

**FASSET  
SECTOR SKILLS  
PLAN UPDATE FOR  
THE PERIOD 1 APRIL  
2015 TO 31 MARCH  
2020**

**Draft**

**1 August 2014**



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## ABBREVIATIONS AND ACRONYMS

Abbreviation Acronym	Description
AAT (SA)	Association of Accounting Technicians (South Africa)
ABASA	Association for the Advancement of Black Accountants
ABET	Adult Basic Education and Training
ACCA	Association of Chartered Certified Accountants
ACFE	Association for Certified Fraud Examiners
ADRA	Association of Debt Recovery Agents
AMG	Assessor and Moderator Grant
APP	Annual Performance Plan
ATR	Annual Training Report
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CA(SA)	Chartered Accountant (SA)
CBA	Campus Brand Ambassadors
CE	Continuous Education
CIBM	Chartered Institute of Business Management
CESM	Classification of Educational Subject Matter
CIMA	Chartered Institute of Management Accountants
COE	Centre of Excellence
CPD	Continuous Professional Development
CPE	Continuous Professional Education
CTA	Certificate in the Theory of Accounting
CSSA	Chartered Secretaries Southern Africa
DEAT	Department of Environmental Affairs and Tourism
DHET	Department of Higher Education and Training
DoL	Department of Labour
Dti	Department of Trade and Industry
ETQA	Education and Training Quality Authority
FAIS	Financial Advisory and Intermediary Services Act
Fasset	The Finance and Accounting Services Seta
FET	Further Education and Training
FETMIS	Further Education and Training Management Information System
FSB	Financial Services Board
GDP	Gross Domestic Product
GVA	Gross Value Added
HDSA	Historically Disadvantaged South African
HE	Higher Education
HEI	Higher Education Institution
HEMIS	Higher Education Management Information System
HET	Higher Education and Training
HRDS-SA	Human Resource Development Strategy of South Africa
HSRC	Human Sciences Research Council

Abbreviation Acronym	Description
IAC	Institute of Accounting and Commerce
ICB	Institute for Certified Bookkeepers
ICM	Institute of Credit Management
ICSA	Chartered Secretaries Southern Africa
IDC	Industrial Development Corporation
IIA-SA	Institute of Internal Auditors of South Africa
IMFO	Institute of Municipal Finance Officers
IPAP	Industrial Policy Action Plan
IPFA	Institute for Public Finance and Auditing
IRBA	Independent Regulatory Board for Auditors
ISCO	International Standard Occupational Classification
LGSETA	Local Government Seta
LCG	Learnership Cash Grant
LL	Lifelong Learning
LPM	Learning Programme Matrix
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MTSF	Medium Term Strategic Framework
NATED	National Programmes
NCS	New Curriculum Statement
NDP	National Development Plan
NCV	National Certificate (Vocational)
NGP	New Growth Path
NIPF	National Industrial Policy Framework
NQF	National Qualifications Framework
NSA	National Skills Authority
NSC	National Senior Certificate
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
OFO	Organising Framework for Occupations
OLS	Ordinary Least Squares
QAPs	Quality Assurance Partners
PI	Public Interest
PIVOTAL	Professional, Vocational, Academic and Technical
QLFS	Quarterly Labour Force Survey
RA	Registered Auditor
SA	South Africa
SAIBA	Southern African Institute for Business Accountants
SAICA	South African Institute of Chartered Accountants
SAIFM	South African Institute of Financial Markets
SAIGA	Southern African Institute of Government Auditors
SAIPA	South African Institute of Professional Accountants
SAIS	South African Institute of Stockbrokers



Abbreviation Acronym	Description
SAIT	South African Institute for Tax Practitioners
SAPSE	South African Post-Secondary Education
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCG	Strategic Cash Grant
SDA	Skills Development Act
SDL	Skills Development Levy
Seta	Sector Education and Training Authority
SIC	Standard Industrial Classification
SMME	Small, Medium and Micro Enterprises
SOC	Standard Occupational Classification
SP	Strategic Plan
SSP	Sector Skills Plan
StatsSA	Statistics South Africa
TVET	Technical and Vocational Education and Training
VAT	Value Added Tax
W&RSETA	Wholesale and Retail Sector Education and Training Authority
WSP	Workplace Skills Plan

# SYNOPSIS

## INTRODUCTION

This Draft SSP update is submitted to the Department of Higher Education and Training (DHET) on 1 August 2014. The Sector Skills Plan (SSP) update was developed in accordance with Section 10(1)(a) of the Skills Development Act (SDA) and within the framework of the National Skills Development Strategy (NSDS) III for the period April 2011 to March 2016.

The SSP is based on research and monitoring of trends in Fasset's sector over the past twelve years. The sector belongs to the broader Financial Services Sector and in none of the labour market- or national accounts datasets is it seen as a separate subsector. For this reason Fasset has built up its own data system since 2000, which forms the basis of the statistical information reflected in this document. The data system includes comprehensive sector surveys which are conducted every five years. The most recent survey was conducted in 2012 its results are included in this SSP update.

In addition to the quantitative data analysis and desktop research this SSP is also based on consultation with the representatives from the sector. In 2014 the following process was followed to prepare the SSP update:

- The SSP update was developed with the assistance of a labour market expert. Chapters 1 to 5 of the update was submitted to Fasset, and comment and feedback were obtained from the Fasset management team and the Fasset Board. The use of a labour market expert was critical to the development of a high quality SSP update; foundational data, information, research and statistics were professionally compiled and analysed.
- In July 2014, at the scheduled Board strategic planning session, the Fasset Board decided the preliminary Seta strategy, high-level Seta targets and budgets for the 5-year period from 2015 to 2020, as well as the broad strategy and funding principles for the upcoming financial year (from 1 April 2015 to 31 March 2016).
- A draft of Chapter 6 and 7 of the SSP (outlining the strategic priorities, draft strategic plan, high-level targets and broad budget) was developed by the Fasset management team, signed off by the Seta CEO and Board chairman, and submitted to DHET.
- The sector will be invited to comment on the draft SSP via an email inviting members to view the document on the Fasset website, and submit comments to the Seta by a deadline date. Included in the target group for consultation will be small, medium, large, non-levy paying and state employers; learners; professional bodies; and private and public providers of education and training.
- This version of the SSP will be sent to the Fasset sector for consultation and presentation at the Fasset Annual General Meeting (AGM), scheduled for 11 September 2014.
- Comments received via this process and at the AGM will be presented to the Board for consideration at their September 2014 Board meeting, scheduled to take place after the AGM.
- Following the Board's assessment of comment received from the sector via the consultation process and at the AGM, a further SSP draft will be developed integrating this feedback. This final draft of the SSP will then be distributed to the Board for approval and sign-off by the Chairman of the Board and this will be submitted to DHET at the end of September 2014 along with the Strategic Plan (SP) and Annual Performance Plan (APP).

This SSP update also takes into account the key initiatives that are aimed at stimulating the South African economy and at creating a more just and equal society. The most important of these are the National Development Plan (NDP), and the White Paper for Post-School Education and Training.

## **PROFILE AND EMPLOYMENT TRENDS IN THE SECTOR**

In the 2012/2013 financial year, 4 006 organisations paid skills development levies to Fasset. Fasset as a Seta deals mostly with small employers, as 92% of the organisations in the sector fall within the category that is generally known as “small organisations” – with employment under 50. In fact 54% of the organisations in the sector employ fewer than ten people. A further 23% employ between 10 and 19 people and 15% have between 20 and 49 employees. Medium size organisations with 50 to 149 employees make up 6% of the organisations in the sector and the large organisations with 150 or more employees constitute 2% of organisations. The majority (73.4%) of organisations in the sector belong to white people only.

Professional associations are important role-players in Fasset’s sector because a large portion of the workers in the sector are members of organised professions. Professional bodies play different roles in the sector, for example they perform self-regulatory and professional functions to uphold practice standards, enhance quality of services and protect the broader public; they set standards for education and training; and they maintain ethical codes and standards for professional conduct.

A combination of qualifications is used in the sector, including qualifications awarded by professional bodies and those conferred by public and private higher institutions. Professional bodies are active in developing learnerships for the Fasset sector and in the broader economy. They are also actively involved with Fasset’s own operations. For example, some office bearers and delegates of professional bodies are members of Fasset’s Board and working committees.

Fasset has been tracking employment trends in its sector since the Seta’s inception in 2000. In this SSP update employment trends over the ten-year period from 2003 to 2013 are considered. The data series clearly shows that over the period 2003 to 2008, employment in the sector grew steadily. The effect of the 2008 recession became apparent in 2009 when employment dropped – not necessarily as a result of retrenchments, but because employers did not fill vacancies that became available. In 2010 employment remained at the same level as in 2009. It only increased again in 2011 and in 2012 to an all-time high of approximately 135 000. The 2013 employment estimate dropped substantially to less than 120 000. All the reasons for this drop in employment are not clear. One reason is, however, that economic growth, and especially the growth in output of the Financial Services Sector slowed down in 2013.

Professionals form the largest occupational group in the sector, with 34% of the workforce employed in professional occupations. The second largest occupational group is Clerical Support Workers (25%). Managers constitute 18% of the workforce and the occupational group Technicians and Associate Professionals 12%. The occupational structure of the sector has remained more or less the same over the last ten years.

The sector is highly concentrated in Gauteng (with 53% of the employees of the sector based in this province in 2013), the Western Cape (21%) and KwaZulu-Natal (9%). Small numbers of employees are based in the other provinces.

The equity profile of the sector has been monitored closely because of the sector's historically skewed profile. In 2013, 57% of the people working in the sector were Black<sup>1</sup>. Black employees' share in the occupational groups Managers and Professionals had increased from 20% Managers and 27% Professionals in 2003 to 38% and 59% respectively in 2013. While Coloured and Indian employees are more or less proportionately represented in the workforce, the employment of Black African people lags behind. In 2013 Black African employees constituted 36% of the total workforce. However, they formed only 21% of the Managers in the sector and 29% of Professionals. In these two occupational groups the majority of employees were still white. Therefore, despite the progress that has been made, increasing the representation of Black African employees in professional and managerial positions remains a priority in the sector. Transformation is driven by various charters that are binding on the sector and by Broad-Based Black Economic Empowerment (B-BBEE) legislation.

Historically the sector has employed more women than men. Women's share in employment remained fairly constant from 2003 to 2013 at more or less 56% of employment. In 2013 women were the majority in the occupational categories Clerical Support Workers (80%), Service and Sales Workers (65%) and Elementary Occupations (58%). Women constituted half (50%) of the Professionals and 40% of the Managers employed in the Sector. Black African women formed 21% of the total workforce in the sector. They occupied 9% of all the managerial positions and 16% of all the professional positions.

In 2013 the large and medium size organisations in the Financial and Accounting Services Sector employed almost 3 000 foreign nationals (2% of total employment in the sector). They are mainly professionals (45%) and managers (32%). The foreign nationals employed in the sector come from all over the world – a total of 99 different countries. However, the largest numbers are from Zimbabwe (42%), the United Kingdom (9%), Mozambique (8%), India (6%) and Kenya (3%).

The employment of people with disabilities remains a challenge for the sector. Information on disability varies substantially. In the 2012 Sector Survey only 3.9% of the organisations indicated that they had employees with disabilities in their service and employees with disabilities numbered 330 – only 0.2% of total employment. It seems that employers do not have information about disabilities of their staff on information systems. This absence of information on disability was also found in the 2007 Sector Survey, but then the total number of employees who were identified as people with disabilities constituted 0.8% of the employees in the sector. In 2013 employers reported 680 people with disabilities – 0.6% of total employment in the sector.

The sector has a youthful profile with more than half (56%) of employees 35 or younger. A total of 15% are 25 or younger and 40% are between 26 and 35.

## **THE ECONOMIC PERFORMANCE OF AND THE DEMAND FOR LABOUR IN THE SECTOR**

Fasset's sector forms part of the larger Finance, Real Estate and Business Services sector which outperformed the rest of the economy by a substantial margin over the period 2003 to 2008. In 2009 when the South African economy went into recession, it still grew by 1%. In the period after the recession the sector's growth slowed down and was only marginally higher than that of the total economy.

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<sup>1</sup> The term "Black" includes African, Coloured and Indian employees.

Fasset's sector is largely a professional service sector and most of the work it performs depends on the time and effort of trained personnel. Therefore, the growth in demand for the services of the sector and growth in employment are directly linked. The figures presented in Chapter 3 of this SSP update clearly show the relationship between output and employment.

The sector needs highly skilled workers (i.e. people with post-school qualifications) for its professional and technical occupations and skilled workers – mostly in clerical and administrative positions. The demand for semi- and unskilled workers is far below 10% of total employment.

The demand for skills in the sector is changing and these changes are driven by various factors including:

- The Companies Act, 71 of 2008 that came into operation on 1 May 2011 which, among others causes the demand for the services of registered auditors to decrease and the demand for financial service professionals who can act as independent accounting professionals to increase;
- Consumer-driven legislation that requires credit management and debt collection industries to become consumer-centric, to employ a different calibre of person in their business operations and to employ compliance officers, internal auditors and information technology specialists;
- Globalisation, technological changes and an increase in white-collar crime and corruption, that cause the business environment to become more regulated which in turn demands more skilled persons to ensure compliance with regulatory requirements;
- Increasing complexity of business practices and the tax systems which drives the demand for more tax professionals with knowledge of legal provisions both locally and in other jurisdictions;
- SARS's new requirement that all tax practitioners have to be registered and should be members of a professional body which is recognised by SARS as a "Controlling Body";
- Developments in technology which drives the need for information technology professionals and technicians;
- Growth in business process outsourcing which increases the demand for a range of finance and accounting skills; and
- Emphasis on environmental protection which drives the demand for environmental reporting and other related skills.

In chapter 3 of this SSP update three future labour demand scenarios are presented. All three scenarios assume that the sector will continue growing over the period from 2015 to 2020. The 2013 employment figures contradict this trend, however. If the downward trend continues in 2014 the scenarios and underlying assumptions will have to be revisited. More important, however, is the fact that replacement demand in the sector remains high. Fasset's sector is a training sector for financial skills in the rest of the economy, and analyses by Statistics South Africa suggest that there tends to be a high outflow of skills from the Financial Services Sector to other sectors of the economy.

## **THE SUPPLY OF SKILLS**

In the analysis of the supply of skills to the sector that is presented in Chapter 4 looks at the current workforce, the supply of new skills to the sector skills and development in the workplace. The cur-

rent workforce is relatively highly educated and the majority (69%) of employees have post-school qualifications. Only 4% of the total workforce has qualifications below Grade 12.

The workforce consists not only of the people who are employed but also those that are unemployed and actively looking for work. The only information on unemployed people could be found in the Quarterly Labour Force Survey (QLFS). The QLFS of the third quarter of 2013 found only a small number (approximately 5 000) unemployed people with post-school qualifications in the field Finance, Economics and Accounting. However, these figures should be interpreted with care because at this level of detail the sample sizes of the QLFS become very small and as a result the error margins are quite large. Nevertheless, the figures indicate that there is not an oversupply of people with relevant qualifications available for work in Fasset's sector.

There are several ways in which new entrants can enter the sector. The seven most typical entry routes are:

- Direct entry with Further Education and Training (FET)-level qualifications into the labour market
- Entry after school via learnerships
- Entry via the higher education system with professional qualifications
- Entry via the higher education system with national qualifications
- Entry via the higher education system with national qualifications, followed by a learnership and a professional body qualification
- Entry from the FET or the Higher Education and Training (HET) system followed by an internship.
- Entry from the FET or the Higher Education and Training (HET) system followed by informal workplace experience.

At FET level the main role players in skills formation are the formal school system, public and private FET institutions and professional bodies. At the heart of skills development is the quantity and quality of Grade 12 learners that exit the formal education system - specifically those who have mathematics as subject, as maths is a prerequisite for most of the fields of study relevant to the Fasset sector. It is a concern that the number of learners who wrote mathematics decreased annually by 6.9% over the period 2008 to 2012. The number of learners who passed mathematics with 40% or more decreased sharply between 2008 and 2011 from almost 92 000 to about 68 000. In 2012 they increased again to almost 81 000 - but still 10 000 short of the 2008 figure. The learners who passed mathematics with 40% or more constituted only 15.8% of those who wrote Grade 12 in 2012.

Most of the 50 public FET colleges registered with the DHET offer the National Certificate (Vocational) (NCV) in Finance, Economics and Accounting. Most also offer National Programmes (NATED) at National Qualifications Framework (NQF) levels 4 to 6 in either Financial Management or Business Management or both. However, the FET colleges face various challenges related to the content of the learning programmes, attracting suitably qualified staff, the quality of students entering the system, low throughput rates on NCV courses, finding practical placement opportunities for students and the lack of work prospects for students due to poor perceptions of FET colleges.

The analysis of output of the higher education sector in the field of Accounting shows a steady growth at NQF Levels 6 and 7 over the period 2002 to 2012. However, the total number of graduates who were awarded NQF Level 8 qualifications grew at an annual rate of 1.3%. Postgraduate

diplomas showed growth at 5.7% while the number of honours degrees fluctuated over the period and in 2012 slightly fewer people graduated than in 2002.

At all levels most of the growth was in the number of Black African candidates. At NQF Level 8 the number of Black African graduates who qualified grew from 646 in 2002 to 1 304 in 2012 – at an average annual growth rate of 8.1%. The output of Coloured- and Indian graduates also grew over the same period while the number of White graduates decreased annually by 3.0%. These changes in the demographic profile of graduates will, in the long run, facilitate the transformation of the sector.

However, financial professionals form the core of employment in the sector and it is therefore imperative that young Black professionals complete the professional body learnerships and become full members of the professional bodies active in the sector.

Since its inception Fasset has instituted various interventions to speed up skills development, to assist with the changing of the demographic profile of the sector, and to alleviate the skills shortages in the sector and in financial positions in the rest of the economy. These interventions include:

- Qualification and learnership development
- Discretionary grants
- A lifelong learning programme
- Special projects such as programmes to improve mathematics education at school level, bridging programmes for first-year students at universities, support for learners who had to re-write professional body qualifying exams and work-readiness or bridging programmes for young graduates.
- National Student Financial Aid Scheme (NSFAS) contributions for learner bursaries
- Donation to DHET for FET infrastructure development
- Assisting FET graduates with placement in employment

Fasset's skills development interventions reach beyond its own sector.

A specific supply-side issue that is highlighted in NSDS III as an area of responsibility of Setas, is the development of research and innovation capacity. Fasset's analysis of the research capacity in the sector found that the majority of professional bodies lack funds to undertake or commission research and do not have any in-house research capacity. However, in the Higher Education (HE) sector most institutions are busy developing their research capacity in the accounting field. Considerably more funding is needed in this area.

## **SKILLS AND RESEARCH NEEDS OF THE SECTOR**

In the assessment of skills shortages in its sector, Fasset considers various labour market signals such as difficulties experienced by employers to retain employees, difficulties experienced by employers to recruit people into positions, difficulties experienced by employers with succession planning and upward pressure on remuneration.

In the 2013 Mandatory Grant (including the Workplace Skills Plan (WSP) and Annual Training Report (ATR)) submissions 19% of the organisations indicated that they experienced skills shortages. The specific managerial occupations cited by these employers were Finance Manager, Internal Audit Manager, Corporate General Manager and Programme or Project Manager.

As in the years before, most skills shortages occurred in the occupational group “Professionals” – more specifically in the Unit Group “Accountants” which includes General Accountants and Accountants in Practice, External Auditors and Tax Professionals. Most of the employers indicated that they were specifically looking for CAs(SA) and that there were not enough available in the market. Approximately a third of the positions in this unit group were for trainee accountants on the SAICA and SAIPA learnerships.

In the occupational group “Technicians and Associate Professionals” employers identified only two occupations in which a scarcity was experienced: Supply Chain Practitioners and Telecommunications Technical Officers or Technologists.

Although clerical support workers are generally trained in-house and in a relatively short period of time, employers still reported shortages in some of these occupations such as debt collectors and contact centre consultants, accounts clerks, securities services administrative officers and payroll clerks. In many instances employers are looking for people with post-school qualifications and experience in these occupational fields.

The top ten occupations in which skills shortages were identified in 2013 are listed in the table below. Fasset has various grants, projects and programmes underway to address these shortages.

Occupation Code	Occupation Name	2013/ 2014	2014/ 2015	Fasset interventions
241104	External Auditor	413	407	Various projects and grants to increase throughput on accounting learnerships
241101	Accountant (General)	374	359	
241106	Accountant in Practice	154	108	
431202	Securities Services Administrative Officer	133	152	Development of Financial Markets Practitioner learnership
242211	Internal Auditor	129	135	Grants and projects to increase throughput on Professional, Vocational, Academic and Technical (PIVOTAL) programmes such as qualifications and learnerships
121901	Corporate General Manager	88	136	Grants and projects to increase throughput on pivotal programmes such as qualifications and learnerships
121101	Finance Manager	81	21	
242101	Management Consultant	79	78	
241301	Financial Investment Advisor	77	69	Development of Financial Markets Practitioner learnership
121905	Programme or Project Manager	73	63	Grants and projects to increase throughput on pivotal programmes such as qualifications and learnerships

Financial skills shortages in the rest of the economy exacerbate the skills shortage situation in Fasset’s sector and increase the pressure on the professional bodies and organisations in the sector that serve as training organisations to increase the numbers of financial professionals available to the South African labour market. Of particular importance is the shortage of financial and accounting skills in the public sector, and more particularly in local government.



The research needs identified in the sector span both technical issues and skills-related issues. Many of the latter relate to methods and models that can be used to teach relevant subject matter more effectively.

### SKILLS DEVELOPMENT PRIORITIES

The skills development priorities that Fasset wants to address in the five-year period from 2015 to 2020 were derived from an analysis of the skills situation in the sector, as well as the situation with regard to financial skills in the rest of the economy.

The skills development priorities were also informed by a host of Government strategies and priorities as outlined in various documents including: NSDS III; NDP; Government's Medium Term Strategic Framework (MTSF) objectives; Human Resource Development Strategy of South Africa (HRDS-SA); Industrial Policy Action Plan (IPAP); the New Growth Plan (NGP) and the National Skills Accord; the Minister of Higher Education and Training's Delivery Agreement with the President and the White Paper for Post-School Education and Training.

The Fasset sector's role as a training sector and its cross-sectoral responsibilities, as well as the need for further transformation of the sector itself, were the primary influences in developing the Seta's skills priorities.

The three areas covered by the skills development priorities are:

- Increase the flow of new finance and accountancy entrants to employment
- Develop and grow the skills required in the sector
- Facilitate transformation of the finance and accountancy sector

### CHANGES FROM PREVIOUS YEAR'S SUBMISSION

The table below reflects the changes to the 2015/2016 SSP as compared with the 2014/2015 submission. This table is intended to assist regular readers of the SSP in identifying the changes easily.

#	Change	Reference
1	The July 2014 Board strategic planning session concluded in a high-level strategy, including broad budgets and targets, as well as broad funding principles. The specific targets and funding allocations are to be decided in September 2014.	1.3
2	Inclusion of information on the distribution of employment in the sector, by size.	Table 2-3
3	Inclusion of information on firm ownership by population group in the Fasset sector.	2.3.1
4	The effect of the ROSC report on professional bodies in the Fasset sector.	2.3.2
5	Effect of the impact of the Youth Wage Subsidy on the demand-side of the market.	3.5.8
6	The impact of The White Paper for Post-School Education and Training	6.4
7	Inclusion of detail of the themes included in the Seta five-year research strategy	1.2.1
8	An international perspective on scarce skills.	5.2.3
9	Public sector training needs, inside and outside the Fasset sector is included in the revised Seta mission. Training in the public sector is to be excluded from the main skills priority areas for Fasset.	6.6
10	A revised Seta mission has been included.	7.5

#	Change	Reference
11	Skills priorities have been reviewed.	6.6
12	The Seta is using the principles of accrual accounting.	7.27.2
13	Goals, aligned to the revised mission, have been included.	7.5
14	High level financial projections, funding allocations and targets have been included. These will be reviewed at the September 2014 Board meeting.	7.7

DRAFT

# 1 INTRODUCTION

## 1.1 BACKGROUND

According to the Skills Development Act (SDA) Section 10(1)(a), each Sector Education and Training Authority (Seta) must develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS). Each Seta must also submit annual strategic plans and reports on the implementation of the Seta SSP to the Director-General of the Department of Higher Education and Training (DHET).

On 23 June 2010 the DHET issued a document entitled *Guide to the Process and Timeframes for the Development of Sector Skills Plans and the NSDS III*. This document stipulates that the purpose of a SSP is to:

- Determine the skills development priorities after an analysis of the skills demand and trends, and the supply issues within sectors;
- Identify a set of sector specific objectives and goals that will meet sector needs, skills needs related to economic or industrial growth strategies, and scarce and critical skills needs in the sector;
- Identify strategies to address these objectives and goals;
- Identify activities that will support these strategies;
- Implement and resource these activities; and
- Report on performance in relation to these objectives and goals.

The document further specifies that SSPs must be informed by research that analyses the sector and that establishes baselines for employment in the sector in terms of equity concerns: class, race, gender, age, disability and HIV/AIDS status. The document also indicates that sectoral skills development needs must take account of national skills development imperatives as reflected in various Government plans, the Medium Term Strategic Framework (MTSF) and the Human Resource Development Strategy for South Africa (HRDS-SA).

The Finance and Accounting Services Seta (Fasset) prepared an SSP in response to the requirements set out above and submitted a final version to the DHET in February 2011.

Subsequently the DHET indicated that the SSPs had to be updated every year and that each updated version needs to be forward-looking for another five years – i.e. the SSP has become a “rolling” plan. Fasset submitted its first update of the SSP in August 2011. This is the fourth update of the SSP, the first draft to be submitted to the DHET on 1 August 2014.

## 1.2 PREPARATION OF THE SSP UPDATE

The Finance and Accounting Services Seta (Fasset) is responsible for activities described as finance, accounting, management consulting and other financial services. The sector is referred to in this SSP as the “Financial and Accounting Services Sector” or “Fasset’s sector”.

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### 1.2.1 KEY THEMES IN FASSET RESEARCH STRATEGY

In support of the NSDS and Seta objectives, Fasset has instituted a research programme for the period 2011 to 2016. The main aims of this five-year programme are:

- Determining scarce skills in the Fasset Sector
- Understanding and defining relevant terminology in the Fasset and NSDS environment
- Understanding the impact of Fasset-funded projects
- Understanding changes in the Fasset sector
- Providing quality sector skills planning in the Fasset sector
- Providing employer support guides and documentation to advocate skills initiatives in the sector
- Monitoring employers participating in the skills development system over time
- Ensuring the Fasset databases support excellent research and communication strategies
- Ensuring that Fasset structures and costs grants and interventions appropriately
- Participate in DHET and inter-Seta committees and structures
- Determining levels of customer satisfaction with the Seta

This SSP is based, in the first instance, on the Seta's own research.

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### 1.2.2 STATISTICAL INFORMATION

The sector served by Fasset belongs to the broader Financial Services Sector and in none of the labour market datasets or national accounts datasets is it seen as a separate subsector. Therefore, it is impossible to analyse the sector using national datasets. For this reason Fasset has, since its inception in 2000, built up its own data system from information submitted by employers as part of their Mandatory Grant applications. All of this information is captured in an electronic data system and is analysed every financial year of the Mandatory Grant Scheme. The information from the Mandatory Grant Scheme represents between 70% and 80% of the employees in Fasset's sector. The data is extrapolated to the total sector by applying weights that are calculated based on levy payments received by Fasset. In addition to the grant applications, Fasset also requires non-levy paying organisations to register on its data system before they can enrol for free lifelong learning or apply for any of the discretionary grants. With registration they have to provide profile data. This information was also extrapolated and used in the construction of the sector profile.

In addition to information drawn from grant applications, Fasset conducts extensive sector surveys every five years. Surveys were conducted in the 2002/2003, 2007/2008 and 2012/2013 financial years. Information from the last survey is, where applicable, included in this update.

Apart from gathering detailed information from employers on the profile of the sector, the sector survey includes the views of other stakeholder groups i.e. professional bodies, workplace training providing organisations, learners, universities and Technical Vocational Education and Training (FET) colleges to provide Fasset with an up-to-date and comprehensive picture of its sector. Other research that informs the strategic planning processes includes, among other things, studies on the need for learnerships in specific subsectors or components of the sector conducted in the last few years.

National data sources were also used where appropriate. The Quarterly Labour Force Survey (QLFS) of the third quarter of 2013<sup>2</sup> was used to determine the number of appropriately skilled people who were unemployed and actively seeking employment. The analysis of the supply of skills at HET level is based on information obtained from the Department of Education's Higher Education Management Information System (HEMIS) and the supply from FET colleges were obtained from the Further Education and Training Management System (FETMIS). Information on Grade 12 pass rates were sourced from the Department of Basic Education's Education Management Information System (EMIS). Professional bodies provided updated membership figures and in some instances also figures on learner enrolments and completions.

Throughout this SSP, reference is made to National Qualifications Framework (NQF) levels. The NQF consisted of eight levels until 2010 when the NQF Act (Act 67 of 2008) became operational. The NQF Act provides for ten NQF levels, which is referred to in this SSP update.

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### 1.2.3 LABOUR-DEMAND PROJECTIONS

In Chapter 3 of the SSP projections of the future demand for labour in the sector are given. This information resulted from a labour-demand projection model developed for Fasset in 2008 after completion of its second sector survey. The model uses economic forecasts from an econometric model developed for the total economy by EcoQuant, an econometric consultancy.

The projections presented in this SSP are based on baseline weighted data obtained from the 2012/2013 Sector Survey. The model covers the period 2012 to 2017.

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### 1.2.4 IMPACT ASSESSMENT AT FASSET

Since the inception of NSDS in 2000, there has been pressure on parties in the skills development environment to measure the impact of skills development initiatives. These impact questions range from understanding the impact of a specific training intervention, to large-scale project successes and multiple outcomes.

Understanding the Return on Investment (ROI) in Training is important to prove the successes of the strategy, as well as being an important guide in decisions to renew funding for specific projects and interventions.

The activities used to monitor impact within the Fasset environment consist of four tiers. Firstly, impact is monitored in Fasset's own system on a regular basis by using data that is collected for other purposes and as part of the execution of the Seta's normal functions. This includes the incorporation of specific questions regarding learners to be funded through Seta grants. Secondly, regular studies undertaken by Fasset for other purposes are utilised to monitor impact – for example, Customer Satisfaction Surveys and Learnership Cash Grant (LCG) monitoring visits. Thirdly, most of Fasset's interventions include follow-up studies that track learners and evaluate the impact of the respective interventions, and lastly, ad hoc and additional projects are undertaken from time to time to measure impact. Most recently, in 2013, Fasset undertook a large-scale assessment of the success and impact of the work-readiness and bridging programmes that it had funded over an eight-year period.

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<sup>2</sup> At the time of this SSP update that was the most recent QLFS dataset available in the public domain.

### 1.3 STAKEHOLDER CONSULTATION

In addition to the quantitative data analysis and the desktop research presented in this SSP update, consultations with the representatives from the sector were also held with regard to changes that are taking place in the sector. The 2012 Sector Survey constituted a sector-wide consultative process that provided stakeholders (employers, professional bodies, workplace and institutional training providers, and learners) with an opportunity to voice their opinions on a variety of skills development issues in the sector.

