based on whether the respondent is a CEO, CFO, or another executive. However, given the insignificance of this relationship, it suggests that while executives may have different responsibilities, their overall assessment of funding mechanisms remains relatively uniform across roles.

4.5 Analysing the relationship between source of funding and perception of its effectiveness

This section investigates the relationship between the source of funding and the perception of its effectiveness.

Table 7: Relationship between source of funding and perceived effectiveness

Variable	Source of funding	Funding effectiveness
Source of funding	1.0 (0.0)	0.043 (0.79)
Funding effectiveness	0.043 (0.0)	1.0 (0.0)

The correlation between the source of funding and perceived funding effectiveness was weak ($r = 0.043$, $p = 0.790$), indicating no meaningful relationship. This suggests that regardless of whether funding comes from government grants, employer levies, or other sources, respondents do not perceive a significant difference in the effectiveness of funding mechanisms. This finding may point to a general sentiment that SETA funding efficiency is influenced by structural and operational factors rather than the funding source itself.

4.6 Analysing the relationship between funding barriers and strategic initiatives

This section investigates the relationship between funding barriers and strategic initiatives.

Table 8: Funding barriers and strategic initiatives

Variable	Funding barriers	Strategic initiatives
Funding barriers	1.0 (0.0)	0.299 (0.057)
Strategic initiatives	0.299 (0.0)	1.0 (0.0)

A significant positive correlation ($r = 0.299$, $p = 0.057$) was found between funding barriers and strategic initiatives. While the correlation is not strongly significant at the conventional 5% level, it suggests that the more barriers respondents perceive in funding mechanisms, the more emphasis they place on strategic initiatives to address these challenges. This aligns with the expectation that organisations facing financial constraints are more likely to seek structured interventions such as PPPs and accountability measures.

The analysis reveals that funding barriers and strategic initiatives exhibit a moderate correlation, indicating that as more challenges are identified, there is a stronger push for reform and improvement strategies. The source of funding does not significantly impact perceptions of effectiveness, suggesting that concerns about funding mechanisms are more

closely tied to operational challenges rather than funding origins. Furthermore, executives across different roles share similar views on funding, implying that organisational perspectives on funding effectiveness are not heavily influenced by specific leadership positions. These insights underscore the necessity for structural improvements in funding mechanisms rather than merely diversifying funding sources. Additionally, organisations should focus on addressing perceived barriers through well-aligned strategic initiatives to ensure that funding challenges do not hinder skills development efforts.

4.7 Additional feedback

Stakeholders emphasised the need for greater flexibility in funding allocations to ensure that SETAs can effectively adapt to emerging sectoral demands. The rigid nature of current funding structures often limits the ability to respond to shifts in industry needs. To address this, recommendations include integrating real-time monitoring tools that assess the impact of funding and enhance accountability, ensuring that resources are allocated efficiently and transparently.

A recurring theme from respondents highlights the need for stronger collaboration between SETAs, industry experts, employers, and other stakeholders. Partnerships with industries and leveraging sector-specific expertise can ensure that funding is directed toward areas with the highest impact. For example, collaboration with mining companies in regions like Kuruman can align skills development initiatives with local industry requirements, creating direct pathways to employment for trained individuals.

Another key concern raised by respondents is the disparity in funding accessibility across different provinces and economic sectors. Calls for decentralised, sector-focused funding models emphasise the need to address provincial disparities and cater to unique sectoral demands, such as mining, health, and welfare. This suggests a shift toward customised funding approaches that prioritise critical sectors like technical skills and apprenticeships, ensuring that funding meets the specific needs of regional industries.

The existing funding mechanisms are perceived as overly reliant on skills levies, with limited flexibility to integrate alternative funding sources. Respondents suggested regulatory reforms, including updating DHET policies and allowing international donor funding schemes, to create a more diversified funding structure. Reducing over-reliance on levies by incorporating private

sector contributions and donor partnerships could enhance financial sustainability and expand the reach of skills development programmes.

Additionally, there is a recognised gap in leveraging innovation and technology for skills development. Implementing technology-driven approaches and adopting modern training models could enhance the efficiency of funding mechanisms, ensuring that skills development aligns with the evolving needs of industries such as technology and manufacturing. This would also help bridge the gap between training programmes and employment opportunities.

