



# **Gordon Institute of Business Science**

University of Pretoria

## **The role state owned companies play in youth skills development in South Africa**

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## ABSTRACT

While South Africa has made multiple strides since the dawn of democracy in 1994, there are serious economic challenges that remain. The low number of jobs that the economy has created, even in higher growth cycles, suggests that the issue of unemployment is structural in nature. The challenge of unemployment is more acute among young people, who often battle to get absorbed into the formal labour market owing to a variety of factors. One of the factors often cited by employers is the dearth of requisite skills among the young potential job entrants.

State owned companies, whose mandate extends beyond mere financial returns, are taking the lead in supporting the broader socio-economic developmental goals of government. There are several skills development initiatives by state owned companies for young people aimed at ensuring their economic participation. An inductive study was conducted to observe existing skills development initiatives targeted at young people by state owned companies with the aim of finding the optimal approaches for reducing the triple challenges of unemployment, poverty and inequality. A mixed research approach was adopted through interviews with individuals who were identified as key stakeholders on youth skills development. A survey of young people who have taken part in the skills development programs of state owned companies was also conducted in order to obtain broader views on this subject.

The results found that while current programs are making a small impact on reducing the skills gap, challenges still remain. The results also revealed that various state affiliated entities need to collaborate in order to harmonise their skills development programs to the national imperatives. The research also found huge challenges exist in the TVET college system, which is crucial to reducing the skills gap among the youth. The research also found that, while young people appreciated the training opportunities given, many were discouraged from the programs by various factors. The private business sector was also urged to be more supportive of state efforts to stimulate economic growth and absorb more young people.

**Keywords: Skills Development, Youth Economic Participation, State Owned Companies, Unemployment, National Development Plan**



## DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

.....  
**Yongama Melaphi**

.....  
**Date**



## KEY ABBREVIATIONS

ASGISA	<b>Accelerated and Shared Growth Initiative for South Africa</b>
DHET	<b>Department of Higher Education and Training</b>
DPE	<b>Department of Public Enterprises</b>
Dti	<b>Department of Trade and Industry</b>
HRDSF	<b>Human Resource Development Strategic Framework</b>
ILO	<b>International Labour Organisation</b>
IPAP	<b>Industrial Policy and Action Plan</b>
JIPSA	<b>Joint Initiative on Priority Skills Acquisition</b>
MDG	<b>Millennium Development Goals</b>
MERSETA	<b>Manufacturing, Engineering and Related Services SETA</b>
MOU	<b>Memorandum of Understanding</b>
NDP	<b>National Development Plan</b>
NGP	<b>New Growth Path</b>
NQF	<b>National Qualifications Framework</b>
NSDS	<b>National Skills Development Strategy</b>
NYDA	<b>National Youth Development Agency</b>
RPL	<b>Recognition of Prior learning</b>
SAQA	<b>South African Qualifications Authority</b>
SETA	<b>Sector Education &amp; Training Authority</b>
STEM	<b>Science, Technology , Engineering and Mathematics</b>
SOC	<b>State Owned Company</b>
TVET	<b>Technical Vocational Education and Training</b>
WEF	<b>World Economic Forum</b>
WIL	<b>Work Integrated Learning</b>
WSP	<b>Workplace Skills Plan</b>
YEP	<b>Youth Economic Participation</b>



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## CHAPTER 1

### 1. INTRODUCTION TO THE RESEARCH PROBLEM

#### 1.1. Introduction

South Africa is facing multiple challenges with regards to achieving inclusive economic growth (National Planning Commission, 2011). The National Development Plan: Vision 2030 (NDP), the government's policy framework for growth, requires the economy to grow consistently above five percent per annum, to ensure the reduction of inequality and the complete elimination of poverty by the year 2030 (National Planning Commission, 2011). The NDP recognises that one of the key challenges facing South Africa's long term stability is the slow, jobless growth that has not yielded benefits that serve the greater part of the South African population (National Planning Commission, 2011).

Gelb (2014) asserts that the emerging resentment against inequality in South Africa poses a greater danger than poverty. The two phenomena are distinct issues but are inextricably linked. The persistent spates of violent demonstrations and periodic attacks on foreign nationals by those who feel economically excluded, signify an urgency with which this matter ought to be addressed by the country (Gelb, 2014).

President Jacob Zuma, in Butler-Adam (2013) says "we have a long road to travel to prosperity and we have a plan to get us to that destination – the comprehensive National Development Plan". The president goes on to say that the plan outlines the nation's vision for 2030 and that government alone cannot achieve the goals of the NDP and needs help from people from all walks of life to find solutions (Butler-Adam, 2013). Education, training and innovation, all elements of skills development, are key objectives of this plan.

The NDP also recognises that the quality of education, particularly amongst young black learners, is very poor (National Planning Commission, 2011). This leads to an employability skills gap, which plagues most sectors in the economy (Benson, Morgan & Filippaios, 2014). This skills gap, which is more prevalent among young people from historically disadvantaged backgrounds, needs to be tackled as a matter of urgency in order for the long-term economic sustainability of South Africa to be realised (Sunter,



2015). As it is, young people feel that they are against the odds and a reversal of this sentiment is necessary (National Planning Commission, 2011).

## **1.2 Background to the research problem**

Skills development is generally recognised as a source of people's success (Heitmann, 2009). Heitmann (2009) goes on to say that the reduction of poverty and sustained economic growth are made possible when the skills of the population have been developed. This supports the vision of the NDP, which seeks to reduce inequality and eliminate poverty by the year 2030 (National Planning Commission, 2011).

Miles, Scott & Breedon (2012) discuss the economic participation rate which they define as the proportion of the population who make up the labour force, which includes both the employed and unemployed. Although South Africa's labour force participation rate has risen from 48% in 1994 to 59% in 2015, it is still rated low by world standards (Miles, Scott & Breedon, 2012).

In 2013 South Africa had a male economic participation rate of 61%, against 81% for Brazil, 78% for China, 84% for Indonesia, and 82% for Botswana, for example. The female economic participation rate of 45% was the same as those of Greece and Malaysia, although higher than those of India and Morocco (both 27%), yet lower than those of Brazil (59%), China (64%), Lithuania (56%), and numerous other countries (Institute of Race Relations in Berman, 2015).

The official unemployment rate in South Africa is around 25% however this figure escalates to above 60% for the youth category (NYDA in Magongo & Motimele, 2011; Visser & Kruss, 2009; Stats SA, 2015). South Africa also has a problem of discouraged young people who give up looking for employment after months of trying (Stats SA, 2015; Maswanganyi, 2015). The exclusion of this demographic from the official unemployment statistics (Kingdon & Knight, 2007) means that the problem is more acute and this points to the urgency with which solutions need to be found for this demographic group.

Sunter (2015) paints an even starker picture for the youth and suggests that government should look at slowing the birth rate in the black community because the rate of population growth among the young population is not matched by available



opportunities in the labour market. The Institute of Race Relations (IRR) in Huizenga (2015) estimates unemployment to be around 67% among the “born free” males and 75% among the females of the same demographic. The term born free refers to young people who were born after 1994 following the end of apartheid in South Africa (Mattes, 2011).

Considering that this segment represents the future leadership of South Africa, urgent intervention is required to ensure that the structural barriers that prevent their participation in the economy, of which lack of sufficient skills is one major barrier, should be eliminated and that growth going forward is more inclusive (Saville, 2014).

Saville (2014) goes on to say that, with a Gini co-efficient of more than 0.65 the country will likely experience more violent demonstrations unless more is done particularly, for the youth segment. The Gini index is “a measure of the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution” (Saville, 2014).

The country’s poor education performance against the high investments in education and training seem to exacerbate the inability of the labour force to support economic growth (NYDA in Magongo & Motimele, 2011). The quality of education and skills development also has a proportional link to employability and the levels of inequality in the country (Magongo & Motimele, 2011). This requires that our development policies be integrated such that labour, education and skills development are intertwined (Magongo & Motimele, 2011).

Vally & Motala (2014) present a slightly contrarian view and they opine that it is inadequate to simply blame the education system and lack of skills for the unemployment among young people. Vally & Motala (2014) present examples in European countries such as Spain, Italy and Greece, where the skill levels are significantly higher than those of South Africa yet those countries are also faced with a problem of youth unemployment.

While education, knowledge and skills are acknowledged as being important enablers, economic growth should not be looked at only through a capitalist, “neo-liberalist” lens; but that issues of power relations, social justice and equality should form part of that reflective process (Vally & Motala, 2014).



Key to meeting the goals of the NDP Vision: 2030 are state owned companies under their shareholder the Department of Public Enterprises (DPE), who are seen as drivers of the developmental goals of the country. There are other state-affiliated agencies such as the National Youth Development Agency (NYDA), the National Empowerment Fund (NEF) and the National Skills Fund (NSF) and Sector Education and Training Authorities (SETA), the Jobs Fund, the Unemployment Insurance Fund (UIF) who are key stakeholders and making commendable efforts in assisting with skills development for young people.

South Africa, over the last two decades, has developed several plans and policy frameworks aimed at inclusive economic growth with a particular focus on skills development, which shows the importance the country places on this issue (DPE, 2012). These efforts have been implemented in isolation across the various entities with no proper integration and the Department of Public Enterprise's Youth Economic Participation strategy was designed primarily to address that co-ordination challenge (DPE, 2012).

### **1.3 Research motivation and objectives**

The motivation for conducting this research is largely driven by the so called triple challenge that South Africa faces: namely unemployment, inequality and poverty (National Planning Commission, 2011) as well as the need for the country to fulfil its growth potential by finding solutions to these challenges. This situation is more evident in the rural areas as well as informal settlements in most South African major cities, where the problem of unskilled youth is more acute (Magongo & Motimele, 2011).

The lack of skills has been cited by the business community as the reason why most young people who leave the education system become "unemployable" (Marock, 2008). This often leads to other societal challenges such as increased substance abuse, crime and deteriorating health standards (IRR in Berman 2015). South Africa needs to support initiatives and policies aimed at addressing these challenges (Magongo & Motimele, 2011).

The National Youth Development Agency (NYDA) recognises that young people in South Africa are the most impacted by economic exclusion and this is primarily a legacy issue, where the majority were given inferior education during the apartheid era



(Magongo & Motimele, 2011). The NYDA argues that having skilled young people will have multiple benefits for society, which include the promotion of social cohesion and the “production of law abiding citizens through the imparting of social and political values” (Magongo & Motimele, 2011).

The corporate business sector in South Africa is plagued by an employability skills gap within the available labour pool, particularly among young people (Benson, Morgan & Filippaios, 2014). This makes the importing of expatriate skill an expensive but necessary alternative. The importing of skills from foreign countries is however not affordable for smaller businesses, which are seen by the NDP as key to growing the economy and therefore there arises an urgent business need to address the issue of skills shortage in the country. A study of this nature will potentially assist the business sector in understanding which areas need further intervention and how the private business community can play a more supporting role to existing government initiatives and policies.

Another motivation for the study is the on-going negative perception on state owned companies (SOCs) in the public arena, which many consider to be performing below par (Tshisonga, 2014; Arocena & Oliveros, 2012). The October 2015 national general council of the ruling ANC has placed the issue of under-performing SOCs on the agenda. This study aims to analyse current skills development initiatives undertaken by state owned companies, aimed at developing young people under the Department of Public Enterprise’s Youth Economic Participation Strategy (YEP).

The YEP strategy aims to fulfil the developmental mandate of state owned companies, of which the development of young people could be a key beneficiary (National Planning Commission, 2011). The ultimate objective is to increase the collaborative relationship between the private business sector with the public sector, as well as with state owned companies in finding long-term solutions on bridging the skills gap among young job seekers (DPE, 2012).

Skills development is now among the three priority pillars in the BBBEE Codes of Good Practise (CoGP) of the Department of Trade and Industry (DTI), which signifies the importance government places on this issue (Moraka, 2015). This is because the development of skills is intended to achieve inclusive economic growth and social development (Moraka, 2015). For the business community in South Africa, where



issues of Corporate Social Responsibility (CSR) and BBBEE are now a reality as part of the so-called triple bottom line (Visser, 2015), this again highlights the need for this study on skills development initiatives among the youth, who are the future employees of organisations (Bruett, 2006).

The research explores the theoretical approaches on successful SOC youth skills programs in other countries, particularly China as a fellow BRICS country and a growing power on the African continent (Warmerdam and Dijk, 2013) for possible lessons that can be learned for the South African environment. This study is intended to contribute to the on-going academic discourse on the challenge of youth unemployment and skills development, and the ultimate aim is the enhancement of policy formulation.

The objectives of this research are summarised as follows:

- To identify, analyse and understand the challenges that exist in the skills development programs aimed at young people by state owned companies.
- To assess and understand the characteristics of skills development programs which have been successful and what lessons can be learned.

#### **1.4 Research scope**

The research entails analysing existing skills development initiatives targeted at young people by state owned companies in South Africa, in the context of reducing the skills gap among the youth segment to facilitate greater economic participation. These initiatives are intended to ultimately help in achieving inclusive economic growth, while reducing inequality and unemployment, which are the country's goals as articulated in the NDP: Vision 2030 (National Planning Commission, 2011).



## 1.5 Overview of the research report

The chapters of this report are structured as follows: –

- Chapter 1 – provides an introduction of the research, motivation for the research and the overall objectives of the research
- Chapter 2 – provides an outline of the relevant literature on skills development and associated topics such as unemployment, jobless economic growth, and education
- Chapter 3 – captures the research problem and the identified research propositions
- Chapter 4 – contains the research methodology followed and outlines the data - collection process
- Chapter 5 – sets out the results of the data collection process
- Chapter 6 – discusses the results of the data collected with specific reference to the literature in chapter two and
- Chapter 7 – consolidates the findings and provides recommendations for future research



## CHAPTER 2

### 2. LITERATURE REVIEW

#### 2.1 Introduction

The number of people who are unemployed in South Africa continues to be unacceptably high (Gernetzky, 2015). Young people are disproportionately affected by structural problems in the economy, in which the growth rate is not matched by absorption rates (Gernetzky, 2015). The high levels of unemployment among young people, caused to a large degree by insufficient skills, leads to social exclusion as the labour market cannot absorb them (Mlatsheni & Leibbrandt, 2011).

South Africa's competitiveness in international markets is undermined in part by the skills challenge (Strauss & du Toit, 2010). The country cannot compete in skilled sectors because there is a chronic shortage of skills and it is difficult to compete in unskilled, labour intensive sectors because of high labour costs, which are not linked to productivity (Institute of Race Relations in Berman, 2015). Young new entrants find it extremely difficult to enter the labour market.

The inferior quality of education at foundational levels means that most young people do not complete their schooling, and for those who do, many are ill – equipped to proceed to institutions of further education, where their work-readiness skills are further refined (Mhlanga as cited by Gernetzky, 2015). The institutions of further education which offer vocational and technical learning to reduce the youth skills challenge and ensure a smooth transition from formal education to the world of work, are beset by numerous challenges (Palmer, 2009; McGrath, 2002).

Against this backdrop, this chapter will provide a literature review that was conducted on the important challenge of youth unemployment and skills development. Various related constructs such as jobless economic growth, the education system and inequality will be analysed to get a better understanding of optimal approaches to skills development and poverty reduction.



## 2.2 Youth unemployment

Unemployment, poverty and inequality remain the fundamental socio-economic challenges facing South Africa (Faulkner, Loewald & Makrelov, 2013; Yu, 2013). The unemployment rate was about 25 per cent in 2011 with more than half of youth jobless and income inequality still remains high (Faulkner, Loewald & Makrelov, 2013). The National Planning Commission in 2011 stated that “there is no doubt that the sharpest end of the unemployment crisis is felt by South Africa’s youth and that this time bomb is the single greatest risk to social stability in South Africa” (National Planning Commission, 2011).

Youth unemployment leads to the rise of a number of societal challenges such as poverty, gender-based violence and crime (Institute of Race Relations in Berman, 2015). Zwelinzima Vavi, the former secretary general of trade union federation COSATU, labelled the phenomenon of youth unemployment as a “ticking time bomb” and attributed some of the recent social unrest and xenophobic attacks on the problem of youth unemployment (IRR in Berman, 2015).

These sentiments were originally expressed in 2005 by then Labour Minister, Membathisi Mdladlana, who described the phenomenon as a powder keg waiting to explode (Marock, 2008). It is disconcerting to note how little progress has been made on reducing youth unemployment in the ten year period to 2015 (Stats SA, 2015).

Unemployment has a notable negative effect on the life of young people (Sen, 1997). When an assessment on the quality of life and inequality is done; the persistent, structural unemployment, as is the case in South Africa, leads to many other kinds of deprivation (Sen, 1997).

Another often cited cause for the stubborn unemployment in South Africa is the power of organised labour (Magruder, 2012). Trade unions are seen by the business sector to be militant at negotiating wage increases, which are not linked to productivity for their members. This is seen as a bottleneck and disincentive for potential job creation efforts by the business sector, which could absorb younger workers (Magruder, 2012).



Yu (2013) also decries the fact that most young people from disadvantaged backgrounds do not have the networks that can provide information on employment opportunities, which worsens the youth unemployment problem in those communities.

Kingdon & Knight (2007) also lamented the rapid growth of labour supply relative to demand in South Africa as problematic, particularly among young entrants who do not possess the requisite skills, which would make them employable the labour market.

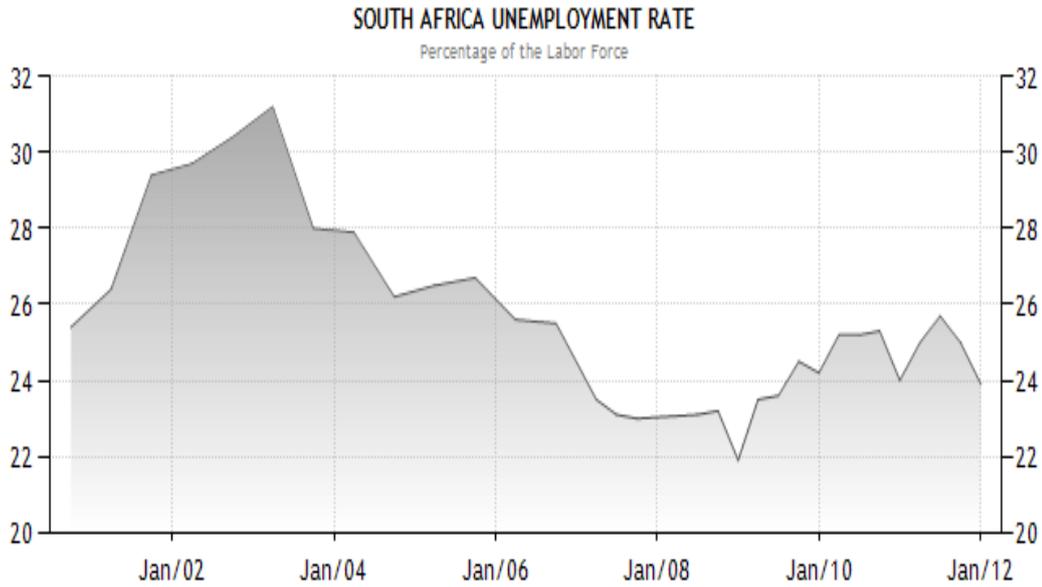
Globally there is no standard agreement regarding the definition of employability of the youth. The meaning varies depending on culture, level and type of economic development and employer norms (Marock, 2008). The concept has morphed over time as the services economy has expanded and the world has become more globalised (Marock, 2008). “The capacity to hold rewarding jobs during a working life and being productive, while possessing requisite competencies and skills” is the definition of employability that best resonates with the current trends of the knowledge economy (Marock, 2008).

The concept of employability focuses on the “appropriate skilling of the unemployed so that they can be employed productively” (Raina, 2013). Raina (2013) goes on to argue that suitable conditions for employment need to be created based on the skills of those who are currently not employed and it is also suggested that employability is the prerequisite for productivity, which is the core concept in building competitiveness and national prosperity (Raina, 2013).

It has been suggested that the efforts and time that young people dedicated in the fight against the apartheid system was a huge sacrifice and a detriment to their own personal educational development (Lam, Leibbrandt & Mlatsheni, 2007). Figure 1 depicts the unemployment rate for the period 2001 - 2012 which has stubbornly remained high, even during higher economic growth periods. Young people have been at the receiving end of this unemployment phenomenon (Faulkner, Loewald & Makrelov, 2013; Visser & Kruss, 2009).



