



**Post-Basic Education and Training and Poverty Reduction in  
South Africa: Progress to 2004 and Vision to 2014**

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**Post-Basic Education and Training  
Working Paper Series - N°2**

**October 2005**

**Centre of African Studies, University of Edinburgh**



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## EXECUTIVE SUMMARY

In this paper, we explore the rationale for a focus on PBET as a major tool in poverty reduction in South Africa. This requires a consideration of the specific pattern of development of South Africa through colonialism, Apartheid and ten years of democracy in order to better understand the nature of poverty, inequality and unemployment. Such an analysis also requires us to make the links between these broader issues of underdevelopment and inequity and the evolution of education and training over the last century.

The role of PBET in South Africa's national development vision was made clear in President Mbeki's incoming State of the Nation Address in May 2004 and in the Government's subsequent Programme of Action. This seeks to address concerns of both the first economy and second economy in an inter-connected way, based in macroeconomic stability; growing attention to microeconomic reform; growing transfer payments to the vulnerable; and strong policy coordination.

Although there is a clear commitment across government to developing the skills that are required for faster employment growth, it is apparent that South Africa faces very serious challenges in achieving its goals with respect to the first economy. There are five main areas of weakness in this regard.

First, beneath the high level agreement about better integration of education and training policies, lurk continued tensions about the details of this integration in practice. This is particularly evident in respect of the National Qualifications Framework. The prospects for education and training making the necessary impact on poverty reduction through employment growth are reduced when key systemic issues remain uncertain.

Second, there remain serious weaknesses in the capacity of both departments to implement their policy visions. Both remain critically understaffed and more importantly underskilled in key areas which continues to have an adverse impact on system development. Thus, there is a need for post-basic education and training to enhance the enabling environment for service delivery and poverty reduction.

Third, many of the institutions charged with delivery of education and training are young and remain fragile. In some instances, staff who have the skills come from a background where issues of unemployment and poverty were not of any relevance to their work and most are still struggling to incorporate these concerns into their strategies and practices.

Fourth, there is the challenge of making funds available for the necessary interventions. Moreover, the success of the state in using transfer payments to reduce poverty is clearly putting serious pressure on educational expenditure in many provinces. Indeed, education's share of provincial budgets has fallen in recent years. This poses particular threats to those elements of expenditure that are not related to the formal school system.

Fifth, this relates to a broader challenge arising out of the current constitutional arrangement within South Africa, which gives the nine provinces the ability to decide on their own expenditures on general and further education and training. Although national government can seek to shape such expenditures, there are current concerns about the willingness of provinces to base their expenditure on the Programme of Action.

Thus, although both DoE and DoL show clear commitment to the employment and growth agenda and are seeking to address it, there are a series of grounds for caution. Crucially,

education and training are not magical solutions but elements of a broader approach that is needed to reduce poverty and increase employment. Many of the interventions in education and training for the first economy can only make sense in the context of a virtuous cycle of educational and economic development progressing together.

Poverty reduction in the second economy is already being addressed through an expansion of transfer payments and through an extension of services by the state, often in partnership with NGOs and others. Better literacy and numeracy can contribute to a better quality of life, support to children's learning and to enhanced income generation. Here, the commitments and implementation capacity of both departments to ABET will be crucial. Such commitments will need to address the relative failure of ABET initiatives to date.

The Department of Labour is also seeking to improve skills development for community development and small enterprise development through the National Skills Fund and through collaboration with the Expanded Public Works Programme. At the same time, some FET colleges are expanding their involvement in lower level, less formal skills development programmes aimed at poorer communities.

The relationship between education and training and small-scale agriculture remains largely unexplored in the government's overall vision. The same is true for skills related to rural non-farm activities.

Whether in delivering transfer payments, broader services or skills interventions, the state and other actors such as NGOs are in urgent need of skills development themselves in order to improve the efficiency and effectiveness of their work targeted at the second economy.

# Post-Basic Education and Training and Poverty Reduction in South Africa: Progress to 2004 and Vision to 2014<sup>1</sup>

## INTRODUCTION

It has become axiomatic that there is a strong relationship between basic education and poverty reduction. This has tended to overshadow the role of other components of education and training in efforts to reduce poverty. In this paper, we will seek to illustrate the importance of a holistic focus on the role of education and training in poverty strategies through an exploration of the case of South Africa. South Africa is crucial to the reduction of poverty in Sub-Saharan Africa, both as a country where approximately 20 million people are considered to be in poverty and as the most likely engine of pro-poor growth for the rest of the region.

In light of the varied interpretations of the notion of basic education internationally, there is generally consensus that basic education refers to the initial nine years of schooling. This definition is drawn from a triple rationale. First, nine years marks the end of the General Education and Training phase under the National Qualifications Framework and the awarding of the GET Certificate, the principal first level qualification on the NQF. Second, it reflects the legislative position in which nine years of schooling (after one year of early childhood development) is compulsory. Third, it reflects a reality in which the majority of school-age children do complete this level.

We follow King, Palmer and Hayman (2004) in arguing that it is vital to see the complexity of the relationship between education and development when examining the education - poverty link. In particular, we share their position that the role of post-basic education and training (PBET) in supporting the enabling environment for the basic education - poverty reduction relationship is central. This stress on post-basic education and training's role is one for which there is broad agreement within South Africa. This is particularly so because most South African analysts agree that unemployment is central to poverty and that PBET is vital in job creation. In South Africa basic education refers to the nine initial years of schooling.

Indeed, the role of PBET in South Africa's national development vision is made clear from an analysis of President Mbeki's incoming State of the Nation Address (Mbeki 2004) in May 2004 on winning his second term in office and of the Government's subsequent *Programme of Action* (RSA 2004).

In this paper, we will explore the rationale for a focus on PBET as a major tool in poverty reduction in South Africa. To do this, we must first consider the specific pattern of development of South Africa through colonialism, Apartheid and ten years of democracy in order to better understand the nature of poverty, inequality and unemployment. Such an analysis also requires us to make the links between these broader issues of underdevelopment and inequity and the evolution of education and training over the last century.

We shall then move on to consider the state's strategy for halving poverty and unemployment by 2014 and the role that it ascribes to education and training in this strategy. This will lead

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<sup>1</sup> This paper was commissioned by the British Department for International Development as part of a six-country study on PBET and poverty directed by Professor Kenneth King, Centre of African Studies, University of Edinburgh. We wish to acknowledge the time given to us and the frank analysis of government policy and programmes offered by those officials who we interviewed in researching this paper. The views contained in this paper are those of the authors alone.

us to a final section where we will consider the evidential basis for this policy approach and the likelihood of its success.

There is a mass of data and analysis on various elements of the account we present here, although little in the way of a synthesis. We draw heavily on this existing literature in our paper. However, it is important here to note the lack of key empirical evidence regarding the relationship of either basic or post-basic education and training with poverty, productivity, etc.

We also reflect the discussions we have had for this project with a range of senior government officials and politicians from a series of different departments, as well as the President's Office. However, we will not cite these interviews explicitly as our conversations were off-the-record so as to encourage critical reflection on the performance of the state and its future capacity in these respects. We also benefitted from participation in a number of seminars, workshops and conferences where government, activists and academics met to discuss issues of pertinence to this paper. Finally, we also inevitably draw on insights gained from the broader work of ourselves and our colleagues in the Human Sciences Research Council, including the participation of one of the authors in a number of government structures where some of the issues of this paper have been under discussion.

## **THE LEGACY OF THE PAST**

### **A brief history of poverty and inequality in South Africa**

Poverty and inequality in South Africa have their roots in the colonial era. This began in the 1650s with the establishment of a Dutch settlement at the Cape to service ships on the long journey from the Netherlands to the East Indies. During the next 150 years, white settlers slowly moved into the interior, a process that was accelerated after the British took over the colony in the early Nineteenth Century. The expansion of white settlement brought with it both land dispossession and enslavement, on the one hand, whilst for many communities there continued to be considerable economic autonomy.

With the discovery of diamonds and gold, in the second half of the Nineteenth Century, expanded economic opportunities for African communities soon gave way to attempts to enhance control over them. The late Nineteenth and early Twentieth Centuries also saw a series of wars, both to snuff out the last vestiges of independent African polities (such as that of the BaPedi) and to assert English authority more fully over the Afrikaner republics of the Transvaal and the Orange Free State.

The peace treaty ending the conflict between the British and the Boers and the subsequent establishment of the Union of South Africa in 1910 reinforced racialised forms of poverty, inequality and exclusion. This, in turn, strengthened the impacts of the migrant labour system that had already begun to develop in mining.

The rapid urbanisation of the early Twentieth Century also saw an emerging issue of white poverty, particularly amongst Afrikaner migrants to the towns and cities. This led to a strong welfarist approach and, increasingly from the 1920s, an attempt at massive job creation and capital formation for Afrikaners, supported by huge state investment in heavy industry (e.g., iron and steel and electricity) and a clear import substitution strategy.

After 1945, there was considerable expansion of capital-intensive production for the domestic market of both consumer durables (automotives and “white goods”) and heavy intermediate goods. This was a racialised form of Fordism (Gelb 1991) in which industrial policy focused on improving white living standards and building white political support for the National Party government. However, the raising of white living standards through capital-intensive production had the effect of limiting absorption of black labour into the formal economy and of depressing black skills levels.

By the time that import substitution had run out of steam, by the start of the 1970s, the economy was not in a position to compete internationally. Manufacturing competitiveness and labour productivity were low. Import dependence in manufacturing for intermediate goods and machine tools was high (Gelb 2003). Long-run manufacturing profitability was weakening, whilst black unionisation and political activism began to rise in the early 1970s. Moreover, the fall of the Portuguese colonies in Angola and Mozambique also marked a new period of South African military activity in the rest of the region, placing further burdens on the economy and on the pool of white skilled labour, as well as leading to increasing political contestation within the white community at home and to condemnation internationally.

### **The Apartheid legacy of unequal access to skills**

For our focus in this paper, it is important to stress that access to education and training was highly determined in both racial and gender terms in the colonial and Apartheid periods (McGrath 2004). However, there were three points during the Twentieth Century where this basic model of a highly polarised, racialised and gendered system of skills came under serious threat (McGrath 2004).

The first of these was during the First World War and its aftermath. The flow of skilled labour from Europe dried up and employers began to have to recruit newly urbanised and lower skilled Afrikaner workers, including large numbers of women in certain sectors, such as the garment industry (Berger 1992). These workers were clearly less skilled than European immigrants and so there was a widespread tendency from employers to substitute them with black labour as there was no longer a significant skill premium to white wages.

In 1920, the National Recruiting Corporation called for the use of more “semi-skilled” and permanent African labour on the mines in preference to the existing migrant system. Employer attempts to subvert the notion of a colour bar, under which certain occupations were reserved for whites, reached the Supreme Court with the Hildick-Smith Judgement (1923) where a mine manager was judged to have acted legally in ignoring the 1911 Mines and Works Act’s regulations on who could be employed in certain occupations by employing an African engine driver underground (Rafel 1987).

However, militant action and political organisation by white workers soon responded to these apparent victories for capital (and, by extension, acted against the emergence of skilled Africans). The 1922 Apprenticeship Act was added to by a raft of other legislation that firmly reserved the notion of skill and skilled work for whites and, to a lesser extent, coloureds (McGrath 1996). The Act was complemented by the opening of six technical colleges for whites, to join the existing two (Chisholm 1992).