In addition, in 2014 the following process was followed:

- The SSP update was developed with the assistance of a labour market expert. Chapters 1 to 5 of the update was submitted to Fasset, and comment and feedback were obtained from the Fasset management team and the Fasset Board. The use of a labour market expert was critical to the development of a high quality SSP update; foundational data, information, research and statistics were professionally compiled and analysed.
- In July 2014, at the scheduled Board strategic planning session, the Fasset Board decided the preliminary Seta strategy, high-level Seta targets and budgets for the 5-year period from 2015 to 2020, as well as the broad strategy and funding principles for the upcoming financial year (from 1 April 2015 to 31 March 2016).
- A draft of Chapter 6 and 7 of the SSP (outlining the strategic priorities, draft strategic plan, high-level targets and broad budget) was developed by the Fasset management team, signed off by the Seta CEO and Board chairman, and submitted to DHET.
- The sector will be invited to comment on the draft SSP via an email inviting members to view the document on the Fasset website, and submit comments to the Seta by a deadline date. Included in the target group for consultation will be small, medium, large, non-levy paying and state employers; learners; professional bodies; and private and public providers of education and training.
- This version of the SSP will be sent to the Fasset sector for consultation and presentation at the Fasset Annual General Meeting (AGM), scheduled for 11 September 2014.
- Comments received via this process and at the AGM will be presented to the Board for consideration at their September 2014 Board meeting, scheduled after the AGM.
- Following the Board's assessment of comment received from the sector via the consultation process and at the AGM, a further SSP draft will be developed integrating this feedback. This final draft of the SSP will then distributed to the Board for approval and sign-off by the Chairman of the Board and this will be submitted to DHET at the end of September 2014 along with the Strategic Plan (SP) and Annual Performance Plan (APP).

#### 1.3.1 NATIONAL STRATEGIES AND IMPERATIVES

A very important part of Setas' responsibilities is to support other Government initiatives. This SSP update takes into account the key initiatives that are aimed at stimulating the South African economy and at creating a more just and equal society. It also takes into consideration some of the initiatives aimed at reforming the supply-side of the labour market and stimulating the supply of the kind of skills needed for economic growth and development, specifically in the Fasset sector.

Various important policies guide the Seta's delivery in the current planning period. The framework for the NSDS III outlines certain strategic focus areas that will form part of all Fasset's interventions. Specific areas of this policy will be addressed in certain funding windows and consequent projects.

In the development of the skills development priorities Fasset took into account the skills formation process as it spans the lifetimes of individuals, along the educational and career pipeline. It furthermore took into consideration the specific skills needs of the sector, the objectives set by the NSDS III framework and NSDS III cross-cutting objectives (race, class, disability, youth, HIV/AIDS, gender and geographical presence).

Transformation remains a priority for the sector – specifically in terms of increasing the representation of Black African employees in professional and managerial positions. Transformation is also driven by various charters that are binding on the sector and by B-BBEE legislation.

Fasset did not only consider the needs of its own sector but also the needs of the rest of the economy for accounting and finance professionals. Together with its network of stakeholders Fasset is well-positioned to play a major role in alleviating cross-sectoral skills shortages, as an incubator sector for financial and accounting skills across the broader economy. The New Growth Path (NGP) Framework was released in November 2012 (the name was later changed to New Growth Plan). This was followed by the National Skills Accord – an agreement between government, business, labour and civil society, signed in July 2011. These documents as well as the Industrial Policy Action Plan (IPAP) and other relevant government initiatives, policies and legislative changes were considered in this SSP update. Similarly, the SSP takes into consideration the skills needs and requirements of the South African National Infrastructure Plan, and specifically the Strategic Integrated Projects (SIPS).

The White Paper for Post-School Education and Training that was published in November 2013 redefines the education and training landscape and the role of Setas. Although clarity is still lacking on the implementation of the changes proposed by the White Paper, this SSP update starts to take them into consideration.

The Government has set itself 12 performance outcomes to help improve development and services in South Africa. The Minister of Higher Education and Training had been asked by the President to be the coordinating Minister for Outcome 5 of the 12 performance outcomes; namely "A skilled and capable workforce to support an inclusive growth path". As all Setas report to the DHET, they are responsible to contribute to the achievement of this outcome and the associated outputs. For this reason this SSP focuses not only on the skills needs of Fasset's sector, but also takes into consideration these national objectives.

Owing to the close alignment of the MTSF objectives and the HRDS-SA, Fasset can contribute to all of the commitments set out in the HRDS-SA through aligning the Seta's strategy and interventions with indicators and targets in this document.

In terms of economic growth and social development, cognisance was taken of the National Development Plan (NDP)<sup>3</sup> that was first released in draft form in November 2011 and that has subsequently become the blueprint and umbrella policy framework for all other Government policies. The NDP addresses a wide array of economic and social issues including education and training which is

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<sup>3</sup> National Planning Commission, *Make our Future Work: National Development Plan 2013*.

discussed in Chapter 9 of the Plan. In Chapter 6 of this SSP those aspects that are most pertinent to Fasset are extracted and discussed.

#### **1.4 OUTLINE OF THE SSP**

Chapters 2 to 5 of the SSP are dedicated to an analysis of the sector. The analysis starts in Chapter 2, where a profile of the sector is sketched. Where possible, the changes that have occurred in the sector over the past ten years are shown. Chapter 3 gives a short overview of the economic performance of the Financial Services Sector, of which Fasset's sector forms a part, and describes the demand for skills in Fasset's sector. Chapter 4 describes the supply of skills to the sector. Chapter 5 deals with the issue of skills shortages or scarce skills.

Chapters 6 to 7 deal with the planning part of the SSP. The skills development priorities of the sector are outlined in Chapter 6. The linkages between the skills development priorities and Government policies and imperatives are also explained in this chapter (and presented in detail in Annexure C – Cross-cutting objectives).

This is followed in Chapter 7 by the specific skills development objectives and targets set for the five-year planning period and a high-level budget. Chapter 7 also deals with Fasset's research agenda, and the monitoring and evaluation of the objectives and targets.



## 2 PROFILE OF THE SECTOR

### 2.1 INTRODUCTION

The nature and composition of any sector are critical factors in the assessment of skills needs and in the development of skills strategies. This chapter gives a brief profile of the Financial and Accounting Services Sector. The profile includes the industrial coverage of the sector, an overview of the organisations and employment in the sector, the occupational profile of employees, and the professional bodies associated with the sector. The chapter also describes the transformational initiatives and it comments on HIV/AIDS prevalence in the sector.

### 2.2 INDUSTRIAL COVERAGE

Fasset's sector includes 17 categories of the Standard Industrial Classification (SIC). Most of these categories fall within the main group "Finance, Real Estate and Business Services". Some of the economic activities described under the 17 SIC codes are similar and, in order to facilitate the meaningful analysis of data, organisations belonging to the sector have been re-categorised into seven subsectors.<sup>4</sup> The SIC categories and the subsectors to which each belongs are indicated in Table 2-1.

The subsector descriptions are generally self-explanatory. However, it should be noted that the development organisations belonging to the Financial and Accounting Services Sector include only those that provide financial assistance and (in some instances) business advice, such as the Industrial Development Corporation (IDC). Similarly, business and management consulting services encompass a wide range of activities and may also fall under other Setas. Only those organisations that choose to describe their main functions in terms of SIC code 88140 or 88142 are included in this subsector. Some of the accounting and auditing firms also provide business and management consulting services but, because accounting and auditing is their main business, they are classified in the subsector "Accounting, Bookkeeping, Auditing and Tax Services".

The subsector "Activities Auxiliary to Financial Intermediation" includes statutory bodies such as the Financial Services Board (FSB) and the Independent Regulatory Board for Auditors (IRBA), professional associations, as well as services not included in any of the other subsectors. Debt collection is an example of such a service.

**Table 2-1 SIC and subsector descriptions**

SIC Code	SIC Description	Subsector Name
81904	Investment Entities and Trusts	Investment Entities and Trusts and Company Secretary Services
88103	Company Secretary Services	
83110	Administration of Financial Markets	Stockbroking and Financial Markets
83120	Security Dealing Activities	
83121	Stockbroking	

<sup>4</sup> This categorisation is used consistently throughout all of Fasset's research reports.

SIC Code	SIC Description	Subsector Name
88102	Asset Portfolio Management	
83180	Development Corporations and Organisations	Development Organisations
88101	Tax Services	Accounting, Bookkeeping, Auditing and Tax Services
88120	Accounting, Bookkeeping and Auditing Activities, Tax Consultancy	
88121	Activities of Accountants and Auditors Registered in Terms of the Auditing Profession Act.	
88122	Activities of Cost and Management Accountants	
88123	Bookkeeping Activities, including Relevant Data Processing and Tabulating Activities	
83190	Activities Auxiliary to Financial Intermediation	Activities Auxiliary to Financial Intermediation
88140	Business and Management Consulting Services	Business and Management Consulting Services
88142	Project Financial Management	
91108	South African Revenue Service (SARS)	SARS and Government Departments
9110E	National Treasury Provincial Treasuries	

## 2.3 ORGANISATIONS IN THE SECTOR

### 2.3.1 EMPLOYERS

In the 2012/2013 financial year, 4 006 organisations paid skills development levies to Fasset. In addition to these 262 levy-exempt organisations had registered on Fasset's system. In addition to these, there may be many sole proprietorships or professionals with very small (often one-person) practices that are not known to the Seta.

Table 2-2 shows the organisational composition of the sector according to subsector during the period 2003 to 2013. In 2012 and 2013 the subsector distribution looks somewhat different than in the previous years. This is the result of the inclusion of non-levy-paying organisations (mainly with an annual payroll of less than R500 000) in the more recent calculations.

**Table 2-2 Distribution of levy-paying organisations per subsector: 2002-2013**

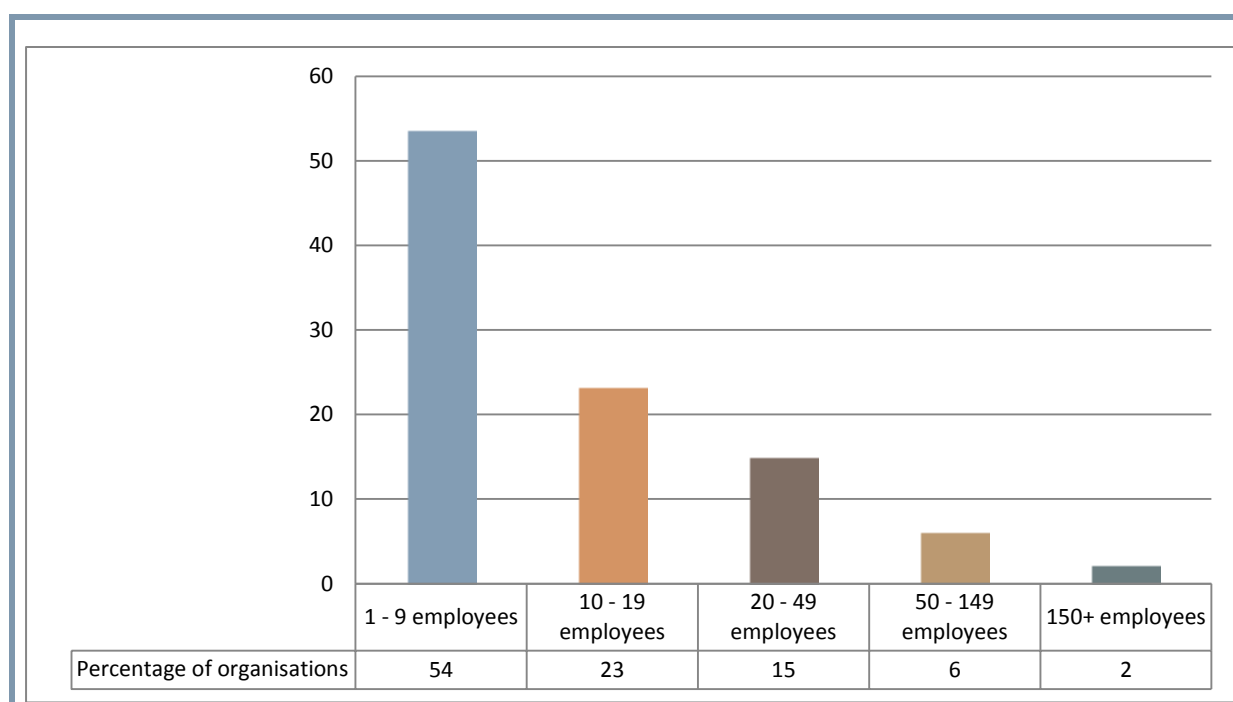
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013*
Subsector	%	%	%	%	%	%	%	%	%	%	%
Investment Entities & Trusts & Company Secretary Services	8	8	8	13	13	12	12	12	14	12	12
Stockbroking & Financial Markets	7	8	7	15	15	16	16	16	15	15	15
Development Organisations	1	1	1	1	1	1	1	1	1	1	1
Accounting, Bookkeeping, Auditing & Tax Services	64	62	63	42	43	44	44	44	44	47	47
Activities Auxiliary to Financial Intermediation	7	8	8	9	9	8	8	8	8	7	7
Business & Management Consulting Services	11	12	11	18	18	18	18	18	18	18	18
SARS & Government Departments	1	1	1	1	1	1	1	1	0	0	0
Total**	99	100	99	99	100	100	100	100	100	100	100

\*Including non-levy-paying organisations.

\*\*Owing to rounding, percentages don't always add up to 100.

Source: Calculated from Fasset's data system 2013.

The vast majority of organisations in the Fasset sector are very small (Figure 2-1 Organisations in the Fasset sector according to organisation size). More than half (54%) employ fewer than ten people. A further 23% employ between 10 and 19 people and 15% have between 20 and 49 employees. This means that 92% of the organisations in the sector fall within the category that is generally known as "small organisations". Medium size organisations with 50 to 149 employees make up 6% of the organisations in the sector and the large organisations with 150 or more employees constitute 2% of organisations. Fasset as a Seta therefore deals mostly with small employers.



**Figure 2-1 Organisations in the Fasset sector according to organisation size**

Source: Sector Survey 2012.

Table 2-3 shows the distribution of employment according to organisation size. Although the very small organisations (with fewer than ten employees) make up such a large portion of the organisations in the sector, they employ only 8.3% of the workforce. The small number of large organisations on the other hand employ more than half (52.1%) of the workers.

**Table 2-3 Distribution of employment by subsector and organisation size**

Subsector	1 - 9 employees	10 - 19 employees	20 - 49 employees	50 - 149 employees	150+ employees	Total
	%	%	%	%	%	
Investment Entities and Trusts and Company Secretary Services	10.3	19.0	14.7	7.1	49.0	100.0
Stockbroking and Financial Markets	12.4	12.2	12.0	5.7	57.6	100.0
Development Organisations	10.1	25.7	1.3		62.9	100.0
Accounting, Bookkeeping, Auditing and Tax Services	8.8	12.1	17.3	16.2	45.5	100.0
Business and Management Consulting Services	12.3	7.9	11.4	8.6	59.9	100.0
Activities Auxiliary to Financial Intermediation	6.9	5.0	20.2	42.8	25.1	100.0
SARS and Government Departments					100.0	100.0
<b>Total</b>	<b>8.3</b>	<b>9.8</b>	<b>14.1</b>	<b>15.6</b>	<b>52.1</b>	<b>100.0</b>

Source: Sector Survey 2012

Although there is only a small number of large organisations in the sector, these organisations employ more than half (52.1%) of the employees. Another 15.6% of employees are employed in medium size organisations and 32.2% in small organisations.<sup>5</sup>

The majority (73.4%) of organisations in the sector belong to white people only. These organisations employ 36.7% of the total workforce. Organisations with mixed ownership employ 26.3% of the workers in the sector while Government and public entities employ 16.2% of the workers. A total of 6.4% of the organisations in the sector belong to Black Africans only and these organisations employ 2.8% of the total workforce. (Table 2-4).

**Table 2-4 Equity ownership of organisations in the sector**

Subsector	Organisations		Employment
	N	%	%
African only	272	6.4	2.8
Coloured only	58	1.4	1.0
Indian only	129	3.0	1.2
White only	3 124	73.4	36.7
Mixed ownership	261	6.1	26.3
Government and public entities	12	0.3	16.2
Chinese	4	0.1	0.0
Other- cannot determine ownership e.g. international company, trust, board	174	4.1	10.9
Ownership not specified	220	5.2	4.8
<b>TOTAL</b>	<b>4 254</b>	<b>100.0</b>	<b>100.0</b>

Source: Sector Survey 2012

### 2.3.2 PROFESSIONAL BODIES

A large portion of the workers in the Fasset sector are members of organised professions. Various professional bodies are active in the Fasset sector and represent the interests of finance and accounting occupations that are vital to sustain and grow the economy. Professional associations are important role-players in this sector and contribute to skills development and ongoing professional development.

Accounting and finance bodies often perform self-regulatory and professional functions to uphold practice standards, enhance quality of services, protect the broader public and strengthen investor confidence in the economy. Typically the professional bodies set standards for education and training, and maintain ethical codes and standards for professional conduct in order to serve broad public interests. Many of the professional bodies investigate and deal with complaints of unprofessional conduct against their members, hold disciplinary enquiries and impose sanctions against practitioners who contravene the codes of professional conduct.

A sophisticated combination of qualifications is used in the sector, and includes those awarded by professional bodies and those conferred by public and private higher institutions. Several professional bodies confer upon their members qualifications that are registered on the NQF. It is common practice that qualifications, professional designations and membership of the professional as-

<sup>5</sup> EE Research Focus, Study of the Financial and Accounting Services Sector, February 2013

sociations are interlinked. Most of these qualifications require workplace experience in addition to academic training, and many are registered as learnerships with Fasset and other Setas. Quality assurance of the majority of qualifications in the Fasset sector is managed by the professional bodies in partnership with Fasset. Seven of the professional associations are quality assurance partners<sup>6</sup> of Fasset and are entrusted with accrediting training providers and conducting site – and monitoring visits for workplace learning.

Professional bodies are active in developing learnerships for the Fasset sector and broader economy. These learnerships serve as vital access routes to occupations as well as membership of the professional bodies and the designations guarded by the respective associations. In addition, many professional bodies set requirements for the Continuous Professional Development (CPD) that their members should meet in order to retain their membership and professional standing. A number of professional bodies cooperate closely with Setas to support a range of skills development initiatives within and outside the Fasset sector.

Office-bearers and delegates of professional bodies are serving members of the Fasset Board, or have served as members. Representatives of professional bodies are also contributing to Fasset's working committees for quality assurance and learnerships, skills planning, development projects and work-readiness programmes, as well as auditing. In this manner professional bodies share their expertise, knowledge and resources for the greater benefit of the Fasset sector.

A number of the professional associations are also registered as employers with Fasset for purposes of payment of the skills development levy (SDL) on their payrolls. The professional bodies associated with Fasset are listed in Table 2-55 below, which also indicates their total membership in June 2014.

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<sup>6</sup> A Quality Assurance Partner (QAP) performs quality assurance functions on behalf of and in conjunction with the Fasset ETQA on qualifications that fall within the scope of a professional body. QAPs have to apply for this status and meet rigorous criteria. Their functions include accreditation of tuition and workplace providers and execution of some ETQA functions such as site and monitoring visits. In most instances Fasset is responsible for assessment and certification of learners. QAPs were formerly known as Agent ETQAs of Setas. (See: [www.fasset.org.za](http://www.fasset.org.za))

Table 2-5 Professional body membership

Professional body	Acronym	2013		2014	
		Full Members	Students/ Trainees	Full Members	Students/ Trainees
Association of Chartered Certified Accountants	ACCA	463	2 668	499	2 985
Association of Certified Fraud Examiners South Africa	ACFESA	3 500	44	3 900	83
Association of Accounting Technicians South Africa	AAT(SA)	325	1 702	855	1 527
Association of Debt Recovery Agents	ADRA	202*		220*	
Chartered Institute of Management Accountants	CIMA	1 772	7 642	1 947	10 202
Chartered Institute of Business Management	CIBM	616		558	
Chartered Secretaries Southern Africa	CSSA	2 436	1 858	2 371	1 753
Institute of Accounting and Commerce	IAC	770	5	702	4
Institute of Certified Bookkeepers	ICB	4 216	46 353		38 022
Institute of Certified Bookkeepers and Accountants	ICBA (new)			2 639	
Institute of Credit Management	ICM	938	520	1 132	610
Institute of Internal Auditors of South Africa	IIASA	8 683	498	8 160	1 726
Institute of Municipal Finance Officers	IMFO	2 260	618	2 524	710
South African Institute of Chartered Accountants	SAICA	35 393	9 035	36 749	8 623
South African Institute of Tax Practitioners	SAIT	9 296	786	10 301	1 085
South African Institute of Professional Accountants	SAIPA	7 563	1 599	**	**
South African Institute of Stockbrokers	SAIS	500		500	
Southern African Institute for Business Accountants	SAIBA	1 469	76	2 009	73
Southern African Institute of Government Auditors	SAIGA	404	130	415	210

\* Corporate membership

\*\*Membership figures not available at time of submission of this SSP Draft

The landscape for professional bodies is currently changing. In 2012 the South African Qualifications Authority (SAQA) developed a policy and criteria for the recognition of professional bodies and the registration of professional designations. A pilot phase was launched to assess various aspects of the policy and criteria. Several of the professional bodies in the accounting field and their designations are now registered with SAQA.<sup>7</sup>

Following the 2008 global financial crisis many financial professions re-assessed their roles and improved their functions and standards of practice. As a result several professions have defined their specialist roles more precisely and have greater clarity about their areas of focus. This has had a positive impact for learners who embark on studies in finance and accounting as the various professional bodies can give them clearer direction on the competencies required in various sub-specialist financial fields as well as direction on potential career paths.

The re-defining of the respective roles and responsibilities of the Independent Board for Auditors (IRBA) and SAICA in respect of the training of Registered Auditors (RAs) is of specific interest to this SSP. As from 2014 the IRBA requires prospective public auditors to first demonstrate competence as professional accountants with an accredited professional accounting body before they are allowed into the training programme for auditors. After completion of this training programme they will undergo the IRBA's final assessment that will allow them to register as auditors.<sup>8</sup> That means that SAICA's assessments giving access to the designation CA(SA) and the IRBA's assessments will no longer be combined. Although SAICA is currently still the only professional body that is accredited by the IRBA, these two bodies will, in future function completely independently. It also means that the learning pathway for registered auditors will become substantially longer.

Other important developments in respect of professional bodies in the sector are set to follow a review of accounting and auditing practices in South Africa by the World Bank in 2013. This review was requested by the Minister of Finance and the report by the review team is generally referred to as the "ROSC Report"<sup>9</sup>. This report includes recommendations on an array of issues, but of the following are of specific importance to the professional body landscape and to skills development in the Fasset sector:

- 1) **"Accountancy profession legislation should be enacted to encompass the regulation of both professional accountancy organizations [PAOs] and an audit regulator."** The report states that while regulation exists for the audit regulator (IRBA), none exists for the other accountancy professional bodies. The proposed legislation should provide the mandate to create an institution (regulatory body) that would be responsible for (a) defining and categorising the education and training requirements for different accountancy services (e.g., audit, independent review, accounting officers, bookkeepers) and aligning the professional body qualifications to these respective categories; (b) accrediting, registering, monitoring, and sanctioning the professional bodies; (c) creating awareness of the qualifications of all accredited professional bodies to employers, tertiary institutions, students and public; and

<sup>7</sup> South African Qualifications Authority. 2013. <http://www.saqa.org.za/show.asp?id=2745> (Accessed 13 June 2013).

<sup>8</sup> Independent Board for Registered Auditors, Memorandum on the phasing out of the Public Practice Examination (PPE) – 2014, <http://irba.co.za/index.php/education-training-a-professional-development/362?task=view> (Accessed 17 July 2013).

<sup>9</sup> World Bank, *South Africa Review on the Observance of Standards and Codes – Accounting and Auditing*. 2013.



(d) supporting and strengthening the professional bodies, an action that would assist in designing a consolidated plan to develop more accountants to meet the existing demand.

The report also suggests that an independent board, supported by a well-functioning secretariat, should govern the regulatory body and that the requirements in the current Auditing Profession Act would be incorporated in the proposed accountancy profession legislation.<sup>10</sup>

- 2) **“Professional accountancy organizations and tertiary institutions, where appropriate, should include public sector modules in their education and training curricula.”** The review team found the accounting skills in the public sector to be poor and suggested that in order to address the training needs and capacity shortage in the public sector, the professional bodies and tertiary institutions (in partnership with government) should start including or increasing the use of public sectors modules in their curricula and that they should also create incentives to motivate both students and the providers.<sup>11</sup>
- 3) **“All professional accountancy organizations should be strengthened to have the capacity to increase focus on professional development of their members and improve on their partnerships with universities.”** The report states that when professional bodies maintain appropriate capacity, they are able to capture and maintain the public interest; develop capable and competent accountancy professionals; promote and enforce strong professional and ethical standards; and act as a resource to government, regulators, and other stakeholders.<sup>12</sup>

The implications that these recommendations will have for the sector and for Fasset’s skills development initiatives will become clear over the next few years.

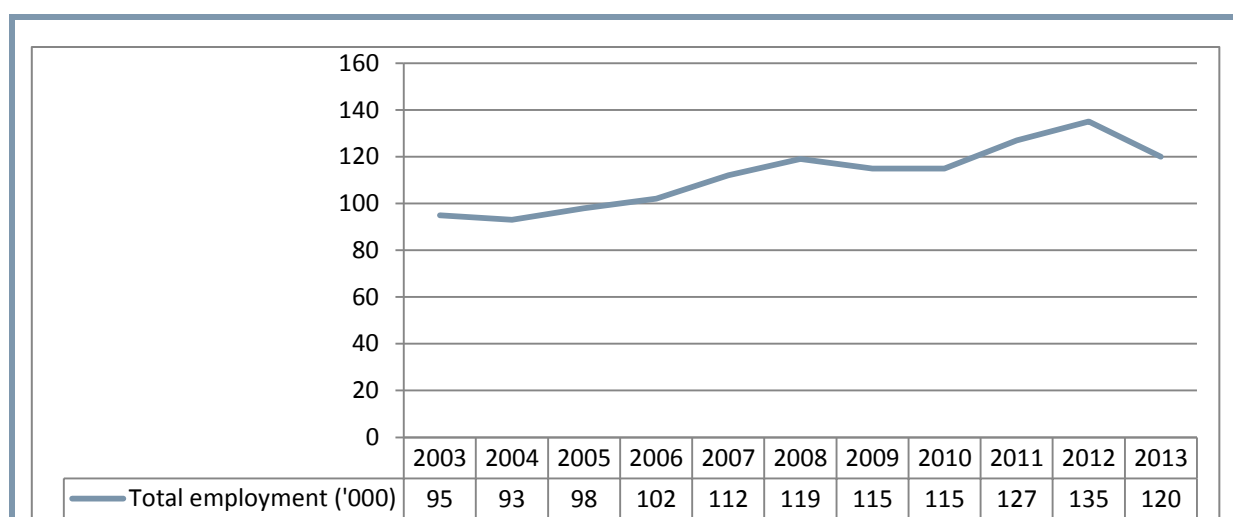
## 2.4 TOTAL EMPLOYMENT

Total employment in the Fasset sector are estimated each year, based on the information submitted to Fasset through the mandatory grant applications and the levy income paid to the Seta. The estimates of total employment obtained in this way from 2003 to 2013 can be seen in Figure 2-2. The graph clearly shows the effect of the 2008 recession on employment in the sector. Over the period 2003 to 2008, employment grew steadily. In 2009 employment dropped – not necessarily as a result of retrenchments, but because employers did not fill vacancies that became available. In 2010 employment remained at the same level as in 2009. It only increased again in 2011. This increase continued until 2012. The 2013 employment estimate dropped substantially. The reasons for this drop in employment are not clear. However, the individual employee records submitted as part of the WSP submissions in 2013 revealed for the first time the extent to which the sector employs people on contract. In 2013 as much as 8% of employees were employed on contract. The employment of people on contract allows for relatively fast expansion and contraction of the sector.

<sup>10</sup> Ibid, p.4-5.

<sup>11</sup> World Bank, *South Africa Review on the Observance of Standards and Codes – Accounting and Auditing*. 2013, p. 5.

<sup>12</sup> Ibid, p.5.



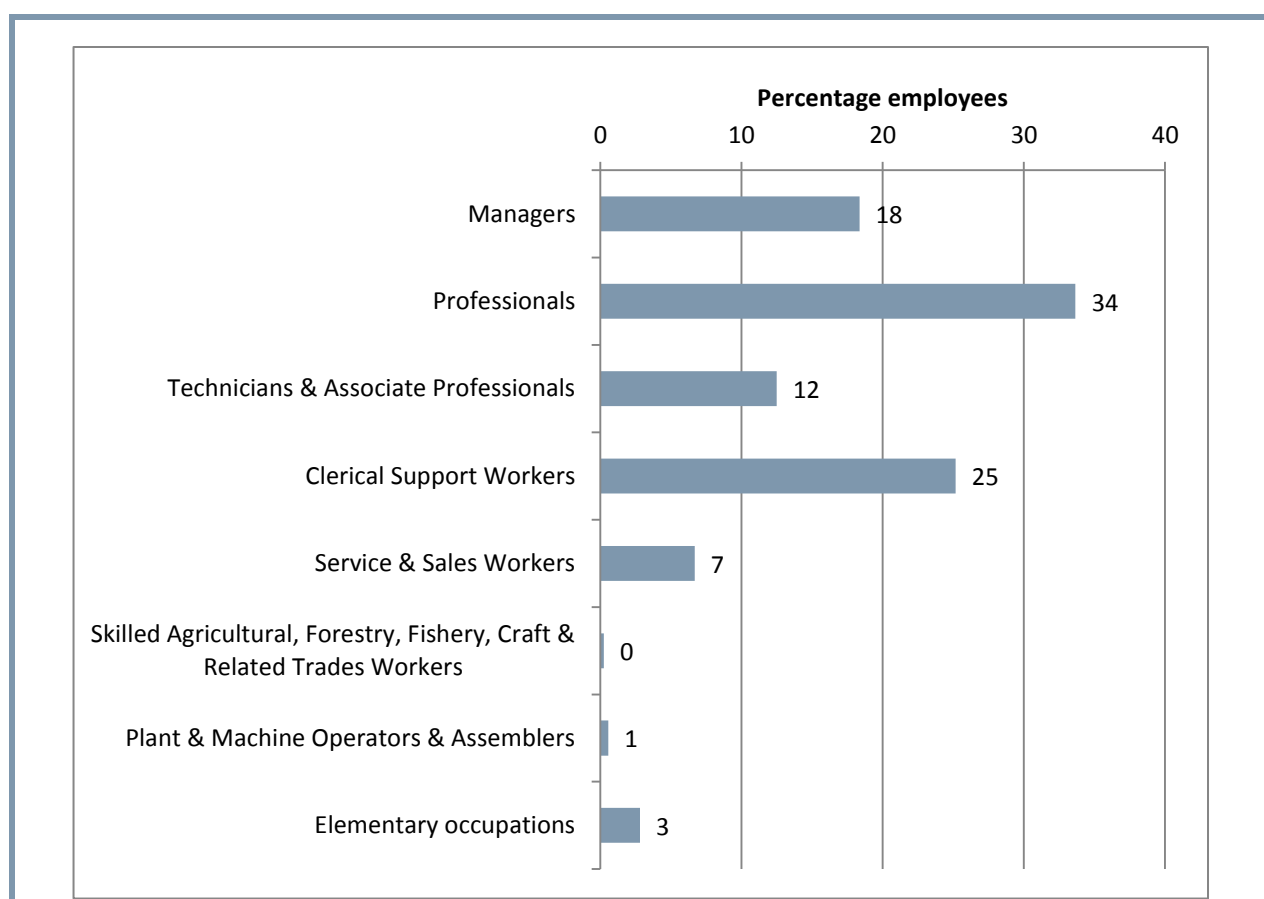
**Figure 2-2 Estimates of total employment in the Fasset sector: 2002 to 2013**

Source: Calculated from Fasset's data system 2013.

