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Governance and Institutional Arrangements in the Manufacturing Engineering and Related Services SETA

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31st March 2014

A research report submitted to the Faculty of Management, University of the Witwatersrand, in partial fulfilment for the degree of Master of Management (in the field of Public Policy)

ABSTRACT

The Sector Education and Training Authorities (SETAs), established in terms of the Skills Development Act, 97 of 1998, are seen to play a key role in delivering skills development central to addressing the triple challenges of unemployment, poverty and inequality. The SETAs performance has been criticised with concerns being raised about their capacity, governance crises and corruption. One of the key challenges impeding the success of the skills development system lies in its institutional arrangements. The organisational structure and reporting requirements appear to be highly complex with SETAs reporting to various line ministries, such as the Department of Higher Education and Training (DHET), and National Treasury. The governance system comprises of multi-layered stakeholders.

The purpose of the research is to explore and understand the nature of governance within the Manufacturing Engineering and Related Services SETA (merSETA), one of the 21 Sector Education and Training Authorities (SETAs). The research followed a case study design that used a qualitative approach. Thirteen semi-structured interviews were conducted with members of the various stakeholder fora, such as the Accounting Authority, and sub-committees governing the merSETA. The interviews were recorded and transcribed. Findings of the research based on the perceptions of the respondents and corroborated with the review and analysis of internal documents included: governance challenges as a result of the prescriptive targets and expenditure directives from the Department of Higher Education and Training (DHET) and National Treasury respectively; the need for more senior players within the merSETA; the issue of 'mission creep'; institutional challenges (such as decision making and challenges pertaining to planning and reporting) and performance and monitoring and evaluation. The recommendations of the research include a review of the composition of the Accounting Authority and sub-committees of the merSETA, a review of the scale and scope of the mandate, holistic capacity building of stakeholders and the organisation, and that the Minister of the DHET pronounces on the long term vision of the SETA landscape in

respect of the number of SETAs that will be retained as well as a review of the current 5 year (re)establishment of the SETAs.

DECLARATION

This is to certify that the research report entitled, Governance and Institutional Arrangements in the Manufacturing Engineering and Related Services SETA (merSETA), submitted by Cheryl C Abrahams as a 50% research report submitted to the Public and Development School, University of the Witwatersrand in fulfilment of the requirements for the degree of Master in Management in Public Policy, is a bona fide record of research work carried out by me. The contents of this research report, in full or in parts, have not been submitted to any other University for the award of any degree.

Cheryl C Abrahams Date

Signature

DEDICATION AND ACKNOWLEDGEMENTS

This research report is dedicated to my late sister Gladys Rambaran who passed on the 23rd July 2013.

I firstly wish to thank my supervisor Dr. Lynn Hewlett for her valuable insights, technical advice and support. Secondly, thank you to the participants in this research report for their willingness to share their insights. Finally, thank you to my friends and family who have accompanied me on this journey, in particular a special thank you to Abigail van Rooyen for pushing back the river. I convey special thanks too to Patrick Banda and Andrew Sessions for their generous assistance as well as Thokie Seripe and Accuswift for transcription services. And last but not least, thank you Alli.

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ABBREVIATIONS

Accounting Executives	Ministry, Department of Higher Education and Training
ACM	Auto Chamber Minutes
ATTP	Accelerated Artisan Training Programme
CC	Chamber Committee
CEO	Chief Executive Officer
DDG	Deputy Director General
DEA	Department of Environmental Affairs
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DOE	Department of Education
DOL	Department of Labour
DPRU	Development Policy Research Unit
DSE	Department of Science and Technology
DTI	Department of Trade and Industry
EXCO	Executive Committee
FET	Further Education and Training
FGC	Finance and Grants Committee
FGM	Finance and Grants Minutes
IDP	Integrated Development Plan
GBM	Governing Board Minutes
GTZ	German Technical Cooperation
King III	King III Code of Governance for South Africa
Manco	Management Committee
merSETA	Manufacturing Engineering and Related Services Sector Education and Training Authority
MTT	Ministerial Task Team
NEDLAC	National Economic Development and Labour Council
NGP	National Growth Path
NQF	National Qualifications Framework

NSA	National Skills Authority
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
PFMA	Public Finance Management Act
QMR	Quarterly Management Report
QCTO	Quality Council for Trades and Occupations
RPL	Recognition of Prior Learning
SDA	Skills Development Act 97 of 1988
SDLA	Skills Development Levies Act
SAQA	South African Qualifications Act
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SIPs	Strategic Infrastructure Projects
SLA	Service Level Agreement
SMS	Seta Management System
SMT	Senior Management Team
SSP	Sector Skills Plan
TOR	Terms of Reference
WSP	Workplace Skills Plan

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1. INTRODUCTION

1.1 Historical context

The idea for a state driven National Skills Development Strategy (NSDS) was given expression in the Reconstruction and Development Programme (RDP) Ministry during the “heady days” after the first democratic elections in April 1994 (Swilling & van Breda, 2007, p. 126). The emergence of the legislative framework that underpins this strategy is geared towards ensuring skills training does indeed take place (Lundall, 2003).

Prior to 1994 the labour market policies of the Apartheid regime, which shaped racially based inequality and exploitation, were used to keep the wages of the majority of South Africa’s citizens low (Bird &Heitmann, 2009). The democratic state had to contend with numerous infrastructural backlogs including housing and service delivery, and education and training. The legacy of apartheid still reverberates in areas such as education and training, as is evidenced by statistics depicting that approximately 64% of the white population had obtained degrees, diplomas and certificates as opposed to 36% of the black majority having attained a similar educational status a decade after the dawn of democracy (Bird & Heitmann, 2009).

Daniels (2007) opines that the structural nature of the economy which consisted primarily of the mining, agriculture and the services sector, were substantially transformed, forcing firms to become more competitive and export oriented. Global competitive pressures coupled with the levelling of the social wage (Bird & Heitmann, 2009) resulted in an increase in capital-intensive technological changes and business re-engineering, with its resultant skills implications (Daniels, 2007).

Unemployment remains the reality for 25.6% who are actively seeking employment and a further 36.8% (Berkowitz, 2013) of discouraged workers who have given up the search. Vally and Motala (2014) argue that the high level of unemployment in South Africa is a reality of the structural constraints of the economy. Forslund (as cited in

Vally & Motala, 2014 p. 5) argues that “unless capital flight is prevented, wages are increased and inequality is addressed, the high levels of unemployment in the country will not be ameliorated”. The state is seen as being the principle service provider and remains the largest employer in the country (Bird & Heitmann, 2009).

The South African government through the Department of Labour (DoL) promulgated various pieces of legislation from 1998 and set up the Sector Education Training Authorities (SETAs) which replaced the industry training boards. The SETAs have been restructured a number of times since inception from an initial twenty five SETAs under the Department of Labour (DoL) to the current twenty one SETAs under the Department of Higher Education and Training (DHET) (DHET, 2011). The SETAs’ core mandate is to drive new interventions in skills development (Lundall, 2003). However, the SETAs performance has been criticised with concerns being raised about their capacity, governance crises and corruption.

The author has selected the (SETAs) and more specifically the Manufacturing, Engineering and Related Services SETA (merSETA) as a policy case study. The merSETA, which covers five sectors, i.e. Metal and engineering, Auto manufacturing, Motor retail and component manufacturing, Tyre manufacturing and the Plastics industry, is one of the 21 SETA’s. The manufacturing sector is considered as one of the key drivers for economic growth. The study will explore and understand the nature of governance and the institutional arrangements in the merSETA, based on the perceptions of the respondents and corroborated with the review and analysis of internal documents.

1.2 Background of the SETAs

The Skills development architecture was facilitated by at least four key policy documents namely: the Skills Development Act 97 of 1998, (SDA) the Skills Development Levies Act no. 9 of 1999 (SDLA), the National Skills Development Strategy (2001), and the Human Resources Development Strategy (2001) (Daniels,

2007). The aforementioned Acts together form the legislative framework aimed at addressing the dire skills shortages in the country.

The National Skills Authority (NSA) was established in terms of the Skills Development Act (1998), (SDA) and the Skills Development Levies Act (1999) (SDLA). The NSA is responsible for co-ordinating the skills development strategy nationally and advises the Minister of Higher Education and Training on all aspects of the implementation of the NSDS. The vision of the National Skills Development Strategy III (NSDSIII) is: ”*A skilled and capable workforce that shares in, and contributes to, the benefits and opportunities of economic expansion and an inclusive growth path”* (DHET, 2010, p. 5). This vision has been challenged by, amongst others, Vally and Motala (2014) who argue that an increase in the skills of the workforce will not increase economic growth as the major fault-line of the economy is structural.

The implementation of the NSDS is the responsibility of the NSA, Provincial Offices of the NSF and the SETAs. The NSF is managed by the Department of Higher Education and Training (DHET) and guided by advice from the National Skills Authority (NSA) (DHET, 2011). The NSF was created to provide funding to address issues of national importance and redress for previously disadvantaged groups, including the unemployed, women, youth, rural people, people with disabilities, as well as small businesses (Swilling & van Breda, 2007).

The purposes of the SDA, are amongst others:

> *To develop the skills of the South African workforce;*
> *To increase the levels of investment in education and training in the labour market and to improve the return on that investment;*
> *To encourage employers, to play a more proactive role in skills development activities for existing employees, for new entrants to the labour market to gain work experience, and to assist people struggling to find employment;*
> *To encourage workers to participate in learnerships and other training programmes;*

> *To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education;*
> *To ensure the quality of education and training in and for the workplace* (DHET, 2011, p. 5, 6).

The SETAs are stakeholder entities, comprised of representatives from organised employers, organised labour, communities and government. "The SETAs are funded through the 1% tax levy, of which 80% goes to the SETA and 20% to the National Skills Fund" (DHET, 2011, p. 6).

According to Wedekind (cited in Vally & Motala, 2014), the SETA's replaced the former Industry Training Boards. Employers are required to submit annual workplace training skills plans (WSPs[1]) and are reimbursed a portion of the training levy. Employers are also responsible for quality assuring training providers and coordinating the standards generating bodies who are tasked with developing unit standards and qualifications. The learnership system which was meant to replace the apprenticeship system was also introduced through the SDA (Vally & Motala, 2014).

The SETAs report to the Minister of the DHET who is the Executive Authority. The SETAs also report to the National Treasury, in terms of the Public Finance Management Act (PFMA), and to the respective SETA's Accounting Authority. The SETAs are governed by the standard SETA constitution.

The merSETA is a schedule 3a public entity. The Minister of Higher Education and Training (HET) is the main stakeholder on behalf of Government. The Governing Board is defined as the Accounting Authority in terms of the PFMA of 1999 (as amended) and Treasury Regulations. The merSETA is stakeholder driven and in terms of the SDA, it

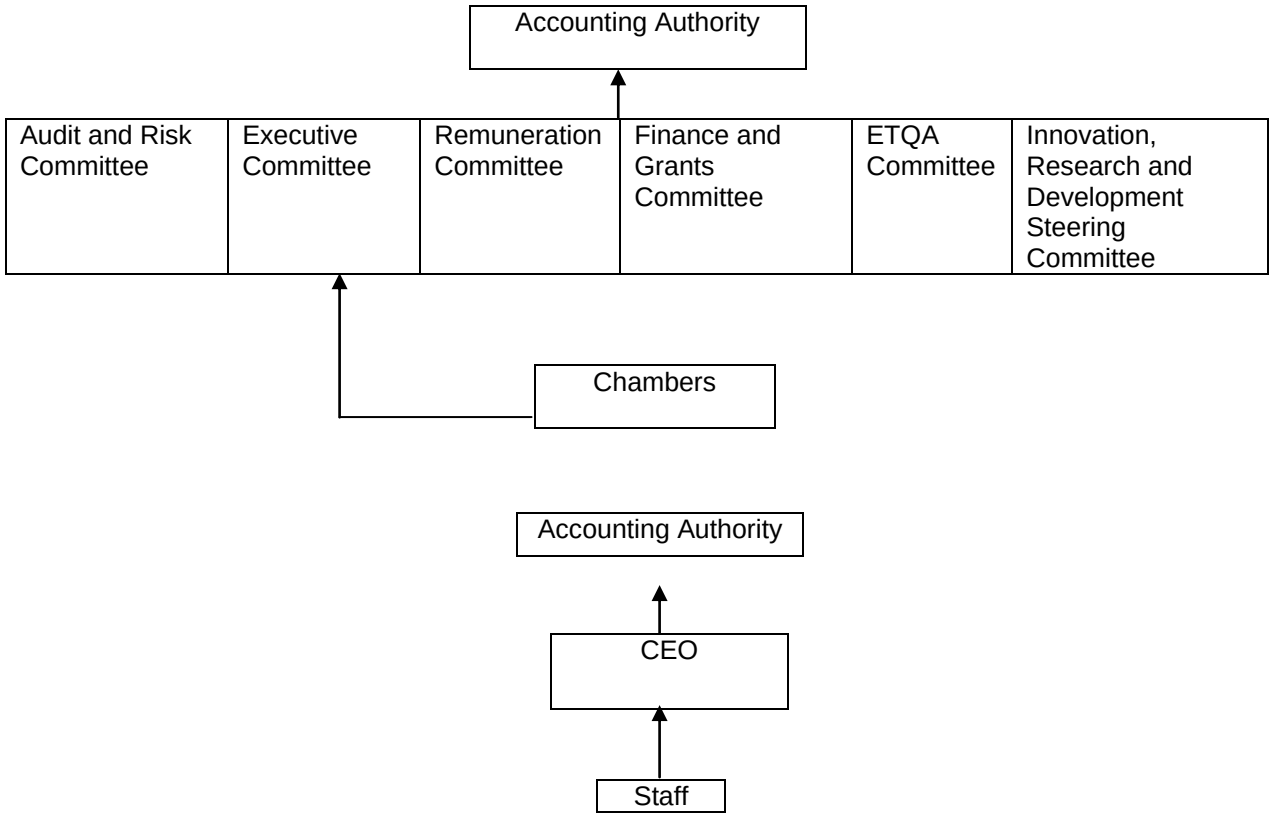
[1] The purpose and definitions of the WSP and mandatory and discretionary grants are attached hereto as appendix A.

must be equally represented by organised labour and organised employers (merSETA, Corporate Governance)[2].

The merSETA Constitution was approved by the Minister of HET on 1 April 2011 in terms of section 13 (1) of the SDA. The Minister announced in November 2011 that the merSETA had been re-established and certified from 1 April 2011 to 31 March 2016.

The following diagram is a schematic representation of the structure of the merSETA.

Figure 1: The schematic representation of the merSETA



Source: merSETA Promotion of Access to Information Manual 2009.

[2] This section draws chiefly on the description of the merSETAs corporate governance and organisational structure found at: http://www.merseta.org.za/AboutUs/CorporateGovernance.aspx

1.3 Composition and responsibilities of the merSETA structures

In line with the merSETA constitution, the Accounting Authority comprises of 15 members in a non-executive and independent non-executive capacity. Accounting Authority members are appointed by the Minister of HET in terms of the merSETA Constitution. Twelve of the members are nominated and represent organised labour and organised employers from the Sector. Three additional members who are independent are directly appointed by the Minister (merSETA, Corporate Governance).

The terms of office of members of the Accounting Authority is five years. They are eligible for re-appointment upon expiry of the term of office, provided that the reappointed members do not exceed one third of the members of the Accounting Authority at any one term (merSETA, Corporate Governance).

The Executive Committee is responsible for overseeing the management of the operational affairs of the merSETA. It also manages, coordinates and monitors the activities of Chamber Committees (merSETA, Corporate Governance).

The Audit and Risk Committee performs the functions as contemplated in the PFMA. It is responsible for, amongst other functions, ensuring the adequacy and effectiveness of the risk management process, internal control systems, the internal audit function and reviewing the annual financial statements to ensure that these have been prepared in accordance with the PFMA and related Treasury Regulations, as well as the applicable accounting framework (merSETA, Corporate Governance).

The Remuneration Committee is responsible for the development of guidelines and reviews the compensation and performance of staff of the organisation. It reviews and approves corporate goals relevant to the compensation of the Chief Executive Officer (CEO) and evaluates the CEO's performance in respect of these goals and objectives. It is also responsible for all human resources related matters (merSETA, Corporate Governance).

The Education, Training, Quality Assurance (ETAQ) Committee is responsible for the oversight of the execution of the quality assurance functions and obligations of the merSETA on behalf of the Accounting Authority (merSETA, Corporate Governance).

The Finance and Grants Committee is responsible for the oversight role in respect of the management of grant disbursement by the merSETA (merSETA, Corporate Governance).

The Chamber Committee develops sub-sectoral inputs into the Sector Skills Plan (SSP[3]), identifying education and training needs. It also makes inputs to education and training policies and monitors the development and implementation of learning programmes as well as other training in the sub-sector (merSETA, Corporate Governance).

The Regional Committees form a strategic link with regard to the flow of information between chambers and merSETA regional committee structures in line with the country's nine provinces (merSETA, Corporate Governance).

1.4 Governance within the merSETA

The merSETA reports to the Executive Authority – the DHET –

> *who, in terms of the Act is accountable to Parliament for skills development. The Executive Authority must exercise its powers and responsibilities in order to ensure that the implementation of the objectives and execution of the functions of the SETA comply with both the Act and the policies of the Executive Authority, and*,
>
> (2) *In executing its accountability and responsibility functions the Executive Authority must exercise its powers in terms of the Act, the PFMA, the standard SETA constitution and any other relevant legislation* (DHET, 2012, p. 9).

[3] "*SETAs are responsible for developing a sector skills plan within the framework of the national skills development strategy. The minimalist scope related to the responsibility is to signal broad trends emerging from a national analysis of broad economic trends. The wide scope related to the responsibility is detailed forecasting that allows for a modelling exercise which translates knowledge of skills needs and a functioning training system*" (Marock et al., 2008, pg. 8).

The Governing Board[4] *of the merSETA, is the Accounting Authority of the SETA, and*

shall assume ultimate accountability and responsibility for the performance and affairs of merSETA and shall in so doing effectively represent and promote the interests of the stakeholders. Board members, both independent non-executives and-executives and non-executives, carry full fiduciary responsibility and owe a duty of care and skill to merSETA in terms of Common Law and Code of Ethics. The Board is the focal point of corporate governance in merSETA. It is ultimately accountable and responsible for the performance and affairs of merSETA (merSETA Board Charter, 2011a, p. 4, 5, 13).

The merSETA subscribes to the Batho Pele (People First) principles (Annual Report, 2010:2013).

The Governing Board delegates the day to day management of the merSETA to the executive management under the leadership of the CEO (merSETA Board Charter, 2011a).

The merSETA has established a governance unit which is responsible for all the governance functions of the merSETA. These responsibilities include ensuring that the merSETA complies with the King Code III as well as complies with the PFMA and other related statutes. The unit ensures that an annual year plan comprising of all scheduled meetings of all the structures are planned and distributed to all stakeholders at least a year in advance. The unit also acts as the secretariat of the merSETA ensuring that agendas and relevant documentation is distributed to stakeholders at least seven days before the scheduled meeting dates. Minutes are prepared and distributed to stakeholders within 14 days after the occurrence of meetings. In addition the unit develops a decision list for all meetings in order to track and ensure that outstanding

[4] Various respondents have used Governing Board and Accounting Authority interchangeably. The author uses the term Accounting Authority as encapsulated in the merSETA 2012/2013 Annual Report, p. 45.

agenda items are addressed by the relevant structures. The unit also arranges regular capacity building interventions for stakeholders, such as the Accounting Authority.

The SETAs are considered central in mediating the relationship between training (the supply side) and socio-economic requirements (the demand side) (Marock, Harrison-Train, Soobrayan, Gunthorpe, 2008).

Social compacts between the private sector, organised labour, communities and government are key in creating a platform for creating five million new jobs by 2020 (NGP, 2011). The NSDSIII is the overarching strategic guide for skills development and serves as a guideline for sector skills planning and implementation in the SETAs. It is geared towards increasing the skills and qualifications base which is required to support priorities and initiatives such as the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP), the Human Resources Development Strategy (HRDS), and more importantly, sector development plans, which is central to this policy, and is now in its third five year term (DHET, 2010).

Prior to May 2009, Skills Development policy fell under the auspices of the DoL and was underpinned by the National Skills Development Strategy and the Quality Council for Trades and Occupations (QCTO) (Bird & Heitmann, 2009).

Bird and Heitmann (2009, p. 8) proffer that there was disarticulation in the strategy in that the strategy lacked a “coordinated, integrated and responsive system”. This was illustrated through parallels evident between the Department of Labour (DoL) and the Department of Education (DoE) in their respective policy responses to the Human Resources Development strategy.