Figure 1 – South Africa’s unemployment rate (StatsSA, 2015)



SOURCE: WWW.TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

Ismail & Kollamparambil (2015) suggest that the long spells of unemployment, particularly among young people from previously disadvantaged backgrounds in South Africa, have a long lasting scarring impact on the psyche of the unemployment youth. These spells are a key determinant in whether people eventually exit unemployment or become discouraged from seeking work; the longer the spell the higher the likelihood that people will not attain gainful employment, which is necessary for their economic self-sufficiency (Ismail & Kollamparambil, 2015). This is cited as one of the causal factors for substance abuse and high crime rates in the country.

While youth unemployment might be a major challenge facing South Africa, the abundant labour pool should also be seen as an opportunity as the country moves towards achieving the goals of the NDP (Ireland, 2015). The growing and increasingly youthful population should be seen as an asset which presents the country with the opportunity to gain the “demographic dividend” that other emerging markets have experienced (Ireland, 2015).

The youth demographic dividend comes when the growing workforce is gainfully employed, directly raising individual income and, since people who are working tend to save more, increased domestic savings become available to fund economic investment, increasing current and future growth (Hofmeyr, 2012). Unlocking the



potential of the demographic dividend requires investment in skills development and infrastructure to bolster the manufacturing and services sectors (Ireland, 2015).

In order to encourage more sustainable job creation, a strategy based on a stronger education system which has closer links to employers, is required (Ireland, 2015). The youth dividend will also be realised if “there is pipeline of skills needed to leverage the technological advances of a globalising, knowledge based economy” (Ireland, 2015). Given the intrinsic link between unemployment and poverty, Burns, Edwards & Pauw (2013) suggest that a wage subsidy for employers to absorb younger workers could make inroads into poverty reduction.

The NYDA agrees that in order for South Africa to benefit from the youth bulge (Lin, 2012); young people should be healthy, productive and contributing citizens (Pillay, 2015). Pillay (2015) goes further and places emphasis on the calls made by McKinsey & Company that there “should be provision of relevant and quality and education, meaningful and accelerated skills development with a special focus on vocational skills, promoting youth entrepreneurship” in order for the NDP goals to be fully realised.

### **2.3 Jobless growth and inequality**

Faulkner, Loewald & Makrelov (2013), argue that a number of requirements need to be met for sustained economic growth to be possible in South Africa. These core requirements are “increased savings and investments, more productivity which will require a better skilled workforce, as well as a reduction of the skills constraints” (Faulkner, Loewald & Makrelov, 2013).

Faulkner, Loewald & Makrelov (2013) argue that South Africa should increase its participation rate to around 65%, which is the average for other emerging markets and this will require the economy to grow at eight percent, (8%) which is higher than the modest five percent (5%) target required by the NDP. With current growth levels now projected at below two percent (2%), South Africa seems to be stuck at low growth mode in what is known as the “middle income trap” (Ozturk, 2015).

An analysis of the Beveridge curve in South Africa, a measure of labour market aggregate matching efficiency which tracks the relationship between available jobs and the unemployment rate (Diamond & Sahin, 2015), reveals some clues about the skills

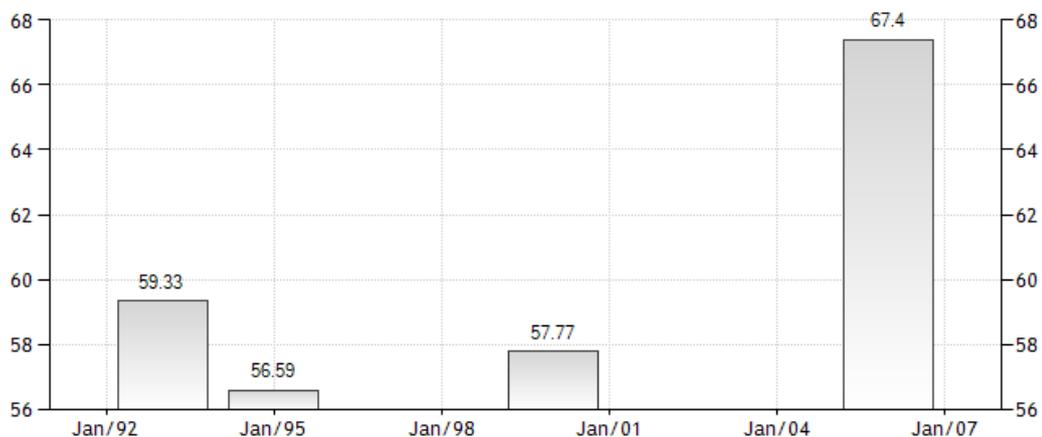


mismatch in the South African context. In traditional macroeconomic theory (Miles, Scott & Breedon, 2012), a high vacancy rate would be coupled with a lower unemployment rate in high economic growth cycles and the inverse would apply in that a higher unemployment rate would imply lower vacancies being available in lower economic growth cycles.

In the local South African context, the Beveridge curve has barely shifted; unemployment remains stubbornly high in light of a high vacancy rate even in higher growth cycles such as the 2003-2008 period (Diamond & Sahin, 2015). This evinces the problem of the skills mismatch in South Africa and the problem of jobless growth, particularly among the youth segment, will continue to be prevalent unless the structural barriers that hinder inclusive economic participation, of which lack of skills is one, are eliminated (Saville, 2014).

In South Africa, the challenge is not just that economic growth is not delivering income parity, but the fact that the economy is also not delivering as many jobs as expected to seriously dent the rate of unemployment (DTI, 2013). Deep inequalities are associated with relatively high levels of joblessness (DTI, 2013). Piketty (2015) attributes the existing inequality to failure by the present government to institute reforms which would have seen wealth being distributed to other sectors of society. The Gini coefficient continues to worsen, as seen in figure 2 below:

Figure 2 – South Africa’s Gini Index 1992 - 2007 (DTI, 2013)



The Organisation for Economic Cooperation and Development (OECD) has analysed constraints to growth in South Africa and recommended that there should be structural



reforms in areas such as education and skills, particularly for the growing youth population to enable faster economic growth (Faulkner, Loewald & Makrelov, 2013).

The high levels of unemployment clearly reflect a skills mismatch in the economy (Stats SA, 2015). Faulkner, Loewald & Makrelov (2013) see the structure of the South African economy as evolving to respond to globalisation and technological demands in the world economy, thus growing the requirement for better skills (Faulkner, Loewald & Makrelov, 2013). On the other hand, South Africa's pool of skills is said to be shallow (Stats SA, 2015). The NDP recognises that there is an abundant supply of low skilled and medium skilled workers however higher skilled workers, who are key to economic growth, are in short supply (National Planning Commission, 2011).

The problem of "skills mismatch" on youth labour markets has also been noted by the International Labour Organisation (ILO) as a growing and persistent trend and this mismatch makes finding solutions to the youth employment crisis much more challenging (ILO, 2013). Pauw, Oosthuizen & van der Westhuizen (2008), as cited by Magongo & Motimele (2011), also studied and highlighted the paradoxical phenomenon of unemployed graduates in South Africa in the face of the country's skills shortage.

Vally (2014) refers to this paradox as an "ideological hoax" which shifts the blame for unemployment to the unemployed, instead of the owners of capital, who are only concerned with "efficiency", which in effect means they want to produce more for less, thus leaving many without jobs and perpetuating inequality in the process. Nancy & Nellis (2003) argued that inequality is perhaps an inevitable consequence of privatisation and capitalism, as there will be a general trade-off between efficiency and equality (or distribution of income and wealth).

It is argued that better congruence of university courses with the scarce skills in the labour market is needed for this phenomenon to be resolved (Magongo & Motimele, 2011). The National Skills Development Strategy III (NSDS) has recognised this and wants Sector Education and Training Authorities (SETAs) to play a bigger role in bridging this gap. The skills deficit that many young people carry after having left the formal education system means that there is a crucial role to play for second-chance opportunities, technical and vocational forms of training and other opportunities (Magongo & Motimele, 2011).



Vally & Motala (2014) question the idea that higher levels of skills will lead to higher employment and growth in South Africa. The textile industry, which employs a relatively skilled workforce, is cited as one example of a sector which has been losing a number of jobs at an alarming rate due to several factors such as cheap imports from the Far East (Vally & Motala, 2014). The skill levels and experience of the textile workers have not protected them from the crippling job losses (Vally & Motala, 2014).

This view is partly shared by Heitmann (2009), who asserts that “the assumption that economic growth leads automatically to a move of all unemployed persons as well as existing informal workers into the economic mainstream seems to be utopian” (Heitmann, 2009). Marsh (2011) took the stance even further and through his analysis concluded that education on its own has very little impact on poverty reduction and inequality. The International Labour Organisation (2013) observed that the post crisis economic recovery in 2012 and 2013 has not been matched by available jobs and queues for employment, particularly among young people have been getting longer (ILO, 2013).

## **2.4 International Context**

The phenomenon of unemployed youth is not only unique to South Africa or developing countries (Vasile & Anghel, 2015; Norris, 2010). An analysis of similar trends of youth unemployment was done in European countries such as Spain and Greece and it was found that more than half the workforce below the age of 25 does not have a job (Evans, 2012). The average rate of youth unemployment in the European Union region is around 23% and there are no signs of this trend being reversed, as the world economy has struggled to recover from the financial crisis of 2008 / 2009 (Evans, 2012).

The analysis intended on building on the earlier work on youth employment trends in Europe (Grootings, 1985). The analysis also drew parallels between current youth unemployment trends as well as those seen in the 1930s in the world economy post the 1929 Great Depression (Evans, 2012). The analysis drew inferences that the prevailing conditions on youth unemployment and exclusion from labour markets are similar to those which fuelled Nazi and Fascist extremism in Europe in the late 1930s (Vasile & Anghel, 2015). Evans (2012) warned that the rise of far right movements in Europe and elsewhere should be seen as a catalyst by governments to introduce



interventions aimed at ensuring young people are given a meaningful role to participate in the growth of their economies.

In the Nordic countries, more efforts have been pursued as governments have realised the importance of labour market inclusion for youth workers (Halvorsen & Hvinden, 2015). The changing occupational structures and new skills requirements have changed the conditions for inclusion of young people into the economic mainstream (Halvorsen & Hvinden, 2015). The knowledge based economy has placed new demands on the education systems and government policies on skills development have had to be adjusted to synchronise with current trends (Halvorsen & Hvinden, 2015).

The global cohort of unemployed youth has been labelled as the “generation – at – risk” by the International Labour Organisation (ILO). These ‘scarred’ young people abandon their search for employment and most of them lack the requisite skills needed to obtain competitive employment (DeLuca, Godden, Hutchinson & Versnel, 2015).

The ILO also observed that the “prolonged jobs crisis forces current young work seekers to be less selective about the type of job they are prepared to accept” (DeLuca, Godden, Hutchinson & Versnel, 2015). Job security is no longer the norm, as it was in past generations (DeLuca, Godden, Hutchinson & Versnel, 2015). DeLuca, Godden, Hutchinson & Versnel (2015) go on to recommend vocational and work based education (WBE) as the most appropriate manner in which the youth unemployment challenge can be curtailed.

The African continent has more than 200 million people between the ages of 15 and 24, which makes Africa the youngest continent but it also has the highest youth unemployment rates in the world (Herrington, 2015). The continent has been characterised by some of the fastest growing economies in the post financial crisis period; in fact seven (7) of the 10 fastest growing economies in the world are in Sub-Saharan Africa (IMF in O’Malley, 2013) however that growth has not translated into employment or entrepreneurial opportunities for young people (Choudhry, Marelli & Signorelli, 2012).

In Africa, it was found that youth face specific entry barriers to the labour market and that the biggest obstacle is insufficient demand for their labour (DPE, 2012). This included the discrimination against first time job seekers as employers preferred work



experience, the need for professional networks to obtain a job, and labour regulations that were perceived to protect those who were already employed (adults) and this disadvantaged young work seekers as employers shied away from the high costs and commitments involved in hiring (DPE, 2012).

The latest Global Entrepreneurship Monitor (GEM) report on African Youth recommends that there should be targeted interventions to support young people, particularly in youth enterprise development and vocational skills development (GEM as cited in Herrington, 2015).

Increased global competition compels countries to develop a skilled workforce as a competitive advantage, resulting in many national and international policies that invest in workforce training and development (Bird & Heitmann, 2009). The problem of unemployed youth is also prevalent in developed countries and most countries have prioritised vocational education and training policies as a means to tackle this challenge (Biavaschi, Eichhorst, Giulietti, Kendzia, Muravyev, Pieters, Planas, Schmidl & Zimmermann, 2012).

The education systems now have a large component of work exposure or work integrated learning, which ensures that young entrants to the labour market are “work ready” (Biavaschi et al, 2012). These sentiments are also echoed by Milana (2012), who argues that education and training systems worldwide should be responsive to the labour market challenges that exist, particularly for the younger up-coming workforce. This entails including a practical work experience component in the education curriculum to ensure that by the time graduation into formal employment takes place, there is already an exposure to the world of work (Milana, 2012; Raina, 2013).

The McKinsey Centre for Government, after having analysed the growing challenge of unemployed graduates in various countries, has developed a framework for understanding the education-to-employment system which proposes the development of work skills as a critical bridge between the formal education system and the world of work (Mourshed, Farrell & Barton, 2012; Raina, 2013). These ‘transition studies’ have also been done extensively in South Africa (McGrath, Badroodien & Maja, 2003; Cosser 2003, as cited by Vally & Motala, 2014).



## 2.5 Policies and Frameworks

### 2.5.1 Macro level policies

Since the dawn of democracy, the South African government has formulated several policy frameworks to stimulate inclusive economic growth (Kraak, 2008; Maasdorp, 2013). These policies have ranged from the Reconstruction and Development Program (RDP), Growth Employment and Redistribution (GEAR), Accelerated and Shared Growth Initiative for South Africa (ASGISA), Joint Initiative on Priority Skills Acquisition (JIPSA) and more recently the New Growth Path (NGP) 2010 and the National Development Plan (Maasdorp, 2013; McGrath & Akoojee, 2007).

A common theme which has been prevalent in all these policy frameworks has been the realisation that in order for inclusive growth to be possible, education and skills development should be prioritised (McGrath & Akoojee, 2007). These policies were modelled on the indicators of the United Nations Millennium Development Goals (UNMDG), wherein the promotion of access to universal education and skills was a key priority (Akoojee & McGrath, 2008).

The Skills Development Act 1998 (SDA) and the Skills Development Levies Act 1999 (SDLA) were also promulgated as a response to the skills shortage in the country, which the various growth policy frameworks had identified as a bottleneck to inclusive economic growth (Kingdon and Knight, 2007). These Acts were aimed at providing an institutional framework to implement national, sector and workplace strategies to develop and improve the skill level in South Africa (DPE, 2015). The Acts made a provision for the establishment of institutional vehicles and mechanisms through which the country's skills development goals could be realised.

In the wake of the 2008 / 2009 global financial crisis, government responded to the difficult economic conditions in the country through the Unemployment Insurance Fund (UIF) by developing a framework document which prioritised training and skills development (Slingsby & de Arruda, 2015). This resulted in the Training and Lay-Off Scheme, jointly funded by the National Jobs Fund, the Industrial Development Corporation (IDC) and the National Skills Fund, which was introduced as an option for employers to consider training and re-skilling workers who would have otherwise been retrenched (Slingsby & de Arruda, 2015; Ensor, 2013).



This scheme served a dual purpose of keeping people in employment for a lower wage during the difficult economic period, but also re-skilling them for future operational needs, thus increasing the skills pool available for companies (Slingsby & de Arruda, 2015.) The training and lay-off scheme was also aligned to the National Skills Development Strategy (I and II) as it addressed the vocational and artisan needs of the country, also outlined in the New Growth Path strategy (Department of Economic Development, 2010).

There are other notable frameworks, aimed at stimulating inclusive economic growth such as the DTI's Industrial Policy Action Plan (IPAP) and the National Treasury's Jobs Fund.

### **2.5.2 Youth Policies**

Slingsby & de Arruda (2015) posit that the five BRICS countries have the potential to become the largest aggregate economy in the world by 2050 and key to this will be the promotion of employment opportunities for the youth. The NYDA (a merger between the National Youth Commission and Umsobomvu Fund), developed the National Youth Policy 2009 – 2014, which identified a lot of gaps in the education curriculum in providing young people with employability skills (NYDA, 2015). The policy made recommendations to several stakeholder government departments on “creating opportunities for career guidance, work-life related skills and job searching for young people” (NYDA, 2015). Opportunities for volunteering and obtaining work experience in the public sector were also encouraged as part of the policy (NYDA, 2015).

This policy has recently been reviewed and amended and the current policy will run from 2015 – 2020 as the realisation has been made that youth targeted interventions are essential to enable young South Africans access to opportunities that enable economic participation (NYDA, 2015). The National Youth Policy (NYP) 2009-2014 defines youth development as “an intentional comprehensive approach that provides space, opportunities and support for young people to maximise their individual and collective energies for personal development as well as development of the broader society” (DPE, 2012).



The National Youth Economic Development Policy Framework (2002 – 2007) was also promulgated to accelerate the mainstreaming of youth development as an integral part of the transformation agenda of the state. Various government departments developed their own policies which would address issues of youth economic participation. The DTI established a youth directorate which developed a National Youth Economic Empowerment Policy & Implementation Framework in response to the challenges of youth unemployment (Department of Trade and Industry, 2008).

The DTI had identified lack of experience and lack of adequate educational skills, which covered entrepreneurial, technical and vocational areas, as main bottlenecks which impeded young people from full participation in the economy (Department of Trade & Industry, 2008). The DTI further developed the Youth Enterprise Development Strategy 2013 – 2023 to encourage economic participation by young people through entrepreneurship and other relevant integrated interventions (DTI, 2013).

There were other notable legislative frameworks adopted by government aimed at creating a conducive environment for youth economic empowerment in South Africa. These, amongst others, include: National Youth Commission Act, No 19 of 2006; National Youth Policy (2000); National Youth Development Policy Framework, 2002-2007; National Youth Enterprise Strategy, 2006 and the Reviewed National Youth Development Policy (2012).

The Youth Employment Accord was launched in 2013 as part of the New Growth Path intended as a coordinated strategy to prioritise youth unemployment and skills development as South Africa attempts to create five million job opportunities by 2020 (Department of Economic Development, 2010). The key elements of the accord are set out in the following six main areas:

- \* **Education and training** – improve education and training opportunities for the period during the transition period from graduation to first employment
- \* **Work exposure** – connecting youth with employment opportunities through job placement schemes and work – readiness promotion programs for school leavers
- \* **Youth targeted set-asides** – a consideration should be made for youth quotas in labour intensive sector where youth can be absorbed in bigger numbers



- \* **Public sector measures** – increase the number of young people employed in the public sector through the “youth brigade” program
- \* **Youth entrepreneurship** and youth co-operatives should be promoted to introduce a paradigm shift and inculcate a culture of self-sufficiency, which will ultimately assist job creation efforts
- \* **Private sector measures** – more efforts to should be undertaken to facilitate the intake of youth people in private companies, as signatories of the accord.

The National Youth Service (NYS) was formulated as an initiative with a dual purpose of giving young people opportunities to develop skills through volunteering in various sectors and as well as gain work experience which would increase their chances of attaining gainful employment (NYDA, 2015). The youth brigade concept forms part of the Youth Service and this is driven by the NYDA.

There are other youth focused policies such as the National Rural Youth Services Corps Policy of the Department of Rural Development and Land Reform (DRDLR) as well as the Youth Economic Participation Strategy (YEP) of the Department of Public Enterprises, a key reference for this research.

### 2.5.3. Skills Development Policies

The department of Higher Education and Training (DHET), following its establishment in 2009, sought to review the existing National Skills Development Strategies (NSDS) I and II, which had achieved modest success due to a variety of reasons (DHET, 2011). Previously, higher and further education had been under the Department of Education (DED) while skills development and all its associated entities such as the SETAs and the National Skills Fund (NSF) had been under the Department of Labour (Kraak, 2008). NSDS III was thus aimed at strengthening the relationship between public colleges and universities and the SETAs, in which employers have representation and improve the effectiveness of the skills development system (DHET, 2011).

The NSDS III was also aimed at ensuring increased access to training and skills development opportunities (DHET, 2011) and tackle the much publicised skills mismatch (Vally & Motala, 2014) as the country aims to improve productivity in the economy (National Planning Commission, 2011). SETAs were identified as strategic because they ought to understand labour market issues better in their respective



industrial and economic clusters and therefore should serve as the authoritative voice on skills in creating sector - specific interventions (DHET, 2011).

The most notable focus of NSDS III was the focus to support the integration of workplace training with theoretical learning, thus facilitate the “education-to-workplace transition” which most young people are grappling with and to this end, a directorate called Work Integrated Learning (Jackson, 2015) was established (DHET, 2011). The strategy also highlighted the need to collaborate with the Department of Basic Education (DBE), which is struggling to provide the adequate foundation of basic numeracy and literacy, upon which further skills can be built and developed (Allais, 2012).