The 2012 figure was obtained from the 2012 Sector Survey.

## 2.5 OCCUPATIONAL COMPOSITION OF EMPLOYMENT

The occupational composition of the sector (Figure 2-3) explains why the sector employs mainly people with post-school qualifications or with matric. Professionals form the largest occupational group in the sector, with 34% of the workforce employed in professional occupations. The second largest occupational group is Clerical Support Workers. A total of 25% of the employees in the sector are employed in this occupational group. Managers constitute 18% of the workforce and the occupational group Technicians and Associate Professionals 12%. The Managers are mostly Professionals who have advanced to managerial positions.



**Figure 2-3 Occupational composition of the sector**

Source: Fasset data system 2013.

Table 2-66 shows the occupational distribution of employment in the sector according to the Standard Occupational Classification's (SOC) major groups from 2003 to 2008, according to the Organising Framework for Occupations (OFO) major groups from 2009 to 2011 (OFO version 9) and in 2012 and 2013 according to OFO 2010 and later<sup>13</sup>.

<sup>13</sup> In 2010 the structure of the OFO was changed to correspond with the International Standard Classification of Occupations (ISCO). The main occupation groups of the 2010 and later versions of the OFO therefore differ from those used in OFO version 9.

Table 2-6 Distribution of employment per occupational group: 2002-2012

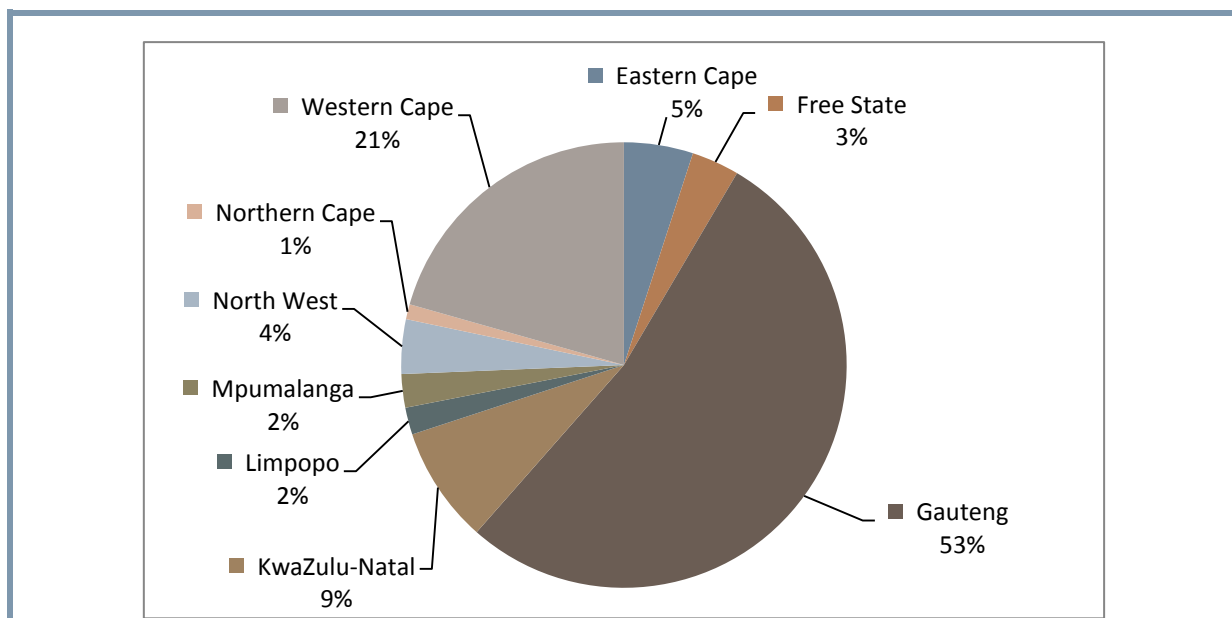
SOC	2003	2004	2005	2006	2007	2008	OFO version 8	2009	2010	2011	OFO 2012	2012	2013
Occupational category	%	%	%	%	%	%	Occupational category	%	%	%	Occupational category	%	%
Legislators, Senior Officials, Managers & Owner Managers	14	14	15	13	12	12	Managers	14	15	16	Managers	14	18
Professionals	16	17	18	17	18	16	Professionals	26	33	32	Professionals	37	34
Technicians & Associated Professionals	27	28	26	27	27	26	Technicians & Trades Workers	19	10	13	Technicians & Associate Professionals	17	12
							Community & Personal Service Workers	2	1	1			
Clerks	35	34	34	34	31	33	Clerical & Administrative Workers	28	32	31	Clerical Support Workers	28	25
Service Workers, Shop & Market Sales Workers	3	3	3	4	4	4	Sales Workers	3	2	2	Service & Sales Workers	1	7
Agricultural & Fishery Workers	0	0	0	0	0	0					Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	0	0
Craft & Related Trades Workers	1	0	0	1	1	1							
Plant & Machine Operators & Assemblers	0	0	0	1	1	1	Machinery Operators & Drivers	1	1	1	Plant & Machine Operators & Assemblers	1	1
Labourers & Related Workers	3	3	3	4	6	6	Elementary Workers	6	6	4	Elementary occupations	2	3
<b>TOTAL*</b>	<b>99</b>	<b>99</b>	<b>99</b>	<b>101</b>	<b>100</b>	<b>99</b>		<b>100</b>	<b>100</b>	<b>100</b>		<b>100</b>	<b>100</b>

\*Owing to rounding, percentages don't always add up to 100.

Source: Calculated from Fasset's data system 2013 and Sector Survey 2012.

## 2.6 GEOGRAPHICAL DISTRIBUTION

The Fasset Sector is highly concentrated in Gauteng (with 53% of the employees of the sector based in this province in 2013), the Western Cape (21%) and KwaZulu-Natal (9%). Small numbers of employees are based in the other provinces (Figure 2-4).



**Figure 2-4 Provincial distribution of employees in the sector: 2013**

Source: Fasset's data system, 2013.

Table 2-7 shows the provincial distribution of employees in the sector over the period 2003 to 2013. The figures vary slightly from year to year, but overall there doesn't seem to be a discernible shift in the distribution of the sector.

Table 2-7 Provincial distribution of employees: 2003-2013\*

Province		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Eastern Cape	N	3 264	3 502	3 893	4 704	5 035	6 335	6 059	6 111	6 434	7 921	5 959
	%	3	4	4	5	5	5	5	5	5	6	5
Free State	N	2 860	2 891	3 015	3 188	3 725	5 066	4 187	3 390	4 356	6 208	4 113
	%	3	3	3	3	3	4	4	3	3	5	3
Gauteng	N	59 650	56 080	57 631	54 643	56 508	57 665	54 900	61 632	65 965	65 170	62 973
	%	63	60	59	54	51	48	48	51	52	48	53
KwaZulu-Natal	N	8 066	7 962	8 371	10 303	11 149	12 332	12 278	13 233	13 760	16 759	10 055
	%	9	9	9	10	10	10	11	11	11	12	8
Limpopo	N	1 179	1 543	1 391	1 781	2 077	1 942	1 989	2 260	2 804	2 240	2 335
	%	1	2	1	2	2	2	2	2	2	2	2
Mpumalanga	N	2 054	1 787	1 712	2 401	3 757	3 329	2 883	2 722	2 394	3 721	2 886
	%	2	2	2	2	3	3	3	2	2	3	2
Northern Cape	N	947	904	962	1 277	1 302	1 390	1 349	1 160	1 259	1 781	4 694
	%	1	1	1	1	1	1	1	1	1	1	4
North West	N	1 746	1 958	2 499	2 979	3 367	3 862	3 779	4 155	4 621	2 060	1 296
	%	2	2	3	3	3	3	3	3	4	2	1
Western Cape	N	15 072	16 633	18 129	20 809	24 882	27 406	27 247	25 337	25 092	29 570	24 471
	%	16	18	19	20	22	23	24	21	20	22	21
Total	N	94 838	93 261	97 602	102 086	111 803	119 327	114 671	120 000	126 686	135 430	118 782
	%	100	100	100	100	100	100	100	100	100	100	100

\*Owing to rounding, percentages don't always add up to 100.

Source: Calculated from Fasset's data system 2013 and Sector Survey 2012.

## 2.7 SUBSECTORAL DISTRIBUTION OF EMPLOYMENT

The subsectoral distribution of employees in the sector over the period 2003 to 2013 can be seen in Table 2-8. The estimates vary somewhat over the years, but the subsector Accounting, Bookkeeping, Auditing and Tax Services remained by far the largest subsector employing around 40% of the total workforce. The three subsectors Activities Auxiliary to Financial Intermediation, Business and Management Consulting Services and SARS and Government Departments are more or less the same size and each of them employ around 15% of the workforce in the sector. Stockbroking and Financial Markets employ 11% of the employees. The two smallest subsectors are Investment Entities and Trusts and Company Secretary Services and Development Organisations.

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**Table 2-8 Employment per subsector: 2003-2013**

Subsector	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	%	%	%	%	%	%	%	%	%	%	%
Investment Entities and Trusts and Company Secretary Services	3	5	6	5	6	6	7	6	6	7	5
Stockbroking and Financial Markets	7	6	8	9	11	12	11	11	11	11	11
Development Organisations	1	1	1	2	1	2	2	2	1	1	2
Accounting, Bookkeeping, Auditing and Tax Services	56	48	45	39	41	36	37	39	43	44	38
Activities Auxiliary to Financial Intermediation	8	8	8	11	9	11	11	12	9	15	12
Business and Management Consulting Services	9	15	15	17	15	18	15	17	18	10	17
SARS and Government Departments	16	17	18	17	16	15	16	14	13	12	15
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Fasset's data system 2013 and Sector Survey 2012.



## 2.8 RACE

In 2013, 57% of the people working in the sector were Black<sup>14</sup> (Table 2-109). Black African employees constituted 36% of the total workforce. They formed only 21% of the managers in the sector and 29% of professionals. In these two occupational groups the majority of employees were still white.

**Table 2-9 Racial distribution of employees per occupational group: 2013**

Occupational Group	African	Coloured	Indian	White	Total
Managers	21	7	11	62	100
Professionals	29	8	12	51	100
Technicians and Associate Professionals	36	14	7	42	100
Clerical Support Workers	43	19	7	31	100
Service and Sales Workers	58	15	6	21	100
Skilled Agricultural, Forestry, Fishery, Craft and Related Trades Workers	54	6	1	40	100
Plant and Machinery Operators and Assemblers	85	8	0	7	100
Elementary Occupations	83	10	1	6	100
<b>Total</b>	<b>36</b>	<b>12</b>	<b>9</b>	<b>43</b>	<b>100</b>

\*Owing to rounding, percentages don't always add up to 100.

\*\*Foreign nationals were excluded from these calculations.

Source: Calculated from Fasset's data system 2013.

The progress made in the sector in terms of racial transformation is illustrated in Table 2-10. Black employees' share in the occupational groups Managers and Professionals had increased from 20% Managers and 27% Professionals in 2003 to 38% and 59% respectively in 2013.

The drop in the percentage black employees in 2012 is probably due to the fact that the 2012 figure is based on the Sector Survey includes small organisations, sole proprietorships or professionals with very small (often one-person) practices who do not submit mandatory grant applications, while the other years' data are mainly based on the mandatory grant applications.<sup>15</sup>

<sup>14</sup> The term "Black" includes African, coloured and Indian employees.

<sup>15</sup> Although the data submitted through the mandatory grant applications are weighted and adapted to provide for the small, non-levy paying organisations in the sector, it is not possible to fully account for this part of the sector.

**Table 2-10 Percentage Black employees per occupational category: 2003-2013**

SOC	2003	2004	2005	2006	2007	2008	OFO version 8	2009	2010	2011	OFO 2012	2012	2013
Occupational category	%	%	%	%	%	%	Occupational category	%	%	%	Occupational category	%	%
Legislators, Senior Officials, Managers & Owner Managers	20	21	21	24	23	26	Managers	28	33	34	Managers	27	38
Professionals	27	29	32	34	36	38	Professionals	44	45	47	Professionals	50	49
Technicians & Associated Professionals	37	39	42	47	46	48	Technicians & Trades Workers	61	63	60	Technicians & Associate Professionals	44	58
							Community & Personal Service Workers	84	87	72			
Clerks	53	53	55	64	63	65	Clerical & Administrative Workers	62	67	69	Clerical Support Workers	62	69
Service Workers, Shop & Market Sales Workers	63	64	68	73	72	71	Sales Workers	65	56	39	Service & Sales Workers	80	79
Agricultural & Fishery Workers	94	49	88	86	73	83					Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	59	60
Craft & Related Trades Workers	29	43	46	64	69	75							
Plant & Machine Operators & Assemblers	42	58	59	83	90	90	Machinery Operators & Drivers	91	86	96	Plant & Machine Operators & Assemblers	65	93
Labourers & Related Workers	93	93	97	96	98	98	Elementary Workers	97	96	96	Elementary occupations	96	94
TOTAL	41	42	44	51	52	54		56	56	56		50	57

Source: Calculated from Fasset's data system 2013 and Sector Survey 2012.

## 2.9 GENDER

In 2013 Black African women formed 21% of the total workforce in the sector. They occupied 9% of all the managerial positions and 16% of all the professional positions. White women formed 23% of the total workforce in the sector and they occupied 23% of all the managerial positions and 24% of all the professional positions. (See Table 2-11).

Women's share in employment in the Financial and Accounting Services Sector has remained fairly constant from 2003 to 2013 (more or less 56% of employment) (Table 2-12). This percentage increased to 62% in the 2012 Sector Survey when more of the smaller firms were included. In 2013 women were the majority in the occupational categories Clerical Support Workers (80%), Service and Sales Workers (65%) and Elementary Occupations (58%). Women constituted half (50%) of the Professionals and 40% of the Managers employed in the Sector.

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Table 2-11 Employees according to occupational category, race and gender: 2013\*

Occupational group		Black African			Coloured			Indian			White			Total		TOTAL**
		Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	
Managers	N	1 902	2 437	4 338	746	651	1 397	954	1 367	2 322	4 918	8 093	13 011	8 520	12 547	21 068
	%	9	12	21	4	3	7	5	6	11	23	38	62	40	60	100
Professionals	N	6 046	5 112	11 158	1 869	1 437	3 307	2 312	2 220	4 532	9 369	10 561	19 930	19 596	19 331	38 927
	%	16	13	29	5	4	8	6	6	12	24	27	51	50	50	100
Technicians & Associate Professionals	N	2 562	2 717	5 280	1 189	864	2 053	571	488	1 059	2 982	3 165	6 147	7 305	7 234	14 539
	%	18	19	36	8	6	14	4	3	7	21	22	42	50	50	100
Clerical Support Workers	N	9 445	3 318	12 763	4 902	915	5 818	1 752	462	2 214	7 939	1 216	9 155	24 038	5 912	29 950
	%	32	11	43	16	3	19	6	2	7	27	4	31	80	20	100
Service & Sales Workers	N	2 884	1 759	4 643	869	343	1 212	301	186	487	1 130	511	1 640	5 183	2 799	7 982
	%	36	22	58	11	4	15	4	2	6	14	6	21	65	35	100
Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	N	10	150	160	2	14	16	0	3	3	4	115	119	16	283	299
	%	3	50	54	1	5	6	0	1	1	1	38	40	5	95	100
Plant & Machine Operators & Assemblers	N	39	506	545	6	42	48	0	0	0	3	44	47	49	592	640
	%	6	79	85	1	7	8	0	0	0	0	7	7	8	92	100
Elementary occupations	N	1 639	1 153	2 792	208	126	334	8	15	23	88	109	196	1 942	1 404	3 346
	%	49	34	83	6	4	10	0	0	1	3	3	6	58	42	100
Total	N	24 527	17 153	41 680	9 791	4 393	14 184	5 897	4 743	10 640	26 433	23 813	50 246	66 648	50 102	116 750
	%	21	15	36	8	4	12	5	4	9	23	20	43	57	43	100

\*Owing to rounding, percentages do not always add up to 100.

\*\*Employees whose race and/or gender were not specified and foreign nationals were excluded from this table.

Source: Fasset's data system 2013

Table 2-12 Percentage women per occupational category: 2002-2013

SOC	2003	2004	2005	2006	2007	2008	OFO version 8	2009	2010	2011	OFO 2012	2012	2013
Occupational category	%	%	%	%	%	%	Occupational category	%	%	%	Occupational category	%	%
Legislators, Senior Officials, Managers & Owner Managers	27	27	30	29	28	31	Managers	34	38	40	Managers	43	40
Professionals	40	41	42	43	44	46	Professionals	50	48	49	Professionals	55	50
Technicians & Associated Professionals	50	51	54	51	52	51	Technicians & Trades Workers	57	49	47	Technicians & Associate Professionals	71	49
							Community & Personal Service Workers	47	31	75			
Clerks	79	80	79	79	79	78	Clerical & Administrative Workers	77	78	78	Clerical Support Workers	76	80
Service Workers, Shop & Market Sales Workers	52	56	53	52	44	48	Sales Workers	52	54	61	Service & Sales Workers	50	65
Agricultural & Fishery Workers	26	7	5	15	59	0					Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	33	5
Craft & Related Trades Workers	12	19	8	15	11	6							
Plant & Machine Operators & Assemblers	4	26	11	13	9	4	Machinery Operators & Drivers	6	8	8	Plant & Machine Operators & Assemblers	1	7
Labourers & Related Workers	61	57	58	39	52	44	Elementary Workers	50	57	43	Elementary occupations	54	58
TOTAL	55	56	57	55	55	55	TOTAL	56	56	56	TOTAL	62	56

Source: Calculated from Fasset's data system 2013 and Sector Survey 2012.

## 2.10 FOREIGN NATIONALS

In 2013 the large and medium size organisations in the Financial and Accounting Services Sector employed almost 3 000 foreign nationals (2% of total employment in the sector). The occupations in which they were employed can be seen in Table 2-13. The largest group (45%) were employed as Professionals and 32% as Managers. Foreign nationals formed 4% of the Managers group and 3% of Professionals. They also formed 3% of the Technicians and Associate Professionals employed in the sector.

**Table 2-13 Employment of Foreign Nationals in the sector: 2013**

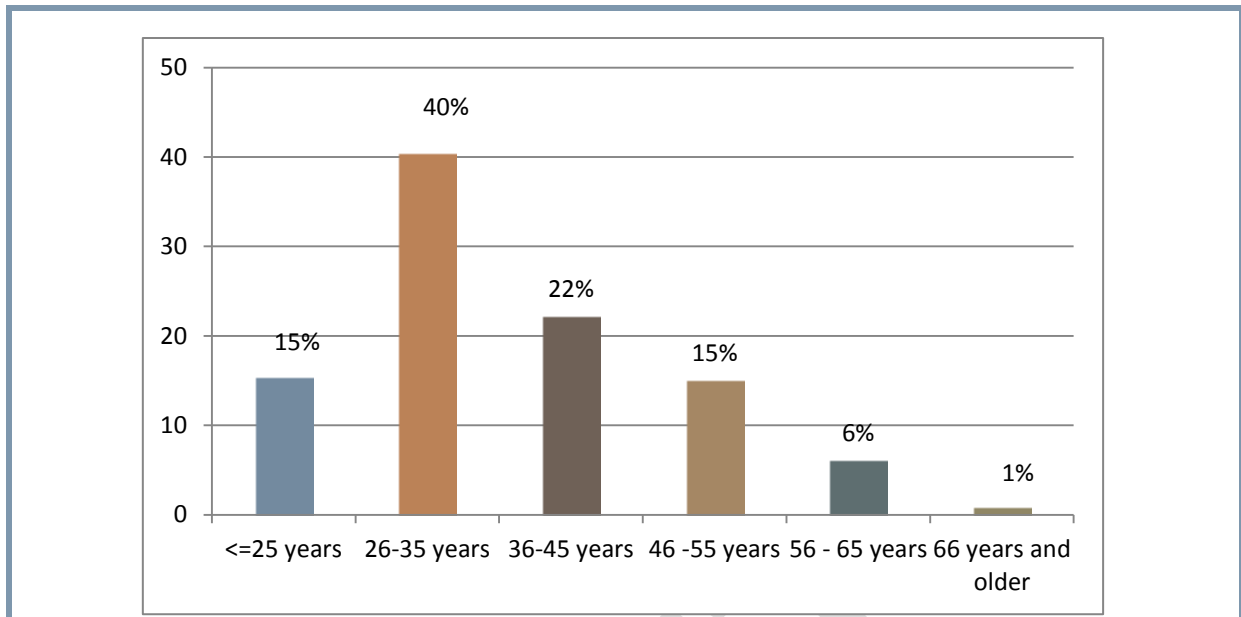
Occupation Group	N	%	% of employment
Managers	900	32	4
Professionals	1 275	45	3
Technicians and Associate Professionals	415	15	3
Clerical Support Workers	158	6	1
Service and Sales Workers	14	1	0
Skilled Agricultural, Forestry, Fishery, Craft and Related Trades Workers	5	0	2
Plant and Machine Operators and Assemblers	34	1	5
Elementary Occupations	21	1	1
<b>Total</b>	<b>2 824</b>	<b>100</b>	<b>2</b>

Source: Calculated from Fasset's data system 2013

The foreign nationals employed in the sector come from all over the world – a total of 99 different countries. However, the largest contingents are from Zimbabwe (42%), the United Kingdom (9%), Mozambique (8%), India (6%) and Kenya (3%).

## 2.11 AGE

The 2012 Sector Survey showed that more than half (56%) of the employees in the sector are 35 or younger and can be classified as “youth”. A total of 15% are 25 or younger and 40% are between 26 and 35. A further 22% of the workforce is between 36 and 45 and 15% is between 46 and 55 (Figure 2-5). The Fasset sector is generally regarded as a training sector with large numbers of learners on learnerships – especially on the Chartered Accountant and Professional Accountant learnerships. This is the main reason for the relatively youthful profile of the sector.



**Figure 2-5 Age distribution of employees in the sector**

Source: Calculated from Sector Survey 2012.

## 2.12 DISABILITY

During the Sector Survey employers were asked to indicate the disability status of employees on the individual records that they submitted to the research team. Only 3.9% of the organisations indicated that they had employees with disabilities in their service. The employees with disabilities numbered 330 – only 0.2% of total employment. It seems that especially large employers do not have information about disabilities on their staff information systems. This absence of information on disability was also found in the previous Sector Survey, but then the total number of employees who were identified as people with disabilities constituted 0.8% of the employees in the sector. In 2013 employers reported 680 people with disabilities – 0.6% of total employment in the sector.

## 2.13 TRANSFORMATION OF THE SECTOR

Broad-Based Black Economic Empowerment (B-BBEE) legislation has led to the development of several sector charters that will steer human resources practices as well as business activities for the foreseeable future. Although all the charters will exert an indirect influence on the total economy (e.g. through procurement and service policies), the Financial Services Charter will directly affect components of the Financial and Accounting Services Sector.

The Financial Services Charter, was approved in October 2003, as a voluntary charter in which the participants have set a framework for BEE in the Financial Services Sector.<sup>16</sup> The charter aimed to increase the participation of Black people (especially women) and people with disabilities in the sector while further unlocking the sector's potential, promoting its global competitiveness, and enhancing its world-class status.

<sup>16</sup> The Financial Services Sector, which is bound by the charter, includes banks, long-term insurers, short-term insurers, managers of formal collective investment schemes in securities, investment managers and other entities that manage funds on behalf of the public, including retirement funds and members of any exchange licensed to trade equities or financial instruments in this country, and entities listed as part of the financial index of a licensed exchange. Any other institution in the Financial and Accounting Services sector may opt in (Financial Services Charter, 2003:3).

The charter encompassed various issues such as human resources development, procurement policies, enterprise development, access to financial services, empowerment financing, ownership and control in the Financial Services Sector, shareholder activism, and corporate social responsibility. Firms that were bound by the charter were rated in each category of activity according to a scorecard. These ratings were used not only to monitor progress but were also considered by the private and public sectors when procuring financial services.

In 2009 some controversy occurred around the charter because of differences in interpretation of targets and differences between the charter and the Department of Trade and Industry's (the dti's) Codes of Good Practice on Broad Based Black Economic Empowerment. Subsequently the Financial Sector Code for Black Economic Empowerment (FS Code) was published on 26 November 2012 as a Sector Code on BEE in terms of Section 9(1) of the B-BBEE Act 53 of 2003.<sup>17</sup> The FS Code includes most of the aspects included in the previous Financial Services Charter, but it is more closely aligned with the dti's Codes of Good Practice.

The FS Code will apply directly to only a small component of the Financial and Accounting Services Sector – namely the licensed exchanges, fund managers, and organisations that operate in the financial markets. However, the Code will exert indirect pressure on the Financial and Accounting Services Sector. Two aspects are especially important: the short-term targets set in terms of the employment of Black people (especially women) in managerial positions and the procurement targets that specify the desired percentage of procurement from BEE-accredited companies. In the former case, financial institutions will continue to compete vigorously for Black professionals in the financial field, and, in the latter case, financial services will be procured from BEE-accredited companies – thus compelling organisations in the rest of the Financial and Accounting Services Sector to change their ownership and management structures if their client bases are situated in the Financial Services Sector as defined for the purpose of the Code.

The dti's Broad-Based Black Economic Empowerment Codes of Good Practice 2013 brought substantial changes to the transformation requirements and will impact the sector and its transformation agenda. Some of the aspects most relevant to skills planning are the following:

- The increase of the Exempted Micro Enterprises (EME) threshold from R5 million to R10 million turnover per year;
- Re-defining the priority elements in the B-BBEE scorecards;
- Increasing the weighting of the Ownership scorecard from 20 to 25 points;
- Excluding junior management levels from the Management Control element of the scorecards;
- Increasing the weighting of the Skills Development scorecard from 15 to 20 points and broadening of the learnership sub-element to include apprenticeships, internships and targeted training;
- Broadening of training initiatives to encompass the unemployed and the introduction of learner absorption targets.<sup>18</sup>

<sup>17</sup> Government of South Africa, Financial Sector Code for Black Economic Empowerment, Government Gazette 35914, 26 November 2012. <http://www.info.gov.za/view/DownloadFileAction?id=179232> Accessed 19 June 2013.

<sup>18</sup> The dti, Amended Broad-Based Black Economic Empowerment Codes of Good Practice 2013, Presentation to Portfolio Committee on Trade and Industry, 20 February 2013.



The increase of the EME threshold will mean that more of the organisations in the Fasset sector will be exempt from B-BBEE requirements. The increase of the weighting of Ownership may prompt some of the larger organisations in the sector to increase their levels of Black ownership – an aspect where the sector is lagging behind. The most important aspect, however, is the increase of the weighting of Skills Development which may motivate firms to invest more in learnerships and internships.

Another charter that has an impact on the sector is the Chartered Accountancy Profession Charter. After four years of development, this charter was finalised and signed in November 2007. The scope of the charter is for the Chartered Accountancy (CA) profession and sector. In particular, this charter focuses on the CA sector (CA(SA) and Registered Auditors (RAs)), SAICA, training outside public practice and accredited education institutions that together constitute the CA profession. The charter includes a scorecard against which firms report to a charter council. The scorecard encompasses various aspects of the functioning of firms – including ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.<sup>19</sup> Organisations in the sector are bound to transformation in all these areas.

The 2012 Annual Report of the Charter Council,<sup>20</sup> cites a whole array of interventions by the various role players in the sector aimed at the transformation of the CA sector and concludes that “the CA profession is out of the starting blocks and working towards the achievement of the vision of the CA Charter”. However, the report also identifies stumbling blocks in the pipeline that feeds into the profession such as a recent drop in enrolments of first year students in the CA stream – which is mainly ascribed to the drop in grade 12 learners with mathematics – and relatively low throughput rates of students and learners on the professional learnerships.

## 2.14 HIV/AIDS

Only 3.0% of respondents in the Sector Survey indicated that their organisations were aware of employees who were HIV positive. Their estimates of infection rates in the respective organisations varied from 1% to 10%. However, no-one was aware of any employee in their organisations who had AIDS. Of all the respondents, 6.4% said that their organisations provided information or some form of HIV/AIDS prevention programme to their employees.

Employee well-being or wellness programmes are offered by some organisations in the sector, either internally or through an external service provider such as the medical benefit scheme of the organisation. Besides HIV/AIDS, these programmes cover a wide range of health-related issues such as psychological and marriage counselling. In some instances family members of employees also benefit. In terms of HIV/AIDS, voluntary counselling and testing are offered, as well as a variety of preventative interventions such as programmes that advocate faithfulness to one partner; condoms in the bathrooms; training sessions, videos, pamphlets and notice boards with messages regarding the prevention of HIV. A few organisations mentioned in the Sector Survey that their employees had attended workshops offered by Fasset on the prevention of HIV.

<sup>19</sup> <http://www.cacharter.co.za/documents/CA%20Charter%202011.pdf> Accessed 19 June 2013.

<sup>20</sup> CA Charter Council, 2012 Report Back of the CA Charter Council.

<http://www.cacharter.co.za/documents/2012AnnualReport.pdf>. Accessed 22 May 2014

## 2.15 CONCLUSIONS

The sector served by Fasset is relatively small and consists mainly of micro- and small organisations, many of which are professional practices. However, two thirds of the employees in the sector work in the small number of large- and medium-sized organisations. Fasset is thus left with the challenge of balancing the needs and interests of Small, Medium and Micro Enterprises (SMMEs) as well as those of large organisations.

The organisations belonging to the sector are concentrated in the metropolitan areas of Gauteng, the Western Cape and KwaZulu-Natal, with small numbers of employees sparsely dispersed across the other provinces and in the more rural areas of the country.

The services rendered by organisations in the sector are mainly of a specialised and professional nature; consequently, the sector tends to employ large numbers of professionals. These workers are supported by clerical and administrative staff, who also constitute a substantial proportion of the employees in the sector.

A special feature of the sector is the presence and influence of a number of professional associations whose roles have become ingrained in the sector's qualification structure, in the organisation of education and training, and in the professional designations used in the sector. The professional bodies play a very important role in skills development in the sector and are closely involved in Fasset's initiatives and activities.

The sector has been undergoing transformation over the last ten years and this is set to continue in future – specifically driven by B-BBEE legislation.