A critical challenge identified in the study is the mismatch between the skills supplied by SETAs and the actual needs of industries. This disconnect often results in unemployment among beneficiaries who are trained in skills that do not align with market demands. Industry-driven insights are essential in shaping training programmes that lead to sustainable employment outcomes. Strengthening employer involvement in curriculum development and funding decisions can help mitigate this issue.

Concerns were also raised regarding governance and decision-making within SETAs, particularly the lack of representation for unemployed youth in policy discussions. A more inclusive approach that incorporates diverse stakeholder perspectives, including marginalised groups, could improve governance and ensure equitable distribution of funds. Enhanced transparency and participatory decision-making could contribute to a more effective and responsive funding system.

Broadening the funding base by involving international donors, private sector contributions, and alternative funding mechanisms was another prominent suggestion. Exploring options such as decentralised funding, sector-specific financial models, and targeted donor partnerships could provide long-term financial sustainability for skills development initiatives.

Lastly, barriers such as resistance to change, lack of stakeholder coordination, and inadequate policy support remain significant challenges. Addressing these barriers through strategic initiatives, such as fostering PPPs, improving stakeholder engagement, and aligning funding priorities with national economic goals, will be essential in ensuring that skills development funding effectively contributes to long-term economic growth and employment outcomes.

4.8 Chapter summary

This chapter provided an overview of the key research findings regarding SETA funding allocation, stakeholder perceptions, and strategic responses to funding challenges. The analysis included demographic insights, the structure of SETAs, and the effectiveness of funding mechanisms. Additionally, the chapter examined correlations between funding allocation and various demographic and operational factors.

The findings indicate that while SETA funding plays a crucial role in skills development, challenges related to accessibility, efficiency, and alignment with industry demands remain significant. The chapter also explored the influence of funding barriers on strategic decision-making, emphasising the need for greater flexibility, improved stakeholder collaboration, and policy refinements. These insights provide a foundation for the subsequent chapter, which will focus on discussing these findings in the broader context of skills development and policy implications.

Stakeholder feedback emphasises the need for greater flexibility in funding allocations, stronger collaboration between SETAs and industry partners, and more transparent funding processes. Decentralised, sector-focused funding models could help address regional disparities and sector-specific demands, ensuring that funds are directed toward high-impact skills development areas. Moreover, leveraging alternative funding mechanisms, such as international donor contributions and private sector partnerships, could reduce the SETAs' heavy reliance on government grants and levies, enhancing financial sustainability. The study also underscores the importance of aligning training programmes with industry demands to improve employability outcomes and ensure that skills development initiatives contribute meaningfully to economic growth. Addressing challenges such as delayed disbursement of funds, rigid application processes, and insufficient innovation in financing models will be critical in strengthening SETA funding effectiveness and ensuring that SA's skills development system remains responsive to the evolving needs of the workforce and industry.

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter is organised into sections. Section 5.2 presents the discussion, where the research findings are examined with existing literature and theoretical frameworks. The discussion includes an analysis of key factors influencing SETA funding allocation, perceptions of funding effectiveness among executives, the role of funding sources, and the impact of funding barriers on strategic decision-making. Section 5.3 provides the conclusion, summarising the study's key insights and their implications. The chapter concludes with recommendations for future research to address identified gaps in Section 5.4. The discussion integrates theoretical perspectives such as Human Capital Theory, Resource Dependency Theory, and Stakeholder Theory to interpret the findings and provide a deeper understanding of the factors shaping funding mechanisms within SETAs. The analysis also highlights practical implications for policy adjustments and strategic decision-making aimed at improving financial sustainability and effectiveness.

5.2 Discussion

5.2.1 Factors influencing the funding allocation to different SETAs

The study found that funding allocations to different SETAs are not significantly influenced by educational qualifications. The correlation between qualification and funding amount ($r = -0.22$, $p = 0.332$) indicates a weak negative relationship, meaning higher qualifications are not strongly associated with increased funding allocation. Additionally, the p-value (0.332) suggests that this relationship is **not statistically significant, implying that qualification does not play a decisive role in determining the amount of funding allocated. This challenges the assumption that formal academic credentials are the primary determinant of funding distribution within SETAs. Instead, other factors such as demographic elements (e.g., gender and ethnicity) may have more influence, requiring further investigation. This suggests that decision-makers prioritise educational credentials when allocating funds, which aligns with Human Capital Theory (Cheng et al., 2023), where investment in skills development is linked to productivity and economic growth. However, demographic factors such as gender, ethnicity, and work experience showed no statistically significant impact on funding

allocation, challenging assumptions that broader social equity considerations influence financial decisions within SETAs.