At the same time, growing concern about the “poor white problem” and the threat of African urbanisation led to new pressures on African education. Liberal education in (albeit only some) mission schools came under a concerted attack for its inappropriateness for the rural



communities where Africans were expected to remain. Life skills increasingly became stressed over academic skills, with technical skills largely ignored (Hunt Davis 1984; McGrath 1996; Paterson 2004a).

The second moment of questioning of the South African skills regime came with World War Two. This time it was the large number of white combatants leaving the labour market that was the major factor in the labour market. Unlike in Europe and North America, this did not lead to a pronounced shift towards female employment as South Africa had a large black, male population to draw upon (Berger 1992). Rather, the war years saw a major effort to develop black skills quickly, and racialised definitions of skilled work and workers were put under serious strain. In the mid- to late-1940s, the de Villiers and Fagan Commissions officially accepted the inevitability of African urbanisation and proletarianisation and their implications for skills development, though the government stopped far short either of political enfranchisement or effective education and training strategies.

However, the relative reformism of the 1940s was short-lived as the 1948 elections saw the victory of the National Party and the emergence of Grand Apartheid. In the area of African education and skills development, the state reiterated the 1920s policy, seeking to keep Africans either rural or unskilled, or both.

By the mid 1960s, some employers began to be more outspoken about the efficacy of the Apartheid labour market settlement. There was a growing discourse of skills shortages (The Education Panel 1963 and 1966) and attempts by some employers to float the colour bar upwards became more intense (James 1992). For such employers, racialised notions of black aptitude for skilled and semi-skilled industrial work became increasingly less important than the economic case for using black labour in more skilled roles. Over time, work practices and official skill designations grew apart (McGrath 1996). The growing questioning within capital of the Apartheid skills model developed into the third and decisive period of contestation and reform as renewed African political militancy in both education and the labour market combined with an economic downturn in the early 1970s.

By the late 1970s, growing African resistance; a declining economy; and the costs of fighting a rearguard action against the liberation of the wider Southern African region led the National Party to seek to manage a process of reforming the Apartheid system, and to focus this attempt most clearly around the education, training and labour market nexus as a key locus of power.

The late 1970s and early 1980s saw a raft of new legislation that sought to transform education and training provision, urbanisation and economic policy. A unique South African version of neo-liberalism emerged in which market forces were lauded but were shaped profoundly by attempts to maintain racial privilege. Black access to education, training and skilled work all grew significantly but, at the same time, were constrained by continuing inequalities in access and in resources. The growing abdication of a dominant role in skills development by the state in this period also led to increasing concerns about the attitudes towards training of employers. Successive research reports by the National Training Board and the Human Sciences Research Council (NTB/HSRC 1984, 1989 and 1991) painted a picture of widespread inattention by employers to systematic skills development.

The evolution of attitudes towards skill; of labour market structures; and of the economy in just over a century of South African industrialisation by 1994 had resulted in a seriously dysfunctional skills development system. Three principal problems faced the incoming state in this area.

First, skill had been profoundly racialised and gendered. Black (especially female) South Africans had been denied access to skills development or had received no certification or recognition for their real levels of skills and knowledge learned on the job, and provider institutions and delivery systems were fragmented and dysfunctional.

Second, the absence of consensus and cooperation around skills development was not simply about issues of access. The state had abandoned much of its responsibility for building skills and business seemed incapable of developing a strategic position. The possibility for tripartism was almost non-existent in one of the most conflictual industrial relations systems in the world.

Third, South Africa's Apartheid-driven industrial development path had led to an intense polarisation of skill between high skill and low skill elements; with a serious underdevelopment of the intermediate skill segment, which is seen as essential to successful industrialisation and competitiveness internationally (Kraak 2003b).

## **THE STATE OF THE NATION IN 2004**

Almost ten years after its liberation from white minority rule, our country still faces many challenges. Many of our people are unemployed. Many of our people continue to live in poverty. Violence against the person in all its forms continues to plague especially those sections of our population that are poor and live in socially depressed communities.

The burden of disease impacting on our people, including AIDS, continues to be a matter of serious concern, as do issues that relate to the fact that many of our people, including the youth, lack the education and skills that our economy and society needs.

There are still many of our people who live in shacks and others who have no access to clean water, proper sanitation and electricity. Imbalances and inequalities that impact on fellow citizens on the basis of race, gender and geographic dispersal continue to persist. (Mbeki 2004a)

Although, he went on to record the momentous changes that had taken place in the first decade of democracy, President Mbeki's rhetoric here and elsewhere in the final State of the Nation Address of his first term in office, is as powerful as any testimony to the reality of poverty and inequality that continues to affect many South Africans. In this section we will build on the President's stark and sober summary with the evidence from a wide number of academic studies.

## **Poverty, inequality and unemployment in contemporary South Africa**

### *Poverty*

There is no accepted official definition of poverty in South Africa and a range of authors outline the complex interaction of methodological and ideological factors in the range of disagreements about the nature and scale of South African poverty (e.g., Everatt 2003; Gelb 2003; Borat, Poswell and Naidoo 2004; Roberts 2004). Some studies use the \$1 and \$2 a

day conventions, whilst others look at the minimum income required by a household. Across definitions and methodologies, it is accepted that between 45 and 55% of the South African population is poor and between 20 and 25% are in extreme poverty (see Seekings and Nattrass 2002; Everatt 2003; Gelb 2003; Landman 2003; van der Berg and Louw 2003; Bhorat, Poswell and Naidoo 2004; Meth and Dias 2004; UNDP 2004 for recent estimates). The former amounts to between 18 and 24 million people; the latter to between 8 and 10 million.

This poverty has pronounced spatial, racial and gender dimensions. Woolard and Leibbrandt (2001: 59) estimate that the rural incidence of poverty is approximately three times the urban incidence. In 1999, 95% of poor people were African, though Africans were only 79% of the population as a whole (Gelb 2003: 5). The poverty rate amongst female-headed households in 1995 was 60%, double that for male-headed households, and this was linked to the concentration of female-headed households in rural areas and their fewer working age adults (Everatt 2003: 78; Gelb 2003: 10).

The incidence of poverty also manifests itself at the nutritional level. One in ten Africans are malnourished; one in four African children are stunted (Woolard 2002; Everatt 2003: 77). Moreover, Roberts (2004) notes that hunger appears to be increasing across a range of measures.

Equally, it is possible to think of poverty in terms of access to basic services. The following table shows how access to such services has been increasing, but also indicates the gap that remains.

**Table 1: Access to services, 1995-2000**

	1995	1996	1997	1998	1999	2000
% in formal housing	65.8	63.8	70.9	66.7	69.9	70.8
% with clean water	78.5	82.0	82.4	81.0	83.4	84.6
% electricity for cooking	55.4	51.0	54.3	52.9	53.0	54.3
% refuse by local authority	55.4	55.1	55.5	54.7	55.3	58.6
% telephone in dwelling	29.1	31.1	29.7	28.4	34.9	38.5
% flush, chemical, pit toilet	86.6	84.8	87.7	83.4	86.1	86.8

(Source: Budlender 2003, derived from October Household Survey and Labour Force Survey data)

Unsurprisingly, there is an urban-rural split in access to such services, as table 2 indicates.

**Table 2: Urban and non-urban access to services, 2000**

	Urban	Non-urban
% in formal housing	76.2%	63.6%
% with clean water	98.7%	60.2%
% electricity	72.2%	23.5%
% refuse by local authority	88.0%	8.0%
% telephone in dwelling	51.5%	16.2%
% flush, chemical, pit toilet	93.7%	75.0%

(Source: Budlender 2003: derived from the September 2000 LFS)

Moreover, as Roberts, and Hemson and Owusu-Ampomah (both 2004) note, the poorest are the least likely to access these services even though overall delivery is increasing.

A participatory poverty assessment conducted in 1997 found that poor people saw their poverty in the following terms:

- lack of community and family networks;
- food insecurity;
- crowded homes;
- lack of safe and efficient energy sources;
- lack of decent work; and
- family fragmentation (May 1998).

In a similar vein, the *2005-2006 People's Budget* highlights seven indicators of poverty:

1. inadequate access to physical assets;
2. low productivity of the assets accessed;
3. inadequate incomes due to un- or under-employment;
4. inadequate social grants;
5. underdeveloped human capabilities (deriving from education, skills and health care);
6. exclusion from participation in decision-making; and
7. weak economic participation (COSATU, SANGOCO and the SACC 2004: 8).

The *People's Budget* argues that the majority of South Africans face a historical legacy of poverty across all seven indicators that continues to the present day, in spite of the real progress made in some of these areas.

### *Inequality*

Although South Africa has a serious poverty problem, it is not particularly remarkable in African terms. The country's level of inequality, however, is amongst the worst in the world. There are conflicting accounts as to whether South Africa's Gini coefficient has declined in the last decade.<sup>2</sup> However, this disagreement does not hide the general view that inequality is still unacceptably high, with the range for the Gini coefficient still lying between 0,58 and 0,68 (Gelb 2003; Landman 2003; Borhat and Cassim 2004; Roberts 2004).

The scars of a race-based system are still ever-present. It has been argued that in the lower echelons, "...the poorest remain obdurately and overwhelmingly black (Everatt 2003: 79). Like poverty, Gini is higher amongst African households than non-African counterparts (see

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<sup>2</sup> The Gini coefficient is the standard measure of income inequality. Absolute equality of incomes would generate a coefficient of zero. Countries are currently ranged between 0,24 (Hungary) and 0,71 (Namibia) according to the UNDP (which uses the figure of 0,59 for South Africa).

Bhorat 2003: 4; van der Berg & Louw 2003, Landman, 2004). The forecast change for inequality to be less race-based is fast approaching, while the fortunes of those who are already privileged are less likely to be eroded under the new order. But there is an increasing tendency towards the creation of black elite, which is likely to challenge the inequality equation. Whereas in 1991, only 9% of the richest were black, this figure had increased to 22% later in 1996 (Whiteford & Seventer 2000). This prompts the conclusion that there has been an increasingly tendency towards the creation of a class- based as opposed to a race-based inequality evident in the previous order. Thus as Everatt argues, “ ...it seems apparent that reliance on market forces to achieve anything other than gradualist elite redistribution is misplaced”. (Everatt 2003: 79).

