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LMIP WORKING PAPER 4

# Developing a Framework for Understanding SETA Performance

Monitoring and Evaluating their Role in Skills Planning, Steering and Enabling Supply within their Sector

Carmel Marock

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## Preface

One of the gravest economic challenges facing South Africa is high unemployment, but at the same time, a skills mismatch. The market demand for skilled labour is greater than the number of individuals completing post-school education and training. Prospective employers often complain that the education system does not give individuals the necessary skills to be productive in the workplace, or to start their own enterprises.

Government acknowledges that the unemployment crisis is a systematic problem and cannot be addressed by ad hoc interventions scattered across line departments. With this 'big picture' thinking in mind, DHET aims to create broad and equitable access to a full spectrum of post-school opportunities and lifelong learning encompassing adult education and training, workplace training, the FET college system, artisan and technical training, higher education and innovation.

DHET's ability to create these learning opportunities requires a network of partners to gather and maintain a labour market intelligence system. Such a system can provide analytical insights to support policies and intervention programmes.

In February 2012, therefore, DHET commissioned a HSRC led research consortium to support its capacity to create and maintain a labour market information and intelligence system, guided by the national Delivery Agreement 5. The primary focus is the development of a 'strategic intelligence capability' towards the establishment of 'a credible institutional mechanism for skills planning'. The HSRC coordinated research project is organised in terms of six interlocking research themes, two which focus on labour market information and four which focus on labour market intelligence:

- Theme 1. Establishing a foundation for labour market information systems in South Africa
- Theme 2. Skills forecasting: the supply and demand model (a Wits EPU project)
- Theme 3. Studies of selected priority sectors
- Theme 4. Reconfiguring the post-schooling sector
- Theme 5. Pathways through education and training and into the workplace
- Theme 6. Understanding changing artisanal occupational milieus and identities

The consortium made a strategic decision that their research must not duplicate or repeat existing research about the challenges facing South Africa's education and training system and labour markets. Their research must address gaps, promote synergies and explore complementarities.

Hence, as a first step, working papers were commissioned to inform the research agenda for each theme. Although the working papers cover different issues, each has four common dimensions: policy challenges to institutionalise and build a post-school education and training system in South Africa, lessons from seminal national and international research, conceptual frameworks, methodological issues and data challenges raised by this research, and potential research gaps.

One of the HSRC led consortium's goals is to create a living community of practice that researches and debates education, skills and labour market issues. These working papers were presented at a conference in May 2012 to start building such a research network.

The dissemination of these working papers is intended to encourage more individuals to join the research community. We look forward to individuals' comments. They can be emailed to [agoldstuck@hsrc.za.za](mailto:agoldstuck@hsrc.za.za). Welcome to the research community!

Theme 1:	Theme 3:	Theme 4:	Theme 5:	Theme 6:
<b>Establishing a foundation for labour market information system in South Africa</b>	<b>Studies of selected priority sectors</b>	<b>Reconfiguring the post-schooling sector</b>	<b>Pathways through education and training into the workplace</b>	<b>Understanding changing artisanal occupational milieus and identities</b>
<b>Simon McGrath</b> Some international reflections on developing VET indicators	<b>Haroon Bhorat and Morne Oosthuizen</b> Studies of Selected Priority Sectors in the South African Labour Market: A Proposed Research Programme	<b>Andre Kraak</b> Private post-school education in South Africa	<b>Michael Cosser</b> Pathways through education and training and into the labour market	<b>Angelique Wildschut</b> Conceptualising the study of artisans
<b>Phil Toner</b> Establishing a foundation for labour market information systems in South Africa	<b>Peter Jacobs and Tim Hart</b> A critical review of the research on skills development in rural areas	<b>Andre Kraak</b> Differentiation in the post-school sector	<b>Pundy Pillay</b> Pathways through education and training and into the workplace: a concept paper	<b>Jeanne Gamble</b> Models and pathways to institutionalise apprenticeships
<b>Anthony Gewer</b> Developing a framework for institutional planning and monitoring in FET Colleges	<b>Shirin Motala</b> A critical review of research on skills development and labour market demand in the early childhood development sector	<b>Joy Papier et al</b> Contemporary issues in public FET colleges	<b>Sharlene Swartz</b> Navigational capacities for youth employment: A review of research, policies, frameworks and methodologies	
<b>Carmel Marock</b> Developing a framework for understanding SETA performance: Monitoring and evaluating their role in skills planning, steering and enabling a supply within their sector	<b>Thembinkosi Twalo</b> A comparative review of skills development in cooperatives	<b>Veronica McKay</b> A critical review on Adult Basic Education (ABET) in South Africa	<b>Fiona Lewis</b> Traffic jams or trees – how are South African youth progressing through the higher education sector? And what lessons can we learn from current studies?	
<b>Bongiwe Mncwango</b> Towards a demand side firm level survey of labour information in South Africa	<b>Margaret Chitiga and Stewart</b> Development of a national skills forecasting model	<b>Thenjiwe Meyiwa and Nolutho Diko</b> The state of graduate teacher transitions to the labour market	<b>Stephanie Alais</b> Jobs? What jobs? Skills? What skills? An overview of studies examining relationships between education and training and labour markets	

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<b>Michael Cosser and Fabian Arendse</b> Education and labour market indicators	<b>Imraan Valodia</b> Conceptualising skills development in the informal sector	<b>Felix Maringe</b> An overview of studies exploring systemic issues related to the South African post-school sector		
<b>Joan Roodt</b> National database sets and research on labour market demand		<b>Peliwe Lolwana</b> Is post-school education adult education and training? The shape and size of post-school education		
<b>Mariette Visser</b> National database sets available for post school sector (supply side)		<b>Michelle Buchler</b> A critical review of research on skills development qualifications structures		
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## SUMMARY

The paper begins by exploring the central issue highlighted in a number of research reports on the SETAs: the absence of a shared understanding of their role. Considering various research findings on the problems that have been experienced with the SETAs, the paper argues that multiple objectives has an adverse effect on the performance of the SETAs. Existing research clearly indicates the need for a more focused role for the SETAs, and current policy processes seem to be following this line of thought. Taking a streamlined mandate as the new direction for the SETAs, it suggests ways of thinking through the performance management and evaluation of SETAs. In doing this it both suggests alternate frameworks and emphasizes the need to determine an approach that recognizes the complexity of the programme and the context in which the interventions are implemented. Finally it suggests some of the methodological and data challenges that have been experienced in undertaking these assessments. It concludes by indicating the key research questions that need to be addressed. Specifically, it suggests that much of the research of the Labour Market Intelligence Project as a whole should be fed into the development of a new monitoring and evaluation framework for the SETAs so as to ensure that much of the research undertaken is utilised to implement the framework. Specific recommendations for research include an analysis of data currently collected by the system and impact studies to assess the work of the SETAs. The paper points out that broader research into demand for skills will have many implications for the work of the SETAs, and that analysis raised in this paper should be fed into various of the projects. Finally, the paper points out that, notwithstanding the many problems in the system, the SETAs remain a crucial source of information for ongoing research.



## INTRODUCTION

The Sectoral Education and Training Authorities (SETAs) are an important component of South Africa's educational institutional landscape. Set up to improve understanding of the demand for different types of skills as well as to encourage and support training, the SETAs were established with ambitious goals (Kraak, 2004). Dissatisfaction with SETA performance has been wide, however, with much criticism in the popular media and elsewhere (Allais, 2012). With the creation of the Department of Higher Education and Training (DHET) in 2009, and movement of the SETAs from the Department of Labour to this new department, various changes to SETAs were introduced, in order to address some of the problems that had been observed, particularly with regard to SETA governance. Currently, various policy processes underway in government are likely to result in substantial further changes to the mandate and work of the SETAs. The current DHET will then be faced with the task of monitoring and evaluating the work of the SETAs to ensure that they are delivering on their new mandate and that this is having the anticipated impact.

This paper provides an overview of the likely policy direction of changes to the SETAs, drawing on available policy documents as well as a body of applied research which has analyzed many of the problems so far. Some of the key issues raised are around the role and mandate of the SETAs. The paper also considers research findings about the main challenges related to the SETAs' role in generating credible data to both determine and monitor skills demand and supply, in order to inform and steer sectoral strategies. It then considers the challenges of developing credible indicators and mechanisms for monitoring and evaluating the performance of SETAs. Much of the research related to these issues is commissioned by government departments, as an attempt to understand the specific problems and challenges of the SETAs, and the implications of these for government in terms of its role in the ongoing monitoring of the SETAs.