The Human Resources Development Strategy Framework (HRSDF) was also formulated by government to ensure adequate skills in the public sector that provides services to the people (Vally & Motala, 2014). This strategy had several indicators aimed at identifying, among others, keys sectors and their skills needs. Davids & Esau (2012) suggested that frameworks aimed at skills development should not be simply imported because the implementation of developed world models is challenging and problematic and these should be tailored to reflect local realities.

The National Skills Accord (2011) is another partnership accord, under the New Growth Path with several commitments. Worth noting is commitment number five, which now set annual targets for training in state owned companies (Economic Development, 2010). This accord was signed through the National Economic Development and Labour Council (NEDLAC) Social Dialogue process.

## **2.6 Education**

Human capital is the building block of endogenous growth theory (Laeven, Levine & Michalopoulos, 2015). This makes appropriate education, training and skills development policies critical to foster technological progress and productivity improvements (Faulkner, Loewald & Makrelov, 2013). Human capital theory also assumes that individuals have perfect foresight about their future prospects for every level of education, however the same cannot be said for the youth of South Africa, who are plagued by uncertainty over the future prospects (Lam, Leibbrandt & Mlatsheni, 2007).



South Africa is currently ranked 146 out of 148 countries by the World Economic Forum (WEF) on the aspect of education, with STEM subjects (science, technology, engineering and mathematics) performing really poorly (WEF as cited in Schwab & Sala-i-Martin, 2011). The NYDA acknowledges that literacy and numeracy skills at foundation levels are well below international benchmarks, which make participation at higher education level much more challenging (**see appendix 1**). This disappointing performance highlights the need with which the education system needs to be radically transformed in order to stimulate economic growth (Pillay, 2015).

Presently, South Africa spends around six percent (6%) of GDP on education, which is ranked highest the world, however the envisaged economic benefits from the high investment in education, have not been realised (Butler-Adam, 2013). Faulkner, Loewald & Makrelov (2013) agree that the education system is currently not producing the required results for the labour market; there are glaring differences in the quality of public education versus private schooling, which only a few can afford. The deficiency in youth education and labour market preparedness was also decried as a major concern in contemporary South Africa (Lam, Leibbrandt & Mlatsheni (2007).

Whilst acknowledging that education is a key driver in economic development, Vally & Motala (2014), opine that the business sector in a capitalist context like South Africa, should not blame the education system for the lack of jobs, when it is the business sector itself that is creating unemployment through retrenchments. Brown, Lauder & Ashton (2010) have also challenged the assumption education leads to automatic economic prosperity.

Vally & Motala (2014) also argue that education should not be seen as a panacea for all of society's problems because the value of education is more than just a purely instrumental one. This argument is founded in the discourse that South Africa adopted the principles of privatisation, liberalisation and deregulation, key ingredients of the "the Washington Consensus", too early without taking into account the capabilities that existed on the ground (Rodrik, 2006).

Aitchison (2003) shared this view and lamented the rapid manner in which the education and training systems in South Africa were globalised in the post-apartheid era. Gloss, Sall, Scott, Rupp, Saari, Thompson & Mallory (2015) state that continued



economic and social development is possible when there is a facilitation of learning and skills development, which they highlight as a current important issue for international development. Gloss et al (2015) go on to state that skills development is an engine of individual capabilities and broader socio economic development and that professional educational qualifications are an important component of skills development.

Indeed professional qualifications are important but the challenges facing South Africa at this stage need vocational training at grassroots level, after which qualifications can be priority. The South African Qualifications Authority (SAQA) is one state institution whose mandate is to ensure quality controls through “the development and implementation of policy and the development, registration and publication of qualifications” (Badroodien & McGrath, 2005). This body helps the country to measure and track changes in the populations’ work related capabilities. The body is also charged with implementing the work of the National Qualification Framework (NQF), which develops strategies for training and education.

Hatting (2013) decries the emphasis of the NDP of formal qualifications as opposed to immediate technical and vocational skills programs. Hatting (2013) views professional qualifications as a longer term aspiration and this is unlikely to address the problem of youth unemployment in the short run. While it is acknowledged that the rate of unemployment is lower among graduates, it is inaccurate to assume that the attainment of qualifications will automatically lead to graduates being employed (Hatting, 2013).

McGrath (2002) argued that the vocational training and development system in South Africa, while important in addressing the skills deficit, needed to be implemented through a nuanced approach. As it stands, TVET colleges do not possess the required lecturing capacity to be able to impart skills to young people (Akoojee, 2008; Akoojee, 2009).

The existence of SAQA is lauded by the international community and shows, at least in theory, that South Africa does have the correct state structures in place (Gloss et al, 2015). Aitchison (2003) criticised the standard based qualifications framework system in South Africa and sarcastically likened it to a mirage in a desert of hopelessness. The core of the argument is also on the basis that the country allowed itself to be



globalised too quickly from an education and standards perspective, partially because of the pressure to comply with the Washington Consensus of the early 1990's, which was a pre-requisite for the post isolation period (Aitchinson, 2003).

Aitchinson (2003) argued that the country was not ready to embrace such frameworks, partly because of the twin legacies of colonialism and apartheid, which entrenched inequality through the provision of an inferior education system (Aitchison, 2003). Wuriga, Musingafi, & Chiwanza (2013) have also criticised the “liberal-cum-capitalist” ideological framework which characterised many education and training systems adopted by most countries in post-colonial Africa, which neglected to uplift their citizens and reduce inequality. It is proposed that Africa must come up with localised educational frameworks which are sensitive to contextual social, political and economic conditions (Wuriga, Musingafi, & Chiwanza, 2013)

The effectiveness of SAQA and similar bodies can be fully realised only if the education, training and innovation goals of the NDP are fully realised (Butler-Adam, 2013). The NDP has plans of producing over 30 000 artisans a year as well as over 5000 doctoral graduates by the year 2030 (Butler-Adam, 2013). Given the existing landscape in South Africa, this may appear a tall order but a collaborative effort will make it possible (National Planning Commission, 2011).

While it should be commended that there are new labour regulations in South Africa require most employers in all sectors to have a workplace skills plan (WSP) in place, compliance to this requirement has been slow, even by the public sector, which as an employer should take a leading role in promoting the country's legislative framework (Dane, 2013). The Services Sector Education and Training Authority (SSEATA) define this plan as “a strategic document that articulates how the employer is going to address the training and development needs in the workplace” (Dane, 2013). The WSP calls for inclusiveness between the employer and all employees or representatives, irrespective of their levels or rank in the workplace (Dane, 2013).

Thwala (2008) estimated that only 70% of the available training capacity is currently being utilised in the construction industry in South Africa. This may possibly point to an area of improvement on the Technical, Vocational, Education and Training system (TVET) and that industry's Sector Education and Training Authority (Thwala, 2008).



Most companies in the construction sector felt that the skill level of the graduates within the TVET system are insufficient and do not adequately prepare the graduates for the sector. Considering that the sector employs a large number of semi-skilled and unskilled labour, where the impact of unemployment is felt the most, more studies need to be conducted to understand bottlenecks in the TVET system and other related state institutions (Thwala, 2008).

Ireland (2015) asserts that the education system needs strengthening through greater investment and closer links to industry to better align the demand and supply of skills. Ireland (2015) calls for more students to be steered towards STEM subjects (science, technology, engineering and mathematics) which are necessary to speed up the development of infrastructure. However, given the realities that exist on ground, a nuanced approach is required to avoid friction that could emerge as the curriculum goes through radical transformation (Teo, 2012). Equipping students and workers with the right skills is the first step towards creating more sustainable jobs with higher remuneration and better career prospects (Ireland, 2015).

## **2.7 Skills Development**

There is general acceptance that widely created skills development is one of the major contributors for creating new employment (Heitmann, 2009). Skills development is seen as a strong enabler to reduce poverty amongst the unemployed and underemployed, stimulate the informal economy and increase the potential for increased employment and income generation (Heitmann, 2009). The strategy adopted by the South African government has always been to help people towards self-sufficiency and lift themselves out of poverty (Heitmann, 2009).

There are many factors that can have a detrimental impact on skills development, for example, the inability of public education institutions to address the diverse skills requirements, a cut back in training by employers due to lack of incentives to support skills development in their companies, and the closure of many private training providers who had contributed to skills development (Hatting, 2013).

Jackson (2015) proposes a program of work integrated learning (WIL) for school leavers and graduates, which ensures that they have the required employability skills to function effectively in the work environment. Jackson (2015) further emphasises the



design of such programs (how, where and what is learned) as important and criticises the outcomes – focused approach of such programs as flawed, because it neglects basic inputs necessary to ensure their success (Jackson, 2015).

In South Africa, the Department of Higher Education and Training (DHET) through the National Skills Fund (NSF), has now taken the lead in ensuring that the curriculum of most university course is amended to include the WIL component, which ensures that university students are exposed to real life working scenarios, which enables them to gain the necessary experience before they are gainfully employed (DHET, 2011).

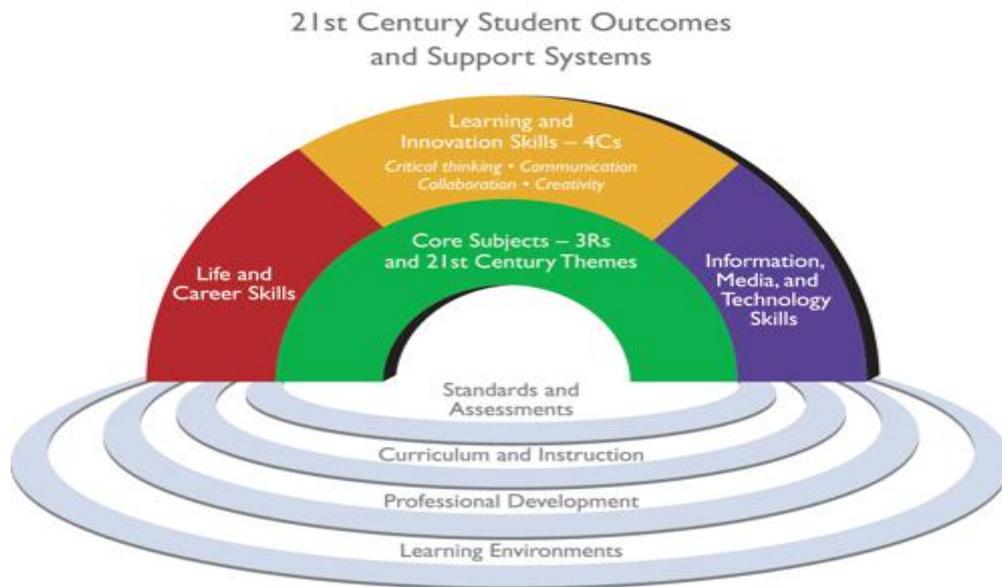
The workplace skills plan (WSP) and other labour market regulations such as the Skills Development Act 1998 and the Skills Development Levies Act 1999, seen by most employers and potentials investors as onerous, might potentially harm the unemployed youth, even though they may fall outside the scope of such legislation (Kingdon & Knight, 2007). Dane (2013) states that the employers who adhere to the labour policies do so out of the need to avoid penalties that may result from non – compliance and not necessarily out of a genuine commitment to the skills development initiatives of the country, as articulated by the NDP.

Bruett (2006) proposed that leading businesses in the 21<sup>st</sup> century will require highly skilled workforces to support their solid global strategies. This, it is argued, can be achieved by ensuring that young people are equipped with the necessary technological, as well as problem solving and communication skills (Bruett, 2006). Bruett (2006) went on to state that any country that wants to succeed should have concrete skills development programs targeted at young people and highlighted the need for collaboration between private companies and state institutions in preparing their citizens to be productive participants in an economy (Bruett, 2006).

Bruett, a renowned academic and 17 year veteran at Dell Computers Inc., co-founded the Partnership for 21<sup>st</sup> century learning in the US, which pioneered the P21 framework for youth learning, which is an integrated model that encompasses essential skills that young people should be equipped with. This concept is illustrated in figure 3 below:



Figure 3 – P21 Framework for Integrated Learning (Bruett, 2006)



Hussain (2005) stated that skills development initiatives can optimise human resources and can enforce a culture of higher productivity in various sectors of an economy. Hussain (2005) emphasised the importance of educational and vocational training institutions as a means of addressing the skills gap. Hussain (2005) went on to highlight a need for the development of strong networks between various stakeholders to promote skills development initiatives for the development of an economy. This is intended to ultimately lead to the reduction of poverty and inequality, the twin problems that South Africa faces (Saville, 2014).

“The skills development strategy should be flexible and responsive to the economic and social needs of the country, at the same time as it stimulates new skills demands”, Hussain (2005). The apprentice training system in Germany was cited because it “represented an institutionalised approach to co-ordination and co-operation among the various sectors involved in training with companies playing a major role and system reflecting an approach to public-private partnership” (Hussain, 2005).

Sultana (2012) proposes that career management skills are essential as the knowledge based economy grows and examples in Europe were cited on how the world of work has evolved and therefore formal career management is key to stay competitive in the labour market.



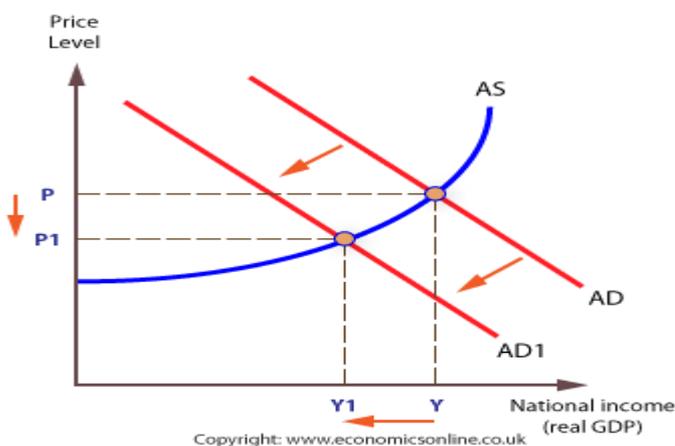
Lazarus (2005) asserted that most skills development programs in the construction sector generally failed because they did not have a well-defined skills transfer framework. Lazarus (2005) went on to say that the majority of the support initiatives from the state are characterised by poor preparation and lack an integrated program strategy (Lazarus, 2005). It is stated that positive results do not come automatically but a full commitment is required from the entities that run these skills development programs and that quality assurance mechanisms are required to ensure that the objectives are met (Lazarus, 2005).

## 2.8 The role of state owned companies: the developmental state

Schneider (2015) argues that there is a huge role that the state and its companies can play in the development of an economy. He cites examples in East Asia and Latin America as instances where economic success has been driven largely by the emergence of what is termed the 'developmental state' (Schneider, 2015). The rise of China in the world stage as an economic powerhouse over the last two decades has been driven largely by its state owned companies who have been investing considerable amounts of money in training and up-skilling the population, particularly young Chinese workers (Schneider, 2015).

This view is partly premised on Keynesian model on economic growth, which says that to influence positive economic growth by stimulating aggregate demand, there should be increased infrastructure spending by governments (Van den Berg, 2014; Gali, 2013). Figure 4 below illustrates the Keynesian model

Figure 4– Keynes Aggregate Demand Model (Gali, 2013)





Ayee (2013) cites intervention by the US and UK government in bailing out financial institutions and providing stimulus packages during the 2008 financial crisis, as clear evidence of the importance of the state in economic development (Ayee, 2013). The NDP, South Africa's policy blueprint, is 'devoted to the construction of a capable and developmental state to restructure the South African economy' (National Planning Commission, 2011). Thus, it can be argued, that South Africa is a developmental state in the making (Ayee, 2013), as interventions are being introduced to eliminate barriers to inclusive economic development, with lack of adequate skills being one such bottleneck.

Gelb (2006) also noted that the state, through ASGISA had "focused on state spending on infrastructure and skills development, and the selection of priority sectors" which both signified a central role for the state in the economy (Gelb, 2006). It was also observed that in an economy with private ownership of capital for production, the major problem confronting the developmental state is its relations with the owners of capital, i.e. business (Gelb, 2006). A developmental state should have the ability to direct firms in their investment and innovation activities, supporting and subsidising their movement into activities which will advance national objectives (Gelb, 2006).

Key drivers of the developmental state are industrialisation and economic nationalisation (DPE, 2015). The second driver of economic nationalisation invokes heated debate among scholars and policy makers and those who are opposed to it have particularly strong views against it. There are certain societal considerations that state owned companies ought to have, beyond simply generating financial returns (O'Connor, Deng & Luo, 2006; Musacchio, 2013). This highlights the power and influence that state institutions can have in playing a leading role in a country's developmental efforts (O'Connor et al, 2006).

Busari & Ngonini (2012) state that a different performance assessment framework is required for state owned companies than the traditional financial ratios such as return on assets and net margins. Busari & Ngonini (2012) highlighted the Trans-Caledon Tunnel Authority (TCTA), as one state owned company whose strategy was aligned to the developmental goals of the state through its programs aimed at empowering the



communities in which they operated, particularly providing opportunities for youth labour absorption and procurement from youth owned businesses.

Cheung & Ngai (2010) assessed increased economic activity in the Tianjin Province in north eastern China over the last few years and attributed the rise of per capita incomes in that region on increased and targeted intervention by the state, in particular the up-skilling of young people. The provincial government went on a massive education and skills development program as it was investing billions of dollars in infrastructure such as roads, telecommunications to support its world class ports (Cheung & Ngai, 2010). There were youth employment quotas imposed by the state on companies to ensure higher labour absorption among the younger generation of workers who were emerging from the large-scale training programs (Cheung & Ngai, 2010).

The Department of Public Enterprises (DPE), under which most of the state owned companies (SOCs) fall, is aware of the developmental obligations placed upon its portfolio of SOCs (Department of Public Enterprises, 2015). The DPE further highlights the need for SOCs to balance commercial and developmental interests and cite challenges in the financial stability of the SOCs, caused in part by the slowing economic conditions in which the SOCs operate, as a major risk which could hinder the SOCs from fulfilling its broader developmental goals (DPE, 2015). The state owned utility responsible for electricity generation, which is currently battling to restore its financial health, is one example that is cited where stabilisation of its balance sheet could be to the detriment of investments in skills development and training (DPE, 2015).

## **2.9 Conclusion**

While there is universal consensus that economic growth in South Africa needs to be accelerated and to become more inclusive, structural barriers continue to pose a challenge to the stated goals of the NDP (National Planning Commission, 2011). The skills shortage in South Africa impacts several sectors of the economy and this is exacerbated by the inadequate skills of young people who to get into the labour market, which makes them difficult to absorb (Faulkner, Loewald & Makrelov, 2013).



This skills mismatch suggests that the country needs to prioritise skills development initiatives, particularly those aimed at young people. The NDP also acknowledges that the capacity of the state will need to be improved as targeted interventions are pursued to unlock economic growth and this will entail further repositioning of the SOCs to strengthen their role in economic growth (DPE, 2015).

The business community, government, labour and civil society need to collaborate better, through formal structures such as the Sector Education and Training Authorities (SETA) and the National Economic Development and Labour Council (NEDLAC), in formulating a more relevant curriculum coupled with an element of work integrated learning (WIL), which will give young people exposure to real life working environment before exiting the formal education system.

From the literature, it also emerged that there is another school of thought, which asserts that blaming the education system for South Africa's economic problems is to simplify a multi-layered, complex challenge (Vally & Motlale, 2014). This school of thought asserts that inequality is perhaps an inevitable consequence of a neo-liberal, capitalist economy where the interests of a few investors are prioritised over the needs of society at large. The literature also revealed that the problem of unskilled, employed youth is not unique to South Africa and there are opportunities to learn from other international examples on how the challenge is being tackled.

Through the literature reviewed, it was also observed that since 1994, the state created an enabling policy framework which prioritised skills development to deal with the twin legacies of apartheid and colonialism. Through the various departments and entities of the state, several programs, accords and strategies were developed to bridge the skills gap and stimulate economic growth.

Through the review of the literature, it was also observed that government has a big role to play in the development of an economy through various state organs and state owned companies. China, which is one of the better examples of a developmental state in the last two decades, has used its influence on state companies to impose youth quotas, for example, to ensure higher labour market absorption.

The following chapter, chapter three, will outline the propositions that have emerged in light of the literature reviewed and these will be tested later in chapter five and chapter six, using the data collected.



## CHAPTER 3

### 3 THE RESEARCH PROPOSITION

The problem has been defined as the unemployed youth in South Africa who lacks the requisite skills to make them employable in the labour market. From the literature conducted, it is apparent that skills development initiatives aimed at young people are important to ensure that young people are given a fighting chance (National Planning Commission, 2011).