### *Unemployment*

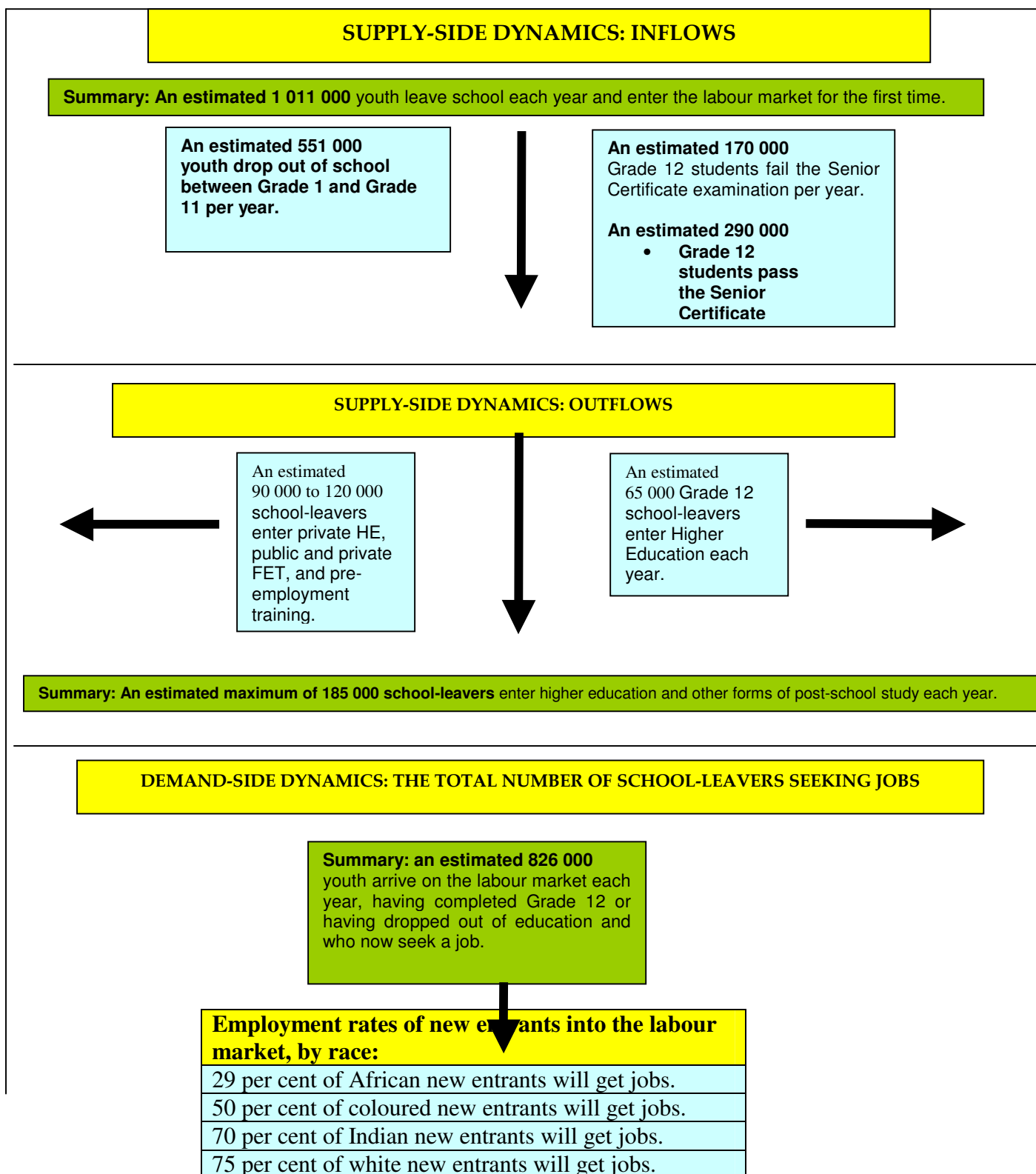
There is a strong relationship between poverty, inequality and unemployment in South Africa. Measured by household income, 83% of households in the bottom fifth have no people in employment. Looked at from another angle, 38% of African households in 1999 contained no employed people – up from 32% in 1996 (Everatt 2003: 78). As Roberts (2004: 488) notes, this means that 3,1 million households are workerless.

Unemployment is a growing problem in South Africa, but it is not a new one. Unofficial estimates were 12% in 1970 and 21% in 1980. The current figures are approximately 30% on the narrow definition or 40% on the broad definition, which includes those who are “not actively seeking work” and are characterised as “discouraged” workers. There are strong grounds for seeing the broad definition as the more valid as many potential workers are likely to be “discouraged” in the context of mass unemployment, particularly where the costs of job searching are significant, as is the case for many rural unemployed. Whatever the definition chosen, the level of unemployment in South Africa is very serious.

The incidence of unemployment is uneven according to education, age and race. 58% of those formally employed have at least matriculation level education (12 years of schooling), as compared with only 38% in the total working-age population. 22% of the formally employed have post-matric education, whilst this is the case for only 8% of the total working-age population (Landman 2003: 8).

It appears that even matric is no longer of much value in the labour market. McCord and Bhorat estimate that only 36% of matriculants can find employment; whilst another 19% go on to further or higher education (McCord and Bhorat 2003; Kraak 2003a). 56% of the unemployed are aged 30 years or younger; whilst 15-24 year olds comprise 30% of the total unemployed. Only 29% of new African labour market entrants between 1995 and 1999 were able to find work, compared to 50% of Indians, 70% of coloureds, and 75% of whites (McCord and Bhorat 2003).

*Figure 1: Average annual through-flow of school-leavers entering the youth labour market for the first time, 2000-2002*



(Source: Kraak 2003a). The supply-side flows are calculated from data in Perry and Arends 2003; Subotzky 2003a; Akoojee 2003; Subotzky 2003b; and Badroodien 2003. The demand-side employment trends are calculated from data in McCord and Bhorat, 2003. The flow in the figure is calculated as the average of the through-flows over a two-year period, 2000 to 2002.

Part of the explanation for high unemployment in South Africa is that economic growth has not been high enough over the last 30 years. Whereas growth had averaged more than 4,5% per annum between 1945 and the early 1970s; the period from the mid-seventies to the beginning of the nineties saw growth average only about 1,5% per annum. Since 1993, growth has slowly recovered to reach an average of 3% over the past few years (Landman 2003: 8). Many of the underlying problems fuelling the high unemployment level relate to the structural distortions of the economy under Apartheid, which cannot easily and quickly be overcome.

Between 1995 and 2002 about 1,6 million net new jobs were created in the South African labour market. That is an average growth rate of about 2,1% p.a. in the number of jobs. However, over the same period that 1,6 million jobs were created, more than 5 million people entered the labour market (Bhorat 2003; Landman 2003; Bhorat and Cassim 2004).

These numbers for employment growth include both the formal and informal economy. Thus, it is particularly important to understand better the nature and scale of employment in the South African informal economy. According to data from the October Household Surveys and Labour Force Surveys, the size of informal economy employment rose from 965 000 to 1 873 000 between 1997 and 2001 (Devey, Skinner and Valodia 2003). If the figures for subsistence agriculture and domestic work are also added in, then it appears that the bulk of new jobs were not in formal employment, although a recent recalculation of the OHS and LFS data questions this reading (Altman 2004b).

Informal employment is strongly concentrated in wholesale and retail trade (50%). Only slightly over 10% of those working in the informal economy are involved in manufacturing: “a low proportion in comparison to other developing country contexts, indicating that there is relatively little value adding occurring in the informal economy” (Devey, Skinner and Valodia 2003). Thus, there is a need for caution regarding the amount of “real jobs with decent work” that have been created in the past decade.

Strikingly, official figures for employment in subsistence agriculture indicate the radically different structure to work in South Africa as opposed to much of the rest of the region. The March 2004 Labour Force Survey gives less than 3% of total employment as being located within the subsistence agriculture sector (Statistics South Africa 2004).

### **Other development indicators**

Probably the most important source for international comparisons of development is the Human Development Index. Although the HDI is inevitably a rather crude measure, particularly when looked at over time and across the globe, it does provide a very plausible trend in the case of South Africa (Hemson and Owusu-Ampomah 2004). The 2003 index shows that South Africa has fallen to 111<sup>th</sup> place, its rating of 0,684 being down from 0,741 in 1995 (UNDP 2003).

South Africa is a strong performer in relative terms in the area of education, although its better relative performance on current enrolments as compared to literacy is indicative of the Apartheid legacy. However, the HIV/AIDS pandemic is clearly having a major deleterious effect on life expectancy. Crucially, the HDI indicates that South Africa is doing less well than it should be for a country of its income level. The GDP-HDI rank of -64 is amongst the worst in the report. More seriously, South Africa appears to be regressing in HDI terms.

HIV prevalence in the South African population is estimated at 11% (4,5 million people). Among the 25-29 age group, however, the rate is 28%. Prevalence is higher amongst women (13%) than men (10%). The intersection of poverty and HIV/AIDS is indicated by the finding that spatially the highest prevalence is for people living in informal settlements (Shisana and Simbayi 2002).

The disease is expected to have a massive effect on future national development. Whilst it is estimated that the infection rate peaked in 1998 (Budlender 2003), the peak death rate is only likely to be felt by about 2010. The loss of skills of those who die, and the increase in the number of orphans left in the pandemic's wake, suggest a massive social and economic impact.

Optimistically, amongst the most significant findings of the first major national prevalence survey (Shisana and Simbayi 2002) were the noticeable increased awareness amongst youth about HIV/AIDS and, crucially the beginnings of resultant behavioural change. There was a discernible increase in condom use and abstinence amongst youth.

Nonetheless, the scale of the pandemic and the relative tardiness of the Government in responding to it make HIV/AIDS one of the biggest areas of concerns within South Africa's broader poverty strategy.

### **Beyond the statistics – the real state of the nation?**

The milestone of ten years of democracy in South Africa engendered a wide range of reviews of the development effort of the Government over this decade. In late 2003 the Presidency issued *Towards a Ten Year Review* (RSA 2003), an analysis of the performance of ten years of democratic government, which drew both on data from government departments and from existing and new work from other agencies and researchers. The overall message of the review was generally positive about the performance of the state but provided a stark warning about the challenge ahead:

The advances made in the First Decade by far supersede the weaknesses. Yet, if all indicators were to continue along the same trajectory, especially in respect of the dynamic of economic inclusion and exclusion, we could soon reach a point where the negatives start to overwhelm the positives. This could precipitate a vicious cycle of decline in all spheres. Required are both focus and decisiveness on the part of government, the will to weigh trade-offs and make choices, as well as strategies to inspire all of society to proceed along a new trail. If decisive action is taken on a number of focused areas, the confluence of possibilities is such that the country would enter a road of faster economic growth and job creation, faster and more efficient provision of quality services, increased social cohesion and reduction of the paradigm of exclusion prevalent among sections of society. (RSA 2003: 102)

As regards social services, the *Review* reported a significant improvement in, and deracialisation of, social services. It argued that the delivery of pensions and other social grants has improved dramatically but acknowledged that significant numbers of recipients were still unregistered and/or poorly serviced. "Notable advances" in the provision of services such as electricity, water and sanitation and housing were claimed, although the problems of non-payment, cut-offs and illegal connections were admitted.



The *Review* did not address the growing concerns that the size of the welfare budget has grown too quickly and too far, leading to a likely future problem of unsustainability. However, this has been acknowledged more recently to the extent that the Minister of Finance admitted when releasing new MTEF projections in October 2004 that “We need to acknowledge that our social security net is under severe strain” (Manuel 2004).

In the economic area, the *Review* claimed that the Government had made significant progress in the main areas primarily under the control of the State (such as fiscal and monetary policy, trade and industrial policy) but it had experienced less success in other areas (competition policy, restructuring and improving the performance of government and regulatory institutions and agrarian reform). Weakness on black economic empowerment, employment equity and small business development were also acknowledged. The *Review* also highlighted the cost and complexity of institution building.

The *Review* also sought to understand the impact of government on the targeted groups – children, youth, women, people with disabilities and the aged. It concluded that there was evidence that government was beginning to have an impact on the targeted groups. It noted that South Africa was ahead of the gender-related Millennium Development Goals and that the public service had been taking the lead in increasing female employment, especially at senior levels. It concluded that social grants were making a real difference to the lives of the aged, young and disabled. However, the Review concluded its analysis on targeted groups by warning that their position still remained precarious because of the high levels of unemployment.