The SETAs form part of a wider set of policies—particularly with regard to skills planning, and supporting and evaluating provision of education. These are complex and contested areas (DHET, 2010; Marock, Yeowart & Gewer, 2012; Falkov, Marock & Johanson, 2010; Wilson, Woolard & Lee, 2004; Canadian Council on Learning, 2007; NCVER, 2008; Harris, Simons & Maher, 2007; Lewis, 2008; Learning for Jobs: Field, Hoeckel, Kis & Małgorzata, 2009). Further, bodies of literature looking at institutions—how they function and how to improve them—are also of relevance, as well as literature about the role and nature of different types of public institutions (Fukuyama, 2005; Jakobi, Martens, & Wolf, 2010; Mintzberg, 1993). There is also international literature from countries that have comparable institutions to the SETAs (Cooney & Long, 2010; Keep, 2005, 2007) as well as literature and policy research about approaches to management and monitoring and evaluation of institutions within the public sector (Barber, 2008; Presidency, 2007; DPME, 2010; Mackay, 2007; Public Service Commission, 2008; Ajam, 2011). There is, though, little research, which clearly frames the SETAs in relation to broader debates raised by this literature, with some exceptions, (Allais, 2012; Badroodien & McGrath, 2005; McGrath, Badroodien, Kraak, & Unwin, 2004).

The debates raised in these bodies of research are important, and no doubt will inform the Labour Market 'intelligence Project as a whole. They are not, though, the focus of the current paper, which has a limited scope. The paper takes as its starting point that the Labour Market Intelligence Project needs a clear understanding of the current policy debates about the SETAs, as well as likely changes to them, in order to inform the various research projects which will be conducted. Given that a key aim of the project as a whole is to assist the DHET to improve its systems and institutions—to understand what they should be doing, and how to monitor and evaluate them to ensure they are carrying out the mandate and that this is having the desired impact—it focuses on the more applied side of research. In a nutshell, the paper asks, what does existing research suggest the SETAs can and should do, what is the likely outcome of current policy processes, and how can the DHET monitor and evaluate SETAs' performance in a manner that enables greater levels of understanding as to whether this is contributing to anticipated impact?

It is hoped that the issues raised in this paper will inform the design of various of the research projects, as the nature of the SETAs, the work that they can and should do, and the imperative that this work is effectively monitored and evaluated impinges on many aspects of the project as a whole. Some specific suggestions are made about the kinds of research that is required, and the kinds of information systems that may need to be supported to enable the SETAs to perform these roles and for DHET to manage their performance through effective monitoring and evaluation. This emphasis, on ensuring that research can be utilized lies squarely within the approach suggested by Weyrauch and Langou, (2011) which argues that there is a need to consider how research, and specifically impact evaluations, influence policy.

## CHALLENGES RELATED TO DEVELOPING PERFORMANCE INDICATORS

As the aim of the paper (and the project as a whole) is to support government capacity, the paper adopts the broader definition of performance management utilized by Department of Performance Monitoring and Evaluation (DPME, undated) and seeks to go beyond management compliance and managerial accountability (via the Public Finances Management Act of 1999 and Public Service Act of 1994) and focus more on service delivery: are the SETAs doing what they were set up to do? What are the best ways of evaluating them to establish this? The DPME suggests that this approach focuses on *“what we expect to achieve, how we expect to achieve it and how we will know if we are achieving it”*. Its focus is on results that are achieved rather than simply *“the carrying out of function”*. They indicate that, *“it will help us to track the progress we are making in achieving results and it will help us collect evidence about what worked and what did not, to help us improve our planning and implementation on an annual basis”* (DPME, 2010). Clearly, this type of approach is necessary for the SETAs, as it is on this level where the greatest failure seems to have occurred, despite SETAs as institutions meeting targets set for them in many instances. This section outlines the inception of the SETAs and their evolving roles and then considers the complexity of developing credible indicators, which can be used as a basis for monitoring performance of SETAs.

### 1. ROLE AND MANDATE OF SETAS

The Skills Development Act of 1998 (which was subsequently amended in 2003) led to the formation of SETAs. The Skills Levies Act was promulgated a year later to make provision for the collection and transfer of levies to SETAs. Prior to these Acts there was a lengthy process of stakeholder engagement, which initially took place within the National Training Board (NTB), where early thinking was reflected in the National Training Strategy Initiative (1994). These emerging policies were developed into the Green Paper (1997), and ultimately captured in the 1998 Skills Development Act (1998) where the proposed SETOs became the SETAs.

#### 1.1 The SETAs' mandate

Through these various iterations, while the name changed from SETO to SETA, running from the NTSI through to the amended SDA, the role of the SETA remained consistent. All versions of these documents argued that the SETAs would:

- Ensure that the supply of skills is consistent with the needs of the economy and that this supports economic growth (understanding demand, disburse grants, and enabling provision);
- Improve the quality of provision;
- Facilitate more efficient social and infrastructural delivery;
- Raise the cost-effectiveness of skills development throughout the country;
- Support people in micro enterprises; and,

- Improve information about employment opportunities; and between education and training providers and the labour market.

Since the conception of this system, the key functions of these structures have remained relatively consistent (though there is greater emphasis on job creation now and less emphasis on issues pertaining to quality of life) as well as extremely ambitious. The assumption that the SETAs should meet the objectives of the National Skills Development Strategy (NSDS) (also driven through legislation) extends this mandate further. While the NSDS III is more focused than previous strategies, as long as SETAs are required to meet the bulk of the objectives contained within the strategy, there is little chance that the work of the SETAs will be streamlined. The discussion below draws on various research reports to argue why this is the case.

## **1.2 An overly complex mandate**

Nearly all existing research on the SETAs suggests that the objectives listed above are too many, and have resulted in structures, which have no core purpose and are continually trying to meet what are often competing expectations (Singizi; 2007; NEDLAC, 2007; Resolve, 2009; Grawitsky, 2007). Grawitsky (2007), for example, observes that *“SETAs have to deal with a range of expectations – both from amongst their key stakeholders and the public – and are expected to deliver beyond their obligations in terms of the SDA and NSDS. As mentioned previously, SETAs have become all things to all people”*.

The NEDLAC Review (NEDLAC, 2007) provides a summary of the findings of the Singizi ‘SETA Review’ (2007): *“the list of objectives and goals set for SETAs is unrealistically long and complex for an emerging system struggling to be institutionalised, and one wherein human resource constraints are a significant and ongoing problem. The list or mandate of SETAs has expanded over time, especially with the adoption of NSDS2, with attendant capacity problems. This large scope, coupled with the fact that there is no clear weighting of objectives, which are equally rated, has resulted in SETAs moving towards a compliance mode of operation and focusing on more easily met targets (large numbers at low NQF levels) rather than grappling with more complex and difficult to reach sector specific skills needs. The expanded scope of objectives has been accompanied by SETAs gradually being held responsible for the mandates and tasks of other state bodies. For example, including placement services of the Department of Labour, and mandates assigned to the Umsobomvu Youth Fund and the DTI.”*

The NEDLAC Review suggests that these findings were confirmed by their interviews with SETA CEOs, who argued that there is an urgent need to both reduce and clarify the scope of SETA responsibilities. They observe that, *“within this, 90% of the respondents noted that SETAs should focus on skills development priorities for their members. Two-thirds of the SETA CEOs interviewed noted that there is need to detail and clarify responsibility for tasks that are inappropriately assigned to SETAs. They suggested that the DTI hold responsibility for new ventures and SMMEs, the NSF for second economy and unemployed skills development projects, DoL provincial offices and labour centres for placement, and so on. SETA CEOs were not stating that they wanted no role in these wider government initiatives and strategies, simply that they should not be driving them, funding them from the employer levy, or be held to account when employment and self employment does not increase in line with expectations. Two thirds of the SETA CEOs interviewed stressed the need to focus on ensuring that skills provision is demand-led and based on sector needs as agreed in sector-industry strategies with a particular focus on SETAs supporting provision against agreed scarce and critical skills. This approach should underpin and inform all the Sector Skills Plans and SSPs should determine allocation of SETA resources to discretionary grants and project funding”* (NEDLAC, date, page number).