These findings align with the Human Capital Theory (Iqbal, 2013), which argues that investment in education enhances productivity and justifies financial allocation. However, the findings challenge Social Capital Theory, which posits that professional networks, industry experience, and relationships should play a significant role in resource distribution (Kilpatrick et al., 2003). Furthermore, the Institutional Theory (Raynard, 2015) explains why funding decisions may be influenced by established bureaucratic norms rather than industry-specific needs.

A major implication of this finding is the potential equity issues in funding allocation. The emphasis on formal education as a primary determinant for funding distribution may overlook highly skilled individuals without advanced degrees, thereby reducing funding fairness. Additionally, the reliance on academic qualifications over industry needs may result in skill mismatches between SETA-funded programmes and actual labour market demands.

To address these concerns, it is recommended that SETAs expand their funding criteria beyond academic qualifications and consider factors such as industry expertise, vocational certifications, and experience. Furthermore, the implementation of performance-based funding models that prioritise measurable skill outcomes and employability rates could ensure a more equitable and efficient distribution of resources.

5.2.2 Perception of SETA funding by executive role

The study found that perceptions of SETA funding effectiveness do not vary significantly across executive roles ($r = -0.105$, $p = 0.515$). However, qualitative insights revealed that CEOs tend to prioritise long-term sustainability and skills development impact, while CFOs focus on fund disbursement efficiency, and COOs advocate for PPPs and innovation in financing strategies.

This finding aligns with Institutional Theory, which suggests that organisations operate within rigid institutional frameworks, often standardising financial decision-making and limiting the influence of individual executive perspectives (Raynard, 2015). It also challenges prior studies that propose that executive roles lead to distinctly different funding priorities, reinforcing the argument that SETA executives operate within a rigid institutional structure that limits

individual influence over funding perception. Stakeholder Theory (Parmar, 2010) suggests that various stakeholders should play a role in financial decision-making, yet the weak correlation found in this study implies that financial structures within SETAs are highly centralised, limiting executive influence on funding strategies.

The lack of significant differences in perception across executive roles suggests that rigid financial decision-making structures within SETAs might limit opportunities for innovation and adaptability. Moreover, the standardised approach to funding allocations may restrict the ability of executives to tailor financial strategies to sector-specific needs.

To improve financial decision-making, SETAs should consider decentralising funding strategies, allowing different executive roles to shape allocation priorities based on their expertise. Additionally, the introduction of flexible funding models would provide executives with greater autonomy to allocate resources in alignment with sectoral and industry-specific needs.

5.2.3 Relationship between source of funding and perceived effectiveness

The research found that the source of funding does not significantly impact perceptions of funding effectiveness ($r = 0.043$, $p = 0.790$). Whether funding originated from government grants, employer levies, or private contributions, stakeholders perceived similar inefficiencies across all sources. This finding challenges the PPP Theory, which argues that diversifying funding sources enhances financial sustainability and programme efficiency (Andreoni, 2018) . Instead, the results support Resource Dependency Theory, which suggests that stakeholders view operational and structural inefficiencies, rather than funding sources, as the primary constraints on funding effectiveness. This highlights the need for reforms in financial governance rather than simply diversifying funding sources.

The lack of differentiation in funding effectiveness based on source suggests that funding inefficiencies are not inherently linked to funding origins but rather to operational and administrative challenges. Over-reliance on government grants, which account for 80.5% of total funding, creates financial rigidity and limits SETAs' ability to quickly adapt to evolving industry needs.

To improve funding efficiency, SETAs should diversify their revenue sources by increasing employer contributions, securing international donor funding, and exploring impact-driven

investments. Furthermore, the adoption of performance-based funding models would ensure that financial allocations are aligned with measurable outcomes, rather than being dictated by bureaucratic processes.

5.2.4 Relationship between funding barriers and strategic initiatives

A moderate positive correlation ($r = 0.299$, $p = 0.057$) was found between funding barriers and the emphasis on strategic initiatives. This indicates that organisations facing greater financial constraints are more likely to pursue reforms such as PPPs, outcome-based funding models, and accountability measures.