These initiatives should be co-ordinated and conducted in a manner that will ensure there are tangible results. The literature has also highlighted some examples of successful youth interventions internationally. State owned companies can play a bigger role in the up-skilling of young people to improve their chances of being meaningful participants in the economy.

Thus, from the literature the following are propositions have emerged:

**Proposition 1:** Education and training institutions in South Africa are currently not providing the skills required by the labour market.

**Proposition 2:** There is no proper co-ordination on various skills development initiatives by the different stakeholders to ensure alignment to national imperatives.

**Proposition 3:** State owned companies in South Africa have sufficient programs in place to support national imperatives through the alleviation the youth skills challenge.

**Proposition 4:** Young people are not taking advantage of available skills development opportunities at state owned companies because of information asymmetry and apathy.

The research methodology followed in order to test the above propositions is explained in the following chapter, chapter four.



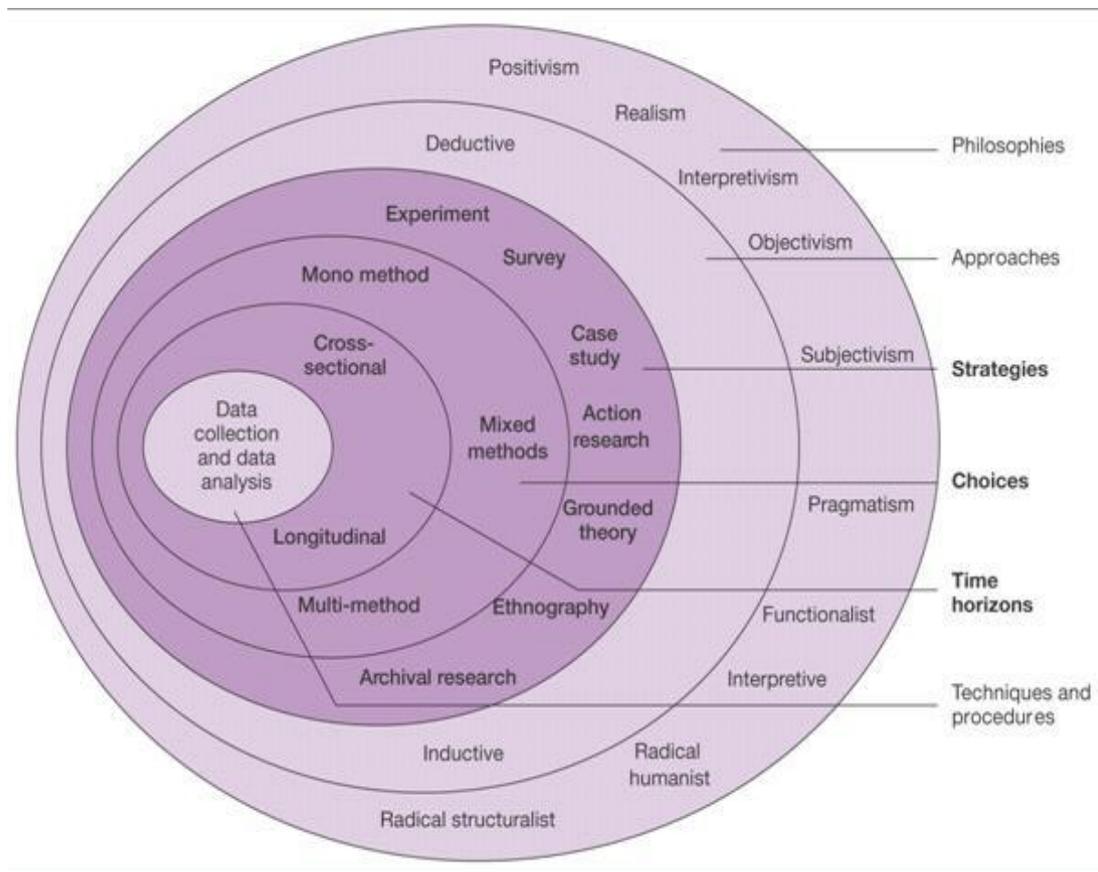
## CHAPTER 4

### 4 METHODOLOGY

#### 4.1 Design

In order to conduct the research described herein and test the propositions outlined in the previous chapter, the study adopted a mixed method of qualitative and as well quantitative design (Saunders & Lewis, 2012). The research propositions and objectives helped to determine the chosen design therefore this study can be classified as pragmatic in terms of its philosophy according to the research onion (Saunders & Lewis, 2012), as illustrated in figure 5. The pragmatism philosophy argues that the choice of testing methods does not necessarily determine the research design but rather the research propositions are what influence the research design (Saunders & Lewis).

Figure 5 – The research onion (Saunders & Lewis, 2012)





Because the challenge of unskilled and employable youth is fairly documented, the study was exploratory in nature, initially analysing existing basic information available in the public domain, later focussing a specific aspects through a comprehensive literature review. An exploratory study is best defined as a research that aims to seek new insights, assess topics in a new light and ask new questions (Saunders & Lewis, 2012).

To this end, the hybrid research method (Saunders & Lewis, 2012), which encompasses elements of both designs, was deemed the most appropriate to get a deeper insights into the issue of youth unemployment and how the skills development initiative of state owned companies can help reduce the skills deficit. Saunders & Lewis (2012) highlight the advantages of having mixed methods, the most important being that various approaches are more suited at different stages of the research.

Data was collected in different forms: firstly through interviews with targeted senior personnel who were identified as key stakeholders on the subject of youth skills development within the context of state owned companies. Secondly a survey of young people who have taken part in some of the skills programs, was conducted in order to ascertain broader views.

Thus the study employed an inductive approach (Saunders & Lewis, 2012). Due to the exploratory nature of the study on skills development programs of state owned companies in which the context is observed in trying to develop new theories, an inductive approach was deemed necessary because it “possesses a more flexible structure to permit changes of research emphasis as the research progresses” (Saunders & Lewis, 2012). Saunders & Lewis (2012) favour the combining of research strategies for exploratory studies because, as new insights are gained, an element of explanatory strategy can be utilised to get a greater meaning of the exploratory work.

Given the limited time available for conducting the research, the time dimension of the research design was cross-sectional (Saunders & Lewis, 2012). This is defined as a study of a particular topic at a single point in time, often known as the ‘snapshot’, as opposed to a longitudinal research which studies a particular topic over a period of time (Saunders & Lewis, 2012). Secondary data on previous longitudinal studies was also used as a reference point of the cross-sectional study.



#### **4.2 Unit of analysis**

In order to answer the propositions stated in chapter three, the unit of analysis for the research were the views of respondents on youth skills development programs at state owned companies in South Africa.

#### **4.3 Universe and population**

The population is defined as “the complete set of a group of members” (Saunders & Lewis, 2012). In order to explore the research topic and ascertain the views on skills youth skills development, a population of young people between the ages of 21 and 35 years old, who have taken part in skills development / training initiatives offered by various state owned companies was identified as appropriate. Only young people in Gauteng province were surveyed, because of convenience (Saunders & Lewis, 2012).

In line with the deductive approach of the study (Saunders & Lewis, 2012), there were also various state owned companies such as Eskom, Transnet and Armscor which were identified and key senior personnel at these state owned companies were also the population for the interview component of the study. These were chosen because of close geographic proximity therefore conveniently (Saunders & Lewis, 2012).

Further to that, there were other entities who were identified as key stakeholders on skills development, organisations such as National Youth Development Agency (NYDA), The Skills Hub, the National Skills Fund (NSF), Department of Higher Education and Training (DHET), Department of Public Enterprises (DPE), and the Department of Trade and Industry (DTI) were the population for the qualitative component and senior personnel from those entities were interviewed in order to gain a richer understanding on the issue of youth unemployment and skills development.

#### **4.4 Sampling method and size**

A sample can best be defined as a subgroup of the population (Saunders & Lewis, 2012). Because the nature of the study was exploratory and looking at the views on skills development and training initiatives that have been undertaken by state owned companies and whether these are effective, the full sampling frame was not known therefore non-probability sampling methods were deemed most appropriate. Saunders & Lewis (2012) define these as a variety of sampling techniques for selecting a sample



when a complete list of the population is not known. This means that because the full list is not known, a sample cannot be selected randomly and the chance of each member of the population being selected is not known (Saunders & Lewis, 2012).

The sampling technique was a mixture of purposive and snow-ball sampling (Saunders & Lewis, 2012; Guest, Bunce & Johnson, 2006). Purposive sampling is defined as the type of sampling in which the researcher's judgement is used to select sample members (Saunders & Lewis, 2012). For the qualitative interview element of the study, key individuals from within the targeted stakeholder entities identified, as well as state owned companies that have run skills development initiatives were interviewed.

For the survey element of the study, young people who were identified by the researcher as having taken part in the skills development programs of state owned entities, were required to provide details of other potential survey respondents thus the snow-ball sampling method was used. This is defined as a type of non-probability sampling in which the first sample member will help identify subsequent sample members (Saunders & Lewis, 2012).

From the interviews with Eskom, Transnet and DPE, details of more young people who have undergone artisan training in these companies were obtained from the database thus indicating further how snowball sampling was used. The intended target size for the survey was 50 and in the end 37 responses were received, which was deemed satisfactory. For the interviews, the targeted size was 15 interviews and in the end 11 people were interviewed.

The 11 interviews were deemed as acceptable because, according to Guest, Bunce & Johnson (2006) data saturation generally can occur after the first few interviews, depending of the subject of the study. Guest, Bunce & Johnson (2006) define saturation as the point at which "no new information or themes are observed in the data". There is not a lot of divergence of views on the challenge of youth skills development in South Africa; most respondents differ only in approach on how the challenge should be resolved



#### 4.5 Data collection and instrument

The data was collected through a mixed method of collection (qualitative and quantitative). Quantitative data are data that consists of numbers or data that can be quantified, such as tables of figures (Saunders & Lewis, 2012). Qualitative data are non-numerical data or data that have not been quantified (Saunders & Lewis, 2012). The quantitative data collection was conducted through the use of a survey, which contained a Likert - type scale to rank the views of the respondents on skills development programs that they had undergone. This was done online using the Survey Monkey application because it was deemed the most cost effective and convenient method given the limitation of time project and budget constraints (Saunders & Lewis, 2012).

Leedy & Ormrod (2010) also support this view that the survey method “has the ability of being sent to a greater number of respondents in a cost effective manner”. This is also to assure the respondents of the confidentiality of their responses, which is one of the most important ethical considerations of the research process (Saunders & Lewis, 2012).

The qualitative aspect of data gathering was done in multiple ways: firstly through the attainment of secondary data from published sources on skills development initiatives are various state owned companies. Secondary data can best be defined as data that were collected for some other purpose (Saunders & Lewis, 2012). This was supported by un-structured formal interviews in which the selected respondents were asked open-ended questions to encourage more open and honest participation on the research question (Saunders & Lewis, 2012).

Interviews ranged from 45 minutes to one hour long. All interviews were recorded and transcribed afterwards by the researcher for the purposes of data checking, coding and analysis. During the preliminary interviews, clarifying questions that were asked by the interviewees were noted and some of the questions were later refined in order to make them clearer in subsequent interviews. For example, some interview participants had the impression that the research was commissioned by the researcher’s employer with a view of collaborating and establishing a business relationship however all those misconceptions were clarified. It is foreseen that some discussions may still take place



post this research, as youth skills development requires the support of all stakeholders in South Africa (National Planning Commission, 2011).

Interview questions were made available to all the respondents at least one week prior to the interviews, which ensured that participants were sufficiently prepared and thus participants were able to provide more informed responses (backed by actual data and statistics in some instances). This, in turn, enriched the data collection process.

#### **4.6 Data analysis**

The primary data was analysed mostly manually on Microsoft Excel, using limited assistance of computer assisted qualitative data analysis software (CAQDAS), and this data was triangulated with existing secondary data (Saunders & Lewis, 2012). Triangulation is defined as the use of multiple techniques for handling and analysing research data and adds an element of completeness to qualitative data (Adami & Kiger (2005). Richards (2014) emphasises the need for researchers to strengthen data handling skills, particularly for qualitative data and encourages the CAQDAS tools. Basic codes were developed on Excel and patterns were matched as a technique to analyse the data. Matching patterns is favoured because it helps to strengthen the validity of results (Yin, 2009).

#### **4.7 Limitations**

There were several limitations that were identified with regards to the chosen methodology. The main one is that the interview respondents were chosen via non-probability sampling and not random sampling, thus not all potential respondents had an equal chance of being selected (Saunders & Lewis, 2012). This was done because there are specific individuals who were identified as key stakeholders in youth skills development, thus a random sample was not deemed appropriate (Saunders & Lewis, 2012).

The youth who were surveyed we also not chosen randomly but through a snow-ball sample (Saunders & Lewis, 2012), which also posed a risk in skewing the responses. To mitigate this risk, all efforts were made to ensure there was a balanced demographic mix (age, race and gender) of the snow-ball sample to eliminate possible skewing of the results.



The second limitation was that the purposive sampling used for the qualitative aspect was informed only by the researcher's judgement on who constituted as stakeholder in youth skills development therefore an element of researcher bias might exist however all efforts were made to ensure the data and results are reliable and valid (Saunders & Lewis, 2012).

Reliability is defined as the extent to which data collection methods and analysis will produce consistent findings and validity is defined as the extent to which the collection methods accurately measures what they were intended to measure and the findings are what they say they are (Saunders & Lewis, 2012).

Another potential limitation is the fact that the respondents were chosen only in the Gauteng area because of convenience and this means that respondents from other provinces, who could have provided key insights unique to their regions, were not be included.

In spite of the identified limitations, this study presents a good opportunity to understand whether skills development initiatives targeted at young people by state owned companies have indeed been effective and perhaps analyse how these initiatives could be improved.

#### **4.8 Summary**

This chapter has outlined the methodology that has been adopted, including the research philosophy, research method and unit of analysis. The chapter has also explained how data was collected and analysed and the limitations that were identified pertaining to the research. Given the exploratory nature of the study on youth skills development, the chosen methodology was deemed most appropriate.

The following chapter, chapter five, will present the results from the data that was collected, using the research propositions that were outline in chapter three.



## CHAPTER 5

### 5 RESEARCH RESULTS

#### 5.1 Introduction

This study sought to identify and analyse the subject of youth unemployment and assess training initiatives by state owned companies aimed at addressing the skills challenge among the youth in South Africa. To this end, this section presents summarised results from the in-depth interviews as well as key findings that have emerged from the survey of young people who have taken part in skills development initiatives by state owned companies. Based on the research methodology presented in chapter four and the mixed method enquiry adopted, the chapter will present findings pertaining to the research propositions that emerged in chapter three. Brief explanations will accompany the results where necessary and an in-depth discussion and interpretation will be covered in chapter six.

#### 5.2 Participants' Profiles

The participants in the study were senior executives from the biggest state owned companies (Eskom, Transnet and Armscor / Denel), which run training programs for young people under the DPE's YEP strategy framework. There were also eight senior individuals who were interviewed from organisations and entities that were identified as key stakeholders on skills development and youth development and these came from organisations such as NYDA, DHET, NSF, DTI, The Skills Hub, DPE (three participants).

Out of the 15 original intended recipients, four (4) were not available due to a variety of personal reasons. In all, 11 interviews were conducted. There were also 37 respondents to the survey, which sought to understand broader views of young people who have taken part in the skills development programs of SOCs. Since the participants were assured of their anonymity, their identities have been coded. The views of the 37 survey respondents have been summarised succinctly to give an overview of key themes that emerged from the survey. The table below will show summaries the profiles of the participants, their organisations and titles:-



Entity Code	Entity / Company	Description	Participant Code	Participant Title
E1	National Youth Development Agency (NYDA)	Agency established primarily to tackle challenges that the nation's youth are faced with.	P1	Executive Director: Program Development, Design & Delivery
E2	National Skills Fund (NSF)	The NSF, which is funded through the skills development levy, was established through the Skills Development Act to address skills challenges.	P2	Acting Chief Director: Work Integrated Learning & Partnerships
E3	Dept. of Higher Education & Training (DHET)	DHET's mission is to develop capable, well-educated and skilled citizens by reducing the skills bottlenecks in S.A	P3	Acting Deputy Director: Skills Development
E4	Dept. of Trade & Industry (DTI)	DTI aims to promote economic growth through broadening participation, skills and capabilities	P4	Project Manager: Skills
E5	The Skills Hub	Forum for sharing information on skills development	P5	Project Assistant
E6	Dept. of Public Enterprises (DPE)	Shareholder department for major large SOCs	P6	Deputy Director: Skills Dev.
E6	Dept. of Public Enterprises (DPE)	Shareholder department for major large SOCs	P7	Deputy Director: Trans & Youth Dev.
E6	Dept. of Public Enterprises (DPE)	Shareholder department for major large SOCs	P8	Senior Project Assistant
E7	Eskom Holdings SOC	Largest SOC, responsible for generation, transmission and distribution of electricity	P9	Senior Manager: Human Resources
E8	Transnet SOC	SOC which is a freight and logistics company responsible for pipelines, ports & rail transport infrastructure	P10	Manager: Strategy & Talent Management
E9	Armcor	SOC responsible for procurement of military armaments from Dept. of Defence	P11	Assistant Manager: Graduate recruitment
	Various	Youth being currently and previously part of training programs at SOCs	SP 1 – 37	Youth currently and previously in SOC skills dev. programs



### 5.3. Discussion

#### 5.3.1 Research Proposition 1: Education and training institutions are not providing the skills required by the labour market

All of the 11 participants were in unison concerning the poor quality of the education system and on the inadequacy of training institutions to provide skills. Participants 2 (P2) and Participant 3 (P3), started by pointing out that the challenges that exist in the system, particularly in the SETAs and TVET colleges, should be assessed in the context of the pre – 1994 era and the small strides that have been made since 1994, where the formal skills development process started receiving the formal attention of government. It was acknowledged that the TVET system had performed poorly.

The problem was identified as a lack of capacity within the TVET colleges to produce the necessary skills due to a variety of reasons. Factors cited included:-

- Poor quality of the lecturers
- Poor learning material and out-of-date curriculum
- High dropout rates and low throughput rate of the TVET colleges
- Poor investment by government in the TVET system
- Lack of collaboration between the TVET colleges and universities

**Problem 1: Quality of lecturers.** On the quality of lecturers, P2 and P3 stated that a desktop study had been conducted by DHET and it was found that only 11% of TVET college lecturers had a formal teaching qualification. P6 stated that although most of the TVET lecturers were artisans or ex artisans who may have possessed the practical knowledge from the field, the method of delivery in imparting the knowledge to students was not effective and sometimes the message would be lost (P6 came from a teaching background).

**P6:** *“You may have all the knowledge but the way you convey that knowledge is crucial. It is like pastor who has been to college and done everything except homiletics; the art of conveying the message. He might have the best revelations but if he is not able to articulate the message across to the audience, his preaching is deemed useless. Pedagogical skill is very important”.*



**Problem 2: Poor material & out-dated curriculum.** On the subject of the curriculum at TVET colleges, a concern was raised on the quality and relevance of what was being taught. It was found that some of the curriculum of the N1 – N6 program had failed to keep up with current technological trends required at SOC companies (E7 & E8).

**P9:** *“We are in the business of generating and transmitting electricity and we need artisans, engineers and technicians who are familiar with latest trends and machinery. Some of our learners from TVETs are still taught using a 1985 training manual, how much technological advancement has occurred since then?”* he asked rhetorically. *“We are spending a lot of resources to re-train them to handle our machinery and that is something the country does not have the patience for; everyone just wants the lights to be kept on, finish & klaar”!*

**P3:** *“As my department (E3), we are aware of the problems plaguing our TVETs, our turnaround strategy acknowledges that, the minister has now tasked various stakeholders such as our partners at various government departments including (E6) to take a more pro-active role in the development of the relevant curriculum; the skills development process needs to change and be demand driven, the state owned companies know what skills they need. SETAs were intended to do this for their specific economic sectors however this has not happened. NSDS III was primarily intended for this objective”.*

**P7:** *“The curriculum needs to be firmed up. As my department (E6) we are doing a lot of work to assist the TVETs through our portfolio of SOCs. In fact we (E6) have gone out of our way to strengthen the TVETs in various areas such as:*

1. *Learner support*
2. *Lecturer support*
3. *Curriculum development*
4. *Participation in college councils*
5. *Donation of equipment.*

**P8** continued: *“This was in response to the call made by the minister of DHET for SOCs to be more supportive of the TVET system”.*



**P3** revealed that his department (E3) was now on a drive to ensure increased collaboration between SETAs and TVETs and it was hoped that there would be an exchange of ideas and knowledge between them and other employers who sit on the SETA boards to influence TVET curricula. Most employers argued that graduates of TVET colleges were not “work-ready” and there is always an artificial divide that exists between education and the world of work and it is hoped that the mooted SETA / TVET collaboration will bridge that gap in the new White Paper for Post School Education and Training (DHET, 2013).