In conclusion, the *Review* argued that

South Africa is at the confluence of major possibilities arising out of progress that has been made in the First Decade of Freedom. The fruits of good macro-economic management are being reaped in social services; programmes for micro-economic interventions have been developed, and experience has been gained in implementing government programmes, including crime prevention and improving the global positioning of the country. There are weaknesses in those areas that are least dependent on direct government action, at the coalface of interaction with the public and in the supervision and management of implementation. (RSA 2003: 101)

There have been a number of independent exercises to review the performance of the first decade, such as the HSRC’s *State of the Nation, 2003-4* (Daniel, Habib and Southall 2003) and the Interfund-supported, *The Real State of the Nation* (Everatt and Maphai 2003). In addition, the UNDP’s *South Africa: Human Development Report 2003* (UNDP 2004) and the *2005-2006 People’s Budget* (COSATU, SANGOCO and the SACC 2004) can be seen as more implicit reviews of the first decade.

These documents differ from each other and from the *Review* largely in degree and tone rather than at a major substantive level. Across all five documents, from the most positive line of the Presidency to the least positive position of the UNDP, there is a degree of consensus that much has been achieved, but that much more needs to be done.

However, there are two issues that are of importance where there were significant differences across these documents.

First, there continues to be debate as to whether the government’s pursuit of fiscal orthodoxy was a factor in delivery or in increasing poverty and inequality. This reflects the range of

ideological positions about the extent to which the ANC government has kept to or reneged on the key principles it espoused in 1994. Our own ideological positions on this issue are at some variance. However, it can be argued that whilst the Growth, Employment and Redistribution policy did achieve much in the way of fiscal targets, it did not lead to the expected levels of growth, employment and redistribution. Indeed, this is a position that is now largely accepted by the state itself. Moreover, as we shall argue below, policy pronouncements since the 2004 elections reflect a growing attempt by the state to build a more developmentalist approach.

Second, the *People's Budget* provides the most explicit treatment of the issue of state capacity to deliver against its expanding development vision. It identifies a range of key weaknesses of state capacity but first on the list is "inadequate staffing and skills". The *People's Budget* reinforces our own lessons from interactions with government that the South African developmental state and its ability to reduce poverty require a far more serious focus on building skills within the public sector. This is beginning to be acknowledged by the commissioning of a study on public sector training by the Department of Labour in mid-2004 (Paterson 2004b) and is a theme contained within the overall national development agenda to 2014, as discussed below.

Much of what the Presidency is saying in the *Review*, the concerns the President himself raised in his February 2004 State of the Nation Address (Mbeki 2004a) and many of the proposals outlined in the May 2004 State of the Nation Address (Mbeki 2004b) and the Programme of Action (RSA 2004) are in line with the criticisms from other quarters about the weaknesses of the state's performance in the first decade. We shall consider these after a brief analysis of the current state of education and training in South Africa.

## **THE STATE OF EDUCATION IN 2004**

### **A brief statistical overview**

Table 3 below synthesises recent educational statistics for enrolments at all levels of education.

Education has massively expanded and been legislatively deracialised over the past thirty years, with much of the change being dramatically quick.

Enrolments in early childhood development (ECD) grew from 150 000 to 280 000 between 1999 and 2002, suggesting that full enrolment will be reached by 2015 if this rate of expansion is maintained (RSA 2003: 19). The Gross Enrolment Ratio (GER) for primary schooling fell from 121% in 1985 to 99% in 2000, largely as a result of a tightening of the age regulations for admissions in 2000 (the GER had been 125% in 1997). The GER for secondary schooling increased from 21% in 1975 to 58% in 1985 to 90% in 1997 (Perry and Arends 2003), before declining slightly to 85% by 2001, again as a result of the tightening of age-grade regulations (RSA 2003: 19). Whilst only 8 378 African candidates sat for the matriculation exams in 1975; by 1993, this had expanded to 337 821. This amounted to an annual increase in enrolments of 23% (Perry and Arends 2003).

**Table 3: Total headcount enrolments in education and training sectors, 1970s – 2000**

	Total headcount in previous years	Total headcount, 2000	Percentage black in 2000	Percentage black in previous years
<b>PUBLIC PROVISION</b>				
Public higher education	340 000 (1988)	611 000	72%	42% (1988)
Public FET colleges	76 435 (1991)	350 465	84%	32.3 (1990)
Public Schooling	5 379 665 (1975)	11 374 848	92%	87% (1985) 83% (1975)
<b>PRIVATE PROVISION</b>				
Private higher education	-	85 657*	66%	-
Private FET colleges	-	706 884**	90%	-
Private Schooling	103 854 (1990)	382 239	71%	49% (1990)

(Source: Kraak 2003a, derived from Perry and Arends 2003; Fisher et al. 2003; Subotzky 2003a and b; Du Toit 2003; Akoojee 2003)

\* 85 657 learners were audited in only 86 of the 97 registered private higher institutions

\*\* These 706 884 learners are students in short course study, not full-time equivalent enrolments

There has been an increase in literacy rates from 83% in 1996 to 89% in 2001 for the general population, while the literacy rate for 15–24-year olds has increased from 83% to 96% (RSA 2003: 20).

Public further education and training (FET) in the college sector has also seen a rapid growth, concentrated in the 1990s rather than the 1980s. In 1991, 76 435 students were enrolled in colleges. By 2000, this had increased to 350 465 and by 2002 to 406 144 (Powell and Hall 2004: 34). Whereas two-thirds of students were white in 1991; three-quarters were African by 2000 (Fisher et al. 2003). There was also an explosion in private FET provision during the 1990s, with total headcounts estimated at 706 884 by 2000 (Akoojee 2003).

Although the system has been massified in terms of gross enrolments, Kraak (2003a) outlines the high levels of inefficiency that lurk behind these statistics and argues that these are an artifact of the inadequate planning for expansion that took place in the late Apartheid period (1976-90). This is reflected in the Net Enrolment Ratios for primary and secondary education. The GER for secondary education of 90% contrasts with an NER of 57%; whilst the figure for primary education falls to 92% (Perry and Arends 2003).

Drop-out and repetition rates continue to be high, and there appears to be a growing tendency for weaker students to be discouraged from sitting the matriculation exams. Whilst the pass rate rose from 54 to 62% between 1996 and 2001; the numbers sitting the exams fell from 5,2 to 4,5 million. Whilst total passes have fluctuated without showing any trend upwards or downwards, those qualifying for higher education have fallen from 79 768 to 67 707 over this period (Perry and Arends 2003).

## South African education and the Millennium Development Goals

In 1995, soon after the achievement of democracy, South Africa formally aligned itself with the Jomtien Declaration and has enshrined the right to basic education in its Constitution. The *South African Schools Act* (RSA 1996) makes 10 years education (including one year of pre-schooling) a legal requirement of both parents and the state. Moreover, the emphasis within official South African statements has consistently been on improving access to quality basic education. South Africa is also a signatory to the Millennium Development Goals and continues to stress the importance of meeting the relevant targets for education.

Although South Africa is ahead of most of Africa on these targets, there remains a strong political commitment to meet them fully. This is seen in the new Minister's pledge that no learning will take place under a tree or in unsafe classrooms, and in a range of schemes to provide nutrition and transport to learners. The DoE also puts considerable stress on girls' education, in line with a strong national thrust towards gender equality and the eradication of gender violence.

In spite of the provisions of the *Schools Act*, there continues to be evidence, both in national documents and the popular press that learners are still being excluded from school because of failure to pay fees (DoE 2003a)<sup>3</sup>. There is also evidence, collated by the DoE itself, that poverty is the strongest predictor of educational performance (DoE 2003a and 2003b; see also Crouch and Mabogoane 2001). This has led the Department to develop a Minimum Basic Package of what sums a school needs to educate one learner to a minimum acceptable standard. This Package includes a calculation of the cost per learners for items such as electricity, water, sanitation, building maintenance and textbooks. Schools serving the bottom 20% of learners in income terms can then be given this package but cannot then charge these learners fees.

## RATES OF RETURN TO SOUTH AFRICAN EDUCATION

### Overview: the RORE argument

Psacharopoulos' RORE analysis has shown the returns to education to be highest for primary education (cf. Psacharopoulos, 1973, 1980, 1985, 1988, 1994; Psacharopoulos and Patrinos, 2002). For developing countries, the average rate of return for primary education was found to be 29%, for secondary education - 18% and post-secondary - 20% (Psacharopoulos 1994).

For sub-Saharan Africa, Psacharopoulos and Patrinos (2002: 14) report an average rate of return of 11,7 per cent for schooling. However, these have been questioned by others. Appleton (2000), for instance, gives a mean return to education of 5% for primary schooling, 14% for secondary schooling and 37% for tertiary education from a survey of 28 studies for sub-Saharan Africa countries from 1980 onwards.

Three criticisms are levelled at the Psacharopoulos estimates by this account. Firstly, the rates of return reported by Psacharopoulos were mainly "full" estimates rather than the

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<sup>3</sup> Numerous other incidents are to be found in the popular press e.g. Lynda de Nysschen 'Fees used to exclude kids' 25.02.2002, Gabi Khumalo 'Children expelled for not paying fees, SAPA, Bridgette Ducasse 'Anger as kids barred from school until fees are paid' 26.01.2001, (all from [www.NEWS24.co.za](http://www.NEWS24.co.za), downloaded 02/10/2005).

Mincerian returns<sup>4</sup>. Secondly, the estimates, especially to primary education, may have been raised by the inclusion of extremely high returns generated from studies with very poor data. Thirdly, the Psacharopoulos estimates were mainly taken from studies in the 1960s and 1970s when, it is contended, education was scarcer and economic conditions 'lighter' in Africa.

Other critiques of the Psacharopoulos view are premised on evidence relating to the specific sub-Saharan context. Bennell (1996), for instance, argues that "the conventional RORE patterns almost certainly do not prevail in SSA under current labour market conditions" (p 195). It is argued that the RORE analysis in SSA calculates the returns to education for wage earners and in a context where the informal economy is far more robust, these estimates are very problematic. He therefore concludes that:

...the oft-repeated assertion that public investment in education is relatively attractive because actual social ROREs are relatively high vis-à-vis other types of investment can probably be no longer sustained in many SSA countries, in particular where wage employment opportunities remain minimal and traditional agricultural practices persist (Bennell 1996: 195)

This echoes other studies in most other parts of the developing world. Studies in Africa, in the case of Ghana (Soderbom and Teal 2001), in Latin America, in the case of Brazil (Lam and Schoeni 1993) and South East Asia, in the case of Indonesia (Behrman and Deolalikar 1993) cast doubt on the Psacharopoulos' estimates of the highest returns to primary education.

## **RORE and South Africa**

Empirical works on rates of return to education (RORE) in South Africa, although dated, have been largely critical of the high Psacharopoulos estimates. In general, it has been found by most studies in South Africa (Pillay 1992; Schultz and Mwabu 1998) that there are low rates of returns to primary education. In fact, returns were found to virtually disappear once community effects are accounted for (Moll 1998; Butcher and Rouse 2001). One explanation given is that the poor quality of schooling had played a decisive role in this regard (Moll 1996).

The main source of data for studies into rates of return refers to the pre-1994 period in which society was by and large regulated in the Apartheid mould. The main source of RORE literature was the Project of Living Standards and Development (PLSD -South Africa- 1993) survey carried out by the Southern Africa Labour and Development Unit (SALDRU) and The World Bank. While in itself not unproblematic, it does refer to an era that has been considerably transformed since 1994. Two particular works that sit at the forefront of the RORE debate are those by Moll (1998) and Mwabu and Schultz (2000).