## 3 ECONOMIC PERFORMANCE OF AND DEMAND FOR LABOUR IN THE SECTOR

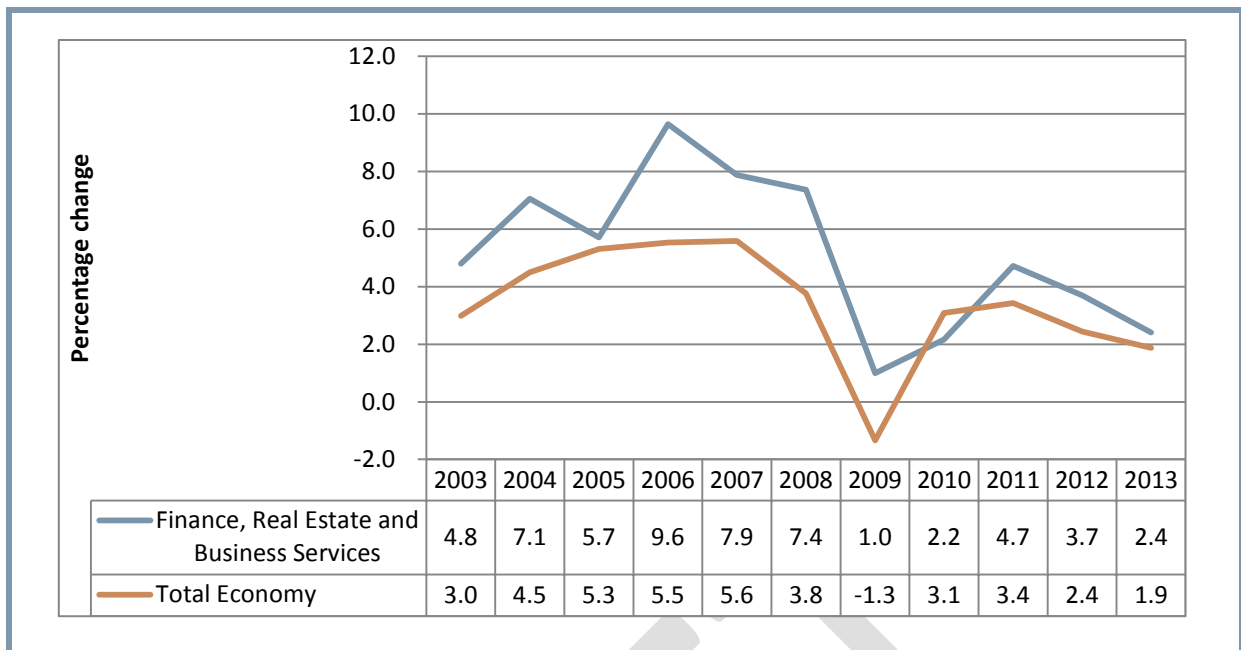
### 3.1 INTRODUCTION

This chapter starts with a brief overview of the economic performance of the sector – as far as this is possible. As mentioned earlier in this report, the Financial and Accounting Services Sector forms part of a broader sector in the national accounts – the Finance, Real Estate Sector and Business Services. As the Fasset sector is relatively small compared to the total sector, the economic data does not provide a pure reflection of the economic performance of Fasset's sector uniquely. Nevertheless, the economic analysis presented in this chapter provides some insight into the economic factors that impact on employment and the demand for skills in the Fasset sector.

The chapter looks at employment trends in the sector, and projections of future demand. The demand projections were derived from Fasset's demand-projection model which was updated after the 2012 Sector Survey.

### 3.2 CHANGES IN GROSS VALUE ADDED

Gross value added (GVA) at basic prices (normally used in relation to a sector) or gross domestic product (GDP) (normally used in relation to a national economy) is defined as output less intermediate consumption. GVA (or GDP) is usually considered to be the best measurement of the activity within and performance of a sector (or economy). The changes in GVA between 2003 and 2013 of the subsector Finance, Real Estate and Business Services sector can be seen in Figure 3-1. This sector outperformed the rest of the economy by a substantial margin over the period 2003 to 2008, and in 2009 when the South African economy went into recession, it still grew by 1%. In the period after the recession the sector's growth slowed down and was only marginally higher than that of the total economy.



**Figure 3-1 Changes in Gross Value Added: 2002-2012**

Source: Statistics South Africa, PO441, Fourth Quarter 2013

### 3.3 EMPLOYMENT TRENDS

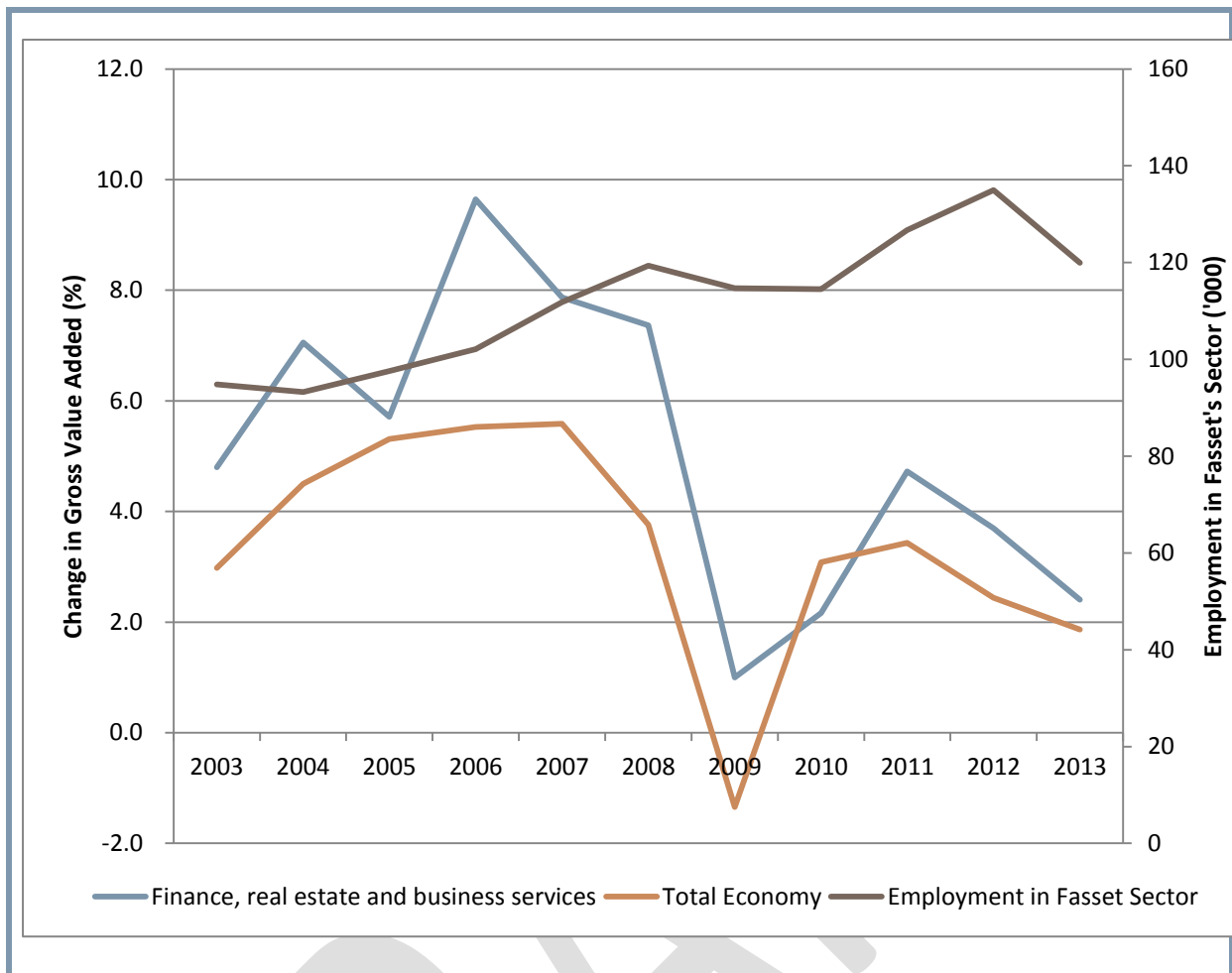
The changes in total employment in the Financial and Accounting Services Sector during Fasset's lifespan have already been mentioned in Chapter 2 of this report. In Figure 3-2 below, the changes in output growth of the Finance, Real Estate and Business Services Sector and the total South African economy are shown with the employment changes observed in the Fasset sector over the period 2003 to 2013.

The sector is largely a professional service sector and most of the work it performs depends on the time and effort of trained personnel. Therefore, the growth in demand for the services of the sector and growth in employment are directly linked.

A direct link also exists between ongoing economic growth in South Africa and the growing demand for financial and accounting services. For this reason the Financial and Accounting Services Sector tracks economic growth, which explains the strong growth in employment in the sector over the years in which the South African economy was growing steadily as well as the drop in employment in 2009 when the economy went into recession. In 2010 and 2011 the economy grew again and that was followed by employment growth in the sector in 2011 and 2012. The effect of the slower economic growth in 2012 and 2013 can be seen in the drop in employment in 2013.

In times of economic growth the increased demand for financial services stems from the growth in the number of businesses and higher business volumes. Although the demand for financial services inevitably drops if the economy contracts, one could expect a time lag in this process because businesses that close down or go insolvent need financial services beyond their own existence – for example, in the handling of the closing down or insolvency processes.<sup>21</sup>

<sup>21</sup> Information provided by employers in employer focus group, 3 June 2010.



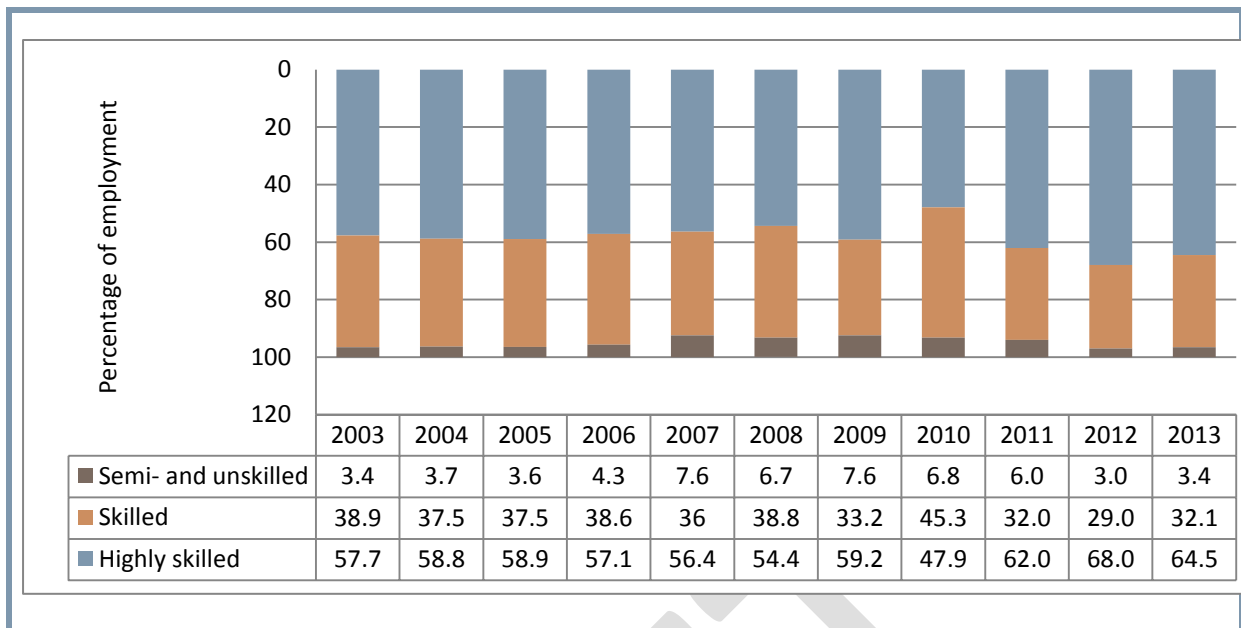
**Figure 3-2 Total employment: 2003-2014**

Sources: Calculated from Fasset's data system, electronic data series provided by Quantec Research (for 2003 – 2007) and Stats SA QLFS (for 2008 -2013).

### 3.4 CHANGES IN THE OCCUPATIONAL STRUCTURE

The composition of employment in the sector over the period 2003 to 2013 is shown in Figure 3-3. In this graph the skills demand is depicted in very broad terms and the skills levels referred to in this graph until 2011 can be roughly equated to the occupations on the OFO classification system before 2009, with the term “highly skilled” referring to managers, professionals and technicians and trades workers; the term “skilled” to community and personal service workers, clerical and administrative workers and sales workers; and the term “semi- and unskilled” workers to machinery operators and drivers and elementary workers.

From 2012 onwards employment data were collected according to the post 2010 versions of the OFO. “Highly skilled” refer to managers, professionals and technicians and associate professionals in the sector. The term “skilled” to clerical support workers, service and sales workers and skilled agricultural, forestry, fishery, craft and related trades workers and the term “semi- and unskilled” workers to plant and machine operators and assemblers and elementary occupations. The graph clearly shows that the sector consistently needs highly skilled workers (i.e. people with post-school qualifications) in more than half of the occupations in the sector. It also needs a large proportion of skilled workers – mostly in clerical and administrative positions. The demand for semi- and unskilled workers remained far below 10% of total employment over the total ten-year period.



**Figure 3-3 Skills composition of the demand for labour: 2003-2013**

Source: Calculated from Fasset's data system, 2013.

In the 2012 Fasset Sector Survey, all the positions in the sector were classified according to the detailed occupations on the OFO 2012. The minor occupational group "Finance Professionals" constituted 82% of professionals and 30% of all the employees in the sector. This group includes general accountants, trainee accountants, external auditors, tax practitioners, financial and investment advisors and financial analysts. The second largest group of professionals (7%) was "Administration Professionals", which group includes management and organisation analysts such as, internal auditors, human resource advisors and training and development professionals.

Among the technicians and associate professionals group, the largest occupational groups were "Financial and Mathematical Associate Professionals" (33% of all technicians and associate professional positions) and "Administrative and Specialised Secretaries" (32%). The first group includes bookkeepers, accounting technicians and credit or loan officers. The second group includes positions such as personal assistants and office supervisors.

Clerical support worker positions include numerical clerks (20% of all clerical support workers) such as accounts and taxation clerks and client information workers (19% of all clerical support workers) such as contact centre consultants.

### 3.5 CHANGES IN THE SKILLS NEEDED IN THE SECTOR

Changes in the number and the type of skills needed in the sector are interwoven. In this section the factors that influence the demand-side of the market and the effect that it is having on the size and quality of demand are discussed.

#### 3.5.1 THE COMPANIES ACT, 71 OF 2008

When the Companies Act, 71 of 2008 came into operation on 1 May 2011, it introduced fundamental and comprehensive reform of company law which had been in existence for more than 30 years. New categories of companies were created, each with different rules and standards for reporting

and governance.<sup>22</sup> Notably, only prescribed categories of companies now have to undergo annual audits. Only owner-managed entities with a Public Interest (PI) score of below 100 points may voluntarily request an independent review or an audit. Entities with a PI score of between 100 and 349 must have an independent review, and those with a score of above 350 must be audited. The Act introduces new responsibilities for a range of professionals, including accountants, auditors, company secretaries, risk managers and internal auditors.

As the new legislation is implemented the demand for the services of RAs is dropping and the demand for financial service professionals who can act as independent accounting professionals is increasing. New occupations or specialisations such as *business rescue practitioners* may also arise. Similarly, it can be expected that this change in occupational demand will also be reflected in the demand for learners on professional body learnerships. It is likely that employers will tend to create more opportunities for learners in the accounting and tax functions than in the auditing functions.

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### 3.5.2 CONSUMER-DRIVEN LEGISLATION

Major legislative changes are transforming the legal landscape for credit grantors and debt collection businesses. Statutory provisions in the Debt Collections Act, 114 of 1988; National Credit Act, 34 of 2005; Consumer Protection Act, 68 of 2008; and the Protection of Personal Information Bill of 2009 require that credit granting and debt collecting firms change the way they operate and the manner in which they engage with consumers. As a result of regulatory changes the entire credit management and debt collection industries have to become consumer-centric. The new legislation has not only imposed new requirements for compliance with consumer rights but also new requirements regarding data protection. However, actual practices often lag behind. Generally many firms in these industries still deploy archaic business practices and are not yet utilising technology optimally. Generally speaking the legislative requirements tend to drive up costs as more compliance officers, internal auditors and information technology systems need to be utilised.

The new consumer-centric legislation also requires credit grantors and debt collection businesses to operate with different mindsets, or face reputational risks vis-à-vis their clients. Under the circumstances the firms need to employ a different calibre of person in their business operations. The new generation debt collectors should ideally have tertiary level education (e.g. a diploma or degree in law) and some business experience and good people skills. Debt collection work requires strong negotiation skills and the ability to build trust with the debtor to ensure that the debt is repaid based on the renegotiated terms. Likewise, people involved in credit management at all levels need a new skills set, whether they work at administrative, operational or management level in the credit field.<sup>23</sup>

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### 3.5.3 EXPANDING REGULATORY AND GOVERNANCE REQUIREMENTS

Because of many factors, including globalisation, technological changes and an increase in white-collar crime and corruption, the business environment is becoming more regulated. Investigations into the financial position of organisations and their operating systems are becoming more penetrating and comprehensive in order to provide corporate governance assurances. As a result of the in-

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<sup>22</sup> Department of Trade and Industry. 2010. *The Companies Act, 71 of 2008 – an explanatory guide*. [http://www.cipc.co.za/Publications\\_files/Companies\\_Act\\_Guide.pdf](http://www.cipc.co.za/Publications_files/Companies_Act_Guide.pdf) (Accessed 2 May 2012).

<sup>23</sup> Views expressed by the Association of Debt Recovery Agents (ADRA) and the Institute for Credit Management (ICM) during the 2012 Sector Survey.

creases in regulatory requirements, more skilled persons are needed and more is expected from professional accountants in terms of governance and oversight.

At the same time higher international standards are set for auditing and financial reporting and regulators and standards-setting institutions require the accounting profession to adopt the new reporting standards and to communicate more effectively and comprehensively in corporate reports.

The ROSC report referred to earlier in this SSP found that South Africa remains at the forefront in adopting good governance principles that promote an environment of balanced corporate governance. The *Code and Report on Governance Principles for South Africa (King III)* which became effective in March 2010 has broadened the scope of corporate governance in South Africa. King III specifically emphasises leadership, sustainability, and corporate citizenship. It recommends that an entity produce an integrated report (in place of an annual financial report) and a separate sustainability report. The integrated report should include not only financial information, but also information on the social and environmental impact of the entity.<sup>24</sup> Although there is still some uncertainty about the prerequisites for and components of integrated reporting, it is anticipated that corporate governance officers and accounting professionals will bear the burden to ensure that companies meet the required standards for integrated and sustainable reporting.

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#### 3.5.4 CHANGES IN THE TAX ENVIRONMENT

A number of factors are driving the need for more tax practitioners and tax specialists. Among these are the effects of globalisation and the increasing complexity of business practices and the intricacies of tax systems. Since the South African economy opened up to global markets, tax legislation has become more complex in order to protect the fiscus. At the same time the tax net is being widening and tax compliance requirements are becoming more stringent. These realities are driving the need for more tax professionals with knowledge of legal provisions both locally and in other jurisdictions.

Furthermore, the tax administration continues to pursue tax compliance and enforces more complex tax legislation. Tax laws, regulations and practices change constantly and this creates a need for ongoing skills development and training.

As from July 2013 all tax practitioners have to be registered with SARS and a prerequisite for registration is that they should be members of a professional body which is recognised by SARS as a “Controlling Body”. That means that tax practitioners that don’t meet the educational requirements of the professional bodies, need training in order to comply with the requirements and that the market-demand is shifting towards higher qualified, professional tax practitioners.

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#### 3.5.5 DEVELOPMENTS IN TECHNOLOGY

Accountants need to stay abreast of changing technology and the associated business risks. They need to advise their clients on how to manage the risks and apply new skills to use technology effectively.

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<sup>24</sup> World Bank, *South Africa Review on the Observance of Standards and Codes – Accounting and Auditing*. 2013, p. 5.



Data security is becoming a crucial issue and all businesses have to introduce additional measures and controls to safeguard data security and to ensure statutory compliance with the manner in which information is collected, stored, used and destroyed. This drives the need for information technology professionals and technicians.

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### 3.5.6 BUSINESS PROCESS OUTSOURCING

With the Government's drive to encourage investment in business process outsourcing, there are opportunities for service providers to service the finance, accounting and taxation needs of clients on an outsourcing platform. Such initiatives and market-place realities increase the demand for a range of finance and accounting skills.<sup>25</sup>

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### 3.5.7 EMPHASIS ON ENVIRONMENTAL PROTECTION

The emphasis on environmental protection is also influencing the type of skills needed in the sector. This influence takes different forms:<sup>26</sup>

- As consumer awareness of and pressures regarding environmental conservation grow internationally, “green branding” (or “eco labelling”) is becoming popular in many sectors, including the Financial and Accounting Services Sector. The development of an understanding of and the skills to utilise the potential of green branding is becoming important to organisations in the sector.
- Sustainable asset management practices are becoming increasingly important and asset managers and risk assessors are under more pressure to adopt asset management practices that take environmental sustainability into consideration.
- Organisations in this sector, like many others, are introducing “green office” plans – offices that have functions such as recycling, waste reduction, energy conservation and conversion to electronic correspondence. Employees need to be skilled in the implementation of these plans or strategies.
- The generation of e-waste is a growing concern in industries that are largely dependent on electronic communication and networks. E-waste management is gaining more attention and companies are under increasing pressure to make environmentally sound procurement decisions and to adopt environmentally sound end-of-life disposal practices regarding their electronic equipment. This requires knowledge of and skills in e-waste management.
- There is a growing demand for diligent sustainability reporting. Global reporting standards have increasingly integrated environmental sustainability into their criteria for best practice, and in South Africa the King III Report argues strongly for the full integration of environmental considerations with the economic and social aspects of sustainability. This integration has a direct bearing on the skills requirements of various professionals in the sector.

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### 3.5.8 THE YOUTH WAGE SUBSIDY

The Employment Tax Incentive Act, commonly known as the “Youth Wage Subsidy”, came into effect in January 2014. In terms of the act, employers will receive a tax incentive to employ young workers for a maximum of two years under certain conditions. The government hopes the law will

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<sup>25</sup> Fasset. January 2008.

<sup>26</sup> Input from the Department of Environmental Affairs and Tourism (DEAT).

promote employment of young people and create jobs in special economic zones once legislation providing for them has been promulgated.<sup>27</sup> The effect that this legislation will have on Fasset's sector is not clear at this stage.

### 3.5.9 EQUITY CONSIDERATIONS

The demand for skills in the sector cannot be divorced from the goals of BEE and efforts to transform the business and the corporate world. Equity considerations will continue to drive the demand for financial professionals from the Black African population group.

## 3.6 PROJECTED DEMAND FOR LABOUR

The demand for labour in the sector is defined as the total number of people expected to be employed in the sector in a specific year. Of particular importance for skills development is the number of people that need to be recruited into or trained for the sector. The positions that need to be filled emanate from: the expansion of the sector because of a growth in the demand for its services or a growth in the output of the sector (new demand); and the attrition of staff through retirement, movement of people into other sectors or out of the labour market, emigration, and mortality (replacement demand).

The demand model for the Financial and Accounting Services Sector was developed at the detailed occupational level; i.e. demand was forecast for each occupation using the OFO categorisation of occupations. The model was originally developed in 2007 and was subsequently adapted and updated to provide for changes in employment that occurred during the recent years and to reflect more accurately changes in economic performance. In 2012 the model was adapted and based on the employment information collected in the Sector Survey. The way in which the model was constructed and the assumptions used in the model are first explained, followed by a summary of the projections produced by the model.

### 3.6.1 BASELINE EMPLOYMENT

The model starts with an estimate of the total number of positions available in the sector in 2012 (the base year). The total number of positions available was taken as the estimate of total employment based on the weighted Sector Survey data. Total employment was estimated at 135 430. The positions were distributed across 232 different occupations (classified at the most detailed level of the OFO) found in the 2012 Sector Survey.<sup>28</sup>

<sup>27</sup> Mail and Guardian, <http://mg.co.za/article/2013-12-19-zuma-signs-youth-wage-subsidy-into-law>. Accessed 1 June 2014.

<sup>28</sup> In January 2011 a new version of the OFO was released. This version aligns the OFO with the International Standard Occupational Classification (ISCO) - the occupational classification system used by the International Labour Organisation. However, the labour demand model is based on occupational information that was originally classified according to OFO 9 and although there are conversion tables available, all the occupational information presented in Chapter 2 had to be kept in the OFO 9 format (see explanation in Chapter 1). In order to retain consistency between Chapters 2 and 3 it was decided to retain the demand forecasts presented in this SSP update in OFO 9 format. OFO 2012 will be used in the 2012 sector survey and the demand model will be adapted to this classification after completion of the survey.

### 3.6.2 ASSUMPTIONS USED IN THE MODEL

#### a) *Economic growth*

The economic growth assumptions used in this model were derived from the econometric model referred to in Chapter 1 of this report. A macro-econometric simultaneous equation model was employed to project GDP and employment numbers. A separate model broke down the final demand components of household consumption and fixed capital formation into their detailed components. The outputs of these models were then used in an Input-Output model to provide detailed forecasts for sectors of the South African economy.

For comparative purposes three scenarios were constructed: a baseline scenario (which represents the most likely outcome based on previous economic trends and relationships), a negative scenario, and a positive scenario.

The growth assumptions used in the three scenarios are shown in Table 3-1.

All the scenarios assume that on average the economy will grow over the forecast period. Under the low-growth scenario the average growth of the total economy is 2.1% per year, of the Financial and Insurance subsector 0.3% and of the Business Services subsector 3.1%. The average growth rates in the baseline scenario are 3.8% for the total economy, 4.5% for the Finance and Insurance subsector and 5.2% for the Business Services subsector. The corresponding average growth rates under the high-growth scenario are 5.5%, 8.4% and 7.0% respectively

**Table 3-1 Economic growth assumptions (growth in GVA): 2013-2018**

Low growth	2013	2014	2015	2016	2017	2018	Average 2013-2018
Finance and insurance	-0.4%	0.8%	1.3%	0.6%	0.1%	-0.4%	0.3%
Business services	2.8%	3.3%	3.6%	3.2%	3.0%	2.8%	3.1%
Total economy	1.8%	2.3%	2.5%	2.2%	2.0%	1.8%	2.1%
Baseline growth	2013	2014	2015	2016	2017	2018	Average 2013-2018
Finance and insurance	0.4%	3.7%	4.1%	4.9%	6.5%	7.3%	4.5%
Business services	3.1%	5.4%	5.2%	4.9%	6.0%	6.5%	5.2%
Total economy	2.2%	4.1%	3.6%	3.7%	4.5%	4.9%	3.8%
High growth	2013	2014	2015	2016	2017	2018	Average 2013-2018
Finance and insurance	2.5%	10.2%	8.5%	9.2%	9.9%	10.2%	8.4%
Business services	4.2%	7.9%	7.0%	7.4%	7.7%	7.9%	7.0%
Total economy	3.0%	6.2%	5.5%	5.8%	6.1%	6.2%	5.5%

Source: EcoQuant

## b) Changes in total employment

Forecasts for changes in total employment were derived for the three economic growth scenarios. To obtain “high growth” and “low growth” scenarios, the assumption was made that employment in a sector would be highly dependent on GVA growth in the particular sector. The sector growth was assumed to be, in turn, dependent on overall economic growth.

A low growth scenario and a high growth scenario were assumed that would be lower and higher than the baseline scenario. Total employment sensitivity was statistically measured by means of ordinary least squares (OLS) regression to establish the percentage point increase in total employment that would be associated with a one percentage point change in total GDP growth.

Finally, it was assumed that sectoral employment growth would be closely related to total employment growth in the economy. These sensitivities (or multipliers) were statistically determined by means of regression of sectoral GVA growth rates on employment growth rates for the various sectors.

A low growth scenario of 2.0% p.a. real economic growth, had an associated total employment impact of 0.6% p.a. A high growth scenario amounting to 5.7% real economic growth on average over the period would more than double the pace of employment growth to around 2.1% p.a. (Table 3-2.)

For Fasset’s sector the GVA growth figures of the Business Services Subsector were used together with the average employment elasticity of 0.71 observed in the sector over the last two decades. The average employment growth under the low, base and high growth scenarios are respectively 2.21%, 3.67% and 4.97%.

**Table 3-2 Growth in total employment: 2013-2020**

Low growth	2013	2014	2015	2016	2017	2018	Average 2013-2018
Finance and insurance	-0.04%	0.00%	0.02%	-0.01%	-0.02%	-0.04%	-0.02%
Business services	1.0%	1.2%	1.3%	1.2%	1.1%	1.0%	1.13%
Fasset’s sector	2.0%	2.4%	2.5%	2.3%	2.1%	2.0%	2.21%
Total economy	1.0%	1.2%	1.2%	1.1%	1.1%	1.0%	1.11%
Baseline growth	2013	2014	2015	2016	2017	2018	Average 2013-2018
Finance and insurance	-0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.11%
Business services	1.0%	1.8%	1.7%	1.7%	2.1%	2.3%	1.77%
Fasset’s sector	2.2%	3.8%	3.7%	3.5%	4.2%	4.6%	3.67%
Total economy	1.0%	1.9%	1.7%	1.7%	2.2%	2.4%	1.82%
High growth	2013	2014	2015	2016	2017	2018	Average 2013-2018
Finance and insurance	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.26%
Business services	1.4%	2.4%	2.2%	2.3%	2.4%	2.4%	2.19%
Fasset’s sector	2.9%	5.6%	5.0%	5.2%	5.5%	5.6%	4.97%
Total economy	1.4%	2.5%	2.3%	2.4%	2.5%	2.5%	2.27%

Source: EcoQuant

**c) Mortality**

Mortality seems to play a very small role in replacement demand in this sector. In the Sector Survey a mortality rate of only 0.1% was reported. In the model the mortality rate was taken as 0.5% per year.

**d) Retirement**

The workforce of the Financial and Accounting Services Sector is relatively young. In the model the number of people who were expected to retire was based on the age distribution of workers in the different occupational groups observed in the 2012 Sector Survey. It was assumed that people retire at the age of 60.

It must, however, be noted that with many organisations in this sector being professional practices, retirement is often delayed and so the traditional retirement age of 60 may not apply to all practitioners. There may, in fact, be a move by retirees from large organisations and public enterprises into the sector as they create small, private businesses such as accounting practices and management consultancies to supplement their retirement income.

**e) Emigration**

Since 1994, a sharp increase has occurred in the loss of skilled professionals in the Financial and Accounting Services Sector as a result of emigration. Official figures published by StatsSA show that the emigration of accountants and related professionals soared to more than 500 a year in 2001 and 2002. In 2003 over 700 financial professionals left the country.<sup>29</sup> The unofficial figure could, however, be much higher as many professionals leave the country temporarily or do not declare their permanent emigration. At the end of April 2014, a total of 7 244 CAs(SA) who were registered with SAICA were working abroad (approximately 20% of all CAs(SA)).<sup>30</sup>

Although South African professionals are sought after in the rest of the world, the global recession caused large-scale job losses in countries that traditionally sourced professionals from South Africa and it is unlikely that as many South Africans as before will find employment abroad. Emigration was assumed to be 2.0% per year for professionals and 0.5% per year for all other occupations.

**f) People leaving the sector**

People leaving the sector to find employment in other sectors of the economy or who stop working altogether (to become homemakers, for example) is the greatest factor contributing to replacement demand. However, there is no statistical information available about the magnitude of this form of skills attrition from the Fasset sector specifically. A study conducted by StatsSA found that over a period of three months (between the third and fourth quarters of 2013) 12.6% of the employees of the broader Financial Sector moved out of the sector to find employment in other sectors of the economy while another 4.8% exited the labour market.<sup>31</sup>

However, in the absence of any data on Fasset's sector specifically, a conservative figure of 2% was assumed for all occupations except professionals. Most accounting trainees change employment

<sup>29</sup> Statistics South Africa stopped the collection of emigration data in 2003. Therefore, more recent data are not available.

<sup>30</sup> SAICA's membership statistics published on <http://www.saica.co.za>, April 2014.

<sup>31</sup> Statistics South Africa, *Labour Market Dynamics in South Africa*, 2013.

after completion of their learnership contracts and many of them leave Fasset's sector to work in other sectors of the economy. It was also argued that other financial professionals are in high demand in the rest of the economy and for this reason the figure for professionals was taken as 5% per annum.