Bird and Heitmann (2009, p. 10) further argue that the “cleavage between the two departments apparently reflects the past failures of the South African government to learn lessons from those who, whilst facing similar tensions between demand and supply, had evolved systems and strategies to straddle these two domains”. The Zuma

administration addressed these issues through splitting the education ministry into two departments: the Department of Higher Education and Training (DHET) who was responsible for overseeing higher education and vocational training and the Department of Basic Education devoted to primary and secondary schooling. The ANC's Collins Chabane informed the press that "the SETAs would be moved from the Department of Labour to the Department of Education, as the country needed to have one coordinated training ministry in the country that will focus on the provisions of skills" (Bird & Heitmann, 2009, p. 11). Following this announcement a Minister for Higher Education and Training was appointed to the Zuma cabinet and the Skills Development programme of the DoL was informed of its wholesale transfer to the new department (Bird & Heitmann, 2009).

This newly established Department of Higher Education and Training, which was established in May 2009 inherited functions and responsibilities from both the DoL and the former DoE. It is responsible for, amongst others, ensuring the achievements of the targets set out in NSDSIII. The DHET is also responsible for a performance monitoring and evaluation system to ensure regular monitoring and evaluation (including impact assessments) of programmes and projects. The performance monitoring and evaluation system is integral to the SETAs discharging its mandate in the most effective and efficient manner (DHET, 2011).

NSDS III argues that the real value added by SETAs is their understanding of labour market issues in their respective industrial and economic sectors. In order to be able to speak with authority on skills development, SETAs must begin to demonstrate their commitment to addressing the skills needs within their sectors, through innovative cutting-edge interventions (DHET, 2011). One of these interventions is the learnership and apprenticeship system, whose primary objective is the retraining and up-skilling of the existing workforce, culminating in a broader base of incumbents with higher level skills (Lundall, 2003).

1.5 Problem Statement

It has been noted that one of the key challenges impeding the success of the skills development system lies in its institutional arrangements. The organisational structure and reporting requirements appear to be highly complex, with SETAs reporting to various line ministries such as the DHET, and National Treasury. The governance system comprising of multi-layered stakeholders, potentially creates the space for financial mismanagement, and requires substantial resources to maintain (DHET, 2013).

The Ministerial Task Team (MTT) on SETA performance has noted that it appears as though the SETAs mandate is too broad with an opinion being articulated that the SETAs are expected to respond to various societal challenges, including illiteracy, unemployment, out-of-school youth, and university funding (DHET, 2013).

SETAs are evaluated annually against the criteria contained in the NSDSIII which is conducted jointly by representatives of the DHET and the respective SETA (DHET, 2013). Marock *et al.* (2008) have highlighted the challenges of this evaluation and reporting framework noting the inherent problems of self-reporting and their lack of success in attempting to triangulate data received from the SETAs.

To compound the above, the SETA's have received on-going negative criticism in the public domain since their inception. In particular the SETA's have been criticised for their lack of governance, maladministration, and inefficient usage of public resources (Redelinghuys, 2013). In addition, academic analyses and press reports have raised concerns about the effectiveness of the learnerships training programmes being offered. These analyses have included reviews of the performance scorecards of the SETAs highlighting that enrolments are high, but throughput levels are extremely low. The SETAs appear to have been plagued by capacity problems, corruption and governance crises. These factors amongst others, do not bode well for the SETA's in their quest to discharge their mandate (Swilling & van Breda, 2007). Given the huge amount of resources allocated to the SETA system (levies increased from R4 426 003 billion in

2007 to R 8 609 811 520 billion in 2011) it is prudent that additional knowledge regarding the effectiveness of the system is gained (DHET, 2011).

1.6 Motivation for the research

The (MTT) report to the Minister of DHET on the performance of SETAs, has found amongst others, that confusion exists between the Boards in relation to their execution of their fiduciary duties, more particularly the critical importance of stakeholder participation in the strategic activities of the SETAs. This has resulted in poor corporate governance within the SETAs as well as inadequate strategic focus on demand-led skills development (DHET, 2013). Furthermore, there appears to be evidence of systemic governance challenges including weak financial accountability and oversight within some SETAs, as well as a lack of documentation for NSF income and expenditure (DHET, 2013). This lends credence to repeated claims of fruitless and wasteful expenditure of much needed limited resources.

In highlighting the numerous compliance and governance challenges affecting the SETAs, the MTT report argues that this is primarily as a result of the SETAs institutional arrangements (DHET, 2013).

The institutional design of the SETAs consists of multi-layered stakeholders participating within fora such as the National Economic Development and Labour Council (NEDLAC), the NSA as well as SETA boards. These structures comprise of representatives from Government, Business, Social partners, the SETA sub-committees, (Audit, Remuneration, Finance and Executive Committee), as well as related accounting mechanisms such as the Parliamentary portfolio committee, DHET and the Minister of the DHET. Often times, the same individuals are represented on these different structures, resulting in ambiguity in terms of oversight roles, accountability and responsibility. For example, members represented on the Accounting Authority of the merSETA are also represented on the sub-structures, including the Executive Committee, the Chamber Committees, the Audit and Risk Committee, and the Finance and Grants Committee. It is instructive to note the roles of

these committees which are presented on pages 16 to 17 above. These roles and responsibilities vary from providing oversight and accountability, to managing the operational affairs of the merSETA to the development of the sub-sectoral inputs into the merSETA SSP. The SSP is the consolidation of the 5 sub sectors skills needs including scare and critical skills lists identified by the five chambers. Members of the SETA boards are also jointly accountable, which is not aligned with the PFMA requirements where an individual is the accounting authority (DHET, 2013). In addition, the outputs of the system, such as learnerships and apprenticeships have to be linked to the National Qualifications Framework (NQF), requiring co-ordination between the various training providers, SETAs and the Department of Education. Often citied occurrences of long delays in the accreditation system has caused frustration as well as thwarted the provision of training. This has been identified as a key institutional impediment in the effectiveness of the skills development system (Daniels, 2007).

As can be gleaned from the aforementioned, the SETA's are faced with numerous challenges, which include amongst others: governance; the policy/political environment; institutional and capacity constraints; accountability and transparency as well as delivery.

Given the complexity of these issues both individually and within the context illustrated above, the author has researched these issues through the lens of governance. The UNDP defines governance as managing a country's affairs at all levels through exercising administrative, economic and political authority. This entails utilising decision making processes aligned with democratic practices whereby citizens … "articulate their interests, exercise their legal rights, meet their obligations and mediate their differences" (Grindle, 2007, p. 556). The study focused on the perceptions of the stakeholders of the weaknesses in governance in the merSETA. The study also entailed an examination of how the stakeholders viewed the institutional mechanisms such as the stakeholders' decision making processes, their adherence to policy and procedures, their accountability and responsibility, as well as oversight and transparency.

1.7 Research Objectives

1.7.1 Research aim and objectives

The purpose of this research is to explore and understand the nature of governance and the institutional arrangements in the merSETA. The research examines the governance and institutional arrangements based on the stakeholders' perceptions of the delivery of the learnership and apprenticeship system.

The merSETA was used as a case study geared towards understanding the nature of its governance and institutional arrangements within the merSETA.

The institutional structure that was examined included the Accounting Authority which develops policy in terms of the code of conduct and the Executive Committee (Exco) with specific regard to the allocation of resources. It also examined the stakeholders' perceptions of the management of the administrative processes, policies and procedures, as well as the "human resources deployed to interface with citizens in the political and bureaucratic space" (Grindle, 2007, p. 553).

The study highlighted what the perceptions of the stakeholders are regarding the challenges that impacts on the delivery of the learnerships and apprenticeship system, a key cornerstone of the SETA mandate (DHET, 2011).

1.7.2 Primary Research Question

What are the governance and institutional arrangements that currently exist in the merSETA and how do stakeholders view their effectiveness?

1.8 Research Design

Qualitative analysis was used for this study as it provided the author with opportunities to explore or describe a phenomenon in context using a variety of data sources (Baxter & Jack, 2008). As a strategy, qualitative research usually emphasises words rather than quantification in the analysis of data, and it is inductivist, constructionist, and interpretive. It allowed the author to interact with one single distinct group being the

merSETA stakeholders as well as provided an opportunity to interact with the respondents listed in Appendix B. This provided the author with an opportunity to gain valuable insight into the organisation as well as to gather data from a variety of sources and to converge the data to illuminate the case. The corroboration of the theory in respect of governance and institutional arrangements emerged out of the collection and analysis of the data (Baxter & Jack, 2008).

1.9 Scope, Limitations and Assumptions

This section of the research report clarifies the scope of the research as well as identifies some of the limitations of the study. This section also identifies some of the assumptions that underpin the research.

The research is limited to the merSETA as a case study for investigation and analysis. One of the limitations of a case study is that it is not generalisable.

A further limitation of the research is that it is a single case study and the purpose is simultaneously both descriptive and exploratory. The author was employed in the capacity of Skills Planning Manager at the merSETA for the period March 2005 to November 2007, and is aware that subjectivity is always present in research, and of the impact this may have on the research project.

1.10 Structure of the Report

Chapter One comprises of the background and context as well as summaries of the subsequent chapters. The background covers the evolution of the Skills Development Architecture, situated within a brief overview of the socio economic conditions prevailing post 1994. Chapter Two comprises of the literature which reviews concepts of governance in amongst others, Grindle (2007), Leftwich (1994), DHET (2011), Peters (2011), as well as the concept of institutions in Leftwich (2007) and Pierre (2009), and decision making, non-decision making in Ham and Hill (1993). SETA reviews conducted by amongst others, Bird and Heitmann (2009), DHET (2011), (Marock *et al.* (2008), and Lundall (2003) have also been reviewed. Chapter Three examines the research design which includes limitations of the study. The study did not review the

performance monitoring and evaluation system neither the quality assurance system in any detail, but relied primarily on the perceptions of the stakeholders of the effectiveness of the performance monitoring and evaluation system. It sketches the scale and scope of the NSDSIII, and the rationale for only selecting learnerships and apprenticeships to understand and explore the stakeholder's perceptions of the effectiveness of the merSETA. The rationale for using a case study and a qualitative approach as well as the methodology employed is discussed in this section. Chapter Four presents the findings of the study. Chapter Five discusses the findings of the data collected. Some of the findings include an analysis of the governance structure and the institutional arrangements of the merSETA. In particular, the findings highlight the decision making processes within the merSETA. Chapter Six encapsulates a synthesis of the findings leading to the formulation of recommendations.

2. LITERATURE REVIEW

A survey of various external reviews on SETAs was conducted for this research. This included reviewing secondary data such as reports, articles and minutes related to the performance of SETAs in general and the merSETA, in particular. This literature formed the basis for the examination of the concept of governance, as well as the institutional arrangements within the merSETA. Literature debating the nature of good governance and the issues raised was also summarised.

2.1 Notions of governance

The UNDP's definition of governance is used to frame the concept of governance, which is defined as:

> *the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences (p.12)* (Grindle, 2007, p. 556).

The UNDP further defines good governance as being:

> *Characterized as participatory, transparent … accountable …. effective and equitable … promotes the rule of law … ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and most vulnerable are heard in decision-making over the allocation of development resources (p.12);* (Grindle, 2007, p. 556).

Institutional arrangements comprising of mechanisms such as the organisation and its structures, the stakeholders, the capacity of stakeholders, roles and responsibilities of stakeholders, principals, conflicts of interests, decision making, and the fundamentals of democracy (including accountability, transparency and participation) are the broad categories which are used to explore and understand the nature of governance within the merSETA. Additional mechanisms such as adherence to policy and procedures and communication and information are further categories which are used to explore and

understand the nature of governance within the merSETA. Leftwich (2005) refers to the aforementioned categories as the processes which regulate decision making of various economic and societal actors in the public realm.

In defining institutions, Leftwich (2005) posits that the fundamental starting point is to recognise that all human societies have been characterised by more or less complex and overlapping networks of regular social interactions and social practices. He recognises that as humans are a social species who have to live together, it becomes imperative that they develop a shared and common understanding of the rules which govern them. This entails understanding how the different actors deal and interact with each other, the process of collective decision making and how transgressions are dealt with. These rules encompass the meaning of institutions; institutions are therefore broadly understood as encompassing procedures and rules, either enacted in law, i.e. within constitutions; or understood as being informal rules and practices embedded in practices of organisational culture. He further asserts that these procedures and rules express and sustain power relations (Leftwich, 2005).

The review of the literature indicated that prior research carried out by amongst others, Marock *et al.* (2008) did not adequately analyse the concept of governance in relation to the institutional arrangements of the SETAs. In this regard, Marock *et al.* (2008) state in the SETA Review that they had utilised the Auditor General's opinion on the fiduciary responsibility of the SETAs as indicators of governance. Other factors pertaining to governance such as the levels of participation within the SETA structures, the SETA constitutions, and the extent to which stakeholders had a shared understanding of governance, were not included in their ratings (Marock *et al.*, 2008).

Substantial changes in the global world necessitated changes in corporate governance practices that gave rise to the King III Code of Governance for South Africa (King III). King III highlights the importance of ethics[5] at board, management and staff levels, and

[5] the author defines ethics as … doing the right thing even when no one is watching.

in particular, the need for an ethical culture. However, expecting that an ethical code in and of itself will engender a culture of ethics is short-sighted (Barclay, 2009).

King III provides guidelines on the characteristics of board members (or directors, in the case of companies) under the following criteria: competence, commitment, fiduciary responsibilities and supervision (Singizi, 2007).

The King III report is widely regarded as a guideline for government to enforce compliance on government departments, state owned enterprises and public entities (Barclay, 2009). King III, however does not offer guidance on some of the governance challenges that not for profits are faced with as in the example of the constituent model which is also being promoted by the South African Government. One of the shortfalls of this governance model is that it is not aimed at ensuring individuals with diverse governance skills are represented on the board. King III is not mindful of these unique challenges and offers no guidance on them (Hendricks & Wyngaard, 2010).

This research does not focus on all the characteristics identified by King Code III above, but instead uses the research questions to guide the investigation of the perceptions of the stakeholders with regard to institutional arrangements including decision making and accountability, the capacity of the stakeholders and their roles and responsibilities and conflict of interests within a governance context.

The author draws on Grindle (2004), who suggests that the international development community has defined the good governance agenda as encompassing a growing list of unrealistic criteria without taking cognisance of what needs to be done; when it needs to be done; and whether it is feasible or not (Grindle, 2004).

According to Grindle (2004), the literature on the advocacy for good governance is “ahistorical”, in that the practice of good governance in most of the developing countries took decades and even centuries to achieve. Despite the pressure that is being exerted on developing counties to create similar conditions it is critical to take cognisance of the

immaturity of democracy within some of these countries. Attaining good governance includes having to decentralise government in order to increase the effective and efficient management of resources. It deepens the culture of accountability and responsiveness to the majority of poor and working people and assists in reducing corruption (Grindle, 2004, p. 531-533).

Grindle (2004, p. 525) opines further that achieving good governance entails a holistic improvement within the public sector. This includes reforms of the "institutions that set the rules of the game for economic and political interaction". It requires that these reformed institutions ensure that transparency exists within decision making structures tasked with determining and allocating public resources. It also calls for the deepening of the efficacy and effectiveness of the administrative systems underpinning service delivery; as well as a human resources system embedded within the principles of the primacy of the interests of citizens. Ingram and Smith (1998) caution against equating the measurement of the quality of the products consumed with that of an efficient administrative system. They state that this efficient administrative system is merely a process, and more particularly the "most shallow process" (Ingram & Smith, 1998, p. 7).

Grindle, (2004, p. 525) suggests that the good governance agenda should encompass a "more nuanced understanding of the evolution of institutions as well as government's capabilities".

2.2 Stakeholder collaboration

Stakeholders are defined as all those who are interested in or associated with a particular public service, i.e. citizens, interest groups or private businesses (Pierre, 2009).

The stakeholder driven composition of the SETAs with its varying interests and competing expectations poses huge challenges for efficient decision making within the SETAs. These interests range from the primary interests of employer stakeholder groups for skills development to increase productivity, to the interests of the trade

unions for members to access employment and promotion opportunities as well as redress and equity. It also includes government's interests of accelerating economic growth in order to address the triple challenges of unemployment, poverty and inequality.

Bird and Heitmann (2009) note that during the policy process which led up to NSDSII, the negotiations process was followed by very formal negotiations between the constituencies, where they were able to bargain effectively on an interest basis, whilst simultaneously committing to finding a national consensus. The jury is still out on whether this national consensus translates into sectoral consensus at the individual SETA level.

Given that governance entails the behaviour of actors and the rules and processes in which power is exercised, particularly with regards to processes such as participation, transparency and accountability, it would be prudent for stakeholders to explore more collaborative approaches to ensure efficiency, effectiveness and coherence with regards to delivering on their mandate (Massey, 2009). Achieving consensus should require that stakeholders do not continue to "play cooperatively each with their own set of blocks without pooling their blocks to build a common structure and vision collaboratively" (O'Flynn, 2009, p. 112).

This case study took cognisance of the prevailing perceptions of the stakeholders regarding the dynamic of collaboration between the different stakeholders; whether collaboration had occurred; and whether it had facilitated problem solving and reflection on changes to effect policy change (Bird & Heitmann, 2009).

2.3 Notions of decision making and power

Peters (2011) refers to the concept of governance as being increasingly complex, both in terms of the goals being pursued, i.e. democracy and efficiency, as well as the instruments used to pursue those goals. These instruments encompass democratic practices such as transparent decision-making and participation.

Dahl's (1958) view in respect of decision making, (cited in Ham & Hill,1993), is that it is imperative for researchers to examine *actual decision* making, particularly within the context of the power relations that exist between political actors. These political actors may either be groups and/or individuals. He emphasised that the question of "power must be studied in cases where there are differences of preferences between key actors", and that it was necessary to "analyse concrete decisions involving actors pursuing [these] different preferences" (Ham & Hill, 1993, p. 66).

Bachrach and Baratz (cited in Ham & Hill, 1993) argue that understanding power should not only entail the examination of decision making processes, but should also examine individuals exercising their power through practices which reinforces their social and political values and which are not subject to public consideration (Ham & Hill,1993).

The issue of power and consensus in decision making processes is raised by Lukes (1974), (cited in Ham & Hill,1993), wherein he posits that the phenomena of individuals exercising power with a view to shaping the preferences of people irrespective of whether overt or covert conflict is present, does not constitute consensus as latent conflict remains present. Seemingly, individuals who may have desired particular preferences may not have been aware of how their interests could have been compromised.

Lukes (1974), espouses the view that achieving consensus is not indicative that power is not being exercised. He posits that:

> *Is it not the supreme and most insidious exercise of power to prevent people, to whatever degree, from having grievances by shaping their perceptions, cognitions and preferences in such a way that they can see or imagine no alternative to it, or because they see it as natural and unchangeable, or because they value it as divinely ordained and beneficial? To assume that the absence of*

> *grievance equals genuine consensus is simply to rule out the possibility of false or manipulated consensus by definitional fiat (pg. 24)* (Ham & Hill.1993, p. 71).

He states further that it is imperative that the phenomena of preventing covert conflict from emerging in non-decision making processes should be acknowledged (Ham & Hill, 1993).

Bachrach and Baratz (1962) define non-decision making as:

> *a decision that results in suppression or thwarting of a latent or manifest challenge to the values or interests of the decision-maker (1970, p. 44) in other words, the practice of limiting the scope of actual decision-making to "safe" issues by manipulating the dominant community values, myths, and political institutions and procedures* (Ham & Hill,1993, p. 67).

Examples of such non-decision making includes the practice of escalating decision-making within an organisation, as well as referring decisions for further investigation and deliberation to special task teams or committees (Ham & Hill,1993).

The issue of non-decision making occurring according to Bachrach and Baratz (cited in Ham & Hill,1993) occurs when various factors, including dynamics of group power relations coupled with the dominant values prevalent at the time, (either singularly or in combination) impedes grievances from developing into issues thereby thwarting decision making. They assert that certain forms and practices may impede stakeholder's ability to articulate diffused discontent into explicit demands. This may occur when there is an inarticulate ideology even within progressive institutions with this apparently latent [inarticulate] ideology promoting the selective perception and articulation of social problems and conflicts (Ham & Hill, 1993).

Walsh *et al.* (1981) (cited in Ham & Hill,1993) argues that it is imperative that the prevalence of power is analysed in situations where the dominant values of individuals

serves to disadvantage other individuals and /or groups by virtue of the concurrent existence of conflicts as well as the dominance of the elites within organisations. The ideology and attitude of these elites may contribute to a belief that some form of consensus exists (Ham & Hill, 1993).

Similarly, Dahl (cited in Ham & Hill, 1993), acknowledged that elites may be in control of the dominant views within organisations by virtue of the fact that "leaders do not merely respond to the preferences of constituents, they also shape preferences" (Ham & Hill 1993, p. 74).

