

NATIONAL ARTISAN DEVELOPMENT PROGRAMME

1 Introduction

There is wide agreement that South Africa produces too few artisans to meet the needs of the economy and that improving the efficiency and effectiveness of the artisan development system is important for accelerating growth and reducing unemployment. Indeed, the National Development Plan (NDP) sets a target of producing 30 000 artisans a year by 2030, which would be more than double the number of artisans who graduated in 2013. (This was already considerably higher than the low point of 2005, when only 4 500 artisans graduated.)

An artisan is a skilled worker who passed a trade test after having completed an apprenticeship under a qualified tradesperson. The apprenticeship is a work-based programme that combines theory, practical learning and work-based training. Because they combine learning and work (before culminating in a trade test), apprenticeships are intensive and costly processes of skill acquisition, with government and apprentices' employers both incurring costs.

This performance and expenditure review (PER) was commissioned to analyse the National Artisan Development Programme, identify its key cost drivers, and explore the potential for cost savings or better value for money. It sets out the structure and delivery processes for the programme, analyses expenditure trends, and presents a model for projecting the costs of artisan development under various policy scenarios. It also identifies implementation challenges, how they are being addressed, and critical issues that will need attention in the coming years. Mzabalazo Advisory Services conducted the PER between October 2013 and August 2014. This summary sets out some of its insights and conclusions, and the full report is available at: www.gtac.gov.za/programmes-and-services/public-expenditure-and-policy-analysis.

2 Institutional context

2.1 Legal and regulatory environment

The Skills Development Act of 1998 introduced learnerships into South Africa's skills development system. Although in some ways similar to apprenticeships, learnerships are not quite as rigorous (some permit exit with a certificate after only one year). They were not intended to replace apprenticeships, but were supposed to introduce greater flexibility into skills training. However, between 2000 and 2005, they received funding from the newly established Sector Education Training Authorities (SETAs) while apprenticeships did not. As a result, many employers and even industries converted their apprenticeship and artisan programmes into learnerships. In addition, the workplace-based component of apprentice training deteriorated, reducing the opportunities for experiential learning at work. The outcome was a significant decline in both the number and quality of artisans produced over the next decade.

Partly in response to this, government initiated the Joint Initiative on Priority Skills Acquisition (JIPSA) process, which sought to assess weaknesses in the artisan system. Its closeout report concluded that 'the principal reason for the shortage of artisans lay in the decline of the apprenticeship system' and noted that between 1985 and 1995, the number of artisans developed dropped from 33 000 to 22 000 per year, before falling further (to 4 500) in 2005. JIPSA sought to raise the number of artisans produced every year to 10 000 through the National Artisan Development Project, which is now located in the Department of Higher Education and Training.



To incentivise artisan development, a grant valued at nearly R140 000, payable (in four tranches) by SETAs or the National Skills Fund, has been made available to employers of artisans registered for three-year apprenticeships. This has contributed to an increase in the number of artisans being produced (to 15 000 in 2014, out of 27 000 enrolled artisan learners between 2011 and 2014). Notwithstanding these achievements, the artisan programme will have to expand considerably to meet the NDP's target of 30 000 artisans qualifying every year by 2030.

2.2 Routes to artisanship

The current artisan development system is highly complex, with multiple routes to becoming a qualified artisan. Some of these routes are unclear, confusing to the learner, and inefficient. After outlining all the possible routes, the PER focused on four widely used routes to artisanship.

- The *formal apprenticeship* is the most common route, used by learners with a technical matric and/or a National Accredited Technical Education Diploma (NATED) qualification who are contracted by an employer onto an apprenticeship (thus making the employer eligible for the national artisan grant).
- The *accelerated artisan programme* is based on a model pioneered by the Manufacturing, Engineering and Related Services SETA. It is targeted at learners who have completed an N3 qualification but who could not find apprenticeships with employers. The learner enters the workplace directly (i.e. not as an apprentice) and is required to do 80 weeks of workplace training (26 of which may consist of practical training in a simulated workshop environment) before writing a trade test. This model, however, is not deemed viable for most forms of apprenticeship.
- The *integrated occupational qualification* is a proposed model for qualification that is currently being piloted. It is targeted at learners who have completed Grade 12, but will be expanded to accommodate those who leave school after completing Grade 9 and enrol for an integrated occupational qualification at a technical and vocational education and training (TVET) college. In effect, the learner will be employed while studying for an appropriate qualification.
- The *recognition of prior learning* route to artisanship applies to workers who have been in employment in the artisanal field and have gained practical experience by working with qualified artisans. Under this system, they qualify to do a trade test after six years (or fewer if they have qualifications). It is likely that this route will expand because of the large numbers of learners who are being offered trade-related programmes in TVET colleges that do not result in a full artisan qualification. Such learners will not find employment in a trade but may well find jobs as semi-skilled assistants to artisans and then seek to obtain the trade qualification later.

