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### 'Skills for productive citizenship for all': the place of skills development for micro and small enterprises in South Africa

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# **‘Skills for productive citizenship for all’: the place of skills development for micro and small enterprises in South Africa<sup>1</sup>**

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Three important elements of a South African vision for high skills must be spreading skills improvements across the population in general, creating policy coherence and constructing new institutions. This article examines these issues through an investigation of the micro and small enterprise (MSE) sector and, in particular, through an analysis of the evolution of policies for this sector over the first decade of democracy. It considers policy development by the three most relevant government departments: Trade and Industry, Labour and Education. The article concludes that the impact of the South African state in promoting ‘skills for productive citizenship for all’ has not been as successful as hoped for. In particular, attempts to balance skills needs at all levels have not always been reflected in coherent cross-sectoral policymaking or in effective implementation strategies, including the development of new institutions. Nonetheless, the vision continues to be deepened and reiterated in ways that suggest that there is an ever keener official appreciation that a coherent strategy and implementation approach for meeting the skills needs of MSEs is an essential prerequisite for achieving an inclusive upskilling vision.

## **Introduction**

As the other articles in this Special Issue make clear, South Africa faces particular challenges in constructing a skills development strategy that addresses the skills needs of all citizens. Given the current shape of the South African economy, it is apparent that part of such a strategy inevitably needs to be a focus on the needs of micro and small enterprises (MSEs), whether in the formal or informal economies. As Mayer and Altman’s article reminds us, such enterprises are important to alleviating some of the structural weaknesses of the South African economy and to promoting labour-absorbing growth.

In this article I will explore a decade of attempts at developing South Africa’s MSEs and consider what insights these successes and failures bring to the broader focus of this Special Issue on South Africa and the high skills thesis.

The main focus of this article will be on the evolution of policy. This will be addressed through an exploration of policy documents from the three key departments of Trade and Industry, Labour and Education. My intention is to focus primarily on what these policies have to say about skills development for micro and small enterprise development. However, I am mindful that policy needs to be understood as embedded in practices so I will also provide a brief discussion of the extent to which a consideration of practices provides a more nuanced picture of the performance of support of MSE skills. Finally, I end with a brief concluding consideration of how this analysis of MSE skills development adds to the textured South African engagement with the high skills debate.

Before turning to the main story of policy development, it is necessary to provide a brief sketch for a largely non-South African audience of what the MSE sector looks like.

### **A brief overview of the South African micro and small enterprise sector**

In spite of much academic and popular attention having conventionally focused on the domination of the South African economy by a small number of large firms, the reality is that the economy also contains a large number of micro and small enterprises. Approximately 98% of South African enterprises employ 50 or fewer workers and contribute 45% of total employment (Ntsika Enterprise Promotion Agency, 1999, pp. 4–5). Many of these enterprises, particularly in the small category, are highly sophisticated and are part of the formal sector. However, approximately 75% of all enterprises within South Africa are not registered with the South African Revenue Service (SARS) for tax purposes and can be considered to be part of the informal economy. Moreover, the numbers in informal work may be as high as 4 million out of a total labour force of some 11 million (International Labour Organization [ILO], 2002).

Derivations from household and labour force statistics suggest that 50% of employment in the informal economy is in the wholesale and retail sector; 14% in construction; and 11% in manufacturing (Devey, *et al.*, 2003, p. 148). SARS data suggests that the formal sector distribution of SMEs includes 22% in services; 14% in wholesale and retail; and 12% in manufacturing.

The shape of both the formal and informal segments of the MSE sector has been profoundly influenced by the apartheid past. The apartheid economic system both forced many Africans to rely on the informal economy as a way to make their living and provided a range of obstacles to their working in the informal economy (Preston-Whyte & Rogerson, 1991). This included a raft of discriminatory and disabling legislation, a dramatic spatial separation between places of work and living for the African majority; a systematic underdevelopment of education and training facilities; and widespread police harassment of people and enterprises. The formal MSE sector, in contrast, remains disproportionately white owned and managed, both as a result of the historical advantages that white South Africans enjoyed in comparison to their compatriots from other racial groups and due to a new wave of white MSEs established as a direct and indirect result of efforts at employment equity since 1994.

