

Manufacturing, Engineering and Related Services Sector Education and Training Authority

Strategic Plan for
2020/21 -2024/25

30 November 2023



merSETA
MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

FOREWORD BY THE MINISTER



The mandate of the Sector Education and Training Authorities is derived, in the main from the Skills Development Act 97 of 1998 as amended, which amongst others, directs SETAs to develop Sector Skills plans (SSPs). In their Sector Skills Plans, SETAs must reflect and incorporate government priorities, especially those that address our priority developmental goals, that of tackling the triple challenges of poverty, unemployment, and inequalities. The SSPs are intended to ensure that skills are not a constraint to the economic development of our country.

The mandate of the SETAs must be understood within our vision of the post-school education and training system of having an integrated, coordinated, and articulated PSET system for improved economic participation and the social development of youth and adults. Critical to this vision is our challenge of addressing the plight of the youth that are Not in Education, Employment, or

Training (NEET), which is standing at over 3.3 million in the third quarter of 2023.

The launch of the National Plan for Post-School Education and Training on 7 September 2023, signaled our government's commitment towards achieving an improved, transformed, expanded, responsive, and articulated Post-School Education and Training (PSET). Our National Plan for Post-School Education and Training (NPPSET) is our roadmap for implementing the vision of the White Paper for Post-School Education and Training (WP-PSET). It will continue to guide our SETA system strategy and planning instruments as it is framed within the broader goals and priorities of the National Development Plan (NDP), which foregrounds the national efforts to address the triple challenges of unemployment, inequality, and poverty. Important, to note, is that it remains our overarching policy instrument and a blueprint for guiding planning in our post-school system. It will be proper for everyone to have access to the National Plan for Post-School Education and Training. It aligns and integrates the work that is already underway and provides a policy framework for major transformative changes the government wants to bring about, across the post-school system and its nexus with society and the economy.

The White Paper for Post-School Education and Training (WPPSET) envisages the post-school education and training system as an important institutional mechanism that must be responsive to the needs of society. Critical to this, are our transformational and developmental imperatives which include amongst others: class, gender, race, geography, and youth, which must be reflected at all material times in our SETA interventions. The Ministry of Higher Education, Science, and Innovation is among the leading ministries for the 2019–2024 Medium Term Strategic Framework (MTSF) Priority 3: Education, Skills, and Health, and the following medium-term outcomes have been identified:

- An integrated and coordinated PSET system.
- Expanded access to PSET opportunities.
- Improved success and efficiency of the PSET system.
- Improved quality of PSET provisioning.
- A responsive PSET system

The President launched the Economic Reconstruction and Recovery Plan (ERRP) in October 2020 pointing out to skills development, science, and innovation as enablers in driving South Africa's economic reconstruction and recovery, but also key in sustaining it. In support of this initiative, the Department working with social partners at the National Economic Development and Labour Council (NEDLAC) & the National Skills Authority, in the main developed the Skills Strategy to support the government's efforts to mitigate the impact of COVID-19 global health pandemic and the initiatives towards economic and social recovery.

The Economic Reconstruction and Recovery Plan Skills Strategy (ERRP SS) aims to support the Economic Reconstruction and Recovery Plan (ERRP), ensuring that it is not compromised by skills shortages. It is born out of the urgency for a well-coordinated strategy of skills development to support both the management of the COVID-19 global health pandemic and economic and social recovery. President Ramaphosa captured

our determination to reset the South African economy when he said: “We are determined not merely to return our economy to where it was before the coronavirus, but to forge a new economy in a new global reality.” As stated in the ERRP, South Africa is now on the threshold of an important opportunity to imaginatively, and with a unity of purpose, reshape its economic landscape.

The ERRP SS is located within the broader skills planning arsenal of the Post-School Education and Training (PSET) system, which promotes the use of labour market intelligence (including future work scenarios) to inform PSET provisioning. The Department of Higher Education and Training has identified skills needs in the form of the List of Occupations in High Demand, the Priority Skills List, and the Critical Skills List (which it prepared on behalf of the Department of Home Affairs). The SETAs will continue to play a critical role in the implementation of the Skills Strategy to support the Economic Reconstruction and Recovery Plan.

The National Skills Development Plan (NSDP) 2030 remains at the centre in directing how the skills development levy will be disbursed up to 31 March 2030. For this reason, the Sector Education and Training Authorities (SETAs) have been re-established until 2030, in alignment with the National Development Plan to ensure that the SETAs focus on skills required for our socio-economic development. For the financial year, we aim to expand the participation of young people in skills development programs as well as workplace-based learning opportunities. We have surpassed the State of the Nation Address (SoNA) 10,000 Technical and Vocational Education and Training (TVET) target placements in 2022 leading to setting a target for 2023 of 20,000 TVET placements.

For the 2024/25 financial year, the entire SETA system has set itself the following targets, as part of expanding post-school opportunities:

- 190 000 workplace-based learning (WBL) opportunities;
- 150 000 learners registered in skills development programs;
- 36 375 learners entering artisanal programs;
- 26 500 learners passing artisanal trades;
- 53 000 learners completing learnerships;
- 11 000 learners completing internships; and
- 128 000 learners completing skills programs.

The SETA will enter into the Service Level Agreement with the Director-General of the Department and commit that 25% of all targets be achieved on a quarterly basis, with 100% achievement in the last quarter of the financial year. Whilst the TVET placement must be achieved at 100% by the end of December 2024.

The SETA Annual Performance Plan (APP) provides a clear commitment to the delivery of our skills development priorities and targets for implementation during the 2024/25 financial year.

Dr. BE Nzimande, MP
Executive Authority of Higher Education, Science, and Innovation

EXECUTIVE AUTHORITY STATEMENT

Reflecting on merSETA achievements over the last five years, has highlighted the extent of the impact the organisation has made in the manufacturing, engineering and related services sectors by providing skills development interventions aligned to its vision of being the leaders in closing the skills gap. This has been reflected by merSETA consistency in achieving its targets in the past five years.

The SETA has been instrumental in addressing national priorities such as artisan training. In the past five years, the SETA managed to produce 17000 artisans and remains the leading SETA in producing artisans. The SETA's role in contributing to the NDP target of 30 000 artisans per year will therefore remain significant.

The role of skills has also been identified as key in unlocking the potential of the local manufacturing sector as well as other advances brought by the 4th industrial revolution (4IR). The merSETA will need to focus on skills development interventions that will unlock the potential of advanced manufacturing, the circular, blue and green economies through emerging, transforming and new skills (future skills).

The SETA's role in addressing transformation imperatives through skills will remain key in the coming five years. This is pivotal in contributing towards the national imperative of fighting poverty, unemployment and inequality. Programmes supporting the social economy, rural and community development, Employment Equity (EE) and youth development are key in delivering the transformation imperative.

Signature

.....

Ncedisa Mjikeliso (Mrs)

Acting Chief Executive Officer (merSETA)

ACCOUNTING AUTHORITY STATEMENT

The drafting of this strategic plan, which foregrounds the merSETA's' outcomes for the next five years has indeed spurred the energies of the merSETA staff, management team and the Accounting Authority to align and gear up to make even more of an impact in the upcoming five years. Being one of the larger SETAs, the merSETA services a sector comprising of over a million workers in formal employment, with over 750 000 represented in the merSETA employer database and over 4500 active employers who participate in merSETA initiatives and programmes.

Reflecting on the past five years, the merSETA has trained 61 000 learners, of which almost 17 000 were artisans. In terms of the learnerships and skills programmes, 20 000 and 22 000 learners completed respectively. In addition, 13 300 learners were bursary recipients who completed their qualifications.

The successes have been achieved by implementing a business funding model which has resulted in a contribution of almost R572 million in additional funding towards skills development aligned to industry needs as well as national government priorities.

The strategic focus of the merSETA operations has been to meet clearly articulated imperatives, including:

- Responding to the needs new technologies and changing business processes related to the Fourth Industrial Revolution (4IR).
- Promoting innovation in line with socio-economic, technological and structural transformation, the circular, green and blue economies.
- Influencing curriculum change and innovation for the education and training system (both institutional and workplace-based learning)
- Supporting structural transformation (ownership, control, and management) through promoting entrepreneurship, SMEs, localisation and uplifting the role of the manufacturing sector in inclusive growth.
- Conceptualising partnerships that are responsive to merSETA priorities
- Strengthening governance and resourcing through building internal capacity, robust, robust systems, processes, governance structures and procedures.

Partnerships have become a key vehicle in assisting the merSETA to achieve its mandate and surpass its skills targets. To this end the merSETA has partnered with Higher Education Institutions (HEIs), TVET Colleges, Government Departments and its entities, civil society as well as Employers in the sector. Value added partnerships have also allowed the merSETA to expand its skills development initiatives to the international arena in terms of its technical exchange programmes in partnership with international development agencies and international learning and research networks.

The focus on HEI partnerships is for the placement of learners to achieve professional status. It also ensures the development of academics, up-skilling of lecturers, curriculum review and importantly innovations through research and development relative to the sector needs as well as enhancements and efficiencies in line with the demands of the Fourth Industrial Revolution (4IR), the green and circular economy. TVET College partnerships are vitally important for the development of technical and vocational skills with an emphasis on workplace-based learning so that learners, once qualified can make meaningful contributions to the workplace. Work with the TVET colleges has also been aligned to improving the quality of teaching and learning to deliver relevant, high quality teaching skills and high-quality workers to the labour market. Partnerships with Government and its agencies at both national and local department levels has assisted with addressing regional and local skills needs as well as supporting research initiatives for planning as well as innovations with regards to skills delivery. Civil society partnerships have been key in assisting with interventions related to national priorities such as supporting skills interventions for persons with disabilities, addressing youth development reaching disadvantaged communities and empowering female workers. In all these initiatives, the relationship merSETA has forged with employers has been instrumental. Without inputs from industry the work undertaken by the merSETA cannot make any meaningful impact.

Looking back over the last five years, there has also been some challenges. These relate particularly to the slow pace of transformation; assisting with structural transformation of the economy in terms of advancing Black industrialists and the integration of employment equity with respect to skills development, additional attention to innovation and reach is required to expedite transformation. The merSETA

has also experienced challenges in producing artisans in alignment with the NDP. Although 17 000 artisans were trained in the 5-year period, this figure fell short of the target of 20 500 representing an achievement of 83%. Low and slow throughput rates were observed, this being exacerbated by the challenges of the low growth rate in the economy resulting in large scale retrenchments and closures and ultimately resulting in fewer workplaces available to train artisans. This also tended to hamper employer commitment due to the cost and time required to train artisans.

The notion of 4IR also posed some challenges in terms of understanding exactly the requirements for skills development in line with technological development, robotics, additive manufacturing and artificial intelligence. Therefore, the requirements for curriculum change and innovation becomes somewhat of a black box in terms of the complexities to deliver relevant interventions at a rapid pace to keep up with the demands of industry. These demands are somewhat hidden and not readily understood. In addition, research has shown that advances in industry have demanded mid and high-level skills, placing the industry in a conundrum since over 40% of the workforce have skills at the level of machine operator and elementary worker. Therefore, skills development must take place in the midst of rapid change, meaning that skills are required to up-skill, re-skill and even multi-skill the current workforce to mitigate job losses.

In order to overcome some of these challenges, the merSETA has proposed skills priority actions that build on its previous successes and strategically aligns with the trajectory of industry and national priorities. These include a focus on the social economy which is a people centred approach to economic development; based on principles of sustainable economic activity that stimulates socially and environmentally responsible growth that is inclusive. This entails a focus on developing skills that are required to advance local manufacturing, and this in turn will include strategic partnerships with cooperatives, community-based enterprises, trade union owned enterprises, informal enterprises, NGOs, non-profit trusts/charitable trusts/public benefit organisations and other social enterprises. There will also be an impetus on developing skills for future jobs that align to new and evolving business models, new technologies, new regulations and requirements for sustainable manufacturing practice as well as global competitiveness and producing high quality goods and

services for a discerning consumer base. To support structural transformation and advancing skills for Black Industrialists, there will be a focus on developing skills in line with growing the local manufacturing sector particularly small and medium sized business enterprises.

Finally, in order to achieve the envisioned outcomes contained in this Strategic Plan, the merSETA must put in place internal mechanisms to advance the SETA to becoming a leader in skills development. The merSETA envisions itself as a professional and capable organisation grounded in ethical leadership, best practice governance & management, appropriate competencies (staff, governance structures, implementing partners and stakeholders), good employee experience supported by policies, systems, processes and fair remuneration, as well as performance-based impact delivery of products and services and best practice consequence management.

Signature.....

Kate Moloto (Ms)

Chairperson of the Accounting Authority (merSETA)

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan was developed by the management of the Manufacturing and Engineering Related Services Sector Education and Training Authority (merSETA) under the guidance of the Accounting Authority and takes into account all the relevant policies, legislation and other mandates for which merSETA is responsible and accurately reflects the Impact, Outcome and Outputs which the Manufacturing, Engineering and Related Services Sector Education and Training Authority will endeavour to achieve over the period 2020/21 to 2025/26.