**Problem 3: Low throughput rate at TVETs.** It was also revealed that TVET colleges have a throughput rate of 48%. P3 mentioned that while this figure was still low by developing world benchmarks, it was an improvement from the 9% it had been in the past. This was caused by a variety of factors, mostly being the high drop-out rates of students who simply get discouraged from finishing their qualification because of the lower absorption rate by the labour market of those who have graduated before them.

P8 highlighted the low absorption rates post the training period as a major constraint and his department (E6) had embarked on an optimisation project where it compelled its portfolio of SOCs, through the Shareholder Compact to have post – training strategies which ensured that graduates were not “lost in the system” after they had completed their training period. P2 added that the low throughput rate made it harder for the TVETs to source more funding from the National Treasury, which was understandably concerned about the benefits which are not being realised, despite the significant resource allocation.

It was also revealed there were other socio-economic factors that caused students to drop out before completing their programs such as financial difficulties, pregnancies and substance abuse by students.

**Problem 4: Lack of government support of the TVET system.** It was also revealed that the higher education sector was neglected since 1994 and did not enjoy the support of government. The government wanted to promote education and training as a right in the constitution, however investments in infrastructure lagged behind these ideals.

**P2:** *“Since 1994, not a single university or TVET college was built. A few training colleges were actually closed down and we were told it was because of funding*



*difficulties. We saw a move from the regional training boards into a more comprehensive national strategy through the Skills Development Act and Skills Development Levies Act only in the late 1990s. Still there were no infrastructure investments being made. In fact, it is only when the education ministry was split into two (basic education & higher education in 2009 that we started seeing a greater focus on capacitating the post schooling system, particularly TVET colleges. The responsibility for skills development was also transferred to DHET from Department of Labour, which helped to harmonise the national skills development process”.*

An interesting observation was made that although universities and TVETs were now under the same umbrella department, the way they were funded was starkly different and they were governed by different legislation, which made alignment of goals very difficult. Some TVET colleges were still not accredited to provide certain occupational programs and this challenge needed to be resolved.

**P4:** *“Universities get an infrastructure grant from National Treasury, over and above the allocation they receive from DHET while TVETs, on the other hand, are like the orphans in the process. The SETAs are meant to bridge that gap however they are also not coming to the party. The initial attitude of the private sector towards the SETAs was also problematic; they felt entitled to use the funding of SETAs for their own operational needs which were selfish and not aligned to national imperatives. A levy is actually a tax, once you pay it over to the state, it is no longer yours. The SETAs were also accrediting private education providers to provide learnerships so the system became privatised pretty quickly”.*

Administration at TVET colleges was also cited as a challenge and most TVET colleges were struggling to get clean audits. The government, through the DHET, had identified this problem and the minister had encouraged all stakeholders such as SOCs to be part of the College Councils which ran the TVETs in order that they may impart skills on administration. P8 revealed that SOCs had gone above and beyond in responding to this call.

**P8, quoting an extract from a media release:** *“Langa High School in the Western Cape, Moremoholo FET in the Northern Cape and 100 schools from the Free State represented in the Youth Camp we run, had the benefit of receiving donations from the SOC in the form of mathematics dictionaries. The Youth Camp hosted by our SOCs,*



*working together with the Free State Dept. of Economic Development, was a great success. Learners from townships and rural areas of the Free State were exposed to opportunities in our SOC. We remain committed to making this a yearly event targeting learners from the different provinces”.*

**Problem 5: Lack of collaboration between universities, SETAs and TVET colleges.**

An observation was made that not only were universities and TVETs’ funded differently, but there was also no willingness on the part of universities to assist their less fortunate TVET counterparts. P9 made an observation that universities were not willing to credit students with recognition of prior learning (RPL) done at TVET colleges, most students from TVET colleges had to “start everything from scratch”.

P3 also revealed that the White Paper now intended to compel universities to include a practical component in their curriculum (WIL) to ensure that students who are graduating would have an element of experience however it was found that universities were resistant to this initiative.

**P2**, quoting the stance of universities said, *“we are not producers of workers. We are providers of knowledge. That knowledge should be used to create the necessary mechanisms for self-sufficiency”.*

P2 revealed, for example, that universities were simply providing letters to engineering students to give to potential employers to grant them opportunities for experiential learning purposes, instead of being more pro-active through their alumni and assist the students to gain employment. Because of the lower uptake of the student interns by employers, which could sometimes take years, universities viewed this as an administrative burden and were not willing to wait years before students could graduate hence many were now removing the work integrated learning component from their curricula.

There was a concern that universities were only concerned with research and funding however they were not willing to roll up their sleeves in being more involved in youth skills development initiatives. This perceived lack of co-operation by universities on supporting the country’s broader skills development objectives, in spite of being well resourced, was seen as making the job of their poorer TVET counterparts much more



challenging. A national policy for workplace learning was still being developed by department E2, and this would clarify the obligations of all stakeholders and have basis to be enforceable.

### **5.3.2 Research Proposition 2: Skills development initiatives by different stakeholders are not properly co-ordinated to align to national imperatives**

Following the literature review, a key proposition that emerged was that there were multiple efforts being made by various government departments and entities towards solving the problem of skills development however these efforts were occurring in isolation and not necessarily aligned. There were mixed views from participants on this issue. 3 out of 11 participants agreed that the current initiatives were not co-ordinated although they all had a similar objective. The policy frameworks, which had been developed by different government departments although the objectives were similar, were seen to be overlapping and potentially ambiguous in approach.

For example, in the last few years the state, through different departments, had come up with frameworks such as Human Resources Development Strategy, National Development Plan, National Skills Development Strategy III, Industrial Policy Action Plan, National Industrial Participation Policy, Agricultural Policy Plan, National Youth Policy, New Growth Path and its accords (National Skills, Basic Education, Local Procurement, Green Economy and Youth Employment Accord. Participant 2, whose department is meant to co-ordinate all national skills development initiatives, lamented the existence of skills and training units as well as bursary schemes within each government department and suggested that this perhaps meant that the national process had not been adequate.

**P2:** *“The objective of the Skills Development Act was to make us (E2) the central planning point for all the skills requirements of the country. Exceptions were only made for specialist departments such as the Defence Force and Police Service, whose training requirements are specialised. We do however collaborate at other forums such as the National Skills Authority (NSA), which is a body that is meant to advise the minister of skills development. The board of the NSA has 18 members representing departments such as DHET, DTI, DPSA, DPE, DRDLR and many others and I am also one of the board members. There is a level of collaboration and co-ordination however it is not at the levels it needs to be”.*



A concern was raised on the methodology that the country used to assess its skills needs. The SETAs were meant to be a framework for collaboration in broader skills development between various stakeholders and keep a database of the skills requirements of a particular sector. All government departments and private were represented in their particular SETAs however their skills auditing system was misaligned. The Manufacturing, Engineering & Related Services SETA (MERSETA) was cited as an example wherein young people were trained for the build program at Medupi however the trained youth were not absorbed in favour of imported skill. This was cited as evidence of the lack of collaboration in the broader skills development system.

P6 revealed that there had been a memorandum of understanding (MOU) which had been signed between his department (E6 and E2) and there were tangible results, which over R2 billion in skills development funding being granted to date (by E2). The training and lay off scheme, which was started in response to the global financial crisis, was also cited as an example where collaboration had taken place between the Unemployment Insurance Fund (UIF), Industrial Development Corporation (IDC) and the NSF.

The youth organisation (E1) lamented the reluctance of various government departments to engage them to co-ordinate their youth targeted activities. P1 revealed that some departments had been pro-active in approaching them (as E1) to run provincial awareness campaigns on skills development and entrepreneurial opportunities that were available to young people at state owned companies. It also emerged that E6's YEP program had been designed to run over 3 years (2012 – 2015) and the new program would be rolled forward and be aligned to the National Youth Policy (2015 – 2020).

This was the exception though and most other departments had created their own youth directorates and not engaged the youth organisation (E1). The Presidential Strategic Integrated Projects (SIP), which emphasised youth participation in the infrastructure programs, had started to shift mind sets a little however the youth organisation (E1) was still viewed with a great deal of apprehension in some quarters, especially after the 2011 youth festival which had received negative publicity.

**P1:** *“Our annual budget is less than R500 million, how are we expected to run youth programs with such a modest budget? As the custodians of youth interests we believe*



*that the allocation should be increased. We run learner exchange programs with countries such as Turkey, China, Namibia, Cuba and those require significant resources.”*

**P2**, in response to the assertion of the youth organisation (E1) suggested that perhaps a different approach was required from E1 to ensure they were more visible. A suggestion was that a policy change could be introduced in the current regime of allocating resources, for example, the skills levy allocates particular percentages for the administration of SETAs and the Quality Council for Trades and Occupations (QTCO) therefore the youth could lobby for a particular percentage to be allocated for youth programs instead of asking National Treasury for more funds.

It also emerged that the National Skills Accord had initially been signed without considering the youth segment, it was only through the efforts of the youth organisation (E1) that the National Youth Accord followed that and this lag in policy alignment was also seen as problematic. Another concern that emerged was that although the private sector had also been a signatory of the accords, they were slow to implement on the commitments.

**P3:** *“These accords are like gentlemen’s agreements. They are signed amid much fanfare however they are not enforceable. This next National Skills Development Strategy should have a binding framework which ensures that we all act in a co-ordinated manner”.*

P7 revealed that his department (E6) was part of various other collaboration forums. The Skills Development Steering Committee, which comprised of several stakeholders such as DTI, EDD, SETAs and SOCs was co-chaired by DPE and DHET. This included other SOCs that are not part of the DPE portfolio. This steering committee reported to the National Human Resources Development Council.

There are also artisan development monitoring task teams, comprising of various stakeholders and these teams monitor and analyse the bottlenecks in the skills development / artisan development programs and try to unblock the blockages. Department E6 is very much active in all these collaboration forums. There is also an inter-departmental committee, led by the youth organisation and the Department of Women, Children and People with Disabilities. This committee is responsible for tabling the June Youth Month programs to the Presidential Youth Working Group, which is informed by the National Youth Policy.



### 5.3.3 Research Proposition 3: State owned companies have sufficient initiatives in place to alleviate the youth skills challenge in South Africa

There was an overall sense of enthusiasm on the role SOCs had played in reducing the skills gap, even though there was an acknowledgement that more can still be done. It emerged that E6 had committed its portfolio of SOCs to the targets of the National Skills Accord with regards to the number of artisanal skills to be achieved within a five year period. It emerged from the participants (particularly P6, P7, P8, P9 & P10) that the SOCs were committed to support the National Skills Agenda through the implementation of various skills initiatives, with a specific focus on scarce and critical skills. The skills development initiatives at SOCs are aligned to NSDS III and National Skills Accord in support of the NDP and NGP. The SOCs alignment to the National Skills Accord focused on the following commitments:

- Expand the level of training using existing facilities more fully.
- Make internships and placement opportunities available within workplaces.
- Improve funding of training and the use of funds earmarked for such.
- Improve the role and performance of TVET colleges.

**P6, also quoting an extract from a media release:** *“SOCs continue to play a leading role in skills development and will be investing over R2.8 billion in training over the coming year. Over the last year, more than 16 000 learners were trained in various scarce and critical skills learning programmes within the SOCs in the DPE Portfolio. SOC E7 also facilitated the training of 12 000 young learners through their key suppliers. SOC E8 secured an amount of R175 million from the Department of Higher Education and Training to train an additional 1 000 learners, who have been recruited across provinces. This was intended to increase artisan learners at SOC E8 training facilities to 3 000. In the coming year, we will be focusing on further optimising the use of existing SOC training facilities to increase the number of artisan and technician trainees beyond the portfolio’s requirement”.*

**P3 added:** *“Out of the 1000 artisan learners, 42 have already pulled out of the program citing the stipend provided as too low, however we feel like they are missing the bigger picture here, skills development is about equipping young people for longer term benefits. We will still recruit another 42 learners and this time the focus will be on*



women, who have been slow to respond to the artisanal training opportunities that we've provided through our MOU with DPE”.

P7 revealed that SOCs, through the Shareholder Compacts, were contributing directly and indirectly to the alleviation of the national skills challenge. It emerged that the YEP strategy framework had elements of empowering youth with vocational skills and well as entrepreneurial opportunities within SOCs. The YEP strategy had seen the establishment of a directory specialising on youth and skills. There was a drive for SOCs to use their training facilities to training scarce and critical skills such as artisanal, engineering and technical skills.

This drive encouraged SOCs to train over and above their own operational requirements to assist in growing the national skills pool. Learners had been identified and earmarked through the SOCs recruitment processes in collaboration with the relevant SETAs, TVETs. Media adverts with emphasis on training learners for long-term learning programs leading to qualification for scarce and critical occupations such as technicians and engineers.

**P8:** *“The NSDS III requires most employers to have a skills plan and our portfolio of SOCs are affiliated to various sectors for the particular economic cluster they operate in. These work-based skills plans are intended to talk to the broader SETA skills plan however collaboration at SETA level has been challenging”.*

It also emerged that SOC E7 and E8 had an established network of training facilities, for example E8 had a school of engineering in Bloemfontein, Durban, Salt River, Germiston, Uitenhage and Pretoria and these facilities were key in the absorption of younger people to train as artisans. E7 had an in-house academy of learning in Midrand and these facilities were periodically audited to ascertain training capacity and how much SOCs on their own could take on before additional resources could be sought from the National Skills Fund.

Other commitments made by SOCs included the training of technicians and engineers supported through bursary schemes and internship programs; the enrolment of training cadet pilots, and the training of learners in scarce and critical skills such as locomotive drivers at E8's world class training facility in Koedoespoort, energy field workers at E7, forestry workers at SAFCOL, another SOCs within the E6 stable. In addition, commitments have been made to ensure at least 2500 matriculants and 2500



graduates in the pipeline are trained in artisan trade skills and supported in work integrated learning (WIL) programs at E7 and its supplier network. Corporate Social Investment (CSI) which were targeted at young people were also highlighted by participant 10 (P10), such as the telematics project, which sought to connect rural schools and provide on-line tutoring services, and the Phelophepa Primary Health Care Train, which E8 used to provide health care and awareness services to mostly young people in geographically remote areas.

E6 also had a policy in place in which the support of SOCs to TVET colleges was formalised. The TVET system, as highlighted in research proposition one, was seen as of strategic importance in efforts to reduce the skills gap in the country and the partnership to support TVET colleges by SOCs was an initiative driven at ministerial level, both at DHET and DPE. It emerged that the National Skills Accord had a principle that encouraged various stakeholders to “adopt a TVET college” and E6 had responded positively to that call.

**P7:** *“During our own assessment of TVET colleges, we identified a few which were performing relatively well such as Mopani FET College in Phalaborwa, the challenge now is how to take lessons from them on artisan development and roll those out to other TVETs. There are still challenges in the TVET system however we believe they are not insurmountable if we all collaborate”.*

It also emerged that funding for the YEP program had been impacted by other initiatives which were deemed to take priority. For example, the build program at SOC E7, which required massive investments to ensure stability of the electricity grid, would stretch the resources to the limit therefore “developmental” obligations at E7 could potentially be less prioritised.

P6 further added: *“Funding has become a big challenge for us in this financial year. The YEP program has sort of taken a back seat in terms of resource allocation because everyone needs the lights to be kept on. We, as the Youth Directorate, are fighting hard to ensure that the critical issue of youth skills development does not get relegated to history. When the build program is complete, those power plants will still need technicians, artisans and engineers to maintain them so that is how we are selling YEP these days. It is critical not to take the eye of the ball”.*



It further emerged that young employed workers who had acquired skills informally by means of working of qualified artisans were also identified by SOCs and trained and evaluated until they attained artisan status. A concern also raised that SOCs were producing hundreds of artisans per year which were not necessarily being absorbed into the labour market and that posed a conundrum. An example cited related to the welders which had been trained by the (MERSETA).

Despite hundreds of these welders being trained, there was still a necessity to import welders from other countries for the build project at Medupi. This highlighted the skills mismatch in terms of the form of training that was being provided to young people versus the skills were actually required on the ground. This situation had created negative sentiment among local young people in Lephalale. P10 added that perhaps the way the country defined the skills challenges needed to be properly understood. A summary of skills development initiatives at SOC in light of the YEP program can be found in **appendix 2**.

**5.3.4 Research Proposition 4: Young people are not taking advantage of available skills development opportunities at SOCs because of information asymmetry and apathy.**

There were mixed views from the participants on whether young people had been taking advantage of available training opportunities in SOCs. While departments such as E6 had been running several awareness programs, it was agreed more needed to be done. It emerged that as part of the YEP strategy framework, several expos and youth engagements were done at various provinces to bring awareness on the training opportunities that were available for young people at E6. Most youth programs were freely available on the website of E6.

**P8:** *“Most people in the provinces are not aware of us, they confuse us with the Department of Public Works. We try hard to explain to who we are by it is still a challenge. We run youth career expos at various provinces to highlight available employment and training opportunities within our portfolio of SOCs and we have achieved moderate success as about 2700 young people from places such as Soshanguve, Bushbuckridge, Khayelitsha and Mthatha have attended the expos. The expos are open to all youth but were focussed mostly on school-going youth in order to guide their career path. The earlier you start the better. We also have youth*



*engagement forums, which are run in partnership with the NYDA to bring awareness to youth on entrepreneurial opportunities at our SOCs. This is one of the four pillars of the YEP strategy framework”.*

The main challenge identified on the provincial youth engagement programs was still the issue of geographic access. Because the major SOCs were not operating in all 9 provinces in the same proportion, the provincial youth engagements had to be tailored to the region in which a particular SOC was most active and this was seen as a drawback as it potentially denied other young people opportunities at other SOCs currently not heavily operational in their areas.

It was also revealed that school principals had been instrumental in facilitating the provincial youth engagements and in most cases success stories of young people from different schools who had successfully taken part in the YEP program were highlighted to other learners. This was seen as effective however there was consensus that it needed to be expanded further. Access to the internet, in which some of the opportunities were listed, was an on-going challenge as internet usage rates in South Africa were still far below international standards.

One young survey participant commented: *“we are not aware of DPE’s website and what opportunities they offer. Although most of us have smartphones nowadays, our interest is mostly in visiting social media platforms therefore surfing the website of a government department for available job opportunities is simply not the number one priority. There are still a lot of my peers who expect opportunities to be handed to them on a platter. It is unbelievable”.*

Another concern was raised by a young participant who commented that although she was aware of the YEP program and the opportunities it provided, there was lack of feedback on applications that were submitted at the provincial sessions and this discouraged a lot of her peers from further pursuing training opportunities at SOCs because of what was perceived at a system with no integrity. Talks of nepotism and cronyism were not seen to be helping the situation at all.

Another concern raised by young participants related to the incentive structure of the training programs and many felt that the stipends provided by organisations (E7, E8 & E9) were simply too low. There were concerns that most young people lived in fairly distant areas from where the companies were located and a stipend of R2000, for



example, meant that the majority of costs were spent on transport and there was little available for anything else. For many young people, the learnership / apprenticeship represented the only source of income for their families therefore many were dispirited from further participation because of the low stipend. It also emerged that the department (E6) was instrumental in the June youth month activities which were run by the Presidency, where success stories of young people who had taken part in the YEP program were highlighted on information - sharing platforms however attendance to these events was poor. Most young people were apathetic towards these awareness events, which was not a desirable outcome.

**P7** added: *“We spend so much time and resources behind the scenes preparing for these state events where young people could get information they need to make them self-sufficient however many simply do not show up. For them a public holiday is an excuse to have fun and this is frustrating for us. We’re trying to promote a message that it is cool to be an artisan”.*

A concern was also raised that reduced budget allocation to the YEP program would make it harder for the department (E6) to continue the YEP provincial youth engagements however all efforts were being made to keep the program relevant, in spite of current tough economic conditions which most SOCs had to contend with. Some 35% of the young people (13 out of 37) felt that the skills development program they had taken part in was not well run and often mentorship was a challenge.

A concern was raised that there was reluctance from permanent staff to “reveal too much” because the permanent staff were worried about being eventually replaced by the younger interns. An example highlighted was of an honours graduate at company E7, who was given menial administrative tasks because he was deemed junior, despite having fresh ideas on how departmental processes could be improved.

One participant remarked as follows: *“While I appreciated the internship opportunity and needed the practical work experience, I felt that people I worked with were resistant to change and lacked the foresight to take the department forward. Many of them had been in similar roles for more than 25 years and they were just not open to new ideas from the newbie”.*

There were a few positive stories (49% of respondents or 18 / 37) wherein the young people who had initially started on the skills development program were now part of



permanent staff at the different SOCs. There was a general positive sentiment that the skills development program, which was part of the YEP strategy, had done well to empower youth and those who had been absorbed on a full time basis were happy.