Moll (1998), using the PLSD data, developed linear splines for primary, secondary and tertiary schooling, rather than years of schooling, and found that primary school had a return of about 3%, secondary school a return of 10% while tertiary education posted a return of 60%. Similarly, Mwabu and Schultz (2000) in their study on the private returns to wage premiums for primary, secondary and higher education in South Africa also found, in sharp contrast to the Psacharopoulos study, that the returns for tertiary education are higher than for

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<sup>4</sup> Mincerian returns refer to the use of Ordinary least-square (OLS) estimates that suggest a proportionate increase in wages due to an extra year of education.

secondary and primary education. The results of these studies are contrasted with the Psacharopoulos (1994) study (Table 4 below).

**Table 4: Some RORE Estimates**

Some Estimates of the Return to Schooling in South Africa (%)			
	Primary	Secondary	Higher
Moll (1998) <sup>a</sup> : African workers	2.9	9.7*	60*
Psacharopoulos (1994) <sup>b</sup> : Sub-Saharan Africa	41.3	26.6	27.8
Appleton (2000) <sup>a</sup> : Sub-Saharan Africa	5	14	37
Mwabu and Schultz (2000) <sup>a</sup> :			
African Men	6.6*	13.5*	26.9*
African Women	5.4*	21.8*	39.4*
Coloured Men	3.0	17.2*	15.7*
Coloured Women	2.6	16.2*	31.5*
Indian Men	-6.7	21.1*	20.4*
Indian Women	-6.9	12.4*	29.5*
White Men	-0.6	8.4*	14.4*
White Women	-3.9*	6.2*	13.9*

<sup>a</sup>: Mincerian wage equations. <sup>b</sup>: Full Method. \*: Significant at 5% level.

(source: Bhalotra & Sanhueza 2004: 11)

Table 4 shows interesting comparisons between the Psacharopoulos (1994) findings and others. There is some remarkable convergence between the estimates of Appleton (2000) and for the category 'African men' for the Moll (1998) and the Mwabu and Schultz (2000) studies.

Fryer and Vencatachellum (2002) study of employment trends of black women in the Machibisa township (an African township near Pietermaritzburg, KwaZulu-Natal), conducted before the end of Apartheid in 1989/90, found that the returns to education are: "nil for those with only primary education" (p.16). Reasons for this included a mix of apartheid policies, the extensive use of skill-biased technologies as well as the low quality of effective education for the low returns to education. Their studies contribute to challenging the international consensus on high returns to primary education in developing countries. They conclude that:

...in light of our results, we can conclude that the returns to primary education in developing countries may be overestimated when regional labor market specific factors are not accounted for (Fryer et al 2002:19)

Another set of interesting debates around RORE in South Africa refers to the lack of employment for both formally educated and non-formally educated individuals. For Fryer et al. (2002), the lack of meaningful relationship between education and labour market is confirmed in that the skills demanded by industry in the area (Machibisa Township) required much more than the limited basic education provided. For Hertz, it is clear that "...education may be a less powerful tool for raising incomes in South Africa than previously believed" (Hertz 2003: 1366). He concludes that private gains in earnings associated with an extra year of African education was in the order of 5%, or less than half as large as traditional Mincerian estimates suggest (Hertz 2003: 1366/7).

There has also been concern that the ordinary estimates of the returns to schooling literature suffers from ‘bias due to omitted variables’ (Hertz 2003: 1367). There has been some evidence that omitted variables might be larger in developing countries<sup>5</sup>. In South Africa, it is not unlikely therefore to find a strong race component, likely to be omitted in some RORE estimates.

Bhalotra and Sanueza (2004) using data in the Project of Living Standards and Development (PLSD, South Africa, 1993) made the following observations with reference to the role of race in determining returns

Generally, in all racial group people with more education have also higher wages. But there is one inconsistency, around the 7 years of schooling, which corresponds to finishing primary school for white people which suggested that for white people with only primary school education, it was possible to get better jobs because their relative privileged position under the apartheid...(thus) ...Wages for white people are almost always higher (Bhalotra and Sanhueza 2004: 13).

The pattern of increasing returns, thus confirms the findings by Appleton, Hoddinott and Mackinnon (1996) who note that the pattern of returns to education being higher for higher levels of education is common across SSA.

Complementary to the albeit limited RORE literature, it has been powerfully argued by Wilson and Ramphele (1989: 148) that in the South Africa case age, gender and previous experience are more relevant than education for most blacks.

## **Quality and RORE**

The poor education quality is an important reason for the lack of return. Both the under funding (Thomas 1996) of black education and the resultant high black students absentee rates, especially after the 1976 Soweto uprising, resulted in both a high primary school drop-out rate and might account for the poor quality of the product. Thus someone who attended school might not have acquired more human capital than someone who never attended school.

Another omission referred to earlier in passing is the ‘quality of education’ measure. Case and Deaton (1999) showed that the disparities in educational outcomes were so important that they resulted in strong and significant effect on educational achievement, especially for Africans. Examining the relationship between educational inputs - primarily pupil-teacher ratios - and school outcomes in South Africa immediately before the end of Apartheid, they found that there was a marked disparity in average class sizes, which when controlled for household background variables, had a significant effect on education quality. Thus the effect of pupil-teacher ratios on enrolment and on educational achievement had a detrimental effect on test scores for numeracy.

Another study by Case and Yogo (1999) analysed the impact of school quality by documenting its effect on the incomes of Black South Africans. Using data from the 1996 South African census<sup>6</sup> and two national surveys of school quality, they concluded that “the

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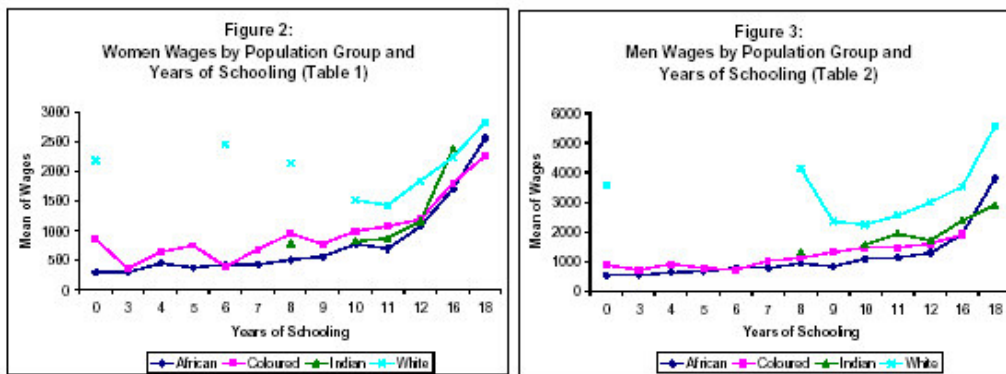
<sup>5</sup> For instance Lam and Schoeni 1993 in their study of the Brazilian case suggested that liquidity constraints and family background might perhaps be more important determinants of both education and earnings.

<sup>6</sup> Using a two-state estimation procedure similar to that employed by Card and Krueger (1992) and by Heckman et al. (1996) in the US.

quality of schools in a respondent's magisterial district of origin has a large and significant effect on the rate of return to schooling for Black men” (Case and Yogo 1999: 3). The South African results are notable because they are so similar to those estimated by Card and Krueger (1992) for the US.

### The gender dimension

Mwabu and Schultz (2000) also found that returns were higher for women than for men. Interestingly, of those who have primary education, African men are those that have the highest return, followed by African females. Similarly, African women have the highest return in the ‘tertiary category’. The correlation between wages and years of schooling is depicted in Figures 2 and 3.



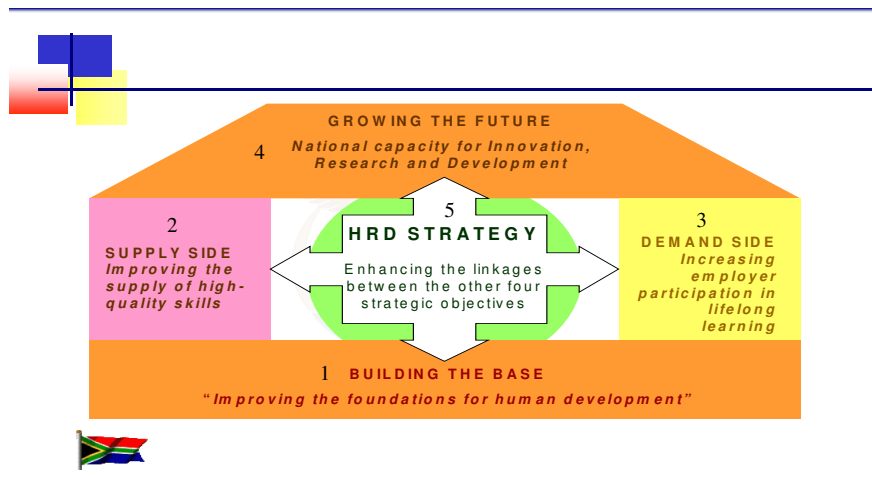
(Source: Bhalotra et al. 2004: 14)

### Key elements of South Africa’s human resources development policies since 1994

South Africa is seeking to implement a coordinated approach to human resources development as part of its response to economic and social challenges including poverty and unemployment. Several policies and structures constitute elements of the overall South African human resources development approach. At the heart of the approach is the *Human Resources Development Strategy* (DoE and DoL 2001).



**Figure 4: Visualising the HRDS**



*(Source: DoE and DoL 2001)*

The HRDS is conceived as the fifth element of an overall approach to human resources development in which other elements are primarily the existing responsibilities of various line departments. The first element is concerned with early childhood development, which is the responsibility of various departments, most obviously Health and Education. The second element is seen largely as the role of Education, albeit with the involvement of other departments, most notably Labour and (at the higher education level) Science and Technology. The third element is primarily the responsibility of Labour, although here the work of Trade and Industry in encouraging a high skills approach is particularly relevant. The fourth element is an overlapping responsibility of Education, Science and Technology and Trade and Industry in particular.

The Strategy itself and the continued enhancement of linkages between the other elements of the approach is driven by the Departments of Education and Labour, who jointly own the HRDS and who jointly convene the national Human Resources Development Coordinating Committee.

### **The National Qualifications Framework**

In an attempt to ensure integration between the various activities of the education and training systems and to drive both systems towards equity and redress, the first Act passed in the new democratic government in 1995 was the South African Qualifications Act (RSA 1995), which proposed the development and establishment of a National Qualifications Framework designed to integrate education and training provision through a common set of qualifications.

**Figure 5: The National Qualifications Framework**

NQF Level	Band	Qualification Type
8 7 6 5	Higher Education and Training (HET)	Post-doctoral research degrees Doctorates Masters degrees Professional Qualifications Honours degrees National first degrees Higher diplomas National diplomas National certificates
Further Education and Training Certificate (FETC)		
4 3 2	Further Education And Training (FET)	National certificates
General Education and Training Certificate (GETC)		
1	General Education and Training (GET)	Grade 9   ABET Level 4 National certificates

SAQA is a body appointed by the Ministers of Education and Labour. The functions of the Authority are essentially twofold:

- Promoting the development of the NQF through facilitation of the establishment of bodies responsible for establishing education and training standards or qualifications and for monitoring and auditing achievements in terms of such standards and qualifications;
- Ensuring that these bodies and structures work in keeping with the principles of the NQF and international best practices.