This finding aligns with Stakeholder Theory, which emphasises the importance of multi-stakeholder collaboration in driving funding reforms (Parmar, 2010). It also supports the Resource Dependency Theory, which suggests that organisations experiencing financial constraints tend to adopt innovative funding mechanisms to sustain their operations (Hillman et al., 2009). The emphasis on policy optimisation, transparency, and technology-driven funding models reinforces global best practices in funding skills development

The findings indicate that high barriers to funding result in reactive rather than proactive financial management. Additionally, a lack of stakeholder coordination and limited collaboration with private industry further exacerbate funding challenges.

To mitigate these issues, it is recommended that SETAs develop proactive financial planning models that anticipate funding shortages and integrate industry-driven partnerships to enhance financial sustainability. Furthermore, policies should be updated to allow for greater private sector involvement in funding mechanisms, ensuring that funding aligns more closely with industry needs.

5.3 Conclusion

The study provides significant insights into SETA funding mechanisms and their effectiveness. The findings suggest that educational qualifications play a critical role in funding allocation, while demographic factors do not significantly influence allocation, but potentially lead to inequitable distribution. Additionally, executive roles do not strongly shape perceptions of funding, suggesting that institutional structures dominate over individual leadership

perspectives. perceptions of funding effectiveness remain consistent across executive roles, indicating a centralised and rigid financial decision-making process.

Furthermore, the research demonstrates that the source of funding does not significantly impact perceptions of effectiveness, reinforcing the idea that structural inefficiencies, rather than funding origins, are the primary challenges. The study also highlights that organisations facing financial barriers/constraints are more likely to implement strategic initiatives, reinforcing the need for structural reforms on policy and innovative funding models.

To address these challenges, the study recommends broadening the criteria for funding allocations, decentralising decision-making, and diversifying revenue sources to reduce over-reliance on government grants. Additionally, the implementation of performance-based funding models and stronger PPPs would help align funding with industry needs and improve financial sustainability. Policy reforms to improve the efficiency and transparency of funding allocation. Greater flexibility in funding models to adapt to sector-specific needs. Integration of technology to modernise funding mechanisms and streamline processes. Addressing these issues can improve the effectiveness of skills development financing and ensure that SETAs contribute meaningfully to workforce development and economic growth.

5.4 Future research directions

While this study provides valuable insights, several areas require further investigation. Future research should conduct longitudinal studies on the efficiency of SETA funding and its long-term impact on workforce development. Also, future studies should track the long-term impact of funding allocation on skills development and employment outcomes. Additionally, comparative analyses of SA's skills development funding models with international best practices would help identify potential improvements. The impact of alternative funding models should be assessed by the feasibility and effectiveness of performance-based and outcome-based funding in the SETA framework.

Further research is also needed to explore decentralised funding models that prioritise industry-specific needs. Identify the unique funding requirements of different economic sectors to ensure that skills development aligns with industry needs. Finally, investigating the integration of digital financial management tools could provide innovative solutions to improve fund allocation efficiency and transparency, examining how technology, such as

blockchain and AI-driven analytics, could improve transparency and efficiency in funding allocation.

In addressing these gaps, future research could contribute to a more effective, transparent, and sustainable skills development funding ecosystem in SA.

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APPENDICES

APPENDIX A: WITS ETHICAL CLEARANCE

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School

Wits Business School Ethics Committee
Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA2530511/925
This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

Project title	Optimizing strategic financing strategies for skills development in South Africa
Investigator / Researcher	Mr Khulekani Khoza
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed anonymity and confidentiality.
Issue Date of Certificate	11/07/2024
Expiry date	Date of submission of the project / research report
Chairperson	Dr Ayanda Magida ☎ +27 11 717 3953 ✉ ayanda.magida@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature

11/07/2024
Date:

APPENDIX B: INVITATION TO PARTICIPATE

Dear Sir/Madam

My name is Khulekani Khoza. I am a Masters of Business Administration student at the University of the Witwatersrand, Johannesburg. My supervisor is Prof Thabang Mokoaleli-Mokoteli. I am conducting a research study about SETA strategic financing strategies for skills development, The study title is "Optimising strategic financing strategies for skills development in South Africa".