A concern was raised that the skills development programs did not have a post program evaluation strategy to track the progress of young people after they had completed the skills development programs. Many young people who had qualified as artisans and technicians were struggling to get absorbed into the labour market, something which was seen as demotivating to other young people who were participants of the YEP programs.

There was also a sense that emerged that more efforts needed to be devoted to strengthening the relationship with the mainstream media, which was seen as purposefully not providing coverage to commendable work being done by departments such as E6 and E2. This was seen as a contributing factor on why more young people were still not aware of available training opportunities at SOCs. Efforts were being made to strengthen this relationship through the Telematics project, run in conjunction with Stellenbosch University, which was aimed at adopting and connecting rural schools digitally to provide learning opportunities and assistance for learners.

#### **5.4 Conclusion**

This chapter has presented findings which emerged from the data that was collected as outlined in chapter four. These findings were presented against the research propositions which were identified in chapter three, and the findings highlighted initiatives that are being undertaken at SOCs to alleviate the youth skills challenge.

The findings presented an unfavourable picture for TVET colleges and SETAs, which are plagued by serious challenges. Efforts to strengthen these institutions, which are pivotal to South Africa's skills development aspirations, should be intensified. SOCs are actively supporting these institutions however more stakeholders, such as the private sector, need to come on board. The findings also presented a picture of young people who, although they have greater access to sources of information than before, have been slow to take up opportunities. Broader socio-economic conditions, which young people live in, also contributed to the low numbers youth participation at SOC programs. The following chapter, chapter six will present a detailed analysis of the data results, with particular reference to the literature that was reviewed in chapter two.



## CHAPTER 6

### 6. DISCUSSION OF RESULTS

#### 6.1 Introduction

This study sought to identify and analyse the subject of youth unemployment and assess training initiatives by state owned companies aimed at addressing the skills challenge among the youth in South Africa. The research was also aimed at understanding youth skills development programs which had been successful in other parts of the world for possible lessons for South Africa. Based on the data presented in chapter five, this chapter will provide in-depth discussions testing the research propositions outlined in chapter three, in light of the theory presented in the literature review in chapter two. Thus, each proposition will be discussed in a three step process namely: literature (what the theory says), then discuss the findings (what the respondents have said) and lastly make concluding statements which will either prove or disprove the research proposition.

#### 6.2 Discussion

##### **6.2.1 Proposition 1: Education and training institutions are not providing the skills required by the labour market**

Education is widely accepted as the building block of endogenous growth theory, which emphasises a country's internal endowments over external factors which also impact economic growth (Laeven, Levine & Michalopoulos, 2015). In South Africa, education and skills development have been identified as crucial areas which can assist in breaking the stubborn, structural unemployment and unlock growth (Faulkner, Loewald & Makrelov, 2013). The National Development Plan acknowledges that the quality of foundational education for the majority of Black learners is very poor (National Planning Commission, 2011).

There is a different school of thought that argues that it is incorrect to view education as a simple remedy for the problems of society (Vally & Motala, 2014; Marsh, 2011). This school of thought, while acknowledging education as an important building block, argues that education alone does not take a country out of poverty and that in a capitalist context it is inevitable for private businesses to favour 'efficiency' over societal needs such as equality (Nancy & Nellis, 2003). This means employers always favour



automation over labour absorption, particularly if there are no incentives for employers to increase employment.

The country presently spends around six percent (6%) of GDP on education, which is the highest in the world, however the expected results have not been realised despite the resources that have been allocated (Butler – Adam, 2013). The country fares poorly in WEF competitiveness ratings when it comes to education, particularly on STEM subjects (science, technology, engineering and mathematics), which are crucial to economic growth. The weak performance in STEM subjects indicates challenges in our education system (Schwab & Sala-i-Martin, 2011).

To compound the problem of poor foundational education, TVET colleges are plagued by multiple challenges (Akoojee, 2008). A skills mismatch was also highlighted wherein qualified graduates were struggling to get employment, despite the persistent skills shortages (Diamond & Sahin, 2015).

From the data collected, participants were in unison on the challenges which plagued institutions of education and training such as TVET colleges and SETAs (chapter five, section 5.3.1). From 1994, access to education was promoted as a constitutional right by the new government however investment in institutions of higher learning lagged behind these ideals.

TVET colleges were identified as lacking the necessary capacity to produce the skills required by South Africa's labour market. Several factors were cited, among them poor lecturing capacity as the reason my most TVET colleges were simply not geared to handle the country's skills needs. Although an enabling legislative and policy framework had been developed by the state, institutionalising the skills development ideals proved challenging.

Participants also cited years of neglect of the TVET sector by government as one of the main reasons why graduates from these colleges were deemed to have inadequate skills by potential employers. For example, since 1994, not a single new FET college was built; in fact a few colleges had been closed down by the state as there was a move from regional training boards towards a national, centralised skills development system. The closure of these institutions, particularly teacher training colleges, had a severe negative consequence on the South African skills development landscape.



TVET colleges had a throughput rate of 48%, which was deemed low by developing world standards and drop - out rates were high as learners were often discouraged by seeing their predecessors not being absorbed in the labour market. Teaching capacity at TVET colleges was inadequate; only 11% of all TVET lecturers had a formal teaching qualification which highlighted the prevalent pedagogical challenges (chapter five, section 5.3.1).

Most participants also felt that universities, who were better resourced compared to their TVET counterparts, were not actively participating in alleviating the skills crisis in South Africa. Most universities were not willing to grant recognition of prior learning (RPL) credits to learners coming from TVET colleges and most learners had to start their academic learning processes from scratch and this was seen as contrary to the ideals of the country of promoting inclusiveness and universal access to education.

The White Paper for Post Education and Training identified this and efforts would be intensified to increase collaboration between universities and TVET colleges. Presently, universities and TVETs were governed by different legislation, although there were located under the same department (DHET) and this has made collaboration between them much more challenging. Universities were also seen as resistant to DHET efforts to introduce a work integrated learning (WIL) component to the curriculum, which many universities considered an administrative burden (Jackson, 2015).

The finding came as a surprise to the researcher and recent protests against universities by the current crop of young people, re-awakened after going through a 20 year ideological vacuum (Wuriga, Musingafi, & Chiwanza, 2013) since the fall of apartheid, mean that universities will be under more scrutiny as the country intensifies efforts to alleviate the crippling skills shortage.

A key theme that emerged from the participants was the perceived lack of involvement by the private sector in not supporting the country's developmental blueprints such as the National Development Plan and the New Growth Path. Participants were at pains to point out that a lot of young people were trained as artisans and engineers at SOCs however they were struggling to find employment, despite repeated assertions of a skills shortage by the private sector. The failure to absorb young artisans into the labour market made the training efforts to have been in vain because many ended up doing unrelated jobs.



Examples were cited wherein young local welders were trained by a particular SETA however these welders were not employed post their training instead foreign workers were imported for what was deemed “specialist” work at Medupi. This proves that the skills mismatch phenomenon (Diamond & Sahin, 2015) is a real challenge, which compels the country to critically review the skills estimating process. The optimisation project by SOCs, which had encouraged them to use their existing training facilities to train over and above their operational artisanal needs to assist the national challenge, was cited as a reason for the oversupply.

One participant blamed the skills mismatch on the inadequacy of Sector Education and Training Authorities (SETAs), which are the representative bodies comprising of government, labour, business and other stakeholders. The participant suggested that skills development should be demand – driven, with employers playing a more active role in the administration of SETAs, who are supposed to be in tune with their sector skills requirements.

The sector skills plan, which SETAs develop, is what ultimately informs policy makers and planners on skills requirements. Presently, SETAs currently are largely training only those who are in employment and they need to have a new mandate and primarily address the training needs and context of the unemployed (Raina, 2013).

The skills development process had thus far been supply driven, with government, through policy frameworks such as the National Development Plan and the New Growth Path, declaring ambitious targets on how much skills the country required. For example the NDP requires 30 000 artisans a year by the year 2030 and in light of an oversupply of artisans, who are currently not being absorbed into employment, this target is seen as out of step with current reality.

It also emerged that the absorption challenge also extended to professions such as accountancy and engineering, although these were classified and critical skills and this highlights the need to urgently address the bottlenecks (Saville, 2014). What was suggested by participants was that South Africa’s education and training system needed a paradigm shift and not focus only on training young people to be employed by rather train people towards entrepreneurship so that they may become self-sufficient (Heitmann, 2009). This was also one of the key themes of the Youth Economic Participation strategy, which also looked to provide young people with business opportunities within the state owned companies (DPE, 2012).



This suggestion, in part corroborated the suggestion that education alone should not be seen as a panacea to South Africa's current challenges and a broader societal introspection is necessary (Vally & Motala, 2014). From the results, there is compelling evidence that institutions of training and education in South Africa are struggling to alleviate the skills gap by producing the required skills to ensure their graduates are absorbed into the labour market. The private business sector and universities are urged to be more supportive of state efforts. Thus the research proposition, that education and training institutions are not providing the skills required by the labour market, was proved to be correct.

### **6.2.2 Proposition 2: Skills development initiatives by different stakeholders are not properly co-ordinated to align to national imperatives**

South Africa, since 1994, has developed several plans and policy frameworks aimed at inclusive economic growth with a particular focus on skills development, which shows the importance the country places on this issue (DPE, 2012; Maasdorp, 2013; McGrath & Akoojee, 2007).

These policy frameworks include the Human Resources Development Strategy (HRDS), National Development Plan (NDP), National Skills Development Strategy III (NSDS), Industrial Policy Action Plan (IPAP), National Industrial Participation Policy (NIPP), Agricultural Policy Plan (APP), Joint Initiative on Priority Skills Acquisition (JIPSA), National Youth Policy (NYP), New Growth Path (NGP) and its accords (National Skills, Basic Education, Local Procurement, Green Economy and the Youth Employment Accord).

These efforts, although commendable, have been implemented in isolation among the various entities and departments with no proper integration and the Department of Public Enterprise's Youth Economic Participation strategy was designed primarily to address that co-ordination challenge (DPE, 2012). The NDP recognises the need for collaboration and calls on all stakeholders to pull together as South Africa works towards achieving its developmental goals (Butler-Adam, 2013).

Following the literature review, a key proposition that emerged was that there were multiple efforts being made by various stakeholders towards solving the problem of skills development however these efforts were occurring in isolation and not necessarily aligned. The relationship between various stakeholders such as



government, labour, business and civil society needed to be improved through structures such as NEDLAC and SETAs (DHET, 2011; Akoojee, 2009; Akoojee, 2008).

From the literature it also emerged that the institutions of higher learning and training were experiencing challenges due in part to the poor quality of learners that were coming through from the foundational education system (National Planning Commission, 2011; Allais, 2012; Gernetzky, 2015). These learners had modest basic literary and numeracy skills, which compounded the challenge for TVET colleges and increased collaboration between the department responsible for basic education and the institutions of higher learning and training was deemed as crucial (Allais, 2012).

From the data collected (chapter five, section 5.3.2), views were mixed on whether there was enough collaboration between the various stakeholders in working towards the national goals on skills development. Within the public sector itself, government departments had developed their own youth directorates and training units, although this was meant to be done centrally through the National Skills Fund. Responsibilities for youth employment policies were split between too many government actors with insufficient co-ordination among them (DPE, 2012). The National Planning Commission (2011) had noted that “initiatives typically seek to address individual issues in isolation, but these issues impact on and feed off one another. Isolated responses easily become fragmented, contradictory or counter-productive, meaning there is a need for a more strategic and long-term approach” (National Planning Commission, 2011).

Youth related activities were meant to be centrally co-ordinated by the National Youth Development Agency (NYDA) and this agency decried the fact that their budget allocation was not reflective of the fact that they are the custodians of youth development programs. The youth agency had been viewed by other government departments with apprehension, although there were exceptions of departments such as DPE, who were collaborating the youth agency. The Presidency is now championing Strategic Integrated Projects (SIP) and key to these projects is youth skills development and absorption and this has contributed to increased collaboration with the youth agency and other stakeholders.

It also emerged from one respondent that the private sector was seen to be interested in developing skills only for its own operational needs despite calls by the National



Development Plan on all stakeholders to address national challenges. Businesses were viewed as selfish because of the skills development levy that they were contributing, which they felt entitled to and one respondent was at pains to point out that a levy is a form a tax, which meant that once it was paid over to the fiscus, it technically belonged to the state, although businesses could still access it for training through the SETAs. The private business sector was also criticised for failing to absorb young people who had been trained in TVET colleges and in SOC training facilities, which were producing thousands of artisans annually.

There was memorandum of understanding (MOU) signed between DHET and DPE to utilise the training facilities that already existed in the SOCs that fell under the portfolio of DPE. This had seen increased funding from the National Skills Fund being made available to support SOCs in their skills development efforts. It was also highlighted that there were other frameworks for collaboration such as the National Skills Authority (NSA), an 18 member body which advised the minister of higher education and training on skills development. The board of the NSA had been comprised of various government departments such as DHET, DTI, DPSA, DPE and the DRDLR among others, to ensure that skills development policy making incorporated all stakeholders.

The SETAs, which comprised of employers, government and training institutions, came in for strong criticism as they were not seen to be ineffective in discharging their duties of having updated sector skills plans, which were informed by workplace skills plans. This was seen as the reason why most TVET colleges had out-dated curriculum and training equipment, which most potential employers deemed to be insufficient (Akoojee 2008, Akoojee, 2009). The envisaged transfer of ideas at SETA level had not happened to the desired levels.

The lack of collaboration and commitment between stakeholders was also cited as the reason why, despite many repeated pronouncements on the shortage of skilled artisans, there was an oversupply of artisans who were struggling to be absorbed by employers, despite completing their artisanal training. A key suggestion emerged that the process to ascertain the skills needs of the country needed to be revisited to ensure that training efforts were not in vain. SETAs were again identified as pivotal in this regard.

The accords that had been signed under the New Growth Path had also included all stakeholders from business, labour, government and civil society yet the attainment of



the commitments in the accords was proving to be a challenge. The accords were not enforceable and were seen more as gentleman's agreements, however the White Paper for Post School Education and Training had identified this gap and new national policies, which would clarify the roles and responsibilities of each stakeholder, were being formulated (DHET, 2013).

Although many examples were cited where there were formal platforms for co-operation between the various stakeholders, most respondents were in agreement that these were not enough and that collaboration efforts needed to be intensified to ensure all stakeholders were working on the attainment of the same national goals (National Planning Commission, 2011).

The DPE had noted that the "lack of institutional co-ordination and the heterogeneity of the actors intervening in the fight against youth unemployment were seen as a major obstacle in South Africa" (DPE, 2012). Thus, from the data collected, the research proposition that skills development initiatives by different stakeholders are not properly co-ordinated to align to national imperatives, was proved to be true

### **6.2.3 Research Proposition 3: State owned companies have sufficient initiatives in place to alleviate the youth skills challenge in South Africa**

It is argued that the state plays a pivotal role in driving economic development (Schneider, 2015). The Keynesian model on economic growth proposes that economic growth can be influenced by stimulating aggregate demand through deliberate state intervention such as infrastructure spending, particularly during a period of economic slowdown (Gali, 2013; Van den Berg, 2014). The developmental role of the state was also highlighted as as interventions are being introduced to eliminate barriers to inclusive economic development, with lack of adequate skills being one such bottleneck (Ayee, 2013).

South Africa, which models itself as an emerging developmental state (Schneider, 2015), the state, through its various organs, is active in promoting economic growth through direct and indirect interventions (National Planning Commission, 2011). State owned companies (SOCs) are expected to respond to address the country's challenges of unemployment and poverty (DPE, 2012).



Huge infrastructure investments by the two biggest SOCs are “poised to be the key catalysts to economic growth and subsequent mass generation of jobs with inclusive participation of key role players such as the private sector, youth organisations and networks as well as civil society” (DPE, 2012). Direct intervention by the state through massive youth skills programs had been highlighted in China’s Tianjin Province as one of the reasons why per capital income in that region had risen (Cheung & Ngai, 2010). This had been coupled with youth employment quotas which had ensured higher absorption rates for the younger workers post-training (Cheung & Ngai, 2010).

To this end, it emerged from the data that SOCs were actively involved in youth skills development and the YEP strategy had been designed in response to national objectives such as the NDP and NGP. The SOCs were signatories of the National Skills Accord and the Youth Employment Accord, which specified targets that SOCs needed to meet within an agreed timeframe.

Massive investments were made such as R2.8 billion, which was earmarked for training learners towards scarce and critical skills within the SOCs, using their available training capacity (chapter five, section 5.3.3). An optimisation project had been undertaken where the training capacity of SOCs had been audited to ensure that training initiatives at SOCs were not only aimed at meeting operational needs but that they were also addressing national skills challenges. Shortfalls that were identified in the training facility audits were supplemented with funding from the National Skills Fund.

It also emerged from respondents that SOCs were committed to the NDP target of producing over 30 000 artisans per annum and that the DPE had included these targets in their shareholder compacts (annual performance targets) in order to institutionalise youth economic participation and empowerment within state owned companies (chapter five, section 5.3.3). There were thousands of young artisans who were being produced, through SOCs in line with pronouncements by DHET that the years 2014 – 2024 would be declared the “decade of the artisan”.

A concern was raised, however, that most of these young artisans were struggling to find employment in the private sector post their training and many had ended up working as cashiers and petrol attendants. This was seen as making training efforts by SOCs in difficult and a call was made to critically review the skills auditing process,



which had consistently been calling for more skills to enable economic growth. This finding also provided stark evidence of the skills mismatch which plagued even professions that had been identified as scarce and critical skills (Diamond & Sahin, 2015; Stats SA, 2015; Vally & Motala, 2014).

In a developmental state with an economy that was largely private and decentralised, it was inevitable that there would be friction between the state, which was driving developmental efforts, and the private business sector, which, as owners of capital, had different objectives from the state (Gelb, 2006). The low youth absorption rate, which was a consistent observation from most participants, evinced this friction.

From the data, it also emerged that the YEP strategy had called for clear plans within SOCs to create direct and indirect employment opportunities geared at young people, which required a mind shift change for decision makers to see young people as an asset and a potential pool to draw from, instead of being seen as a “challenge” (Ireland, 2015).

SOCs have a dual responsibility of balancing commercial and well as development interests and this was seen as a risk that needed to be managed (DPE, 2012). From the data it emerged that the difficult economic conditions in which SOCs were operating in meant that improving their balance sheet could potentially be to the detriment of their developmental objectives, thus efforts were being pursued to ensure that skills development still remained a priority for government and SOCs.

While SOCs contributed to the development of a national skills pool through internships and apprentice training, post – training and evaluation proved to be challenging and there was often no keeping track of young people who had completed the training programs. It was recognised that greater efforts should be made towards post – training evaluation and youth absorption (DPE, 2012).

It also emerged from the data that SOCs had a comprehensive strategy to support TVET colleges, identified as crucial in skills development, through learner support, lecturer support, curriculum development, donation of equipment and participation on college councils. From the first research proposition of the study (chapter five, section 5.3.1), it had emerged that TVET colleges were plagued by multiple problems and SOCs had responded to a call by the minister of DHET for all stakeholders to “adopt and support” TVET colleges.



SOCs had absorbed thousands of learners as apprentices, and the bursaries had been offered to promising learners. Teaching capacity at TVETs had been identified as a challenge and SOC were assisting through up-skilling lecturers by exposing them to the latest machinery and equipment, which served a dual purpose of also improving and modernising the curriculum. SOC had also provided management and administration support by forming part of councils which governed TVET colleges. Thus, from the data collected, SOC were doing all in their power to alleviate the skills challenge given existing budget constraints and therefore the research proposition was proved to be correct, even though more could still be done with the co-operation of other stakeholders such as the private business sector.

**6.2.4 Research Proposition 4: Young people are not taking advantage of available skills development opportunities at SOC because of information asymmetry and apathy.**

The high unemployment rate in South Africa impacts young people the most (Stats SA, 2015). The NDP emphasises that young people should be given opportunities to participate as South Africa works towards achieving inclusive economic growth (National Planning Commission, 2015). The problem of unemployment is more acute in townships and rural areas where young people often lack access to information and available opportunities for employment (Magongo & Motimele, 2011). This necessitates that intervention efforts aimed at increasing youth economic participation be cognisant of geographic and technological challenges that might make them inaccessible to the intended youth recipients (DPE, 2012).

The National Youth Policy (NYP) 2009-2014 defined youth development as “an intentional comprehensive approach that provides space, opportunities and support for young people to maximise their individual and collective energies for personal development as well as development of the broader society” (DPE, 2012).