Helen Brown (Dr)

Acting Executive: Strategy & Research

Signature.....

Rajesh Jock (Mr)

Executive: Corporate Services

Signature:

Andrew Venter (Mr)

Acting Chief Financial Officer

Signature:

Naphtaly Mokgotsane (Mr)

Acting Chief Operations Officer

Signature:

Ncedisa Mpande (Mrs)

Acting Chief Executive Officer

Signature:

Kate Moloto (Ms)

Chairperson of the Accounting Authority

Signature.....

Approved by

Executive Authority (Minister) Signature

Table of Contents

EXECUTIVE AUTHORITY STATEMENT	ii
ACCOUNTING AUTHORITY STATEMENT	iii
OFFICIAL SIGN-OFF	vii
ACCRONYMS	x
PART A: OUR MANDATE	12
1 Updates to the relevant legislative and policy mandates	12
1.1 Constitutional mandate	12
1.2 Legislative and policy mandates	12
1.3 Updates to institutional policies and strategies	14
1.3.1 National Development Plan (NDP).....	14
1.3.2 National Skills Development Plan (NSDP).....	14
1.3.3 Sectoral Masterplans.....	16
1.3.4 Economic transformation, inclusive growth, and competitiveness:.....	18
1.3.4.1 Economic Reconstruction and Recovery Plan (ERRP) (2020).....	18
1.3.4.2 Green paper on the social economy (2019).....	19
1.3.4.3 The National Strategic Plan (NSP) on Gender Based Violence and Femicide (GBVF) (2020)	20
1.3.4.4 National Youth Policy (NYP) 2020- 2030.....	21
1.3.4.5 The National Digital and Future Skills Strategy (2020).....	22
1.3.4.6 Report on the Presidential commission on the 4 th industrial revolution (4IR).....	22
1.3.4.7 The Green Paper on Electromobility (2021).....	23
1.3.4.8 Implications for merSETA support through its skills development mandate.....	24
1.3.4.9 Supporting economic reconstruction, recovery, and growth.....	24
1.3.4.10 District Development Model.....	27
1.3.4.11 Skills for the changing world of work and emerging employment/career opportunities	27
1.3.4.12 Skills for the growth and sustainability of the green and circular economies.....	28
1.3.4.13 Exploring and supporting the role of the mer sector in the digital economy.....	29
1.3.4.14 Continuing to strengthen the role of the SETA as an intermediary body.....	29
1.4 Relevant court rulings	31
PART B: OUR STRATEGIC FOCUS	32
1 Vision	32
2 Mission	32
3 Values	32
4 Situational Analysis	32

5	External environment analysis	33
6	Internal organisational Environment	41
	Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis	50
	PART C: MEASURING OUR PERFORMANCE	54
1	Institutional Performance Information.....	54
	a. Measuring the Impact.....	54
	b. Explanation of planned Performance over the period 2020/21 – 2025/26.....	56
	c. Key risks and mitigations.....	58
	d. Public entities.....	59
	PART D: TECHNICAL INDICATOR DESCRIPTIONS	60
	ANNEXURES TO THE STRATEGIC PLAN	63
	Annexure A: District Development Model	63

List of Tables

Table 1: Mapping the NSDP Outcomes to merSETA outcomes.....	16
Table 2: The merSETA staff component.....	49
Table 3: Swot analysis.....	51
Table 4: Outcome indicators.....	56
Table 5: Outcome risks.....	59

ACCRONYMS

AA	Accounting Authority
APP	Annual Performance Plan
BBBEEE	Broad-Based Black Economic Empowerment
BER	Bureau of Economic Research
BMW	Bavarian Motor Works
BRICS	Brazil, Russia, India, China, South Africa
CBO	Community Based Organizations
CEO	Chief Executive Officer
CET	Community Education and Training
CFO	Chief Financial Officer
COO	Chief Operations Officer
DHET	Department of Higher Education and Training
DG	Director General
DR	Doctor
EE	Employment Equity
EEA	Employment Equity Act
ETQA	Education and Training Quality Assurance
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
HEI(s)	Higher Education Institutions
HR	Human Resources
HRM	Human Resource Management
ICT	Information and Communication Technology
IDC	International Data Corporation
IPAP	Industrial Policy Action Plan
IRD	Innovation Research and Development
ISO	International Organisation for Standardization
KM	Knowledge Management
M & E	Monitoring and Evaluation
MANCO	Management Committee
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organization
NDP	National Development Plan
NSDP	National Skills Development Plan
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
PFMA	Public Finance Management Act
PhD	Doctor of Philosophy
POPI	Protection of Personal Information
PSET	Post-School Education and Training
PWD	People with Disabilities
QCTO	Quality Council for Trades and Occupations
Q2	Quantile two
RMB	Rand Merchant Bank
SA	South Africa/South African
SETA	Sector Education and Training Authority

SLA	Service Level Agreement
SME(s)	Small and Medium Enterprises
SP	Strategic Plan
SSP	Sector Skills Plan
SWOT	Strengths Weakness Opportunities and Threats
TVET	Technical & Vocational Education and Training College
US	United States
WE/WIL	Work Experience/Workplace Integrated Learning
WP-PSET	White Paper Post-School Education and Training
3-D	Three Dimensional
4IR	4th Industrial Revolution

PART A: OUR MANDATE

1 Updates to the relevant legislative and policy mandates

1.1 Constitutional mandate

The Constitution of the Republic of South Africa Act No. 108 of 1996 provides an enabling framework for the establishment and operations of Sector Education and Training Authorities (SETAs). Section 22 of the Constitution states that every citizen has the right to choose their trade, occupation or profession freely. Section 29 (b) also states that everyone has the right to further education, which the state, through reasonable measures, must make progressively available and accessible.

1.2 Legislative and policy mandates

1.2.1 Legislative frameworks

The merSETA is a schedule 3A public entity, governed by the *Public Finance Management Act No. 1 of 1999 (as amended)*. The entity's mandate is derived from the *Skills Development Act No. 97 of 1998* and its subsequent amendments. Its responsibilities include the following:

- i. *Develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS).*
- ii. *Establish and promote learnerships through:*
 - o *Identifying the need for a learnership*
 - o *Developing and registering learnerships*
 - o *Identifying workplaces for practical work experience*
 - o *Supporting the development of learning materials*
 - o *Improving the facilitation of learning, and*
 - o *Assisting in the conclusion and registration of learnership agreements.*
- iii. *Collect and disburse the skills development levies in its sector; approve workplace skills plans and allocate grants in the prescribed manner to employers, education and training providers and workers.*
- iv. *Fulfil the functions of an Education Training and Quality Assurance (ETQA), as delegated by the Quality Council for Trades and Occupations (QCTO).*
- v. *Monitoring education and training in the sector.*

Some of the legislation that informs the merSETA mandate include but not limited to the following:

- *Public Finance Management Act No. 1 of 1999 as amended (PFMA)*
- *Treasury Regulations issued in terms of the Public Finance Management Act (Treasury Regulations) of 2005*
- *Directive: Public Finance Management Act under GN647 of 27 May 2007*
- *Public Audit Act No.25 of 2004*
- *Public Audit Amendment Act No. 5 of 2018*
- *Skills Development Act No. 97 of 1998*
- *Skills Development Levies Act No. 9 of 1999*
- *SETA Grant Regulations regarding monies received by the SETA and related matters (“Grant Regulations”) under Notice 35940 of 3 December 2012*
- *Service Level Agreement Regulations under regulation number No. R716 of 18 July 2005*
- *Government Gazette No. 42589, re-establishment of SETAs from 1 April 2020 to 31 March 2030, within the New SETA landscape*
- *Approval of the Constitution for the merSETA as contemplated in Section 13 (1) of the Skills Development Amendments Act No. 26 of 2011 and Standard Constitution of the Sector Education and Training Authority (merSETA Constitution)*
- *Promotion of Access to Information Act No. 2 of 2000*
- *Promotion of Administrative Justice Act No.3 of 2000*
- *Employment Equity Act No. 55 of 1998*
- *Labour Relations Act No. 66 of 1995*
- *Basic Conditions of Employment Act No. 75 of 1997*
- *Occupational Health and Safety Act No. 85 of 1993 and*
- *Applicable tax laws*
- *Broad-Based Black Economic Empowerment Act, No.53 of 2003*
- *Broad-Based Black Economic Empowerment Amendment Act, No.46 of 2013*
- *Employment Equity Amendment Act, No. 4 of 2022, assented to on 06 April 2023, awaiting Minister’s proclamation start date.*

1.2.2 Policy environment

The policy environment which informs the merSETA mandate is the following:

- *National Development Plan (NDP)*
- *White Paper for Post-School Education and Training (WP-PSET) (2014)*
- *Human Resource Development Strategy for South Africa (2015)*
- *National Skills Development Plan*
- *New Growth Path*
- *Medium-Term Strategic Framework (2019 -2024)*

1.3 Updates to institutional policies and strategies

The merSETA annual performance plan takes into consideration sectoral priorities, national priorities, strategies, and policies. The following are some of the key national policies and strategies central to the providing signals to the skills development work of the merSETA and its stakeholders. Key themes emerging include supporting economic growth through reindustrialisation efforts, localisation, transformation, community, and youth development, supporting women, sustainability, and digital transformation.

1.3.1 National Development Plan (NDP)

The NDP aims to eliminate poverty and inequality by 2030. The merSETA has a significant role to play in contributing to the priorities set in the NDP. This plan considers the need to contribute to these priorities. Three NDP priorities that stand out as relevant to the merSETA include the following:

- (i) Raising employment through faster economic growth.
- (ii) Improving the quality of education, skills development, and innovation.
- (iii) Building the capability of the state to play a developmental and transformational role.

1.3.2 National Skills Development Plan (NSDP)

The aim of the NSDP is to ensure that South Africa has adequate, appropriate, and high-quality skills that contribute towards economic growth, employment creation, and social development. The NSDP is one of the key policies that will inform the work of the merSETA until 2030 and has been crafted within the policy context of the National Development Plan, and White Paper on Post School Education and Training (WP-PSET).

The merSETA will focus on addressing the eight NSDP outcomes highlighted in Table 1. The eight outcomes are mapped to the merSETA strategic outcomes for the period 2020/21 – 2024/25.

Table 1: Mapping the NSDP Outcomes to merSETA outcomes.

National Skills Development Plan Outcomes	merSETA Outcomes
Outcome 1: Identify and increase production of occupations in high demand.	<p>Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries, to support EE demographics transformation, changing business models of production and technology, and transformation for the diversification of ownership, control, and management.</p> <p>Outcome 5: A skilled, agile, and flexible current and future workforce for emerging and future occupations and employment opportunities, within the merSETA sector engineering and manufacturing industries, and related labour market.</p>
Outcome 2: Linking education and the workplace.	Outcome 3: PSET education, training, and skills development public institutions responsive to the changing occupations, and skills demand required for the merSETA sector engineering and manufacturing industries, and related labour market.
Outcome 3: Improving the level of skills in the South African workforce.	<p>Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries, to support EE demographics transformation, changing business models of production and technology, and transformation for the diversification of ownership, control, and management.</p> <p>Outcome 5: A skilled, agile, and flexible current and future workforce for emerging and future occupations and employment opportunities, within the merSETA sector engineering and manufacturing industries, and related labour market.</p>
Outcome 4: Increase access to occupationally directed programmes.	<p>Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and transformation for the diversification of ownership, control, and management.</p> <p>Outcome 5: A skilled, agile, and flexible current and future workforce for emerging and future occupations and employment opportunities, within the merSETA sector engineering and manufacturing industries, and related labour market.</p>
Outcome 5: Support the growth of the public college system.	Outcome 3: PSET education, training, and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries, and related labour market.
Outcome 6: Skills development support for entrepreneurship and cooperative development.	Outcome 2: Skills for productive enterprises within the social economy, to support integration into the merSETA sector engineering and industry value chains.
Outcome 7: Encourage and support worker-initiated training - driven by critical networks of employee representatives and unions officials.	Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries, to support EE demographics transformation, changing business models of production and technology, and transformation for the diversification of ownership, control, and management.

Outcome 7: Encourage and support worker-initiated training - driven by critical networks of employee representatives and unions officials.	Outcome 5: A skilled, agile, and flexible current and future workforce for emerging and future occupations and employment opportunities, within the merSETA sector engineering and manufacturing industries, and related labour market.
Outcome 8: Support career development services.	Outcome 5: A skilled, agile, and flexible current and future workforce for emerging and future occupations and employment opportunities, within the merSETA sector engineering and manufacturing industries, and related labour market.