In addition, a research paper developed by Resolve (2009) suggests that the wide mandate has, resulted in ineffective stakeholder participation. The paper argues that the *“current SETA structure does not leverage stakeholder participation effectively and is too administratively complex and burdensome, requiring multiple oversight boards and administrations in a context of scarce skills. SETA stakeholders tend to spend most of their time dealing with administrative matters such as procurement, staffing, systems and customer complaints. The manner in which stakeholders are appointed to many Boards/ Executive Committees of SETAs does not promote effective governance, i.e. appointments are based on equal representation of stakeholders and education and training background”*. They expand this further, and state that, *“this seriously detracts from stakeholders playing a strategic role including: identifying priority sector skills and developing strategies to address these, deciding on the best allocation of levy revenues, ensuring the quality and relevance of qualifications and learning programmes, identifying delivery gaps and initiatives to close these, monitoring and evaluation, and stakeholder engagement. Therefore the system ends up with the worst of both worlds, poor corporate governance of SETA’s and poor stakeholder participation in identifying skills needs, validating delivery and quality, and monitoring the effectiveness of training deliver”*.

### **1.3 Research findings about the problems of SETA performance**

It is a widely agreed concern (expressed particularly strongly in popular media) that the SETAs are not working well, and various government interventions (for example, the Joint Initiative of Priority Skills, JIPSA) have been attempts to improve their functioning. It seems clear from the research (outlined in Section 1.2) that at least to some extent, the problems are a product of SETAs’ attempts to do too many different things, particularly when their various goals are at odds with each other [Singizi 2007; Grawitsky, 2007, NEDLAC, 2007; Resolve, 2009; Marock and Wedekind, 2011). This has led to the view being posited that SETAs are failing to address the needs of the sector evidenced by the reportedly growing skills shortages (JIPSA, 2007; Falkov, Marock & Johanson, 2010).

Inefficiencies, including wasteful expenditure, may contribute to this, as well as the sheer complexity of the policies. Lundell (2003) argued that, *“the workplace training dispensation that is evolving in South Africa represents a significant advance over previous initiatives in the country”*. However, even in these early stages he expresses the concern that while *“it is funded on the basis of payroll levies, the relatively sophisticated institutional structure in the administration of the system has caused delays in its set-up and operation. Some of these problems have been caused by delays in putting the appropriate institutions into place. Others have been caused by difficulties in aligning the training system to the educational system. From the outset these problems, coupled with the obligation to adhere to the requirements of a national qualifications framework in order to start the training process have hopelessly compromised the planned outputs of the system vis-à-vis training”*. Allais (2012, forthcoming) argues that the National Qualifications Framework and its associated qualifications and quality assurance systems created considerable difficulties for the SETAs. This is confirmed by other research (Marock, 2011, Marock and Wedekind, 2011), which also suggests that the current qualifications framework is cumbersome and has resulted in a focus on compliance rather than on quality. FASSET (2009) also note that the quality assurance framework creates confusion about the relationship between qualifications and occupational registration. FASSET (2009) also suggests that the current framework makes it difficult for SETAs to respond to the needs of the workplace and suggest that in some cases it would be preferable to offer a skills programme with a specific purpose but the targets have necessitated that they offer a learnership. These views, about the need for greater levels of flexibility in the system, were confirmed in verbal submissions by the Chamber of Mines in response to the issue of aligning sector skills planning to the National Growth Path (HRDC, 2012).

Erasmus (2009) cited in Allais (2011) highlights the view that, *“Setas are also criticized for their ineffectiveness in mediating between training and economic and social requirements; one weakness*

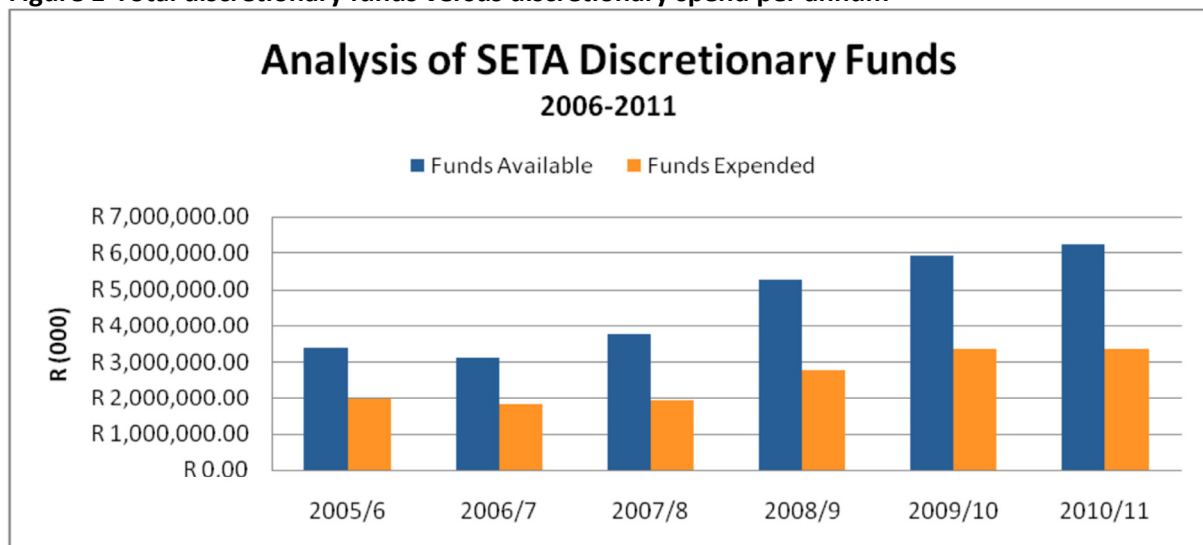
*is argued to be the fact that their labour market analysis is based on reports from workplaces, and not research.*" This view resonated with those posited in the NEDLAC study (2007) which, states that at least a third of the interviewees commented on the lack of capacity of the SETAs to conduct complex labour market research and skills needs forecasting. The study suggests that this limits the ability of the SETAs to gather and analyse the skills demand and supply within their sectors so as to determine skills development priorities and identify and support strategies to address these. The study suggests that the weaknesses of the way that SETAs carry out their role in skills demand and supply data and information is foregrounded by the national focus on scarce and priority skills. The study cites in particular problems with Workplace Skills Plan information and SETA sector skills research and planning. It also suggests that despite the numerous questions raised about the accuracy of demand data there is still *"an over-focus on verifying skills demand at the cost of improving training numbers and quality"*.

Allais (2011) provides other examples of challenges related to performance. She cites Kraak (2004) who argues that many employers simply treat the skills levy as an additional tax stating that, *"although 65% of employers who should pay the levy are paying it, by 2004, only 10% of levy paying employers were participating effectively in the system."* He continues to say that, *"some blame overly bureaucratic and incompetent SETAs for this, and others argue that employers do not want to train their staff"*.

A concern that has also persisted relates to the extent to which SETAs have been able to spend their money and whether this is spent as intended. Again as early as 2003, Lundell notes that, *"it is clear that the SETAs have not been able to spend the revenues that have been obtained from the levies and most of these are meant for recycling as disbursements for companies that have complied with the conditions of training at the workplace. Some SETAs exhibited accumulations of surpluses that were more than double at the end of March 2002 than what existed a year previously. Understandably there was less consternation at the end of the 2001 financial year (31 March 2001), because it was the first year that SETAs were in operation and it was conceded that there would initially be a number of teething problems before the situation improved. But, almost without exception this has not happened and within some SETAs there has been a massive escalation in the accumulated surpluses"*.

This argument is further evidenced by the figure below, which provides more recent analysis of this issue:

**Figure 1-Total discretionary funds versus discretionary spend per annum**



Source: SETA submissions supplemented by SETA Annual Reports

All of the research cited above points to lack of capacity, in many instances caused by attempting to do too many things, with no core focus. There is an overwhelming consensus that the lack of clear mandate has been a major contributing factor to the poor performance of the SETAs. The myriad of roles and responsibilities has led to a number of challenges related to planning, setting of targets, the kinds of programmes that are supported, the extent to which quality has been enabled, finance and grant making, as well as governance.