## Department of Trade and Industry policy

The Department of Trade and Industry's flagship policy for enterprise development remains the *White Paper on national strategy for the development and promotion of small business in South Africa* (RSA, 1995), one of the first major policy statements of the post-apartheid era. This in itself is indicative of the importance that the new ANC-led government placed on enterprise development. The foreword to the White Paper made clear some of the rationale for this prioritization of enterprise development:

Small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that—with the appropriate enabling environment—SMMEs in this country can follow these examples and make an indelible mark on this economy. The stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road—one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes. (RSA, 1995, Foreword)

The White Paper presented a very positive vision of the possibilities of SMMEs as a means to meet a range of South Africa's development goals including equity and redress; black empowerment; economic competitiveness; employment creation; and poverty reduction. Crucially, it argued for the importance of enterprise development being seen as an integral part of an overall industrial development strategy.

Although the White Paper was positive about the potential of small business in South Africa, it did also acknowledge the range of major constraints faced by these businesses. These included:

- a disabling legislative and regulatory environment;
- poor access to markets;
- poor access to finance;
- the high cost and low availability of suitable business premises;
- inadequate technical and managerial skills;
- poor availability of appropriate technology;
- inadequate infrastructure;
- a heavy tax burden. (RSA, 1995)

This list included skills as one of the major constraints on micro and small enterprise development. Indeed, a subsequent listing had the following as the first barrier to specifically black enterprises: 'Bantu Education restricted opportunities for the acquisition of technical and professional skills by black people' (RSA, 1995). This is a legacy that any vision of inclusive upskilling in South Africa has to address.

Just as skills shortages were identified as one element of the weakness of South African small businesses, so skills development was seen as part of an overall strategy for enterprise development. Subsection 4.7 of the White Paper focused at length on the skills development challenge. It recommended the development of appropriate programmes for 'the acquisition of relevant vocational, technical and business skills'.

At the level of survivalist enterprises, it argued that 'literacy and entrepreneurial awareness' would be particularly important (RSA, 1995).

The White Paper talked of a 'national training strategy for small enterprises' (RSA, 1995), mimicking a similar process that had already taken place for the formal sector. It argued that the core of this strategy should be a reconsideration by training providers of how they could meet the differentiated needs of the SMME sector, including:

- survivalist entrepreneurs lacking even basic literacy;
- micro enterprises in rural areas, where language capabilities are critical for the absorption of experience;
- women entrepreneurs wanting to focus on particular issues and problem areas and needing particular time considerations to match home duties and training;
- business and skill needs in sectors like construction, manufacturing, small-scale agriculture, tourism, etc.;
- self-employment problems experienced by the youth, where the emphasis will have to fall on awareness about opportunities and development paths.

In addition, it was argued that training should in general help to break with traditional gender roles in business and skill categories (RSA, 1995).

The White Paper also stressed the importance of such training being modular and accredited (RSA, 1995). However, it did not explicitly link such notions to the emergent National Qualifications Framework (NQF) and can be read as being more interested in accreditation of short courses rather than the development of full awards in the NQF model. Rather than buying into the over-optimistic language of progression through whole awards that has permeated much of NQF thinking, it saw accreditation as an important means of quality assurance.

The White Paper also anticipated in a somewhat critical way the development of the Department of Labour's new skills development strategy, which I shall discuss briefly. Here the White Paper was concerned that the industry training boards would not adequately address the training needs of the smallest enterprises. This led it to recommend the establishment of a dedicated 'Informal Business Training Board' (RSA, 1995). This recommendation reflected a concern about the appropriateness of a system of certification that was for both formal and informal and both large and small businesses. It also deviated from subsequent Department of Labour policy with its suggestion of 'business internships and traineeships for SMME managers at well-run enterprises' as a key learning tool (RSA, 1995). This is a significant difference from Labour's notion of SMME learnerships for potential entrepreneurs. I shall return to this issue when I shift focus to the notion of learnerships later in this article.