1.3.3 Sectoral Masterplans

The South African government has identified master plans for the priority sectors as pivotal in stimulating growth in those sectors. According to the Department of Trade, Industry and Competition (2020), a vital part of growing our industrialisation effort are the sectoral masterplans, which bring all partners together to agree on specific measures to improve productivity, investment, and competitiveness. A central pillar of this work is the transformation of our economy, creating space for new black and women entrants, and taking deliberate steps to change ownership and production patterns. Some of the priority sectors identified are within the merSETA scope of coverage. The sector master plans relevant to the merSETA are briefly discussed below:

1.3.3.1 Automotive Master Plan

The vision of the automotive master plan is to support the development of “a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa’s productive economy, creating prosperity for industry stakeholders and broader society”¹. The key development objectives stated to achieve this vision include:

- (i) Growing South African vehicle production to 1% of global output.
- (ii) Increasing local content in South African assembled vehicles to up to 60%.
- (iii) Doubling total employment in the automotive value chain.
- (iv) Improving the automotive industry competitiveness levels to that of leading international competitors.
- (v) Transformation of the South African automotive industry through the employment of black South Africans, up skilling of black employees, empowerment of dealerships and authorised repair facilities, and substantially

¹ The Department of Trade, Industry and Competition. (2019). The automotive Masterplan. Available from www.dtic.gov.za

increasing the contribution of black-owned automotive component manufacturers within the automotive supply chain.

(vi) Deepening value addition within South African automotive value chains.

1.3.3.2 Steel and Metal Fabrication Master Plan

The Master plan is in the process of being developed and is expected to play a key role in unlocking the growth opportunities for the metal and engineering sector which is facing challenges due to rising input costs, lack of demand and stiff competition. The metals and engineering industry is expected to benefit from the automotive master plan objective to increase local content to 60%.

1.3.3.3 Plastics Sector Master Plan

The vision for the plastics industry adopted in the draft master plan is to be “a proactively adapted industry that is able to fully supply the growing, and forever changing needs of the local and export markets; an industry that is able to create jobs, advance transformation and economic inclusion; and sustainably industrialises in an environmentally responsible manner”². To support this vision three objectives have been identified in the draft master plan, namely:

- (i) To reduce the trade deficit to less than 10% of the total value of the industry by 2035.
- (ii) To maintain or improve the tons per employee which equates to 30 tons per formal job in 2018.
- (iii) To reduce the visible amount of plastics litter in the environment and to increase recycling rates to 60%.
- (iv) The conversion of job creation opportunities through SMMEs skills development programmes is being prioritised.

1.3.4 Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa (2019)

² The Department of Trade, Industry and Competition. (2020). The plastics industry masterplan. Available from <https://www.plasticsinfo.co.za>

The combination of low growth and rising unemployment means that South Africa's economic trajectory is unsustainable. This has been worsened by the Coronavirus Disease 2019 (COVID-19) pandemic which has put into jeopardy government's economic transformation and inclusive growth agenda. Government urgently needs to implement a series of growth strategies that promote economic transformation, support labour-intensive growth, and create a globally competitive economy (National Treasury, 2019). At the centre of this strategy is 'economic transformation' defined as the rapid and fundamental change in the systems and patterns of ownership and control that govern the economy.

The primary focus of the change in economic relations must be the creation of opportunities for all South Africans to live productive, prosperous, and dignified lives. The strategy identifies a complexity of factors that have hindered greater participation by new firms in the economy, such as the existence of scale economies; regulations and policies that support incumbents or are ineffective in assisting rivals and new firms; competition legislation that favours large firms and incumbents; and access to finance challenges (National Treasury, 2019). The strategy identifies Implementing youth employment interventions such as continued support for government programmes that incentivise job creation (e.g. learnerships) and apprenticeships that facilitate school-to-work transition based on close cooperation between institutions of learning and the private sector as one of the five building blocks for supporting growth that promote economic transformation, support labour-intensive growth, and create a globally competitive economy. The strategy also acknowledges that a combination of short and long-term solutions is required to address the skills challenges confronting the South African economy.

1.3.4.1 Economic Reconstruction and Recovery Plan (ERRP) (2020)

The plan sets out a bold vision and immediate actions to enable an economic rebound and to build the economy of the future with the aim of stimulating equitable and inclusive growth. This is following the stagnation of the economy for a long period coupled with the Covid-19 crisis has also led to low levels of capacity utilization in the various sectors

of the South African economy³. The plan sets out eight priority interventions that will stimulate South Africa’s recovery and reconstruction effort. Five of the priority interventions are relevant to the merSETA (see figure 1). Skills development has also been identified as a key enabler of growth.

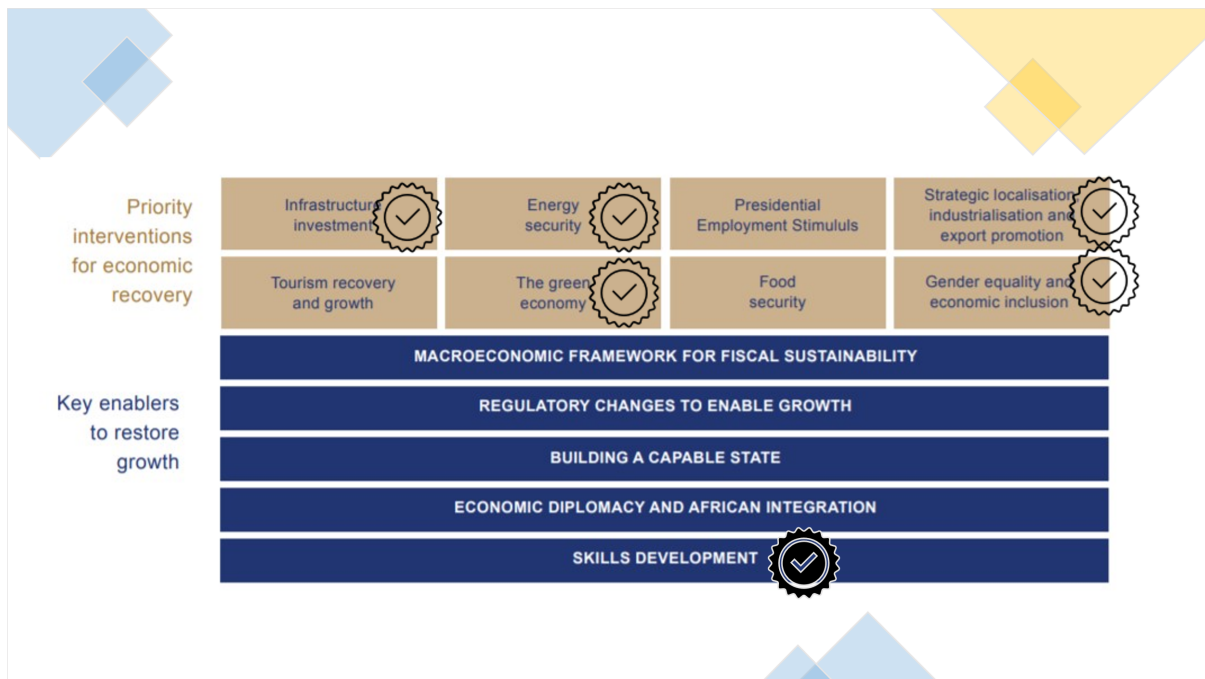


Figure 1: ERRP Priorities

1.3.4.2 Green paper on the social economy (2019)

The South African government recognises that the social economy has the potential to stimulate economic activity while fostering greater social cohesion, inclusion, and solidarity. The social economy is defined “a people-centred approach to economic development based on the principles of sustainable economic activity that stimulates socially and environmentally responsible growth by leveraging and simultaneously building solidarity and social inclusion” (Department of Economic Development, 2019:4). Four areas have been identified as pivotal in supporting the social economy namely:

- **Legal and regulatory environment** that will stimulate activities in the social economy and reduce barriers to start up and grow social economic entities.
- **Financial Inclusion** by promoting access to finance for the social economy.

³ The Presidency. (2020). Economic Reconstruction and Recovery Plan. Available from www.gov.za

- **Access to markets** to enable the social economy to participate in the broader economy.
- **New Economies** – putting in place measures and policies to enable the Social Economy to benefit from the technological advancement and at the same time promoting employment creation as a response to potential job losses because of the introduction of automation and new technologies.

The merSETA recognises that the alignment of the skills development with the demands of the green economy and the ever-evolving job landscape required to drive economic growth in line with continuously advancing technologies. Addressing the unemployment challenge, these initiatives will focus on providing individuals with the expertise and competencies required in emerging industries and the green economy, creating a talent pool for sustainable economic growth.

SETAs have a critical role to play in enabling players in the social economy to meaningfully participate in the new economy through relevant skills interventions. The four priority areas also call for an ecosystem approach to supporting the social economy. Various role players need to work together in supporting the social economy. For example, funding partners, policy makers, SETAs and industry need to work together in building the capacity of players in the social economy to participate in the new economy.

1.3.4.3 The National Strategic Plan (NSP) on Gender Based Violence and Femicide (GBVF) (2020)

Gender-based violence and femicide in South Africa has reached alarming levels. The National Strategic Plan (NSP) on Gender Based Violence and Femicide (GBVF) sets out to provide a cohesive strategic framework to guide the national response to this scourge. The purpose of the strategy is to provide a multi-sectoral, coherent strategic policy and programming framework to ensure a coordinated national response to the crisis of gender-based violence and femicide. The department of Higher Education and Training has responded by developing a policy framework to address gender-based violence in the Post-School Education and Training (PSET) institutions and to provide a monitoring instrument for the department to assess the implementation of the Policy Framework. The merSETA is determined to support the fight against gender-based violence in South Africa, which has reached crisis levels.

The merSETA will therefore seek opportunities to partner with organised employers, unions, civil society, public institutions, and institutions of learning in supporting initiatives such as research, training and awareness campaigns in the workplace and institutions of learning aimed at addressing gender-based violence (GBV). The manufacturing sector remains largely male dominated, thus, is a high-risk sector when it comes to issues of gender-based violence.

1.3.4.4 National Youth Policy (NYP) 2020- 2030

The National Youth policy for 2020-2030 builds on South Africa's first and second NYPs, which covered the period 2009–2014 and 2015-2020, respectively. In addition, the policy will respond to inequality and will be premised on programmes being inclusive, geared towards rectifying imbalances of the past, and closing gaps in representation and participation. Young people reaffirmed the need to continue a path towards holistic and positive youth development. In this regard, it has been proposed that the youth policy should prioritise the following policy pillars:

- Quality education and skills.
- Economic transformation, Entrepreneurship and Job creation.
- Physical and Mental Health Promotion including COVID-19.
- Social Cohesion and Nation Building; and
- Effective and responsive youth development machinery.

Technological advancements are rapidly evolving. Therefore, it is worthy to note that, the Fourth Industrial Revolution (4IR) has been identified as the cross-cutting theme across the above stated 5 policy pillars. The NDP anchors for a vision of a prosperous democratic, non-sexist, non-racist equal society and the NYP builds on the NDP vision that the youth have the capacity to reduce poverty and inequality over the next decade. Furthermore, merSETA is expected to play a vital role in responding to the Presidential Youth Employment Initiative and the Economic Recovery and Reconstruction Plan. These initiatives aim to combat the rising unemployment trend in the country.

The merSETA and its Quality Assurance (QA) partners may require increased resources to facilitate the proposed short learning programs for up-skilling and reskilling. This allocation of resources is necessary to maintain the required level of quality

assurance or these educational programs, ensuring their effectiveness and successful articulation within and between qualifications.

1.3.4.5 The National Digital and Future Skills Strategy (2020)

The strategy envisages a society of digitally skilled South Africans. It sets out a structured series of initiatives intended to contribute to the capacities of South Africans to meet the challenges arising from the increasing deployment and adoption of digital technologies in economy and society, understanding that the digital revolution⁴. According to the strategy, all the Sector Education and Training Authorities (SETAs) must incorporate digital skills planning in their sector skills plans, taking note of the specific applications of digital technologies and digital process innovation in their respective sectors. Digital and future skills will be a key focus area for the merSETA to respond to the skills development needs of the digital economy. The emphasis should not only be on future skills requirements, as there might be a risk of creating job seekers who need more relevance in the current job market. The merSETA should strive to find a comprehensive approach that integrates current and future skills needs. By doing so, they can ensure that learners are equipped with the right skills to navigate the current job market successfully while also being prepared for the demands of the future industry landscape.

1.3.4.6 Report on the Presidential commission on the 4th industrial revolution (4IR)

The Presidential commission on the 4th industrial revolution appointed by the President of the republic of South Africa, released its recommendations report in October 2020. The report identified skills as one of the five pillars of the 4th industrial revolution. The 4IR requires a skilled, capable, and technologically savvy workforce which is continuously learning and keeping pace with the changes. To build a digital economy and society, skills are expected to play a key role. The commission report recommends that 4IR should be embedded in SETAs and that going forward, 4IR should be a major focus of SETAs with proposals to amend the Skills Development Act to mandate SETAs

⁴ Department of Communications and Digital Technologies. (2020). National digital and future skills strategy. Available from www.gov.za

in the coming 5 years to spend between 20% and 50% of their budgets on 4IR related initiatives.