However, widespread concerns about the performance of SAQA and the NQF led the Departments of Education and Labour to initiate a Study Team to investigate the NQF during 2001. This was in response to the widespread criticism of the operation of the system.

*The Report of the Study Team on the Implementation of the National Qualifications Framework* (DoE and DoL 2002) was published in April 2002. Whilst it was positive about the goals of the NQF and the importance of further work towards these, it made it clear that the expected bridge building between education and training had not progressed nearly as far as assumed. In this light, it found that there was still considerable tension and disagreement about the respective roles of the main institutional actors, including SAQA itself. The Report painted a picture in which both Departments feared that the system would privilege the interests of the other. Moreover, the Report highlighted the poor performance of the system in terms of equity and efficiency. It reflected on widespread stakeholder concerns about complexity and bureaucracy, which were judged as constraining rather than enabling the achievement of the system's stated goals (Akoojee, Gewer and McGrath 2005).

It took until July 2003 for the two Departments to develop an agreed response to the Study Team's Report. Their response, *An Interdependent Qualification Framework System* (DoE and DoL 2003), is a carefully crafted piece that sought to revise the NQF model in ways that balance the two Departments particular interests. As with the Study Team Report, it did not address the more fundamental questions about the suitability of the NQF approach as tried in South Africa (Akoojee, Gewer and McGrath 2005).

The NQF Response also acknowledged that there had been weaknesses in the overall project of integrating education and training. It proposed that a set of new meso-level structures be introduced beneath SAQA that would allow SAQA to stress integration whilst these structures addressed the sectional interests of education and training beneath the SAQA umbrella. Hence, for the intermediate skills level, Umalusi (the General and Further Education and Training Quality Assurance Council) would continue to oversee academic and "general vocational" programmes, whilst a new Trades, Occupations and Professions Qualifications Council would oversee vocational awards (DoE and DoL 2003).

The two departments decided not to respond publicly to comments regarding the *Response* after the window for these closed in October 2003. Indeed, a year later, the next set of proposals has not yet emerged in spite of a large number of meetings at Ministerial and senior management levels.

### **The National Skills Development Strategy**

In 1997 the Department of Labour published the *Green Paper on a Skills Development Strategy* (DoL 1997). This has formed the basis for subsequent skills policies. The Green Paper called for a levy-grant system aimed at increasing the investment and involvement of employers in training of their workforce; new Sector Education and Training Authorities; and the introduction of learnerships (the model to succeed and extend the apprenticeship system). These recommendations led to the *Skills Development Act* (RSA 1998c) and the *Skills Development Levies Act* (RSA 1999).

The DoL has created a new institutional framework for skills development in which there is a high level of co-ordination at a national level (via the National Skills Authority - NSA) and at a sectoral level (via the 25 Sector Education and Training Authorities) (Kraak 2004). The new SETAs' role includes the evaluation of workplace skills plans (a requirement for enterprises to claim back grants against the levy) and the development of sector skills plans; developing and registering learnerships; quality assuring training provision; and managing and administering the grants received through the training levy. At the national level, the NSA is responsible for developing a macro skills development policy for the Minister of Labour on a four-yearly cycle. 20% of the total levy income is set aside for strategic and developmental interventions, including a specific focus on skills development for SMMEs. These moneys are managed by the National Skills Fund, located within DoL.

At the programme core of the new system is the new notion of learnership. Learnerships are legislated by the *Skills Development Act* to include a complex contractual agreement for a fixed period between the learner, the provider and the employer. The contractual agreement provides a framework for formalising the relationship between these three parties in realising the qualification. Beyond the formality of the agreement, this relationship requires high levels of co-operation to ensure the smooth planning and operation of the learnership. Learnerships are located at the core of the Department of Labour's macro-strategy for skills development.

The challenges facing the achievement of holistic skills development through learnerships are three-fold. First, the learnership must be in response to an identified need. Second, and following on from the first, the strength of the learnership concept is that they should offer learners who may not have had exposure to meaningful educational opportunities as a result of apartheid the opportunity to access education and training programmes that will lead to relevant knowledge, skills and work experience for entry into the labour market. Third, since many learnerships will be offered in areas of the country where there is “jobless growth”, the learnership will need to equip the learner to be able to create and sustain employment. This implies that the learnership must move beyond the narrow confines of apprenticeships and seek to build learners from disparate levels of prior learning, to a situation of competence necessary for meaningful social and economic participation. This requires high levels of investment of resources to provide sufficient support to learners, both within the formal learning site and within the workplace (Akoojee, Gewer and McGrath 2005).

Learnerships are not just for those who are already employed. There is also a strong commitment to learnerships for the pre- or un-employed. In this model, the employer commits to a period of employment during the timespan of the learnership, but not to subsequent employment.

In addition to establishing the legal framework for learnerships, the *Skills Development Act* also makes provision for the development of Skills Programmes, which would comprise an occupationally-directed learning programme that leads to a credit towards a qualification rather than a full qualification. The purpose of the skills programmes is to allow learners access to short programmes that could be combined towards a qualification, thus allowing more flexibility and mobility.

In the *National Skills Development Strategy* of 2001, the DoL set 12 targets for the skills development system, with three cross-cutting equity targets, to be met by March 2005 (DoL 2001). The Department has been able to report achievement of five of these targets in half the predicted time and are progressing well towards four others. There has been improvement against other indicators too, and it is clear that the Department has achieved much in its attempted skills revolution. However, there were three particular areas of poor performance reported for the period up to March 2003. First, the achievement of new NQF level 1 awards by workers was only 13% of the target. Second, only 33% of the target for learnerships/apprenticeships for the unemployed had been met (although more recent, unpublished data suggests that this target will be met). Third, performance on equity against a range of the indicators was very poor (DoL 2003). Together, these weaknesses suggest that there are grounds for concern about the equity performance of the NSDS (Akoojee, Gewer and McGrath 2005).

These policies are primarily focused on stimulating training demand and offer new sectoral structures to mediate this, as well as a new financial model to drive it.

In late October 2004, agreement was finally made between the various stakeholders regarding the indicators and funding mechanisms within the new *National Skills Development Strategy, 2005-2009* (DoL 2004), although these will only formally be launched in early 2005. In driving discussions about the new Strategy, the Department of Labour was motivated by a desire to use the NSDS as a set of tools to support the overall national development vision (see below).

## **Policy for the Further Education and Training College Sector**

Between 1997 and 1998 the Department of Education conducted a process that resulted in a Further Education and Training Act. Subsequent to that the Department has also developed a strategy document for the college sector and, most important, a plan – now implemented – for the transformation of the complex institutional legacy into 50 new Further Education and Training colleges. The new name was symbolic of an attempt both to shed the negative images of the old technical college system and to highlight the importance of bringing together educational values and relevance to the workplace.

The FET White Paper of 1998 (RSA 1998a) tried to balance its primary focus on the college sector with a vision for the whole of the FET band, in which senior secondary schools are the principal providers. It suggested a phased approach. Whilst the first priority of the FET policy was to transform the college sector, provincial education departments would be expected to develop aggregated FET plans, which would bring together their vision for schools and colleges under their jurisdiction. This would be followed by an investigation of the feasibility of extending programme-based funding to the senior secondary level and an encouragement for schools to develop new FET-oriented programmes and explore partnerships with colleges and other providers (McGrath 2000). It was stated that by the end of the third year after the passing of the Act, a framework for incorporating senior secondary schools into the FET system would have been developed. By the end of the fourth year, a decision on the future of senior secondary schooling would have been taken and from the fifth year, incorporation, if agreed upon, would begin.

Regarding linkages with the Department of Labour’s programmes, it was clearly stated that steps should be taken “to fast-track the introduction of learnerships in FET colleges” (RSA 1998a: 26).

The subsequent Act (RSA 1998b) largely followed the White Paper. It introduced procedures for the establishment of the new colleges, focusing particularly on the legislative process leading to mergers of existing institutions. It set out new governance and financial arrangements; and stressed the role of quality assurance. It also considered the place of private providers (not considered in this paper).

The Act was followed in 1999 by the *National Strategy for Further Education and Training* (DoE 1999), which sought to put in place a strategy for the implementation of the provisions of the White Paper and Act (DoE 1999). Central to this were a set of proposals about funding. It argued that a new funding system should be introduced over time. This should include a core of programme-based funding with additional special purpose funding. The programme-based element should itself be largely FTE-based but it was recommended that there should also be an outcomes-related component to encourage efficiency. It was envisaged that special purpose funding be directed at the development of management, staff and learner support systems, and for the development of new learning support materials. It was recommended that fees would be progressive, but it was made clear that there would be no public funds for student financial aid. It was strongly expected that FET institutions would have access to significant amounts of funding from the National Skills Fund and the SETAs, the latter for the delivery of learnerships.

Finally, in 2001, the *New Institutional Landscape* (DoE 2001) outlined the structuring of the new FET institutions. It envisaged a series of 50 large institutional units grounded on the following attributes:

- large, multi-site institutions;

- increased autonomy;
- a mixture of specialisation and multi-purpose institutions;
- a new quality assurance framework;
- an increased focus on open and distance learning;
- a greater focus on access for learners with special needs;
- better articulation and collaboration with higher education;
- a commitment to improved student support services; and
- a stress on partnerships with government and the private sector. (DoE 2001: 16-20)

The report also set out how the 50 colleges would operate (DoE 2001). It addressed how the mixed legacy of managerial autonomy between historically white and black institutions would be redressed and how capacity development would take place in this regard. It noted that learner demographics were already essentially representative at the aggregate level, but highlighted the importance of addressing the lack of representivity amongst staff. It criticised the weaknesses of the current curricular system and stressed the need to develop a more varied set of offerings, supported by an appropriate funding mechanism. As with the NSFET, it envisaged a progressive development of autonomy and outcomes-based funding and outlined a path towards these goals.

Important elements of the FET policy recommendations of the last decade have been realised in practices, including the transformation of the institutional landscape. However, it is striking that a number of policy recommendations remain at best partially acted upon. These include the development of new financial and curricular models; full engagement with the Department of Labour's new learnerships (see below); clarification of articulation and interaction between FET colleges, schools and HE; and greater sharpness in the system's focus on both social and economic needs. This partially reflects capacity limitations but must also be seen as indicative of the scale of the transformation being attempted and highlights the importance of seeing this transformation as a process that will unfold over a number of years.

### **Donors and education and training in South Africa**

South Africa is a middle income country with a strong economy and relatively effective tax collection system. As such, it is largely independent of donors. Given the progress towards the education MDGs already in place, there was no real perceived need on either side to focus on donor partnerships in this area. Equally, much of the post-basic area has seen limited involvement by donors. We will illustrate this with two examples.

In the FET college sector, there is currently a Danida project worth approximately R100 million over three years as the sole major aid project. However, this is roughly the same size as an initiative by South African business in the same sector. Moreover, it can be contrasted with the R4 billion budget that has been discussed for college recapitalisation and which is intended to come out of national funds.

In the areas of skills development under the jurisdiction of the Department of Labour, there has been a major European Commission programme of support worth approximately R225 million. However, this needs to be contrasted to the income of the levy system, which is currently more than R3 billion per annum.

