

The merSETA 2017/18 Annual Report Summary



The merSETA Chairperson
Ms Lebogang Letsoalo

It is that period of the financial year when the merSETA can rightly claim its bragging rights. For it is the time when we reflect on the successes – and in certain instances, our challenges – in the past financial year, which ended on 31st March 2018.

The past financial year has steered the merSETA towards the realisation that tailored approaches are needed not only by its sub-sectors but also in the enterprise segments which we serve. These approaches will have to be defined by both size and region.

The relentless march of Industry 4.0 with its Internet of Things, Robotics and automation are crucial elements of the merSETA strategy.

Although economic growth in 2017/18 was higher than anticipated, South Africa is still being buffeted by the headwinds of de-industrialisation, with job losses and factory closures in our sectors in the past financial year. In response, the merSETA conducted research to better understand the skills development requirements in formal and informal, SME and Cooperatives sectors. These smaller segments have massive potential to stimulate growth in the Mer-sectors. The initial research has found that significant investments in skills development will be needed across various job categories, particularly in new materials design, electronics and mechatronics, to respond to the rapid technology changes.

Process technology will be affected by the rise of machine-learning and artificial intelligence, and automation is likely to accelerate. Given the country's producers' reliance on a large, low-skilled workforce, these job categories will become increasingly vulnerable to disruption, and even displacement. Up-skilling, re-skilling as well as multi-skilling of the current work force is required to keep pace with the demands of a technologically disruptive industry and to curtail further job losses. In addition, workers need to be equipped with skills that allow agility in an ever changing labour market. This emphasises the importance of lifelong learning in a changing world. To this end, the merSETA is working on improving its technological interface with training providers, apprentices and learners, developing a tool to assist learners to track their progress and achievements through the apprenticeship programme and making the apprenticeship experience more empowering and meaningful for tech-savvy youth.

Financial Management

The merSETA Levy income increased by 6% over the prior year, being 2% above a conservative budgeted increase of 4%. Penalties and interest on skills development levy income have increased by 19% compared to the previous year. The increase in penalties and interest could be reflective of South Africa's tough economic climate. Bank balances and fixed notice deposits comprise cash and cash equivalents held by merSETA on a short-term basis. These investments are for 12 months or less, bar one investment of R100 million which has been invested for 24 months. Monthly mandatory grant payments were made throughout the year. The mandatory grant claims ratio dropped from 74.2% in 2016/17 to 70.2% in 2017/18.

Disbursements of discretionary grants and projects have decreased by 2.3% from the previous year, dropping from R754 million in 2016/17 to R736 million in 2017/18. The merSETA has been consistently driving its discretionary grant milestones.

The discretionary grant reserves of R3 002 million are 74% committed to multi-year learnerships, apprenticeships and projects stretching over an average period of four years.

Grant disbursement

Disbursements of discretionary grant funds account for a minimum of 49.5%. The discretionary grant is intended to support the training of learners and apprentices and also to undertake special projects that address critical sector needs and strategic priorities as outlined in the strategic plan and annual performance plan.

A total of 4 057 companies were successfully approved for mandatory grants, compared to 4 005 in 2015/16. This resulted in a claims ratio of 74.2% for the year under review compared to 73.7% in the previous year.

Companies that fail to adhere to the terms of the signed MoA are requested either to effect remedial action or to refund the portion of discretionary grant funds paid to them.

The merSETA is proud to announce a number of partnerships with various non-levy paying entities eligible for discretionary grant funding that were entered into in the past financial year: These included;

- The National Department of Public Works to train 200 apprentices;

- The Department of Correctional Services to train parole-waiting offenders on 625 skills programmes in the Northern Cape, Gauteng, Eastern Cape and Kwa-Zulu Natal);

- Bursaries for the funding of 2 308 unemployed students were approved at the Central University of Technology, Nelson Mandela Metropolitan University, Tshwane University of Technology, University of Cape Town, University of Johannesburg, Vaal University of Technology, Wits University, Cape Peninsula University of Technology, University of Pretoria and NSFAS;

- TVET Colleges to train 1 262 learners on programmes leading to artisan status. This project focuses on the Motheo, Northlink, Northern Cape Urban, Northern Cape Rural, Orbit, Sedibeng, Boland, Capricorn, Coastal Kwa-Zulu Natal, Ekurhuleni East, Waterberg and West Coast College TVETs;

- The Offices of the Premier in the Western Cape, Free State and Limpopo will train 64 learners on learnerships, 155 learners on skills programmes, 200 experiential learners, 170 learners on internship programmes and 100 learners on apprenticeships; and

- A co-funded partnership was entered into with the Gauteng Education Department to train 595 apprentices, including trade-related learnerships and the Chinese Government to train 200 experiential and internship learners.

Industry 4.0 and its Challenges

As the manufacturing world wonders on the impact of Industry 4.0, the vocational and skills development training spheres are lagging behind. That there will be labour market transitions which will demand training and retraining is certain. Lifelong learning is a fait accompli for both young and old. This will lead to more rapid occupational mobility between different sectors of the economy. Skills mismatches between labour demand and supply will become a thing of the past as the demand for specialised knowledge grows at faster paces. The TVET landscape will change dramatically with industry demand being the arbiter of the curricula and the knowledge level of student/labour output. Industry will subsidise those institutions that are able to keep abreast of Industry 4.0, to the detriment of lagging institutions. This would need policy interventions in South Africa. The social impact of the technological revolution is heart-warming. The merSETA sectors will need to work ever closer with the organisation to maximise this new industrial revolution. The merSETA is well-placed to unlock and analyse the interconnected web of contextual factors that impact on skills.

SUMMARY OF FINANCIAL INFORMATION

Revenue collection

	2017/2018			2016/2017		
	R'000	R'000	R'000	R'000	R'000	R'000
	Budget	Actual amount collected	(Over)/Under collection budget	Budget	Actual amount collected	(Over)/Under collection budget
Skills development levy income	1 091 236	1 391 470	(300 234)	1 184 128	1 308 132	(124 004)
Skills development penalties and interest	25 000	32 742	(7 742)	26 000	27 519	(1 519)
Net gains from financial instruments	75 843	227 448	(151 605)	95 000	175 628	(80 628)
Other income	-	123	(123)	175	141	34
Total	1 192 079	1 651 783	(459 704)	1 305 303	1 511 420	(206 117)

Levy Income

Actual current year	1 391 470
Budget current year	1 091 236
Actual prior year	1 308 132

Interest Income

Actual current year	227 448
Budget current year	75 843
Actual prior year	175 628