The replacement assumptions used in the model are summarised in Table 3-3.

**Table 3-3 Replacement-demand assumptions: 2012-2018**

	2013	2014	2015	2016	2017	2018
Mortality rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Percentage leaving the sector (All occupations)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Percentage leaving the sector Professionals	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Retirement</b>						
Managers	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Professionals	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Technicians and Trades Workers	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Community and Personal Service Workers	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Clerical and Administrative Workers	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Sales Workers	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Machinery Operators and Drivers	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Elementary Workers	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
<b>Emigration</b>						
Emigration (professionals)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Emigration (non-professionals)	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%

Table 3-4 summarises the results obtained from the demand projection model. Under the low-growth scenario the total number of positions in the sector will increase from 135 420 in 2013 to 152 16 at the beginning of 2019. The number of new positions to be filled in the sector will increase from 2 660 in 2013 to 2 930 in 2018. Replacement demand will increase from 6 720 in 2013 to 6 720 in 2018. This brings the total number of positions that will need to be filled in the sector to 8 760 in 2013. This number will increase to 9 650 in 2018.

Under the baseline scenario total employment will increase from 135 420 in 2013 to 154 150 at the beginning of 2019. The new positions to be filled each year will increase from 2 960 in 2013 to 3 290 in 2018. Replacement demand will increase from 6 100 in 2013 to 6 790 in 2018.

The high-growth scenario renders the following results: Total employment will increase from 135 420 in 2013 to 161 200 in 2019. The new positions that will be filled each year will increase from 3 990 in 2013 to 4 610 in 2018. Replacement demand will increase from 6 100 to 7 050 in 2018.

**Table 3-4 Summary of demand projections: 2013 - 2018**

Low growth	2013	2014	2015	2016	2017	2018	2019
Total employment at beginning of year	135 420	138 070	140 780	143 550	146 360	149 230	152 160
New positions to be filled during year	2 660	2 710	2 760	2 820	2 870	2 930	
Positions that need replacement during year	6 100	6 220	6 340	6 460	6 590	6 720	
Total positions to be filled during year	8 760	8 930	9 100	9 280	9 460	9 650	
Baseline	2013	2014	2015	2016	2017	2018	2019
Total employment at beginning of year	135 420	138 370	141 390	144 480	147 630	150 850	154 150
New positions to be filled during year	2 960	3 020	3 090	3 150	3 220	3 290	
Positions that need replacement during year	6 100	6 230	6 370	6 510	6 650	6 790	
Total positions to be filled during year	9 050	9 250	9 450	9 660	9 870	10 090	
High growth	2013	2014	2015	2016	2017	2018	2019
Total employment at beginning of year	135 420	139 410	143 520	147 750	152 100	156 580	161 200
New positions to be filled during year	3 990	4 110	4 230	4 350	4 480	4 610	
Positions that need replacement during year	6 100	6 280	6 460	6 650	6 850	7 050	
Total positions to be filled during year	10 090	10 390	10 690	11 010	11 330	11 670	

All figures were rounded to the nearest 10.

Of particular importance to Fasset's future planning is the projected demand for financial professionals. The total number of positions that will need to be filled (given the different scenarios) is shown in Table 3-5.

**Table 3-5 Total number of key professional positions to be filled: 2013-2018**

Low growth		2013	2014	2015	2016	2017	2018
2411	Accountants	2 770	2 820	2 880	2 940	2 990	3 050
2412	Financial and Investment Advisors and Financial Analysts	310	320	320	330	330	340
2413							
Baseline		2013	2014	2015	2016	2017	2018
2411	Accountants	2 850	2 910	2 980	3 040	3 110	3 180
2412	Financial and Investment Advisors and Financial Analysts	320	330	330	340	350	350
2413							
High growth		2013	2014	2015	2016	2017	2018
2411	Accountants	3 130	3 220	3 320	3 410	3 510	3 620
2412	Financial and Investment Advisors and Financial Analysts	350	360	370	380	390	400
2413							

All figures were rounded to the nearest 10.

### 3.7 CONCLUSIONS

This chapter provides an overview of the demand for labour in the Financial and Accounting Services Sector. The demand for labour is obviously closely linked to economic growth. It is unfortunate that there is no economic data available specifically for Fasset's sector. In this chapter we used the best information available, but the data of the subsectors included in the discussions in this chapter are influenced by the presence of information on non-related economic activities. Nevertheless, the economic and employment analysis and forecasts presented in this chapter provide a broad indication of the demand for labour in Fasset's sector.

The chapter clearly shows the professional nature of the sector and the high intensity of highly skilled- and skilled labour demand. This can be expected to remain this way. The changes in the demand for specific services within the sector and the changes in the demand for skills that are discussed in this chapter will not affect the fact that the sector mainly needs the services of highly skilled managers and professionals and appropriately skilled clerical and administrative staff.

The labour demand scenarios presented in this chapter are all based on the assumption that the world economy will recover from the recession and that no further external shocks will occur over the next five years. The demand scenarios also assume that employment in Fasset's sector will continue to grow. They do not account for the drastic drop in employment observed in 2013. If employment remains at the same level in 2014 or if it drops further, the assumptions on which the model is based will be revisited.

Another point that is very important to note is that the demand scenarios presented in this chapter assume no supply-side constraints. However, as mentioned earlier, this sector is labour intensive and the growth of the sector is highly dependent on the availability of people with the necessary skills – especially professionals. If the supply side of the market cannot produce the necessary skills, the growth of the sector may become constrained.

Lastly, it is important to note that Fasset's sector is not the only user of financial skills. Financial skills are also used in the other financial service environments such as insurance and banking and in the rest of the economy. Ideally, the demand for financial skills should be viewed holistically – taking the needs of the total economy into consideration.



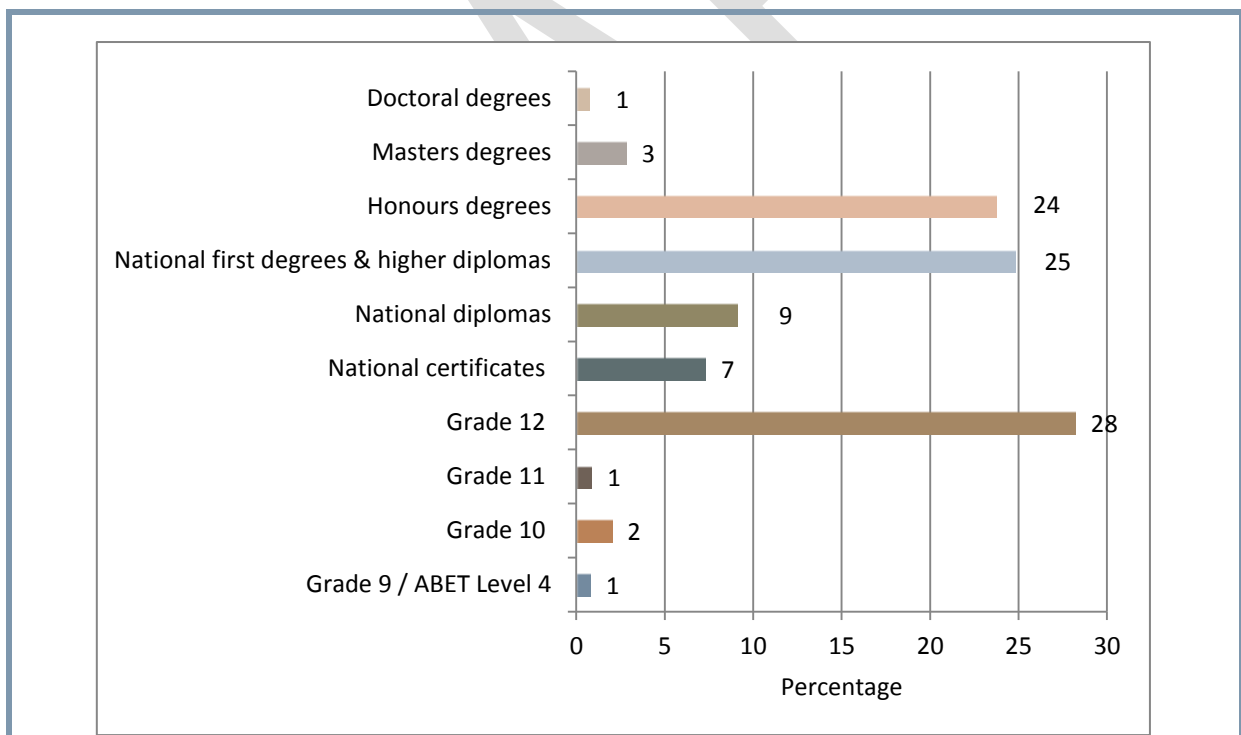
## 4 THE SUPPLY OF SKILLS

### 4.1 INTRODUCTION

The supply of skills to the sector is analysed from different perspectives. Firstly the focus falls on the current workforce in the sector. This discussion is followed by an analysis of the supply of new skills to the sector and then by a discussion of skills development in the workplace. The last part of the chapter deals with the research and development capacity in the sector. Some of the results of the 2012 Sector Survey on research capacity are presented.

### 4.2 CURRENT WORKFORCE

Forty per cent of the employee records in the Sector Survey did not include information on employees' highest qualifications. The qualification levels of those that were submitted can be seen in Figure 4-1. The majority (69%) of employees have post-school qualifications. Seven per cent hold national certificates, 9% have national diplomas, 25% have first degrees and higher diplomas and 24% have honours degrees. A total of 3% of the employees in the sector have master's degrees and 1% of employees have doctoral degrees. Only 4% of the total workforce has qualifications below Grade 12.



**Figure 4-1 Educational qualifications of employees in the sector**

Source: Calculated from Sector Survey 2012.

The workforce consists of the people who are employed as well as those that are unemployed and actively looking for work. Fasset's sector is highly dependent on people with qualifications in the financial field. The only information on unemployed people could be found in the Quarterly Labour Force Survey (QLFS). The QLFS of the third quarter of 2013 found only a small number (approximately 5000) of unemployed people with post-school qualifications in the field Finance, Economics

and Accounting.<sup>32</sup> This indicates that there is not an oversupply of people with relevant qualifications available for work in Fasset's sector.

### 4.3 SKILLS FORMATION IN THE SECTOR

The formation of new skills for the sector takes many forms, and several routes are available to those who want to work permanently in the sector. The six most typical entry routes (or skills development pipelines) are illustrated in Figure 4-2.

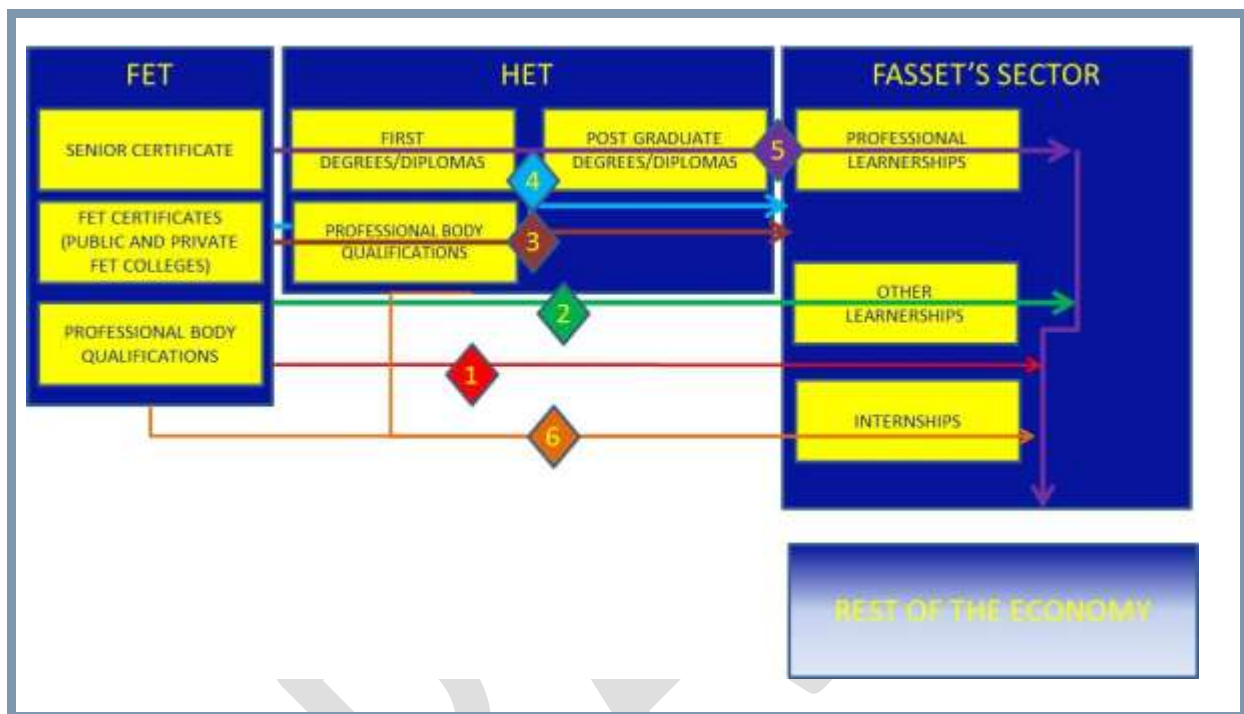


Figure 4-2 Typical entry routes (with formal qualifications) into the Financial and Accounting Services Sector

#### 4.3.1 DIRECT ENTRY WITH FET-LEVEL QUALIFICATIONS INTO THE LABOUR MARKET

A relatively small proportion of the workers in the sector enter the labour market after school without any further education or training. The educational profile of the sector shows that very few workers have qualifications lower than Grade 12 or matric. These workers are employed mainly in elementary occupations.

Workers with Grade 12 are employed largely in clerical or administrative positions. Some public and private FET colleges, as well as some of the professional bodies, offer qualifications relevant to the sector and that prepare learners specifically for positions in the Financial and Accounting Services Sector.

<sup>32</sup> At this level of detail the sample sizes of the QLFS become very small and as a result the error margins are quite large. These figures should be interpreted with care.

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#### 4.3.2 ENTRY AFTER SCHOOL VIA LEARNERSHIPS

Various learnerships in the sector have Grade 12 or matric as an entry-level requirement. These learnerships prepare workers for clerical and administrative positions.

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#### 4.3.3 ENTRY VIA THE HIGHER EDUCATION SYSTEM WITH PROFESSIONAL QUALIFICATIONS

Several of the professional associations offer professional body qualifications, some of which are internationally recognised. Preparatory education for the qualifying assessments is offered by some of the public- as well as private higher education institutions, while the qualifying assessments are generally set by the professional bodies.

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#### 4.3.4 ENTRY VIA THE HIGHER EDUCATION SYSTEM WITH NATIONAL QUALIFICATIONS

Many workers enter the sector after completion of a degree or diploma at a public- or private higher education institution. The qualifications gained along this route are the standard higher education qualifications (typically diplomas and degrees).

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#### 4.3.5 ENTRY VIA THE HIGHER EDUCATION SYSTEM WITH NATIONAL QUALIFICATIONS, FOLLOWED BY A LEARNERSHIP AND A PROFESSIONAL BODY QUALIFICATION

Some of the higher-level professional body qualifications can be obtained only after acquiring a national qualification or qualifications (e.g. a B.Com (Honours) degree), after the completion of a learnership, and after passing a qualifying assessment set by the professional body. This route is the one followed by specialised professionals such as CAs(SA) and professional accountants. It is important to note that in terms of professional body learnerships and qualifications Fasset's sector is a training sector and many of the trainees on professional body learnerships leave the sector after completion of their learnerships to take up financial positions in other sectors of the economy. Of SAICA's approximately 35 400 full members, over 75% work in general commerce and industry and fall, therefore, outside of the sector serviced by Fasset. However, over 96% of CAs(SA) complete their learnerships and qualification process within the sector serviced by Fasset. It is very clear from these figures from one professional body only that the Fasset sector serves as a training ground for accountants.<sup>33</sup>

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#### 4.3.6 ENTRY FROM THE FET OR THE HET SYSTEM FOLLOWED BY AN INTERNSHIP

In certain components of Fasset's sector employers have developed their own internship programmes on which they train new entrants to the labour market. Some of these programmes are well-structured and contain highly sophisticated and expensive training modes – for example international exposure and experience. These programmes differ from learnerships in that they don't lead to a formal qualification that is registered on the NQF and that they are very focused on the specific needs of the employers. However, many of them are highly regarded in the sector and candidates who qualify on these internships are sought after in and outside the sector. Fasset has now

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<sup>33</sup> Information provided by SAICA.

started a system for the accreditation of internship programmes. Accredited programmes qualify for certain forms of funding.

The different components of skills formation in the sector are illustrated in Figure 4-3. Formal FET and HET qualifications and learnerships form part of the entry routes into the sector. In addition, various forms of training are offered once employees have joined organisations in the sector. For the professionals it is important to undergo Continuous Professional Development (CPD) to stay abreast of developments in their professional fields and also to retain their professional registration or membership of the professional bodies. In-service training also plays an important role in the formation of skills in the sector. Through in-service training employees develop the skills relevant for specific employers and skills that will enable them to move along their career paths and adapt to technological and other changes that may impact on the work environment. As the sector consists of a large number of very small organisations, Fasset has introduced a lifelong learning programme according to which it offers free training to employees in small organisations in the sector. This training is very popular in the sector and has, to a large extent, become an institutionalised component of skills formation.

Lastly, because the need for Adult Basic Education and Training (ABET) in the Fasset sector is low and only a very small percentage of employers have made ABET training available to their employees in the past, Fasset doesn't fund ABET programmes anymore. In the sections that follow the different components of skills formation in the sector are analysed.

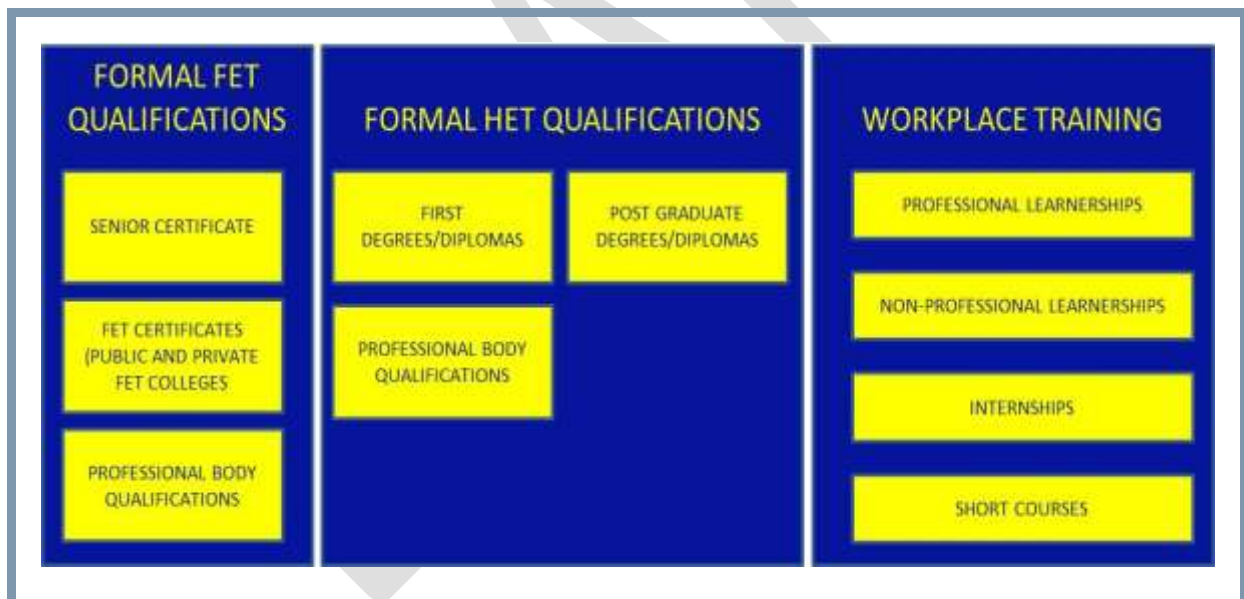


Figure 4-3 Skills formation components

#### 4.4 SKILLS FORMATION AT FET LEVEL

The main groups of providers of education and training at entry level are the formal school system, public and private FET institutions and professional bodies such as the Institute of Certified Bookkeepers (ICB), the Association of Accounting Technicians (AAT) and the Institute of Business Management (IBM) in collaboration with employers.

#### 4.4.1 SENIOR CERTIFICATE

The first factor playing a role in the supply of accounting skills is the Senior Certificate examination results, especially the pass rates in mathematics and accounting. Grade 12 mathematics is a prerequisite for tertiary studies in most of the study fields relevant to the sector, while bookkeepers and accounting clerks could be drawn from Grade 12 learners with mathematics and accounting as subjects.

The National Senior Certificate (NSC) examination of 2008 was the first examination that was based on the New Curriculum Statement (NCS), which requires all learners in Grades 10 to 12 to take seven subjects. Two of these subjects must be South African languages, one of which must be the language of teaching and learning. In addition to two languages, all learners must take Life Orientation and either Mathematics or Mathematical Literacy. In addition to these four compulsory subjects, learners must choose three subjects from a list of approved subjects. To obtain an NSC a candidate must, depending on the minimum requirements, achieve either 40% or 30% in six subjects. In the seventh subject a candidate is allowed to achieve less than 30%.<sup>34</sup>

In 2012, a total of 511 152 learners sat the NSC examination (Table 4-1). The number of Grade 12 learners who sat for examinations decreased from 533 561 in 2008 to 496 090 in 2011. In 2012 the number increased again to 511 152 – but still more than 20 000 short of the 2008 figure.

Of the learners who wrote the exam in 2012, 377 847 (73.9%) passed, while 152 881 learners fulfilled the requirements for admission into diploma courses and 136 047 (26.6% of those who wrote the examination) for admission into a bachelor's degree.

While mathematics at Senior Certificate level is a prerequisite for entry into the field of accounting at tertiary level, accounting is not necessarily a prerequisite. However, accounting at school level could spark learners' interest in the field of accounting, while bookkeepers and accounting clerks will most probably be sourced from candidates with at least Grade 12 accounting.

The number of learners who wrote mathematics decreased annually by 6.9% over the period 2008 to 2012. The number of learners who passed mathematics with 40% or more decreased sharply between 2008 and 2011 from almost 92 000 to about 68 000. In 2012 they increased again to almost 81 000 – but still 10 000 short of the 2008 figure. The learners who passed mathematics with 40% or more constituted only 15.8% of those who wrote Grade 12 in 2012.

The number of learners who wrote accounting also decreased every year from 176 000 in 2008 to less than 135 000 in 2012. However, those who passed accounting with 40% or more increased slightly from about 55 000 in 2008 to almost 58 000 in 2012.<sup>35</sup>

<sup>34</sup> Education Statistics in South Africa 2011. Department of Basic Education, SA. March 2013.

<sup>35</sup> Education Statistics in South Africa 2012. Department of Basic Education, SA. March 2014.

Table 4-1 Grade 12 Statistics: 2008-2012<sup>36</sup>

Number of learners who-	2008		2009		2010		2011		2012		AG p/a
	N	% of total who wrote Grade 12	N	% of total who wrote Grade 12	N	% of total who wrote Grade 12	N	% of total who wrote Grade 12	N	% of total who wrote Grade 12	%
Wrote Grade 12	533 561	100.0	552 073	100.0	537 543	100.0	496 090	100.0	511 152	100.0	-1.1
Achieved Grade 12	333 604	62.5	334 718	60.6	364 513	67.8	348 117	70.2	377 847	73.9	3.2
Wrote Mathematics	300 829	56.4	301 654	54.6	263 034	48.9	224 635	45.3	225 874	44.2	-6.9
Achieved Mathematics (40% and more)	91 796	17.2	90 699	16.4	81 374	15.1	67 541	13.6	80 712	15.8	-3.2
Wrote Accounting	176 078	33.0	174 347	31.6	160 991	29.9	137 903	27.8	134 978	26.4	-6.4
Achieved Accounting (40% and more)	55 164	10.3	52 743	9.6	56 830	10.6	49 368	10.0	57 621	11.3	1.1

Source: Department of Basic Education.

<sup>36</sup> Reports on the National Senior Certificate examination results, 2009, 2010, 2011 and 2012. Department of Basic Education, SA. <http://www.education.gov.za/EMIS/StatisticalPublications/tabid/462/Default.aspx> Accessed 8 May, 2013.

Various stakeholders and participants in the Fasset Sector Survey in 2012 and the consultative processes leading to this SSP raised concerns about longstanding inequalities in the secondary school system. Similarly, all the professional bodies expressed concerns about poor outcomes of the basic education system. The respondents expressed in different ways the view that the school system is failing millions of learners. The majority of learners leave high school with poor literacy and numeracy skills, many lack life skills and are unable to engage in a conversation or formulate an opinion. School leavers also lack IT skills and many cannot speak or write English. Overall, the skills levels of matriculants are viewed as being substandard.

Another concern is that the basic education system is not producing sufficient numbers of young South Africans who meet the admission criteria for the fields of study that are relevant to the Fasset sector. It is particularly concerning that the pass rates in core subjects such as Mathematics and English remain low. Mathematics is a formative subject for analytical and problem-solving skills, while English is the language for communication, learning and business. Weaknesses in these subjects weaken the foundation for teaching and learning.

Concerns were also raised about accounting teaching at high school, which is regarded as being below standard. The result is that school leavers are often appointed in entry-level accounting positions (especially in the public sector), without having a grasp of elementary accounting principles and transactions. They lack understanding of basic concepts such as the cash flow cycle and double entry bookkeeping.

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#### 4.4.2 FET COLLEGES EDUCATION AND TRAINING IN THE FINANCE AND ACCOUNTING FIELD

There are 50 public FET colleges registered with the DHET. These colleges operate on 263 campuses spread across the rural and urban areas of South Africa. In 2012 there were approximately 300 000 students enrolled at public and private FET colleges<sup>37</sup>. In various policy documents and in public pronouncements, the Minister of Higher Education and Training has made it clear that the focus of post-school education in South Africa will shift from universities to FET colleges, positioning the vocational college system as the main platform for skills development. The FET colleges are seen as the primary sites for skills development in areas that are demanded by the labour market. The learning programmes offered through these colleges should meet critical needs for economic growth and social development.

Most of the FET colleges offer the National Certificate (Vocational) (NCV) in Finance, Economics and Accounting. This NCV offers learners a vocational alternative to an academic Grade 10 to 12, by providing specialised training on NQF levels 2 to 4. The NCV is a three-year qualification made up of three certificates obtained on NQF Levels 2, 3 and 4. All NCV programmes consist of a fundamental and a vocational component. The fundamental component provides for language and mathematics skills. The vocational subjects for the NCV in Finance, Economics and Accounting are: Applied Accounting, Economic Environment, Financial Management and New Venture Creation. According to the FET colleges this qualification enables graduates to perform the following activities: bookkeeping; keeping records of wages, salaries, petty cash and Value Added Tax (VAT); conducting reconciliations; preparing financial statements; managing budgets; and analysing the finances of a business.

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<sup>37</sup> Fasset Sector Survey 2012.



Career opportunities seem to be available to graduates in the private and public accounting, banking, financial and insurance services domains.

Most of the FET colleges also offer National Programmes (NATED) at NQF levels 4 to 6 in either Financial Management or Business Management or both. Graduates obtain certificates or national diplomas. The applicable subjects in the Financial Management Programme are Financial Accounting, Cost and Management Accounting, and Computerised Financial Systems. The focus of this programme is on accounting and the management of the financial affairs of an organisation. Successful students usually have the knowledge and skills to bookkeeping and basic accounting functions, analyse financial and statistical information and check accounts. Students also acquire knowledge of accounting and payroll computer packages.

The applicable subjects in the Business Management Programme are Introductory Accounting and Financial Accounting. These subjects are usually only offered at NQF Level 4.

The number of learners who had written the NC(V) Level 4, the N3 and the N6 examinations in the relevant fields in 2010 and 2011, are shown in Table 4-2. The numbers of learners who sat the examinations were relatively small and the pass rates were generally low. Only 34.9% of the candidates who wrote the NC(V) in 2010 passed. This figure improved to 48.3% in 2011 while the number of candidates who wrote this exam also increased. In 2011 only 29 (3.2%) of the 909 candidates who wrote the N3 exam in Business Studies: Accounting passed. The pass rate of the N6 in Financial Management was 58.9% in 2011. However, only 259 students had written this exam.

**Table 4-2 Results of NC(V) and N6 students at public FET colleges: 2010 – 2011**

Programme	2010			2011		
	Number who wrote	Number who passed	Pass rate (%)	Number who wrote	Number who passed	Pass rate (%)
NC(V) Level 4: Finance, Economics and Accounting	901	314	34.9	1 446	699	48.3
N3 Business Studies: Accounting	**	**	**	909	29	3.2
N6 Financial Management*	**	**	**	258	152	58.9

\*Candidates who have successfully completed the N6 examinations have to complete a further 18 months' work experience before they are awarded the National Diploma in Financial Management. The numbers shown in this table refer only to those who have completed the N6 examinations.

\*\* Information not available in the DHET publications.

Sources: Department of Higher Education and Training, Statistics on Post-School Education and Training in South Africa, 2010 and 2011.

Staff from the FET colleges who participated in the Sector Survey indicated that they have to deal with various challenges such as the content of the learning programmes (e.g. level of difficulty, lack of time to cover the syllabus), attracting suitably qualified staff, the quality of students entering the system, low throughput rates on NCV courses, finding practical placement opportunities for students and the lack of work prospects for students due to poor perceptions of FET colleges.



#### 4.4.3 PROFESSIONAL BODY QUALIFICATIONS AT FET LEVEL

Several of the professional associations offer registered qualifications, some of which are also internationally recognised. Preparatory education for the qualifying assessments is offered by some of the public- as well as private FET institutions while the qualifying assessments are generally set by the professional bodies. The qualifications awarded by the ICB over the period 2004 to 2013 can be seen in Figure 4-3.

**Table 4-3 Professional body qualifications at FET Level: 2004-2013**

Qualification	Body	2004 N	2005 N	2006 N	2007 N	2008 N	2009 N	2010 N	2011 N	2012 N	2013 N
Certificate Registered Accounting Clerk	ICB	68	130	134	182	48	20	15			
Certificate Registered Bookkeeper	ICB	26	100	87	142	48	25	12			
Diploma Registered Accounting Technician	ICB	9	35	31	4	6	0	1			
National Certificate Small Business Financial Management	ICB				2	14	5	17		29	56
FETC Bookkeeping	ICB				2	110	181	624	765	1 060	1 149
National Diploma Technical Financial Accounting	ICB	1	30	43	119	94	76	271	584	639	881
National Diploma Financial Accounting	ICB						1	3	7	56	120
National Certificate Bookkeeping	ICB					169	324	958	1 156	1 621	1 641
Certificate Office Administration	ICB							4	68	109	217
Higher Certificate Office Administration	ICB									18	68
National Diploma Office Administration	ICB								1		29
<b>Total</b>		<b>104</b>	<b>295</b>	<b>295</b>	<b>451</b>	<b>489</b>	<b>632</b>	<b>1 905</b>	<b>2 581</b>	<b>3 532</b>	<b>4 161</b>

Source: Information provided by ICB, May 2013.

Fasset has also registered several learnerships at NQF levels 3 and 4. With the exception of one, these learnerships are offered by the professional bodies associated with Fasset. However, most of the learners are based in organisations that don't fall within Fasset's sector. The learnerships are listed in Table 4-4.