Whilst it is clear from the research cited above that there have been numerous challenges with performance, there is some evidence that the system has made some progress. Kraak (2011, pp. 98–99) indicates that research suggests that there have been positive achievements, *“The Learnerships system has survived its bad publicity rather well over the past ten years as some of the HSRC 2008 survey results show. Completion rates were 65%, and 57% of completed learners found employment (HSRC 2008a). In a difficult youth labour market, these are extraordinarily good outcomes and they should be embraced and built upon”*. Recent studies released by the HSRC (as part of the impact assessment of National Skills Development Strategy II, 2012, also point to some of the successes – admittedly as well as the challenges - in the system. One example of this is found in the overarching summary of all the studies it is indicated that, *“SETAs appear to be innovating in the their implementation of work experience grants in order to accommodate the sectoral labour market and training realities”* (2012, p13). Using the framework outlined by DPME (2010), it is suggested that these positive cases, point to the challenge of developing a system wide picture of change, such that where these positive developments take place, they are captured in a way that allows for a more nuanced and disaggregated understanding of individual SETA achievement within the context of the overall performance of the system. This research should ensure that these processes are documented in sufficient depth that it is possible to extrapolate the factors that have enabled, or held back, the achievement of the anticipated results.

#### **1.4 Moving towards a streamlined mandate and improved performance management**

This paper seeks to explore ways in which the performance management system could be applied to SETAs such that meaningful analysis is possible. It begins this discussion by considering the way in which the performance management systems have implemented thus far. The NEDLAC report (2007) states that an amendment to the Skills Development Act was introduced, in 2003, to address perceived performance management challenges through strengthening the Minister’s powers to influence the work of SETAs and to hold them to tighter account. This was in response to the various problems that had been experienced and the perceived inability of the Minister to intervene decisively under existing legislation. However research undertaken at the time (Resolve, 2009) suggested that while the DoL was using the Service Level Agreements and the SETA Scorecard system as a performance monitoring mechanism, it did not use its administrative powers as contained in the amended Skills Development legislation to enforce performance improvements.

The NEDLAC report (2007) notes that despite *“public and stakeholder perceptions and reports of poor SETA management, poor service delivery and poor financial management, a number of SETA CEOs and constituencies noted that the DoL is not implementing effective performance management and that there are no real consequences for poor performance*. It was indicated that as a consequence, the Amendment did little to change perceptions of SETA performance, and there is little evidence that it did much to in fact enhance the efficacy of the SETAs.

However, the report also observes that SETA CEOs and constituency respondents acknowledge that stakeholders are equally *“not adequately addressing performance problems either. Rather they are generally perceived to be either not playing an active role in the SETAs or are engaged in trying to micro- rather than strategically manage them”*. This suggests that both models of performance



management suggested by the NEDLAC report as implemented are not succeeding as mechanisms to manage the SETAs.

The NEDLAC review proposed that to address these performance management challenges, two options would be possible: a more centralised approach or which would allow for more flexibility such that SETAs can set their own goals and targets. They suggest that the challenge is that of balancing effective oversight with maintaining a devolved system that is responsive to sector needs and which focuses on whether SETA Boards are fully carrying out the functions for which responsibility has been devolved.

Since this report there have been significant changes in the system: SETAs have become the responsibility of Higher Education and Training (2010) and the Minister has used provisions of this Amended Act and has acted with respect to a number of SETAs to address concerns pertaining to the governance and management of various SETAs. In doing this, the Minister has sought to exercise a more centralized approach, though there is not yet policy as to whether this will be applied across SETAs or whether a differentiated approach will be considered. Further, policy documents released by the Ministry acknowledge that performance will only be properly managed once there is increased clarity on the scope of SETAs such that it possible to understand the efficacy of the processes that they implement in terms of their achievements. The recently released Green Paper For Post-School Education And Training (2012) emphasizes this view and argues that there is a need for what is termed “a consolidated mandate” for SETAs. The Green Paper broadly suggests that this would include the following<sup>1</sup>:

- The SETAs should focus on addressing the skills needs of established employers, including business and government. This means that they should focus on establishing the skills needs of the employers and should enable the implementation of programmes that address these needs. This must be done in a manner that meets the needs of both existing workers as well as unemployed and pre-employed individuals who will be entering these businesses or government departments.
- The SETAs should have an understanding of changes within their sector, the implications of these for the demand for labour, and ultimately the way in which this must shape the supply in the short, medium, and long term. This assumes that SETAs should play a critical role in skills planning, though their role in relation to sector skills planning would change as it is proposed that a centralized body would take responsibility for broader economy-wide processes and the role of the SETA would include providing data which would input into the economy wide analysis (this would be drawn from the Workplace Skills Plan and the Annual Training Report<sup>2</sup>) as well as facilitating engagement with senior individuals within the sector to ascertain whether the sectoral analysis developed by the central agency accurately

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<sup>1</sup> These proposals appear to be consistent with those being developed by a Ministerial Task Team on SETA Performance, which is currently reviewing SETAs in their entirety. Unfortunately the final report of this Task Team is not in the public domain at this point. In addition they echo proposals made for the SETAs in previous research reports including Resolve which highlight the importance of ensuring that SETAs work with existing businesses and that they simplify SETA responsibilities to three core functions: including Skills development planning, research and analysis: Grant disbursement and the Quality and management of learning programmes (though in each case they suggest a streamlined version of this current responsibility)

<sup>2</sup> Although not yet publically available, there are proposals being made in a number of forums that the purpose of the Workplace Skills Plan and Annual Training Report be changed such that their purpose is to ensure that comprehensive data on the workplaces is available and that the steering role associated with these tools be removed. Coupled with this it has been suggested that the Mandatory Grant would be reduced and the grant would enable workplaces to put in place and manage the requisite systems to enable them to provide this data accurately: the data would include currently skills and experience of employees, all training provided (regardless of who has paid for the training), skills priorities for the next year as well as additional data required to support improved performance monitoring).

captures the anticipated trends within the sector and the implications for possible skills demand<sup>3</sup>.

- In addition, once the demand has been established the SETAs should play a critical role in steering provision towards identified needs. This should include supporting the development of providers where required.
- In addition, far greater emphasis should be placed on the SETAs' role in the monitoring and evaluation of the impact of skills interventions in their sector than is currently the case.
- The Green Paper notes that this does not suggest that the needs of start-up businesses and co-operatives, or the needs of job creation and community development more broadly, are not critical. However, it suggests that other bodies (within government departments as well as agencies established by government) that are already in place should address the needs of these sectors as they have the capacity to support these objectives more comprehensively. These bodies should be supported by levy funds, paid by the NSF, to enable them to expand and deepen the training that they provide within their programme. For example the Community Works Programme is established as a job creation programme: it has funding to support the development of the jobs and to manage the delivery of the services. They currently offer a limited training package to participants, though this intervention; they could therefore integrate additional training and thereby strengthen the ability of the programme to enable participants to develop sustainable livelihoods. In another example, as Department of Trade and Industry-affiliated agencies are taking responsibility for small business, and cooperative, development, they are already equipped to support emerging businesses and cooperatives to access finance, mentoring, markets, etc and this should be able to apply for funds from the NSF to enable them to bolster the skills development component of their work. The Green Paper indicates that even within this scenario there continues to be some role for SETAs. This pertains to the relationship that SETAs should have with government departments and agencies that are involved in assisting start-up businesses, co-operative development, community and rural development, ABET and so on. SETAs must ensure that all of these bodies are informed about key trends in the skills development sector, the skills needs that are emerging across established businesses (and how these differ for large, medium and small businesses), and the kinds of opportunities that this may suggest for startup businesses, co-operatives, and for community and rural development.
- In addition, the Green Paper suggests that SETAs must ensure that they play a role in facilitating access to ABET for workers in their sectors, though this may no longer take the form of directly enabling this provision, rather it would involve directing companies (so that they can support employees) to the relevant institutions supported by the Department of Basic Education as well as possibly Higher Education and Training if FET Colleges, and other post-schooling institutions are to be offering ABET as well as the Foundational Learning Certificate. The Green Paper notes that there is still some debate as to whether a percentage of the discretionary grant could be directed to ABET programmes, even if they are actually implemented by the DBE or as part of other initiatives within the DHET. It states that ideally, given the constitutional obligation to address ABET, the funding for it should come from the fiscus. Where this needs to be supplemented, it should be through the NSF, and not directly through the SETAs. The imperative for SETAs is to remain focused on those skills that will have an impact on growth and job creation in their sector. Government departments such as the DBE and DHET, on the other hand, should continue to focus on ensuring that all individuals who wish to attain ABET are able to access such a programme and be prepared for access to further learning, be it general, vocational or occupational.
- Finally, the Green Paper states that the SETAs will continue to play a defined role in quality assurance though this will be changed as per the emerging quality assurance landscape.