However, the story is more complex than these figures suggest. The same two areas of the system have clearly been influenced in important ways by international discourses. Badroodien and McGrath (2005) outline how ideas about the necessary reforms in the skills development system showed a complex interaction of national and international influences from the late 1980s. Equally, McGrath (2005) argues that the FET college reforms have had a heavy influence from idealised versions of the British experience of FE reform of the 1990s.

## **THE NATIONAL DEVELOPMENT AGENDA TO 2014: THE CENTRALITY OF POVERTY REDUCTION**

The restatement of the “People’s Contract” in the ANC Manifesto for the 2004 elections (ANC 2004) highlights four pledges for the next decade:

- halving unemployment;
- halving poverty;
- accelerating employment equity; and
- improving broad-based black economic empowerment.

The May 2004 State of the Nation Address (Mbeki 2004b) outlines a three-pronged approach to addressing these challenges:

- encouraging the growth and development of the First Economy, increasing its possibility to create jobs;
- implementing a programme to address the challenges of the Second Economy; and
- building a social security net to meet the objective of poverty alleviation.

### **Growing the First Economy**

The government’s vision makes it clear that growth in the formal economy is vital to meeting these development goals. In order to enhance growth, the government has recommitted itself to fiscal prudence whilst expanding its strategy of providing incentives for foreign direct investment and embarking on an ambitious programme of investment road shows.

The government has also reaffirmed its commitment to reduce the cost of doing business in South Africa. Firstly, this is to be achieved through the continuation of the rehabilitation and expansion of the port network, railways and airports. Second, the energy sector will be reformed and generating capacity increased. Third, the final decision on the Second National Telecommunications Operator will be expedited.

The strategy for the job creation in the “first economy” also stresses a renewed focus on formal small and medium businesses. The President has promised a comprehensive review of the regulatory framework that impacts on this sector, to facilitate its further growth and development. Two existing agencies, Ntsika and the National Manufacturing Advisory Centres, are to be merged to create a unified enterprise development agency that will provide non-financial support to small and medium enterprises.

The state is continuing to encourage the Charter process across sectors to focus not simply on high-level black ownership but to act as a catalyst for growth of black-owned small and medium enterprises as sub-contractors and service providers. In addition, a commitment has been given to re-establishing the Agricultural Credit Scheme (ACS) in the Department of Agriculture to provide capital for small modern agricultural enterprises. R1 billion was immediately made available to start the ACS.

The President also promised to speed up the process of skills development, focusing on the shortfalls that had already been identified both in the FET college sector and in the SETA system. For the colleges, there was a commitment to ensuring adequate funding of the sector and proper alignment of the courses they offer with the requirements of the economy. SETAs will be required to increase the uptake of learners and improve the focus on the skills that are in short supply. The expected work by the by Cabinet work on the Immigration Regulations, among other things, to ensure that South Africa can access such scarce skills from the rest of the world as may be required for its accelerated development, is imminent.

The state committed itself to doing more to improve export performance, focusing on services and manufactured goods. Particular attention will be paid to taking the best advantage from existing trade agreements and to concluding other agreements. There will also be a strong focus on further interactions with the African continent, especially within the context of SADC and NEPAD. The new vision also continues to stress the importance of the national science system and greater funding of the science councils and improved commercial application of scientific innovations are promised.

### **Addressing the challenges of the Second Economy**

The State of the Nation address reiterated the commitment to launch the Expanded Public Works Programme (EPWP) in all provinces by the beginning of September 2004. The EPWP seeks to integrate the objectives of the development of the social and economic infrastructure, human resource development, enterprise development, and poverty alleviation. It is seen as an important mechanism for meeting the target of halving unemployment by 2014, although its Chief Operations Officer has urged caution in regard to such expectations (Phillips 2004).

The EPWP is expected to work with provincial and national departments and within existing budgets to enable job creation through a focus on more labour-intensive infrastructural development. The Department of Education will expand the reach of the Adult Basic Education and Training (ABET) programme, aligning it with the training objectives of the EPWP. The Department of Labour is a key partner in the EPWP vision. Indeed, Phillips makes clear the role for skills development within the broader Programme:

The objective of the EPWP is to utilise public sector budgets to alleviate unemployment by creating temporary productive employment opportunities coupled with training. (Phillips 2004: 6)



The Address also recommitted the state to its existing Urban Renewal and Rural Development Programmes. In particular, it sought to improve the effective and coordinated financing of these Programmes by the three spheres of government and different departments.

Working with the provincial and local governments, the Department of Public Service and Administration (DPSA) will take the necessary action to ensure that Community Development Workers are deployed by the end of 2004 in the 21 identified urban and rural nodes. DPSA, along with the Departments of Provincial and Local Government, and Communications, will work to ensure that modern information and communication technologies (ICT) are introduced in these development nodes as quickly as possible, to assist in all their developmental and governance efforts.

The Address promised that, the Apex Fund, dedicated to the extension of micro credit, will be operational by the end of 2004.

The Department of Agriculture will increase its support to agricultural activities in the communal land areas, drawing on resources within the Agriculture Credit Scheme, publishing an AgriBEE framework for public comment and ensuring the speedy enactment of the Communal Land Rights Bill.

The Address reiterates that broad based black economic empowerment remains a pivotal element of government policy. A Black Economic Advisory Council will be established as a matter of urgency. One of its first tasks will be to consider the steps needed to achieve the speedy and effective implementation of this empowerment legislation. It will also reflect on the ways and means the state must adopt to take advantage of the existing Black Economic Empowerment Charters. As with all other development programmes, the Black Economic Empowerment process will also focus on the challenge of the empowerment of women, people with disabilities, and the youth.

### **Building a social security net**

The Address signaled that work will continue to ensure that social grants reach all the 7,7 million beneficiaries. The new social security agency will become operational in 2005, improving the integrity and efficiency of the system. By 2006 about 3,2 million children extra children will be eligible for child support grants as the upper age-limit is raised to children turning 14. R166 billion will be allocated over three years for social security. The Government also will continue to implement other social security initiatives such as the school nutrition programme and the provision of free basic services.

However, the President's speech made it clear that a society in which large sections depend on social welfare cannot sustain its development. Thus, the Address pictures a comprehensive programme to grow the economy, including the interventions in both the First and Second Economies, improving sustainable livelihoods and create work in order to ensure that, over time, a smaller proportion of society, in particular the most vulnerable, subsists solely on social grants.

South Africa also needs to achieve further and visible advances with regard to the improvement of the quality of life of all its people. To achieve this, the following priorities were highlighted:

- all households will have easy access to clean running water within the next five years;

- by December 2004, clean and potable water will be provided to the 10th million South African since 1994, and all households will have easy access to clean water by 2009;
- during 2004 more than 300 000 households will be provided with basic sanitation;
- by 2012, each household will have access to electricity;
- malaria cases will be reduced by 10% each year;
- through the Comprehensive Plan on HIV and AIDS, 113 health facilities will be fully operational by March 2005 and 53 000 people will be on treatment by that time. At the same time, more impetus will be given to the Khomanani social mobilisation campaign for home-based care;
- a comprehensive programme dealing with human settlement and social infrastructure, including rental-housing stock for the poor, will be presented to Cabinet within three months; and
- in the next three years R14,2 billion will be spent to help South Africans to have access to basic shelter.

Clearly all of these imperatives link quite effectively to the ‘enabling environment’ necessary for the effects of schooling to be realised suggesting perhaps the need for the necessity of a more effective environment to cement the gains made by education.

### **The Programme of Action**

In pursuit of these objectives, the Government has published a Programme of Action (Republic of South Africa 2004). Progress against the Programme is being posted onto the Government website every two months as a sign of the President’s own personal commitment that the Government should be held publicly accountable for its performance against the national development vision.

The Programme is organised in line with the five clusters that have been identified for intra-governmental collaboration:

- Economic, investment and employment;
- Governance and administration;
- International relations, peace and security;
- Justice, crime prevention and security; and
- Social.

The Programme comprises of 36 themes and over 100 sub-themes with designated lead and partner departments and agencies.

## **EDUCATION, TRAINING AND THE NATIONAL DEVELOPMENT AGENDA**

Two of the 36 themes of the *Programme of Action* speak primarily about education and training challenges, whilst several other themes contain elements where education and training are identified as having an important role to play.

### **A labour force with the skills needed by the economy**

Theme Six of the Economic, Investment and Employment Cluster stresses the importance of skills development for overall economic strategy. This in turn has five commitments:

1. Establishment of a system of Employment and Skills Development Agencies. In an approach that builds on Australian, British and New Zealand experience, the Department of Labour has embarked on the development of a national network of such agencies. They are designed to act as the coordinating agencies and legal employers for those involved in learnerships in small and micro enterprises, thus taking the burden of managing relationships with training providers and SETAs from such enterprises. This is expected to increase the take up of learnerships in smaller enterprises, thus contributing to the productivity and growth of such enterprises and to the skills of individual young labour market entrants.
2. Growth of learnership enrolments. This commitment ties the Departments of Education and Labour to collaborate more actively in expanding learnership enrolments. It also commits them to a marketing campaign for learnerships, which began in August 2004.
3. Finalisation of immigration regulations regarding scarce skills. The state remains concerned that there are key scarce skills shortages that are affecting growth and development in South Africa. It has promised, and already delivered in draft form in June 2004, a new set of regulations governing the criteria on which the public and the private sector may recruit foreigners. These regulations allow for faster and lighter regulations where a scarce skill need can be shown. This is intended to be a short- to medium-term measure whilst South Africa builds its own skills in these areas.
4. Identification and removal of barriers to employment of additional learners. This charges the Department of Labour with the task of better understanding the reasons that learnership numbers remain low and how they can make such programmes more attractive and/or easier to access for employers. This will include a focus on the performance of the SETAs and the processes of curriculum development and quality assurance.
5. Recapitalisation and re-curricularisation of the further education and training college sector. Here, cooperation between the Departments of Education and Labour is again mandated so that public FET providers deliver curricula relevant to national economic needs and are resourced in such a way as to facilitate this. This is being responded to in the Department of Labour's second National Skills Development Strategy whilst the Department of Education is in the process of developing a plan in response to this commitment.

## **Education- broadening access and improving quality**

Theme Seven of the Social Cluster is the primary responsibility of the Department of Education. It contains four elements:

1. Recapitalisation and re-curricularisation of the further education and training college sector. This is a restatement of the same commitment under the Economic Cluster, reflecting that this issue cuts across these two clusters, being the prime responsibility of DoE as a social cluster member but focused on an economic cluster outcome.
2. Consolidation of the merger process in higher education. The *National Plan for Higher Education* (DoE 2002) had outlined a plan for institutional mergers in the higher education sector, which were largely implemented in early 2004. This commitment reaffirms the need to consolidate and deepen the merger process and to review its progress to date.
3. Eradication of schooling in the open air or exposed to the elements. This commits the DoE to ensure that no learners will have to be schooled in the open air or in highly inadequate facilities by the end of the 2004-5 financial year. By August 2004, an audit had been done and an implementation plan was in development.
4. Guaranteeing of clean water and sanitation in all schools. Again, the DoE was committed to achieving this goal during the 2004-5 financial year. By August 2004, an audit had been done and an implementation plan was in development. These latter two commitment highlight the continuing concern with learning in the basic education system but place the emphasis squarely on facilities.