The White Paper was impressive in its distillation of 'international best practice' in enterprise development. However, it can be subjected to two main lines of criticism. First, that it was not sufficiently grounded in South African realities (King *et al.*, 2002). Second, that it provided a complete menu of policy priorities without any sense of prioritization or operational strategy (Rogerson, 1999). This second criticism is particularly pertinent, as the nine years since the policy was promulgated

have seen little progress in refining the broad vision. Crucially, the institutional architecture that the White Paper envisaged for the development of consensus and the operationalization of the policy vision has been little short of disastrous. The National Small Business Council quickly collapsed in the face of governance and corruption issues while the lead agency for business development services, the Ntsika Enterprise Promotion Agency, has struggled to develop vision, capacity or impact and is due to disappear by the end of 2004 in a merger of agencies. Given the crucial importance of institutions to the high skill thesis, such a serious weakness seems significant in relation to South African attempts to move away from its previous polarized skill path.

### Department of Labour policy

Other articles in this Special Issue consider the broader span of Department of Labour policy on skills. Here I will focus specifically on what the *National Skills Development Strategy* (DoL, 2001), and its predecessor, the *Green Paper on a skills development strategy for economic and employment growth in South Africa* (DoL, 1997), said about the MSE dimension of skills development.

#### *The Green Paper*

It is evident from the beginning of the Green Paper that ‘small micro enterprises (SMEs)’ were intended to be an integral part of an overall vision for skills development in South Africa:

... given the demands of a more complex and changing economy, characterized by increasing use of information, more complex technologies and a general rise in the skill requirements of jobs, people must also have rising levels of applied competence. The focus on skills development in this Green Paper is about this process of deepening individuals’ specialised capabilities in order that they are able to access incomes through formal sector jobs, through small micro enterprises (SMEs) or community projects which in turn positively contribute to the economic success and social development of our country. (DoL, 1997)

However, alongside this language of MSEs as an integral part of an overall ‘skills revolution’ (DoL, 1997), there was another discourse in which such enterprises were talked of primarily in terms of ‘target groups’. This gave the strong impression that it was the equity dimension of the Department of Trade and Industry’s (DTI) vision that was being pursued here rather than the more positive sense of MSEs as engines of growth and innovation. However, this may be rather over-critical of the Department of Labour’s vision. What is of more importance is that the MSE focus was strongly built on notions of sustainability of selfemployment and on increased standards of living. Indeed, it is clear from the Green Paper’s discussion of employment services that there was a desire to avoid labelling self-employment as simply a fall-back position for those who could not access wage employment. Instead, it was affirmed as a valid employment choice (DoL, 1997).



It was also made abundantly clear that MSEs were seen as an integral part of several of the key institutional arrangements of the new skills development strategy, such as Sector Education and Training Organizations (SETOs—later to become SETAs), the levy–grant system and the proposed learnerships. In short, developing skills in and for MSEs was seen as part of an overall strategy to increase skills for all South Africans. The Department of Labour's high skill strategy was thus not one of simply boosting skills with a knowledge–intensive enclave, and seems, on paper, to be an appropriate response to the skills challenge facing the country.

However, the Green Paper rejected the Small Business White Paper's call for a separate Informal Business Training Board. Instead, it argued that there was insufficient organization within the informal business community to justify such a structure. The alternative proposed was that each SETO must have a self-employment focus and

promote learning in small and micro enterprises within their sector and network with agencies, such as the Ntsika Enterprise Promotion Agency, to ensure that learning is linked to other MSE support measures such as credit extension, technology transfer, etc. (DoL, 1997)

As the Green Paper did not establish a definitive position on a threshold below which there would be exemption for paying the skill levy, it had to include a commitment to easing MSEs' participation both as contributors to and recipients of the system. In particular, assistance was promised for drawing up skills plans, which were envisaged as central to the new strategy, and which became the trigger for accessing the new levy–grant system when it came into operation (DoL, 1997). Moreover, MSE skills development was identified as one of the key uses for the 20% of the levy that was to be retained for use by the National Skills Fund (DoL, 1997).

I noted earlier that the Small Business White Paper had referred to a form of internships for micro and small entrepreneurs and that the Department of Labour subsequently developed a similar yet different proposal. The Green Paper introduced learnerships as the key delivery mechanism for skills development. It argued that a special form of learnerships was likely to be needed for MSEs. It envisaged that the structured learning element of these MSE qualifications would need to combine both entrepreneurial and technical skills. For the structured work experience part, the Green Paper acknowledged the likely problems in getting a placement in a relevant MSE. This led to two possible alternatives: first, that MSE learners should get work experience across a series of relevant enterprises; second, that they should be assisted to gain work experience through 'pre-arranged and supervised sub-contracting work' (DoL, 1997).