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<sup>3</sup> This is consistent with the proposals related to skills planning contained in the National Planning Commission, 2011



The above, if accepted, suggests that SETAs would have a greatly reduced scope of work allowing the SETAs to become increasingly recognised as experts in relation to skills demand in their sectors. They should be able to co-ordinate the skills needed by workplaces in their respective sectors, undertake sector-based initiatives, and collaborate on cross-sector skills areas to enable collective impact.

## **2. PERFORMANCE MANAGEMENT AND EVALUATION**

Once the SETA mandate has been refined, the DHET will still confront the difficult task of monitoring and evaluating SETA performance. This section considers the way in which this is currently carried out and indicates the frameworks against which SETAs currently report and the way in which these relate to each other. It then considers an alternate system and the way in which this could be operationalized.

### **2.1 *What you measure is what you get***

Currently there is a complicated system of reporting against objectives (contained in different frameworks), plans and reports. There is also considerable data. Yet, as emphasized, there is very little sense as to whether SETAs are performing, as they ought, though the research suggests that this is unlikely. The current systems do not provide easily understandable information with which DHET can make judgments about performance. The current system has SETAs reporting in a number of ways and against multiple frameworks. The frameworks include:

- National Skills Development Strategy III
- Skills Accord
- Human Resource Development Strategy for South Africa
- Performance Agreement (DHET with Presidency)
- Performance Agreement (DHET and SETA).

The above-mentioned frameworks have a myriad of different requirements for SETAs, though most focus on the number of learners (for example number of artisans, or numbers to access workplace experience) to complete certain programmes or processes to be undertaken (such as the development of the Sector Skills Plans).

The kinds of data that SETAs provide against these measures include currently quarterly reports to DHET that indicate the numbers of individuals that undertake different learning programmes (including learnerships, apprenticeships, skills programmes, those receiving bursaries, internships, and numbers trained as Skills Development Facilitators. However, it is difficult to extrapolate from these which programmes learners are doing, at what level, the duration of the programme, and whether this is consistent with sector needs or throughput rates (there are enrolment figures and completion figures but it is not possible to compare the two sets of figures in a given year given the number of variables). The SETAs also have data on the number of Workplace Skills Plans and Annual Training Reports though this is not analysed in a manner that one can understand the percentage of levy payers that are submitting Workplace Skills Plans, and the percentage of companies submitting Workplace Skills Plans that are in fact then submitting their Annual Training Reports.

SETAs also provide annual reports in which they report their financials. However a recent study (Singizi, forthcoming) highlights the concern that the manner in which these financials are reported makes it difficult to establish what the money has been allocated towards. The absence of consolidated data on how monies are spent is further highlighted in research (CEPD, forthcoming), which is exploring the manner in which the discretionary grant is allocated.

The absence of an effective framework for reporting has been a feature of the system since the onset, and the NEDLAC review (2007) suggests that SETA CEOs interviewed felt that performance

indicators are being confused with performance management and measurement in a number of instances, which they argue further contributes to the growth in functions and activities that SETAs are meant to deliver. One example of this offered by SETA CEOs relates to the perceived conflation of placement as a success indicator with placement as an activity. Interviewees in this study suggested that successful placement of learners post training is understood to be an indicator of both accuracy of identified skills demand and quality of training. As a measure of performance, job placement (i.e. employment) post-training has become an activity that SETAs are perceived to be responsible for and contributes to extending the SETA mandate and diverting resources to work that is not core SETA business. There are several indicators of this type that need to be reviewed.

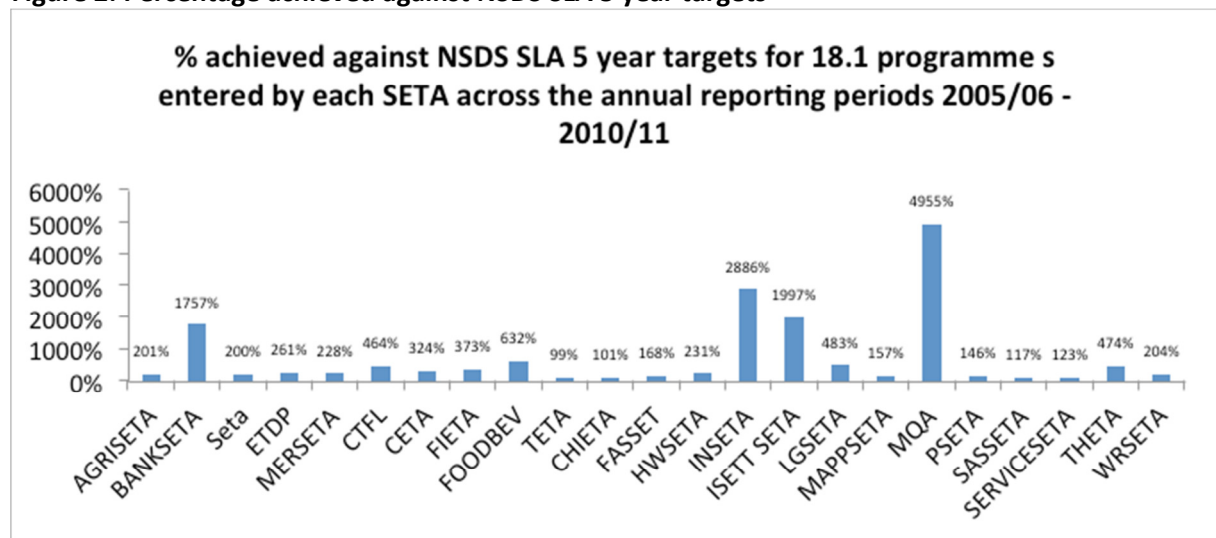
Grawitsky's (2007) paper reinforces this view, as it highlights concerns about the current process related to performance management: in her research she develops a number of case studies and based on these, suggests that, *"the current [then] mechanism to measure Seta performance and their interventions might be problematic and could inadvertently be feeding into negative public perceptions of non-delivery"*. She indicates that the draft 2004/5 NSDS implementation report shows that the majority of SETAs met their targets, yet states that despite this, concerns pertaining to non-performance continue.

Other research suggests that the achievement of targets is not considered a real performance measure in part because of unrealistic target setting (Singizi, 2007). The Singizi report (2007) provided illustrations of the disconnect between targets and sector priorities, and offered the view that targets may have been set as a form of game playing, that is to enable the SETA to meet their performance targets so as to be pronounced (then, by DoL) to be a high performing SETA, regardless of the extent to which the programmes had impacted on skills required by the sector.

Grawitsky (2007) reaffirms this view and states that there is a concern that these targets, and the subsequent reports, are not consistently developed against sector needs. She notes that SETA performance is *"largely measured against obligations in terms of the PFMA and the NSDS with limited formal reporting requirement in terms of their delivery against their SSPs"*. Other research suggests that this focus on these targets has led to an emphasis on programmes that are at lower levels on the NQF as these can be delivered within a year and the SETA is then able to reach a larger number of learners (thus meeting targets) irrespective of sector needs.

This concern about the nature of the targets is further emphasized in a recent analysis of SETA performance against targets (Singizi, forthcoming). The implications of this are discussed below.

**Figure 2: Percentage achieved against NSDS SLA 5 year targets**



The figure above shows that 22 SETAs recorded that they had exceeded their target (this is reflected on the graph above as being over a 100%) in terms of the NSDS SLA 5-year targets for 18. 1 programmes, with only TETA recording just below at 99% target achieved.

A related concern raised by the NEDLAC report (2007) is that the performance monitoring system remains overly focused on numerical targets with SETA specific targets derived from national targets using a relatively rudimentary formula. They provide an illustration of this process in their report, which states that for Indicator 2.8, which is *"the percentage of 125 000 employed workers to enter accredited training against identified scarce skills for a particular economic sector is based on the percentage of levy income of that SETA against the total levy income, without regard for actual skill demand and scarce skills in that sector"*.