Ham and Hills (1993) work highlights that the literature on the "decisional approach, ... although valuable" only begins to address the complexities of power relations within decision making approaches (Ham & Hill,1993, p. 79). These processes exhibit practices of referral of decisions and co-option of opposition groups and suppression of demands and in so doing perpetuating a system of the dominance of powerful groups. Structurally, this finds expression through the dominance of males, and symbolically through the usage of language within organisations (Ham & Hill, 1993).

The views of the stakeholders regarding institutional arrangements of the merSETA more particularly the decision making processes of the stakeholders were examined. Leftwich (2007) posits that the formal and informal processes which are based on the rules and procedures of institutions influences thought and are deemed to constitute a facet of institutions. Leftwich (2007) asserts that change cannot be devoid of resistance from competing interests groups. He further asserts that different interests groups may be torn between compliance with the existing formal institutional requirements and the demands of informal institutional loyalties in the discharge of their duties (Leftwich, 2007).

The author observed that the various reports commissioned by the DHET are silent on the aforementioned processes which regulates and determines decision-making. These reports did however, analyse the SETAs compliance with various statutes such as King

III, the PFMA and National Treasury regulations. The key principles underpinning these statutes are that public institutions should contribute to the effective and efficient performance of their specific public mandate through the efficient provision of public goods and services, and that they be subject to external scrutiny (Singizi, 2007).

2.4 Governance structures of the SETAs

The large governance structures of the SETAs, which are aimed at accommodating all constituent stakeholders could contribute to cumbersome management of the SETAs; the adoption of bargaining council postures; as well as the different stakeholders upholding specific interests rather than sectoral interests, thereby thwarting effective and efficient decision-making (Singizi, 2007).

The Singizi (2007) report notes that the primary motivation for these complex institutional arrangements was to create an environment conducive to transformational goals such as equity and redress, as well as increasing the impact of training outcomes. The complexity of the institutional arrangements however, has had the contrary effect of increasing the number of stakeholders and meetings in the decision-making processes. This is aptly demonstrated in the fact that the SETAs are accountable to various Ministries and organisations most notably the:

> *The Minister of Higher Education and Training and the Director-General: DHET in respect of their powers and functions under the SDA and the SDLA;*
>
> *QCTO in respect of their functions as ETQAs under the SAQA Act; and*
>
> *National Treasury and the Auditor-General in respect of their fiduciary responsibility in managing public finances and other public resources in compliance with the PFMA* (Singizi, 2007, p. 65).

Marock *et al.* (2008) opine that the complexity of the SETA's governance structures requires a high level of devolution to promote accountability and effectiveness. The SETA governance structures comprises of 15 members in a non-executive and

independent non-executive capacity. Twelve of the members are nominated and represent the sector. Three additional members who are independent are directly appointed by the Minister, one of whom is the chairperson. It has been noted in the Ministerial Task Team (MTT) review commissioned by the DHET that "independent chairpersons in a constituency based composition model can be a difficult process to manage" (DHET, 2013, p. 56-57). Marock *et al.* (2008) note further that devolution may result in financial mismanagement, requiring various institutional mechanisms such as audit policies and procedures, to mediate these risks.

2.5 Notions of good governance and good performance

Leftwich (1994), opines that from a narrow administrative perspective, a transparent, effective and efficient public service demonstrates good governance. Good governance creates an enabling environment wherein citizens are able to interrogate institutional changes as well as capacity building initiatives - which are deemed to be an important foundation for development. Good governance necessitates improvements in all spheres of the public sector, particularly the institutions. This includes the stakeholders, as well as the rules and procedures in the decision making processes, culminating in the efficient alignment of resources (Grindle, 2007). Improvements in governance is deemed to be a critical element for accessing new revenue streams, improving service delivery as well as establishing credibility amongst stakeholders.

The Singizi (2007) report makes a distinction between good governance and good performance. This distinction is evident in the negative criticisms levelled at the SETAs performance in the public domain juxtaposed with a review of the annual reports of the merSETA for the financial years 2009/2010 to 2012/2013 which indicate that the merSETA had met and in most cases exceeded targets across most of the indicators (merSETA Annual Report 2012/2013). The targets and performance information for 2012/2013 is attached hereto as Appendix C.

Marock *et al.* (2008) highlights the fact that even though the SETAs may receive high rankings in terms of their Sector Skills Plans this does not necessarily indicate that

agreement exists within the sector with regard to the scarce and critical skills identified. Their report also notes that though it appeared that a thorough process was followed in the development of the SSPs, it was not possible to confirm whether in fact stakeholders had reached agreement on the priorities outlined. This pointed to the fact that training achievements attained may not necessarily be aligned with industry needs. Furthermore, concern was raised that bad data underpinning the planning processes seriously impeded effective performance monitoring and evaluation. This challenge was as a result of the lack of effective information management systems (Marock *et al.*, 2008). Marock *et al*. note further that it is imperative to address the paucity of data relating to workplace based training which is escalated into the SSPs. Their findings highlight the perverse incentives that permeate the training outputs in the levy/grants system (Marock *et al.*, 2008).

The perceptions of the stakeholders of the performance of the of the merSETA is evaluated based on these annual reports and corroborated with minutes of the Accounting Authority and various sub structures including the Executive Committee (Exco), Finance and Grants committee (F&GC) and the Chamber committees (CC).

2.6 Capacity Building in a young democracy

South Africa faces severe capacity constraints in policy implementation which can be likened to other countries at similar stages of development. McKinley refers to South Africa as a young democracy with elements of ’classic’ institutional and political tensions (McKinley, 2014). Cognisance of this constraint needs to be taken into account when developing institutions, systems and procedures.

Notwithstanding the role of capacity building programmes and courses, it is imperative that work processes aligned with predetermined goals guide capacity building endeavours (Bird & Heitmann 2009). Bird and Heitmann (2009) further opine that capacity development implies that stakeholders have varying degrees of capacity, with some having more capacity than others. In order for stakeholders to effectively carry out their fiduciary duties it is contingent on a more holistic capacity development

intervention as defined by the German Technical Cooperation (GTZ) (cited in Bird & Heitmann, 2009). Such capacity interventions "should encompass a process whereby both the stakeholders as well as the organisation, maintains, adapts and expands their ability to manage their own sustainable development" (Bird & Heitmann, 2009 p. 20). Furthermore, that "capacity development with its core element of learning, clearly has a time dimension" (Bird & Heitmann, 2009 p. 20, 21). Lusthause *et al.* (cited in Bird & Heitmann, 2009), cite research that implies that capacity development is influenced by time and the stage of development of the actors, systems, processes and procedures of the institution which is being developed, and that at varying times some institutions may be capable and/or incapable of change. This implies that rapid change may not culminate in positive results.

Marock *et al.* (2008) also note that the serious nature of the role of Board members does not reconcile well with the part time nature of their tenure. In addition, they highlight that it has become increasingly important to develop criteria for the selection of Board members in order to ensure that they are able to discharge their duties effectively. It is imperative that changes geared towards enhancing the system occurs in conjunction with ensuring that the scale and scope of the SETAs mandate is not increased, given the SETAs capacity constraints (Marock *et al.*, 2008).

Furthermore, based on the perceptions of the stakeholders the case study investigated whether institutional capacity building had occurred and how it affected the institutional arrangements within the merSETA. Capacity building refers to changes which occur as a result of structural reform of systems, the development of human resources and strategic and business planning. It is recognised that the SETAs operate in a complex political environment. It was therefore deemed necessary to ascertain whether institutional change had occurred and if so whether it was championed by particular stakeholders (Leftwich, 2007).

Cognisance should be taken of the phenomenon of public service systems which are being modelled on "market-like organisations of service delivery which features

elements such as user boards, customer choice, and stake-holderism, as well as some other new forms of interaction between the public sector and the citizen" (Pierre, 2009, p. 1). It was therefore deemed necessary to explore and understand the stakeholder's perceptions of whether these practices had been assimilated into the institutional culture of the merSETA.

Marock *et al.* (2008), proffers that the complexity of the institutional design of the skills development system, the weaknesses in information management systems, and the lack of capacity are indicative of the fact that the SETAs are still at a critical stage of institutionalisation.

The DHET Ministerial Task Team (MTT) report quotes an interviewee as commenting:

> *Whatever the social ills, the SETAs are expected to respond and solve the problem. Whether it is skills shortages, out-of-school youth, unemployment, illiteracy, or university student funding, SETAs are expected to solve the problem* (DHET 2013, p. 42).

The latter sums up the tension between the lack of capacity and the scale and scope of the SETA mandate.

It becomes apparent that a need exists for a public servant who defies the norm of being an emotionally detached rigorous professional and is more empathetic alongside his/her professional manner. He/she becomes a public servant who, according to Weber (cited in Coser, 2003, p. 230), could be likened to the modern judge, where… "He or She is a vending machine into which the pleadings are inserted together with the fee and which then disgorges the judgment together with the reason mechanically derived from the Code" (Chipkin, 2011, p. 4).

2.7 Conclusion

The afore-mentioned plethora of socio-economic imperatives that the SETAs are expected to solve occurs within the context of institutions which are "deemed to be

weak, vulnerable and imperfect" coupled with a lack of resources as well as poorly trained and unmotivated staff (Grindle, 2004, p. 526). In contexts such as these, even the most energetic reformers are overwhelmed by the quest for good governance (Grindle, 2004).

The perceptions of the stakeholders is at the core of the author's endeavours to understand effective governance within the SETAs. The multiple institutional challenges faced by the SETAs is located within the argument being advocated that the good governance agenda, (comprising a long list of institutional changes and capacity building) is perhaps an unrealistic goal for developing middle-income countries like South Africa. Grindle (2007) opines that not all good governance interventions can be pursued and accomplished simultaneously.

The summary of the literature debating the nature of good governance comprising the mechanisms and processes such as decision making and non-decision making, the complex institutional arrangements and holistic capacity building interventions, foregrounds the author's quest to understand the nature of governance and institutional arrangements within the merSETA. This is based on the perceptions of the stakeholders and informs the pursuing discussion in Chapter Five.

3. RESEARCH METHODOLOGY

3.1 Research Design

Research can be defined as the systematic enquiry aimed at providing information to solve problems. The research method that was used to give expression to the enquiry followed a case study design that used a qualitative approach, with semi-structured interviews and a review of unpublished internal documents. The author used snowball sampling and interviewed seven merSETA officials: the merSETA CEO, three DHET officials, one representative from the NUMSA[6], one representative from the SEIFSA[7], and one representative from the Department of Trade and Industry (DTI). The approach centred on in-depth interviews with each respondent, thereby allowing for an understanding of the complexity that surrounds the governance and institutional arrangements within the merSETA. The interviews were recorded and transcribed. The findings were analysed and separated into various themes.

The skills development regime, more particularly its governance framework and institutional arrangements, are the subject of on-going research by various academics. This study therefore only constitutes a small contribution to this important and topical subject.

The study does not address either performance or monitoring and evaluation of the merSETA in any detail, due to the scale and scope of the SETA mandate. However,

[6] NUMSA is the largest metalworkers Trade union in South Africa with more than 339, 567 members (as at January 2014). It is an active affiliate of the Congress of South African Trade Unions (COSATU), the largest Trade union federation in South Africa . Formed in 1987, it merged five different unions, some of whom had formed in the 1960s and 1970s. It is the biggest trade union (except in Eskom) in all national bargaining forums where it bargains.

[7] The Steel and Engineering Industries Federation of South Africa (SEIFSA) is a national employer Federation representing the metal and engineering industry. SEIFSA is the umbrella body for 27 independent employer associations - representing the diverse sectors constituting the metal and engineering industry. The Associations currently have a combined membership of 2 200 companies employing over 220 000 hourly-paid workers. The SEIFSA membership employs 51% of the industry's workforce, and over 78% of all employees represented by the employer organisations party to the Metal and Engineering Industries' Bargaining Council (MEIBC).

the perceptions of the stakeholders which are corroborated with the review of internal documents, lends credence to the assertion that the performance management system appears to lack reliability. A separate in-depth study is required for judging whether the merSETA products such as the SSP, and the impact of the learnership / apprenticeship system, are delivered in the most cost effective and efficient way.

The study did also not address quality assurance as the current SAQA framework requires each SETA ETQA to develop their own quality assurance system and processes. It requires that providers are accredited and that they have registered assessors and moderators. There is a process of moderation and verification which is built into the system and requires that each programme is approved against a unit standard and/or a qualification. The SETAs are responsible for numerous small providers (DHET, 2011). In the case of the merSETA it is in excess of 1500. An examination of the merSETAs quality assurance was therefore beyond the scale and scope of this study.

The author was reliant on the various respondents to agree willingly to provide documents and their time for interviews. In the main, there was excellent cooperation from the respondents. Due to his unavailability the CEO of NEDLAC was not interviewed.

The main research was qualitative fieldwork, gathering qualitative data through interviews. The semi-structured interviews allowed for flexibility and probing and facilitated the development of interviewee responses. The interviews were conducted at the location of the respondents. In addition a documentary analysis of the merSETAs Annual Reports, minutes of the Governing Board, the Executive Committee, the Innovation, Research and Development department, and the five Chamber committees, for the financial years 1st March 2010 to 28th February 2013, as well as the service level agreement and an extract of the 2013 – 2014 Sector Skills Plan was undertaken.

The limitation of the research is that it is a single case study and that the purpose is simultaneously both descriptive and exploratory. The author was employed in the capacity of Skills Planning Manager at the merSETA for the period March 2005 to November 2007, and is aware that subjectivity is always present in research, and of the impact this may have had on this research project. This necessitated the development of a parallel process designed to validate that the findings and discussion were strictly based on the data collected during the research process.

The study took the form of a case study of the merSETA, as only one of the 21 SETAs was subjected to a detailed intensive analysis. The term case study is generally associated with either an organisation or a location. Case studies allow for the utilisation of various qualitative techniques including participant observation, semi-structured interviews, as well as data collection of an organisation's minutes and reports. It allowed the author to highlight the complexity and particular nature of the case (Baxter & Jack, 2008).

Case studies are normally qualitative in nature and geared towards providing an in-depth description. The qualitative methodology tends to be used to refer to forms of data collection and analyses, which rely on understanding with an emphasis on meaning, and was therefore an appropriate methodology in understanding the specific context in this case study. Interpretivist methodologies include, amongst others, interviewing as well as observation and qualitative data analysis, which provided the author with an opportunity to interpret someone else's interpretation of reality.

3.2 Instruments for data collection and validity and reliability

In order to address both issues of reliability (defined as being the "constructed, multidimensional, and ever changing realities – through which the author has the opportunity to interpret someone else's interpretation of reality") as well as validity, which entails "truthfully depicting the detail, a robust audit trail of the process as well as ensuring attention to the perspectives of those being studied" (Merriam, 1995, p. 54, 59). The research methods paid particular attention to sampling, data collection

methods, data processing and analysis, researcher subjectivity and ethics. Each of these is discussed further in what follows.

3.3 Sampling

The sampling strategy employed was snowball sampling. Initial contact was made with the CEO of the merSETA, who recommended officials within the merSETA, as well as stakeholders from organised business, organised labour and various government departments who were relevant to the research topic (Bryman & Bell, 2007). A total of thirteen respondents were interviewed. They included seven officials from the merSETA, three merSETA stakeholders and three officials from the DHET. This enabled perspectives from a range of participants with the weakness that participants may have selected participants with similar views to themselves.

3.4 Data collection

The primary method of data collection was qualitative fieldwork. The research was dependent on various sources of data, including people and their experiences, documents and reports. For most of the textual data, existing documents, minutes and reports were requested. These were easily and readily available due to the privileged relationship that the author has with the merSETA. The analysis was used to validate and/or refute whether the decision making processes, systems, actors (stakeholders) and accountability corroborates the literature of governance and institutions. This triangulation of data assisted the improvement of validity and reliability in the study.

Semi-structured interviewing was utilised as it allowed for a fairly informal, almost conversation-like process. The interview guide was thematic with specific questions geared towards guiding the conversation and is attached hereto as Appendix D.

Individual one and a half hour interviews with members of the various stakeholder fora, such as the Accounting Authority and sub-committees (governing the SETA's), within the merSETA, were scheduled and convened. One interview was conducted within half an hour (with the respondent volunteering to a follow up telephone interview if deemed

necessary), due to time constraints experienced by the respondent. Two interviews were conducted within 45 minutes and 1 one hour respectively.

The interview guide consisted of thirteen questions in total and was grouped into five broad themes as follows. The first question set the tone in broad terms for the interview, and dealt with the perceived perceptions of the SETAs performance. The second question dealt with the policy transfer from the DoL to the DHET. The third and fourth questions dealt with governance and institutional challenges within the SETA, and the fifth question requested the respondents to comment on the advice they would provide relating to the challenges identified in the previous questions.

The author attempted to ensure that the interviews were not interrogative but that it rather took the format of a conversation. The semi-structured nature of the interview meant that all the respondents were asked the same questions. The author had very little control over the responses, but in some instances had to probe in order for the respondents to elaborate and/or to follow through on a particular line of thinking. The questions in the main were geared to solicit the respondents opinions based on their particular experience as well as some background information.

The author wishes to acknowledge this type of interviewing when compared to other interviewing tools such as questionnaires and surveys, which did present some drawbacks. It became apparent during the interviewing process that the respondents did not possess a standardised response to the questions. The author was able to develop a greater understanding of the process, through the process, and therefore acknowledges that she was not a neutral data collector but that data collection and interpretation took place simultaneously.

The interviews were recorded and notes were kept. Thereafter the tape recordings were transcribed as a series of verbatim conversations for analysis.

3.5 Data processing and analysis

All the interviews were recorded, transcribed and coded. The data were sorted and arranged into a consolidated word processing document (totalling 291 pages) following the order of the interview guide. Themes were developed from the coding and given meaning as they emerged. The two key features in analysing the data entailed the development of theory out of the data and secondly, that the process of collection of the data required repeatedly referring back to both the theory and analysis (Bryman & Bell, 2007).

Analysis and coding of the transcripts required the reading and rereading of the transcripts to ensure familiarity with the material. Due to the volume of the transcribed texts, it required that selective coding be utilised, through the selection of core concepts, i.e. governance, and institutions. These were then systematically related to other categories, including: compliance, mandate, decision making, transparency, stakeholder interests; validating those relationships, and finally filling in categories that required further refinement and development. These included categories such as conflicting expenditure directives impacting on internal decision making; unilateral directives culminating in 'mission creep', capacity, non-decision making, conflicting interests, and composition of structures (Bryman & Bell, 2007).

The consolidated document referred to above was organised into three columns, the first assigned to the interviewee to whom codes were assigned to ensure confidentiality and anonymity. The second column contained the actual interview transcription sorted per category / sub-category. And the third column contained the code which was assigned: for example, governance Gov00, 'mission creep' Gov03 3, Institutional arrangements Ins00, principals Ins01, conflict of interest Ins03 1, decision making Ins08, advice to merSETA Ins17 12. (See Appendix E.) The advanced search and find function was utilised to traverse the consolidated document culminating in the extracts of interviews presented as data in Chapter Four.

A similar manual process was adopted for the analysis and coding of the minutes and Terms of Reference of the merSETA structures, the Service Level Agreements (SLA) and the Strategic Plan (SP) listed in the schedule of minutes attached hereto as Appendix F. Data which corroborated the transcripts were extracted and coded. Due to the volume of the internal documents, it required that selective coding be utilised, through the selection of core concepts, i.e. governance, and institutions. These were then systematically related to other categories, including, compliance, mandate, decision making, transparency, stakeholder interests; validating those relationships, and finally filling in categories that required further refinement and development. These included categories such as conflicting expenditure directives impacting on internal decision making; unilateral directives culminating in 'mission creep', capacity, non-decision making, conflicting interests, and composition of structures.

Bryman and Bell's (2007) definition of constructivism underpinned the analysis, in that "the manner in which these social actors impact on the social phenomena and their meanings", is encapsulated in the author's version of this "social reality, rather than one that can be regarded as definitive" (Bryman & Bell, 2007, p. 23). This was to ensure that the framework recognised the value of peoples' views, understandings and experiences. In conclusion, own accounts based on information gleaned from observations during the interviews were used to bring depth to the analysis.

3.6 Subjectivity or Researcher bias

The author was aware of the potential effects as a researcher as she had been a colleague of some of the interviewees. This provided the author with an advantage in relation to the researcher/respondent relationship, as there was an open and established rapport which facilitated getting the interviews done.

3.7 Ethical considerations

The merSETA CEO was approached for permission to conduct the case study, to identify and recommend the relevant stakeholders, as well as to obtain permission for access to minutes and reports of the various merSETA structures.