While these were innovative proposals that indicated a genuine desire to engage with the particular needs of micro and small enterprises, the difference from the DTI vision is significant. The DTI position represented the archetypal enterprise developers' view that it is most effective to work with those already in the sector. The DoL version appeared to reflect the similarly typical view of trainers that the main challenge is in addressing the situation of the pre-employed.

It is also understandable that part of the vision of the Green Paper was one of inclusiveness, manifest partly in the integration of micro and small enterprises into the national training strategy for the first time. However, questions were raised at the time as to whether this proposed integration was potentially disadvantageous for MSEs as it sought to force them into an excessively formal qualifications structure, rather than building from their own skills needs (King, 1997). Significantly, this issue has been acknowledged within the DoL as an important issue to address when planning for the next National Skills Development Strategy begins in 2005.

Ironically, the Green Paper was blocked in its attempts to effect radical change in the training system by the nature of the post-apartheid organization of government portfolios. In spite of the best efforts of the Congress of South African Trade Unions training lobby, a major responsibility for the supply side of training remains with a separate National Department of Education and nine provincial education departments which collectively control the Further Education and Training (FET) college sector. This means that while the Green Paper raised the issue of linking learnerships with college programmes, it had to acknowledge that this must be a matter for the Department of Education to decide upon (DoL, 1997). As I shall argue below, the degree of policy incoherence between the Departments of Education and Labour has remained, at least up to the 2004 elections, a major constraint on any move towards 'joined-up policy' in skills development generally, and in skills for self-employment in particular. It is also a serious obstacle to the broader attempt to construct a higher skill, more inclusive economy.

### *The National Skills Development Strategy*

The National Skills Development Strategy (NSDS) of 2001 (DoL, 2001) was very much in keeping with the Green Paper's vision. It came at a point when the institutional architecture proposed by the Green Paper (SETAs, levy-grant and learnerships) had finally come into existence and can be read as a reiteration of the vision that was intended to guide the workings of the new system. The sub-title of the NSDS: 'Skills for productive citizenship for all', was indicative of the strong inclusiveness drive of the Department of Labour. The NSDS stressed the dual mandate of the skills development system to respond both to the challenges of globalization and international competitiveness, on the one hand, and poverty reduction and social development, on the other.

It was clear in the NSDS that the formal sector could not be the sole focus of skills policy, given its small size and even smaller potential for employment creation in comparison to the MSE/informal sector (DoL, 2001). One of the five objectives of the NSDS was 'to stimulate and support skills development in small business' (DoL, 2001).

The NSDS also appeared to reflect a maturing vision of the nature of the MSE sector within the Department of Labour. While acknowledging that many MSEs are survivalist, it did not fall into the trap of seeing them as being just a social protection issue, or wishing them out of existence:



Many small businesses in our country are 'informal' and fall outside regulatory and taxation arrangements. In practice, many are trapped at the low-value adding end of the production spectrum. The challenge is to assist these enterprises to climb the value chain and this will require skills. (DoL, 2001)

The NSDS clearly distinguished between survivalist and sustainable micro and small enterprises and saw skill as an important element of strategies for both (DoL, 2001). It also acknowledged the importance of other elements of enterprise development and called upon the SETAs to collaborate with DTI and its agencies in developing a coherent strategy.

Although the formal sector can be argued to have driven the initial development of the Department of Labour's skills development strategy, the importance of the MSE sector has been an important sub-theme in these key policy documents. Policy has clearly encouraged the SETAs towards inclusivity in both membership and focus. It has also stressed the importance of the articulation between Labour's policy and those of Education and Trade and Industry. However, the extent to which these emphases have been successful in practice is something I will return to later in the article, after turning now to see how these policies articulate with the Department of Education's policies.

### **Department of Education policy**

In other articles I have outlined the key elements of the Department of Education's strategy for reconfiguring the FET sector, which is the most relevant part of the education system for my concerns in this article (e.g. McGrath, 1998, 2000 and 2004). My analysis there focused on the main thrust of this policy process, which has been about a reconfiguration of provider institutions. However, here I will focus on another element; one that has been surprisingly under-emphasized in broader debates about the college sector.