## **Other education and training related elements of the Social Cluster themes**

The Social Cluster themes also speak to other elements of an education and training role in meeting the national development goals. Under the Food Security and Nutrition theme, there is mention of the National School Nutrition Programme, including a plan for social mobilisation for food gardens. By August 2004, 85% of 15 000 planned participating schools were actively involved in the Programme. Linked to the Expanded Public Works Programme, the Department of Education was mandated to develop an integrated plan for the delivery of early childhood development. The Department of Health was mandated to develop a community health worker programme linked to the EPWP.

## **Human resources development (for the public sector)**

The second theme of the Governance and Administration Cluster relates to concerns that service delivery is being compromised by weaknesses in staff development. Here the stress is mainly on better human resources practices within the public service. However, a related theme: “administrative practices for the developmental state” highlights the needs for specific skills (e.g., for community development workers) as well as highlighting the urgent need to address the weaknesses of the public sector SETAs.<sup>7</sup> The concern with better skills in the

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<sup>7</sup> Three of the 25 SETAs are strongly public sector dominated in terms of the employers they cover: Diplomacy, Intelligence, Defense and Trade and Industry (DIDTETA); Local Government, Water and Related Services SETA

public service also appears as an element of commitments in the International Relations, Peace and Security and Justice, Crime Prevention and Security Clusters.

### **An overview of government thinking about education, training and poverty reduction**

It is clear that the main education and training focus of the Programme of Action is at the post-basic level. In MDG terms, it is more concerned with the overall goal of the reduction of poverty than on the narrower challenge of the achievement of basic education. It is primarily oriented at developing skills and knowledge amongst the majority of young South Africans who will leave school with at least a complete basic education. The orientation of the Programme of Action in this sphere is towards greater market relevance of education and training and institutional development (of FET colleges, higher education institutions and SETAs) geared towards building participation in the formal economy as a means of reducing unemployment.

The Programme of Action also suggests two other roles for education and training in supporting service delivery both through quality improvements in the public service as a whole and through programmes for training of various types of community development workers. Thus, it sees a further role for education in reducing poverty through better delivery of social programmes.

These commitments are augmented by statements that are more explicit in the State of the Nation Address than in the Programme of Action. First, the Address refers to the challenge of equity and redress through the expansion of Adult Basic Education and Training and is linked explicitly to upliftment in the informal economy. Second, it provides a reaffirmation of the importance of the national science system, thus reconfirming the state's commitment to the improvement of both quality and quantity of provision of higher education and to funding of research.

However, these priorities do need to be contextualised by the existing policy directions of the Department of Education, which do make clear four issues of priority regarding basic education and, hence, the educational MDGs. First, there is a strong commitment to early childhood development, which has seen DoE strengthen its partnerships with the Departments of Health and Social Development. Second, there is a restatement of the importance of adult basic education and training (also a priority of Department of Labour policy and present in the State of the Nation Address). Third, there is a commitment to improving access, most notably through a plan to ensure that education is genuinely free for the poorest through the development of a Basic Minimum Package. Fourth, there is also a continuing focus on improving the quality of teaching and learning. Thus, plans are already in place to ensure that further progress towards the educational MDGs is made. These then allow the greater current focus on post-basic education and training as a route to poverty reduction.

The Department's policies also address the politically sensitive issue of replacing the existing matriculation qualification for school leaving with a new Further Education and Training Certificate. In the plans for the new awards there is a clear drive to reshape the balance between preparation for higher education and for entry into the world of work. This is seen in both the content of the subject curricula and in terms of subject choice. Inevitably, the new

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(LGWSETA) and Public Services SETA (PSETA). The latter two have been particularly weak in terms of performance.

FET Certificate also requires a major programme of refocusing of initial teacher training as well as a large investment in in-service training.

## **CAN SOUTH AFRICA'S POVERTY REDUCTION STRATEGY WORK AND HOW MUCH CAN EDUCATION AND TRAINING DO?**

There is relatively little real disagreement amongst South African analysts about much of the state's developmental vision, either in terms of its overall targets or its strategies for their achievement. Nonetheless, there is a widespread concern, including within government regarding the very real challenges that lie in the way of the realisation of the vision.

The first strand of the approach is to reduce unemployment through growing the formal economy. In order to meet its target of halving unemployment by 2014, South Africa will not only have to improve its growth rate significantly but will also have to make its growth more labour absorbing (Altman 2004a and b; Hirsch 2004). This will not be easy. Already the country has had a strong focus on macroeconomic stability through the GEAR programme. This policy has largely been implemented as intended, and has led to impressive indicators of macroeconomic performance such as the lowest interest rate for 23 years and the lowest inflation rate for 45 years (Hirsch 2004). However, it has not resulted in the expected levels of growth or foreign direct investment. Future growth is also constrained by the low levels of savings and gross domestic capital formation.

It is apparent that there remain a number of barriers to adequate levels of investment in the economy by both domestic and international actors and that many of these are primarily perceptual (Hirsch 2004). In spite of falls in levels of reported crime; low levels of industrial action; and a strong commitment to good governance, there remains a high level of investor reluctance to invest in South Africa, notwithstanding the example of important transnationals such as Toyota, Tata, Ford, BMW and Mercedes in the auto industry (McGrath, Lorentzen and Kraak 2004), and similar examples in other industries. Investment and employment have also been constrained by the rand's volatility and recent appreciation against major currencies.

The Government's *Programme of Action* is underpinned by a relative shift in emphasis from macroeconomic to microeconomic policy. In particular, there is a focus on developing infrastructure that can promote investment and on targeted industrial policy for priority growth and labour absorbing sectors (Hirsch 2004). In effect, it appears that the Government is increasingly prepared to expand its own expenditure (including that of the parastatals) in an effort to encourage other domestic and international actors to follow suit.

However, it is far from clear that elements of this strategy will have the intended success. The Expanded Public Works Programme, in particular, appears likely to make a valuable contribution but not the massive one that some of the initial rhetoric surrounding it would suggest. It cannot plausibly be a major tool for halving unemployment. As McCord (2004) argues, it is a short-term supply-side response to a problem that is primarily long-term and chronic on the demand-side.

There is widespread agreement in South Africa that skills development is crucial to the success of the development strategy. Whilst it appears that there is not a widespread skills crisis in the country at present in terms of current levels of demand (Kraak 2003b; McGrath 2003), there do appear to be particular areas where skills shortages are a constraint to investment, growth and employment creation and, thus, fuel poverty and inequality.

Moreover, it is evident that the growth path being aspired to will require a development of skills at basic, intermediate and high levels, as the draft second *National Skills Development Strategy* (DoL 2004) makes clear. If this is not done, then fears that inequality will increase are likely to be realised.

Although there is a clear commitment across government to developing the skills that are required for faster employment growth, it is apparent that South Africa faces very serious challenges in achieving its goals here. There are five main areas of weakness in this regard.

First, beneath the high level agreement about better integration of education and training policies, and the clear Presidential commitment to policy coherence, lurk continued tensions about the details of this integration in practice. This continues to be manifest in areas such as curriculum and the future of the South African Qualifications Authority and the related architecture of the National Qualifications Framework. Although senior officials from both DoE and DoL speak consistently of improved collegiality between the two departments, this has not yet resulted in a real breakthrough in policies or programmes. The prospects for education and training making the necessary impact on poverty reduction through employment growth are reduced when key systemic issues remain uncertain.

Second, there remain serious weaknesses in the capacity of both departments to implement their policy visions. Both remain critically understaffed (both numerically and in terms of the skills and experience of those in post) in key areas and this continues to have an adverse impact on system development. Thus, in King, Palmer and Hayman's (2004) terms, there is a need for post-basic education and training to enhance the enabling environment for service delivery and poverty reduction.

Third, many of the institutions charged with delivery of education and training are young and remain fragile. Almost all public further and higher education and training institutions have been going through a merger process for the past two to three years. The SETAs and the National Skills Authority are both less than four years old and still struggling to build expertise. Many of the educational institutions and their staff come from a background where issues of unemployment and poverty were not of any relevance to their work and most are still struggling to incorporate these concerns into their strategies and practices.

Fourth, there is the challenge of making funds available for the necessary interventions. Although there is currently a large surplus of funds in the SETA system, the Department of Labour is still trying to get regulations changed in order to use these moneys more strategically to target unemployment and poverty. At the same time, the Department of Education has not yet got Treasury agreement regarding its plans for FET college recapitalisation. Moreover, the success of the state in using transfer payments to reduce poverty is clearly putting serious pressure on educational expenditure in many provinces. Indeed, education's share of provincial budgets has fallen in recent years. This poses particular threats to those elements of expenditure that are not related to the formal school system, e.g., ABET, ECD and FET colleges.

Fifth, this relates to a broader challenge arising out of the current constitutional arrangement within South Africa, which gives the nine provinces the ability to decide on their own expenditures on general and further education and training. Although national government can seek to shape such expenditures through a range of mechanisms, there are current concerns about the willingness of provinces to take their cue in terms of expenditure from the national *Programme of Action*.

Thus, although both DoE and DoL show clear commitment to the national development vision and are seeking to address it, there are a series of grounds for caution. Crucially, it is imperative that successes on the investment and education and training fronts go forward in tandem. Moreover, in all these areas, education and training are not magical solutions but elements of a broader approach that is needed to reduce poverty and increase employment. Many of the interventions in education and training for the first economy can only make sense in the context of a virtuous cycle of educational and economic development progressing together.

Poverty reduction in the second economy is already being addressed through an expansion of transfer payments and through an extension of services by the state, often in partnership with NGOs and others. Education and training can clearly play an important part in the lives of those within the second economy. Literacy and numeracy can contribute to a better quality of life, support to children's learning and to enhanced income generation. Here, the commitments of both departments to ABET will be crucial. Such commitments will need to address the relatively failure of ABET initiatives to date. A more nuanced understanding of ABET's multiple motivations is beginning to develop within government and this will hopefully assist in making programmes more effective. However, it must be remembered that many adults are likely not to see personal benefits in ABET.

The Department of Labour is also seeking to expand and increase the effectiveness of the skills development for community development and small enterprise development foci of the National Skills Fund. At the same time, some FET colleges, for instance in KwaZulu-Natal and the Western Cape, are expanding their involvement in lower level, less formal skills development programmes aimed at poorer communities.

Although 42% of the population lived in rural areas in 2001 (Machethe 2004), the relationship between education and training and small-scale agriculture remains largely unexplored and is an absence in the government's overall vision. The same is true for skills related to rural non-farm activities. There are real opportunities for new alliances between education, training, agriculture and small enterprise development in this regard.

Whether in delivering transfer payments, broader services or skills interventions, the state and other actors such as NGOs are in urgent need of skills development themselves in order to improve the efficiency and effectiveness of their work. This is clearly accepted by the state and is reflected in the *Programme of Action*, the *Batho Pele* initiative for public service transformation and in the draft second *National Skills Development Strategy*. Nonetheless, it is vital that these commitments are realised. However, it must also be remembered that the issue of non-delivery goes far beyond a lack of skills (Naidoo 2004).

Achievement of South Africa's vision for poverty reduction will not be easy but there is a real and widespread commitment to delivery. The particular nature of poverty in South Africa stresses a central role for education and training, particularly at the post-basic level, in its reduction. This role also will be hard to achieve. There are good policies, maturing institutions and capable individuals in place but there are weaknesses too in each of these areas and in their interfaces. Whilst strengthening post-basic education and training cannot solve poverty on its own, it is evident that its continued improved performance can play an important role in South Africa's progress towards halving unemployment and poverty by 2014.



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