The respondents were provided with information pertaining to the research prior to commencement of the interviews. They were also assured of anonymity and confidentiality.

Individual interviews commenced on the 8th November 2013 until the 17th December 2013. The interview schedule is attached hereto as Appendix B.

The author was required to sign a non-disclosure agreement with the proviso that all documents obtained from the merSETA would be returned within 120 days of submission of the research report.

All digitally recorded and transcribed research data will be destroyed on completion of the research.

Various respondents enquired about confidentiality and anonymity of the process, which highlighted the fact that tensions existed in the research process which needed to be addressed. This tension could be likened to what Bryman and Bell (2007) refer to as the pursuit of knowledge and the right of interviewees, advising that the rights of individuals should be upheld. This also manifests in the ethical dilemma of the right to privacy versus the right to know. In order to address these concerns the author developed a coding frame to identify respondents in the data set in the Interview Schedule attached hereto as Appendix B.

3.8 Conclusion

This chapter focused on the research design and how the research processes was undertaken. The research focused on a qualitative approach as a methodology. Snowball sampling was employed and a total of thirteen respondents were interviewed. The primary source of data was derived from the interviews and was corroborated with internal documentary data.

4. PRESENTATION OF DATA

4.1 Introduction

This chapter comprises of the presentation of the data derived from the process of interviewing. Data are discussed in the manner that the respondents provided the data in respect of the questions.

4.2 Interviewee responses

4.2.1 Public perceptions of performance of SETAs

The majority of respondents were of the opinion that the SETAs were mainly seen to be ineffective, as not delivering on their mandate, and of sitting on large amounts of funds. SETAs were seen to be ineffective primarily as a result of not having skilled and competent staff that is knowledgeable of the learning programmes. The SETA system was seen to be overly bureaucratic and to deliver training which was not aligned with the needs of industry. Ineffective corporate governance was cited as another reason for the negative perceptions of SETAs. Most respondents cited the lack of information and an ineffective communication strategy as another reason for the varying perceptions of the SETAs, with respondent SH09 commenting that perceptions varied from urban to rural areas. This respondent's view included that the opposition party's politics also contributed to the negative perceptions. Another respondent contextualised the negative perceptions of the SETAs as a remnant of the Apartheid legacy in the following quote:

> *That the negative perceptions was as a result of them [the SETAs] being publicly funded entities; that they were seen not to be delivering the artisans that the country needs fast; that … you sat with a past right up to the year 2000, where education was so fragmented and so racialised that only a small minority, a privileged few got technical and skills education to artisanship's, majority being white South Africans followed by Coloured's and Indian, and the majority of this country, Blacks, were not part of that …, and so on, so we did not produce many artisans from the late '80's right up to 1999, 2000 when the Skills Development*

Act was enacted in 1998. Companies who traditionally trained upon the introduction of the 1% levy began to abandon the role of training. They just abdicated that responsibility because government was now seen as taking over that responsibility, so SETAs then got tainted with this. No training was happening, money was not being spent, and because of the whole public perception of corruption in this country, one or two SETAs fell into that trap early (SH10).

The majority of respondents however, were of the opinion that the merSETA was one of the better performing SETAs, with most respondents acknowledging some weaknesses with regard to client services, and administrative processes.

In this regard, Respondent SH07, expressed the view that the SETAs were performing well however they lacked an effective public relations strategy to counter the negative perceptions attributed to some of the SETAs who had been placed under administration where funds had been misappropriated. This respondent qualified the former by pointing out that the image of the merSETA was more accurate amongst those such as stakeholders, the DHET and Treasury who were privy to the successes of the merSETA.

This respondent was of the view that the merSETA should embark on a marketing campaign to raise awareness of their success stories, as merSETA was one of the few institutions of excellence within the SETA space and that it was important to articulate that. The SARS (South African Revenue Services) television advertisements were singled out as an effective public relations campaign that the merSETA should consider in order to enhance perceptions within the public domain.

The majority of respondents were of the opinion that the SETAs were plagued by negative perceptions in the public domain. The SETAs were perceived to be overly bureaucratic and failing to deliver training which was aligned with the needs of industry. Most of the respondents however were of the view that the merSETA was one of the

better performing SETAs. An increase in public relations focussing on the success stories was seen as important to enhance the image of the merSETA.

4.2.2 Policy transfer from the DoL to the DHET

Most of the respondents welcomed the policy transfer from the DHET to the DoL, as it was seen to give effect to fostering greater integration and synergy within education and training. One respondent commented that "Our education systems were too fragmented in that you had the university education system, you had technical education, which is our further education and training colleges at that time, (it fell under the Department of Education at the time), and then you had the Department of Labour where SETAs reported there. It was a political problem" (SH10).

Recognition that the process was fraught was highlighted by Respondent SH13. The restructuring that had taken place at governance level caused contestation about the composition of the boards and the appointment of the chairperson. This respondent was of the view that in the initial stage of the process there had been resistance from the SETAs but ultimately it was accepted that the SETAs are not entities each operating on their own, but public institutions accountable to all of the elements including the state and labour.

It was recognised that the increased accountability derived from the policy transfer was positive, more particularly with regard to ensuring that the SETAs spend should be directed towards learnerships linked to a qualification. This sentiment was aptly captured by Respondent SH10 who commented that: "…that policy transfer now meant that the SETA work being infused into the two different departments meant more control from the DHET than we had before. Yes, in terms of responsibility and accountability. We now had to account to the Ministry, much more direct than we did in the past" (SH10).

The quality and impact of training and return on investment was highlighted as an area where greater accountability could be attained through direct accounting to the Minister of the DHET.

Most of the respondents agreed that the transition from the DoL to the DHET had happened smoothly. However one respondent noted that it had "impacted on the management of learners, and apprenticeship contracts, and all of those things, some programmes being moved from the DoL to the DHET, when the DHET is not ready, created a problem for SETAs" (SH04).

Another respondent observed that, with the shift from the DoL, the SETAs had lost touch with the aspect of the labour market implications of skills. Examples cited were, ..."the effect on wages, of skills on wages, or the determination of skills in mines through a calculation of what the impact would be on the cost structures of companies, etc. Those kinds of things have sort of gotten lost" (SH13).

The majority of respondents welcomed having to report to only one line ministry (the DHET) with the same reporting processes and procedures.

Two respondents expressed concern about the reporting framework of the newly established QCTO. In particular, concern was raised with respect to the time lags in certification as well as the standardisation of assessment tools. As the Minister was only due to sign off on this after 2014 it was seen to be "putting the system in a bit of a limbo, and we continue with business as usual, taking note of what is happening, and so we've got one foot in the old system, and one in the new system, which makes it slightly complicated" (SH02).

Respondents noted the higher profile that the Minister was giving to FET institutions.

It is prudent to note that the policy transfer from the DoL to the DHET was not without its challenges. The most significant challenge was the time lags experienced in

certification as well as the standardisation of assessment tools. Notwithstanding the initial resistance from SETAs, the policy transfer process was relatively smooth, bringing about greater integration and synergy between education and training and with increased responsibility and accountability to the DHET.

4.2.3 Key governance challenges confronting stakeholders

Most of the respondents were of the view that the key governance challenge was structural, i.e., the inherent conflict of interest between organised labour and organised business. The role of the DHET as well as that of National Treasury solicited criticism for being prescriptive in terms of unilaterally raising targets and capping expenditure in respect of administration costs. Respondent SH07 referred to this as "a clash between the political mandate of what SETAs are meant to perform and the other regulations, for instance Treasury regulations" and that the reprioritization of targets and funds as in the case of reducing administration costs from 10% to 7.5% was literally changing the landscape.

Respondent SH05 highlighted Treasury having capped administration expenses, where previously SETAs were allowed to utilise 10% of budget in respect of their administrative spend. Respondent SH08 cited the example of the DHET having requested the SETAs across the board to contribute R2 billion towards the FETs refurbishment. Respondent SH03 questioned, ..."now, why should the discretionary grant be directed from the Department and not stakeholders?" adding that … "they requested that 4.75% of the discretionary grants must be ring-fenced, so we've had to go and look at how to readjust the budget and cut back to make money available for FET capex (capital expenditure)".

Another respondent viewed the increase in targets, the demands on the SETAs finances, and the cutting of expenditure, "as a real major governance challenge". Another respondent criticised the determination of targets externally (NSDSIII by the DHET) as not providing the "governors", as the Accounting Authority members to "direct how and where and what the merSETA will focus on". This respondent questioned the

oversight role from a governance perspective (of the Accounting Authority), adding that if the Board is “relatively independent surely they should have the discretion to decide where and how the money should be spent?” (SH03).

The SETAs are required to report to the Executive Authority (the DHET), National Treasury in terms of the PFMA, as well as to the merSETA Accounting Authority. Respondent SH07 likened this to “having too many masters to please” within a context of political and financial imperatives being prescribed by the Accounting Executive. This was elaborated through citing the fact that the SETAs were required to ensure that industry needs were addressed within the context of these “political pressures”. This respondent pointed out that the former two factors combined with the prevailing financial pressures compromised the merSETA. This phenomena was described as three pillars being in conflict with one another, which presented the SETA with its “biggest challenge at the moment” (SH07).

The ‘too many masters to please’ phenomenon was further emphasised by Respondent Sh07, and echoed by Respondent SH05 stating that “I think for me it is one of the biggest governance challenges of the SETA. A lot of it is legislative stuff. At times I would say there’s probably a clash between the political mandate of what SETAs are meant to perform and other regulatory [requirements], for instance Treasury regulations”. This respondent highlighted the disconnection between having to deliver on social imperatives while not having full control of the merSETA budget. The element of discretion in the allocation of funds was also being eroded through National Treasury capping expenditure as well as the practise of retention of surplus funds. This conflict between the directives emanating from the two ministries was seen to affect governance.

One respondent was of the opinion that there were no governance challenges as the merSETA had all its governance mechanisms in place, i.e., functioning structures of the Accounting Authority and Executive Committee, and the fact that all senior management positions were filled (SH06). Another respondent defined governance only in terms of

the SETAs fiduciary responsibility insofar as it is exercising its oversight role as a Section 3a entity, in managing public funds. Another respondent commended the merSETA for sanctioning a previous employee found guilty of the mis-appropriation of funds. Two respondents emphasised the lack of the requisite competencies of stakeholders tasked with the responsibility of governance. This was described by Respondent SH10 as lacking in "the necessary care, skill, understanding, and attention to what he or she has to look at. ...whereas if it was a private stakeholder board you bring the experts in, here you're bringing representatives in, and representatives are not always specialists" (SH10).

Two respondents lamented stakeholders for unaccountable behaviour in respect of attendance of meetings noting that the Accounting Authorities practice of remunerating stakeholders for attendance at some meetings may inadvertently have created perverse incentives. Respondent SH05 questioned the value gained by the SETA as a result of the attendance of stakeholder representatives at numerous meetings.

The lack of effective communication flows between stakeholders was seen as an impediment to good governance. In this respect respondent SH03 proffered the view that ..."From a governance perspective look I think what I find is communication is quite open. Members are able to engage are able to question where we raise concerns or offer suggestions the office you know on most occasions will take up the situation".

The major perceptions of governance challenges emanating from the data are, first the inherent conflict of interest between organised labour and organised business. Second, the conflicting directives received from the DHET and National Treasury in respect of expenditure and targets. Third, the statutory requirements of having to report to different government line departments, namely the DHET and the National Treasury. Fourth, the 'too many masters to please' phenomenon. Fifth, the lack of specialist stakeholder's serving on the Accounting Authority. These challenges collectively were considered to present the major impediments in the merSETAs quest for good governance.

4.2.4 Key responsibilities of stakeholders

Most respondents were of the view that it was imperative that the stakeholders understood the business of the merSETA, and that they were able to exercise oversight of the merSETAs performance against the Service Level Agreement (SLA) with the DHET. One respondent argued that "… for me that is fundamental, the common stakeholder responsibility across the board whether you are in labour or the employer … is to ensure that we have an impact and we train for employability and contribute to the economy" (SH07). Most respondents emphasised the importance of stakeholders participating in the merSETA in order to understand the challenges and where funding should be channelled. In this regard, one respondent quoted a constituent member as saying that: "If you want the SETA to work you have to be involved in it, so you have to be a responsible stakeholder and an active participant" (SH03).

The majority of respondents were of the view that the stakeholders were responsible for influencing the sector skills processes, with one respondent emphasising that "our message to our partners is please ensure that your data is accurate" (SH03). Respondent SH10 highlighted "the need for a board that is au fait with what happens in education and training, not only in South Africa, but what are the trends in the world, where are we moving towards?" adding that there was a need for a board that understands their fiduciary responsibilities, as well as their transformative responsibilities. A few respondents highlighted the need for stakeholders to provide subject matter expertise to the ETQA committee and to approve certain policies and procedures that deal with quality assurance.

Two respondents did not comment as they did not participate in merSETA structures.

Key responsibilities identified by respondents included understanding the business of the merSETA, and to be able to exercise oversight regarding performance, as well as to participate and provide strategic input into sector planning processes. Being au fait with national and international education and training trends were identified as additional key responsibilities of stakeholders.

4.2.5 Key competencies of stakeholders

Most of the respondents were of the view that the core competencies included the ability to understand strategic issues, being au fait with “national priorities, economic factors and economic drivers, locally and globally, and to be well versed, competent and financially literate” (SH08). One respondent opined that there was no point to bring in somebody that sits in finance and to ask them to comment on curriculum development. This respondent further qualified that ”in the event that you appoint somebody from the shop-floor whose function is to work on a specific machine and we are asking them to analyse financial statements that contain figures up to a billion rand how would we capacitate that individual?” (SH03).

One respondent was of the view that the minimum criteria should be that stakeholders are experts from their sectors, and that they understand the complexity of the skills development system. Another respondent expressed the view that a key competency is that stakeholders have to be actively involved in training and that they need to understand the training cycle.

Two respondents were of the view that stakeholders should possess the ability to understand the legislative environment. It was noted that the different structures required varying skills sets, ranging from research and analytic skills to financial acumen. Another respondent added that the skills set required of managers was that they had to be very understanding of the economic situation of the country, it’s social situation, the demographic challenges, with race, gender and lastly the unique challenge of South Africa.

In the main, most respondents were of the opinion that the merSETA stakeholders were knowledgeable and competent, with respondent SH05 qualifying that knowledge and experience are not necessarily qualifications, but that stakeholders “should know what exactly it is they are going to present, what it is they are representing and so on and so on”.

Respondent SH04 was of the view that as the Board had been trimmed down particularly with the ministerial appointees people with special expertise and skill now served on the Board. This respondent reflected on the fact that previously members were deployed and had to find their way around the issues. It was generally recognised that members of the Accounting Authority should be appointed on merit.

An opposing point of view was proffered by Respondent SH08 that the merSETA had a number of board and committee members who actually just attended meetings and kept quiet. This respondent further stated that apparently there were some members whose voices had not been heard for a couple of years, adding that the "more brave ones will be constantly asking for clarity and information, which is a good thing" (SH08).

Three respondents were of the view that not all the stakeholders possessed the required competencies within the merSETA, with one respondent noting that the weaknesses occurred as a result of the "level of representation on the Board rather than the architecture of the board itself", and expressing the desire to "get more senior players from both sides to be playing in that space'' (SH01).

Another respondent pointed out the differences between the existing levels of competency on the various structures, noting that at the chamber level worker leaders were elected, re-elected or not elected at all at four yearly intervals and that this had resulted in new stakeholder representatives serving on some structures (SH04). Cognisance was also taken of the fact that members resign and/or retire and by virtue of the fact that constituencies appoint representatives said representatives may not necessarily possess the requisite mix of skills to serve on the Accounting Authority and the various sub-committees.

Sector expertise was cited as the key competency required of stakeholders. In addition to which strategic orientation, financial acumen, and the competence to represent constituent interests adequately was identified as key competencies. The recent nomination of independent members to the merSETA Accounting Authority was

welcomed with the need for more strategic leaders participating within the merSETA being identified.

4.2.6 Scale and scope of the merSETA mandate

Respondent SH05 aptly summarised the majority view of respondents by commenting that the financial constraints that had been placed on the SETAs had resulted in unrealistic expectations.

Most of the respondents lamented the fact that the NSDSIII, encompassing 19 outcomes and 39 outputs, including providing support to CBOs and NGOs the recapitalisation of FET colleges and rural development, was unrealistic. Respondent SH10 was of the opinion that

> *your biggest problem was that the SETAs were expected to resolve probably four hundred years of ills in this country in a small period of time. Impossible and that the scope is to ensure that we have the right form of skills we needed and if needed that we do ensure that qualifications are developed and people are then trained accordingly and that the monies get disbursed. But if you look at the scale last year when we went on a discretionary grant request our request was R3.8 billion. That's what we got back from businesses, companies and individuals. What could we afford? R425 million.*

Respondent SH03 echoed these sentiments adding that they had no objection to NSDSIII but that caution should be exercised with regard to the issue of 'mission creep'.

This respondent commented that it was clear that the mandate surpassed skills development if SETAs were being requested to also support the functions of the Department of Basic Education such as maths and science at high schools.

A common concern expressed by most of the respondents was the conundrum the merSETA faced where budgets have been aligned with the targets in the Service Level Agreement (SLA) and then having additional targets prescribed by the DHET. This was

highlighted through the example of the request received from the DHET to fund a career guidance awareness day in the Eastern Cape at short notice. One of the respondents questioned the spend on this intervention and whether any of the learners attending the career day would actually enter their industry.

Two respondents were of the view that the SETA mandate was not unrealistic with respondent SH09 commenting that the mandate was not the SETAs choice but rather that it was determined "by our economic system", given the present skills shortages. Respondent SH04 welcomed the broader scope commenting that "The NSDSIII is saying skills development is not about production only, but it should also be about empowering people to earn a living". This respondent added that rural development is not necessarily about agriculture, but also about developing rural areas given the fact that 60% of workers in factories, who contribute to the wealth of the country, are from the rural areas. It was felt that the SETAs should develop interventions for the unemployed who returned to rural areas to "go back home and find a factory there". This perspective demonstrates the political tension between the socio-economic mandate and the SETA mandate.

Respondent SH13 was of the view that: "basically it boiled down to whether the mandate [of the SETAs] is expanded or reduced". This was seen to be tinkering with the system as a fear existed that given the billions of Rands' of investment in the SETAs that it [the SETAs] could not just be "dismantled and then start from scratch". Respondent SH10 was of the view that the scope was no longer understood and therefore the scale of the SETAs had become enormous, adding that SETAs are not knowledgeable in creating businesses so "why do you lump them with SMMEs? What they've got to do is ensure that there's training but to create new ventures that's not a SETAs business".

Respondent SH07 posited that the SETAs were requested to deliver services to the unemployed on a bigger spectrum. It was recognised that it was necessary to develop interventions for both retrenched workers as well as the youth, however the role of the

UIF (Unemployment Insurance Fund) within skills development was questioned. This respondent was also of the view that bursaries should not be at the core or a target of the SETAs as other government structures and entities sole mandate was to fund learners. It was pointed out that duplication existed between different government departments and structures. Respondent SH01 echoed the aforementioned sentiments and was of the view that some of the aforementioned targets "belong more naturally to the National Skills Fund".

The tension between the socio economic mandate and the SETA mandate was apparent in the diverse views expressed. This ranged from support for the transformative agenda of NSDSIII and caution being expressed regarding the oft-cited 'mission creep'. Those stakeholders who erred on the side of caution highlighted the fact that the SETAs were expected to do a lot with limited resources. Moreover some stakeholders were of the view that a number of targets such as ABET, support for SMME's, and rural development was the responsibility of departments such as the Department of Education, the Department of Trade and Industry and the NSF.

4.2.7 Key institutional challenges facing merSETA

Two respondents raised the issue of communication as a challenge. Respondent SH04 expressed caution regarding the decision-making processes of the Accounting Authority, Exco and Management committee (Manco), its impact and the fact that lack of communication had stymied the potential for alternative decisions.

Concern was also expressed by Respondent SH03 about the restructuring process within the merSETA and whether it would disrupt activities and the challenges it could present in terms of continuity.

Most of the respondents raised concerns about the DHET processes which resulted in the decision to decrease the mandatory grant from 50% to 20% and the adverse impact on the SETAs.

Most respondents were concerned about the data management migration process at the merSETA with Respondent SH03 expressing frustration about the delays in being able to access statistics for apprentices in the sector. Furthermore “the confusion around the data migration process during the WSP (Workplace Skills Plan) submission where people didn’t know whether they were submitting to data net whether they were submitting to SMS (SETA Management System) and they couldn’t access files was described as chaotic”. The outsourcing of the data management system also posed a challenge in terms of efficient access to information.