Further, research also suggests that because of the way in which the performance management against the numbers is undertaken, programmes that are specifically designed to address sector needs may not necessarily be taken into account in the current system. For example, Grawitsky (2007) cites one SETA CEO who argues that, *"SETAs have been forced into a rules based reporting system. Hence, innovative work initiated by the Seta (which might not be part of NSDS targets), but which meets sector needs is not being taken into account"*.

Finally, the NEDLAC report (2007) noted that while this system was being reviewed at the time of their report, the then SETA Scorecard has few measures for SETA governance, financial management or capacity development – all areas identified as critical for monitoring and improvement.

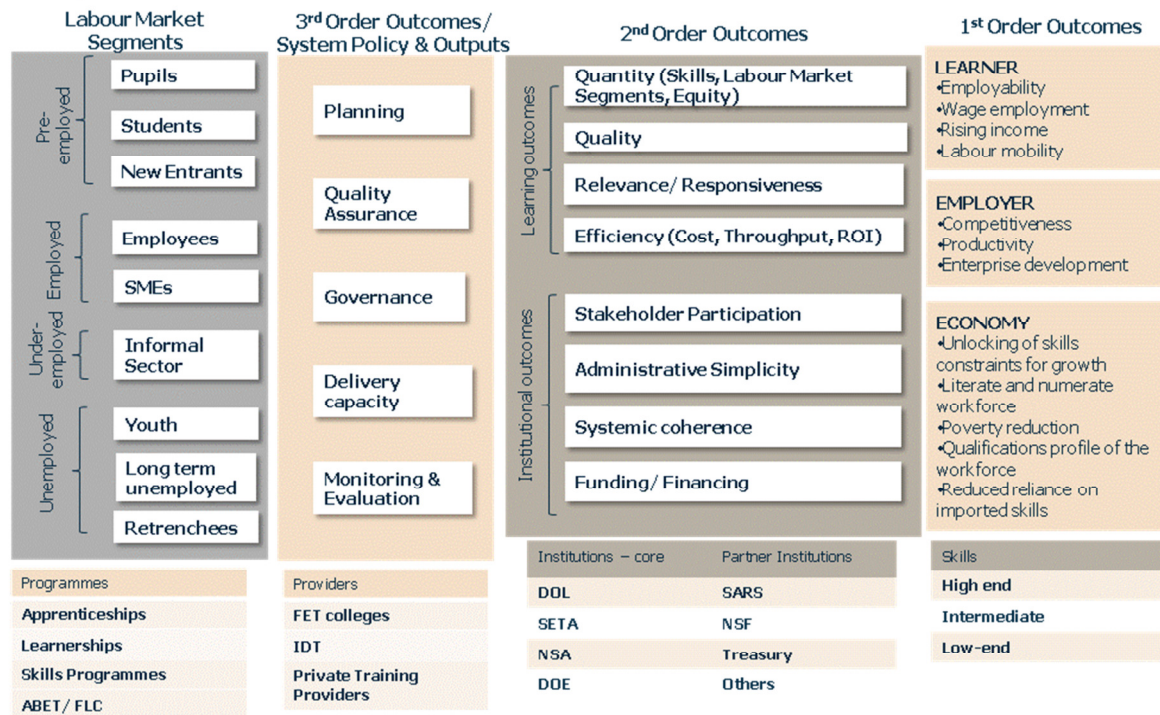
## **2.2 Alternative frameworks**

Clearly, in terms of the performance management approach suggested by DPME, DPSA and Treasury (as well as increasingly the Auditor General, DHET needs to manage the SETAs such that it can establish whether SETAs have completed the activities that they intended, whether this resulted in the anticipated intermediate outcomes and the impact that these have contributed towards.

Many of the research reports cited above have implications, and some have specific recommendations, for alternative frameworks for supporting improved performance management. The Resolve report (2009) (a report commissioned by BUSA) that the following framework should be advocated for to enable DHET, together with social partners, to monitor performance:

**Table 1: Proposed NSDS Evaluation Framework (Resolve)**

## Proposed NSDS Evaluation Framework



They explain the above diagram as follows: **First order outcomes** comprise those outcomes which skills development is ultimately expected to impact to be successful. The impact may be on the learner, the employer, and/or the economy: for example rising income, increased productivity and/or reduced poverty. They argue that notwithstanding the difficulties with measuring the impact of skills development on these outcomes due to identification and related evaluative problems, each Seta should be required to conduct at least one case study per annum, to demonstrate these effects. **The second order** outcomes chosen include learning outputs and institutional outputs. The learning outputs (quantity, quality, relevance/ responsiveness, and efficiency) represent the direct outputs of the skills development system, while the institutional outputs (stakeholder participation, administrative simplicity, systemic coherence, accountability, and diversification of funding base) represent additional goals that the design of the skills development system was expected to achieve.

**Third order outcomes** (planning, quality assurance, governance, delivery, capacity, monitoring and evaluation) represent the intermediate outcomes against which the skills development is measured in order to achieve the 2<sup>nd</sup> and 1<sup>st</sup> order outcomes. The diagram below summarises the key elements of the evaluative framework. The report notes that much of the focus needs to be on the performance of the system against second and third order outcomes, which are more easily evaluated using management information and standard quantitative and qualitative research techniques.

The performance management approach adopted by government suggests that the framework would need to support monitoring and evaluation at three levels:

- **Process:** which focuses on the monitoring of the activities that are being undertaken by the relevant institution (such as curriculum development, assessment tools, sector skills plans)
- **Intermediate outcomes:** which supports the monitoring and evaluation of the results that can be anticipated by the end of the programme (such as the percentage of learners that achieve a certificate at the end of the programme, percentage of workplaces that support training),
- **Impact:** usually occurs later than the programme, and is achieved as a result of the intermediate level outcomes. That is, it considers the changes brought about by an intervention (Rogers, 2012). An example of this could be the levels of employability of individuals.

The framework developed by Resolve (2009) begins to address these three performance management, monitoring and evaluation levels, however, there is a need to consider the implications for the skills framework of the Agreements and Strategies that have been developed more recently. Drawing on the varied objectives, outputs and indicators contained in the National Skills Development Strategy III, Skills Accord, Human Resource Development Strategy for South Africa and the Performance Agreements (DHET with the Presidency and DHET with the SETA) a number of key evaluative questions emerge:

#### At a process level

- Whether there is a Sector Skills Plan and how credible this plan is, the extent to which it considers demand in terms of short term (immediate shortages), medium term and long term;
- Whether SETAs inform providers about the implications of demand for supply and that providers have the capacity to deliver these programmes;
- Further, whether SETAs are they engaging with workplaces and sector leadership: are SETAs clear about the needs of the sector and the workplaces and are they offering differentiated support to these workplaces;
- And finally, levels of efficiency measured by, for example, the level of expenditure against income and the extent that this expenditure is consistent with plans and is managed in a cost effective manner.

#### In terms of intermediate outcomes:

- Learners complete programmes in the fields and at the appropriate levels as identified in the sector plan;
- That provision is consistent with this demand: this with respect to whether providers are actually offering programmes that are relevant to the demands identified in the sector, and in terms of whether learners are enrolling in fields that have been identified as important for the sector. This would also need to consider whether learners are completing programmes in these fields at the relevant level;
- That workplaces have a relationship with providers and play a role in assessment as well as offer workplace experiences and placement opportunities to learners.

#### In terms of Impact

- Can we see if employees that complete programmes increase their income and/or have access to career opportunities and that those learners that were not yet employed access sustainable employment and found to be employable (that is this employment is being sustained)?
- Is employers "behavior" changing as a consequence – with respect to recruitment (are they employing these young people), are they able to make different decisions regarding labour versus capital intensive methodologies and can they make appropriate choices about technology that is concomitant with the quality of the skills base?

- And are employers suggesting that they are achieving higher levels of productivity because of the level of skills of their employees and stating that skills is no longer an obstacle to growth (and that importation of skills are reduced)?
- Is there an increase in the monies that employers spend on training as they can now see return on investment?
- And ultimately does the analysis of the economy suggest that skills shortages are less of a constraint to growth than it was?