**Table 4-4 Learnerships at FET level**

Learnership	NQF level	Professional body
Certificate: Accounting Technician	3	AAT
Certificate: Local Government Accounting	3	AAT
Advanced Certificate: Local Government Accounting	4	AAT
FET Certificate: Accounting Technician	4	AAT
National Certificate: Bookkeeping	3	ICB
National Certificate Small Business Financial Management	4	ICB
Technical Vocational Education and Training Certificate: Bookkeeping	4	ICB
Certificate: Public Sector Accounting	4	ICB
FET Certificate: Debt Recovery	4	Fasset

Source: Fasset's data system 2013.

## 4.5 SKILLS FORMATION AT HET LEVEL

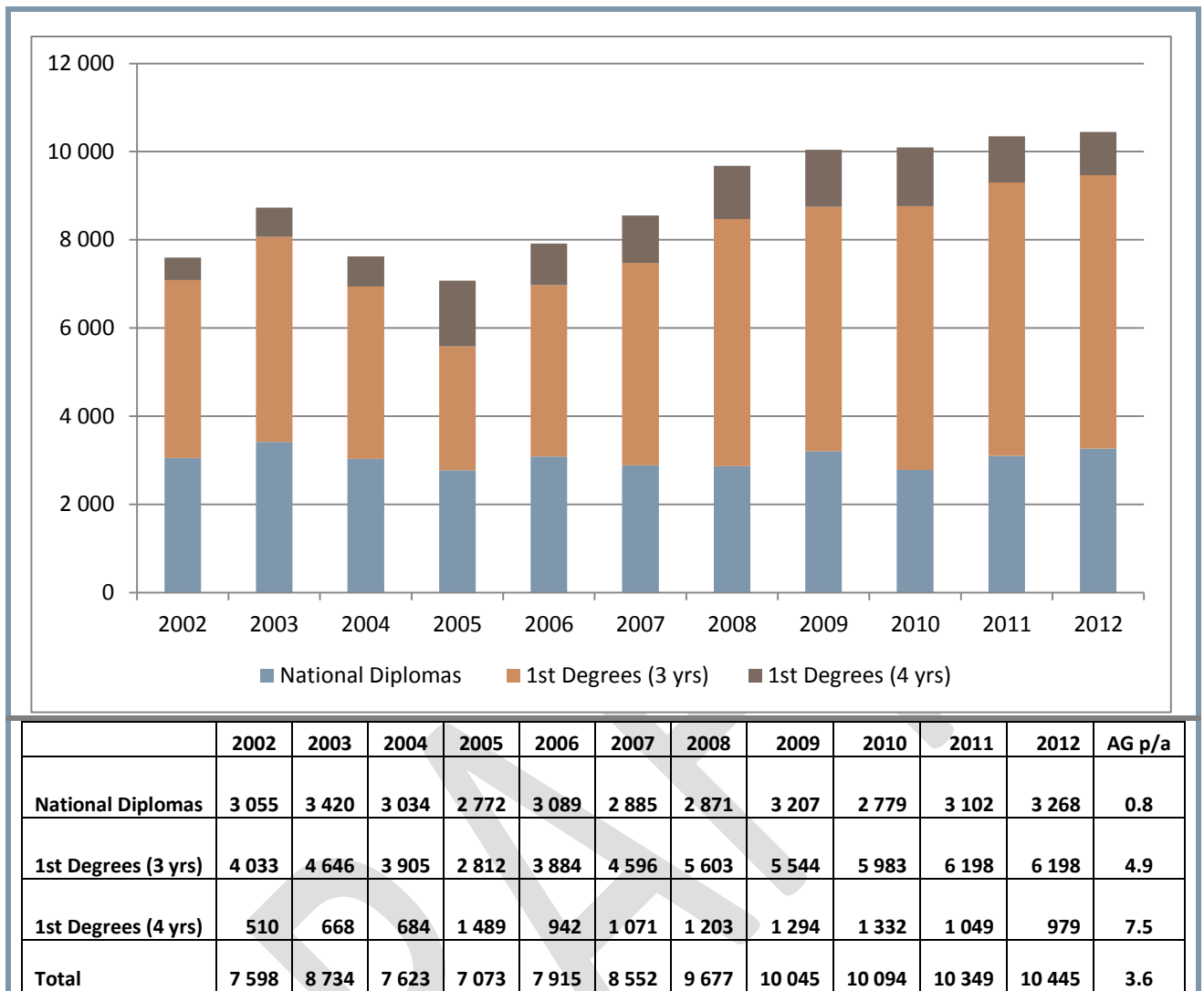
The analysis of the supply of skills at HET level is based on information obtained from the Department of Education's Higher Education Management Information System (HEMIS). This database contains data required for quality assurance, national and institutional higher education planning, and the allocation of government funds to higher education institutions. After its inception in 2000, HEMIS used the subject matter classifications of the old South African Post-Secondary Education (SAPSE) system. In 2008, the system was revised and the broad subject matter category "Business, Economics and Management Studies" was disaggregated into 18 second-order categories in comparison to the 14 second-order categories of the previous SAPSE system. From 2010 onwards HEMIS has collected data according to the revised CESM categories. The revisions have a direct impact on the two categories "Accounting" and "Other business and commerce" for which the supply of skills to this sector has been reported since 1999. The category "Accounting" now also includes tax.

Entry into the sector takes place at NQF levels 6 or 7. Generally speaking, students who want to qualify as CAs(SA) stay at university after completion of a BCom degree in accounting to complete the Certificate in the Theory of Accounting (CTA). Many of the students at universities of technology complete the B.Tech degree before leaving the educational system and entering the labour market. A number of students engage in further studies to obtain Masters' and Doctoral qualifications (NQF levels 9 and 10).

### 4.5.1 NQF LEVELS 6 AND 7

#### *a) Accounting*

Figure 4-4 shows the total number of national diplomas, three-year first degrees and four-year first degrees awarded by public higher education institutions in accounting over the period 2002 to 2012. The number of three-year first degrees awarded fluctuated over the period, but increased on average by 4.9% per year from 4 033 in 2002 to 6 198 in 2011, while the average growth rate of four-year first degrees was 7.5%. The growth in national diplomas over the same period was 0.8%.



**Figure 4-4 Qualifications in accounting awarded by public higher institutions at NQF Levels 6 & 7: 2002 - 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

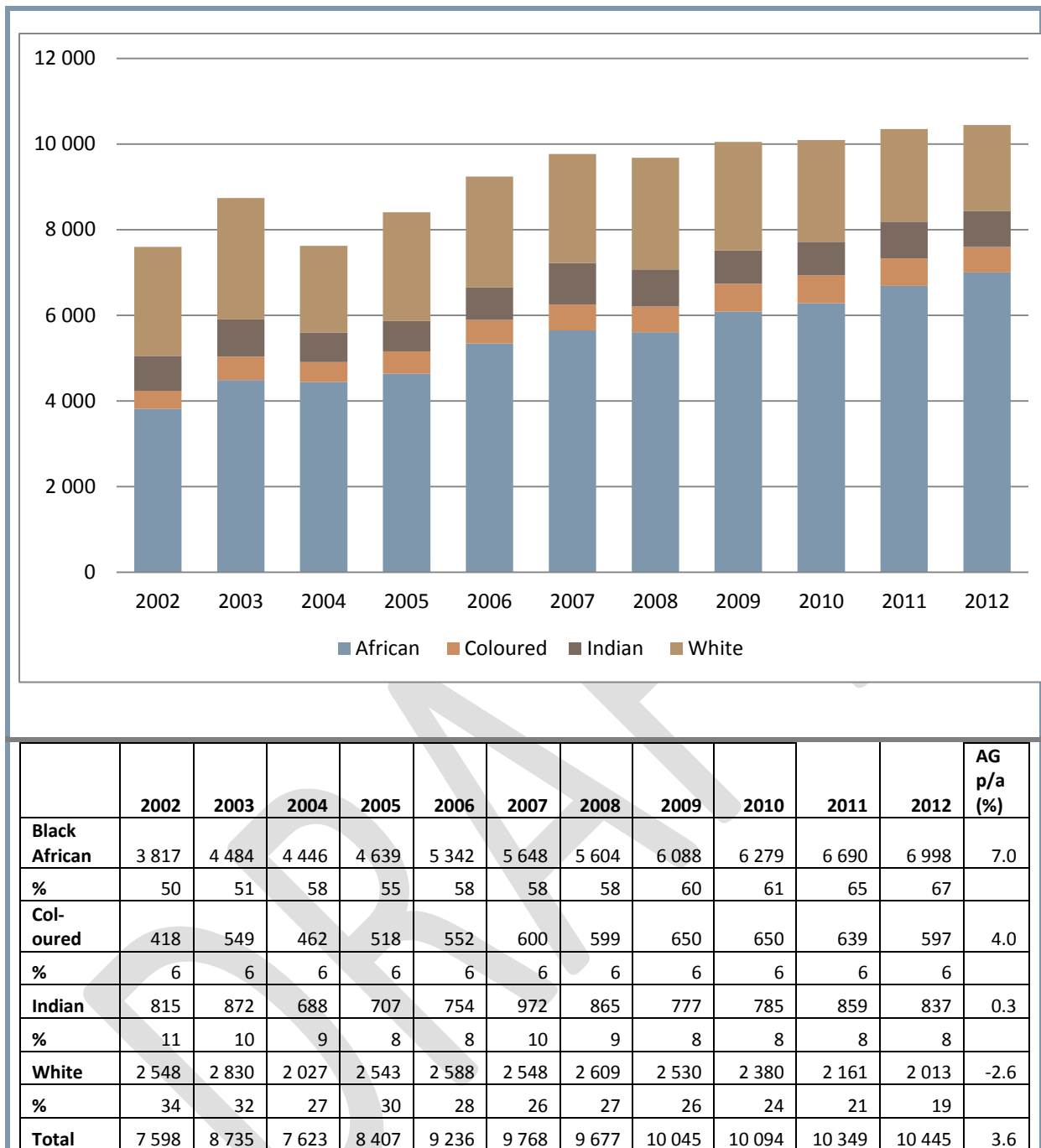
When considering the supply of skills to the labour market it must be kept in mind that only those qualifiers who exit the education system at NQF Levels 6 and 7 actually contribute to the supply of NQF Levels 6 and 7 skills to the labour market. The number of people who continue with honours degrees must, therefore, be subtracted from these figures. Table 4-5 shows a rough calculation of the number of people who entered the labour market at NQF Levels 6 and 7 over the period 2002 to 2012. These numbers were derived by subtracting from the number of three-year first degrees awarded the number of honours degrees awarded in the same year. The table shows that at NQF Levels 6 and 7 the new entrants to the labour market increased by 5.1% per year from 5 061 in 2002 to 7 940 in 2012.

**Table 4-5 Number of entrants to the labour market at NQF Levels 6 & 7 (accounting): 2002 - 2012**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	AG (%)
National diplomas	3 054	3 417	3 657	2 898	3 196	2 920	2 871	3 207	2 779	3 102	3 268	0.8
First degrees (3yrs)	1 497	2 133	2 159	1 008	2 188	3 045	3 321	3 621	3 590	3 702	3 693	10.6
First degrees (4yrs)	510	668	684	1 489	942	1 071	1 203	1 294	1 332	1 049	979	7.5
Total	5 061	6 218	6 500	5 395	6 326	7 036	7 395	8 122	7 701	7 853	7 940	5.1

Source: Calculated from Department of Higher Education and Training, HEMIS 2001 to 2012.

Figure 4-5 shows the combined output for national diplomas and three-year and four-year first degrees from 2002 to 2012, according to population group. The number of Black African students who qualified grew on average by 7.0% per year. In 2002, white graduates constituted 34% of the qualifiers and Black Africans 50%. The situation changed gradually over the 10-year period under review. In 2012, Black African graduates constituted 67% of all accounting graduates at NQF Levels 6 and 7 and Whites 19%. Coloured graduates remained 6% of the total group while Indians fell from 11% to 8%.



**Figure 4-5 Qualifications in accounting awarded by higher education institutions at NQF Levels 6 & 7 according to population group: 2002 to 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

The number of men who graduated with NQF Levels 6 and 7 qualifications in accounting increased on average by 2.4% per year between 2002 and 2012 as opposed to growth in the number of women of 4.6% (Figure 4-6). Women's share increased from 53% in 2002 to 58% in 2011 and 2012.



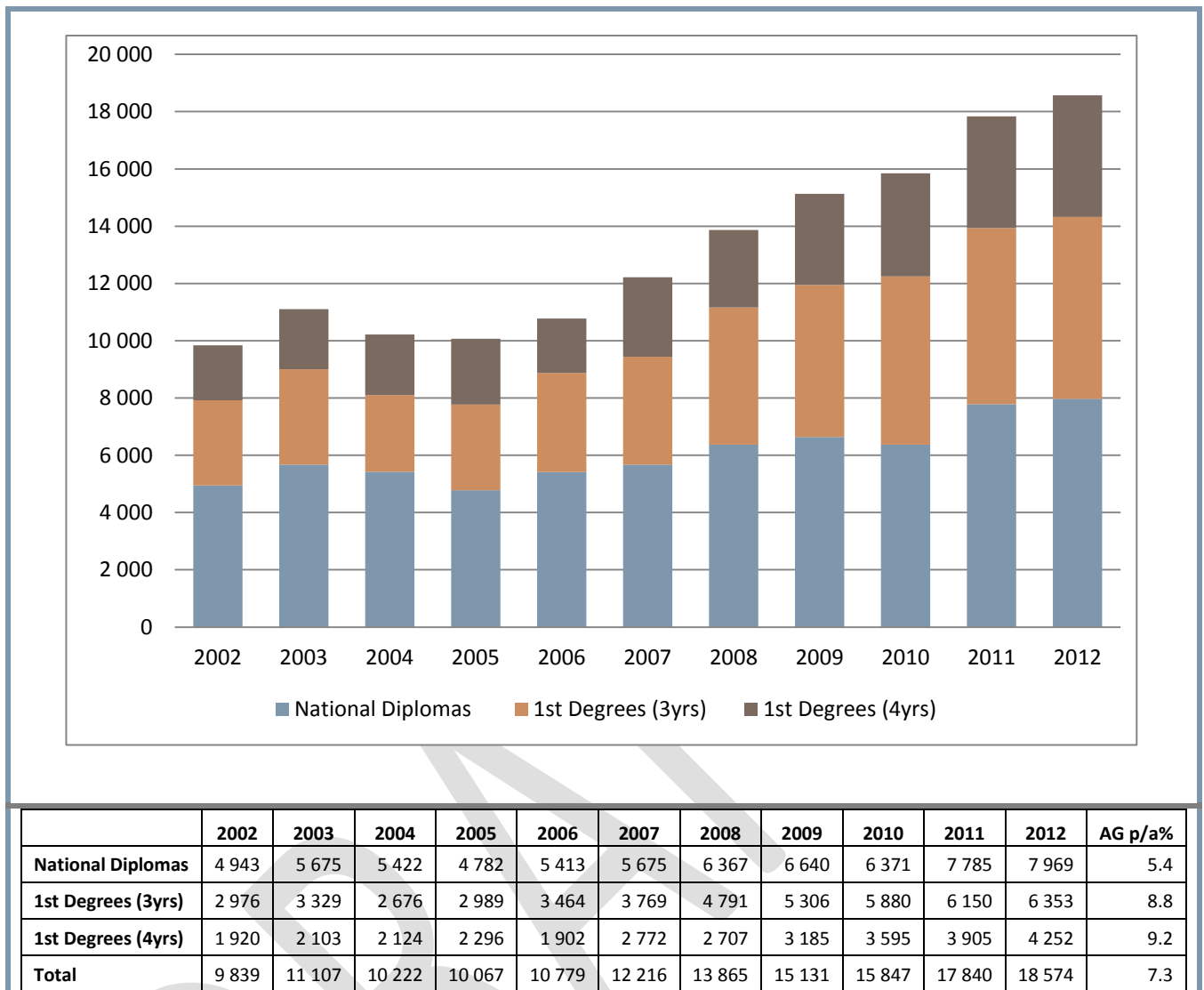
**Figure 4-6 Qualifications in accounting awarded by higher education institutions at NQF Level 6 & 7 according to gender: 2002 to 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

#### **b) Other business and commerce qualifications**

This section reports on the qualifications other than accounting that relate to the sector. The combined field “Other Business and Commerce” includes qualifications in the following CESM categories: Business Administration, Management and Operations; Business/Corporate Communications; Entrepreneurial and Small Business Operations; Finance and Financial Management Services; Human Resource Management Services; International Business; Management Sciences and Quantitative Methods; Marketing; Real Estate and Insurance.

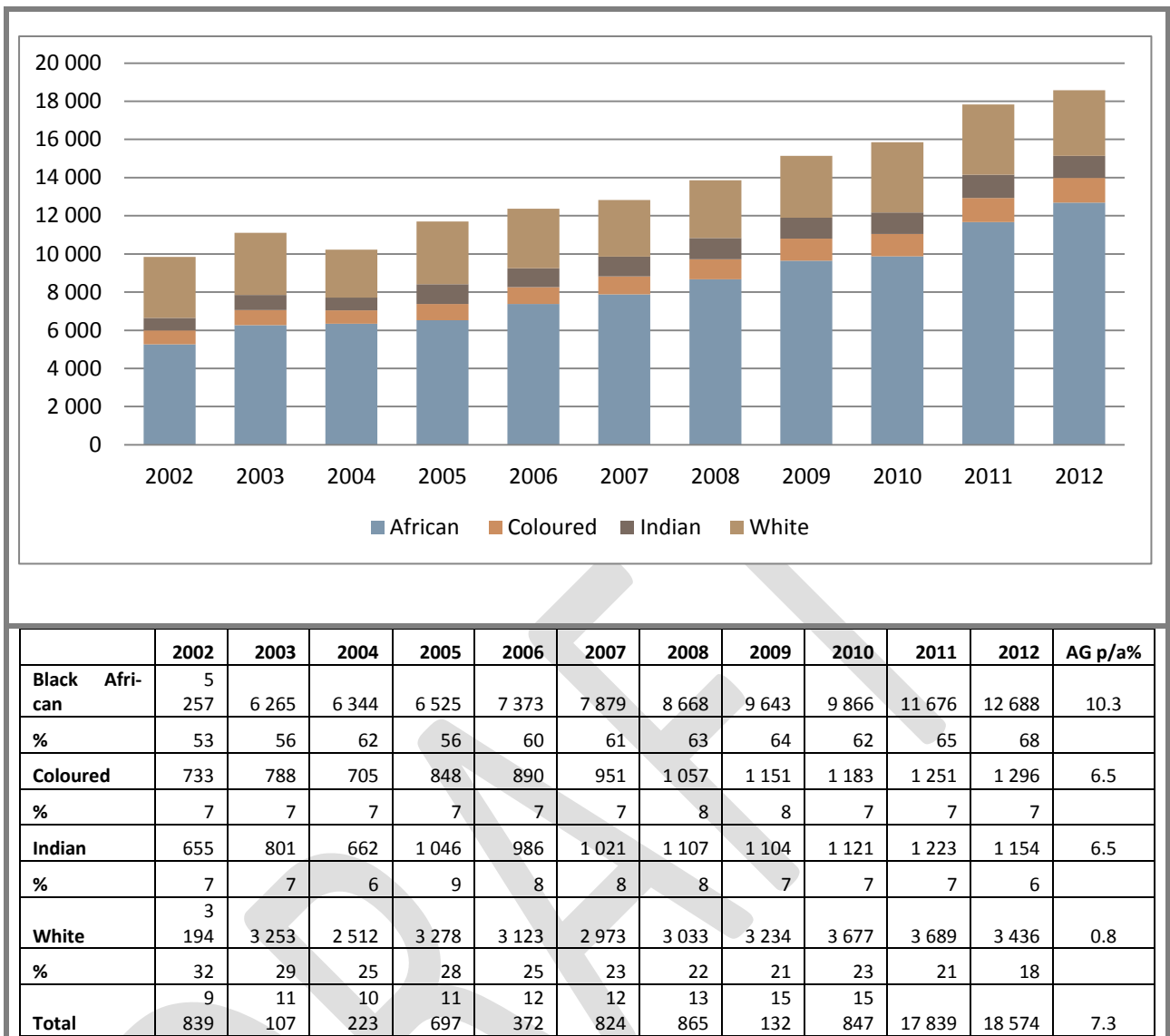
Figure 4-7 shows the number of national diplomas and first three- and four-year degrees awarded by public higher education institutions in the category Other Business and Commerce over the period 2002 to 2012. More national diplomas than first three-year degrees were awarded over the ten-year period but the average annual growth rate of first degrees (8.8% for three-year degrees and 9.2% for four-year degrees) was higher than the growth rate of national diplomas (5.4%). National diploma output increased from 4 943 in 2002 to 7 969 in 2012. The number of three-year first degrees increased from 2 976 in 2002 to 6 353 in 2012 and the number of four-year first degrees increased from 1 920 in 2002 to 4 252 in 2012.



**Figure 4-7 Other business and commerce qualifications awarded by public higher education institutions at NQF Levels 6 & 7: 2002 – 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

For the past ten years, Black African graduates constituted more than half of the graduates at NQF Levels 6 and 7 in the field Other Business and Commerce: their share in qualifications awarded grew from 53% in 2002 to 68% in 2012 (Figure 4-8). Over this period the number of Indian and coloured students who qualified grew by 6.5% and whites by 0.8%. Most of the qualifications were awarded in the study fields Management, Personnel Management, and Administration and Marketing.

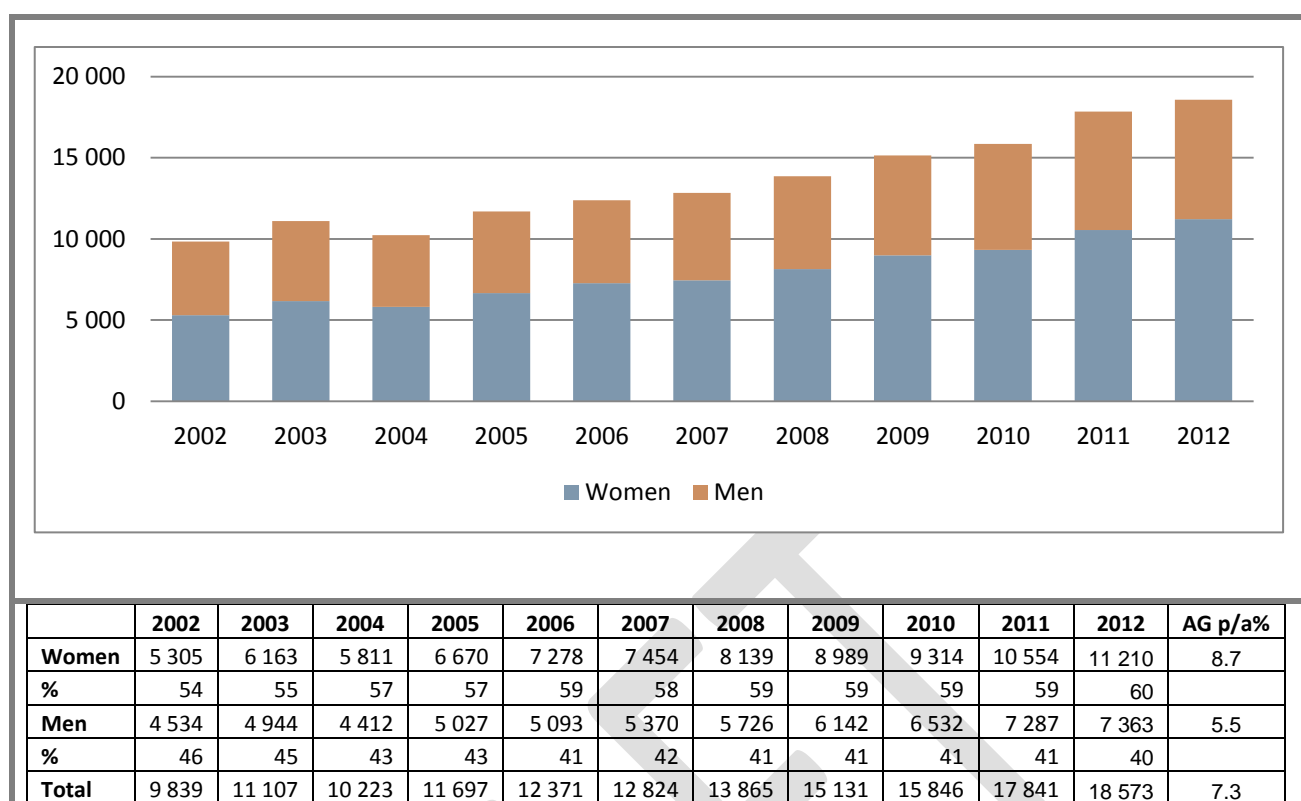


**Figure 4-8 Other business and commerce qualifications awarded by public higher education institutions at NQF Levels 6 & 7 according to population group: 2002 to 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

Figure 4-9 shows a steady increase (8.7% average annual growth) in the number of women graduates who had graduated at NQF Levels 6 and 7 in the field Other Business and Commerce. The number of female graduates increased from 5 305 in 2002 to 11 210 in 2012. Of the graduates in 2012, 60% were women.





**Figure 4-9 Other business and commerce qualifications awarded by public higher education institutions at NQF Levels 6 & 7 according to gender: 2002 – 2012**

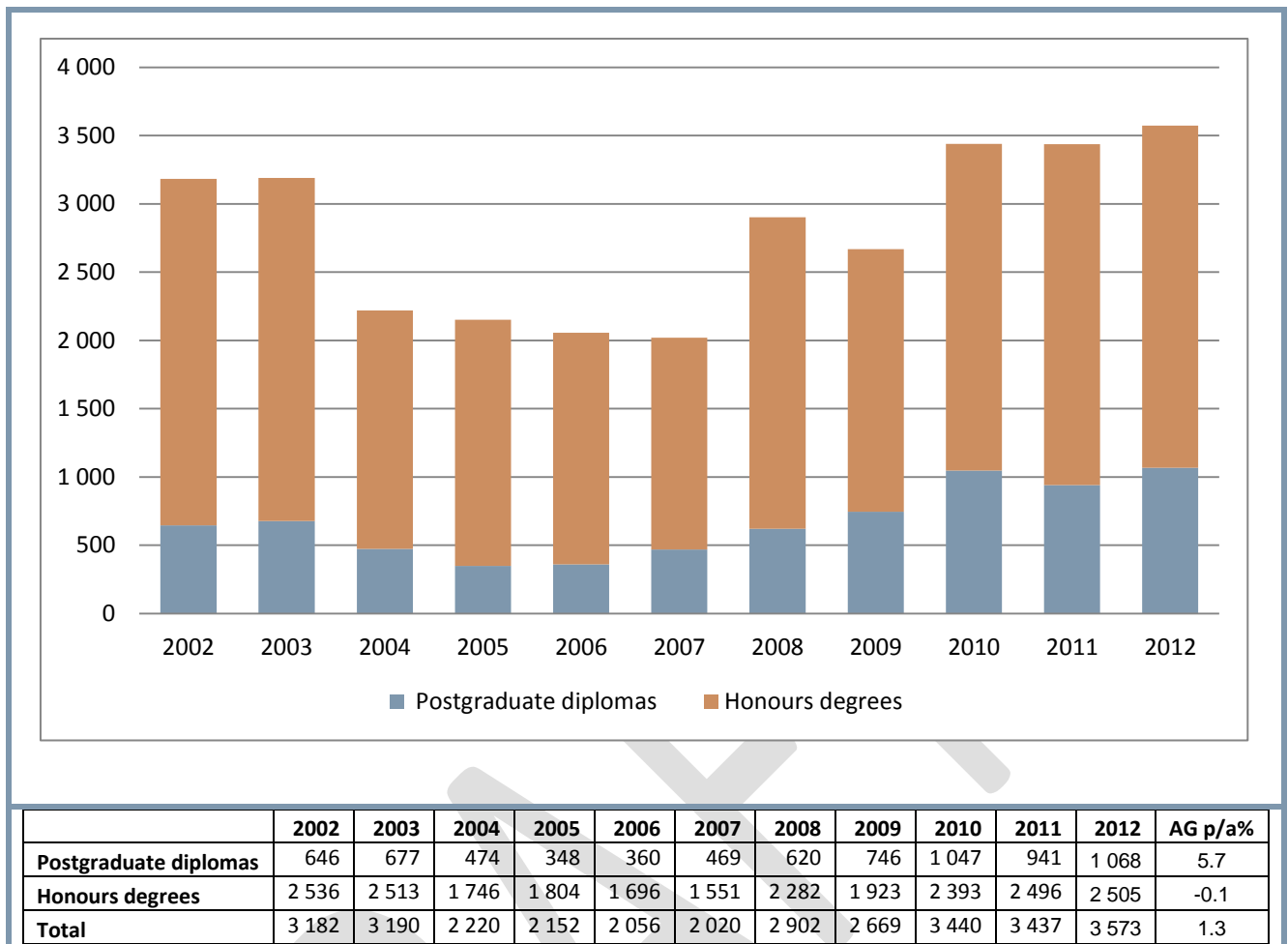
Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

#### 4.5.2 NQF LEVEL 8

##### a) *Accounting*

In the financial sector, two types of qualifications are relevant at NQF Level 8: postgraduate diplomas and honours degrees (universities).

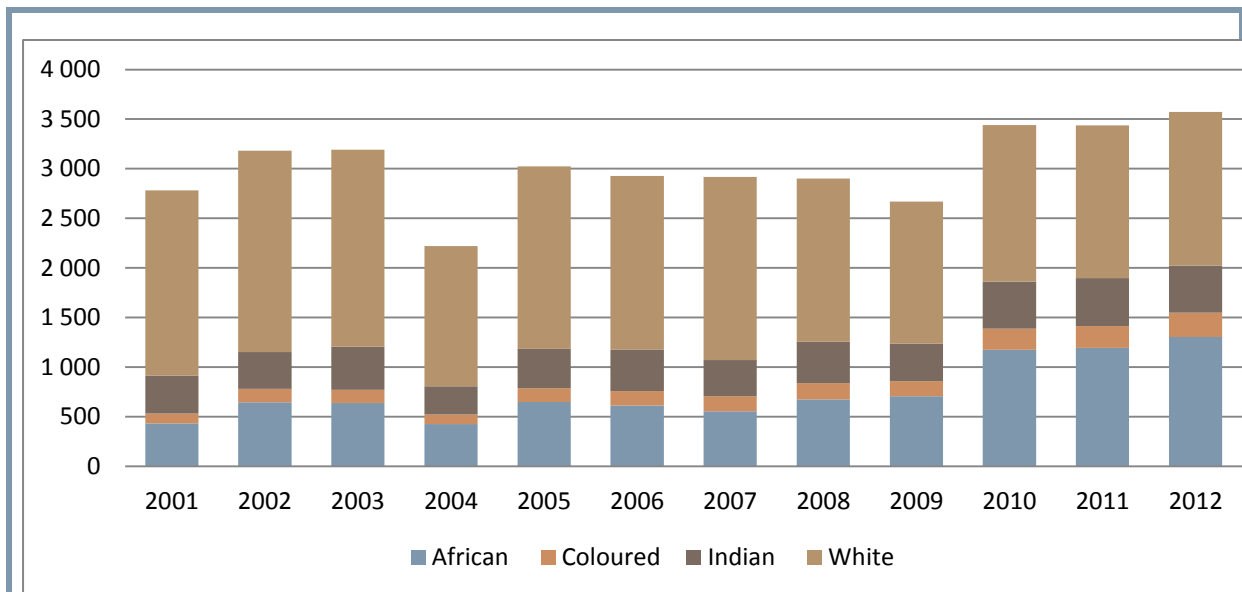
The output in accounting at NQF Level 8 is shown in Figure 4-9. Over the ten-year period, the total number of graduates who were awarded NQF Level 8 qualifications grew at an annual rate of 1.3%. Postgraduate diplomas showed growth at 5.7%. The number of honours degrees fluctuated over the period and in 2012 slightly fewer people graduated than in 2002.