Monitoring and evaluation was identified as a challenge with the qualification of monitoring and evaluation for impact and not simply monitoring and evaluation to see if profit is being derived.

Human resources was identified as a challenge according to respondent SH10 as people were not adequately trained for this new educational system and that it took quite a bit of time for people to get to understand how the SETAs function.

Most respondents cited the demand for services within the context of a decreasing funding base as presenting the greatest institutional challenge. It was felt that “if you invest R1, you can’t expect R3 out of it you should get back your R1 plus your interest” (SH10).

Most respondents cited additional systemic challenges including bureaucratic processes.

The key institutional challenges which were identified included: (1) systems and procedures such as the data management system (MIS), (2) bureaucratic red tape (3) communication, (4) monitoring and evaluation, with disquiet being expressed regarding the potential disruption due to the merSETAs restructuring process. The decreasing funding base, most notably, its potential impact on the administration line item in the

merSETA budget and its potentially adverse effect on human resources was also highlighted as a concern.

4.2.8 Decision making within the merSETA

Five respondents were unable to comment as they were not directly involved in the decision-making structures of the merSETA such as the Accounting Authority and the Exco. However, two of these respondents were of the view that the merSETAs decision making processes were guided by policies and procedures embedded within legislation, as well as within internal policies such as the delegation of authority prescribed within the merSETA Constitution and the Accounting Authority Charter.

Respondent SH08 expressed concern about the occurrences of time-lags in decision making which was as a result of the constraints of either decentralised decision making and/or delegation of authority.

The phenomena of referral of agenda items to various structures appears to have permeated through all the structures of the merSETA. This became apparent during the process of tracking the decision making processes of the agenda Item Information Technology strategy. The discussion on the Information Technology strategy[8] was raised on the 29th April 2010 and was either referred, deferred and escalated to structures including the Accounting Authority, the Exco, the Finance and Grants Committee and to the Quarterly Monitoring and Reporting meeting (QMR). This process is captured in Appendix G.

Tracking the decision making process of the MIS was illuminating given the fact that it had been identified as high risk, but more importantly, that various respondents had expressed frustration in the delays and bottlenecks experienced in the data migration process and the concomitant service delivery challenges this had presented.

[8] The Information Technology strategy is referred to as the MIS for the purposes of this discussion.

These challenges included extracting reliable statistics for companies as well as populating the SSP. The most revealing point was that the responsibility for tracking of the risk assessment was delegated to the QMR. This is a non-decision making, non-constitutional structure with no formal representation from either the Accounting Authority or the Exco. The ability to track and exercise oversight (anecdotal evidence suggests that the spend on MIS system was in excess of a few million Rands) take responsibility and hold the service provider and others accountable is questionable if oversight, responsibility and accountability is dispersed within the organisation.

The review of the minutes of the various fora revealed that numerous other agenda items were referred, deferred and/or escalated to other fora.

Most notably the issues which were referred, deferred and/or escalated to other fora were strategic issues requiring high level intervention such as:
The concern regarding the fact that unemployed learners benefited more from the levy grant system than employed learners (merSETA min, 2011b, 2012a);
Evaluation of the effectiveness of the Accounting Authority (merSETA min, 2010a);
The NSDSIII (merSETA min, 2011c);
The organisational structure (merSETA min, 2010b, 2011d, 2012b);
Mandatory and Discretionary Grant criteria (merSETA min, 2011e, 2011f, 2011g); and the Auto chambers concern regarding the reasons for non-placement of qualified artisans and the quality of training (merSETA min, 2012b). All of these items were referred to various strategic planning sessions.

The annual strategic planning meetings are not provided for in the constitutional structure of the merSETA therefore the reports of these meetings did not form part of the review of the documents of this case study. However, based on the review of the minutes of the merSETA structures, many of these issues were discussed at subsequent meetings of constitutional structures. An example is the unemployed / employed learners agenda item which was referred to a strategic planning session on the 3rd August 2011 and to another strategic planning session on the 24th July 2012.

It is important to note that reference was made to only one report back from these strategic planning sessions. This report back was to the Accounting Authority meeting of the 20th September 2011. The report back highlights that,

> *The 29 key strategic issues identified and discussed at the Strategic Planning Session have been limited to 5 strategic objectives for the next 5 years from 2011/12 to 2015/16 to align merSETA with NSDSIII, being:*
> *Positioning merSETA for 2016 and beyond in demonstrating the impact of skill levy and the utilization and application thereof;*
> *Demonstrating the impact of skills development projects and programmes in terms of progression, efficiencies, productivity and socio-economic imperatives;*
> *Advancing public/public and public/private partnerships;*
> *Continuing to build on the culture of good governance prevailing at merSETA;*
> *Improving service delivery in terms of the stakeholders* (merSETA min, 2011h).

There was no indication whether the various issues outlined after the example of the MIS decision making processes above had been discussed and/or resolved.

Respondent SH04 provided detailed illustration of decision making which corroborates the above stated examples and is indicative of the different organisational cultures permeating the various structures. This respondent referred to decision making as being consultative and that once “everybody has taken a bite on it, once you all agree, that’s how a decision is taken and is now resolved”.

Respondent SH03 commented on what would appear to be ambiguity of the role and responsibilities of advisory structures such as the Chambers. This respondent lamented the fact that stakeholders had very little input in terms of the direction of the merSETA, as the perception existed that everything had been decided by the time they got to the meeting of the chambers. The value of attendance and participation at Chamber meetings was questioned.

Respondent SH05 summarised a widely held view that operational decision making in respect of the procurement process and mandatory grant system was efficient as it generally occurred within accordance of the various statues such as the PFMA.

Disquiet was expressed regarding the decisions that had emanated from the restructuring process as it was felt that it had occurred without the necessary consultation despite the involvement of the employee trade union.

One respondent succinctly raised conflict of interests impeding efficient decision making, where decisions are not made due to the fact that certain stakeholders felt that they were disadvantaged. This respondent lamented the fact that "robust debates can go on and on into the second or third quarter simply because all parties are not necessarily in agreement with that decision" (SH07).

The decision-making processes within the merSETA highlights the fundamental fault line of the hybrid nature of the organisation. The different organisational cultures have permeated almost all structures of the merSETA, and have at times impeded efficient decision-making processes. This phenomenon became apparent during the process of corroborating various respondents views on decision making with observations gleaned from the review of minutes of the various fora. The diverse expectations from various stakeholder groupings range from frustration with lengthy decision making processes (which in the example of the MIS issue illustrated above was drawn out over the entire review period of this case study) to being comfortable that these processes incorporated consultation, transparency and participation. This was likened to "everybody could have a bite of the issues, resolve it and then make a decision (SH04)". Most notably was the observation that what was lacking in the SETAs was evidence based decision making (SH01).

4.2.9 Rules and procedures governing the merSETA

The majority of respondents cited the following legislation, regulations, and policies and procedures as those governing the merSETA: i.e. the Skills Development Act, the Skills

Development Levies Act, the Public Finance Management Act, the Employment Equity Act, the Basic Conditions of Employment Act, National Treasury Regulations, the Human Resources Development Strategy, the South African Qualifications Authority (SAQA), and the NSDSIII. In addition, the merSETA was guided by the SLA with the DHET.

Respondent SH07 explained that the governance team had developed …

> *what we call a compliance register which actually has a detailed list of the Acts and regulations that we comply with and out of that we have taken certain extracts which are important and pertinent to the merSETA to ensure compliance and where there is areas of non-compliance reasons being provided and what plans are in place, that sort of thing.*

With regard to reporting requirements most respondents cited the Strategic Plan (which is an appendix of the 5 year SSP) and the annual plans, as guiding the operational activities of the organisation. Respondent SH08 posited that the latter should be aligned with the SIPS (Strategic Infrastructure Projects) to ensure support to strategic integrated projects at a national level. Respondent SH05 pointed out that as artisans are not covered by the SDA, sections of the Manpower Training Act were still applicable, deriding the fact that some apartheid era acts were still operative.

Respondents SH04 and SH11 cited internal policies and procedures emanating from structures such as the Audit and Risk committee, as well as the terms of reference (TOR) of structures such as the merSETA chambers and regional committees as also being key compliance mechanisms.

Three respondents were unable to respond as they did not participate in merSETA structures.

Respondent SH04 added that the merSETA had developed, amongst others, funding guidelines for the retrenched workers project and training layoff scheme, as well as implemented various internal policies on for example, travel and accommodation.

A general concern was raised by Respondent SH03 regarding all sector SETAs having become so administratively orientated and so bureaucratic that it actually prevents meaningful engagement with the institutions. Respondent SH10 was of the view that it was not only the merSETA but the entire SETA domain where bureaucracy necessarily existed with regard to processes such as the registration of learnerships, verification of credits, and disbursement of funds.

To this end, Respondent SH03 cited the following example: “one of the most ardent supporters of skills development in this country, a SEIFSA member a close partner of merSETA in several training projects was declined a discretionary grant on the basis of training committee minutes. Now if you take your stakeholders seriously surely that’s not a bureaucratic element that should stop them from participating in the skills system”.

Frustration was expressed by Respondent SH04 regarding the administrative challenges experienced by trainers at the coal face of skills delivery. Likewise, the time lags experienced in certification of learners (as a result of the transition from the DoL to the DHET) was highlighted as a concern by this respondent.

Numerous other examples which were cited by respondents, such as unemployed workers having to provide documentation from employers in order to be assessed, illustrated that the administrative burden of the merSETA was too high.

In addition, bureaucratic negotiations were seen to hinder the roll out of projects with Respondent SH13 suggesting that there was a need to understand the needs of stakeholders and how to integrate them besides just getting them onto a structure.

In the main, the merSETA conforms with various rules and procedures as enshrined within the relevant statutes and charters, however, bureaucracy was seen to pose a major impediment in the merSETAs quest to deliver on their mandate.

4.2.10 Administrative processes and procedures

Most respondents posited that the merSETA had efficient administrative systems and procedures in place. This was attributed to the fact that the organisation had established a governance unit to provide support to the executive structures, as well as appointed a chamber coordinator to provide support to the chambers and regions. This was to ensure that notifications and meeting packs were distributed within the prescribed time-frames, that the decision lists were compiled and that issues escalated from the various structures were included on the agendas of the relevant structures. The supply chain manager was responsible for providing support for procurement services, adding that this unit acted as its secretariat.

Most respondents welcomed scheduling of meetings a year in advance as it facilitated planning, preparation and time management.

Two respondents were unable to comment as they did not participate in decision making structures.

Respondent (SH04) lamented the fact that there are other administrative processes besides

> *issuing of packs and all that it may be smooth but … I had a serious issue with regards to ordinary people whether it be members or an ordinary person that wants an assessment someone who wants to be assessed someone who wants a S28*[9] *a process where I feel that I am competent I want to be assessed and it's*

[9] "*The Section 28 Trade test (named after the relevant section in the Manpower Training Act) is a way of recognising the prior learning and experience of a person who has been working for some years in a particular trade but has not passed a trade test and is therefore not recognised as a qualified artisan. After the Applicant's suitability for a trade test is determined, the Applicant will then undergo a trade test at a merSETA accredited trade test centre."* found at: http://www.merseta.org.za/SkillsDevelopment/LearningProgrammes/Section28.aspx

not up to my employer to decide that I'm ready. It's me that I know I am ready but then you walk into merSETA, and you are told bring a letter from your employer. So that's why I'm saying it's not about administrative challenges in terms of meeting packs its other administrative challenges. It's almost like you're saying that there are policies and procedures but they are very tight. They're tight and rigid.

Based on the review of the minutes of the Accounting Authority, the Exco, the Finance and Grants committee, the five chamber committees, and the IRD committee, in the main, the merSETA is seen to have implemented an environment enabling to stakeholders to perform their fiduciary duties. Notification of meetings accompanied by minutes and decision lists are distributed to members within the time-frames stipulated by the various structures terms of reference. This was confirmed by respondents SH08, SH03 and SHO7 respectively. However, it would appear as though some stakeholder groups are confronted with challenges in ensuring that their members are prepared and capacitated to participate in meetings.

The administrative efficiencies of the merSETA are well recognised and have contributed to their reputation of being one of the better performing SETAs. However, the distinction between efficient administrative procedures and doing everything by the book was likened to being very tight and rigid. Challenges experienced by some stakeholders included lack of resources including technology as impeding their ability to participate effectively.

4.2.11 Stakeholder relations

Most respondents echoed the following sentiment as articulated by respondent SH11:

I think it's going well at the moment. I really, really do. I've been sitting on a number of these [merSETA structures]. The relations are good they very healthy you can see that nobody is hiding away from each other now because of ... at one stage you would have it that either unions wouldn't talk out or employers wouldn't talk out. I think it's come to a stage where merSETA has consistency

with our labour and employers can now speak negotiate without having this walking out of meetings. I really think we have come to this stage where I think it's a really good relationship where they can debate issues.

This sentiment was echoed by Respondent SH03 who added that even though there were times that "we don't see eye to eye but I also think the structure is such that we are able to raise our concerns so in that sense the fact that the lines of communication are open is important and that helps to strengthen the relationships". Respondent SH04 agreed that relations had improved extensively. This respondent pointed out that previously it was deemed very important not to miss a meeting because "something would be approved something that you know that is very, very controversial or it's kind of disturbing but we have come a long way such that we all are on the same page in terms of what is expected of us. …Very, very, very united".

Another respondent commented that this was due to stakeholders on the Accounting Authority understanding their mandate.

Notwithstanding the afore-mentioned, the fundamental challenge of the inherent conflict of interests which exists between labour and business emerged during the interviews and is aptly captured by Respondent SH08.

I think between labour and business they tolerate each other. It's nothing personal … I was with them on Monday where we spent about an hour just listening to labour really driving an agenda about ... literally it was instead of monitoring expenditure against the project it was looking at the labour project. So we spent an hour doing that and you could see business getting agitated. So it kind of gets very strained.

Respondent SH01 succinctly described this as the stakeholders coming "with a different mind-set and of course there's struggle. I come out of the unions as do you and I believe that there is class struggle and I think people do have different perspectives on the same issue".

A more candid view was put forward by Respondent SH07 who clarified that “it depends on who you are talking to. If you are talking to a stakeholder who believes that the merSETA is giving them sufficient funding yes”. Adding that during the last Discretionary Grant window (DG5), old established relationships that had been there for years literally changed direction as a result of the over subscription of grant applications.

Respondent SH13 was of the opinion that: “It’s not a very effective relationship. …in fact we don’t even have an agreement with them yet on specific projects. …I think we basically said it’s because we’re not paying levies so we are not the favoured client so to speak because we’re not contributing anything to them we’re asking them to do things for the economy and they ... we're sort of standing third or fourth in line compared to companies who are paying levies”.

The inherent conflict of interest of the stakeholders is apparent in the divergent perceptions regarding stakeholder’s relations. The most common sentiment expressed was that stakeholders had developed a better understanding of their mandate whilst simultaneously recognising their different interests.

4.2.12 Impact of the learnership / apprenticeship system

Most of the respondents were of the opinion that the merSETA has contributed large numbers of learnerships and apprenticeships exceeding targets with “people having been trained and certified”. This sentiment was echoed by Respondent SH12 who commented, “They are producing a lot of artisans, which for me it then starts to say they are contributing positively not only in their sector but in the country as a whole”. Four other respondents echoed this sentiment through citing the findings of an impact study which indicated that 80% of apprentices who had completed their apprenticeship programmes were employed indicating the success of the apprenticeship system. This sentiment was corroborated by the Accounting Authority meeting held on the 25th November 2010 which noted that the merSETAs performance in the 2009/2010 score card had indicated merSETA at the lowest point as having surpassed other SETAs by

45 percent and at the highest point on SMME intervention by 2083 percent (merSETA min 2010b).

The merSETAs over-performance is further corroborated in the 2012 NSF Progress Report.

However, numerous concerns were raised regarding the impact of the training with two respondents expressing the view that having a qualification does not necessarily guarantee you a job and one qualifying that “the money that we are investing is not necessarily showing a return on the economy” (SH05).

The increase of learners embarking upon training at NQF Levels 2 – 4 which culminates in a trade test was also viewed as having a positive impact. Respondent SH03 was of the view that: “For our sector where employers are closely involved in that training the impact has been positive. So the training is happening to industry standards the training is aligned to industry needs”. This respondent expressed concern regarding the shift of funding to the public sector, believing that private sector training providers were providing the quality training that the industry required.

A contrary view was expressed highlighting the fact that the quality of training was not always aligned with sector needs in that the majority of vulnerable workers who had received training had received two to three day training sessions in fire-fighting, forklift driving, and one day training sessions in HIV Aids and health and safety. It was felt that this type of training does not provide them with qualifications in the event that they are retrenched (SH04).

Upon examination of minutes of the Accounting Authority and the Finance and Grant committee a number of issues have emerged most notably with regard to the quality of training and the type of training that is being conducted. For example the Finance and Grants committee expressed concern regarding the progression of individual learners on trade related qualifications recognising that the bulk of learners were below the

National Qualifications Framework (NQF) level 1 (merSETA min 2012c). The 3 sub-frameworks that comprise the NQF are attached hereto as Appendix H.

Concern was raised with regard to whether the merSETA was able to verify whether in fact training took place. Stakeholders suggested that a developmental and monitoring component should be incorporated through which monitoring and evaluation could be introduced in order to verify company records and thereby prevent companies from importing a Workplace Skills Plan (WSP), reflecting that the training took place. The mechanism for compliance would be for both labour and business to sign off on the WSP. The objectives of ensuring that training culminated in the development of skills and that it led to a qualification as well as ensuring progression was highlighted (merSETA min 2012d).

Many respondents highlighted the absence of an effective learner tracking system as a challenge with Respondent (SH09) commenting that this remained one of the areas where the SETAs were lagging behind. Respondent SH04 expressed strong reservations in this regard lamenting the fact that neither the merSETA staff nor the employers were able to verify whether training had in fact resulted in increased employment adding that, in the absence of verification, support for the SSP would be withheld.

Respondent SH13 aptly summarised the conundrum of the “numbers versus quality” debate being underpinned by the perception of some employer’s scepticism regarding the AATP (Accelerated Artisan Training Programme). This scepticism hinged on whether in fact this eighteen months training programme produced a good artisan.

Reports reflecting that 57% of the budget was committed and that only 22% had been spent at mid-year, with the net effect that 19 of the 36 projects have zero spend against them when the first half of the year is already gone, was noted as being of utmost concern (merSETA min 2012e). This data serves to cast doubt on the integrity of the performance and reporting framework as the merSETA has reported achieving average

performance ratings of 4.91 (out of a maximum of 5) on the scorecard with the DHET. It is especially concerning that targets which are geared towards assisting new entrants to participate in accredited work and new venture creation has not yielded much success as "not all jobs were sustained for 12 months and learners had therefore not started their own businesses" (merSETA min, 2010c).

The criteria for release of funds in respect of training appeared to be ambiguous with concern being raised about the statement that 60% of training reflected in the WSP is anticipated to be completed but that should in fact be 100%. It was noted that if training did not take place the funds should not be released. Stakeholders sought to reach a compromise between an 80/20 ratio instead of the 60/40 ratio of completed training noting that *funding cannot be lost at such a rate*[10]. There was a view that a flexible and developmental approach needed to be adopted and not a punitive approach, as conditions in the workplace were not static and that it was affected by external factors. Therefore the *target of 60% completion was deemed to be reasonable* (merSETA min, 2011f)[11].

The meeting of the Accounting Authority held on the 29th May 2012 corroborated the concern regarding the quality of training noting that the disbursement of Mandatory Grants remained the same and that Discretionary Grant disbursements improved but remained below budget as one of the reasons was that companies did not attain their milestones (merSETA min, 2012f).

Likewise, concern was expressed in respect of continued training of apprentices when qualified artisans have not been placed and others are being retrenched. A concern was raised about the approved artisan development funding which does not necessarily ensure the placement of qualified artisans and that certain occupational requirements are not sufficiently supported. Non-trade related skills programmes where people are progressing towards a qualification being one of them (merSETA min, 2012g).

[10] Authors emphasis
[11] Authors emphasis

The meeting of the Accounting Authority held on the 27th November 2012 expressed concern at the high intake of unemployed learners as it was causing animosity amongst employees who feel they do not get an opportunity to become artisans (merSETA min, 2012h).

Concerns were raised regarding concurrent learnerships, which was not in compliance with SAQA requirements, which stipulates that an incumbent may only be registered on one learnership at a time. The absence of a learner tracking mechanism was identified with a resolution being taken to implement a system in order to determine the reasons for withdrawals (merSETA min, 2012d).

Time lags between the signing of Memoranda of Agreements (MOAs) (which were supposed to be signed within 3 months of being issued) resulted in training not commencing as companies had not received funding. Interestingly, there appeared to be uncertainty regarding how much funding had been committed and how much was available (merSETA min, 2011e).