It has also been observed that the youth face specific entry barriers to the labour market and that the biggest obstacle is insufficient demand for their labour (DPE, 2012). This included the discrimination against first time job seekers as employers preferred work experience, the need for professional networks to obtain a job, and labour regulations that were perceived to protect those who were already employed (adults) to the disadvantage of young work seekers because employers shied away from the high



costs and commitments involved in hiring (DPE, 2012). Less substantial hurdles are lack of skills and of knowledge about where to find jobs, attitudes of employers and labour regulations (DPE, 2012).

The ILO had observed that the “prolonged jobs crisis forces current young work seekers to be less selective about the type of job they are prepared to accept” (DeLuca, Godden, Hutchinson & Versnel, 2015). Young people from previously disadvantaged backgrounds do not have sufficient network to obtain information on job opportunities, as well as financial resources and mobility to seek work or to alternatively relocate closer to the places where job opportunities exist (Yu, 2013).

Ireland (2015) argues that the large youthful population of South Africa should be seen as a potential asset, in which the country can benefit from the demographic dividend and urges that opportunities be provided to young people to be utilised optimally as was demonstrated in the Tianjin Province in China (Cheung & Ngai, 2010).

From the data collected, it emerged that while SOCs had multiple programs to alleviate the youth skills challenge and promote youth economic participation, a large number of young people were still not taking advantage of the opportunities presented (chapter 5, section 5.3.4). Factors cited included the fact that the DPE, which is responsible for SOCs and was running provincial awareness programs, people still confused DPE with the Department of Public Works (DPW), thus the low attendance to the awareness events.

It also emerged that, although the DPE had engaged the NYDA, which is the custodian of youth development, to run some of the programs, the response rate from young people had not been at the desired levels. Because some SOCs were only active in some provinces, the youth engagements could not extend to a broader geographical reach. School principals had been identified as a key ally wherein successful graduates of some the YEP programs were brought to schools to address other learners and bring awareness on opportunities that were available (chapter 5, section 5.3.4).

The Presidency – led June Youth Month events had been another crucial vehicle to bring awareness to young people on skills development opportunities at SOCs and success stories were also presented there however it was felt that there was apathy



from young people who were the intended recipients and beneficiaries of such events (chapter 5, section 5.3.4).

From the youth who were surveyed, there was an admission that young people, who have greater access to the internet nowadays through the use of their smart phones, were interested in social networks than visiting government websites and SOC websites where information on the programs was available (chapter 5, section 5.3.4). This was due to the fact that often young people did not know about such opportunities and there was no encouragement from their immediate social circle such as family and friends (Yu, 2013).

There were also concerns expressed about lack of feedback to young people from SOCs after they had submitted applications for entrepreneurial or training opportunities presented during the provincial youth engagements. This was also seen as a contributing factor on why a low number young people were pursuing opportunities and SOCs were encouraged to be more accessible.

Young people also expressed frustration in the nature that some of the youth targeted programs had been designed. For example the stipends that were provided during the training program were deemed to be too low, which discouraged many young people from participating because, for many, that was the only source of the family's income.

There were also frustrations expressed on the fact that most of these young people had struggled to find employment post the training program and many felt that there was no support provided to assist them to get absorbed into permanent employment. Many young people had ended up doing jobs that were unrelated to their training and this discouraged a lot of people from participating in the programs (DeLuca, Godden, Hutchinson & Versnel, 2015).

From the data, it also emerged that young people viewed mentorship during the apprenticeship as somewhat challenging and the desired skills transfer from the experienced staff members was sometimes not forthcoming as older staff were fearful of being replaced by the younger trainees. Overall there was strong consensus that most young people were not aware of the programs available at SOCs and not taking advantage, thus the research proposition was proved to be correct.



### **6.3 Conclusion**

This chapter presented a detailed discussion relating to insights drawn from the data collected in chapter five and the discussion tested the research propositions in relation to the theory presented during the literature review in chapter two and concluding statements were made on the propositions. Based on responses from the participants and the literature, all four of the research propositions which were outlined in chapter three, were proved to be correct and the research objectives have been met.

The next chapter, chapter seven, will conclude the research by presenting the main findings of the research, implications for stakeholders, outline some limitations of the study and finally recommend areas for future research.



## CHAPTER 7

### 7. CONCLUSION OF RESEARCH

#### 7.1 Introduction

The purpose of the research was to analyse existing skills development initiatives undertaken by state owned companies in South Africa aimed at young people against the backdrop of high unemployment, poverty, inequality and low economic growth (National Planning Commission, 2011). The research sought to look at youth skills development initiatives by SOCs in other parts of the world to find the optimal approach for possible lessons for South Africa, within the YEP framework (DPE, 2012).

This chapter gives an overview and summary of the research work carried out in this study. Key insights coming out of the study are briefly discussed, including implications for stakeholders and policymakers. Limitations of the study are also discussed before areas for future research are highlighted. These are deemed to be interlinked with the main areas of investigation by this research.

#### 7.2 Main findings

Given the colossal skills crisis and high unemployment rate in South Africa, skills development remains a critical vehicle for economic growth and human social progress (Heitmann, 2009; DPE, 2015). Thus, SOCs should play a pivotal role to serve as a platform and catalyst for advancing the skills development revolution towards sustaining human capital (DPE, 2015).

As the mandate of the SOCs is both commercial and developmental, they are considered to answer the question whether their execution produces the outcomes or outputs of a developmental state (DPE, 2015). Finding a balance in delivering successfully on this dual mandate is compounded by the economic conditions in which SOCs function. The economic slowdown combined with the lack of generating adequate profits by SOCs places developmental imperatives at considerable risk and this should be managed appropriately (DPE, 2015).

While SOCs continue through their interventions to support the national skills agenda, challenges still persist as processes of identifying scarce and critical skills, planning and the reporting of such skills to the relevant government departments and SETAs are



misaligned (DPE, 2015). An oversupply of artisans, who struggle to be absorbed into the labour market post their training period, suggests that the current process of estimating skills shortages needs revisiting (DPE, 2015). The National Development Plan target of 30 000 artisans by the year 2030 needs to be reviewed against current skills demands in the labour market to ensure that skills development successes by state owned companies are not achieved in vain (National Planning Commission, 2011; DPE, 2015).

Such targets require that a thorough assessment of the inputs be made relative what is required to be achieved. For example, this target should be supported by an effective foundational education system with emphasis on early childhood development which may be through the utilisation of psychologists to identify personality traits of learners earlier on in the child's development and thus channel learners appropriately towards the relevant career choices.

A target of 30 000 artisans by the year 2030 also means there should be increased intervention to steer learners towards the STEM subjects (Science, Technology, Engineering and Mathematics). However current trends indicate that fewer and fewer learners chose pure mathematics as a subject and many opt for the more easier mathematics literacy subject (DHET White Paper, 2013).

The results of the study have shown that technical and vocational skills development has the potential to provide young people with more applied skills and better chances in the labour market (Heitmann, 2009; DPE, 2012; DeLuca, Godden, Hutchinson & Versnel, 2015). Skills can be obtained either through structured and specialised institutions or through on-the-job practical experience, or both – so-called “dual” training (DPE, 2015)

A successful vocational training and apprenticeship system will result in an increased pool of skilled workers, from which employers can draw (Akoojee, 2009). A skilled workforce might lead to increased productivity and make South Africa more competitive in international markets (Schwab & Sala-i-Martin, 2011; Ireland, 2015).

The skills mismatch, which sees many qualified graduates struggling to be absorbed into the labour market, suggests that planning initiatives should be strengthened and bottlenecks to labour absorption should be eliminated (Stats SA, 2015). SETAs are



critical in this regard and improving their administration will be a good starting point (DHET, 2011).

### **7.3 Contribution**

The main contribution of the study is that it provides a better understanding of the key levers that need to be pulled in order to stimulate inclusive economic growth in South Africa (National Planning Commission, 2011). The study also proposes a different lens to look at traditional endogenous growth theories and the assumed link between education and economic growth (Laeven, Levine & Michalopoulos, 2015). The study also allows us to identify potential bottlenecks in the current skills development regime at state owned companies in South Africa and also challenges various stakeholders to play a more supportive role to state efforts aimed at reducing poverty and inequality.

### **7.4 Implication for stakeholders**

The private business community, government structures, youth organisations, labour and civil society need to collaborate better, through formal structures such as the Sector Education and Training Authorities (SETAs) and the National Economic Development and Labour Council (NEDLAC), in formulating a more relevant curriculum coupled with an element of work integrated learning, which will give young people exposure to real life working environment before exiting the formal education system (Jackson, 2015).

### **7.5 Implications for policy makers**

While SOCs contribute to the development of a national skills pool through internships and apprentice training, greater efforts should be made towards post – training evaluation and youth absorption. Strategies for direct or third-party absorption should be developed with budgeted plans put in place (DPE, 2015).

The mooted youth wage subsidy, which is favoured by many, could also be introduced as an incentive for all employers to absorb younger workers into the labour market (Burns, Edwards & Pauw, 2013). Those in favour of the subsidy argue that it would only cost five billion rand over a three year period, which represents value for money, considering the envisaged benefits (Burns, Edwards & Pauw, 2013).



This could be done through the introduction of youth employment quotas, which will ensure that preference is given to youth workers to ensure greater absorption (Cheung & Ngai, 2010). Engagement efforts with organised labour, which is currently opposed to the youth subsidy, will need to be intensified to ensure all stakeholders are on board (Cheung & Ngai, 2010).

## **7.6 Limitations**

The study only focused on youth skills development initiatives of the three biggest state owned companies under DPE therefore lessons that could have been learned from other smaller and “agile” state owned companies and their youth targeted initiatives have been omitted. The study was only focused in the Gauteng province because of the limited financial resources and time for the study therefore conclusions drawn do not take into account factors unique to other provinces, particularly the rural areas, who could have provided different insights.

The quality of sound in some of the audio recording is not ideal and the researcher had to rely on memory and hand-written notes that were taken during the interviews so an element of researcher bias could have influenced the transcription process however all efforts were made to ensure data transcription happened in the shortest possible time after the interviews.

## **7.7 Recommendation for future research**

There have been several deliberate policy interventions on skills development in South Africa to stimulate economic growth and a detailed study of why these have not been achieved should be conducted, so that future policy interventions are cognisant of lessons learnt.

The structural unemployment necessitates that more efforts be devoted towards the creating of successful, youth-owned businesses who will be key to economic growth. This study looked at skills development initiatives by state owned companies but mostly focused on vocational skills, thus there are opportunities to further analyse SOC efforts on providing entrepreneurial opportunities to young people within the Youth Economic Participation (YEP) strategy.



## 7.8 Conclusion

Inclusive economic growth in South Africa is possible and the targets of the NDP can be attained however all stakeholders need to collaborate to ensure that the future that is envisioned for the year 2030 is achieved (National Planning Commission, 2011).



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Appendix 1

## The Global Competitiveness Index 2015–2016 Rankings

Economy	Score <sup>1</sup>	Prev. <sup>2</sup>	Trend <sup>3</sup>	Economy	Score <sup>1</sup>	Prev. <sup>2</sup>	Trend <sup>3</sup>	Economy	Score <sup>1</sup>	Prev. <sup>2</sup>	Trend <sup>3</sup>
1 Switzerland	5.76	1		46 Malta	4.39	47		95 El Salvador	3.87	84	
2 Singapore	5.68	2		49 South Africa	4.39	56		96 Zambia	3.87	96	
3 United States	5.61	3		50 Panama	4.38	48		97 Seychelles	3.86	92	
4 Germany	5.53	5		61 Turkey	4.37	45		98 Dominican Republic	3.86	101	
5 Netherlands	5.50	8		62 Costa Rica	4.33	51		99 Kenya	3.85	90	
6 Japan	5.47	6		63 Romania	4.32	59		100 Nepal	3.85	102	
7 Hong Kong SAR	5.46	7		64 Bulgaria	4.32	54		101 Lebanon	3.84	113	
8 Finland	5.45	4		65 India	4.31	71		102 Kyrgyz Republic	3.83	108	
9 Sweden	5.43	10		66 Vietnam	4.30	68		103 Gabon	3.83	106	
10 United Kingdom	5.43	9		67 Mexico	4.29	61		104 Mongolia	3.81	98	
11 Norway	5.41	11		68 Rwanda	4.29	62		105 Bhutan	3.80	103	
12 Denmark	5.33	13		69 Slovenia	4.28	70		106 Argentina	3.79	104	
13 Canada	5.31	15		70 Macedonia, FYR	4.28	63		107 Bangladesh	3.76	109	
14 Qatar	5.30	16		61 Colombia	4.28	66		108 Nicaragua	3.75	99	
15 Taiwan, China	5.28	14		62 Oman	4.25	46		109 Ethiopia	3.75	118	
16 New Zealand	5.25	17		63 Hungary	4.25	60		110 Senegal	3.73	112	
17 United Arab Emirates	5.24	12		64 Jordan	4.23	64		111 Bosnia & Herzegovina	3.71	n/a	
18 Malaysia	5.23	20		65 Cyprus	4.23	58		112 Cape Verde	3.70	114	
19 Belgium	5.20	18		66 Georgia	4.22	69		113 Lesotho	3.70	107	
20 Luxembourg	5.20	19		67 Slovak Republic	4.22	75		114 Cameroon	3.69	116	
21 Australia	5.15	22		68 Sri Lanka	4.21	73		115 Uganda	3.66	122	
22 France	5.13	23		69 Peru	4.21	65		116 Egypt	3.66	119	
23 Austria	5.12	21		70 Montenegro	4.20	67		117 Bolivia	3.60	105	
24 Ireland	5.11	25		71 Botswana	4.19	74		118 Paraguay	3.60	120	
25 Saudi Arabia	5.07	24		72 Morocco	4.17	72		119 Ghana	3.58	111	
26 Korea, Rep.	4.99	26		73 Uruguay	4.09	80		120 Tanzania	3.57	121	
27 Israel	4.98	27		74 Iran, Islamic Rep.	4.09	83		121 Guyana	3.56	117	
28 China	4.89	28		75 Brazil	4.08	57		122 Benin	3.55	n/a	
29 Iceland	4.83	30		76 Ecuador	4.07	n/a		123 Gambia, The	3.48	125	
30 Estonia	4.74	29		77 Croatia	4.07	77		124 Nigeria	3.46	127	
31 Czech Republic	4.69	37		78 Guatemala	4.05	78		125 Zimbabwe	3.45	124	
32 Thailand	4.64	31		79 Ukraine	4.03	76		126 Pakistan	3.45	129	
33 Spain	4.59	35		80 Tajikistan	4.03	91		127 Mali	3.44	128	
34 Kuwait	4.59	40		81 Greece	4.02	81		128 Swaziland	3.40	123	
35 Chile	4.58	33		82 Armenia	4.01	85		129 Liberia	3.37	n/a	
36 Lithuania	4.55	41		83 Lao PDR	4.00	93		130 Madagascar	3.32	130	
37 Indonesia	4.52	34		84 Moldova	4.00	82		131 Myanmar	3.32	134	
38 Portugal	4.52	36		85 Namibia	3.99	88		132 Venezuela	3.30	131	
39 Bahrain	4.52	44		86 Jamaica	3.97	86		133 Mozambique	3.20	133	
40 Azerbaijan	4.50	38		87 Algeria	3.97	79		134 Haiti	3.18	137	
41 Poland	4.49	43		88 Honduras	3.95	100		135 Malawi	3.15	132	
42 Kazakhstan	4.49	50		89 Trinidad and Tobago	3.94	89		136 Burundi	3.11	139	
43 Italy	4.46	49		90 Cambodia	3.94	95		137 Sierra Leone	3.06	138	
44 Latvia	4.45	42		91 Côte d'Ivoire	3.93	115		138 Mauritania	3.03	141	
45 Russian Federation	4.44	53		92 Tunisia	3.93	87		139 Chad	2.96	143	
46 Mauritius	4.43	39		93 Albania	3.93	97		140 Guinea	2.84	144	
47 Philippines	4.39	52		94 Serbia	3.89	94					

● Advanced Economies   
 ● Middle East, North Africa, and Pakistan   
 ● Emerging and Developing Asia   
 ● Latin America and the Caribbean   
 ● Commonwealth of Independent States   
 ● Emerging and Developing Europe   
 ● Sub-Saharan Africa

Note: The Global Competitiveness Index captures the fundamentals of an economy. Recent developments, including currency (e.g., Switzerland) and commodity price fluctuations (e.g., Azerbaijan, Qatar, Saudi Arabia), geopolitical uncertainties (e.g., Ukraine), and security issues (e.g., Turkey) must be kept in mind when interpreting the results.  
 1 Scale ranges from 1 to 7.  
 2 This shows the rank out of the 144 economies in the GCI 2014–2015.  
 3 The trend line shows the evolution in percentile rank since 2007; breaks in the trend line reflect years when the economy was not included in the GCI.



Appendix 2

TRAINING & SKILLS DEVELOPMENT				
Youth skills development and training prioritised in SOC human capital development				
KEY RESULTS AREA	OUTPUTS	KEY ACTIVITIES	RESPONSIBLE	2012-2013
<b>SKILLS DEVELOPMENT</b>	SOC as whole enrolled 20,000 apprentices and learners	DPE develop an integrated M&E system for tracking skills development	DPE	DPE monitor overall SOC targets
Artisan trainees	7, 000 ESKOM artisan trainees enrolled	7,000 artisan trainees recruited and enrolled	ESKOM	Monitor 7,000 target
Artisan trainees	Funding for 400 additional ESKOM artisan trainees secured	DPE secure additional funding for ESKOM	ESKOM	DPE source funding
Scarce skills	1,100 ESKOM scarce skills engineering & technicians enrolled	Enrol additional 1,100 engineering & technicians 2011-2012	ESKOM	Monitor 1,100 target as well as 3,000 target
Trade Skills	ESKOM supply chain training for 7 500 unemployed matriculants completed by 2014	ESKOM train 7,500 unemployed matriculants within Supply Chain by 2014	ESKOM	Monitor achievement of 7,500
Graduates	7 500 Graduated received work place experience in supply chain management companies	7,500 Graduates receive work place experience in supply chain companies by 2014	ESKOM	Monitor achievement of 7,500
Artisan trainees	3,400 TRANSNET artisan trainees enrolled	3,400 artisan trainees recruited and enrolled		Monitor 3,400 target
Artisan trainees	Funding for 2,000 additional TRANSNET artisan trainees secured	DPE secure additional funding for TRANSNET	DPE/ TRANSNET	DPE sourced funding
Scarce skills	1,100 TRANSNET scarce skills engineering & technicians enrolled	Enrol additional 1,100 engineering & technicians 2011-2012	TRANSNET	Monitor 1,100 target as well as 3,000 target
Artisan trainees	875 SAA/SAX artisan trainees enrolled	875 artisan trainees recruited and enrolled	SAA/SAX	Monitor 875 target
Artisan trainees	Funding for 100 additional SAA/SAX artisan trainees secured	DPE secure additional funding for SAA/SAX	DPE/ SAA/SAX	DPE sourced funding
Scarce skills	200 SAA/SAX scarce skills cadet pilots & learnerships	Enrol additional 200 cadet pilots and learners 2011-2012	SAA/SAX	Monitor 240 target
Artisan trainees	875 DENEL artisan trainees enrolled	875 artisan trainees recruited and enrolled	DENEL	Monitor 875 target
Artisan trainees	100 additional DENEL artisan trainees	DPE secure additional funding for DENEL	DPE/ DENEL	DPE sourced funding
Scarce skills	200 DENEL scarce skills cadet pilots & learnerships	Enrol additional 200 cadet pilots and learners 2011-2012	DENEL	Monitor 240 target
Artisan trainees	60 SAFCOL/ ALEXCOR/ INFRACO artisan trainees enrolled	60 artisan trainees recruited and enrolled	SAFCOL/ ALEXCOR/ INFRACO	Monitor 60 target
Artisan trainees	70 additional SAFCOL/ ALEXCOR/ INFRACO	70 additional engineering & technician trainees enrolled in	DPE/ SAFCOL/	DPE monitor actual enrolment in 2011-2012



	engineering & technician artisan trainees trained	2011-2012	ALEXCOR/ INFRACO	
<b>Generic SOC initiatives</b>				
Bridging programmes for learners to improve access to education & skills development	Improve access to <i>higher education</i>	Bridging programmes for learners to improve access to <i>higher education</i>	DPE/SOC	Conduct baseline study on needs and current SOC projects
	Improved access to <i>FET education</i>	Bridging programmes for learners to improve access to <i>FET education</i>	DPE/SOC	Conduct baseline study on needs and current SOC projects
	Improved access to <i>skills development programmes</i>	Bridging programmes for learners to improve access to <i>skills development programmes</i>	DPE/SOC	Conduct baseline study on needs and current SOC projects

**CONSENT FORM - INTERVIEW**

I am conducting research as part of my MBA on skills development initiatives and how these can help to reduce youth unemployment and ultimately drive economic growth in South Africa. I am specifically looking at the role of state owned companies can play in driving the vision of the state as articulated in the National Development Plan: 2030 particularly on the up-skilling the youth through various skills development programs.