The merSETA has identified the need to respond to the needs of the digital economy, particularly the skills development needs of the mer-sector in the digital driven 4IR. 4IR has, therefore, been embedded in various programmes and initiatives. To respond appropriately, the merSETA has identified its partnership as a key vehicle to drive the 4IR agenda in the sector.

1.3.4.7 The Green Paper on Electromobility (2021)

The Department of Trade, Industry and Competition (DTIC) released a green paper on the advancement of New Energy Vehicles (NEVs) and battery electric vehicles in South Africa in May 2021. This paper outlines a framework on which the long-term outlook of electric vehicles can be developed.

The automotive sector has time and again highlighted that there will be a shift to energy vehicles soon. This will be preceded by a phasing out period of internal combustion engines, switching to hybrid vehicles and eventually completely electric vehicles. The framework will focus on the creation of the high value business environment, including an appropriate fiscal and regulatory framework that makes South Africa a leading and highly competitive location, not only on the African continent but globally, for NEVs production. In tandem with these plans merSETA stakeholders have also highlighted the need to investigate the opportunities to establish battery manufacturing plants to further facilitate the growth of the economy and create jobs.

The merSETA Governance and Strategy Committee has also recognised the need to strengthen the participation of the AA and governance structures to enable policy implementation, development, and refinement to ensure that national and sectoral priorities find expression. To this end, the merSETA must identify strategies to improve and increase research studies and publications. Furthermore, the SETA should lobby the Department of Higher Education and Training (DHET), based on the merSETA research findings and recommendations to shape policy in terms of skills development

in line with the industrial strategy implemented through the DTIC and other government departments inclusive of the ERRP and sectoral master plans.

Special focus will be given to the just energy transition as it finds expression through the automotive (shifting from ICE to NEVs) and renewable energy sectors, specifically the transition from coal to energy sources such as solar, wind and hydrogen. This emphasis on the just energy transition is vital to ensure a sufficient supply of skilled workers capable of meeting the demands of the evolving job market beyond 2030.

1.3.4.8 Implications for merSETA support through its skills development mandate

Supporting localisation, entrepreneurship, small, medium, and micro enterprises (SMMEs) and the growth of the local manufacturing sector will remain a key focus of the merSETA. The merSETA will also play a central role in supporting the Black Industrialist Programme, as well as putting in place interventions to gear up and respond to challenges and opportunities presented by the digitalisation of manufacturing, engineering, and related industries in the age of the Fourth Industrial Revolution.

The merSETA needs to strengthen its response by implementing a range of programmes and project initiatives through effective partnerships for both skills and development. Key to this success will be the creation of a supportive environment for local businesses and industries particularly advocating for localization of products and components. This can lead to higher industrial output, enhanced competitiveness in global markets, and reduced dependency on imports, thus improving the overall economic resilience of the nation.

1.3.4.9 Supporting economic reconstruction, recovery, and growth.

The merSETA strategic plan (2020/21-2024/25) has documented key national and sectoral priorities to support economic growth. It is recognised that skills cannot spur economic growth but that they are a critical enabler of growth from the level of the individual to the level of the organisation, the local and global economies. As an intermediary for skills the following are prioritised:

- Skills for localisation – local manufacturing in the mer-sectors for internal consumption and export
- Skills for a digital economy – skills for the adoption of new technologies and new products (diversity)
- Skills for supporting the growth of township and rural economies as well as community development.
- Skills for transformation, economic empowerment, and equitable wealth generation.
- Skills for professionalisation of the sector.

The following projects and partnerships have been implemented in response of the ERRP.

- **Green skills analysis and roadmap to a green economy**

This project was aimed at understanding how the green economy is perceived by the mer sector and highlight key opportunities for training and development by highlighting gaps and recommendations regarding the development of new programmes and continuous monitoring of the green requirements within the manufacturing sector.

The continuous collaboration with Provincial governments by signing of Memoranda of Understanding including, offering bursaries to unemployed youth, supporting of technical colleges, and training programs for unemployed youth is benefiting society in the green economy and public service delivery.

- **Retrenchment – feasibility and continued Discretionary Grants (DG) support.**

In line with the need to stem further job losses, the call from government is to also ensure reabsorption of worked into meaningful employment, the merSETA has completed a feasibility study into the possibilities of training retrenched workers, persons with disabilities and other vulnerable groups to form small businesses and cooperatives. In addition, merSETA continues to support the sector through the Retrenchment Assistance Programme (RAP).

- **Reindustrialisation and Localisation**

The merSETA has continuously highlighted the need to support local production and reindustrialisation efforts – to this end the merSETA have been monitoring the skills required for sectoral master plans, most prominently the auto sector has received massive investments and will require skills development support in line with the Auto master plan which will endeavour to have 60% locally manufactured components in new motor vehicles by 2030.

The emphasis on production localisation and import substitution strengthens the manufacturing sector and creates a supportive environment for local businesses and industries. As domestic companies gain momentum, they can contribute to job creation, skills development, and enhanced economic opportunities for citizens.

Additionally, merSETA has established the Automotive Components Manufacturing Chamber to increase skills development efforts within the sector. The National Association of Automotive Component and Allied Manufacturers (NAACAM) has implemented a high gear project to better understand the requirements to ramp up efforts to localize manufacturing and ensure Technical and Vocational (TVET) curricula are aligned to industry needs. The merSETA has also funded NAACAM to support skills development in line with the required skills identified in the master plan.

- **Simulated Training Interventions Research**

The merSETA concluded research into alternative training methods including simulations and virtual factories to assist with skills development requiring workplace experience in a time of constrained numbers of workplaces open for training purposes.

- **Skills for Advanced Technologies in the Manufacturing Sector**

New technologies are rapidly being implemented in manufacturing and to better understand skills, the merSETA has completed a report with the Development Policy Research Unit (DPRU) on the jobs that are at risk of redundancy due to technological advancements. In addition, merSETA is also conducting research with a focus on the 4IR skills required in the mining equipment manufacturing sector due to rapid development of new technologies and advancements in mining.

- **Youth Entrepreneurship Research** - This project was recently completed, and it unveiled the challenges faced by youth who operate informally in the manufacturing sector in townships, it also unveiled the youth outlook in terms of the COVID-19 pandemic and how they perceived their livelihoods during this challenging period.
- **Economic Complexity and SMMEs Development** - To further strengthen an understanding of the sectors as well as the capabilities of the sector to venture into frontier product manufacturing (thereby making the economy more complex and supporting increased exports of locally manufactured goods), the merSETA with the DPRU found that overall, the sectors have the capabilities to manufacture frontier products with support in terms of infrastructure, financing and reliable energy sources. Economic complexity provides an alternative solution to potential economic growth and development of the manufacturing sector.

1.3.4.10 District Development Model

The District Development Model (DDM) is a government led initiative to assist with service delivery across municipalities, it frames these challenges as opportunities to for growth and development at a local level. Ideally, the DDM should be implemented in collaboration with government entities, communities, and the private sector. The DDM provides government entities such as SETAs the ability to assist community development and service delivery. From a merSETA perspective, the DDM aligns to both ERRP and socio-economic development. To this end the merSETA has embarked on initiatives in line with electricity, sanitation and water. Partnering at a provincial level to empower local government to assist skills development and economic development through the provision of skills for solar installations and also supporting candidate engineers in the areas or water and sanitation.

1.3.4.11 Skills for the changing world of work and emerging employment/career opportunities

Disruptions in the labour market because of changes brought by advances in manufacturing, the COVID-19 pandemic and the growth of the gig economy require that South Africa re-evaluates the notion of jobs and occupations. To this end the merSETA

should be putting in place initiatives to support the attainment of emerging, transitioning, and future occupations and skills including but not limited to the following:

- Introducing micro-credentials, expanding on the limited conception of credentials as currently defined by the National Qualifications Framework (NQF) (i.e., qualifications and part qualifications)
- Skills for entrepreneurship in formal manufacturing and social entrepreneurship within township and rural economies.
- Researching types of learner support needed to transition to new methods of teaching, learning and assessment that provides a holistic fit to the demands of evolving job profiles.
- Simulated and virtual factories for learning to be researched and recommendations taken on board to assist transition to work in the absence of a workplace.
- Upskilling to take up new opportunities at higher skills level.
- Reskilling to take up opportunities in lateral and changing careers.
- Multi-skilling to aid the diverse skills requirements of small companies and the gig economy.

1.3.4.12 Skills for the growth and sustainability of the green and circular economies

The advanced technologies and the green economy are recognised as the key drivers for all businesses both locally and globally. The mer sector has, however, lagged in the green economy with respect to keeping pace with its development beyond only compliance related to reduced carbon emissions, reduced waste, and water consumption. As such the following has been prioritised:

- Support the development of TVET curriculum and learning interventions to grow skills for career opportunities within the green economy.
- Explore the potential of the green and circular economy employment growth opportunities within the mer sectors, rural and township economies.
- Support skills development for youth and women in the green economy as part of addressing economic transformation and inclusivity, so that said beneficiaries are enabled to take up new and emerging opportunities.

- Support skills for environmental sustainability in manufacturing – clean and green processes.
- Support skills for green mobility – hybrid and electric vehicles
- Support skills in renewable energy – mer sector manufacturing, repair, and service of equipment.

1.3.4.13 Exploring and supporting the role of the mer sector in the digital economy.

The merSETA has for a long time been perceived as a sector that is not part of the digital economy, however this is no longer true as the sector transitions to the advanced technologies and embraces the green economy. Stakeholders have begun to highlight the need for digital skills across most occupational categories in almost all the sectors. Further work is required to explore the role of the digital economy in the sector. Business processes are changing in line with new technologies and online transactions. Customers are ever more discerning and demanding quick, tech enabled interfaces with respect to manufactured goods that they consume. The merSETA should thus support the transition to the digital economy.

1.3.4.14 Continuing to strengthen the role of the SETA as an intermediary body.

The SETAs as intermediary bodies are uniquely positioned to drive change in the skills development ecosystem. Various research conducted by merSETA and engagement with merSETA stakeholders have identified challenges and opportunities for improvement in the skills development value chain and system. Funding of initiatives aimed at driving the transformation or innovation in the skills development ecosystem to improve efficiencies will therefore need to be encouraged and supported. The SETA should partner with other leaders and innovators in civil society, government, and Higher Education Institutions (HEIs) to lead change in key areas such as digital transformation and other reforms. To this end the merSETA has highlighted the following actions:

- Track and influence policy – governance structures, particularly AA leverage its position as being directly accountable to the Minister.
- merSETA facilitate and support just transition from education to work and work to education.

- Facilitate collaboration across the PSET sector - interoperable data and technology systems to facilitate the sharing of data, information, and knowledge among all role-players for improved planning and decision making.
- Institute a partnership model that proactively seeks out appropriate partners to innovate, expand and strengthen our delivery system to improve outcomes and impact.
- Strengthen partnerships through support services to relieve administrative burden.

To summarise, the key strategic issues facing the merSETA and its sector relate to:

- Addressing strategic skills development challenges to drive employment (including self-employment) and economic recovery and reconstruction.
- Supporting structural transformation of the national economy (ownership, composition, management, and control).
- Responding to the digital driven Fourth Industrial Revolution (digitalisation of manufacturing, engineering, and related industries), future skills and changing occupations.
- Promoting inclusive growth (economic growth that is distributed fairly across society and creates opportunities for all).
- Supporting the social economy to address poverty and unemployment.
- Making opportunities available to Persons with Disabilities (PwD).
- Supporting the Circular, Green and Blue economies for sustainability.
- Supporting rural development for meaningful participation in the economy.
- Promoting youth development through creating opportunities for sustainable employment and entrepreneurship.
- Addressing demographic transformation, linked to employment equity within the merSETA sector labour market.

Overall, in line with its mandate, the merSETA must facilitate skills development to meet the needs of the mer-sector under the conditions as above described. Its actions must reflect the development of skills for promoting growth and diversification of the local manufacturing sector, structural economic transformation, the social economy, sustainability (circular, green, and blue economies) and advanced manufacturing. This requires innovation not only with respect to adaptation of current and future workers

and their skills, but also of the mode of delivery for up-skilling, re-skilling and offering work experience training. As such, delivery of education and training should also offer a mix of methods accessible to new labour market entrants, future workers as well as the current work force. Futuristic curricula must be developed in time to meet the demands of the future. There is an emphasis on science, engineering, and technology, increasing digital fluency and using technology to solve complex problems, as well as offering career advice and support in aid of lifelong learning and career advancement.