Ambiguity with regard to available funding is illustrated in the discussion at the Finance and Grants committee held on the 19th November 2012 whereby it was noted that

> *R230 million was available in the budget for DG funding at the last meeting which prompted a special meeting to address the DG criteria to ensure allocation of funds only to learn at the present meeting that DG4 was over committed resulting in the dilemma of having to decide whether to continue opening the window with the limited funds or whether to advise employers that there is no money available for allocation* (merSETA min, 2012i).

Concerns regarding alignment of the Strategic Plan and the Annual SLA with the budgets are corroborated in the discussion held at the Finance and Grants Meeting where it was noted that a number of the listed projects are dormant and that thirteen projects will end at the end of the financial year. In response to the concern which was

raised about the seemingly slow movement of certain projects on the report, it was noted that management had agreed to halt and put on hold certain projects in the light of the increasing concern about funding, and that there had been a slowdown in respect of the tender processes where commitments have not been made despite budgets having been approved. It was reported that management had advised that the current budgeting process was under review given the concern that it could be creating problems and that a better budgeting mechanism would be implemented to address the concerns (merSETA min, 2013a).

It is of grave concern that the Accounting Authority approved the grant guidelines at their meeting of the 22nd February 2012, despite the fact that it was recognised that …"if the Board approves the criteria as a generic guideline and leaves the office to direct disbursement the same situation may present itself this year with an over subscription against the available grants in the next year" (merSETA min, 2012j).

The fundamental challenge, however, is the numbers versus quality concern which is exacerbated by the fact that the data management system lacks credibility given the challenges with the implementation of the MIS system. In addition, there is a perception from some stakeholders that there was no political will to understand the mandate of NSDSIII, which was geared towards training for self-employment and sustainable livelihoods, SMEs, NGOs, NPOs and cooperatives and not just about training for production.

4.2.13 Advice to merSETA

Respondent SH08 expressed a sentiment shared by many of the respondents through the following comment:

> *I wish I could advise the Department more than anyone … but … in advising merSETA, it would be currently to contain itself, not grow, in other words the staff base must not grow, it must actually shrink, in light of the expenditure cap and all the other demands, the financial demands the Department is making. ...because we've already seen where we going, the Department has made it*

clear in not so many words that the number of SETAs that will be required is much less [maybe] about three or four.

Two respondents were of the firm opinion that there were just too many SETAs, noting the fragmented approach towards skills development and training which generally existed within South Africa. One respondent was of the view that we either get a single system that drives it or we reduce the number of SETAs (SH10).

Respondents believed that as the merSETA had 'the Ministers ear' that they should be more proactive and more particularly engage the Minister in respect of the phenomena of 'mission creep'. Respondent SH02 was of the view that:

the Minister should have been told a long time ago if my levy income is X but you expect me to do Y and I can show you that we don't have surpluses it is just not good business. We're budgeting for a deficit and to expect us to make good by forming partnerships and say that we will bring other people to the party to make it financially work. I don't think that's good business.

Prioritisation and reconfiguring projects was identified as another major challenge, with Respondent SH03 arguing that there was a need for refocusing of priorities, reconfiguring some projects and directing spending towards industry needs. This respondent also echoed the concern raised with regard to administration, highlighting the frustration that the administrative burden of the merSETA is too high and questioning whether there were ways to streamline the system. Up skilling staff was identified as another challenge with research and analytical skills identified as being lacking. This respondent also highlighted the need for participatory and transparent decision-making.

Respondent SH09 emphasised the importance of assessing performance and a learner tracking system. Conducting qualitative performance assessments to obtain information pertaining to the number of graduates who had secured employment was deemed to be necessary as it was felt that the focus had been on obtaining unqualified audits (SH09).

This respondent succinctly captured the widely held concern regarding the tension between the achievement of targets and compliance and performance, highlighting that obtaining a clean audit did not equate to good performance in achieving the pre-determined objectives. Systemic challenges including information and communication flows internally and externally as well as on-going capacity building of stakeholders were identified as challenges. Branding was suggested as an important strategy given the:

> *perception that the SETAs do not deliver is because they may be delivering but they're delivering in such an underground kind of way. Nobody knows them. There are no brands that are connected to the SETAs. The only brand that's connected to them is their name but they don't stand out for a particular type of programme* (SH13).

Respondent SH01 proffered a widely held view of not doing away with the SETAs as they were an asset to the education and training institutional system. The SETAs were viewed as providing an access point into the labour market. This respondent was of the opinion that the SETAs were a "fabulous vehicle …so I would be thinking first of all let's stop hammering SETAs let's celebrate the fact that we've got something that frankly other countries envy. We've got an institution and we've got a levy system that holds it together and let's build it so don't fragment it".

The advices provided ranged from reducing the number of SETAs from 21 to either 3 or 4 or to one single skills development entity. Various systemic challenges were identified as requiring attention, including performance monitoring and evaluation, information and communication systems, and capacity building of stakeholders including staff. Refocusing and prioritising projects was identified as another key challenge having taken cognisance that there were too many projects.

Transformation imperatives remained the elephant in the room, within the context of a shrinking funding base and the oft-cited 'mission creep'. This tension manifests in almost every aspect of the operationalising of the NSDSIII mandate most notably with

regard to non-core targets such as support to CBOs, NGOs, SMMEs, ABET and rural development.

5. DISCUSSION

This chapter discusses the findings presented in Chapter Four under the themes of governance and institutional arrangements. The discussion draws primarily on the perceptions of the merSETA stakeholders on whether effective governance exists within the merSETA to deliver on their core mandate of skills development as well as the challenges that impacts on the delivery of the learnerships and apprenticeship system.

It became evident during this research process that the success of the skills development system cannot be discussed in isolation from the dominant discourse on Human Capital Theory in the country. This discourse holds that an increase in the up-skilling of the workforce leads to an increase in employment and ultimately to an increase in economic growth. Human Capital Theory which is deemed to be the dominant discourse underpinning the Human Resources Development Strategy in South Africa, influences the outcomes of interventions such as the NSDSIII. Vally and Motala (2014), amongst others, are advocating for a paradigm shift for policymakers and practitioners in the skills development arena. They argue that the manner in which the skills gap has been framed completely advantages capital in that expanding the pool of skills does not lead to job creation; it leads to lower wages because employers have even more skilled, unemployed people to choose from – and they get the government to pay for it (Vally & Motala, 2014).

The author notes the distinction between corporate governance and systemic governance advanced by the Singizi report. Notions of corporate governance have its genesis in the development of the King Codes which largely considers governance practices from a market-based perspective. It was therefore deemed appropriate to use the definition proffered by Leftwich (2005) in respect of institutional arrangements constituting a *component* of governance as the framework for examining the perceptions of the stakeholders of the institution in a more holistic manner.

The format for this discussion is framed with governance being the overarching concept which is defined as:

> *the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences* (p. 12) (Grindle, 2007, p. 556).

Institutional arrangements comprising of the stakeholders, their capacity, roles and responsibilities including relationships as well as the composition of structures, principals, conflict of interests and decision making are the categories which were used to understand the stakeholders' perceptions of the nature of governance within the merSETA. Adherence to policy, procedures, communication and information which are deemed as enablers for the stakeholders to carry out their fiduciary responsibility were additional mechanisms used to understand the nature of governance within the merSETA.

5.1 Governance within the merSETA

The stakeholders view effective governance as being compliant with King III, the PFMA and other related statutes. This is demonstrated through the fact that the merSETA has established a governance unit which is responsible for all the governance functions of the merSETA ensuring that the merSETA complies with the King Code III as well as with the PFMA and other related statutes.

The merSETA in the main is considered to be in compliance with their fiduciary responsibilities in that they have succeeded in receiving unqualified audit reports since the establishment of the SETAs. The merSETA disclosed that they had suffered a number of instances of fraud committed by staff members in their annual reports for 2012 and 2013. The merSETA appeared to be have dealt with these transgressions speedily through seeking recourse in the courts. Meting out sanctions to those who have seriously transgressed ethical practice is considered key to building a culture and

practice of good governance within organisations. It also demonstrates adherence to good governance practices through the leadership exercising their responsibility and holding officials tasked with the delivery of public goods and services accountable.

The remuneration of stakeholder representatives for attendance at meetings could potentially become the SETAs Achilles' heel as it is potentially open to abuse. It would appear as though the merSETA has implemented this policy directive without having instituted the requisite accountability mechanisms. This system is potentially open to abuse in the absence of robust accountability mechanisms.

5.2 Institutional arrangements within the merSETA

Stakeholders' perceptions with regard to the effectiveness of the institutional arrangements in the merSETA vary. This could be attributed to various factors such as the absence of a shared understanding of governance as well as the absence of a shared understanding of the mandate of the SETA. The following quotes demonstrate the different understanding of governance within the merSETA.

One respondent defined governance as:

> *Good governance for me would be how do we spend the money and can we account for it and if there are any other issues such as communication on what's happening in the organisation what's happening nationally it's shared there the whole issue of transparency and the issue of accountability* (SH10).

This definition is aligned with the broader definition of the UNDP.

Another respondent defined good governance as

> *A SETA should have the systems the processes policies financial control measures the structures sub-committees functioning within the SETA (SH03.)*

This definition is aligned with the narrow definition as espoused by Leftwich.

Additional contributing factors impeding adherence to good governance according to the perceptions of the stakeholders, were other institutional challenges such as having 'too many masters to please', 'mission creep', conflict of interest between stakeholders, and what appears to be an inefficient decision making system.

Stakeholders are of the view that the major factor which serves to impede the Accounting Authority in carrying out their fiduciary duties is the 'too many masters to please' phenomena. This manifests in the fact that the Accounting Authority does not have full control of decisions pertaining to the core mandate of the merSETA. This is evident in the actions of the DHET (in their capacity of Executive Authority) having unilaterally increased targets agreed to in the SLA with the merSETA. National Treasury to whom the SETAs are accountable in terms of the PFMA had also recently decided to cap the amount of money to be utilised for administration costs, from 10% to 7.5%. SETAs are in the untenable position where they are held accountable for meeting targets within pre-determined budgets which are unilaterally changed by their principals. In addition the perceptions exists that there is no political will on the part of some stakeholders to understand the mandate of NSDSIII, which amongst others is geared towards training for self employment and sustainable livelihoods, SMEs, NGOs, NPOs and cooperatives and not just about training for production. In the main this has manifested as tension between delivering on the South African government's broader political mandate where they [the SETAs] are expected to address transformation imperatives as opposed to the core mandate of skills development of the SETAs. Not having full control of their budgets has had a seriously adverse effect on their business and strategic planning processes and service delivery. This is an unfortunate clash between the political mandate, other regulatory imperatives and the SETA mandate.

It would appear as though there is an absence of a shared understanding of stakeholders. None of the respondents either identified or included the beneficiaries of the skills development system as stakeholders. NUMSA represents workers in the metal and engineering sectors. The skills development system however also targets unemployed workers. In addition the composition of the merSETA Accounting Authority

indicates that there are no government representatives on the board despite the fact that the merSETA is in the centre of all the economic cluster departments. It is also telling that the Auto Chamber meeting held on the 28th September 2010 decided to delete the discussion requiring two members from the Department of Trade and Industry and the Department of Science and Technology as representatives on the chamber committee as it is not a prerequisite (merSETA, 2010f). This is in stark contrast to the recognition by the stakeholders that the SSP process should be extended to include other government departments as their policies may impact on the merSETA, more particularly as there is acknowledgement that the SSP is not aligned with the needs of the sector.

NSDSIII which sets out the targets for the period 1st April 2011 to 31st March 2016 is viewed as being too broad in its scale and scope according to the stakeholders. SETAs are faced with having to make a trade-off between embracing the transformative imperatives of the socio-economic mandate contained in the NSDSIII, against the increasingly shrinking pool of resources earmarked for skills development. The continued training of apprentices when qualified artisans have not been placed and others are being retrenched is indicative of the disjuncture between the identified demand and supply of skills.

This tension [between trade-offs] surfaces during meetings of the merSETA structures according to stakeholders and becomes evident during discussions on the allocation of resources. Stakeholders hold the view that this heightens the chasm of the different interests of the stakeholders which has emerged as another major challenge negatively impacting on governance. Numerous examples were cited with both the labour representatives and business seen to be driving their own agenda. The most notable example provided by the stakeholders was the compromise of the 60/40 ratio completion rate (deemed to constitute an effective training outcome) with the underlying motivation being that companies did not possess the capacity to deliver on 100% training completion rates. These practices illustrate the bargaining council posturing which stakeholders have adopted.

Decision making pertaining to targets such as the Retrenchment Assistance Programme as well as learnership interventions for the unemployed verses the employed was another example of the stakeholders' perceptions of the inherent conflict of interests within the merSETA. Likewise there exists a perception that organised business is not supportive of the NSDSIII transformation targets and considers the levy grant system as an additional unwarranted tax burden.

Examining the relationships between the various stakeholders indicated that even though there was a widely held perception that relationships had improved, the observation of the modus operandi gleaned from the interviews and corroborated by the examination of the minutes of the various sub-structures of the merSETA tends to negate the perception of an improvement in stakeholder relationships. It is questionable whether the mistrust had been eliminated, which one respondent illustrated in the example of stakeholders being apprehensive of missing a meeting as controversial decisions could be taken in their absence.

The examination of the minutes demonstrates the view of stakeholders that decision making can be cumbersome and drawn out. In this regard tracking the decision making process with regard to the MIS and other examples illustrated in Chapter Four of this report is indicative of what Bachrach and Baratz (cited in Ham & Hill, 1993) has referred to as non-decision making through the practice of escalating decisions within an organisation, as well as referring decisions for further deliberation and investigation to special task teams or committees.

This practice could also be likened to individuals and elites either acting in concert or at times even failing to act at all in order to keep unacceptable decisions out of the organisations politics and in so doing preventing the system from becoming any more diverse than it is (Ham & Hill, 1993). The implication of this is that these practices are exhibiting elements of latent decisive indecisiveness which has been likened to an art form for political survival by never making any enemies. In addition if no one takes any

decisions when confronted with difficult choices, then no one can be held responsible for the inevitable consequences of fall outs. No one loses face. This is the underlying governing principle for most non-decisions.

It is unclear whether stakeholders were aware of their concomitant responsibility for non decision making in the example of the MIS. There was no evidence on who was ultimately held responsible for managing the contract with the service provider commissioned to provide and implement the MIS. Anecdotal evidence suggests that the expenditure on the MIS was in excess of a few million Rands. The role of executive management (Manco) is unclear creating the perception of a blurring of roles and responsibilities. There appeared to be some confusion between the stakeholders role of providing strategic support and oversight (the responsibility of the Accounting Authority) with that of direct intervention in the operational affairs of the merSETA (the responsibility of the Manco).

The power and responsibility of the CEO to lead and intervene at a strategic level is impeded given his de facto limitations in this role as evidenced in the fact that the constitution stipulates that the CEO may be invited to meetings of the Accounting Authority and Executive Committee meetings. This view is corroborated in the MTT report (DHET, 2013).

The examination of the minutes of the various structures corroborates the perception of the stakeholders regarding blurring of responsibilities. For example, the same members who are represented on the Accounting Authority are also represented on the sub-structures of the merSETA. The roles and responsibilities of these different structures vary from oversight to that of representing constituent's interests on structures (such as the chamber committees) tasked with the responsibility for the development of strategic input of the SSP. These conflicting roles and responsibilities can lead to a culture of abdication of responsibility with dire consequences for the organisation.

The stakeholders' perceptions with regard to the capacity of stakeholder representatives to engage meaningfully on the various structures are that stakeholder's capacity is diverse and in some instances is lacking. This is exacerbated by the fact that there appears to be various degrees of capacity between the stakeholder constituencies. The labour delegates, more especially those from the shop floor experience challenges in ensuring their preparedness for meetings at structures such as the chamber committees. The challenge of maintaining institutional memory further contributes to capacity gaps by virtue of the fact that worker leaders are elected re-elected or not elected at all at four yearly intervals in accordance with democratic mechanisms within the trade union structures. These factors resonate with the concern raised by the MTT report that one of the more significant challenges in the present governance policy provisions is the fact that the complex and serious nature of the responsibilities of board members do not reconcile well with the part-time nature of their tenure and casual nature of practice (DHET, 2013).

Stakeholders' perceptions indicate that there is no evidence of collaboration between the different stakeholders and whether it had facilitated problem solving and reflection of changes to effect policy change. Most notably this is evident in the fact that the merSETA was unable to present a united and coherent response to the Minister of the DHET during the process that culminated in the reduction of the mandatory grants from 45% to 20%, nor in the National Treasury's decision to cap administration at 7.5%. Both of these interventions have adversely affected the SETAs with regard to the amount of funds available for training as well as operational costs including staffing. It is also unclear whether mandated representatives had diffused learning into their constituent organisations.

For the exception of the view expressing the concerns of staff regarding their job security, the stakeholders were of the view that it appeared as though not all the stakeholders embraced the restructuring process. Executive management led the process but did not highlight any of the institutional changes (if any) leading to the perception that this process was primarily championed by a particular group of

stakeholders. It did not appear as though any significant institutional changes had occurred as a result of the restructuring process. Neither does it appear as though lessons had been derived as demonstrated in the examples of non-decision making processes (in Chapter Four) in terms of building consensus.

Despite having adopted the Batho Pele (People First) Principles, some merSETA stakeholders continue to hold the perception that these principles have not been wholly assimilated into its culture. In fact, as can be gleaned from the data, representatives of the beneficiaries of the learnership and apprenticeship programs had lamented the bureaucratic practices in the merSETA.

In the main the merSETA is seen as having an efficient administrative system but there is painfully little which is demonstrated in the service standard in respect of the actual quality of the 'products' [learnerships / apprenticeship] being consumed. Stakeholders perceive this efficient administrative system as masking the institutional and governance challenges which continue to impede the merSETA in delivering on its mandate. This efficient administrative system could also be likened to an institution which contains remnants of service delivery aimed at 'customer satisfaction' as opposed to an institution with an embedded, developmental orientation.

Stakeholders hold the view that the performance management system relating to most of the merSETA targets appears to lack reliability. In this regard it is instructive to note the over performance of the merSETA across almost all of its targets as evidenced in the performance information for the period 2012 / 2013. Stakeholders are of the view that a reliable mechanism to validate and verify how many learners are on concurrent learnerships does not exist. The reported over achievement of targets by 2083% in respect of SMME intervention indicates that the system requires interrogation given the report that not all jobs (in respect of this target) were sustained for 12 months and that learners had therefore not started their own businesses.

There does not appear to be a reliable mechanism to validate and verify the quality of training as demonstrated in the decision to accept a 60/40 ratio of training as being complete. The views of the stakeholders imply that a common and shared understanding of the quality of training and whether it is aligned with industry needs does not exist. This is evidenced in the demands by stakeholders for validation of the numbers of learners who have been placed in employment. This is also evident in the fact that employers have expressed scepticism of whether an eighteen month learnership programme produced a qualified artisan. The system is potentially open to occurrences of double counting. Respondents indicated that an overlap exists with the old data-net system and the new MIS with stakeholders expressing the view that there is no reliable learner tracking system. The stakeholders perceive the latter as amplifying the weaknesses rooted in the management information system.

Numerous gaps have been identified in the project planning and budgeting process. This includes non-alignment between the Strategic Plan, the SLA and budgets. It is unclear whether targeted interventions and financial input data are robust given the concerns regarding its integrity by amongst others the Finance and Grants committee of the merSETA. This is demonstrated in the over subscription of the DG5[12] window as well as the special meeting convened to discuss the availability of funds.

It is important that a holistic approach to institutional change is advanced. This should recognise that obtaining good governance can only be attained when, amongst others, institutional weaknesses such as flawed decision making processes, contestation over resources and diffused responsibility are addressed in tandem. The need for a holistic capacity building intervention which encompasses capacity building of the stakeholders as well as the organisation is required to ensure that an enabling environment is created where stakeholders can drive and manage their own sustainable development (Bird & Heitmann, 2009).

[12] The firth annual call for applications for discretionary grants

Stakeholders expressed the view that the fundamental question which is emerging is whether the merSETA has the requisite capacity to deliver on its mandate given their [the stakeholders] perceptions of what appears to be a dysfunctional planning and reporting, and monitoring and evaluation framework underpinning a levy grant system in excess of R1 billion annually.

In conclusion, the author recognises that the merSETA operates in an intricate political environment alongside a complex institutional design with its multiple principles and its diffused accountability and responsibility mechanisms. It is therefore suggested that the good governance agenda should encompass a more nuanced understanding of the evolution of institutions. The perceptions of the stakeholders indicate that the aforementioned complexities together collude in impeding the merSETA from delivering on its mandate on learnerships and apprenticeships.