One of the most striking changes in the FET policy as it moved from a report by the National Committee on Further Education (DoE, 1997), through a Green Paper (DoE, 1998) and White Paper (RSA, 1998a) to an Act (RSA, 1998b) and later an implementation strategy (DoE, 1999) was the diminution of official attention to the issue of training for self-employment and, indeed, to any sophisticated understanding of the nature of the skills that the system should be trying to develop (McGrath, 2000). Moreover, even at the start of this process, the apparent understanding of these issues was weak.

#### *The National Committee for Further Education Report*

Although the Report did acknowledge the importance of training for self-employment, it was not fully developed. Indeed, the Report as a whole was inadequately conceptualized in terms of issues about globalization, work and the likely future trajectory of the South African economy (McGrath, 2000). As a result, it failed to

address the likely labour market destinations of the learners it was concerned to serve. Thus, no clear picture emerged of the linkage of FET to either formal sector or informal sector employment. The work of the committee was, thus, strangely disarticulated from the parallel processes going on in the Department of Labour.

The reason for this can only be speculated on but it appears that the Department of Education, and its favoured stakeholders, were determined to emphasize an educational rather than an economic rationale for FET and to stress equity over growth. However, it can be argued that such a position was taken to such an extreme in this and subsequent documents that this prevented any real engagement with the genuine attempts of the Department of Labour to address skills through the lenses of both equity and growth.

### *The Green Paper*

The Green Paper did contain a more sophisticated reading of the nature and likely trajectory of the South African and global economies. It also stressed the need to work with the Department of Labour on the development of learnerships (DoE, 1998). On the issue of the informal sector, the Green Paper noted:

*The significance of the rural and informal economies:* Perhaps only 30 percent of South Africans are the beneficiaries of formal employment. The majority of citizens find themselves systematically excluded from full employment and urban life. Many are engaged in the informal economy, especially in cities and towns. Many others are unemployed. In these local economies, world-class manufacture is likely to have little role to play, beyond the limited possibility of some outsourcing and the growth of small informal sector businesses. (DoE, 1998)

However, this was as far as the Green Paper went on the subject. The issue of the informal sector was completely absent when the 'future challenges' for the funding system were considered (DoE, 1998, p. 3). Indeed, there was only one further reference to MSEs or the informal sector in the rest of the Green Paper. This can be contrasted with a number of statements that implied a focus on formal sector job creation, in spite of economic realities. The DTI's vision of vibrant MSEs or the DoL's argument that there are skills needs for all workers and all enterprises cannot be seen in the Green Paper's account.

### *The White Paper*

I have argued that the Green Paper's attempt to embed FET policy in its economic context was too limited (McGrath, 2000). However, the White Paper rejected even this limited attempt as 'economism' (RSA, 1998a). In the whole of the White Paper, there was only one paragraph that made mention of the economy at all, with one passing reference to the need to develop 'programmes to promote enterprise development, entrepreneurship and job creation' (RSA, 1998a).

*The National Strategy for Further Education and Training*

Even this small commitment to training for self-employment in the White Paper disappeared by the time the Department developed a strategy document for the sector in the following year. Thus, it appears from a strict reading of the policy documents of the Department of Education that there is no real mandate for a focus on training for self-employment. How this is understood within the provider institutions it controls, however, is another matter, as I shall discuss shortly.

*The Human Resource Development Strategy for South Africa*

The issue of policy coherence was a major commitment of the First Mbeki Presidency (1999–2004). This was manifest in a series of inter-departmental strategy documents on issues of particular national priority. One of these addressed the area of human resources development, and this resulted in a joint strategy from the Departments of Education and Labour in 2001 on Human Resource Development Strategy for South Africa (HRDS) (DoE & DoL, 2001). Given what I have said about policy developments in the two departments, the HRDS gave the impression of having been driven more in the FET/skills development area by the Department of Labour's more sophisticated and inclusive vision.