### **3. CHALLENGES IN THE IMPLEMENTATION OF SUCH A SYSTEM**

The previous section suggests indicators that may form part of framework for the performance management and evaluation of SETAs, or at least possibilities in this regard. In reality there have been a number of challenges with respect to implementing these processes and determining the extent to which the activities are carried out as required. The research undertaken within the skills context illustrates the complexity of establishing impact and of determining which factors have led to certain outcomes from being realized and the way that this has in turn contributed to the impact. For example, Archer (2008) observes that an evaluation could conclude that the quality of the programme is inadequate because the completion rates are low, when in reality the reason for the lack of completion may be that the employer is not incentivized to encourage learners to complete the programme and attain certification. In another example, Archer problematises the reasons why learners may, or may not, access a programme. For example learners may not enter the programme because of their immobility of individuals or their ability to access finance. More specifically this paper highlights two primary areas of challenge pertaining to implementing a performance management and evaluation system.

#### **3.1 *Measuring against the Sector Skills Plan***

There have been a number of concerns raised about the quality of the sector skills plans and the data that is used within these plans (though these concerns are not universally shared; for example ISETT (Nicholas, 2010) notes the value of the Workplace Skills Plans that they receive and indicate that the information that they receive through these greatly supports planning). A team established by DHET to review the Sector Skills Plan (hereinafter, SSP review team) published a report (2010) of the review that they conducted of the Sector Skills Plans highlighted the following concerns about the Sector Skills Plans:

- There continues to be inadequate information available on demand and what this means for supply. This has implications, in particular, for learners and providers, and it is suggested that this has resulted in South Africa inadvertently slipping into an approach to training delivery that rests on what providers are most willing to supply, with all the problems inherent in this approach.
- The Sector Skills Plan Review Team (2010) also indicated that the Sector Skills Plans lacked a cohesive analysis in part related to the quality of the labour market information utilized, the lack of currency of the data, the extent to which the plan allows for the identification of priorities for the sector and whether ultimately this analysis of the data is in fact translated into the strategic plan of the SETAs.
- The team also indicated that SETAs used different methodologies, and had different interpretations of their data so that it is not possible to compare across the different SSPs.
- There is also widespread confusion about the relationship between the various planning tools including Workplace Skills Plan, Sector Skills Plan, Service Level Agreement, Performance Agreement, and National Skills Development Strategy III. There is also

uncertainty about how these tools relate to broader national processes such as the National Growth Path, the Industrial Policy Action Plan etc.

- The quality of the other planning tools has also been highlighted and in particular there is a concern that the Workplace Skills Plan and Annual Training Report generally do not provide reliable data about the sector or even the workplace (though there are some exceptions to this). This concern relates to the format of the Workplace Skills Plans/Annual Training Reports (i.e. what information companies are supposed to provide), the accuracy and comprehensiveness of information provided and the number of enterprises, which are actually completing and submitting Workplace Skills Plans and Annual Training Reports (with real concerns that this number has been dropping for larger enterprises rather than increasing and that for small businesses the numbers that complete are insignificant compared to those that pay the levy).

These concerns are corroborated by Marock and Wedekind (2011). Other research suggests that the difficulties with the SSP may also relate in part to the institutional *“inability of Seta boards to agree on priority areas and their failure to take joint responsibility for lack of delivery”* (Grawitsky, 2007).

However much of the research cited above suggests that even if data was improved and the quality of the plans approved, there continue to be real complexities pertaining to forecasting demand, and international research suggests that many countries are realising that there will always be limits to accurate skills forecasting (OECD 2009): *“Creating reliable forecasting models is very challenging, since the demand for skills depends on numerous factors, many of which are difficult to predict, such as technological progress, global economic conditions, and government policies – which in turn depend on voting behaviour. Where forecasting models have been evaluated, results show that forecasts can provide useful indications on overall labour market trends, but at the level of specific occupations projections are often unreliable”* (Neugart and Schömann, 2002; Sexton, 2002; Barnow, 2002; Richardson and Tan, 2007). Other research suggests that as the length of the forecasting period increases so the quality and accuracy of forecasts inevitably decreases as the length of the forecasting period increases (Marock, Yeowart & Gewer, 2012).

In addition, research suggests that understanding demand is further complicated by the reality that shortages may continue despite increased provision and a sufficient number of qualified individuals. This phenomena is explained by the very different types of shortages that may exist as outlined by Richardson (2007):

**Level 1 shortage:** There are few people who have the essential technical skills who are not already using them, there is a long training time to develop the skills and training providers are stretched to capacity.

**Level 2 shortage:** There are few people who have the essential technical skills who are not already using them, but there is a short training time to develop the skills and training providers are able to expand their provision.

**Skills mismatch:** There are sufficient people who have the essential technical skills who are not already using them, but they are not willing to apply for the vacancies under current conditions.

**Quality gap:** There are sufficient people with the essential technical skills who are not already using them and who are willing to apply for the vacancies, but they lack some qualities that employers consider are important.

The above shows that only in the analysis of the shortage can one determine where the issue is the need for more training in a field, whether the issue is the quality of the training or in fact a labour

market issue related to wages or conditions of service. This view is consistent with Archer who states that there may be a proliferation of skills shortage estimates by employers, while in reality this might be linked to the remuneration package they will have to pay. In addition, he also argues that *“shortage estimates at one point in time are seldom if ever tested later as new information about skilled worker demand and supply becomes available”*.

The concerns about forecasting are so numerous that Archer (2006) suggested that given the evidence about the problem of determining shortages, and in the light of the challenges related to skills planning, and the considerable effort and resources required by SETAs to develop these, there is a need for a thorough cost benefit analysis to be conducted into the productions of Sector Skills Plans.

More recent policy papers suggest alternative approaches to sector skills planning which are intended to address these challenges. The National Planning Commission (2011) suggests an approach that Skills planning that takes into account the different time horizons. Thus it is suggested that there is a need to understand the long-term imperatives for the country with respect to human resource development. The NPC Plan suggests that the focus for the long term (20 year horizon) should not be too detailed but rather should be consistent with the vision for human resources for South Africa (for example, an emphasis on the importance of improving general education with an increased percentage of learners attaining Grade 12 with good passes in Mathematics, Science, and English). It then argues that there is a need for planning for the medium term (10 years), which should be based on an economy wide analysis of trends such that it is possible to construct certain scenarios with an understanding of the key drivers that may effect these scenarios. Examples of such drivers could include: social, demographic and cultural trends; economic and financial trends and globalisation; labour force, industrial and workplace trends; science, technology and innovation; governance and public policy; and sustainability (focus on water, energy, population). It then states that with respect to the short-term (so between 1 year and 5 years), information should be based on the scenarios and coupled with additional information, which can be tracked through vacancies as well as through workplace surveys and/or improved reporting (ways to improve reporting is discussed in a subsequent recommendation within this document). The short-term will primarily focus on existing shortages as well as projected skills shortages.

This section suggests that the current planning mechanisms are not sufficiently credible to allow for the evaluation to be solely based on an assessment as to whether provision is consistent with the demand outlined in the plan as this may not in fact reflect the key priorities for the sector. Instead there is a need for other evaluative methodologies to be employed, and this is considered in the final section of the report. It is noted though that if the changes, as anticipated in the policy documents take place with respect to forecasting and the development of plans, this may become a more useful mechanism against which performance could be measured.

### **3.3 Determining Impact: methodological challenges**

The other key challenge area related to performance management and evaluation pertains to the methodological challenges associated with establishing impact. Literature relating to impact evaluation (Rogers, 2012; Roetman, 2011) highlights the methodological decisions involved in establishing impact. There are a number of approaches used to determine impact and DPME offers the spectrum of evaluative work that is possible to support results based management (2011). Further, heated debates take place about the level of evidence that can be considered acceptable for establishing impact. Using a broader definition of impact evaluation it is acceptable to include any evaluation that systematically and empirically investigates the impacts produced by an intervention. Some individuals and organizations rely on a narrower definition of impact evaluation,



and would only include evaluations containing a counterfactual of some kind (an estimate of what would have happened if the intervention had not occurred) or a particular sort of counterfactual (for example, comparisons with a group who did not receive the intervention). Rogers, in the practice guidelines she has developed cites USAID which uses the following definition: *“Impact evaluations measure the change in a development outcome that is attributable to a defined intervention; impact evaluations are based on models of cause and effect and require a credible and rigorously defined counterfactual to control for factors other than the intervention that might account for the observed change.”*

These different definitions are important when deciding what methods or research designs the intended users of the evaluation or by partners or funders will consider credible. It is further suggested that it may be useful to consider a combination of approaches. For example, it is possible to undertake a combination of survey and participatory methods of evaluation so that key role players are able to indicate whether there is an increased ability to recruit, vacancies are filled more easily, decisions about technology have changed etcetera. However, it may also be possible to consider certain impact studies which seek to establish how effective certain approaches are with respect to particular impact measures: for example employability (by comparing graduates that do and do not have access to workplace experience) or productivity (comparing companies and levels of investment in training).