1.4 Relevant court rulings

The Minister of Higher Education and Training and Another v Business Unit South Africa (JA70/16) [2017] ZALAC 69;(2018) 39 ILJ 160 (LAC).

This case surrounded the Minister's publication of Regulation 4(4) of the 2012 SETA Grant Regulations Regarding Monies Received by a SETA and Related Matters which reduced Mandatory grants from 50% to 20%. Business Unity South Africa (BUSA) took this to the Labour Court to adjudicate on the reduction.

Litigation commenced in 2015 and subsequently concluded in 2020 with the Labour Appeals Court ruling that the reduction is unlawful. This ruling prompted the Minister to review the SETA Grant Regulations Regarding Monies Received by a SETA and Related Matters. The reviewed regulations were published in 2023 for public comment and we await the gazetting of the new regulations. In the interim, the merSETA continues to allocate 20% towards mandatory grants.

PART B: OUR STRATEGIC FOCUS

1 Vision

Leaders in closing the skills gap.

2 Mission

To increase access to high quality and relevant skills development and training opportunities, in order to reduce inequalities and unemployment and to promote employability and participation in the economy.

3 Values

BATHO PELE – PEOPLE FIRST



WE CARE:
It's about caring for people
we render services to



WE BELONG:
It's about working together
as teams with fellow colleagues



WE SERVE:
It's about going beyond
the call of duty

4 Situational Analysis

The merSETA was established in 2000 in terms of the Skills Development Act No. 97 of 1998. The merSETA scope of coverage for skills development comprises the automotive sector, pertaining to vehicle assembly, manufacture of automotive components including new tyres, motor retail and after sales service, metal manufacturing and plastics manufacturing. These are key sectors that have been identified by government to stimulate economic growth through its reimagined industrial strategy and they contribute to the re-industrialisation and localisation agenda. The merSETA therefore has a crucial role to play through skills development to support these sectors and ensure a skilled labour supply for current and future demands. The situational analysis will outline the current climate in which the sectors under the merSETA scope of coverage operate and the impact of these on skills development. Information for the situational analysis is drawn from the merSETA SSP and other credible sources including primary and secondary research, national statistics from

Statistics South Africa (Stats SA) and insights from the merSETA Accounting Authority Annual Mid-Term Review.

5 External environment analysis

Using the Political, Economic, Social, Technological, Environment and Legal (PESTEL) framework, an analysis of how the global and local political, economic, social, technological, environmental, and legal conditions shape the manufacturing, engineering and related services sector in South Africa is undertaken.

POLITICAL: In terms of the political environment, this section highlights government stability, trade policies, the regulatory environment and taxation policies as key drivers that impact on the manufacturing sector. These drivers act as key enablers as well as key obstacles in the growth and competitiveness of the sector. Overall, the political climate in South Africa is not stable (fraught with in-party politics and continued corruption, financial mismanagement, and inefficiencies). This translates into low investor confidence and a subdued outlook in terms of growth and development.

Government stability can impact on investor confidence and business operations in South Africa. Recently, South Africa was grey-listed by global financial crime watchdog - the Financial Action Task Force (FATF), this may have caused reputational damage on an international level and dampen investor confidence, however, the President of the Republic of South Africa committed to putting in place measures to ensure that South Africa is better equipped to combat financial crimes of global money laundering and terrorist financing⁵. Party politics and the collapse of state-owned enterprises has however, further damaged the South African economy with the declaration of a state of disaster following the rolling blackouts and unbearable electricity shortages. The lack of service delivery has also resulted in violent protests across the country in recent times, most notably the looting that took place in KwaZulu Natal (KZN) and Gauteng in 2021 and more recently community protests and violence due to a lack of electricity and water.

⁵ [South Africa's grey listing is an opportunity to strengthen the fight against financial crimes](#)

Despite supportive trade policies and international relations to facilitate imports and exports, growth and development has been slow at best. South Africa was recently highlighted as having one of the highest unemployment rates in the world, with youth unemployment outpacing other nations. The manufacturing sector shed 2 000 jobs in the first quarter of 2023 despite demonstrating marginal sectoral growth⁶.

Even if the country were to support labour intensity in the manufacturing sector, the regulatory environment can influence manufacturing operations and costs, these include regulations pertaining to labour laws and environmental standards. Tax rates and incentives further impact on the sectors competitiveness and profitability. South Africa has recently faced increasing interest rates, high inflation, and a weakened exchange rate, further compounding the abilities of businesses to remain competitive.

SETAs as schedule 3A public entities play a critical role in helping government implement its policy agenda particularly around strengthening efforts to fight poverty, inequality, and unemployment through skills development. Skills development is expected to play a supportive role in economic transformation, growth, and development by providing access to relevant education and training opportunities to the labour market providing employers with skilled workers and labour market participants will have access to meaningful and sustainable employment opportunities. SETAs should, therefore, leverage their role as intermediary bodies to partner with industry, the Post-School Education and Training (PSET) sector, government, international agencies, and other social partners to meaningfully contribute to national development.

ECONOMIC: The reimagined industrial strategy forms the basis on which government aims to promote economic reconstruction, recovery, and growth in the current climate. The economic outlook has remained bleak in early 2023 with little optimism for growth above 2%. The crux of the problem in manufacturing is that the sector is ‘de-industrialising’ and contributing less to growth and employment in South Africa. According to the merSETA SSP, many large companies are in preservation mode in terms of maintaining their operations and staff; and most of the small and medium

⁶ Stats SA QLFS, Quarter 2, 2023

business are in survival mode in terms of remaining profitable under the current harsh climate. As highlighted in the political section, the service delivery crisis, high fuel costs, inflation and climbing interest rates are further dampening the sector's ability to recover and grow.

Unemployment rates have remained one of the highest in the world – faring worse than other developing nations at 32.7%. Youth unemployment is a staggering 62%. Alarmingly, the Black African population has a higher unemployment rate than the national average, unemployment among Black Africans is 37% and for whites the unemployment rate is 8.8%. The current economic climate is therefore not supportive of reducing unemployment, inequality, and poverty. Many more South Africans have come to rely on social grants to support their livelihoods, particularly the Social Relief of Distress (SRD) grant of R350, over 7.5 million South Africans receive this grant, mostly women and alarmingly, 60% of all recipients are youth⁷. Economic growth and development are required to produce jobs and in these constrained circumstances, skills play a supportive role, however, the merSETA AA and sectoral stakeholders have asserted the requirement to support skills for self-employment, entrepreneurship, small business, and cooperative development. Furthermore, the economic climate has made permanent employment less viable, particularly in small and medium businesses and therefore there seems to be more employees who take up opportunities in short-terms and contract-based employment. The gig economy is also on the rise and will become an ever-increasing reality for youth in the short term. To this end the notion of lifelong learning must be revisited to accommodate career pathing and skills interventions that are suited to a gig economy to ensure that citizens can access sustainable livelihoods within this changing world of work.

In addition to putting in place mechanisms to support the current labour market, the merSETA research has also put forward the notion of economic complexity to support industrial development and economic growth. The deindustrialisation trajectory can be reversed if the manufacturing industry can industrialise and produce a wider range of manufactured goods, build economic complexity, and raise its competitiveness in terms

⁷ <https://ewn.co.za/2023/02/15/sassa-receives-over-13-million-r350-srd-grant-applications-in-jan-parly-hears>

of exports. Building industrial capabilities and increasing labour intensity over the medium to long term may contribute to reducing unemployment, inequality, and poverty⁸. The researchers assert that producing frontier goods/products that are near the types of goods/products currently produced for local consumption and export could yield positive outcomes for the manufacturing sector without necessarily requiring substantial investment in ramping up current capabilities.

SOCIAL: As South Africa battles increasing unemployment, unlocking the social economy remains one of the key strategies in key fighting poverty and increasing inequality. All South Africans have felt the effects of the energy crisis as well as the rising cost of living because of rising costs of food and fuel, as well as rising interest rates. These trends tend to lock citizens in a situation of rising debt and reduced means to sustain their lifestyles, particularly amongst middle income citizens who represent the tax revenue base. Statistics reveal that only 17.9% of South African earn an income of R500 000 per year, yet they account for 52% of all taxable income in the country. It is imperative that development takes place to increase the number of people who are gainfully employed or self-employed. Many previously employed individuals struggle to find jobs and their skills are therefore not utilised in the formal market. This presents a crisis for the future job market due to a stagnation of skills in demand and a stagnation of skills development for workers. It is thus imperative to reverse this situation and implement innovative solutions in communities.

Community development is highlighted as a key enabler of growth. Due to high rates of unemployment, retrenchments, and little opportunity to utilise qualifications in the formal sector, opportunities to foster growth at a local community level could unlock growth potential and stimulate the local economy. Skills related to the engineering sector can be developed for self-employment, entrepreneurship, and small business development. A further notion consider is that of a smart community which is self-sustaining and conducive to economic stability and future growth. These “smart communities” put their skills to use to provide affordable livelihoods through local trade and services such as

⁸ merSETA research report: Economic Complexity (2023).

food and groceries, building and construction and well as social economic interventions such as savings clubs and cooperative development⁹.

TECHNOLOGICAL: The mer sector has undergone automation and digitalisation which has altered the types of products being produced, the processes being implemented in manufacturing as well as the tools required to remain relevant in a fast changing technologically driven world. With the intensification of the technological advances and the shift towards human-machine collaboration, a competitive mer sector depends on the capacity of firms to master advanced technology domains, to innovate, and to meet the precise needs of customers. Whilst advanced manufacturing systems offer the greatest advantage for economic growth, this requires firms and PSET system to keep abreast of advanced manufacturing technologies, data analytics, robotics, digital platforms and high-level skills development, on a continuous basis.

Research conducted by the merSETA has revealed that most multinational companies can easily adapt their processes and skills requirements to meet the demands of technological advances. Smaller companies however do not fare well in terms of implementing new technologies beyond reactions to changing conditions such as remote work brought on by the COVID-19 pandemic. Smaller companies listed rudimentary changes such as moving from paper-based operations to digital solutions, implementing tools to enable remote work and digital connectivity as technological disruptors, however global trends in terms of new production methods, improved robotics, artificial intelligence, and other disruptors were not indicated as a key concern for future business development.

To remain competitive in a tech driven economy, South Africa needs to build its Innovation, Research and Development (IRD) in respect of emerging materials, products, and technologies to enable higher level of competition of South African firms in the global market. Skills to support manufacturing development in line with advances in Artificial Intelligence (AI), robotics, data science and machine learning should be

⁹ This concept should be further explored and unpacked in its relevance and applicability.

prioritised. The varying needs of small and large businesses should also be taken into consideration when developing interventions to support the adoption of tech advances.

The skills delivery system should also develop in terms of the latest technologies found in industry as well as innovation around teaching and learning. This also calls for industry and the PSET sector to work together in strengthening South Africa's IRD and skills capability. South Africa's universities are highly recognised for their IRD capability and high quality of training, but challenges remain in the TVET college sector as these have often been criticised for their poor capacity to develop skills in line with advances in industry.

Technology has also disrupted education and training. Microlearning, big data analytics, immersive learning, gamification, data driven learning and insights and adaptive and personalised learning are some of the technological trends that are impacting education and training sector. Data is also at the core of these technologies and the adoption calls for institutions to embrace a data centric approach. These technological trends present the PSET sector with opportunities in responding to some of the challenges. For example, immersive learning technologies such as Extended Reality (XR) technologies which incorporate various technologies such as Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) promote immersive learning experiences. Advances in these technologies have led to increased adoption of simulated training to increase training efficiency through reducing costs and risks where the physical environment maybe unsafe especially in the mer-sector.

The extent of the adoption of these learning technologies in South Africa remains unclear. There are however several initiatives currently being implemented by civil society organisations, HEIs, government, industry and private training providers aimed at promoting the adoption of these technologies. The merSETA, for example, is using a 4IR paradigm to re-imagine and develop a high-quality new apprenticeship skills development process in South Africa that is more efficient, accessible, scalable and provides the relevant skills industry.

TVET colleges have a significant role to play in delivering skills for the digitally driven economy. SETAs as intermediary bodies have a critical role to play in working with

industry, civil society, and government in strengthening the capability of TVET colleges. A critical concern is the ability of the TVETS and other skills development providers to update their curricula and develop qualifications in line with new requirements. The sector is slow to respond and is fraught with red tape and complexity.

ENVIRONMENTAL: The energy transition refers to the transition away from coal towards cleaner sources of energy. The current energy crisis has seriously hampered the economy and brought on sentiments of mistrust and animosity in South Africa. Not only has loadshedding and unreliable loadshedding schedules had serious economic impact on the industrial sector (and other sectors), but also on the personal livelihoods of all South Africans. Increasing tariffs and never ending loadshedding combined with lackluster efforts to improve infrastructure bodes ominous outcomes for the country.