**Figure 4-10 Qualifications in accounting awarded by public higher education institutions at NQF 8: 2001 to 2011**

Source: Department of Higher Education and Training, HEMIS 2001 to 2011.

A substantial increase in the number of Black African graduates who achieved NQF Level 8 qualifications in accounting is noted for the period 2002 to 2012 (Figure 4-11). The number of Black African graduates who qualified at this level grew from 646 in 2002 to 1 304 in 2012 – at an average annual growth rate of 8.1%. The output of Coloured- and Indian graduates also grew over the same period. In contrast, the number of White graduates decreased annually by 3.0%. The overall growth of graduates with honours degrees and post graduate diplomas is low compare to the growth in graduates with first degrees in the field of accounting.

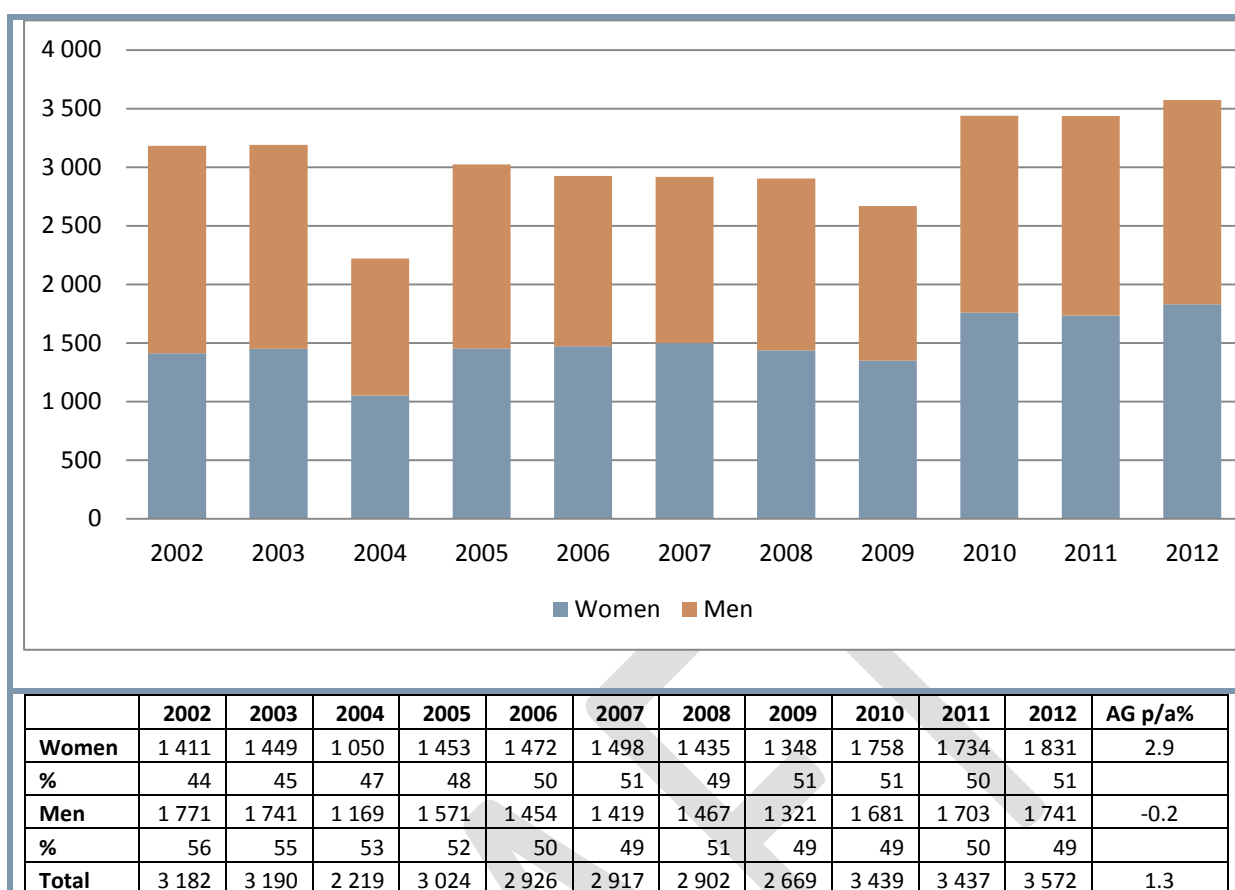


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	AG p/a%
<b>Black African</b>	646	639	427	649	614	556	674	707	1 175	1 193	1 304	8.1
%	20	20	19	21	21	19	23	26	34	35	36	
<b>Coloured</b>	135	131	94	138	145	150	164	150	213	221	244	6.8
%	4	4	4	5	5	5	6	6	6	6	7	
<b>Indian</b>	370	436	286	397	417	365	417	377	475	484	475	2.8
%	12	14	13	13	14	13	14	14	14	14	13	
<b>White</b>	2 030	1 984	413	840	1 751	847	1 647	1 435	1 577	1 539	1 550	-3.0
%	64	62	64	61	60	63	57	54	46	45	43	
<b>Total</b>	3 181	3 190	220	024	2 927	918	2 902	2 669	3 440	3 437	3 573	1.3

**Figure 4-11 Qualifications in accounting awarded by public higher education institutions at NQF Level 8 according to population group: 2002 – 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

Women's share in NQF Level 8 accounting qualifications increased from 44% in 2002 to 51% in 2012, while the men's share decreased from 56% to 49% (Figure 4-12). The number of women who graduated each year grew from 1 411 in 2002 to 1 831 in 2012 at an average annual rate of 2.9%.

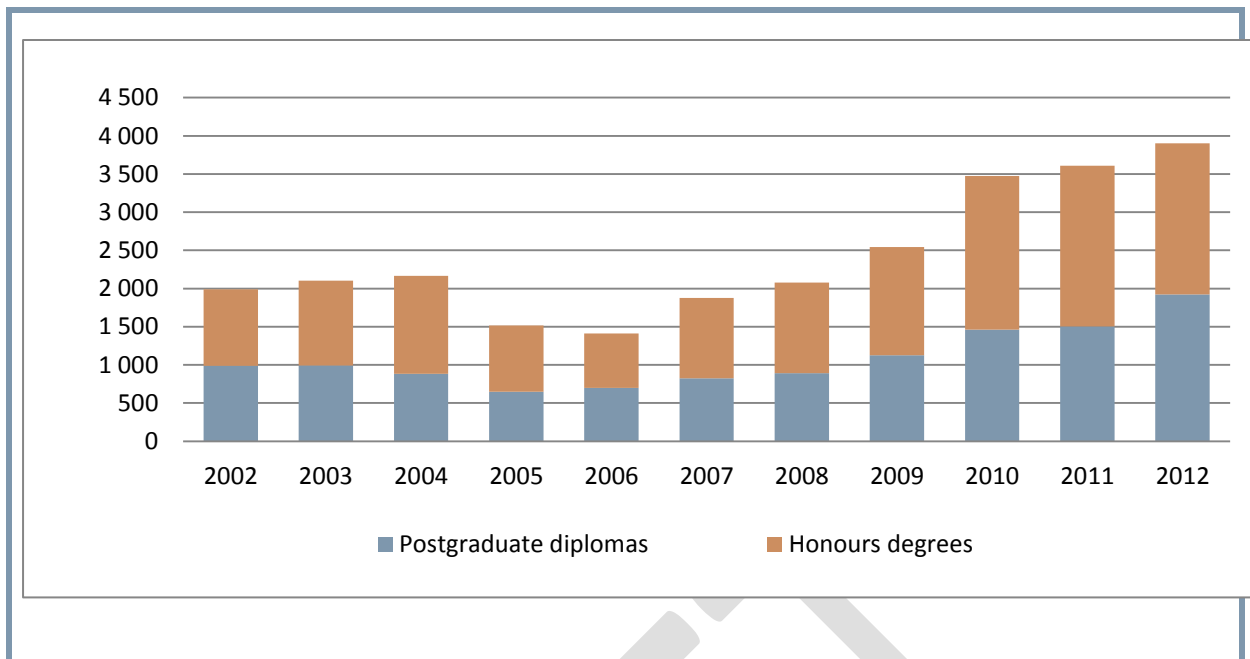


**Figure 4-12 Qualifications in accounting awarded by public higher education institutions at NQF Level 8 according to gender: 2002 - 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

#### **b) Other business and commerce qualifications**

The number of qualifications awarded at NQF Level 8 in the field Other Business and Commerce is shown in Figure 4-13. In total, the output at this level increased from 1 992 qualifications awarded in 2002 to 3 904 qualifications in 2012 – growing at 7.8% per year. From 2009 to 2010 honours degrees showed an increase of 29% which could be the result of the revised CESM categories used from 2010 onwards. Most of these qualifications were awarded in the study fields of Management and Personnel Management and Administration.

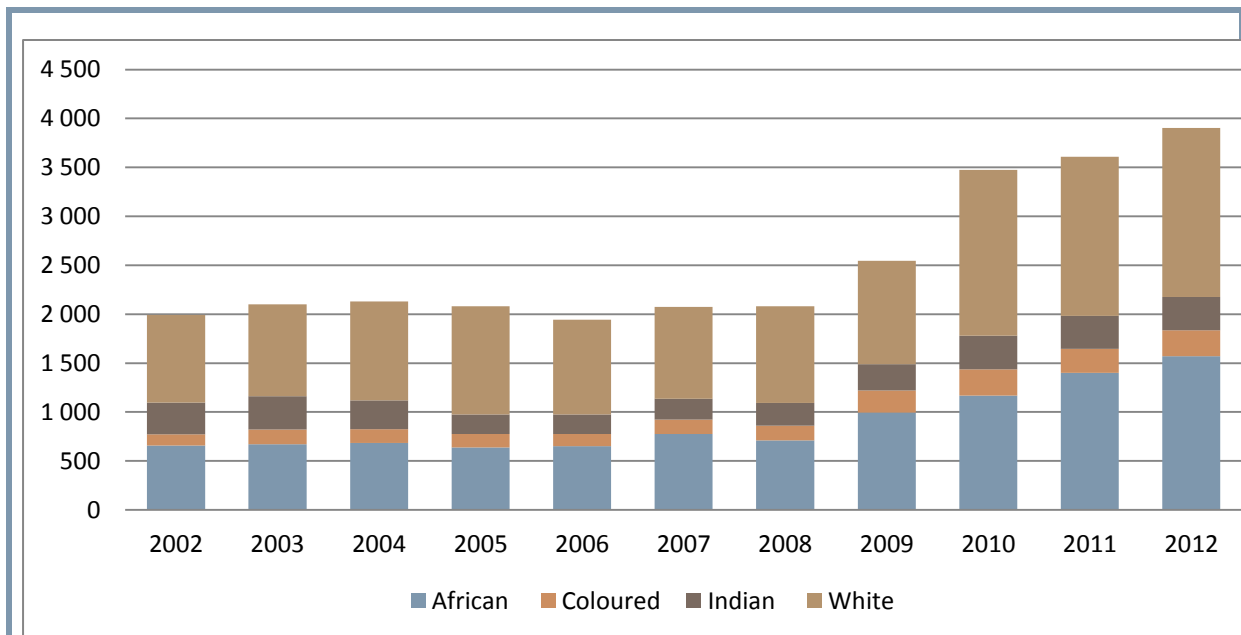


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	AG p/a %
Postgraduate diplomas	989	992	885	648	699	825	892	1 126	1 463	1 502	1 923	7.7
Honours degrees	1 003	1 110	1 282	868	711	1 051	1 188	1 419	2 010	2 106	1 981	7.9
<b>Total</b>	<b>1 992</b>	<b>2 102</b>	<b>2 167</b>	<b>1 516</b>	<b>1 410</b>	<b>1 876</b>	<b>2 080</b>	<b>2 545</b>	<b>3 473</b>	<b>3 608</b>	<b>3 904</b>	<b>7.8</b>

**Figure 4-13 Other business and commerce qualifications awarded by public higher education institutions at NQF Level 8: 2002 to 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

Black African graduates' share in qualifications in the field Other Business and Commerce awarded at NQF Level 8 grew by 10.1% per annum over the period 2002 to 2012 (Figure 4-14). In 2002, Black African graduates constituted 33% of all graduates at that level, but their share grew to 40% in 2012. The number of Coloured graduates also grew by 10.1% over the same period, although from a lower base than Black African graduates. White graduates' share in NQF Level 8 qualifications remained between 44% and 50% over the ten-year period while Indian graduates' share declined from 16% in 2002 to 9% in 2012.

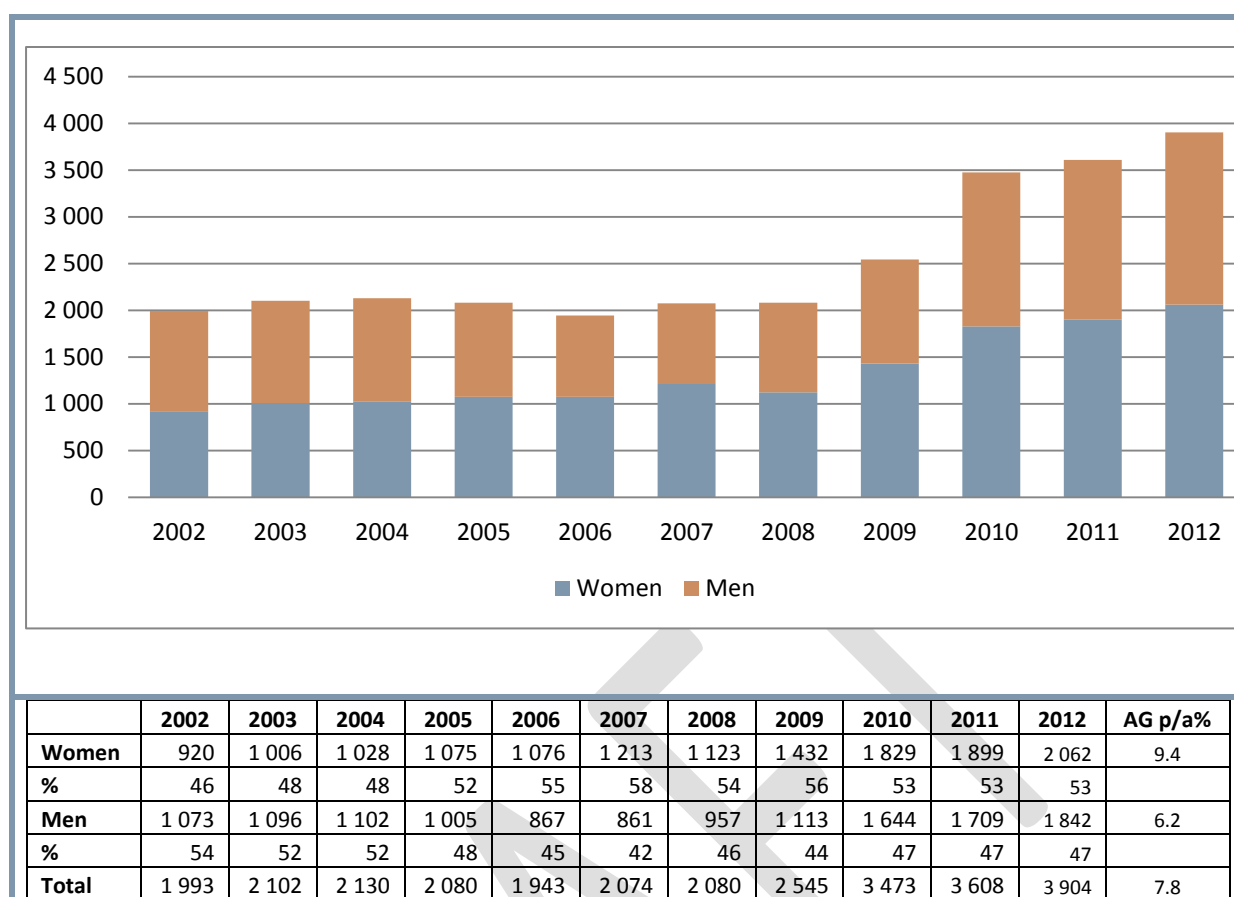


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	AG p/a%
<b>Black African</b>	658	672	685	637	652	776	710	995	1 168	1 399	1 569	10.1
%	33	32	32	31	34	37	34	39	34	39	40	
<b>Coloured</b>	113	149	141	140	125	147	150	227	267	248	268	10.1
%	6	7	7	7	6	7	7	9	8	7	7	
<b>Indian</b>	325	342	292	199	197	213	232	266	346	337	339	0.5
%	16	16	14	10	10	10	11	10	10	9	9	
<b>White</b>	896	939	1 013	1 104	970	938	988	1 056	1 692	1 624	1 727	7.6
%	45	45	48	53	50	45	48	42	49	45	44	
<b>Total</b>	1 992	2 102	2 131	2 080	1 944	2 074	2 080	2 544	3 473	3 608	3 903	7.8

**Figure 4-14 Other business and commerce qualifications awarded by public higher education institutions at NQF Level 8 according to population group: 2002 to 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

The percentage female graduates who were awarded NQF Level 8 qualifications in Business and Commerce increased from 46% in 2002 to 53% in 2012 (Figure 4-15).



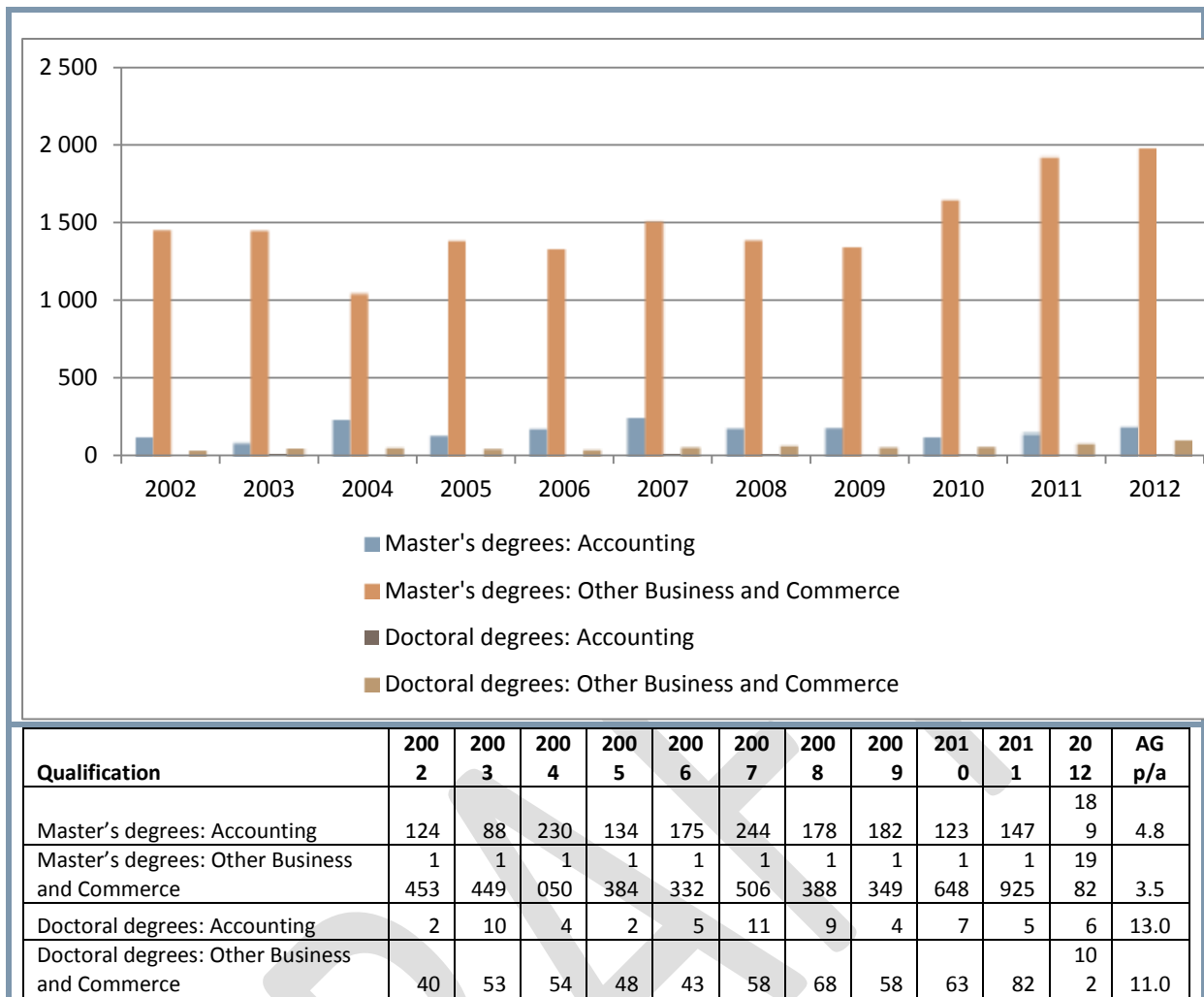
**Figure 4-15 Other business and commerce qualifications awarded by public higher education institutions at NQF Level 8 according to gender: 2002 to 2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012.

#### 4.5.3 NQF LEVELS 9 AND 10

Figure 4-16 shows the number of Master's and Doctoral qualifications awarded by public higher education institutions in South Africa from 2002 to 2012. The number of master's degrees awarded fluctuated substantially over the period, but the average annual growth was 4.8% over the ten-year period. The number of doctoral degrees awarded remained small.

In the Other Business and Commerce field more master's and doctoral degrees were awarded. Master's degrees increased from 1 453 in 2002 to 1 982 in 2012 at an average annual growth rate of 3.5%. The number of doctoral degrees increased from 40 in 2002 to 102 in 2012.



**Figure 4-16 Master's and doctoral degrees in accounting and in the field other business and commerce awarded by public higher education institutions: 2002-2012**

Source: Department of Higher Education and Training, HEMIS 2002 to 2012

## 4.6 SKILLS FORMATION IN THE WORKPLACE

### 4.6.1 LEARNERSHIPS

Employers play a crucial role in the formation of entry-level skills in the sector. Most of the professional body qualifications are attained through learnerships, and most of those that are not currently linked to learnerships require a certain amount of workplace experience. Employers' roles are to provide the workplace exposure and mentorship needed by learners and interns.

By June 2014 a total of 29 learnerships from NQF level 3 to NQF level 7 had been registered by Fasset with the DHET<sup>38</sup>. Table 4-6 shows the number of people who had completed learnerships in Fasset's sector between the inception of the learnership system in 2000 and May 2014. The total number of learnerships completed was 31 186. The majority (96%) of these learnerships were at NQF Level 7 and 8, and most of them led to the qualification Chartered Accountant: Auditing.

<sup>38</sup> [http://www.fasset.org.za/Learnerships/Fasset\\_Learnerships.aspx](http://www.fasset.org.za/Learnerships/Fasset_Learnerships.aspx) Accessed 11 June 2014.



**Table 4-6 Learnerships completed 2000-2014\*\***

Learnership Title	NQF Level	Total
Post Graduate Diploma: Professional Accountant in Practice	Level 08	1 060
General Internal Auditor	Level 08	23
Professional Qualification: Chartered Management Accountant	Level 07*	5
Post Graduate Professional Qualification: Professional Accountant in Business	Level 07*	86
Chartered Accountant: Financial Management Specialism	Level 07*	462
Chartered Accountant: Auditing	Level 07*	28 299
Advanced Certificate: Forensic Practitioner	Level 07*	1
National Diploma: Management Accounting	Level 06*	16
Diploma: Public Sector Accounting	Level 05	19
Systems Support Engineer	Level 05	3
National Diploma: Technical Financial Accounting	Level 05	11
National Certificate: Core Banking and Financial Services	Level 05	39
National Certificate: Business Accounting	Level 05*	52
IT: Systems Support	Level 05	2
Diploma: Accounting Technician	Level 05*	2
Senior Bookkeeper	Level 04*	1
National Certificate: Small Business Financial Management	Level 04	26
National Certificate: Junior Bookkeeper	Level 04	5
Information Technology Technical Support	Level 04	1
FETC: Business Administration Services	Level 04	8
FET Certificate: Debt Recovery	Level 04	251
FET Certificate: Administration Management	Level 04	2
Certificate: Public Sector Accounting	Level 04	219
Certificate for Registered Bookkeeper	Level 04	23
National Certificate in Generic Business Administration	Level 03	1
GUI-Based Applications For End-User Computing	Level 03	5
Certificate: Local Government Accounting	Level 03	248
Certificate for Registered Accounting Clerk	Level 03	13
National Certificate: Business Administration Services	Level 02	6
National Certificate in Contact Centre Support	Level 02	297
<b>Total</b>		<b>31 186</b>

\*Old NQF levels. New NQF levels have not yet been assigned.

\*\*Figures include only learners registered in Fasset's sector. It should, however, be noted that some of the learnerships registered with Fasset are specifically designed for the development of skills in Government and in commerce and industry. These learners will be registered mainly in other sectors.

Source: Fasset data system, June 2014.

A critical element in the successful implementation of learnerships is employers' readiness to take on learners. This, in turn, is a function of various factors, including: employers' knowledge of learnerships in general and of the availability of specific learnerships; their knowledge of and perspectives on the possible benefits associated with learnerships; their perceptions of the administrative processes involved in learnerships; and their perceptions of the inputs that they, as role-players, would have to contribute. In certain components of the sector (notably in the accounting and auditing

firms) learnerships have become institutionalised and employers don't only participate actively in the development of learners registered with them, but they also rely on the services of those learners. In these parts of the sector a shortage of learners constitutes a serious skills shortage. This is, however, not the case in all parts of the sector. In service areas where learnerships are new – for example, in debt collection and governance – much work is still required to engage employers in learnerships.

An important aspect of professional body learnerships is the fact that the professional bodies responsible for the various learnerships from time to time adapt the content of their learnerships to better address the needs of the labour market. SAICA has, for example revised the CA learnership in 2010 to provide for compulsory and elective competencies. This structure allows learners to focus more specifically on the areas of auditing and assurance, financial management, management decision making and control, taxation or internal audit, risk management and governance. As indicated in Chapter 3, these areas are all becoming more demanding with an increase in the level of skills required by the labour market.

Although the current learnerships cover a wide spectrum of fields and NQF levels, the need for two additional learnerships – in taxation and in financial markets – has been identified in research projects commissioned by Fasset.<sup>39</sup> These two learnerships are both in the process of development. Their development started with the development of appropriate qualifications through the QCTO. These qualifications were registered with SAQA in March 2014 and the registration of the learnerships by the DHET is now awaited.

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#### 4.6.2 WORK-INTEGRATED LEARNING

Work Integrated Learning (WIL) – also known in some organisations as graduate development programmes – are not as well-defined and structured as learnerships, but they are increasingly used by employers to develop new entrants to the labour market in a systematic and planned manner. In Fasset's sector WIL programmes are used in several fields, but specifically in taxation and in financial markets – two areas in which learnerships have not yet been registered. Some of the WIL programmes may be converted to learnerships once the appropriate learnership(s) have been registered.

One of the challenges facing the sector is to develop suitable mechanisms to support employers with the implementation of these WIL programmes. Fasset began to address this challenge in 2012 by developing an internship accreditation process and by funding accredited internship programmes in the same way as it is funding learnerships. With the finalisation of the Learning Programmes Matrix (LPM) which defines an internship as a work-based programme leading to a qualification registered on the NQF, the internship accreditation process is likely to taper off, as it will no longer be acceptable for points on the B-BBEE scorecard.

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<sup>39</sup> EE Research Focus, Investigation into the need for a learnership in taxation, 2009 and EE Research Focus. Investigation into the need for a learnership in financial markets, 2009.

### 4.6.3 SHORT COURSES

The professionals employed in the Financial and Accounting Services Sector are obliged to undergo continuous professional development (CPD) in order to retain their professional body membership. CPD therefore constitutes an important part of skills formation in the sector. Most of the professional bodies are also actively involved in the provision of CPD and/or in the accreditation of providers to offer CPD.

Apart from the compulsory CPD, organisations in the sector also provide in-service training to their employees. In the 2010/2011 financial year employers provided in-service training to some 43 000 employees (46% of the employees in the organisations that submitted ATRs to Fasset). This training addressed various aspects of the broad skills areas relevant to the sector, such as specialist financial skills, client service skills, management and leadership skills, information technology skills, and administration and support skills.

It is important to note that some of the large accounting and auditing firms in the sector have established training academies through which they provide structured training to their own employees and the learners placed on learnerships in their organisations. Some of them also make the training available to small firms and their clients. Similarly, SARS, the largest employer in the sector has its own training academy.

## 4.7 FACTORS IMPACTING ON THE SUPPLY OF SKILLS TO THE FASSET SECTOR

During the Sector Survey of 2012, employers and professional bodies were asked to comment on factors that impact on the supply of skills to the sector. Respondents' comments pertained to factors that influence the quantitative supply, as well as the quality of skills available in the sectoral labour market:

### a) *Basic education system*

Employers were not satisfied with the quality of education that is offered in schools and the professional bodies expressed concern about poor outcomes of the basic education system. The basic education system is not producing sufficient numbers of young South Africans who meet the admission criteria for the fields of study that are relevant to the Fasset sector. The quality of school education is further hampered by factors such as poor discipline in schools, substandard quality of teaching and a lack of leadership amongst principals.

### b) *Higher education for finance and accounting practitioners*

Where young South Africans do meet criteria to enter university education, places are limited. Socio-economic constraints prevent many aspiring accountants from studying full-time for four to six years via the traditional academic routes. Disadvantaged students who attempt distance learning programmes and international examinations, rarely succeed. Graduate output from universities is hampered by resource constraints. There is a shortage of academics in the accounting and finance fields in South Africa, while a number of the historically black universities severely lack training capacity. Professional bodies were also of the opinion that accounting graduates from universities of technology often present inferior accounting skills.

**c) *Approach to training***

Professional bodies indicated that existing approaches to training limit the finance and accounting skills available to the sector. Generally, universities and higher education institutions train financial professionals for the private sector and don't focus on the needs of the public sector. Tertiary institutions also tend to focus on the knowledge component and technical matters, and not on the development of practical skills. It is not unusual that graduates with high-level accounting qualifications are unable to do basic accounting operations do not know how to process financial transactions in an actual work environment. Many of the academic courses contain little or no soft skills development or workplace-readiness training. As a result there is a disparity between the academic training offered by universities and the skills needed in the workplace and a constant need for workplace-readiness and bridging skills training.

**d) *Recognition of work-integrated qualifications***

Professional bodies that offer education that is not linked to higher education institutions are concerned that many employers fail to recognise the value of competence-based qualifications, which learners can attain via structured skills development pathways such as learnerships. According to these bodies, most employers still prefer to appoint learners who enter the accounting profession via an academic route, i.e. a degree or diploma conferred by an institution of higher learning. A further challenge pertains to the reluctance on the part of public higher education institutions to accept the NQF structure and to recognise qualifications awarded at NQF levels 4 and higher (i.e. to allow articulation between different qualifications).

**e) *Training in the workplace***

Professional bodies were of the opinion that employers tend to be reluctant to train due to the time, costs and risks involved, since skilled people are more mobile in the labour market. Employers' reluctance to train may also be ascribed to uncertainty about government policies, a general unease about the economy and a lack of confidence in the future. Seta incentives for skills development tend to be skewed towards employees working in the core business functions, and as a result support workers are overlooked. Workplace training for support workers, such as accounting technicians, is hampered in both the private and public sectors. Generally, the private sector lacks the capacity to train accounting technicians due to budget constraints, while the public sector's capacity to train is very restricted due to immense skills shortages.