In making these decisions it is important to understand the complex nature of these interventions and the effect that this has on design selection: for example when considering the issues of productivity, researchers (Archer 2008, Lundell 2003) note the importance of understanding impact from the perspective of the enterprise.

Archer argues that if on-the-job training is more cost effective than in off-site institutions then the monitoring task of public agencies is more difficult, *“how do you keep a watch on training activities on the shopfloor?”* Grawitsky (2007) reinforces this view and extends this further, she states that over and above the difficulty of establishing what training is taking place it is even more complex to understand the impact of this. She suggests that the case studies show that *“thousands of workers have received some form of training but there is little or no indication as to what the impact there has been as a result of this”*.

Lundell (2003) offers an approach used elsewhere to understand impact at the level of enterprise. He specifically seeks ways to understand whether training levies work and refers to the work of Hong Tan who used panel firm data for Malaysia. The research highlighted the need to isolate the impact of the investment on training from the contemporaneous investments in new technologies, in order to create accurate assessments of the impact solely of training. The report notes that this is made more complex because of the reality that investments in new technology is likely to have an impact on the skills and training requirements of the workforce that are using these new technologies. Furthermore, a link was created with panel data on training incidence to the annual manufacturing survey data and this was used to develop more accurate estimates of productivity changes, particularly the impact of training on productivity growth. Through the use of firm survey data, Tan was able to show that the institutionalisation of training levies did in fact lead to a higher training incidence within firms, especially among medium sized companies. However Lundell notes that in the absence of this level of data in South Africa it is necessary to use more tedious methods to analyse what impact the new training levy rebate scheme is having on the incidence of training within South African firms.

There are also other examples that begin to explore ways of understanding impact. The impact assessment of the national skills development strategy II conducted by the HSRC (2012) have utilised a range of methodologies to try and establish impact, however there is not yet a full picture of the impact that the skills development work has had against the overarching imperatives.

The discussion above points to the difficulties associated with establishing what has taken place, what impact it has had, and how to attribute the impact (or the absence of this) to the SETAs interventions. Work completed recently provides deeper insights into the methodological challenges associated with such research and highlights the difficulties of both ensuring participation in research as well as accessing sufficient quality of data that enables an analysis of impact to be made.

## **FUTURE RESEARCH**

This report has highlighted current policy processes, which are likely to affect the SETAs, research on the SETAs which suggests various specific problems with them, and the direction in which performance management and evaluation is beginning to move. All of these have implications for the research of the Labour Market Intelligence Project.

One key area for research is finding ways to strengthen the performance monitoring and evaluation framework such that there is agreement on the process, intermediate and impact outcomes. This framework should also indicate how regularly data would be collected and analysed. It may be possible to monitor activities on a quarterly basis, intermediate outcomes on an annual basis and impact every 2/3 years. This overarching framework should be structured to enable DHET to manage the performance of the SETAs more effectively, and would increase the capacity of DHET to report against the various agreements cited in this paper (it may be important that this is ultimately considered together with an analysis of the performance of the National Skills Fund and other agencies that take responsibility for skills development). Once the framework is established it becomes possible to further refine the research activities that can support DHET to effectively utilize the framework to support improved performance management and evaluation.

Various types of evaluative work as well as research conducted through the Labour Market Intelligence Project can feed into this performance management and evaluation process. This assumes that the project will consider the activities implemented by each of the SETAs, and conduct a review of achievements for all SETAs in a system wide approach – as opposed to multiple projects – which would enable the DHET, and other role players, to develop a more nuanced understanding of the performance of each of the SETAs and the factors that have enabled or hindered these achievements. Ultimately this would enable the research project itself to be evaluated in terms of, what Kunal Sen refers to as the rate of return to research (Weyrauch, V and Labngou GD, 2011).

Possible specific research activities, which would inform the development and utilization of such a monitoring and evaluation framework could include:

Improving the quality of data produced by the system, which is one of the biggest problems right now. An analysis of the data that can be collected as part of routine monitoring would contribute substantially to recommendations to DHET on monitoring of activities as well as determining whether intermediate outcomes are being achieved. Current policy processes (discussed above) may lead to improvements in the collection of data, particularly with regard to the Workplace Skills Plans and Annual Training Reports. Research to monitor these changes, as well as to consider ways of making improvements to these crucial data gathering tools, will be important. A thorough analysis of the ways in which data is currently gathered, and the nature of data being gathered, is important as it will enable the project to improve the MIS systems of relevant bodies such as the QCTO, Umalusi, as well as DHET so that it becomes possible to understand the achievement of certain intermediate outcomes such as completion rates in different fields and levels of learning.

The question of impact is important, and the Labour Market Intelligence Project should include impact studies. To do this, a decision should be taken about the level of evidence that is considered acceptable as this has implications for the design of the evaluative methodology and may even affect the design of programmes (if for example, control and treatment groups are to be established for

certain impact studies, or if there is to be a case study approach then there is a need to ensure that the different activities and decisions are documented from the outset of the intervention).

It is recommended that to address some of these questions, a meta-analysis be commissioned to review the impact evaluative studies that have been conducted by the HSRC on the NSDS to date, to understand the design and methodological issues that have emerged and to distill the learning about with respect to design and methodologies required to enable evaluation work that is undertaken to be utilized in such a manner that it enhances performance across the system and is able to inform policy refinement where required.

There is likely to be a need to create a baseline for certain of the impact areas and the project needs to establish how it can support this. Examples of areas in which impact studies may need to be considered include: the percentage of graduates that access employment (from which programmes are graduates accessing employment? what kinds of employment – is this related to the training or not?). The extent to which graduates, that access employment, are considered employable by employers, when they enter the workplace. The percentage of these graduates that are still employment (or have initiated their own business one year after the programme, and the percentage that access further learning. There may also be a need for impact studies that consider the current level of expenditure on training across workplaces and whether SETAs are successfully leveraging additional funds for training through the grant mechanism. There may also be a need to understand the extent to which skills is a constraint to growth in enterprises, and conversely the way in which skills are understood to have enhanced (or not) productivity, and to understand how this changes over time. Again it is necessary to consider what type of study can generate this data. Is there a need for a counterfactual, how could this be done given the intention of the SETA to work with all workplaces in the sector? Are there other designs that may be possible, for example through using a mixed method approach?

This paper has also highlighted the importance of a credible analysis of demand so that it is possible to understand whether SETAs are steering provision against this, and to establish the impact that this is having on the sectors. This is clearly a major focus of the Labour Market Intelligence Project as a whole, which is looking at supporting improved forecasting. There is a need to consider the extent to which this will support an economy wide analysis. This research needs to include an analysis of how an economy wide analysis contributes to sector scenarios, and the role of SETAs in this context should be considered, particularly with regard to feeding the (hopefully improved) data from the Workplace Skills Plans can feed into the national analytical process. The broader research should also consider whether the SETAs will be involved in the process of verifying the sector scenarios through stakeholder engagement, to ensure that we maximize the way the system collects data, as well as the way data is used, avoiding any potential duplications.

The final point is that this paper has pointed to examples where SETAs are supporting a research agenda and are effectively engaging with workplaces in a way that either does, or could, support the research process. This means, on the one hand the capacity constraints of SETAs is noted, and the project should monitor and analyze various processes which are underway which attempt to improve this capacity, streamline SETAs' mandates, and improve the ways in which SETAs capture data, and the kinds of data that they collect. Nonetheless, with all their weaknesses and constraints, SETAs do have data, as well as ability to collect data from workplaces, which must be utilised when determining a research strategy for this project, to avoid duplication, and ensure that the project is focused on strengthening institutions in the long-term.

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