Globally, there is a push to reduce carbon emissions and transition to net-zero by 2050. South Africa must navigate towards new energies as well as keep pace with new and alternative energy developments in the manufacturing space. This means that in the mer sector we need to understand the skills needed to transition to renewable energy and the skills that will be required for the circular economy, recycling, NEVs and components.

As we pivot away from fossil fuels to generate electricity, renewable energies present an opportunity to not only secure reliable energy supply but also ensure environmental sustainability for future generations. There are three (3) main renewable energy sources to create electricity, these are wind-power, solar power, and hydrogen.

The industrial sector further contributes to environmental sustainability by putting in place the sentiments of the circular economy. This presents opportunities to ensure that manufactured products do not contribute to pollution but rather unlocks the potential to recycle, upcycle and repurpose materials. Although a relatively new concept, the circular economy offers significant opportunities to deliver on more inclusive economic growth, which includes job opportunities and positive environmental practices that are directly required for sustainability in the country.

On the transition to zero emissions by 2050, decarbonising road transport will require key effort as South Africa has one of the highest road transport greenhouse gas emissions, with road transport itself contributing over 91% of emissions from road, air, rail and sea transport (NAAMSA, 2023). The auto industry is planning to invest 515 billion United States Dollar (USD) globally to facilitate the transition to NEVs including hybrid, battery and fuel cell electric vehicles.

Fuel cell development will become increasingly important for the mer sectors and energy savvy consumers. New solar powered products and efficient fuel cells are a key input into the future of all citizens – the transport industry will move to cleaner engines and autonomous vehicles; this will require infrastructure as well as support for localised production of parts and products to support this transition to clean energy.

LEGAL: The legal framework in South Africa plays a pivotal role in achieving government's priorities, such as ending poverty and unemployment, and promoting equity. Moreover, in SA's maturing democracy, the notions of social cohesion, social justice and active citizenry underpin the transformation agenda as a whole and have become deeply infused in skills development. Transformative intent and participation in various fora remain essential in ensuring fair and equitable implementation processes. Participation of all role players in legislative processes of this nature remains critical. Technological developments have also cast a spotlight on issues of privacy and security in the digital environment. The sector also operates within a social and economic legislative framework that significantly impacts on the sector. Significant pieces of legislation worth mentioning include:

- The Broad-Based Black Economic Empowerment (B-BBEE) Act, which is aimed at advancing economic transformation and enhancing the economic participation of black people in the South African economy. Programmes such as the Black Industrialist programme are a support mechanism for the implementation of the B-BBEE Act, which promotes structural transformation of the economy through increasing the number of black manufacturers.
- The Employment Equity Act No. 55 of 1998 (EEA) is aimed at transforming the race and gender make-up of the labour market, particularly in the technical, professional and managerial occupations. It also addresses the inclusion of Persons with

Disabilities (PwD) in the mainstream economy. Skills development is a main contributor to such transformation.

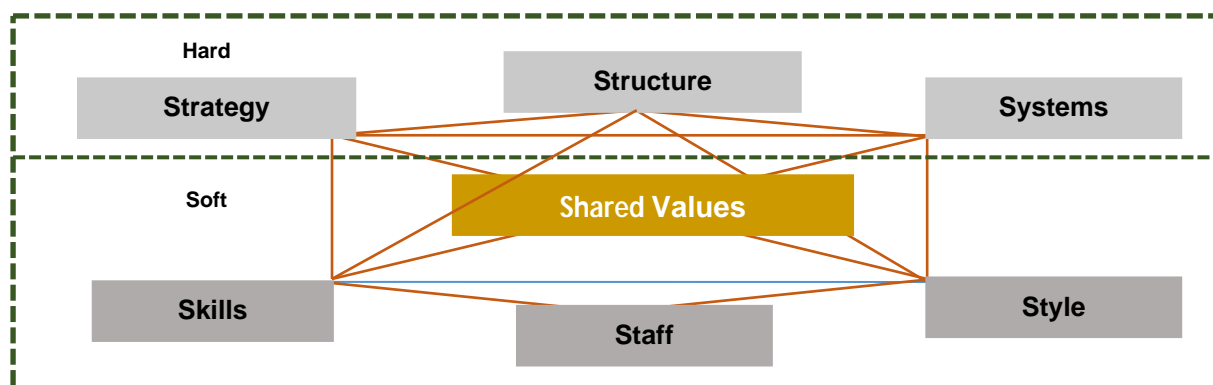
- The Employment Equity Amendment Act No 4 of 2022 has been assented to by the President of the Republic and will have a significant impact on the application of the EEA and the BEE Acts. Currently the Act is not in effect yet and we await a proclamation of the Act's effective date.
- The National Environmental Management Act No. 55 of 1998 (NEMA) is another piece of legislation aimed at establishing a framework for integrating good environmental management into all development activities, including manufacturing. Companies in the sector have also been investing in training and awareness for their employees in issues related to health, safety, and environmental awareness.
- The Protection of Personal Information Act No. 4 of 2013 (POPIA) is aimed at the protection of personal privacy and the security of personal information held by both private and public bodies. It is set to impact on information and data governance. This calls for investment in mechanisms aimed at promoting good data management, and governance practices.
- The Intellectual Property Amendment Act No. 28 of 2013 (IPAA) promotes the protection of intellectual property rights, including the recognition and protection of certain manifestations of indigenous knowledge as a species of intellectual property. This is critical especially as South Africa works on strengthening its IRD capability.

The merSETA Governance and Strategy Committee has also recognised the need to strengthen the participation of the AA and governance structures in influencing policy direction to ensure that national and sectoral priorities find expression in new policies.

6 Internal organisational Environment

The merSETA organisational environment is analysed in terms of the Strategy, Structure, Systems, Skills, Staff, Style and Shared Values (7S) Framework Model. The 7S Framework divides the seven organisational elements of successful organisations into two categories: “hard” (easy to identify) and “soft” (intangible) elements. These are illustrated below (see Figure 2). The merSETA is also undergoing an organisational

transformation process in response to its strategy. This process is set to inform the structure, systems, skills, staffing and style.



(SHARED VALUES: “We care. We belong. We serve.”)

Figure 2: The merSETA Organisational Environment

STRATEGY: The merSETA strategy comprises of four linked components – the Sector Skills Plan (SSP), the five-year Strategic Plan (SP), the APP and the Service Level Agreement (SLA). The SSP is research based and provides an overview of critical economic, labour market and social drivers, signals, and indicators within the merSETA manufacturing, economic, and government policy environment that impact on skills demand and supply, particularly pertaining to skills gaps and skills shortages. The five-year Strategic Plan is the instrument that the merSETA uses to identify five-year achievable, and realistic targets aligned to its legislated mandate, the Medium-Term Strategic Framework (MTSF) and SSP.

The APP outlines what the merSETA intends doing in the upcoming financial year and provides a three-year Medium-Term Expenditure Framework (MTEF) horizon for implementing its strategic plan. It sets out performance indicators and targets towards achieving its strategic outcomes and outputs. The APP is the basis upon which the SETA, reports to Parliament annually, through the Minister of Higher Education, Science and Technology. The SLA, based on the approved Strategic Plan and APP, is the signed agreement (contract) between the Minister and the merSETA AA, setting out the SETA’s specific annual obligations and responsibilities. It is the assessment framework which the Minister and the DHET utilise to monitor the activities of the merSETA.

STRUCTURE: The merSETA is a Schedule 3A public entity that reports to the Minister of Higher Education, Science and Technology. In terms of the PFMA, the Minister of Higher Education, Science and Innovation is defined as the Executive Authority (EA), and reports to Parliament. In this regard, the merSETA Accounting Authority of 15 members inclusive of a chairperson is accountable to the Minister. The AA is generally responsible for governance and ensuring that the merSETA achieves its mandate, by reviewing its strategy, and monitoring performance and compliance. The Chief Executive Officer (CEO) is the Accounting Officer (AO) as delegated by the AA. The diagram below (Figure 3), depicts the governance and operational structure of the merSETA.

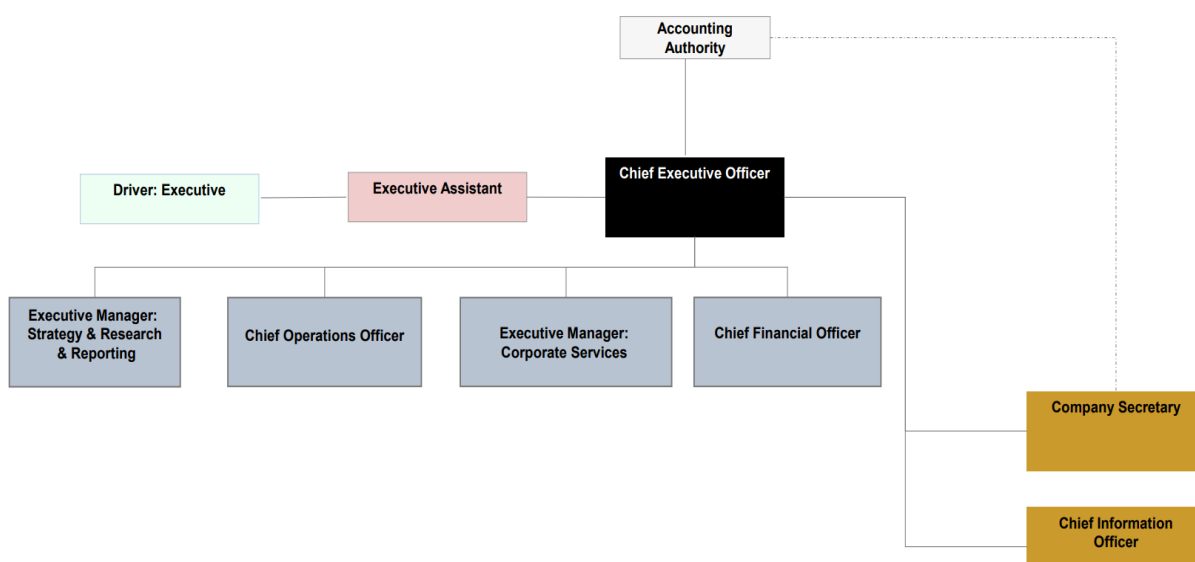


Figure 3: Governance and Operational Structure

The following governance committees are charged with meeting the strategic outcome goals of the merSETA:

- (i) the Accounting Authority
- (ii) the Executive Committee
- (iii) the Audit and Risk Committee
- (iv) the Human Resources and Remuneration Committee
- (v) the Finance and Grants Committee
- (vi) the Governance and Strategy Committee

The merSETA six Chamber Committees, i.e., Automobile Manufacturing, Metal and Engineering, Motor Retail, Components Manufacturing, New Tyre Manufacturing, and Plastics Manufacturing are sub-committees of the Accounting Authority.

Other strategic advisory committees are the ETQA Committee and Regional Committees. The governance and organisational structure have evolved over many years and has thus far responded effectively and efficiently to SETA needs. The merSETA is currently undergoing an organisational transformation review of its operations. In part this is to address the growing coverage of the responsibility of the merSETA as depicted in the NSDP, which call for greater collaboration, integration, a strong emphasis on governance and a changed capacity and capability to deliver on the NSDP.

SYSTEMS: The merSETA has developed and implemented systems to support planning, decision making and its operations. The following systems support the functioning of the merSETA:

- **Information Technology** - Information and Communication Technology (ICT) is a critical pillar of the merSETA. It is a key enabler of organisational processes supporting the strategy and organisational performance. The merSETA is in the process of reviewing its ICT infrastructure, policies, procedures, business processes, systems and structures in line with the new strategy. ICT is set to play an important role in enhancing business efficiency and effectiveness, through driving digital transformation. Currently a project is underway to enhance the merSETA information and data ecosystem to address the above mentioned.

The merSETA digital ecosystem project is a direct response to the enterprise content management and digital transformation roadmap that was developed to guide the merSETA in its digital transformation journey, to address challenges and opportunities in data, information and knowledge management practices, processes and technologies. The COVID-19 pandemic highlighted the critical role of ICT in supporting merSETA operations and strategic process. ICT should thus be central in the SETA's strategy going forward as part of the digital transformation agenda.

- **Governance** - The Accounting Authority is the oversight body within the merSETA that ensures good corporate governance. It works within the governance framework of the Public Finance Management Act and ensuing regulations. Responsibilities and tasks are delegated to various structures, committees, management and staff members, but the Accounting Authority is ultimately accountable for all SETA affairs, in line with the Skills Development Act. Going forward, considering changes in key legislation such as the Public Audit Act (PAA) Amendment Act 5 of 2018, strengthening governance and compliance is key.