I am inviting you to take part in an interview/focus group/answer a questionnaire/survey to answer the questions around SETA strategic financing strategies for skills development. If you decide to take part, your participation in this research study will last about 10 minutes. The interview/research activity will take place at Microsoft Teams at after working hours.

With your permission, I would like to audio/video record the interview/focus group/other activity. This data will be stored in SharePoint for 2 years and/or deleted after 2 years. Only the researcher will have access to the data.

During the research activity, I will need to ask for some personal information about you, name & surname, Work title, direct work related to the study/research, age, gender and experience with the SETA environment.

The interview/survey/questionnaire will be confidential and anonymous. When I share the results of the research study, I will not include your name or anything else that could identify you. With your permission, other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights you would normally have if you decided not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study. Your travel/data costs to attend the interview/questionnaire/ survey will be reimbursed to a maximum of R150.

The risks for this research study are no more than what happens in everyday life OR some of the questions asked may make you feel sad or upset. If this happens, I will stop the interview/questions/survey and continue another time. This research study will be written up as a research report. The report will be available on the university library website. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,

Mr Khulekani Khoza

Researcher:

Mr Khulekani Khoza, 2530511@students.wits.ac.za, 073033026

Supervisor:

Prof Thabang Mokoaleli-Mokoteli, Thabang.Mokoaleli-Mokoteli@wits.ac.za, 0117173763

APPENDIX C: FASSET GATEKEEPER'S LETTER

Physical Address: 1st Floor, 296 Kent Avenue, Ferndale, Randburg, 2194
Postal Address: P.O. Box 6801, Cresta, 2118, Gauteng
Tel: (011) 476 8570, Fax: (011) 476 5756
E-mail: fassetcallcentre@fasset.org.za, Website: www.fasset.org.za

FASSET
Make the future count

Mr. Khulekani Khoza
88 David Street,
Meredale,
Johannesburg, 2091
khoza_khulekani@yahoo.com
2530511@students.wits.ac.za
073 033 0326

Subject: Permission to Conduct Research: Student 2530511, Khulekani Khoza

Dear Mr. Khoza,

We acknowledge receipt of your letter dated 15 July 2024, titled "Optimizing Strategic Financing Strategies for Skills Development in South Africa."

This letter serves to confirm that permission has been granted for you to conduct research at the Finance and Accounting Services Sector Education and Training Authority (FASSET) as part of your Master of Business Administration in the Wits Business School. We trust that all data collection will be handled with confidentiality and that the name of the institution will not be mentioned in your study.

We wish you well in your studies.

Regards,

Ms. Ayanda Mafuleka, CA (SA)
Chief Executive Officer, FASSET
FASSET

Board Members: Mr B Mathibela (Interim Chair), Ms M P Nhlapo (Government Department), Ms R I Singo (Community Organisation), Mr M J Maboa (Organised Labour), Mr X Lingani (Organised Labour), Mr M D Metuse (Organised Labour), Ms T B Masemola, (Organised Labour), Mr N Mapiloko (Organised Labour), Mr T Phatlane (Organised Labour), Mr P Khumalo (Organised Employer), Ms M Magasa (Organised Employer), Ms M Mushwana (Organised Employer), Ms A Nyathela-Mahanjana (Organised Employer), Ms P N Ngwenya (Organised Employer),
CEO: A. Mafuleka

APPENDIX D: RESEARCH INSTRUMENT: QUESTIONNAIRE

Optimising strategic financing strategies for skills development in South Africa

Feedback/Research Questionnaire

Your participation in this research is voluntary. You have the right to withdraw at any point during the study, for any reason, and without any prejudice.

Thank you for taking the time and making the effort to respond to this questionnaire. Please give candid and thorough responses to the questions below. Rest assured that the information you share here is confidential. Your feedback is invaluable to us. Please take a few minutes to complete the following questions.

Block: SECTION 1: Demographic Information

Block: SECTION 2: SETA Details

Block: SECTION 3: Current Funding Mechanism

Block: SECTION 4: Strategies for Improvement

Block: SECTION 5: Policy and Innovation

Block: SECTION 6: Additional Comments

SECTION 1: DEMOGRAPHIC INFORMATION

Q1. Please state your gender.

Male	Female	Other_____

Q2. Please state your race.