In keeping with the objectives set out in the NSDS, one of the 22 objectives proposed by the HRDS was 'skills development for SMME sector' (DoE & DoL, 2001, p. 17). Moreover, this was chosen as one of the seven priorities for the first year of the strategy (DoE & DoL, 2001, p. 19). The HRDS also echoed the NSDS's concerns with addressing the needs of both survivalists and sustainable MSEs (DoE & DoL, 2001, pp. 42–3), and reiterated the Department of Labour's view that skills development for MSEs must articulate with other elements of enterprise development strategy. In the context of skills development for enterprise development, the most striking point made by the HRDS concerned the work of technical colleges:

These [technical] colleges need to become more responsive to the employment opportunities in the SMME sector. This is the only sector where the prospects for employment growth at an intermediate level are strong. (DoE & DoL, 2001, p. 32)

This appeared to reinstate a concern that had been lost from the Department of Education's policy vision. However, its exact status within the Department remains unclear. While *A new institutional landscape for public further education and training Colleges* (DoE, 2001) aligned itself to the overall objectives of the HRDS, it made no mention whatsoever of this element of the HRDS vision. The 'landscape' was for merged colleges but the presence of MSEs in their local landscapes was not addressed. Equally, the subsequent restatement of overall educational priorities in the *Strategic plan for the Department of Education, 2002–2004* (DoE, 2002) made no mention of this commitment. However, a concern with self-employment did at least return to the next two annual iterations of the strategic planning process (DoE, 2003, 2004).

### **Joined up or fallen between the cracks—South African skills development policy for MSEs**

What, then, does South African policy on skills development for micro and small enterprise development amount to? This is not easily answered. The policies of both DTI and the Department of Labour display a clear commitment to the issue. Moreover, they stress the need for inter-departmental policy coherence, and the importance of this issue being seen as part of broader national strategies for skills and enterprise development. Both Departments also have a strong sense of the need for stakeholder involvement and the creation of consensus around national policies, although they have differed as to whether skills development for enterprise development requires its own sectoral institution. Nonetheless, there is apparent agreement on the role that SETAs should play in promotion of the skills needs of all enterprises. Equally, both Departments acknowledge the diversity of MSEs and the need for strategies that address different segments.

This high degree of consensus around the issue is undermined, however, when the Department of Education is added into the picture. Education policy up to the 2004 elections did not acknowledge the importance of the issue to anything like the same extent. Moreover, it still seems unwilling to acknowledge that there is a particular challenge of working with survivalists. Although the HRDS suggests a shift towards a more coherent strategy with the Department of Labour, the extent of such a shift is brought into serious question by the lack of reflection of key elements of the HRDS in the subsequent departmental strategy documents. The challenge of developing a coherent strategy across all skills levels, thus, appears to be undermined by the lack of an adequate educational response.

The enterprise and training policies do contain within them a largely consistent vision of how South Africa can build skills from the lowest to the highest levels and thus upskill all South Africans. They represent an account that is basically in keeping with high skill theory in suggesting that skills at all levels can be developed in ways that promote both competitiveness and equity, and both policies also see an important role for the state as a catalyst for change. However, the failure of the education policy to engage with a similar discourse has seriously undermined the prospects for a coherent strategy on skills for all being developed across government.

So far, I have been looking at policy primarily in terms of official statements. However, policy can also be understood in terms of how these statements are translated into practices. A detailed discussion of practices is beyond the scope of this article but there are a number of important points that can be made about the process of moving beyond the series of policy statements I have examined.

### **From policy to practice**

In spite of the official commitment to inter-departmental cooperation, it appears that this is still weak in practice. Notwithstanding processes such as the HRDS, there is still much more work to be done on developing a conscious and concerted strategy to

collaborate on key issues such as learnerships. It was only in July 2001, more than seven years after their establishment, that the DoL and DTI made the first detailed attempt to build a common understanding of skills development for enterprise development.

The positive step of the two departments holding a three-day workshop on skills development for enterprise development reflected the opportunity created by the cabinet's decision, some months earlier, to give the Ntsika Enterprise Promotion Agency the official mandate for this field. However, the development of an understanding between the DoL and Ntsika has proven to be short-lived. After only a year, Ntsika's early attempts to develop strategy in this area were undermined by a reorganization of the work of various government agencies, which led to the mandate being transferred to the National Productivity Institute.

Part of the problem that arises from the DTI's weakness in moving beyond policy pronouncement is that it has developed neither an effective consensus around key themes, such as skills for MSEs, nor a set of well-embedded and functioning institutions, whether at the national, sectoral or regional levels. Indeed, the planned development of a new, more focused policy for the sector was due in 2001 but has still not emerged, although plans have been announced for yet another reorganization of the institutional landscape.