3 Expenditure

Artisan development is a joint effort between government and the private sector. Learners obtain theoretical knowledge at TVET colleges, usually before they are employed. They then contract with employers for an apprenticeship that lasts for three years. Once contracted, the learners undergo practical and workplace training to prepare them for trade testing. Practical training is generally conducted by private training providers, although some public TVET colleges have the necessary facilities. Workplace training takes place under the guidance of a qualified artisan; the apprentice assists the artisan in his or her work.

The three components of artisan development (theoretical training, practical training and workplace training) are funded from different sources.



- *Theoretical training* takes place at public TVET colleges, which are largely funded by government either directly or through the National Student Financial Aid Scheme (NSFAS). Most artisan learners are enrolled in one-year NATED courses, at an average cost of about R48 000 a year.
- *Practical training* takes place in parallel with workplace training, and may be done in-house or through subcontracting private providers. The costs are estimated at around R94 000 over three years.
- *Workplace training* incurs a number of expenses for the employer, including remuneration of the artisan learner, the cost of the equipment, and recruitment costs. An earlier study by the Department of Labour estimated these costs at about R210 000 over three years.

Government offers incentives to employers to offset some of these costs:

- The *artisan development grant*, worth just under R140 000 per artisan learner, is paid to employers in four tranches as the learners advance towards qualification. The grant covers about 47% of the estimated average cost of an artisan learner to an employer.
- The *recognition of prior learning grant* varies among SETAs but averages about R19 000 per artisan learner, and assists in filling any training needs in preparation for the trade test.
- A *tax rebate* worth R16 800 is made available to firms for each learner artisan who passes a trade test, although only profitable firms would qualify.

The expenditure analysis shows that in 2014/15, government and business spent a total of about R6.5 billion on learner artisans (see Figure 1). Of this, 96% was allocated to the three main areas of skills acquisition: theoretical learning, practical training and workplace experience. The remainder was spent on various administrative and strategic functions (see Figure 2).

Figure 1: Cost of spending on artisan development, 2014/15

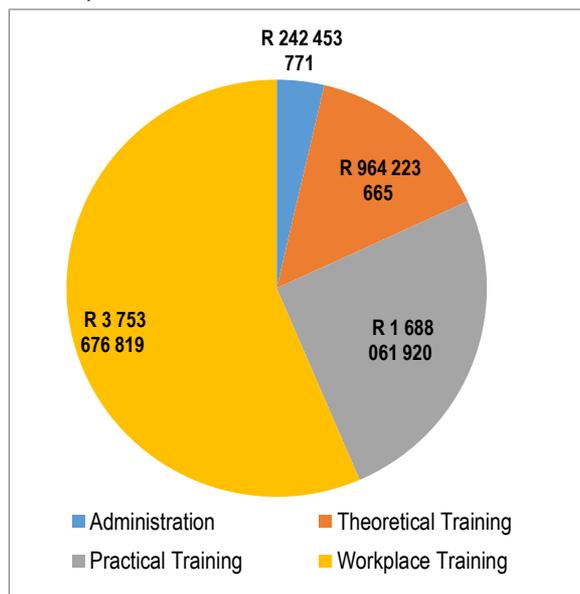
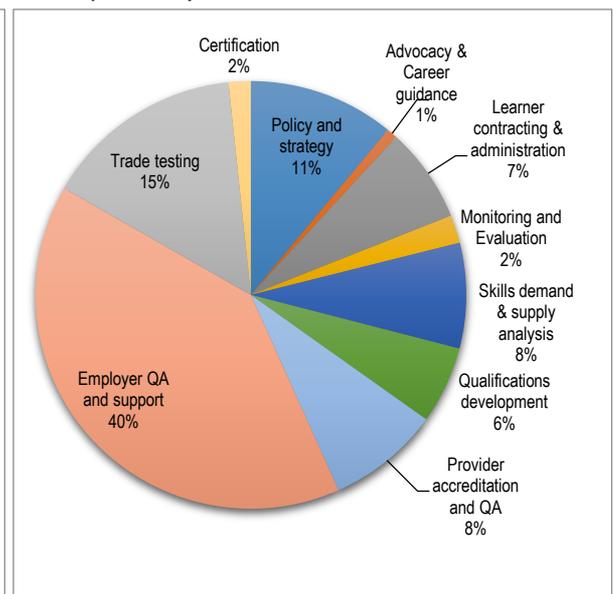


Figure 2: Administration costs in the artisan development system, 2014/15



4 Performance

Although allowing for the fact that the system of artisan development is relatively new, the PER identified a number of challenges:

- *Throughput rates:* The low throughput rate of 56% remains the biggest obstacle facing the system. Over 26 000 artisan learners enter the system each year and only about 15 000 qualify.
- *System of administration:* The system is plagued by inefficiencies, such as poor data on the supply and demand for artisans in the economy; the limited availability of career guidance; overly complicated registration systems for learner artisans, which lead to delays and employer frustration; inefficient grant disbursement processes; poor monitoring and quality assurance of learner programmes; and excessive delays in trade testing. As a result, employers lack confidence in the quality of the programmes and the artisans they produce.
- *Poor public TVET system engagement with artisan development:* Limited management capacity at public TVET colleges, poor governance, a curriculum for the National Certificate (Vocational) that is not aligned with the needs of the trades (or the local economy), poor quality workshops, and uneven levels of trade expertise among teachers contribute to the low throughput rates of these colleges and employers' reluctance to partner with them when engaging artisan learners.
- *Limited employer incentives:* The national grant for artisan development increased participation in the programme, but this is hampered by inefficient SETA administration. This is especially true for smaller companies, which often see the grant conditions as an administrative burden.
- *Structural weaknesses in artisan learning programmes:* Having a number of routes for artisan development, which are often complex, is inefficient. Many learners lose their theoretical foundation, as they do not have an opportunity to apply what they have learned; this contributes to low throughput rates and extends the time it takes to qualify.