Programme Implementation - The purpose of Programme Implementation is to support the management of Discretionary Grants (DG), from application, to awarding of funding, to implementation of funding agreements to ensure that the merSETA achieves strategic goals set out in the merSETA Strategic Plan. This is done through signing of agreements, processing claims, managing commitment schedules, as well as monitoring of DG contracts. Priorities identified in the merSETA strategy guide the conceptualisation and implementation of programmes. Programme Implementation is currently working on enhancing processes linked to awarding of DG grants. These processes are aimed at ensuring that DG funding is allocated in a manner that is consistent, fair, and transparent to qualifying organisations. Through successful implementation of these processes, merSETA envisages that there will be an improvement in the achievement of APP targets.

- **Quality Assurance** - The quality assurance system is a critical component of programmes and projects implementation. Going forward, a strong focus will be to ensure the quality assurance of merSETA funded interventions, to ensure alignment to industry expectations. The quality assurance system is also critical in ensuring that learners receive quality training. This is consistent with the NDP and NSDP vision of ensuring that South African citizens have access to quality education and training, to enhance their capability to be active participants in developing the potential of the country. One of the key roles of the Quality Management is the implementation of the process-based approach, evidence-based approach, and risk-based thinking in the alignment of the merSETA strategic direction to the international quality standard: ISO

9001:2015 in understanding and maintaining this relationship to maximize merSETA efficiency and potential in meeting and exceeding its strategic goals and objectives.

- **Communication** - The merSETA is responsible for effective and regular communication to all stakeholders within and outside the designated sector. Communication takes place through multiple channels, including the print media, social media, and face-to-face engagement such as regular workshops, colloquia, seminars, and conferences. Stakeholder representatives meet regularly in the various committees mentioned. The merSETA has enhanced communication to stakeholders through the establishment of regional offices in Mpumalanga/Limpopo, Gqeberha, Free State/Northern Cape, Gauteng North/North-West, Gauteng South, KwaZulu-Natal, Western Cape, as well as the Head Office in Johannesburg. The regional offices service member companies and other stakeholders at the coalface of implementation. The merSETA will also focus on increasing its reach to its stakeholders, showcasing its successes and brand communication. The division responsible for media profiling at merSETA, namely the Marketing and Communications division, has demonstrated a commendable commitment to enhancing its capacity and promoting career development in the mer Sector. The merSETA Management Committee duly recognizes the crucial role of effective marketing and communication as a strategic function in highlighting the exceptional work of the SETA.

- **Research, planning, monitoring, reporting and evaluation** - The merSETA research, planning, monitoring, and evaluation is guided by the Department of Planning, Monitoring and Evaluation (DPME), and the National Treasury Framework of policies and guidelines for planning and performance management. Planning is conducted annually, based on research and evidence-based decision making. Performance monitoring and reporting to the DHET and National Treasury takes place on a quarterly basis, and through annual reporting.

In addition, performance monitoring and reporting takes place through internal and external audits, bi-annual budget reviews, as well as regular management meetings and AA (inclusive of its committees) meetings. Processes, systems, and impact evaluations of the delivery of merSETA skills development programmes and projects are

implemented, to continuously inform the merSETA of challenges, successes and impact of skills development delivery for the merSETA sector. Research is aimed at understanding economic, labour market and social drivers, signals and indicators that impact on skills development for the merSETA sector, particularly pertaining to shortages and gaps related to occupations and skills in demand. The applied research and innovation system focus on research and innovation projects intended to pilot, and test concepts and solutions prior to full scale implementation.

- **Finance** - The financial system is informed by the Public Finance Management Act No 1 of 1999, PAA No. 5 of 2018 as amended, and Treasury Regulations. Financial management includes administration of the organisation, and disbursement of mandatory and discretionary grants. There is regular reporting of financial information to the management, Accounting Authority, committees, Treasury and DHET. Internal and external audits of financial information take place annually in terms of the legislation. The merSETA exercises strong fiduciary responsibility, which is evident in the unqualified audit reports from the Auditor-General's office year-on-year. The merSETA will also tighten internal controls to reduce audit findings.

- **Knowledge Management** - The purpose of Knowledge Management (KM) at the merSETA is to help foster an open and enabling forum for the communication of ideas, concepts, information, and records throughout the organisation. The knowledge management framework focuses on issues of access, sharing, integration and preservation of the merSETA knowledge assets, to turn the merSETA into an innovative, learning and knowledge-based organisation. Furthermore, the merSETA has incorporate the Information and Records into the Knowledge Management to ensure the organisation is transforming digitally.

- **Quality Management** - The merSETA has been certified to ISO 9001:2015 and maintained the standard in line with the international requirements. This milestone signifies that the merSETA business systems, processes and activities have been benchmarked against the best, aligning them with the International Quality Management System. The achievement of this certification also means that the merSETA provides confidence to all the interested parties and stakeholders, as it seeks to achieve and exceed stakeholders' needs and services in the achievement of its strategic priorities.

- To ensure that the merSETA fully implement the enterprise risk management policy, the organisation is working towards integrating the ISO 31000 with the ISO 9001: 2015 standard to provide strategy on risk-based decision making into the governance, strategic planning, reporting, policies, values, and culture. The integrated system is a principles-based system, meaning it enables organisations to apply the principles in the standard to the organisational context.

STAFF: The merSETA staff establishment component totals 228. Currently, 94% of the merSETA positions are filled. The organisational transformation project is in the process of being implemented and included a review of jobs and required competencies. To effectively implement its strategy, continuous skilling, and development of the merSETA staff is key, to ensure that they have the competencies to implement projects, programmes and systems supporting the organisation’s strategy. The strategy also places merSETA staff at its core, as staff, with the guidance from leadership drive the implementation of the strategy. Creating an environment that promotes growth, innovation and employee wellness is important to the success of the merSETA.

Table 2: The merSETA staff component

OCCUPATIONAL LEVEL	Male				Female				Foreign Nationals		Totals
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	0	1	0	0	2	0	0	0	0	0	1
Senior Management	0	0	1	0	2	0	0	0	0	0	3
Professionally Qualified	12	1	0	2	10	4	1	2	0	0	32
Skilled Technical	33	9	4	4	29	6	1	2	0	0	88
Semi-Skilled	25	1	0	0	41	3	0	3	0	0	73
Unskilled	1	0	0	0	9	2	0	0	0	0	12
Grand Total	71	12	5	6	91	15	2	7	0	0	209

- The merSETA has a successful track record in implementing its Strategic Human Resources Plan, which is evident through various indicators such as the normal vacancy rate, staff turnover rate below 5%, and an average staff tenure of over three years. Additionally, the high staff satisfaction rate of over 72% indicates good HRM practices and employee stability.

- (ii) The Organisational Re-Design (Transformation) intervention underwent a consultation process with staff, which resulted in the project being named Project TransforMER. The primary objective of the project was to realign the merSETA organisational structure, mandate, strategy, and organisational processes to establish a professional and capable organisation based on ethical leadership, best practices, governance, and management. This was to be achieved through appropriate competencies in staff, governance, structures, implementing partners, and stakeholders, while ensuring a good employee experience.
- (iii) To facilitate a smooth implementation and transition to the new operating model and structure, the project was divided into a series of phases. The organisation has entrenched the outcome of its organisational transformation through various operational activities, including a consultative process that led to an approved strategic human resource capacity plan aligned with the strategic context. Furthermore, human resource planning and other relevant Human Resources Management (HRM) interventions are integrated into the organisation's strategic planning and budgeting cycle, and appropriate budgeting or cost modelling is developed for the human resource plan. The merSETA also ensures an adequate supply of skilled and competent staff through a well-established skills pipeline.
- (iv) Occupational Health and Safety merSETA, is committed to providing a safe and healthy work environment. The merSETA, ensures implementation and increasing levels of participation in health and safety training, sharing educational material, evaluating, and updating safety procedures and managing safety risks.
- (v) Using the learning from the COVID-19 pandemic, merSETA recognises the potential impact of infectious diseases on the workplace and therefore have put measures in place to prevent and manage the spread of infectious diseases. This includes monitoring and adapting the prevention response protocols to ensure staff health.

The merSETA has identified its staff as one of its important resources, and a strong emphasis should be placed on recruitment and retention of skilled and talented people. Systems to support recognition, innovation and performance management are also critical in building a capable organisation.

SKILLS: In carrying out its mandate, the merSETA relies on its skilled personnel in planning and implementing skills development initiatives that address the needs of the sector, and national priorities. The recruitment and retention of skilled people is at the centre of the merSETA operations. Changes brought by technology and innovation in systems and processes require that the merSETA invests in continuous professional development, to address skills gaps. Skills audits are also important in determining the current level of knowledge and skills in the organisation, against the required level of skills desired by the organisation. This will enable the merSETA to put in place relevant initiatives to address the gaps and optimal use of its skills base.

STYLE (Governance and Leadership): The leadership style of the Accounting Authority is highly consultative, providing opportunities for stakeholder inputs and endorsement through a range of committees and stakeholder fora. The Management Committee (MANCO) serves as a link between internal operational management and governance structures. Leadership is guided by the value system with an emphasis on self-leadership, collaboration, and self-reflection.

Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

As stated, the AA Annual Review included a SWOT analysis to determine and define the strengths, weaknesses, opportunities, and threats in both the internal and external environment within which the merSETA operates. Table 3 summarises the SWOT analysis.

Table 3: Swot analysis

Strength	Weakness
<ul style="list-style-type: none"> • The organisation has presence across the country to support rapid response to needs. • Stable staff complement. • Strong brand • Strong governance controls – policies, strategies, etc. • Expertise and knowledge with regard qualifications and curricula for technical/engineering/artisan occupations • Strong Quality Assurance of learning processes • Well established relationships with HEI – positioned to influence curricula. 	<ul style="list-style-type: none"> • Failure to adequately respond to reputational risks posed by the current social, economic and political environment. • IT and data management systems that are not responsive to operational and strategic objectives of the SETA. • Stakeholder engagement • Poor management of performance information that exposes the SETA to compliance and other regulatory risks. • Poor innovation capability within the SETA that has resulted in the failure of the SETA to respond to the opportunities and

<ul style="list-style-type: none"> Fully functioning governance structures – AA and Committees 	challenges in the PSET ecosystem
Opportunities	Threats
<ul style="list-style-type: none"> Leverage partnership platform to extend to address opportunities for employment. M&E mainstreamed across all governance structures – data integrity, agility of decision making. Introduce 4 & 5IR-related skills development for the future. Leverage on technology evolution and advancements. Strengthening financial monitoring & reporting to enhance strategic decision making. Creating outreach satellite sites to be more inclusive, use of CET Create practical simulated exercises in the satellite offices – career guidance support as well practice of theory learnt. Dual apprenticeship system – take CoS to scale. Influence TVET college curricula to align to I4.0 demand. Support/kick start re-starting of businesses affected by unrest and violence. Identify practical opportunities within the circular economy. Leverage well established stakeholder ecosystem 	<ul style="list-style-type: none"> Reduction of levy income due to economic challenges with the mer-sector due to de-industrialization and global economic downturn The current education system is not geared to produce technical skills. Unavailability of workplaces due to the prevailing economic challenges that have resulted in company closures. High oil prices, high poverty rates, electricity outages and crime are negatively affecting the economy and lack of a clear economic recovery plan. South Africa's training-transition-dispensation to Occupational qualifications Expanding legislative mandate to respond to new challenges and opportunities in the skills development ecosystem. Public unrest and the impact on investors' confidence Poor infrastructure to assist in delivering the mandate of the SETA. High unemployment (national challenge) which unfortunately can't be addressed using skills development initiatives in isolation from other factors. Political instability which has disrupted social and economic activities including industry and learning. Capacity of the state to respond to the changing social, economic, political and technological developments impacting the sector and the PSET ecosystem

To build a stronger SETA that is responsive to the changing skills development ecosystem, the merSETA needs to strengthen its systems to support the development and implementation of a responsive strategy. These include:

A refined research and implementation plan

Research informs interventions, innovations, and further research requirements, to this the merSETA should:

- Documents, plan, incorporate and reflect on research findings.
- Review recommendations and develop implementation strategy.
- Share and publicize research for wider consumption and feedback.

- Develop organisational research agenda.

Digital ecosystem implementation

The recognition of data as a strategic asset for strengthening strategic planning, strategic decision- making, performance reporting, governance and operational efficiency calls for the following:

- Data-centricity enabled and monitored.
- Data protected under robust governance framework.
- Knowledge Management, Monitoring and Evaluations and Quality Management Systems aligned for streamlined data storage, sharing and reporting.
- Organisational buy-in and implantation of data hygiene

Monitoring and Evaluation practice aligned to the digital ecosystem.

To affect change in the organisation and empower the organisation in effective monitoring and reporting, the following are required:

- Monitoring and Evaluation aligned to data-centric approach.
- Internal partnerships honoured and supported.
- Quality assurance, records management, quality management and management information systems streamlined.

Partnerships prioritised and the preferred model of sectoral engagement.