6. CONCLUSION

The hybrid nature of the SETA entities given the complex political environment and the complexity of the structure, composition of the stakeholders, multiple principals, diffused reporting lines and accounting mechanisms has created a very complicated institution. The practice of part time Accounting Authority members who are accountable to various government line departments and whose members devolve power and responsibility via delegation of authority to Executive management could serve to undermine public accountability. Such an environment can inadvertently lead to what Stone refers to as the practice of the stakeholders being 'intrinsically less responsive to the political preferences of their political masters and publics" (Stone, 2008).

The diverse ideological perspectives of the stakeholders translate into instances of non-decision making as demonstrated by the absence of a coherent strategy to engage the DHET with regard to the oft cited mission creep.

Respondents' contradictory responses to the prevalence of conflict of interests juxtaposed with their responses to stakeholder relationships, is instructive. It demonstrates the consequences of the bargaining council like *modus operandi* of the institution which culminates in decision making on 'safe' issues. This is demonstrated in the stakeholder's inability to reach consensus on a training quality standard and their subsequent decision to accept a 60/40 ratio as a standard to measure the quality of training.

The lack of senior industry players participating in the SETAs is a major institutional challenge. This manifests in the fact that there are no representatives from Government's economic cluster on the merSETA Accounting Authority, which has contributed to the absence of synergy and alignment of the merSETA SSP with national sector development plans such as the National Growth Path, National Development Plan and Industrial Policy Action Plan. This implies that asymmetrical strategic information coupled with the limited capacity of stakeholders to engage, network, and

advocate at high levels of industry impedes their ability to influence their sectors' imperatives at a national level. The jury is out on what interventions, if at all, are possible in influencing the envisaged DHET led re-engineering of the Skills development architecture with respect to either reducing the number of SETAs to three or four, or to a single Skills Development entity. It is questionable to what extent the CEO is able to lead and intervene at a strategic level given his de facto limitations in this role.

Despite the fact that there may be a clear understanding of the legislation regarding the roles and responsibilities of the Accounting Authority and the Executive Management there still exists a blurring of roles and responsibilities. Practically there appears to be different expectations with the Accounting Authority deferring responsibility to Executive Management and Executive Management expecting the Accounting Authority to take lead responsibility for certain interventions such as engagement with the DHET.

The inherent conflict of interests of the stakeholders necessitates more collaborative engagements between them in order to achieve goals related to policy implementation and service delivery. This requires a paradigm shift of the stakeholders in that they should recognise that political processes cannot be short-circuited through technical and analytical approaches only.

The capacity of stakeholders to effectively participate within various merSETA fora, needs to be reviewed in the light of the same individual's representation on almost all of the structures. In addition, the policy of remunerating stakeholders without the concomitant robust accountability mechanisms, may lead to gate-keeping.

Given the fact that it is difficult to verify and validate the number of learner enrolments and achievements it is imperative that the reporting framework is reviewed and analysed as instances of double counting of learners on concurrent learnerships / skills programmes may be occurring. The systemic challenges faced with the migration from datanet to the SMS system needs to be addressed in order to enhance the integrity of

the performance monitoring, evaluation and reporting system to ensure that formally defined institutional mechanisms exists for assessing the impact of training, (given the unacceptable low consensual 60/40 completion training ratio).

The mandate of the SETAs is too broad and not clearly understood given the various directives emanating from the DHET. Secondly, there was a lack of understanding of the SETA mandate as well as a lack of political will from some stakeholders to understand the objectives of NSDSIII. This is one of the major factors impeding the ability of the merSETA to deliver on its mandate.

Similarly, the ability of the merSETA to develop an approach in relation to governments objective of redressing the legacy of the past through its national imperatives such as ABET provision, skills required as part of poverty alleviation programmes, or those that relate to rural development programmes, presents a further impediment. There is a need for the merSETA to develop an approach in relation to other campaigns and programmes in these areas with a view to establishing clearly defined partnerships and collaboration.

The re-establishment of the SETAs on a 5 yearly basis effectively prevents the development of a long term vision of skills development aligned with national economic development goals contained within the National Development Plan and the National Growth Path.

Given the hybrid nature of the merSETA, and its institutional characteristics of pockets of excellence, such as an efficient administrative system, it is recognised that the organisation will continue to evolve and change over time. This will largely be dependent upon the organisation and its stakeholders demonstrating responsiveness to various stimuli such as internal as well as external threats. It also requires that cognisance is taken of the limitations of the existing institutional arrangements.

Addressing the limitations of the existing institutional arrangements requires change. It is recognised that such change will not be devoid of resistance from competing interests groups who will naturally be threatened by the development of new sets of institutional arrangements. There also exists the potential that these competing interest groups may also be torn between compliance with the existing formal institutional requirements and the demands of informal institutional loyalties in the discharge of their duties (Leftwich, 2007).

Finally, good governance, according to Leftwich (1994), in its limited current conception is not likely to generate much development on its own. It requires the politics and authority of the state to maintain it, as neither sophisticated institutional innovations nor a highly trained and capacitated bureaucracy will be able to withstand the disdainful consequences of corrupt practices gnawing away at a weakening developmental agenda for their own interests. He cautions that it is the ultimate 'technicist error' to expect that uncompromising conditionality's will culminate in good governance and ultimately development, without recognising that political change has to occur (Leftwich, 1994, p. 381).

In conclusion, it is suggested that the merSETA adopts a good governance agenda, encompassing the basic fundamental pre-requisites of democracy, (i.e. transparency, effective and efficient decision making, participation and accountability). More formal research underpinning decision making is required. This would enhance the dissemination and learning to a wider community given the fact that the merSETA constituent representatives feed back into fairly strong organisations like NUMSA and SEIFSA. In addition the ethical compliance with statutory rules and procedures, underpinned by a learning organisation (committed to a holistic capacity building programme) could provide the impetus for the merSETA to deliver on its mandate.

The debate about skills development which is a key determinate of a more equitable society usually takes the form of an argument of resources and/or profits. The larger economic question demands a political environment where government adopts an

economic model that would actually realise full employment in conjunction with the socio economic rights enshrined in the bill of rights within the constitution.

7. RECOMMENDATIONS

The following recommendations are suggested to the merSETA.

7.1 That the SETA Accounting Authorities should comprise of independent sector experts, with the concomitant responsibility and accountability for developing and managing the business plans of the organisation (including budgets), which are aligned with sectoral and national imperatives such as the NDP, NGP and IPAP. The appointment of Independent sector experts will enhance collegiality and minimise the prevailing conflict of interests, given that existing board members are both principals as well as beneficiaries.

7.2 That the advisory nature, composition and reporting lines of the chamber committees be reviewed.

7.3 That the monthly meetings of the Exco be reviewed to incorporate Executive Management.

7.4 That structures such as the Manco and QMR, as well as the outcomes of strategic planning sessions and ad hoc task teams be incorporated formally into the merSETA structures to ensure follow through of agenda items which are either referred and/or deferred.

7.5 That the merSETA develops an organogram which clearly depicts the structural arrangements in respect of decision making and accountability of the various structures internally and externally.

7.6 That submissions are submitted and dialogue initiated with the DHET in regard to the role of the CEO on the Governing Board and Exco.

7.7 That the scope and scale of the SETAs mandate urgently needs to be addressed as the current 19 outcomes and 39 outputs, cover the gambit of socio-economic-political indicators, which are not necessarily the DHETs core mandate, i.e. Abet training, SMME development and skills development for NGOs and CBOs, and rural development.

7.8 That the merSETA distinguishes its core mandate and strategic objectives from that of the non-core mandates in order to prioritise sector specific interventions.

7.9 That the merSETA commissions an external impact study on NSDSIII targets as well as the project planning and implementation process (with an emphasis on reviewing the project cycle in terms of timeframes from conceptualisation to implementation; risk management to include analyses of capacity of training providers; a cost benefit analysis of training outcomes; as well as an interrogation of the existing reporting framework particularly in respect of reporting on concurrent learnerships / skills programmes).

7.10 That the Minister of the DHET be lobbied to pronounce on the long term vision of the SETA landscape in respect of the number of SETAs that will be retained, as well as a review of the current 5 year (re)establishment of the SETAs. It is envisaged that these certainties will contribute to the streamlining of systemic challenges such as the performance and reporting framework requirements to both the DHET and the SAQA will be enhanced,

7.11 That the policy of remuneration of stakeholders needs to be reviewed to include robust accountability measures.

7.12 Development of succession plans for the labour representatives to ensure that institutional memory is maintained in the event of stakeholders retiring, resigning and/or being recalled by their respective constituencies.

7.13 Development of a holistic capacity building programme for stakeholders and the organisation should be undertaken.

7.14 Review of the current annual process of Governing Board and sub-committee assessments of structures to include analyses and recommendations and implementation plans.

7.15 An evaluation of the SMS system including a cost benefit analysis to ascertain the viability of the system should be undertaken. Review of the contract with the service provider to identify whether an exit clause exists and whether funds can be recovered for services not delivered in accordance with the contract.

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merSETA Governing Board, (2012b), item AA.0064: Consideration and Approval of Sector Skills Plan: Minutes of the Meeting of the Governing Board of merSETA 27 March 2012, Melville.

merSETA Governing Board, (2012f), item AA.0079, AA.0087: Approval of the unaudited Annual Financial Statements for the year ended 31 March 2012: Minutes of the Meeting of the Governing Board of merSETA 29 May 2012, Melville.

merSETA Governing Board, (2012l), item A.0094: Consideration of Policies: Minutes of the Meeting of the Governing Board of merSETA 24 July 2012, Melville.

merSETA Governing Board, (2012a), item A.0091: merSETA Strategy and Status Report: Minutes of the Meeting of the Governing Board of merSETA 24 July 2012, Melville.

merSETA Governing Board, (2012a), item AA.0099: Strategic Planning Session Agenda: Minutes of the Meeting of the Governing Board of merSETA 24 July 2012, Melville.

merSETA Governing Board, (2012h), item AA.0116: merSETA Strategy and the Status Report: Minutes of the Meeting of the Governing Board of merSETA 27 November 2012, Rosslyn Extension 2.

APPENDICES

A. Definitions and procedures: Mandatory and Discretionary Grants

Mandatory Grants

Mandatory grants must be paid by the SETA if the company fulfills the requirements to receive Mandatory Grants.

The 30 June deadline applies for Mandatory grants to employers who submit the Workplace Skills Plan in terms of the specified requirements. Late submissions do not qualify for the grant.

This grant is 50% of the total skills levy paid by the employer over a year in monthly contributions of 1% of its payroll. In order to benefit from this grant employers are required to submit the Workplace Skills Plan (WSP) with the Annual Training Report (ATR) from the previous year.

Employers who submit the WSP / ATR also qualify for the additional Discretionary Grants to fund training.

Skills development should be a continuous, planned and structured process that is influenced by the SETA requirements, but not dependent on them.

The skills planning process should include:
A skills audit (about every 3 to 5 years) to determine the current state of skills in the company, followed by,
An annual training needs analysis to identify the main skills gaps and training needs that must be addressed to improve the organisation's performance, resulting in:
A comprehensive training and development plan for learning and other skills development programmes to improve employee and organizational performance. This document should be used as a basis for compiling the WSP/ATR.

There is a common misconception that the Mandatory Grant is only paid if the WSP includes programmes that will lead to credits on the National Qualifications Framework (NQF). This is not true. The Skills Levy Regulations mandate SETAs to pay the grant to employers who submit the WSP/ATR in the specified format by 30 June.

The WSP/ATR templates provided by the SETAs make provision for employers to indicate which programmes are aligned to the NQF or registered with the South African Qualifications Authority (SAQA).

The skills planning process should be driven by the internal or external person designated as Skills Development Facilitator (SDF). This is generally someone from the Human Resource Development or Training and Development unit in a company, or the person responsible for staff training.

Discretionary Grants

Discretionary grants are developed and paid out at the discretion of the SETA Management and the Board.

Source: Hatting, S. (2010) Time to get serious about the WSP. Retrieved 12/10/2014 from http://www.skillsportal.co.za/page/skills-development/suzanne-hattingh/476922-Time-to-get-serious-about-the-WSP

B. Interview Schedule

Name	Respondent code allocated by researcher
merSETA official	SHO8
merSETA official	SH05
merSETA official	SH06
merSETA official	SH11
merSETA stakeholder	SH03
DHET official	SH09
DHET official	SH12
merSETA official	SH07
merSETA official	SH02
merSETA stakeholder	SH04
DHET official	SH01
merSETA official	SH10
merSETA stakeholder	SH13

C. merSETA Performance Information

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
4.1 Programme 1: Administration	Best practice effected in line with King III		All merSETA projects and processes are audited internally and externally, use of the fraud hotline is encouraged and sustainable practices are initiated and implemented. Board performance is externally assessed.	All performance and financial information has been audited throughout all four quarters of 2012/13. An energy audit has been conducted and consciousness around responsible use of water, energy, paper and disposal of various materials has been developed through various awareness interventions. Batho Pele values have been introduced and Accounting Authority assessments have been carried out.
	merSETA resources aligned to effectively execute the strategy		Organisational structure is reviewed; leaner and smarter operations are implemented and encouraged throughout the organisation.	Organisational renewal was carried out and finalised in September 2012. Review of this exercise took place in March 2013. Internship programme has been formalised and monitoring system in place. Cost-cutting measures have been implemented organisation-wide including restrictions on travel and accommodation and planned introduction of video-conferencing facilities.
	Compliance with all relevant legislation and regulations		Legal compliance register is developed and maintained.	Legal compliance register was developed and discussed in quarterly monitoring review meetings.
	Customer/stakeholder expectations met or exceeded		Stakeholder Experience Management Programme is initiated and Stakeholder Satisfaction Survey is conducted.	Service provider procured for SEMP and phase 1 to conduct stakeholder satisfaction survey has been completed. Business process flow diagram in development.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
	Sound financial accountability		Improved budgetary control and contract and asset management.	Training on budget control and management provided to line managers, asset count conducted and risk register developed and maintained.
	Monitoring and evaluation of operations and projects		Internal capacity is built for holistic approach to M&E and data systems improved.	New Seta Management System being implemented, nearing completion.
4.2 Programme 2: Skills Planning	Capacity for research and skills planning established		Internal research capacity developed, regional skills plans developed and knowledge management strategy implemented.	Labour market specialist, research administrator and knowledge management specialist recruited and engaged during the final year.
	Capacity building of stakeholders		Regional skills development forums, provider forums, bargaining councils, chamber and other committees utilised to build skills development capacity of stakeholders.	National roadshows conducted to communicate new SETA Grant Regulations. All other forums took place as planned, including chamber and regional committees.
	Grants aligned to the sector skills plan		Support provided for scarce, critical and priority skills.	Discretionary grant funding criteria were based on scarce, critical and priority skills needs within the MER sector.
	Implementation of partnerships for credible skills planning		Research partnerships established and chair for manufacturing skills development established.	Partnerships with local and international universities have been developed including institutions in Germany and the Czech Republic.
4.3	Employed Bursaries Entered	Number of employed learners who are recognised by merSETA as having been supported by a merSETA bursary to enter a qualifying programme in accordance with merSETA processes and procedures for the period being considered	116	77. The target was not achieved (only 65% achieved) due to changes in the bursary reporting mechanism which meant that learners who are being funded for second and third years were no longer counted as entered. Change was introduced in September 2012.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
Programme 3: Increasing Access to Occupationally directed Programmes	Employed Bursaries Completed	Number of employed learners who are recognised by merSETA as having been supported by a merSETA bursary to complete a qualifying programme in accordance with merSETA processes and procedures for the period being considered	61	75. This target was achieved by 123% Over-achievement due to funding of more one-year courses than longer courses, including the learner tracking exercise of learners who commenced a number of years ago.
	Unemployed Learnerships Entered	Number of unemployed learners who are recognised by merSETA as having commenced a registered learnership in accordance with merSETA processes and procedures for the period being considered	2021	2690. This target was achieved by133% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding.
	Unemployed Learnerships Completed	Number of unemployed learners who are recognised by merSETA as having successfully completed a registered learnership in accordance with merSETA processes and procedures for the period being considered	1184	2650. Target was achieved by 223% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding.
	Unemployed Skills Programmes Entered	Number of unemployed learners who are recognised by merSETA as having commenced a registered skills programme in accordance to merSETA processes and procedures for the period being considered	806	2461. Target was achieved by 305% Over-achieved due to two large Automotive Industry employers training unemployed learners to continue with production whilst employed learners undertook training.
	Unemployed Skills Programmes Completed	Number of unemployed learners who are recognised by merSETA as having successfully completed a registered skills programme in accordance with merSETA processes and procedures for the period being considered	188	1856. Target was achieved by 987% Over-achieved due to two large Automotive Industry employers training unemployed learners to continue with production whilst employed learners undertook training.
	Unemployed Bursaries Entered	Number of unemployed learners who are recognised by merSETA as having been supported by a merSETA bursary to enter a qualifying programme in accordance with merSETA processes and procedures for the period being considered	194	220. Target was achieved by 113% Over-achievement due to a targeted recruitment and cost effective and inclusive bursary package being available to students.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
	Unemployed Bursaries Completed	Number of unemployed learners who are recognised by merSETA as having been supported by a merSETA bursary to complete a qualifying programme in accordance with merSETA processes and procedures for the period being considered	43	94. Target was achieved by 219% Over-achievement due to improved overall one-on-one support of bursary students.
	Internships entered	Number of unemployed learners who are recognised by merSETA as having been supported by merSETA to enter a qualifying internship programme in accordance with merSETA processes and procedures for the period being considered	180	377. Target was achieved by 209% Over-achievement due to partnerships with institutions e.g. UJ and NMMU as well as EC Provincial Government in order to increase uptake of interns.
	Internships Completed	Number of unemployed learners who are recognised by merSETA as having been supported by merSETA to complete a qualifying internship programme in accordance with merSETA processes and procedures for the period being considered	63	103. Target was achieved by 163% Over-achievement as internships run for a duration of 6 - 12 months and some completions stem from previous year's entry. In addition, completion of internships is incentivised through discretionary grant funding.
	Employed Artisans Entered	Number of employed apprentices who are recognised by merSETA as having commenced a registered apprenticeship in accordance to merSETA processes and procedures for the period being considered	1504	1900. Target was achieved by 126% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding. In addition it is further supported via a dedicated Accelerated Artisan Training Programme.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
	Employed Artisans Completed	Number of employed apprentices who are recognised by merSETA as having successfully completed a registered apprenticeship in accordance with merSETA processes and procedures for the period being considered	563	834. Target was achieved by 148% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding. In addition it is further supported via a dedicated Accelerated Artisan Training Programme where close monitoring by regional offices also enables higher completion rates.
	Unemployed Artisans Entered	Number of unemployed apprentices who are recognised by merSETA as having commenced a registered apprenticeship in accordance with merSETA processes and procedures for the period being considered.	2204	3549. Target was achieved by 161% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding. In addition it is further supported via a dedicated Accelerated Artisan Training Programme.
	Unemployed Artisans Completed	Number of unemployed apprentices who are recognised by merSETA as having successfully completed a registered apprenticeship in accordance with merSETA processes and procedures for the period being considered.	1390	2115. Target was achieved by 152% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding. In addition it is further supported via a dedicated Accelerated Artisan Training Programme where close monitoring by regional offices also enables higher completion rates.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
	Work Experience	Number of learners recognised by merSETA as being supported to acquire their P1 or P2 experience in order to get their qualification	555	1108. Target was achieved by 200% The achievement has been a result of support through partnerships with institutions such as the University of Johannesburg, the Nelson Mandela Metropolitan University, the National Youth Development Agency and the Eastern Cape Provincial Government.
	Work Placement	Number of learners who are recognised by merSETA as having found qualifying employment during or after completing a qualifying programme	210	352. Target was achieved by 168% Improved relationships with participating companies has supported the over-achievement of this target.
4.4 Programme 4: Promote the responsiveness of FETCs to sector need	FET College Partnerships	Number of FET colleges supported by merSETA	6	18. Target was achieved by 300% merSETA has developed and implemented a clear and proactive FETC strategy, which is reliant upon linkages between colleges and industry. merSETA has prioritised and facilitated these linkages through regular industry-college forums, in order to ensure appropriate support to FETCs.
4.5 Programme 5: Address the low-level of youth and adult language and numeracy skills	Employed Skills Programmes Entered	Number of employed learners who are recognised by merSETA as having commenced a registered skills programme in accordance with merSETA processes and procedures for the period being considered	3099	4325. Target was achieved by 140% A number of companies are committed to uplifting their employees and the advocacy role played by merSETA has resulted in this achievement.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
	Employed Skills Programmes Completed	Number of employed learners who are recognised by merSETA as having successfully completed a registered skills programme in accordance with merSETA processes and procedures for the period being considered	1448	2177. Target was achieved by 150% A number of companies are committed to uplifting their employees and the advocacy role played by merSETA has resulted in this achievement.
4.6 Programme 6: Promote workplace skills development in the sector	Employed Learnerships Entered	Number of employed learners who are recognised by merSETA as having commenced a registered learnership in accordance to merSETA processes and procedures for the period being considered	1732	3336. Target was achieved by 193% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding.
	Employed Learnerships Completed	Number of employed learners who are recognised by merSETA as having successfully completed a registered learnership in accordance with merSETA processes and procedures for the period being considered	940	2109. Target was achieved by 224% Over-achievement is due to this being one of the Sector's core functions and is well supported through discretionary and mandatory funding.
	Mandatory Grants Paid to Large Companies	Number of large companies that have been paid out mandatory grants in accordance with merSETA processes and procedures for the period being considered	400	639. Target was achieved by 160% Extensive marketing was conducted through regional roadshows and support in the submission of WSPs and ATRs was provided through regional offices.
	Mandatory Grants Paid to Medium Companies	Number of medium companies that have been paid out mandatory grants in accordance with merSETA processes and procedures for the period being considered	777	1122. Target was achieved by 144% Extensive marketing was conducted through regional roadshows and support in the submission of WSPs and ATRs was provided through regional offices.