5 Costing model

The PER developed a costing model to assess the cost of various policy choices and targets. The key variables, all of which can be adjusted by users, are: the number of artisan learners enrolled; the proportion of these who receive grant funding; the value of the grant; the proportion of artisan learners enrolled in TVET colleges; the proportion of these enrolees who receive support from NSFAS; the value of the tax rebate; and the throughput rate.

In order to test the range of potential costs under different policy parameters, the PER defined and costed four scenarios:

- *Scenario 1: Consolidation/Baseline:* This baseline scenario uses the 2014 numbers of learners and qualifying artisans. On average, it costs government over R270 000 to produce an artisan, and when employers' costs are included, the figure rises to R450 000. This scenario sees no real change to expenditure by 2030, although inflation increases the total costs to R14.8 billion. About R8.8 billion of this amount will be for government's account (see Table 1). Note, however, that employers' costs are associated with the employment of apprentices whose labour contributes to their activities; these costs are therefore offset by increased income.
- *Scenario 2: NDP:* Based on the NDP targets for artisan development, this scenario assumes that the required number of artisans graduate, but that the current throughput rate of 56% remains unchanged. The only difference between this and the baseline scenario is the larger number of



learners enrolled (53 600) in order to ensure that 30 000 learners graduate. Under these assumptions, the estimated expenditure in 2030/31 will be R31.9 billion, R18.8 billion of which will be from public funds.

- *Scenario 3: Radical reform:* This scenario assumes a higher throughput rate (90%), with 50% of artisans trained in public TVET colleges. This helps to reduce the cost of training because public TVET colleges provide both theoretical and practical learning. As a result, the grant amount is reduced from R139 350 to R100 000. At higher throughput rates, fewer artisan learners need to be enrolled to achieve 30 000 qualifications, and the average cost to government per artisan falls to R166 000. The estimated total spending in 2030/31 is R30.5 billion.
- *Scenario 4: Pragmatic:* This scenario is based on incrementally improving the throughput rate of artisan learners from 56% to 75%, while training 20% of artisan learners in public TVET colleges. The grant amount for these learners is reduced to R100 000. Under these assumptions, the average cost to government per artisan amounts to just over R201 372 and total spending amounts to R29.2 billion in 2030/31.

Table 1: Projections for spending in 2030/31 under four scenarios

| Spending items | 1: Consolidation | 2: NDP | 3: Radical reform | 4: Pragmatic |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| 1. Administration | 529 246 177 | 529 246 177 | 529 246 177 | 529 246 177 |
| 2. Theoretical training | 2 104 779 336 | 4 686 557 712 | 9 907 163 340 | 9 006 512 127 |
| 3. Practical and workplace training | 11 416 390 060 | 25 152 252 996 | 18 720 505 124 | 18 449 442 137 |
| 4. Tax rebate | 813 409 467 | 1 795 662 619 | 1 679 551 145 | 1 453 471 429 |
| 5. Grants and public sector contribution | 5 312 219 396 | 11 813 967 668 | 8 630 005 129 | 8 449 295 908 |
| | | | | |
| Total cost to government | 8 759 654 376 | 18 825 434 176 | 20 745 965 790 | 19 438 525 641 |
| Total cost to employers* | 6 856 033 248 | 14 830 739 187 | 14 329 764 216 | 12 231 235 733 |
| Total cost* | 14 802 278 157 | 31 860 510 745 | 30 469 690 582 | 29 152 112 388 |
| Artisan learners enrolled | 27 000 | 53 600 | 44 000 | 40 000 |
| Artisans produced | 15 122 | 30 017 | 39 600 | 30 000 |

* The costs incurred by employers relate to the employment of apprentices, e.g. wages and equipment. These costs are offset by the additional income generated by the productive work of the apprentices. They are therefore not 'unreimbursed out-of-pocket' expenses.

6 Findings

A clear implication of the PER is that artisan development cannot be achieved without significant investment both by government and business. It is, therefore, not well-suited to solving South Africa's unemployment challenges. The key to managing these costs, however, is to improve the effectiveness of spending and achieve better value for money. This requires maintaining and improving the quality of training, while also raising throughput rates. While there is no single solution, the PER identifies two key strategic interventions: improving the administrative system for artisan development, and improving the utilisation of public TVET colleges in artisan development. If addressed systematically, a focus on these two issues could raise throughput rates to 75%.