As an identified subject matter expert, your input will assist in broadening our understanding of the subject and may ultimately be of use to other stakeholders and policymakers. Our interview is expected to last about an hour. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact myself or my supervisor. Our details are provided below:

Researcher name: Mr. Yongama Melaphi  
Email: Yongama.melaphi@pic.gov.za  
Phone: +2779 308 6313

Research Supervisor: Dr. Trevor Taft  
Email: trevor@cihp.co.za  
Phone: +2783 553 6318

Signature of participant: .....

Date: .....

Signature of researcher: .....

Date:.....

# Gordon Institute of Business Science

University of Pretoria

## CONSENT FORM - SURVEY

I am conducting research on skills development initiatives and how these can help to reduce youth unemployment and ultimately drive economic growth in South Africa. I am specifically looking at the role of state owned companies and the youth skills development programs they have run. To that end, you are asked to log into the attached Survey Monkey link and complete the questionnaire on your experiences of the program.

Your input will assist in broadening our understanding of the subject and ultimately may be of use to policy makers. Completing the survey will take a maximum of 30 minutes and you are free to add additional comments. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential and your anonymity is guaranteed. If you have any concerns, please contact my supervisor or I. Our details are provided below.

Researcher name: Mr. Yongama Melaphi

Email: Yongama.melaphi@pic.gov.za

Phone: +2779 308 6313

Research Supervisor: Dr. Trevor Taft

Email: trevor@cihp.co.za

Phone: +2783 553 6318

Signature of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of researcher: \_\_\_\_\_

Date: \_\_\_\_\_



## Appendix 4

### Interview Questions

The questions were designed to be open ended to allow respondents room to be as open and honest as possible in order to gain key insights from responses. The questions were slightly tailored depending on the company / stakeholder entity was being interviewed, the following ten questions represent broadly the areas that were covered.

#### Questions

Q1: “As an expert in the field of skills development, what is your view on how the process has unfolded over the past few years?” Any lessons learnt

Q2: “Do you think the state – owned companies like Eskom & Transnet have been effective at alleviating the skills shortage among the youth?” Elaborate

Q3. “What are your views on the National Youth Service (under NYDA)?”

Q4. “The Skills Development Act now requires employers to have Skills Plans, what are your views and how has your company responded so far?”

Q5. “As an entity / company, do you collaborate with organisations such as the NYDA in to better reach the youth on your training programs”? Kindly Elaborate

Q6. “Given the various youth programs that exist under the various departments (DPE, DTI, DHET and DST), are there forums of integrating the efforts which ensure alignment with goals??

Q7. “Have the SETAs and TVET colleges been effective in alleviating the skills gap? Please elaborate on your experiences with them?”

Q8. “How will the National Skills Development Strategy III be different? Have lessons been learned from the previous two versions?”

Q9. “Can the goals of the National Development Plan with regards to Skills Development be attained? Kindly elaborate on your thoughts

Q10. “What matrices do you use to measure the success of the YEP program at your SOCs?”



For the second part of data collection, a Likert-type survey was distributed and 37 responses were received from young people who had taken part on skills development initiatives at SOCs. Respondents ranked their views using a scale of:

1. Completely Disagree
2. Disagree
3. Neutral
4. Somewhat Agree
5. Fully Agree

### Survey Questions

1. The program I took part in helped me develop new skills
2. My participation in the program has increased my chances of employment
3. The program has helped me start my own business and I am now self sufficient
4. The company has kept in touch with me to track my progress post the program
5. During the program, I was mentored and my contribution was valued by management
6. The program was useful and I have now permanently employed by the company
7. The program was poorly planned and a lot of time and resources were wasted
8. During the program, the permanent staff felt that I was there to take their job and did not feel comfortable sharing information to me
9. Overall, were your expectations of the program met and would you take part in a similar program in future
10. My friends and I knew about the programs

Respondents were also given a chance to add “extra thoughts” next to each question on that section and most of the interesting responses were found



## Appendix 5

### Ethical Approval

## **Gordon Institute of Business Science** University of Pretoria

Dear Yongama Melaphi

Protocol Number: Temp2015-01508

**Title: Youth Skills Development programs and the role state owned companies can play**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker

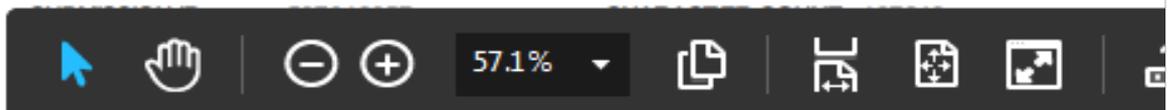


Appendix 6

Turnitin Report

The role state owned  
companies play in youth skills  
development in South Africa  
*by* Yongama Melaphi

FILE	MASTER_RESEARCH_DOCUMENTS_V06.DOCX (1.4M)		
TIME SUBMITTED	06-NOV-2015 02:53PM	WORD COUNT	29533





### 3 CHAPTER 1

## 1. INTRODUCTION TO THE RESEARCH PROBLEM

### 1.1. Introduction

South Africa is facing multiple challenges with regards to achieving inclusive economic growth (National Planning Commission, 2011). The National Development Plan: Vision 2030 (NDP), the government's policy framework for growth, requires the economy to grow consistently above five percent per annum, to ensure the reduction of inequality and the complete elimination of poverty by the year 2030 (National Planning Commission, 2011). The NDP recognises that one of the key challenges facing South Africa's long term stability is the slow, jobless growth that has not yielded benefits that serve the greater part of the South African population (National Planning Commission, 2011).

Gelb (2014) asserts that the emerging resentment against inequality in South Africa poses a greater danger than poverty; the two are distinct issues but are inextricably linked. The persistent spates of violent demonstrations and periodic attacks on foreign nationals by those who feel economically excluded signify an urgency with which this matter ought to be addressed by the country (Gelb, 2014).

President Jacob Zuma, in Butler-Adam (2013) says "we have a long road to travel to prosperity and we have a plan to get us to that destination – the comprehensive National Development Plan". The president goes on to say that the plan outlines the nation's vision for 2030 and that government alone cannot achieve the goals of the NDP and needs help from people from all walks of life to find solutions (Butler-Adam, 2013). Education, training and innovation, all elements of skills development, are key objectives of this plan.

The NDP also recognises that the quality of education, particularly amongst young black learners, is very poor (National Planning Commission, 2011). This leads to an employability skills gap, which plagues most sectors in the economy (Benson, Morgan and Filipaios, 2014). This skills gap, which is prevalent among young people from historically disadvantaged backgrounds, needs to be tackled as a matter of urgency in order for the long-term economic sustainability of South Africa to be realised



(Sunter, 2015). As it is, young people feel that they are against the odds and a reversal of this sentiment is necessary (National Planning Commission, 2011).

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## 1.2 Background to the research problem

Skills development is generally recognised as a source of people's success (Heitmann, 2009). Heitmann (2009) goes on to say that the reduction of poverty and sustained economic growth are made possible when the skills of the population have been developed. This supports the vision of the NDP, which seeks to reduce inequality and eliminate poverty by the year 2030 (National Planning Commission, 2011).

Miles, Scott & Breedon (2012) discussed the economic participation rate which they defined as the proportion of the population who make up the labour force, which includes both the employed and unemployed. Although South Africa's labour force participation rate has risen from 48% in 1994 to 59% in 2015, it is still low by world standards (Miles, Scott & Breedon, 2012).

In 2013 South Africa had a male economic participation rate of 61%, against 81% for Brazil, 78% for China, 84% for Indonesia, and 82% for Botswana, for example. The female economic participation rate of 45% was the same as those of Greece and Malaysia, higher than those of India and Morocco (both 27%), but lower than those of Brazil (59%) and China (64%), Lithuania (56%), and numerous other countries (Institute of Race Relations in Berman, 2015).

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The official unemployment rate in South Africa is around 25% however this figure goes above 60% for the youth category (NYDA in Magongo & Motimele, 2011; Visser & Kruss, 2009; Stats SA, 2015). South Africa also has a problem of discouraged young people who give up looking for employment after months of trying (Stats SA, 2015; Maswanganyi, 2015). The exclusion of this demographic from the official unemployment statistics (Kingdon & Knight, 2007) means that the problem is more acute and this points to the urgency with which solutions need to be found for this demographic group.

Sunter (2015) paints an even starker picture for the youth and suggests that government should look at slowing the birth rate in the black community because the rate of population growth among the young population is not matched by available



opportunities in the labour market. The Institute of Race Relations (IRR) in Huizenga (2015) estimates unemployment to be around 67% among the "born free" males and 75% among the females of the same demographic. The term born free refers to young people who were born after 1994 following the end of apartheid in South Africa (Mattes, 2011).

Considering that this segment represents the future leadership of South Africa, urgent intervention is required to ensure that the structural barriers that prevent their participation in the economy, of which lack of sufficient skills is one major barrier, should be eliminated and that growth going forward is more inclusive (Saville, 2014).

Saville (2014) goes on to say that, with a Gini co-efficient of more than 0.65 the country will likely experience more violent demonstrations unless more is done particularly, for the youth segment. The Gini index is "a measure of the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution" (Saville, 2014).

The country's poor education performance against the high investments in education and training seem to exacerbate the inability of the labour force to support economic growth (NYDA in Magongo & Motimele, 2011). The quality of education and skills development also has a proportional link to employability and the levels of inequality in the country (Magongo & Motimele, 2011). This requires that our development policies be integrated such that labour, education and skills development are intertwined (Magongo & Motimele, 2011).

Vally & Motala (2014) present a slightly contrarian view and they opine that it is inadequate to simply blame the education system and lack of skills for the employment among young people. Vally & Motala (2014) present examples in European countries such as Spain, Italy and Greece, where the skill levels are significantly higher than those of South Africa yet those countries are also faced with a problem of youth unemployment.

While education, knowledge and skills are acknowledged as being important enablers, economic growth should not be looked at only through a capitalist, "neo-liberalist" lens; issues of power relations, social justice and equality should be part of that reflective process (Vally & Motala, 2014).



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Key to meeting the goals of the NDP Vision: 2030 are state owned companies under their shareholder the Department of Public Enterprises (DPE), who are seen as drivers of the developmental goals of the country. There are other state-affiliated agencies such as the National Youth Development Agency (NYDA), The National Empowerment Fund (NEF) and National Skills Fund (NSF) and Sector Education and Training Authorities (SETA), The Jobs Fund, The Unemployment Insurance Fund (UIF) who are key stakeholders and making commendable efforts in assisting with skills development for young people.

209 South Africa, over the last two decades, has developed several plans and policy frameworks aimed at inclusive economic growth with a particular focus on skills development, which shows the importance the country places on this issue (DPE, 2012). These efforts have been implemented in isolation among the various entities with no proper integration and the Department of Public Enterprise's Youth Economic Participation strategy was designed primarily to address that co-ordination challenge (DPE, 2012).

### 1.3 Research motivation and objectives

The motivation for conducting this research is largely driven by the so called triple challenge that South Africa faces: namely unemployment, inequality and poverty (National Planning Commission, 2011) and for the country to fulfil its growth potential, solutions to these challenges need to be found. This situation is more evident in the rural areas as well as informal settlements in most South African major cities, where the problem of unskilled youth is more acute (Magongo & Motimele, 2011).

The lack of skills has been cited by the business community as the reason why most young people who leave the education system are "unemployable" (Marock, 2008). This often leads to other societal challenges such as increased substance abuse, crime and deteriorating health standards (IRR in Berman 2015). South Africa needs to support initiatives and policies aimed at addressing these challenges (Magongo & Motimele, 2011).

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The National Youth Development Agency (NYDA) recognises that young people in South Africa are the most impacted by economic exclusion and this is primarily a legacy issue, where the majority were given inferior education during the apartheid era



(Magongo & Motimele, 2011). The NYDA <sup>15</sup> argues that having skilled young people will have multiple benefits for society, which include the promotion of social cohesion and the "production of law abiding citizens through the imparting of social and political values" (Magongo & Motimele, 2011).

The corporate business sector in South Africa is plagued by an employability skills gap within the available labour pool, particularly among young people (Benson, Morgan and Fillipaicos, 2014). This makes the importing expatriate skill an expensive but necessary alternative. The importing of skills from foreign countries is not affordable for smaller businesses, which are seen by the <sup>36</sup> NDP as key to growing the economy and therefore there is an urgent business need to address the issue of skills shortage in the country. A study of this nature will potentially assist the business sector in understanding which areas need further intervention and how the private business community can play a more supporting role to existing government initiatives and policies.

Another motivation for the study is the on-going negative perception on state owned companies (SOCs) in the public arena, which many consider to be performing below par (Tshisonga, 2014; Arocena & Oliveros, 2012). The October 2015 national general council of the ruling ANC has placed the issue of under-performing SOCs on the agenda. This study aims to analyse current skills development initiatives undertaken by state owned companies, aimed at developing young people under the Department of Public Enterprise's Youth Economic Participation Strategy (YEP).

The YEP strategy aims to fulfil the developmental mandate of state owned companies, of which the development of young people could be a key beneficiary (National Planning Commission, 2011). The ultimate objective is to increase the collaborative relationship between the private business sector with the public sector and state companies in finding long-term solutions on bridging the skills gap among young job seekers (DPE, 2012).

Skills development is now <sup>5</sup> among the three priority pillars in the BBBEE Codes of Good Practise (CoGP) of the Department of Trade and Industry (DTI), which signifies the importance which government places on this issue (Moraka, 2015). This is because the development of skills is intended to achieve inclusive economic growth and social development (Moraka, 2015). For the business community in South Africa, where issues of Corporate Social Responsibility (CSR) and BBBEE are now a reality as part



of the so-called triple bottom line (Visser, 2015), this again highlights the need for this study on skills development initiatives among the youth, who are the future employees of organisations (Bruett, 2006).

The research explores the theoretical approaches on successful SOC youth skills programs in other countries, particularly China as a fellow BRICS country<sup>18</sup> and a growing power on the African continent (Warmerdam and Dijk, 2013) for possible lessons that can be learned for the South African environment. This study is intended to contribute to the on-going academic discourse on the challenge of youth unemployment and skills development, and the ultimate aim is the enhancement of policy formulation.

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The objectives of this research are summarised as follows:

- To identify, analyse and understand the challenges that exist in the skills development programs aimed at young people by state owned companies.
- To assess and understand the characteristics of skills development programs which have been successful and what lessons can be learned.

#### 1.4 Research scope

The<sup>19</sup> research entails analysing skills development initiatives targeted at young people by state owned companies in South Africa, in the context of reducing the skills gap among the youth segment to facilitate greater economic participation. These initiatives are intended to ultimately help in achieving inclusive economic growth, while reducing inequality and unemployment, which are the country's goals as articulated in the NDP: Vision 2030 (National Planning Commission, 2011).



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### 1.5 Overview of the research report

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The chapters of this report are structured as follows: –

- Chapter 1 – provides an introduction of the research, motivation for the research and the overall objectives of the research
- Chapter 2 – provides an outline of the relevant literature on skills development and associated topics such as unemployment, jobless economic growth, and education
- Chapter 3 – captures the research problem and the identified research propositions
- Chapter 4 – contains the research methodology followed and outlines the data - collection process
- Chapter 5 – sets out the results of the data collection process
- Chapter 6 – discusses the results of the data collected with specific reference to the literature in chapter two and
- Chapter 7 – consolidates the findings and provides recommendations for future research



## CHAPTER 2

### 2. LITERATURE REVIEW

#### 2.1 Introduction

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The number of people who are unemployed in South Africa continues to be unacceptably high (Gernetzky, 2015). Young people are disproportionately affected by structural problems in the economy, in which the growth rate is not matched by absorption rates (Gernetzky, 2015). The high levels of unemployment among young people, caused to a large degree by insufficient skills, leads to social exclusion as the labour market cannot absorb them (Mlatsheni & Leibbrandt, 2011).

South Africa's competitiveness in international markets is undermined in part by the skills challenge (Strauss & du Toit, 2010). The country cannot compete in skilled sectors because there is a chronic shortage of skills and it is difficult to compete in unskilled, labour intensive sectors because of high labour costs, which are not linked to productivity (Institute of Race Relations in Berman, 2015). Young new entrants find it extremely difficult to enter the labour market.

The inferior quality of education at foundational levels means that most young people do not complete their schooling, and for those who do, many are ill – equipped to proceed to institutions of further education, where their work-readiness skills are further refined (Mhlanga as cited by Gernetzky, 2015). The institutions of further education which offer vocational and technical learning to reduce the youth skills challenge and ensure a smooth transition from formal education to the world of work, are beset by numerous challenges (Palmer, 2009; McGrath, 2002).

Against this backdrop, this chapter will provide a literature review that was conducted on the important challenge of youth unemployment and skills development. Various related constructs such as jobless economic growth, the education system and inequality will be analysed to get a better understanding of optimal approaches to skills development and poverty reduction.



## 2.2 Youth unemployment

**10** Unemployment, poverty and inequality remain the fundamental socio-economic **10** challenges facing South Africa (Faukner, Loewald & Makrelow, 2013; Yu, 2013). The unemployment rate was about 25 per cent in 2011 with more than half of all young people **22** and income inequality still remains high (Faukner, Loewald & Makrelow, 2013). The National Planning Commission in 2011 stated that "there is no doubt that the sharpest end of the unemployment crisis is felt by South Africa's youth and that this time bomb is the single greatest risk to social stability in South Africa" (National Planning Commission, 2011).

**22** Youth unemployment leads to the rise of a lot of societal challenges, including poverty, gender-based violence and crime (Institute of Race Relations in Berman, 2015). Zwelinzima Vavi, the former secretary general of trade union federation COSATU, labelled the phenomenon of youth unemployment as a "ticking time bomb" and attributed some of the recent social unrest and xenophobic attacks on the problem of youth unemployment (IRR in Berman, 2015).

These sentiments were originally expressed in 2005 by then Labour Minister, Membathisi Mdladlana, who described the phenomenon as a powder keg waiting to explode (Marock, 2008). It is disconcerting to note how little progress has been made on reducing youth unemployment in the ten year period to 2015 (Stats SA, 2015).

Unemployment has a severe negative effect on the life of young people (Sen, 1997). When an **37** assessment on the quality of life and inequity **152** is done; the persistent, structural unemployment, as is the case in South Africa, leads to many other kinds of deprivation (Sen, 1997).

Another often cited cause for the stubborn unemployment in South Africa is the power of organised labour (Magruder, 2012). Trade unions are seen by the business sector to be militant at negotiating wage increases, which are not linked to productivity for their members. This is seen as a bottleneck and disincentive for potential job creation efforts by the business sector, which could absorb younger workers (Magruder, 2012).



Yu (2013) also decries the fact that most young people from disadvantaged backgrounds do not have the networks that can provide information on employment opportunities, which worsens the youth unemployment problem in those communities.

Kingdon & Knight (2007) also lamented the rapid growth of labour supply relative to demand in South Africa as problematic, particularly among young entrants who do not possess the requisite skills, which would make them employable the labour market.

**37** Globally there is no standard agreement regarding the definition of employability of the youth. The meaning varies depending on culture, level and type of economic development and employer norms (Marock, 2006). The concept has morphed over time as the services economy has expanded and the world has become more globalised (Marock, 2008). "The capacity to hold rewarding jobs during a working life and being productive, while possessing requisite competencies and skills" is the definition of employability that best resonates with the current trends of the knowledge economy (Marock, 2008).

The concept of employability focuses on the "appropriate skilling of the unemployed so that they can be employed productively" (Raina, 2013). Raina (2013) goes on to argue that suitable conditions for employment need to be created based on the skills of those who are currently not employed and it is also suggested that employability is the prerequisite for productivity, which is the core concept in building competitiveness and national prosperity (Raina, 2013).

It has been suggested that the efforts and time that young people dedicated in the fight against the apartheid system was a huge sacrifice and a detriment to their own personal educational development (Lam, Leibbrandt & Mlatsheni, 2007). Figure 1 depicts the unemployment rate for the period 2001 - 2012 which has stubbornly remained high, even during higher economic growth periods. Young people have been at the receiving end of this unemployment phenomenon (Faulkner, Loewald & Makrelow, 2013; Visser & Kruss, 2009).