African	Indian	Coloured	White

Q3. Please state your age.

18-24 years	25 -34 years	35 -44 years	45-54 years	55 and above

Q4. Level of education completed?

Bachelors	Honours	Masters	PhD	Other (please specify

Q5. Number of years of working for the current SETA?

0-3 years	4-6 years	7-10 years	10-15 years	16-20 years

SECTION 2: SETA Details

Q6. SETA Name ……..

Q7. What is your current role (CEO, CFO, COO)?

CEO	CFO	COO	Other	(Please Specify)

Q8. Number of Employees?

Under 5	5 - 10	11 - 20	21 - 50	Above 50

Q9. Types of Skills Development Interventions offered by your SETA?

Learnerships	Apprenticeships	Skills program	Internships	Bursaries and scholarships	Adult education and training	Skills planning research	Other (Please specify

SECTION 3: Current Funding Mechanism - In your opinion, which skills development areas need more funding?

Q10. What is the primary source of skills development funding?

Government grants	Private funding	International donors	Other (please specify)

Q11. On average, how much is the total current funding for your SETA?

Q12. How would you rate the effectiveness of the current funding mechanism in your SETA?

Very effective	Somewhat effective	Neutral	Somewhat ineffective	Very ineffective

Q13. In your opinion, which skills development areas need more funding?

Vocational training	Higher education	Technical skills	Soft skills	Entrepreneurship Skills	Digital skills	Other (please specify)

Q14. Do you believe the current financing mechanisms are adequately aligned with the skills needed in the SA economy?

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Q15. What are the key strengths of the current funding mechanism for your skills development efforts? (select all that apply)

Adequate Funding Levels	Timely Disbursement of Funds	Transparency in Fund Allocation	Flexibility in Funding Usage	Alignment with Industry Needs	Support for Diverse Programs	Encouragement of Innovation
Strong Stakeholder Engagement	Comprehensive Monitoring and Evaluation	Stability and Predictability	Inclusivity and Equity	Focus on Outcome-Based Funding	Other (please specify): _____	

Q16. What are the main weaknesses/challenges of the current funding mechanism for your skills development efforts?

Insufficient Funding Levels	Delayed Disbursement of Funds	Rigid and Inflexible Funding Structures	Misalignment with Industry Needs	Limited Support for Innovative Programs	Complex Application and Reporting Processes	Encouragement of Innovation
Lack of Stakeholder Engagement	Poor Monitoring and Evaluation	Unpredictable Funding Availability	Inefficient Use of Resources	Insufficient Collaboration with Private Sector	Other (please specify): _____	

SECTION 4: Strategies for Improvements

Q17. How can government policies be optimised to enhance financing skills development (select all that apply)

Simplifying funding application processes	Increasing budget allocations	Encouraging private sector partnerships	Offering tax incentives	Implementing transparent accountability measures	Other (please specify)

Q18. Which of the following strategic initiatives could enhance skills development financing in South Africa (Select all that apply)

Developing a centralised skills development fund	Implementing outcome-based funding models	Fostering public-private partnerships	Enhancing accountability and transparency in fund allocation	Leveraging technology for efficient fund management	Other (please specify)

Q19. What are the most significant barriers to optimising strategic financing for skills development (select all that apply)

Lack of stakeholder coordination	Insufficient funding	Inadequate policy support	Resistance to change	Lack of skilled professionals to manage funds	Other (please specify)

SECTION 6: Additional Comments and Feedback

Q20. Do you have any additional comments or suggestions regarding funding models for skills development in South Africa?

_____

_____

_____

APPENDIX E: EDITOR'S LETTER

22 Krag Street

Napier

7270

Western Cape

22 February 2025

WITS Business School

University of the Witwatersrand

JOHANNESBURG

LANGUAGE & TECHNICAL EDITING

Cheryl M. Thomson

OPTIMISING STRATEGIC FINANCING STRATEGIES FOR SKILLS DEVELOPMENT IN SA

This is to confirm that I, Cheryl Thomson, executed the language and technical editing of the above-titled research report of **KHULEKANI KHOZA, student number 2530511**, at the **WITS BUSINESS SCHOOL**, in preparation for submission of this research report for assessment.

Yours faithfully



CHERYL M. THOMSON

Email: cherylthomson2@gmail.com

Cell: 0826859545