The Department of Labour has been far stronger in this regard, with the establishment of the SETAs and the strategic use of the National Skills Fund encouraging them to focus a significant part of their efforts on MSEs. While the SETAs remain young and relatively fragile, there are genuine signs of both a consensus and a framework on the importance of supporting MSE skills within the labour field.

The Department of Labour's stated position in both the Green Paper and the NSDS was that MSEs could and should be accommodated within a single strategy and should be largely expected to access the same funding mechanisms as larger firms (albeit with lower targets set for their participation in the system under the NSDS). This process was to be further enhanced by a series of strategic projects under the National Skills Fund. However, as it reflects on the performance of the NSDS and plans towards a second NSDS (to begin in April 2005) it appears that the Department is increasingly concerned with the wisdom of expecting MSEs, especially informal ones, to behave like larger and more sophisticated enterprises. It appears likely that the second NSDS will affirm the need to upskill workers in all enterprises but with the inclusion of more deliberately targeted strategies for the skills needs of micro and informal enterprises.

The Department is also showing a strong concern with developing new programmes to deal with youth unemployment. These include getting a commitment from business to take on 80,000 new learners from among the unemployed in learnership programmes; the development of a training voucher scheme for young entrepreneurs; and the piloting of a new venture creation learnership.

Although I have argued that there has been little or no mandate for training for self-employment in the Department of Education's official statements, it is apparent that the public FET colleges do increasingly see themselves as having a dual mandate of preparation for wage and self-employment (King & McGrath, 2002; Gamble, 2003). The Department's strong encouragement of them to become more responsive to the

labour market and to various forms of demand seems to have been widely understood as including a self-employment dimension in spite of the lack of strong policy support for such a reading.

Perhaps the most promising development here is an agreement between the Departments of Education and Labour in early 2004 that three public FET colleges would be the pilot sites for a DoL initiative to provide a new learnership focused on equipping individuals to set up new enterprises. This pilot was due to be launched in April 2004. Thus, it appears that a more positive account of the FET dimension of micro and small enterprise development is warranted than seems justified from a simple reading of official policy. Nonetheless, the weakness of policy in this area is likely to continue to hamper the efforts of colleges to realign themselves. It is to be hoped that the appointment of a new Minister of Education in May 2004 and the profile given to colleges in the President's inaugural speech to Parliament are portents of a new commitment to the sector.

Overall, there have been some important efforts to operationalize policy on skills development for enterprise development. However, inter-departmental coordination remains more of an aspiration than a reality. Equally, the DTT's failure to develop a strong lead agency for this policy area seriously undermines efforts to build a meaningful cross-departmental vision or strong societal structures and consensus. Ironically, for all DTT's interest in the knowledge economy, there is little evidence that it has a high skills strategy.

### **Skills development for MSEs and the South African high skills debate**

As other articles in this Special Issue argue, the South African experience of skills development clearly shows aspirations to adopt some of the key elements of a high skill approach. However, the South African situation also highlights ways in which a very real history of segregated thinking and practice and the development of an economy with dualistic tendencies towards high skills and low skill (much of which is in subsistence agriculture, domestic work and informal services) require particular responses to the issue of building higher skills for all. The impact of the South African state in promoting 'skills for productive citizenship for all' has not been as successful as hoped for. In particular, attempts to balance skills needs at all levels have not always been reflected in coherent cross-sectoral policymaking or in effective implementation strategies, including the development of new institutions. Nonetheless, the vision continues to be deepened and reiterated in ways that suggest that there is an ever keener official appreciation that a coherent strategy and implementation approach for meeting the skills needs of MSEs is an essential prerequisite for achieving an inclusive upskilling vision.

### **Notes**

1. Small, medium and micro enterprises (SMMEs) is the preferred South African term for discussing the needs of smaller enterprises. However, I prefer to focus more specifically on the



smaller end of this segment—those enterprises with 50 or less workers, classified as micro, very small and small in the South African policy literature. This choice, and the designation of these as micro and small enterprises, reflects the wider African literature (see, e.g., King & McGrath, 1999). It also highlights the emphasis of this article on the smallest enterprises as having particular needs and as posing particular challenges for policymaking.

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