Programme Goal	Performance Indicator	Indicator Definition	Target 2012/13	Achievement 2012/13 and Variance Explanation
	Mandatory Grants Paid to Small Companies	Number of small companies that have been paid out mandatory grants in accordance with merSETA processes and procedures for the period being considered	1718	2286. Target was achieved by 133% Extensive marketing was conducted through regional roadshows and support in the submission of WSPs and ATRs was provided through regional offices.
4.7 Programme 7: Cooperatives, small enterprises, NGOs and Community initiated training	Cooperatives	Number of cooperatives that have been supported by merSETA in any qualifying way according to merSETA processes and procedures	2	8.Target was achieved by 400% Over-achievement due to a dedicated merSETA project aimed towards assisting cooperatives with meeting requirements for funding.
	Small Business Support	Number of small companies that have been supported by merSETA in any qualifying way according to merSETA processes and procedures	2087	2740. Target was achieved by 131% Over-achievement as a result of ongoing support of small enterprises by merSETA Client Liaison Officers, who have provided guidance in skills planning and implementation.
	NGO, CBO, CBC	Number of NGOs, CBOs and CBCs that have been supported by merSETA in any qualifying way according to merSETA processes and procedures	9	25. Target was achieved by 278% Over-achievement as a result of a dedicated merSETA project aimed at supporting NGOs, CBOs and CBCs.
4.8 Programme 8: Career Development	Career Guidance	Number of recipients who have received qualifying career awareness support in accordance with merSETA processes and procedures	1178	2570. Target was achieved by 218% Over-achieved due to partnerships with various institutions including the SAGDA and NYDA. MerSETA has taken part in a large number of career exhibitions and conducted roadshows throughout the regions.

Source: merSETA Annual Report, 2012-13, p. 24:36

D. Interview guide

Introduction: Interviewer to provide a short outline of nature and purpose of research project.

Date: _____

Name of Interviewee: _____

Organisation: _____

Position: _____

Structure/s participating in: _____

Period of tenure: _____

1. Can you comment on the perception of the performance of the SETAs, within the public domain? (Are these perceptions accurate in relation to the SETAs generally, and merSETA particularly?)

_____

_____

_____

2. Can you comment on the policy transfer of the SETAs from the DoL to the Dhet? (How has this affected how the merSETA operates)?

_____

_____

3. What are the key governance challenges that stakeholders are confronted with within the merSETA?

3.1 What are the key responsibilities of stakeholders on merSETA fora?

3.2 What are the competencies required of stakeholders on merSETA fora? (In your view, do all stakeholders have the necessary capacity to discharge their responsibilities).

3.3 Can you comment on the scale and scope of the mandate of the SETAs? Is it realistic?

4. What are the key institutional challenges that stakeholders are confronted with within the merSETA?

4.1 Can you comment on the decision-making processes within the merSETA fora such as the Board, Executive Committee (Exco), Chambers and Exco sub-committees?

4.2 What are the rules and procedures which govern the merSETA with respect to Governance? i.e. compliance with the constitution, the SSP, the PFMA etc.

4.3 What and how are the administrative processes managed within the merSETA? More specifically with regard to operations: i.e. the convening and notification of meetings; provision of full information regarding procurement processes; participation in planning processes

4.4 How would you describe stakeholder relations within the merSETA?

4.5 Using the learnership / apprenticeship system as one of the key merSETA deliverables, can you comment on the impact being made by the merSETA?

5. If you were advising the merSETA on the afore-mentioned challenges, what would your advice be?

E. Coding frame

Category	Sub category	Themes	Sub Themes	Code
Governance (Gov) (and definitions) **UNDP**				**Gov00**
		Re-establishment of SETAs		Gov00 1
	Socio-economic mandate (including BeD, Dti, etc)			Gov01
	Sector (Seta) mandate			Gov02
		Realistic		Gov02 1
		Un-realistic		Gov02 2
	Political mandate (developmental)			Gov03
		Legacy (pre-1994)		Gov03 1
		Context / reality (post 94) = socio-economic-political; sector i.e. education, manufacturing		Gov03 2
		Mission creep		Gov03 3
		Collaboration (synergy, integration) within Govt / Other SETAs, QTCO, HRD etc = +		Gov03 4
Institutional arrangements (Ins) (sets of rules)AL				**Ins00**
g	Stakeholders	Principals (too many masters) DHET, & includes AA		Ins01
		Composition		Ins02
			staff	Ins02 1
			beneficiaries	Ins02 2
		Interests		Ins03
			Conflict of interest (constituency &	Ins03 1

			individual)	
			Conflict : i.e. Private training providers	Ins03 2
			Conflict: i.e.	Ins03 3
		Coherence / relationships		Ins04
			Good	Ins04 1
			Bad	Ins04 2
		Remuneration		Ins05
		Capacity, individual and orgs (hard (fin acumen) & soft, i.e. selfless, integrity))		Ins06
			Roles and responsibilities	Ins06 1
			Strategic l/ship (experts w sector)	Ins06 2
		Structures		Ins07
			Culture (org & work)	Ins07 1
			Complexity / architecture / restructuring	Ins07 2
	Decision making (directive)			Ins08
		Prescriptive expenditure		Ins08 1
		Prescriptive targets		Ins08 2
		Surpluses		Ins08 3
		Capping expenditure		Ins08 4
	Transparency			Ins09
	Accountability			Ins10

	Bureaucracy			Ins11
	Participation / consultation			Ins16
	Compliance / Legislation / fiduciary (Reporting)			Ins12
		Constitution		Ins12 1
		Board charter (delegation auth)		Ins12 2
		Terms of reference		Ins12 3 g
		PFMA		Ins12 4
		Treasury		Ins12 5
		AG (procurement oversight) audits (A.R.)		Ins12 6
		Fruitless & wasteful exp		Ins12 7
			sanction	Ins12 7 1
		Company secretary / governance unit		Ins12 8
		SSP (includes annual plans SLA)		Ins12 9
			Research	Ins12 9 1
	Perceptions			Ins13
		Negative: SETAs		Ins13 1
		Negative: merSETA		Ins13 2
		Positive: merSETA		Ins13 3
	Performance … (impact) service delivery			Ins14
		Negative: SETAs		Ins14 1
		Negative: merSETA		Ins14 2
		Positive: merSETA		Ins14 3
		Beneficiary training		Ins14 4
	Administration			Ins15
		Grants (mandatory & dg)		Ins15 1
		Grants, levy Y 1% (funding)		Ins15 2
		SMS		Ins15 3
		Communication / info		Ins15 4
			Public relations	Ins15 4 1
			Customer surveys	Ins15 4 2
			AGMs	Ins15 4 3
		System & processes (including policies		Ins15 5

		& procedures)		
	No Comment			Ins17
		Q2 policy transfer		Ins17 1
		Q3 gov challenges		Ins17 2
		Q3.1 key responsibilities		Ins17 3
		Q3.2 key competencies		Ins17 4
		Q3.3 scale and scope		Ins17 5
		Q4 key institutional challenges		Ins17 6
		Q4.1 decision making		Ins17 7
		Q4.2 rules & procedures governance		Ins17 8
		Q4.3 admin processes managed		Ins17 9
		Q4.4 stakeholder relations		Ins17 10
		Q4.5 impact		Ins17 11
		Q 5 advice to MerSETA		Ins17 12

F. Schedule of Minutes and terms of references reviewed for this case study

Audit Committee

Minutes of the ordinary meeting of the Audit Committee of merSETA and the external auditor held on Monday, 1 March 2010 at 10:00

Minutes of the ordinary meeting of the Audit Committee of merSETA held on 17 May 2010 at 14:00

Minutes of the ordinary meeting of the Audit Committee of merSETA held on 23 July 2010 at 14:00

Minutes of the ordinary meeting of the Audit and Risk Committee of merSETA held on 11 October 2010 at 14:00

Minutes of the meeting of the Audit and Risk Committee of merSETA held on 16 May 2011at 14:00

Minutes of the meeting of the Audit and Risk Committee of merSETA held on 25 July 2011at 10:00

Minutes of the meeting of the Audit and Risk Committee of merSETA held on 24 October 2011at 14:00

Minutes of the meeting of the Audit and Risk Committee of merSETA held on 30 January 2012 at 12:00

Minutes of the meeting of the Audit and Risk Committee of merSETA held on 12 March 2012 at 14:00

Minutes of the ordinary meeting of the Audit and Risk Committee of merSETA held 28 May 2012 at 15:00

Minutes of the ordinary meeting of the Audit and Risk Committee of merSETA held 16 July 2012 at 14:00

Minutes of the ordinary meeting of the Audit and Risk Committee of merSETA held on 8 October 2012 at 14:00

Minutes of the special meeting of the Audit and Risk Committee of merSETA held on 25 January 2013 at 15:00

Minutes of the ordinary meeting of the Audit and Risk Committee of merSETA held on 18 March 2013 at 15:00

g

Executive Committee (Exco)

Minutes of the ordinary meeting of the Exco of merSETA held on 20 April 2010 at 10:00
Minutes of the ordinary meeting of the Exco of merSETA held on 17 August 2010 at 10:00
Minutes of the ordinary meeting of the Exco of merSETA held on 19 October 2010 at 13:00
Minutes of the extended meeting of the Exco of merSETA held on 01 February 2011at 14:00
Minutes of the meeting of the Exco of merSETA held on 21 June 2011at 13:30
Minutes of the meeting of the Exco of merSETA held on 18 October 2011 at 10:00
Minutes of the meeting of the Exco of merSETA held on 07 February 2012 at 10:00
Minutes of the meeting of the Exco of merSETA held on 24 April 2012 at 08:30
Minutes of the extended Exco meeting of merSETA held on 20 August 2012 at 14:00
Minutes of the Exco meeting of merSETA held on 07 November 2012 at 09:00
Minutes of the Exco meeting of merSETA held on 14 March 2013 at 09:00

Innovation, Research and Development Committee (IRD)

Minutes of the inaugural meeting of the IRD committee of the merSETA held on 28 November 2012 at 10:00
Minutes of the meeting of the IRD committee of merSETA held on 21 February 2013 at 09:00
Minutes of the meeting of the IRD committee of merSETA held on 25 April 2013 at 10:00
Minutes of the meeting of the IRD committee of merSETA held on 22 July 2013 at 10:00

Finance and Grants Committee of merSETA (FG)

Minutes of the meeting of the FG committee of merSETA held on 03 August 2011at 09:30
Minutes of the meeting of the FG committee of merSETA held on 01 November 2011at 10:00
Minutes of the meeting of the FG committee of merSETA held on 21 February 2012 at 10:00
Minutes of the special meeting of the FG committee of merSETA held on 20 March 2012 at 08:00
Minutes of the ordinary meeting of the FG committee of merSETA held on 08 May 2012 at 08:30
Minutes of the ordinary meeting of the FG committee of merSETA held on 31 July 2012 at 08:30
Minutes of the special meeting of the FG committee of merSETA held on 10 September 2012 at 10:00
Minutes of the meeting of the FG committee of merSETA held on 19 November 2012 at 14:00
Minutes of the meeting of the FG committee of merSETA held on 11 March 2013 at 09:00

Governing Board (GB)

Minutes of the ordinary meeting of the Governing Board assessment and training of merSETA held on 21 April 2010 at 08:30
Minutes of the ordinary meeting of the Governing Board of merSETA held on 25 May 2010 at 09:00
Minutes of the ordinary meeting of the Governing Board of merSETA held on 27 July 2010 at 10:00
Minutes of the ordinary meeting of the Governing Board of merSETA held on 17 September 2010 at 10:00

Minutes of the ordinary meeting of the Governing Board of merSETA held on 25 November 2010 at 11:00

Minutes of the meeting of the Governing Board of merSETA held on 24 March 2011 at 10:00

Minutes of the meeting of the Governing Board of merSETA held on 23 May 2011 at 14:00

Minutes of the meeting of the Governing Board of merSETA held on 26 July 2011 at 14:00

Minutes of the meeting of the Governing Board of merSETA held on 16 August 2011 at 11:00

Minutes of the meeting of the Governing Board of merSETA held on 20 September 2011 at 11:00

Minutes of the meeting of the Governing Board of merSETA held on 22 November 2011 at 10:00

Minutes of the meeting of the Governing Board of merSETA held on 27 March 2012 at 10:00

Minutes of the meeting of the Governing Board of merSETA held on 29 May 2012 at 10:00

Minutes of the meeting of the Governing Board of merSETA held on 24 July 2012 at 10:00

Minutes of the meeting of the Governing Board of merSETA held on 25 September 2012 at 10:00

Minutes of the meeting of the Governing Board of merSETA held on 27 November 2012 at 10:00

Auto Chamber (AC)

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 25 February 2010 at 09:00

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 03 June 2010 at 08:00

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 09 September 2010 at 08:30

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 28 September 2010 at 08:30

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 23 November 2010 at 08:30

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 30 November 2011 at 09:00

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 01 March 2012 at 09:00

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 29 June 2012 at 09:00

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 30 November 2012 at 09:00

Minutes of the ordinary meeting of the Auto Chamber committee of merSETA, held on 1 March 2013 at 09:00

Metal Chamber (MetC)

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 03 February 2010 at 10:00

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 05 May 2010 at 10:00

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 11 August 2010 at 10:00

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 31 August 2010 at 10:00

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 02 November 2011 at 10:00

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 01 February 2012 at 10:00

Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 30 May 2012 at 10:00
Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 31 October 2012 at 10:00
Minutes of the ordinary meeting of the Metal Chamber committee of merSETA, held on 05 February 2013 at 10:00

Motor Chamber (MC)

Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 10 February 2010 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 26 May 2010 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 18 August 2010 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 10 November 2010 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 08 February 2011 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 07 September 2011 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 23 November 2011 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 08 February 2012 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 15 June 2012 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 05 September 2012 at 10:00
Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 15 November 2012 at 10:00

Minutes of the ordinary meeting of the Motor Chamber committee of merSETA, held on 12 February 2013 at 10:00

Plastics Chamber (PC)

Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 17 February 2010 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 25 August 2010 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 17 November 2010 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 14 September 2011 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 16 November 2011 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 15 February 2012 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 13 June 2012 at 10:00
Draft minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 12 September 2012 at 10:00
Minutes of the ordinary meeting of the Plastics Chamber committee of merSETA, held on 14 November 2012 at 10:00

New Tyre Chamber (NTC)

Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 21 May 2010 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 03 September 2010 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 19 November 2010 at 08:30

Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 25 February 2011 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 21 September 2011 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 06 December 2011 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 24 February 2012 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 22 June 2012 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 19 September 2012 at 08:30
Minutes of the ordinary meeting of the New Tyre Chamber committee of merSETA, held on 22 February 2013 at 09:00

Terms of Reference

Audit and Risk Committee Charter
Executive Committee
Finance and Grants Committee
Governing Board Charter
Innovation, Research and Development (IRD) Committee
Remuneration and Human Resources Committee
Service Level Agreement, DHET and MerSETA 2012 / 2013
Service Level Agreement, DHET and MerSETA 2014/2015
Strategic Plan 2013 / 2014
Strategic Plan 2013/14 – 2017/18

G. Management Information Strategy (MIS) decision making

This agenda item was considered by the Exco at their meeting of the 20 April 2010, where “the office was requested to effect amendments for presentation to the next meeting of the Accounting Authority” (merSETA min, 2010e). The meeting of the Accounting Authority held on 25 May 2010 considered the item Risk Matrix top 20 risks where it was noted that the risks 1 and 6 relating to the Management Information System (MIS) and Information Technology should be considered as red pending the successful implementation of the new MIS system (merSETA min, 2010c). At the said meeting under item A.0261, the MIS is referred back to the Exco to address certain recommendations and for submission to the next meeting of the Accounting Authority (merSETA min, 2010c). The meeting of the Accounting Authority held on the27 July 2010 commends management for the management on the progress made with the Risk Matrix without specific reference to the MIS (merSETA min 2010a). The Accounting Authority at their meeting held on the 17 September 2010, notes that substantial work in respect of a user needs analysis is required and approves the strategy with the proviso that the gaps identified at the Accounting Authority meeting of the 25 May 2010 be incorporated (merSETA min, 2010d). The agenda item Information Technology strategy was not discussed at the Accounting Authority meeting held on the 24 March 2011. The Accounting Authority raises concern about the “IT” strategy not having been finalised in light of it being flagged as a high risk area at their meeting of the 25 November 2011 and that the office should ensure that it be tabled at the next meeting of the Accounting Authority. The meeting of the Accounting Authority held on the 26 July 2011 notes that a new MIS system has been introduced and that WSPs (Workplace Skills Programmes) can be submitted (merSETA min, 2011d). The summary of the 20 top risks are noted at the Accounting Authority meeting of the 22 November 2011 (merSETA min, 2011i). The Exco at their meeting held on the 07 February 2012 considers the proposal from the DHET with regard to an integrated IT system for all SETAs, noting that there are approximately 14 different IT systems in operation within the 21 SETAs (merSETA min, 2012k). The DHETs request to implement the integrated IT system is approved with a submission to be made to the Accounting Authority for ratification due to time

constraints (merSETA min, 2012k). The Exco held on the 24 April 2012 notes that, “The proposal regarding development and implementation of an integrated IT system for all SETAs has been communicated again as the DHET lost the initial proposal” (merSETA min, 2012i). The meeting of the Accounting Authority held on the 29 May 2012 ratified the request for support from the DHET to develop and implement the integrated IT system for all SETAs in terms of the delegation of authority framework (merSETA min, 2012f). The Accounting Authority at its meeting held on the 24 July 2012 raised the concern that Information Communication and Technology (ICT) is a specialised area but that the plan does not contain sufficient detail. Furthermore, that “the plan is not linked to funding and that the structure does not recognise the proposal that staff must be supported with technical assistance. The meeting proposed that expert opinion be obtained in this regard” (merSETA min, 2012l). It was resolved that the ICT Strategic Plan be adopted in the interim but that it be referred to the Audit and Risk Committee for consideration (merSETA min, 2012l). The Accounting Authority at their meeting held on the 27 November 2012 discussed Risk Assessment. The meeting noted that the top 20 risks were mostly compliance related type risks. It was decided that in future risks will be tracked in the QMR (Quarterly Management Reporting) meeting, and that “instead of showing only the top 20 risks from time to time, the overall risk management activity and the movement of the risks also be reflected regularly” (merSETA min, 2012h).

H. 3 sub-frameworks that comprise the NQF

	NQF Level	Qualification Types		
Higher Education Qualifications Sub framework under the CHE	10	Doctoral degree / professional	-	Occupational Qualifications Sub-framework under the QCTO
	9	Doctoral degree / professional	-	
	8	Bachelor of Honours degree / Postgraduate Diploma / Bachelor's degree	Occupational Certificate level 8	
	7	Bachelor's degree / Advanced Diploma	Occupational Certificate level 7	
	6	Diploma / Advanced Certificate	Occupational Certificate level 6	
	5	Higher Certificate	Occupational Certificate level 5	
General and Further Education and Training Sub framework under Umalusi	4	National Certificate / Grade 12	Occupational Certificate level 4	
	3	Intermediate Certificate / Grade 11	Occupational Certificate level 3	
	2	Elementary Certificate / Grade 10	Occupational Certificate level 2	
	1	General Certificate / Grade 9	Occupational Certificate level 1	

Source: DHET NSDSII Progress Report 2011 – 2013 pg. 8