Partnerships in the development and implementation of skills development programmes and initiatives will remain pivotal. Partnerships are recognised as the vehicle through which the merSETA can fulfil its skills development mandate. A more proactive partnership model has been agreed needs to be developed. The key elements, amongst others, of partnerships remain: Partnerships are informed by strategic priorities Partnerships are aligned to national priorities of development and transformation to address social and economic demands. Partnerships should include global and cross sectoral synergies.

A strengthened governance, administrative and resourcing system

The development and implementation of systems, processes, and mechanisms for enabling the merSETA to fulfil its mandate in these unprecedented times need to be supported by a strong governance, administrative and resourcing system. To this end the following should be implemented:

- A strengthened merSETA governance to facilitate skills development.
- Influencing policy and affect policy to be responsive to change and innovation in education, training, and skills development (especially the AA leveraging its direct accountability to the Minister).
- The funding mechanisms of the SETA should be reviewed such that focus is on quality and impact.
- An operating model and structure that is responsive to the changed mandate and functions of the SETA including the imperative to move towards a digital first world business operation.

PART C: MEASURING OUR PERFORMANCE

1 INSTITUTIONAL PERFORMANCE INFORMATION

a. Measuring the Impact

Impact statement	Job creation and economic development, growth and sustainability of the manufacturing, engineering and related services sector (mer-sector) industries and labour market supported by appropriate and relevant skills for the mer-sector.
-------------------------	---

The following outcomes are what the merSETA skills development initiatives will contribute to the development, growth and sustainability of the sector and national priorities.

1. Ethical governance and resourced capable merSETA operations established and maintained to equitably provide skills development related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries and labour market
2. Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains
3. PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market
4. Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management
5. A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market

The table below describes the outcome indicators as well as the five-year target for each of the indicator.

Table 4: Outcome indicators

Outcome	Outcome indicator	Five-year target
Ethical governance and resourced capable merSETA operations established and maintained to equitably provide skills development related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries and labour market	Percentage implementation of previous Auditor General South Africa (AGSA) findings	100% resolution of the findings raised by Auditor General South Africa (AGSA)
Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains	Percentage increase of enterprises participating in merSETA skills development interventions	25% increase of enterprises participating in merSETA skills development interventions
PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market	Percentage of total number of PSET institutions delivering industry recognised learning interventions/programmes	30% of TVET colleges delivering industry recognised learning interventions/programmes 30% of CET Colleges delivering industry recognised learning interventions/programmes 30% HEIs delivering industry recognised learning interventions/programmes
Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management	Percentage of total number of employed in the sector participating in merSETA skills development interventions	54 % of blacks in higher occupational categories (Manager, Professional, Technicians and associate professionals) participating in the merSETA skills development interventions 50% of females across all occupations participating in merSETA skills development interventions 4% of PwD participating in skills development interventions 50% of Black Industrialists within the merSETA scope of coverage benefiting from skills development initiatives.
A skilled, agile and flexible current and future workforce for emerging and future occupations and employment	Percentage increase of workforce have skills for new, emerging, changed, future occupations and skills	50% of the workforce have skills for emerging/transforming/new occupations skills.

opportunities within the merSETA sector engineering and manufacturing industries and related labour market		
--	--	--

b. Explanation of planned Performance over the period 2020/21 – 2025/26

The NSDP is set to become the key policy to inform the work of the merSETA until 2030 and has been crafted in the policy context of the National Development Plan. The five outcomes of the merSETA are a direct response to the priorities set in the NSDP and the NDP as discussed below.

Outcome 1: Ethical governance and resourced capable merSETA operations established and maintained to equitably provide skills development related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries and labour market.

Promoting accountability, transparency and the optimal use of resources is critical in building a SETA that is capable of fulfilling its developmental and transformational role. Moreover, promoting a culture of innovation, continuous improvement, learning, recognition and high performance is key in enabling the merSETA to fulfil its mandate. Developing a team of skilled leaders, managers and staff with expertise in core and support functions of the merSETA will remain critical. The merSETA operates within an ecosystem, collaboration, learning networks and partnerships remain key in its success.

Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains

Skills development is essential in supporting the creation of economic opportunities and sustainable livelihood for the youth, women, and people living with disabilities, township, rural and marginalised communities in a bid to create sustainable livelihoods. The merSETA has taken a decision to prioritise the funding of skills

development projects that address the needs of the social economy and community development. The merSETA also plans to increase its support of community colleges as a strategy to increase its participation in the social economy and community development. The merSETA shall consider broadening access also through locally based education and training social change entities (e.g. training CBO/NGOs). Innovative way of supporting rural provincial/regional beneficiaries through partnerships with government and other entities shall also be considered. Support for the social economy and community development should be flexible and not be narrowly driven by the notion of “primary focus” of the SETA.

Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market

The merSETA plays a pivotal role in building a responsive PSET system driven by the economy, socio-economic context as well as other national priorities. This calls for the need to balance competing national, regional, sectoral, and community priorities as well as the needs of the workers (current and new) and employers/business. The merSETA must challenge its various stakeholders (including labour, business, government and education and training institutions) to collaborate on skills development initiatives that foster common goals for moving the sector and economy forward. Related to responsive PSET system is the need for the merSETA to review its research and skills planning approach and model. An eclectic approach to research and skills planning that takes into account both qualitative and quantitative data, and calls for analysis at the macro (national & global drivers), meso (sector value chains and occupations along value chains), and micro levels (e.g. region, firm, production processes) is key in addressing some of the current and future skills gaps.

Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation,

changing business models of production and technology, and the transformation for the diversification of ownership, control and management

A transformed local manufacturing sector driven by technology, innovation, sustainability, globalisation and changing global manufacturing value chains is essential in promoting employment and inclusive growth. Using a value chain approach, the merSETA has identified priority sectors to support the responsiveness of the South African sector to the digital driven 4th industrial revolution. A significant example is the development of a focused strategy and chamber for the auto components manufacturing sector. With developments in the 4th industrial revolution, the sector has an opportunity to benefit not only from the localisation strategy (through the local manufacturing value chain) but the global automotive manufacturing value chain.

Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market

Advances in manufacturing, globalisation, technology, and consumer markets, local and international regulations has placed pressure for the modern worker to be agile in adapting to these changes. The reality is that new jobs will emerge while others disappear. The SETA shall unpack underlying skills of emerging occupations and respond with a multipronged strategy for current workers, new entrants and future workers i.e. avoid a “one size fits all” response. Skilling and reskilling of the current workers, new entrants and future workers should not only focus on current and intermediate needs but future needs.

c. Key risks and mitigations

Table 5: Outcome risks

Outcome	Key risk	Risk mitigation
---------	----------	-----------------

Ethical governance and resourced capable merSETA operations established and maintained to equitably provide skills development related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries and labour market	Non-compliance to legislative and regulatory environment, and inability to deliver on the mandate	Implementation, communication and monitoring of relevant government frameworks. Implementation of HR strategy and ICT strategy
Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains	Low level of skills to enable participation.	Develop and implement a strategy to recruit and increase participation
PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market	Non-responsive PSET institutions	Provision of the necessary support to deliver
Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management	No skills for the transformation goals	Creative Incentive measures and continuous monitoring and feedback
A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market	Inadequate agile and flexible skills	Collaboration with the QCTO to put in place occupational qualifications for emerging/transforming/new. Support and incentivise formal and informal skills development initiatives and emerging/transforming/new skills

d. Public entities

N/A

PART D: TECHNICAL INDICATOR DESCRIPTIONS

Outcome 1

Indicator title	Percentage implementation of previous AGSA findings
Definition	The indicator refers to the percentage reduction of previous findings raised by the Auditor General South Africa (AGSA).
Source of data	Auditor General South Africa Management reports and merSETA audit logs
Method of calculation / Assessment	Calculate the percentage of findings which have been resolved as per the audit log.
Assumptions	The merSETA has all the necessary systems and controls for improving planning, performance monitoring, reporting and financial management
Disaggregation of beneficiaries (where applicable)	Target for Women: N/A Target for Youth: N/A Target for People with Disabilities (PwD): N/A
Spatial Transformation (where applicable)	N/A
Desired performance	Target stated in 2020/21 - 2024/25 SP achieved
Indicator responsibility	Chief Financial Officer

Outcome 2

Indicator title	Increase in percentage of number productive enterprises participating in merSETA skills development initiatives
Definition	This indicator refers to the percentage increase of the number of productive enterprises participating in merSETA skills development initiatives.
Source of data	National Skills Development Management System
Method of calculation / Assessment	Total number of enterprises participating in merSETA initiatives after five years divided by the number of participating in the beginning of the five year period multiplied by 100. The final figure is reflected as a percentage.
Assumptions	Targeted enterprises will participate in merSETA programmes
Disaggregation of beneficiaries (where applicable)	Target for Women: N/A Target for Youth: N/A Target for People with Disabilities (PwD): N/A
Spatial Transformation (where applicable)	N/A
Desired performance	Target stated in 2020/21 - 2024/25 SP achieved

Indicator title	Increase in percentage of number productive enterprises participating in merSETA skills development initiatives
Indicator responsibility	Chief Operations Officer

Outcome 3

Indicator title	Percentage of the total number of PSET institutions delivering industry recognised learning interventions/programmes
Definition	This indicator refers to the total number of public TVET Colleges, Community Education and Training Colleges and Higher Education institution delivering merSETA industry recognised learning interventions/programmes.
Source of data	National Skills Development Management System
Method of calculation / Assessment	Total number of public TVET Colleges, CETs and HEIs delivering merSETA industry recognised interventions / programmes divided by the total number of registered public TVET Colleges, CETs and HEIs in South Africa multiplied by 100. The final figure is reflected as a percentage.
Assumptions	The identified public TVET Colleges, CETs and HEIs will participate in merSETA programmes.
Disaggregation of beneficiaries (where applicable)	Target for Women: N/A Target for Youth: N/A Target for People with Disabilities (PwD): N/A
Spatial Transformation (where applicable)	N/A
Desired performance	Target stated in 2020/21 - 2024/25 SP achieved
Indicator responsibility	Chief Operations Officer

Outcome 4

Indicator title	Percentage of total number of employed in the sector participating in merSETA skills development interventions
Definition	This indicator refers to the total number of black people, women, people with disabilities and black industrialists participating in merSETA skills development interventions expressed as a percentage of the total employed in the merSETA scope of coverage.
Source of data	National Skills Development Management System
Method of calculation / Assessment	The total number of people (black people, women, people with disabilities and black industrialists) participating in merSETA skills development interventions divided by the total number of people in the merSETA scope of coverage (multiplied by 100). The final figure is reflected as a percentage.
Assumptions	That companies in the sector will participate in merSETA skills development initiatives.

Indicator title	Percentage of total number of employed in the sector participating in merSETA skills development interventions
Disaggregation of beneficiaries (where applicable)	Target for Women: N/A Target for Youth: N/A Target for People with Disabilities (PwD): N/A
Spatial Transformation (where applicable)	N/A
Desired performance	Target stated in 2020/21 - 2024/25 SP achieved
Indicator responsibility	Chief Operations Officer

Outcome 5

Indicator title	Percentage increase of workforce have skills for new or emerging or transforming occupations
Definition	This indicator refers to the total number of the workforce in the merSETA scope of coverage participating in initiatives aimed at addressing new or emerging or transforming occupations including future skills within occupations. The target is expressed as a percentage of the total number of people employed in the merSETA scope of coverage.
Source of data	National Skills Development Management System
Method of calculation / Assessment	Total number of people employed in the mer-sector participating in initiatives aimed at addressing new, emerging, changed and future occupations divided by the total number of people employed in the mer-sector (multiplied by 100). The final figure is reflected as a percentage.
Assumptions	That companies in the sector will participate in merSETA skills development initiatives.
Disaggregation of beneficiaries (where applicable)	Target for Women: N/A Target for Youth: N/A Target for People with Disabilities (PwD): N/A
Spatial Transformation (where applicable)	N/A
Desired performance	Target stated in 2020/21 - 2024/25 SP achieved
Indicator responsibility	Chief Operations Officer

ANNEXURES TO THE STRATEGIC PLAN

Annexure A: District Development Model

merSETA District Development Model						
Areas of Intervention	Medium Term (3 years – MTEF)					
	Project Description	Budget allocation	District Municipality	Location: GPS coordinates	Project leader	Social partners
Electricity	Solar Photo Voltaic Skills	R100 000 000	Sedibeng City of Johannesburg City of Tshwane West Rand	-26.203482, 28.036103	Gauteng City Regions Academy	Gauteng Provincial Government
Sanitation	Candidate Engineers	R6 352 5000	District allocations managed by the North West Office of the Premier	N/A	North West Office of the Premier	Dept Cooperative Governance & Traditional Affairs (COGTA)
Water	Candidate Engineers	R6 352 5000	District allocations managed by the North West Office of the Premier	N/A	North West Office of the Premier	Dept Cooperative Governance & Traditional Affairs (COGTA)