**f) *Government policies***

Government policies are affecting the supply of finance and accounting skills in a number of ways. Professional bodies said that they stand accused of setting the bar for entry into the professions too high. Political pressure is mounting on organised professions to provide access to under-qualified and ill-prepared persons into the financial professions. However, the risks of submitting to such political pressure are significant on several fronts. Firstly, it may undermine public confidence in the skills and knowledge of financial professionals. Secondly, it poses risks to financial professionals themselves in the form of increased professional liability for negligence or substandard work. Thirdly, premiums for professional liability insurance will increase if the entry requirements to the professions are dropped. Fourthly, once the public questions the competence of accounting professionals, this will affect the standing of the professions as well as the bodies that regulate the professions. Employers pointed out that the frequent changes in the regulatory environment require the contin-

uous re-training of staff and skills development interventions to keep staff up-to-date. This places firms, as well as the training infrastructure under pressure.

**g) *Statutory framework for qualifications***

In previous SSP updates it was reported that the uncertainty about the role of the QCTO and the time that it took for the QCTO to get established and operational had a negative impact on the skills supply situation in the sector. The QCTO has now been established and it has started to register qualifications. However, at the time of writing this SSP update the QCTO had placed a moratorium on the development of new qualifications because it first had to deal with the revision of the qualifications offered by the public FET colleges and legacy qualifications already registered by SAQA.

**h) *Other factors that affect the supply of skills to the sector***

Several employers identified the lack of career guidance at school level and the lack of work-readiness of new entrants to the labour market as factors that inhibit the supply of skills to the Fasset sector.

#### **4.8 SPECIAL SKILLS DEVELOPMENT INITIATIVES IN THE SECTOR**

Over the past ten years various special skills development initiatives have been undertaken to speed up skills development, change the demographic profile of the sector, and to alleviate the skills shortages in the sector and in financial positions in the rest of the economy.

Fasset's interventions in this regard include the following:

**a) *Qualification and learnership development***

Since its inception Fasset has sponsored the development of several qualifications and learnerships in areas of need in the sector. Examples include qualifications and learnerships in accounting, debt recovery, taxation and financial markets. The qualifications and learnerships developed by Fasset are available for uptake inside its own sector and outside of it.

**b) *Discretionary grants***

Through its discretionary funding Fasset has stimulated and supported various components of the supply-side of the market. Learnership Cash Grants (LCGs), Professional, Vocational, Academic and Technical (PIVOTAL) grants and National Student Financial Aid Scheme (NSFAS) Loan Repayment supported the training and development of students in undergraduate and graduate programmes and learners on learnerships and various other courses of strategic importance to the sector.

The discretionary grant scheme has been purposefully employed to alleviate skills shortages and to support the transformation of the sector. It has also been used to strengthen the education and training capacity of the sector. For example assessor and moderator training has been supported in this way.

### c) *Lifelong learning programme*

**Table 4-7 Attendance at Fasset's Lifelong Learning Programme 2002- 2013**

Year	Number of attendees
2002	1 695
2003	2 788
2004	4 627
2005	5 220
2006	5 350
2007	6 712
2008	9 205
2009	12 709
2010	11 237
2011	13 799
2012	15 907
2013	17 135

In Chapter 2 of this report it was explained that Fasset's sector consists of a large number of very small organisations. Many of these organisations don't have the capacity to provide or to source their own in-service training or CPD. For this reason Fasset instituted a Lifelong Learning Programme through which it offers training free of charge to the employees of small organisations in the sector.

Table 4-7 shows the numbers of people who attended Fasset's training courses from 2002, when the programme started, until 2013. The figures clearly show that these training events grew in popularity and that they became an institutionalised component of skills formation in the sector.

Source: Fasset's data system: 2013

### d) *Special projects*

Fasset has also funded various special projects to address the specific supply-side challenges encountered in the sector. The projects span a wide spectrum of activities and included for example:

- Programmes to improve mathematics education at school level.
- Bridging programmes for first-year students at universities.
- Support for learners who had to re-write professional body qualifying exams.

#### **4.9 WORK-READINESS PROGRAMMES FOR YOUNG GRADUATES. THESE PROGRAMMES HAVE SO FAR REACHED MORE THAN 4 000 GRADUATES. THE PROGRAMMES NOT ONLY EQUIPPED GRADUATES FOR THE LABOUR MARKET, BUT THEY ALSO ASSISTED THEM IN FINDING EMPLOYMENT OR PLACEMENT IN FURTHER EDUCATION PROGRAMMES. FASSET'S SECTOR AS AN INCUBATOR SECTOR AND FASSET'S RESPONSIBILITY IN THIS REGARD**

It is a well-known fact that the majority of Chartered Accountants, Professional Accountants and other financial professionals are trained in the Financial and Accounting Services Sector, but that they are then employed across all sectors of the economy. In June 2014 88% of the learners who were enrolled on the CA learnership were placed in the Fasset Sector.<sup>40</sup> At the same time only 33% if the CA(SA)s registered with SAICA and working in South Africa, were working in private practice – in accounting and auditing firms. The rest were employed in other positions – many of them in fi-

<sup>40</sup> Calculated from Fasset's learnership system, July 2014.

nancial management or in general management positions in public and private sector organisations outside the sector.<sup>41</sup> From this perspective Fasset's sector serves as an "incubator" or training sector for high-level financial skills for the country and many of Fasset's learnership and other grants therefor serve to develop financial skills for the country as a whole.

In addition to this, Fasset has, over time extended its skills development interventions beyond its own sector. Several of its initiatives are undertaken in collaboration with professional bodies that have membership and skills development programmes across the economy or with other Setas.

The largest skills development project undertaken by a professional institution in Fasset's sector is the Thuthuka project undertaken by the accounting profession under the leadership of SAICA. Thuthuka is a Zulu word that means "to develop". The project spans multiple levels and interventions, including: High School mathematics, accounting, science and English; building the capacity of tertiary institutions to the point where they can be accredited to deliver the undergraduate and graduate courses required for entry into the professional body learnerships; student support at all levels; and support for candidates who sit the professional body qualifying assessments.

Another large-scale initiative is a programme undertaken by AAT(SA) to up-skill employees in the financial divisions of local government. This project is supported by Fasset and the Local Government Seta (LGSETA).

#### 4.10 THE IMPACT OF FASSET'S INTERVENTIONS ON THE SUPPLY OF SKILLS

Fasset focuses its interventions on various points in the educational and skills development pipeline. One of the focal points is the transition between university and the workplace. In the period 2003 and 2012 Fasset provided education-to-work bridging or work-readiness training to approximately 4 000 young graduates. The main objective of these programmes was to develop the skills of unemployed graduates in order to make them work-ready and able to find and sustain employment in the Finance and Accounting Services Sector. The programmes also assisted the learners with finding employment or placement for learnerships. In 2012 Fasset commissioned an impact study into these programmes.<sup>42</sup> The study found, amongst others, that:

- Almost all (89.7%) of the beneficiaries were employed at the time of the impact study.
- Almost half (48.6%) of the beneficiaries have progressed to a higher position since they were placed.
- The majority (88.7%) of the beneficiaries who were placed in an internship or learnership found employment after completion of the internship or learnership, either at the company where they were placed or at another company.
- The majority (85.4%) of the beneficiaries who were not placed on completion of the programmes, found employment on their own.
- Beneficiaries' overall response was that the programmes enhanced their soft and technical skills to a large extent.

<sup>41</sup> Calculated from SAICA's membership statistics, [www.saica.co.za/Members/AboutMembers/MembershipStatistics/tabid/502/language/en-ZA/Default.aspx](http://www.saica.co.za/Members/AboutMembers/MembershipStatistics/tabid/502/language/en-ZA/Default.aspx), accessed 29 July 2014.

<sup>42</sup> EE Research Focus, *Fasset Tracer Study: The Value of Work-Readiness Programmes*, 2013.



- The majority of the employers reported that the programmes provided the beneficiaries with most of the soft skills and technical skills that they need to be efficient in the workplace. They further confirmed that: the programme provided beneficiaries with a positive attitude towards work; it enhanced their chances of being placed or employed; it enhanced their chances of career progression and of improving their earnings.

The results of the impact study led to the Fasset Board's decision to continue with this particular intervention in the subsequent financial years.

#### 4.11 RESEARCH AND INNOVATION IN THE SECTOR

A specific supply-side issue that is highlighted in NSDS III as an area of responsibility of Setas, is the development of research and innovation capacity. In order to develop an understanding of the current capacity and needs for research in the sector, Fasset included this issue in the Sector Survey of 2012. Professional bodies in the sector as well as education institutions were asked for information related to research and innovation.

The majority of professional bodies lack funds to undertake or commission research and do not have any in-house research capacity. Only two of the participating professional bodies (i.e. SAICA and CIMA) indicated that they currently have in-house research capacity, and CIMA indicated that this was limited. Another institute, i.e. SAIPA was, at the time of the survey working towards establishing internal research capacity. Subsequently, SAIPA has published a research study on entrepreneurship in South Africa.<sup>43</sup>

Five institutes with links to global parent bodies (AAT, ACCA, ACFESA, CIMA and the IIA) benefit from the research capacity vested in the international parent institutes. It was indicated that those global organisations conduct research internationally to determine course relevance and to develop relevant curricula for their respective professions. A limited number of local professional bodies conduct member surveys or make enquiries about marketing and branding. Two institutes indicated that larger research projects may be put to tender.

Some of the professional bodies have linkages with universities which enable them to call on academics to conduct research on their behalf (SAIPA, ICM, IMFO, SAICA, SAIGA) while another institute (SAIT) can tap into a community of experts to assist with research when required. CIMA has established a Centre of Excellence (COE) in 2013 to conduct research in the field of management accounting in South Africa. The COE funds research relevant to the Southern African region by collaborating with universities, the public sector and key industry stakeholders. Country-specific research papers and local and regional case study material is made available to the market.

Given the resource constraints, the professional bodies are limited in their research activities. Apart from the international research by global parent bodies, only one participating body has undertaken research into technical matters relevant for the accounting profession such as financial accounting, auditing and taxation.

In the HE sector it has been found so far that most institutions are busy developing their research capacity in the accounting field. Lecturers are encouraged to enrol for masters' and doctoral de-

<sup>43</sup> SAIPA, *Entrepreneurship Report*, 2013



grees. More seasoned researchers are mentoring the junior researchers and some of the traditionally advantaged HE institutions are mentoring the staff of disadvantaged HE institutions. Research topics, especially at the level of masters and doctoral studies relate to themes such as accounting education, the need for soft or pervasive skills in the sector, corporate governance, sustainable accounting, tax-, audit- and financial management issues, and the interpretation of the new Companies Act.

Of interest to the accounting subsector is the enrolment of learners into 'academic articles' learnership programmes. Academic articles allow learners to replace one year of the three-year SAICA learnership programme, typically with a year of lecturing junior undergraduate courses and simultaneously conducting research towards the completion of a Masters' degree. Research conducted as part of this programme will contribute towards adding research and innovation in the Fasset sector.

Higher education institutions indicated that in order for the sector to build research capacity, considerably more funding is needed. They also suggested that Fasset can support research in the sector by commissioning higher education institutions and professional bodies to conduct research on identified topics, contributing financially to establish dedicated research units at accounting schools and departments, providing bursaries to masters and doctoral students and disseminating research results to stakeholders.

#### **4.12 CONCLUSIONS**

This chapter provides an overview of the supply of skills to the Financial and Accounting Services Sector. From the analysis of output of the higher education sector, it is clear that the number of graduates coming out of the system has grown more or less at the same pace as or faster than the growth of the sector. Most of the growth was in the number of Black African candidates. This will, in the long run, facilitate the transformation of the sector. However, as stated previously in this SSP, financial professionals form the core of employment in the sector and it is therefore imperative that young Black professionals complete the professional body learnerships and become full members of the professional bodies active in the sector. Fasset and the professional bodies are engaged in various projects and programmes to assist Black graduates to qualify for and complete the professional body learnerships.

At the root of the supply of skills to the sector is the quality of mathematics education at school level and the number of learners who pass the senior certificate with the mathematical ability to master the studies in the accounting fields. The analysis presented in this chapter shows that mathematics education remains a supply-side constraint that impacts on the skills of this sector. Other supply-side constraints include a lack of funding for higher education studies and a general lack of work-readiness of young graduates who want to enter the labour market. These constraints have been addresses in various ways by Fasset and the professional bodies in the sector.

In the evaluation of the demand for and supply of financial skills, it is important to have not only a sectoral, but also a national perspective. Financial skills are used across the economy and Fasset's sector shares in the national pool. At the same time the Financial and Accounting Services Sector serves as a training sector that supplies qualified financial professionals to the rest of the economy. This role needs to be acknowledged and in the skills development priorities of the sector set out in Chapter 6 of this SSP provision is made for Fasset to play a supportive role in this regard.

Finally, this chapter also looked at the research capacity available in the sector. Clearly, the capacity of professional bodies is quite limited. More capacity resides within the higher education institutions and they made several suggestions on ways in which Fasset can assist with and contribute to research in the sector.

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## 5 SKILLS AND RESEARCH NEEDS OF THE SECTOR

### 5.1 INTRODUCTION

Chapters 3 and 4 of this report described the demand for and supply of skills in the Financial and Accounting Services Sector. A direct comparison between demand and supply is not possible because financial skills are used in all sectors of the economy and Fasset's sector shares in the supply. For this reason Fasset relies on other mechanisms to establish whether there are mismatches between demand and supply in its own sector. The most important of these mechanisms is the monitoring of scarce skills. The term "scarce skill" refers to a shortage of people to fill positions in a specific occupation. Scarce skills are, therefore, linked to or expressed in terms of occupations classified on the OFO.<sup>44</sup>

In the assessment of scarce skills it is important to consider different labour market signals. The most obvious signals that are indicative of shortages in a particular occupation are:

- Difficulties experienced by employers to retain employees in the occupation owing to external demand and competition among employers to attract scarce skills;
- Difficulties experienced by employers to recruit people into positions, which results in vacancies that remain unfilled over a prolonged period of time;
- Difficulties experienced by employers with succession planning;
- Upward pressure on remuneration; and
- No spare capacity in the form of unemployed people who can fill positions in the particular occupations.

These signals are, as far as possible, monitored during Fasset's sector surveys and the annual WSP submissions by employers, which include information on the scarcity of skills. In this SSP update the results of the Fasset Sector Survey conducted in 2012 are given together with information received in 2013 through the WSP submissions. The chapter first looks at scarce skills in terms of occupations or specific positions for which employers could not find suitable people. Second, the chapter addresses scarcity in terms of positions that cannot be filled or that are filled with great difficulty. This is followed by a section on employers' difficulties in meeting employment equity targets. Professional bodies' views on the existence of scarce skills are then given. Finally, the chapter deals with research needs in the sector.

### 5.2 SCARCE SKILLS IN THE SECTOR

#### 5.2.1 EMPLOYERS' EXPERIENCES REGARDING SCARCE SKILLS

##### ***a) Difficulties experienced with the retention of staff***

In the 2012 Sector Survey 10% of the organisations in the sector reported problems with the retention of staff. The occupations in which organisations experienced retention problems and the categories of staff that they found difficult to retain can be seen in Table 5-1.

<sup>44</sup> The OFO version 2012 was used in the data submissions used in this SSP update.

In terms of their difficulties to retain accountants the respondents distinguished between accounting trainees, general accountants and CA(SA)s. More than a hundred organisations referred specifically to challenges to keep Black African male and female accounting trainees. Accounting trainees leave either during or after completion of their learnerships (even though they are offered permanent employment) for various reasons: to pursue better career prospects and higher incomes in larger centres (especially trainees from rural areas), wrong career choices and work pressure and the inability to meet the targets that the employers set for them. Some of the trainees return to their home towns because they rely on the support of their families or need to support their families.

Fully qualified CA(SA)s and external auditors, especially Black African employees, are difficult to retain due to, among other things, upward pressure on salaries and unaffordable salary demands. Organisations also reported difficulties in retaining staff in the financial markets: investment analysts, investment managers and financial markets practitioners (including traders).

**Table 5-1 Number of organisations in the sector that found it difficult to retain employees in certain occupations**

		Number of organisations that found it difficult to retain-							
OFO code	Occupation	Black African men	Black African women	Coloured men	Coloured women	Indian men	Indian women	White men	White women
1	Managers	26	13	10	10	11	12	12	8
241101	Accounting trainee	102	104	54	61	61	63	64	62
	Accountant (General)	64	59	38	31	32	27	36	33
	CA(SA)	16	12	12	9	4	4	2	7
	External Auditor	22	24	10	10	10	8	11	11
241201	Investment Analyst	14	12	9	9	13	13	2	3
241202	Investment Manager	10	10	10	10	10	8	8	8
241204	Financial Markets Practitioner	15	15	13	13	15	15	8	13
242101	Management Consultant	11	9	8	8	10	11	9	8
331301	Bookkeeper	8	8	6	5	8	12	9	9
	Other occupations	122	106	75	81	57	53	59	72

#### ***b) Difficulties experienced with filling positions***

Forty one per cent of organisations said they had tried to recruit employees in the 12 months prior to the Sector Survey in 2012 and 12% indicated that they had found it difficult to find suitable employees for certain positions. In total 2 154 people would be needed to fill vacancies in occupations in which there seemed to be a scarcity of qualified people. The majority (73%) of these positions are in professional occupations, while 9% relate to managerial occupations, 10% to clerical support workers and 8% to technicians and associate professionals.

In the 2013 WSP submissions 19% of the organisations indicated that they experienced skills shortages. The specific managerial occupations cited by these employers were Finance Manager, Internal Audit Manager, Corporate General Manager and Programme or Project Manager (Table 5-2). The table also indicates the number of people that employers said they needed.

**Table 5-2 Managerial occupations in which employers experienced skills shortages: 2013**

Occupation Code	Occupation Name	Number needed	
		2013/2014	2014/2015
121101	Finance Manager	81	21
121104	Internal Audit Manager	43	46
121901	Corporate General Manager	88	136
121905	Programme or Project Manager	73	63

\* Only occupations where 10 or more people are needed in the sector are specified in this table.

Source: Fasset's data system, 2013

As in the years before, most skills shortages occurred in the occupational group "Professionals" – more specifically in the Unit Group "Accountants" which includes General Accountants and Accountants in Practice, External Auditors and Tax Professionals (Table 5-3). Most of the employers indicated that they were specifically looking for Chartered Accountants (SA) and that there were not enough available in the market. Approximately a third of the positions in this unit group were for trainee accountants on the SAICA and SAIPA learnerships.

In terms of the recruitment of accounting trainees, employers reported that there are not enough potential trainees who have completed the CTA. Some organisations complained that qualified people were snapped up by large audit firms. The Sector Survey revealed that small firms and those that are located outside the main metropolitan areas regard themselves as being at a disadvantage when it comes to the recruitment of trainees. Most of these firms cannot pay the salaries offered by the large firms and they cannot offer the trainees the career prospects that the large firms offer.

A general shortage of skills especially of experienced Black Africans with suitable qualifications to fill vacancies as financial markets practitioners, were reported. Knowledge of African markets and marketing are some of the skills that are required of applicants in this field.

Many of the professional vacancies that organisations had difficulties in filling require a combination of tertiary (often postgraduate) qualifications, professional registration and work-related skills. Some of these vacancies necessitate specialised knowledge in fields other than finance e.g. law, information technology and engineering.

In the Sector Survey employers emphasized that there is a shortage of professional Black employees, especially Black African people with suitable qualifications and relevant experience. As a result of these shortages, fierce competition exists among organisations for the small pool of skilled black people in the market. Unaffordable salary demands made by black CAs is one of the results of this competition and it was specifically mentioned by several of the respondent organisations. Government organisations saw themselves as being at a disadvantage in the market. According to them they cannot offer the same salaries as the private sector. The same complaints were reiterated in the 2013 WSP submissions.

**Table 5-3 Professional occupations in which employers experienced skills shortages: 2013**

Occupation Code	Occupation Name	Number needed	
		2013/2014	2014/2015
241101	Accountant (General)	374	359
241103	Tax Professional	44	53
241104	External Auditor	413	407
241106	Accountant in Practice	154	108
241201	Investment Analyst	17	15
241202	Investment Manager	14	11
241204	Financial Markets Practitioner	34	
241301	Financial Investment Advisor	77	69
242101	Management Consultant	79	78
242102	Organisation and Methods Analyst	44	46
242211	Internal Auditor	129	135
242301	Careers Counsellor	10	4
243102	Market Research Analyst	17	21
251101	ICT Systems Analyst	26	16
251201	Software Developer	42	40
251202	Programmer Analyst	11	11
251203	Developer Programmer	70	44
251401	Applications Programmer	30	26
252101	Database Designer and Administrator	58	50
263101	Economist	22	31
263403	Organisational Psychologist	17	23

\* Only occupations where 10 or more people are needed in the sector are specified in this table.

Source: Fasset's data system, 2013

In the occupational group "Technicians and Associate Professionals" employers identified only two occupations in which a scarcity was experienced: Supply Chain Practitioners and Telecommunications Technical Officers or Technologists (Table 5-4).

**Table 5-4 Technician and associate professional occupations in which employers experienced skills shortages: 2013**

Occupation Code	Occupation Name	Number needed	
		2013/2014	2014/2015
333905	Supply Chain Practitioner	17	23
352201	Telecommunications Technical Officer or Technologist	17	23

\* Only occupations where 10 or more people are needed in the sector are specified in this table.

Source: Fasset's data system, 2013

Although clerical support workers are generally trained in-house and in a relatively short period of time, employers still reported shortages in some of these occupations such as debt collectors and contact centre consultants, accounts clerks, securities services administrative officers and payroll

clerks. In many instances employers are looking for people with post-school qualifications and experience in these occupational fields.

**Table 5-5 Clerical support occupations in which employers experienced skills shortages: 2013**

Occupation Code	Occupation Name	Number needed	
		2013/2014	2014/2015
411101	General Clerk	52	55
421401	Debt Collector	37	36
422201	Inbound Contact Centre Consultant	15	13
431101	Accounts Clerk	24	35
431202	Securities Services Administrative Officer	133	152
431301	Payroll Clerk	27	25

\* Only occupations where 10 or more people are needed in the sector are specified in this table.

Source: Fasset's data system, 2013

### ***c) Difficulties experienced in meeting employment equity targets***

Skills shortages are often linked to organisations' need to meet employment equity targets. This applies only to the medium size and large organisations in the sector that are bound by legislation to submit employment equity reports to the Department of Labour. In the Fasset sector this applies to approximately 8% of the organisations. In the Sector Survey almost all these organisations (6% of organisations in the sector) reported that they find it difficult to meet their employment equity targets (. All the organisations reported that there are specific positions in their organisations for which they cannot find suitable Black African candidates.

Apart from the consistent upward pressure on salaries and the premiums that organisations have to pay for Black (and especially African) candidates, employers also reported that the fierce competition in the market has led to high levels of turnover (job-hopping), as well as attitudes of entitlement among many black candidates.

## **5.2.2 PROFESSIONAL BODIES' VIEWS ON THE EXISTENCE OF SCARCE SKILLS IN THE SECTOR AND THE REST OF THE ECONOMY**

Professional bodies reiterated what some of the employers were saying - that shortages exist for financial, accounting and business skills: from certain categories of clerical support staff and technicians, through professional occupations to high-level managers. Some were of the opinion that skills shortages are impacting negatively on business in general and service delivery in the public sector in particular.

All the professional bodies interviewed emphasised the dire shortage of financial and accounting skills in the public sector, and more particularly in local government. The finance and accounting skills required in the public sector are unique and differ from the skills needed in the private sector. Finance and accounting skills are needed to comply with the PFMA and MFMA, Treasury Regulations, related regulations and public accounting standards. A number of professional bodies remarked that as a result of the acute skills shortages, financial and accounting skills are not utilised

appropriately. The shortage of qualified support staff to perform transactional level tasks places unnecessary pressure on CFOs and financial managers to manage bottlenecks and correct mistakes.

More technicians and associate professionals such as bookkeepers, accounting technicians, tax technicians to perform administrative and routine work related to tax compliance services and credit management workers such as credit clerks and debt administrators are needed. In the debt collection sector, a need for more well-trained call centre agents or debt collectors was identified.

At the professional level, shortages and needs in the following occupations and skills areas were identified:

- Cost and management accountants who understand the drivers of their businesses in commerce and industry to track performance, grow production and services, and to improve business efficiency;
- Financial accountants who understand broader business risks throughout the economy;
- General tax practitioners to review the work of tax technicians and tax administrators, deal with more complex matters and provide general tax advice to businesses and clients on a broad range of tax matters;
- Internal auditors with analytical and forensic skills across all economic sectors with an understanding of the broader business and operational risks in organisations;
- Forensic investigators with adequate analytical skills, as well as legal skills, to prepare criminal dockets and forensic reports in accordance with international standards;
- Finance and accounting practitioners in debt collection firms with analytical skills to assess and interrogate information and make effective decisions;
- Specialist and general financial skills to support the development of small business and perform essential financial support functions e.g. procurement, payroll and the preparation of financial statements;
- Debt collection and debt management skills, i.e. persons qualified at tertiary level and who understand their business environments;
- Operational skills in IT to safeguard data and support business operations in a finance and accounting environment;
- Compliance officers to ensure that businesses comply with mounting statutory requirements; and
- Skills in credit management across all the credit disciplines, including trade, consumer services, banking, insurance, public sector and debt administration.

There was a mixed response on the shortage of high-level financial and accounting skills, for example CA(SA)s. On the one hand, the need for high-level finance and accounting skills in three areas was emphasised:

- Firstly, there is a growing demand for well-rounded finance professionals who are trained for a sustainability agenda, i.e. to manage people (customers, employees and shareholders), the planet (the environment) and profits (costs, supply chain and operations). Financial professionals with this complex skills set are needed in all economic sectors and persons whose skills have matured and are able to manage a business for long-term sustainability are especially in demand. These skills are not only based on a qualification, but formed by other factors such as experience, and the ability to think critically and analytically.



- Secondly, there is a shortage of CAs, especially in the public sector. SAICA confirmed that the chartered accountancy profession is not producing sufficient numbers of CA(SA)s and auditors to meet public sector needs. As a result, the Office of the Auditor General deploys chartered accountants from India to audit local government. Although the number of Black African chartered accountants increased, the demand for them remains very high.
- Thirdly, financial services businesses need graduates in applied mathematics and statistics with strong analytical skills.

On the other hand, some reckoned that the need for high-level financial professionals in the private sector may be overstated. These bodies emphasised that the need for mid-level finance and accounting skills is more acute.

According to the professional bodies, there is a lack of specialist finance and commercial skills in certain occupations in the private and public sector.

- Tax specialists who are experts in distinct fields of taxation;
- Financial professionals with postgraduate specialist qualifications;
- Specialist internal auditors who meet international standards set by the organised audit profession and who are skilled in fraud deterrence measures;
- Forensic specialists who meet international standards of competence and practice and who are skilled in investigative techniques;
- Stockbrokers with specialist skills e.g. bond and equity brokers, as well as financial professionals with detailed knowledge of the stockbroking industry, to be employed as traders, portfolio managers, compliance officers, settlement officers and IT professionals.

More specialist skills are also required in occupations that provided administrative support such as qualified company secretaries (especially black people), technicians to support company secretarial functions and other specialised administration and support staff with the skills to interface with financial trading systems.

To summarise the top ten skills in the sector, a numeric approach has been taken; the 6-digit OFO codes in the greatest numeric demand are represented in the table below. The interventions that will address these top scarce skills are described below.

**Table 5-6 Top 10 Scarce Skills**

Occupation Code	Occupation Name	2013/ 2014	2014/ 2015	Fasset interventions
241104	External Auditor	413	407	Projects and grants to increase throughput on learnerships e.g. SAICA, SAIPA, CIMA, ACCA
241101	Accountant (General)	374	359	
241106	Accountant in Practice	154	108	
431202	Securities Services Administrative Officer	133	152	Projects and grants to increase throughput via qualifications
242211	Internal Auditor	129	135	Projects and grants to increase throughput on learnerships
121901	Corporate General Manager	88	136	Projects and grants to increase throughput via qualifications
121101	Finance Manager	81	21	Projects and grants to increase throughput on learnerships e.g. SAICA, SAIPA, CIMA,

Occupation Code	Occupation Name	2013/ 2014	2014/ 2015	Fasset interventions
				ACCA
242101	Management Consultant	79	78	Projects and grants to increase throughput via qualifications
241301	Financial Investment Advisor	77	69	Development of Financial Markets Practitioner learnership
121905	Programme or Project Manager	73	63	Projects and grants to increase throughput via qualifications

### 5.2.3 A NATIONAL AND INTERNATIONAL PERSPECTIVE ON SCARCE SKILLS

In May 2014 the Minister of Higher Education and Training published for the first time a (draft) list (for public comment) of the top 100 occupations in the country that are considered to be in short supply. This list was compiled using multiple sources of information and a relatively complex methodology. The intention is that this list should, among others, guide decision making with regard to skills development initiatives and funding allocations. A few occupations for which Fasset's sector typically provide education and training are included in this list. They are:

- Financial Manager (6<sup>th</sup> on the list)
- Accountant (General) (12<sup>th</sup> on the list)
- Financial Investment Advisor (86<sup>th</sup> on the list) and
- External Auditor (93<sup>rd</sup> on the list).<sup>45</sup>

The Gazette refers specifically to the fact that Chartered accountants are in high demand but that they are employed in a range of managerial and specialist occupations.

The phenomena of skills shortages and skills gaps are not unique to South Africa and to Fasset's sector. A recent study<sup>46</sup> in which 38 618 employers from 42 countries participated, revealed that skills shortages are experienced all over the world – a total of 35% of the employers who participated in the study reported difficulties in finding suitable candidates for certain occupations. Skills shortages seem to most acute in Japan, Brazil, Hong Kong, India and New Zealand. South Africa was found to be one of the countries with the lowest percentage of employers (6%) reporting skills shortages.

In this survey employers were asked to single out the one job they found most difficult to fill because of a lack of talent. Accounting and finance staff was fifth on list after skilled trade workers, engineers, sales representatives and technicians.

The largest percentage of employers who participated in this survey attributed the difficulties that they experienced in finding the right people for their hard-to-fill vacancies to a lack of people with the hard technical knowledge required for the specific job and they often mentioned a shortage of people with the required professional qualifications. A lack of experience and a lack of "employability" skills or work-readiness were also cited as factors contributing to skills shortages.

<sup>45</sup> Department of Higher Education and Training, Call For Comments on the National Scarce Skills List: Top 10 Occupations in Demand, Government Gazette No 37678, 23 May 2014.

<sup>46</sup> Manpower Group, *Talent Shortage Survey*, Milwaukee, USA. 2013

### 5.3 RESEARCH NEEDS OF THE SECTOR

The development of research skills and research and innovation capacity for the sector is an area of focus of NSDS III. In the Fasset Sector Survey 2012 the research needs as perceived by higher education institutions and the professional bodies in the sector were identified.

The higher education institutions highlighted several areas that require research (or in some instances further research).

- Benchmarking of accounting practices in South Africa;
- The development of a strategy that can lead to the coordinated planning and provision of learning programmes at accounting technician and professional levels (keeping articulation between these two levels in mind);
- The development of a model to integrate soft or pervasive skills in financial education and training;
- The establishment and maintenance of sustainable accounting and reporting;
- The actions needed to provide and retain skilled financial employees in all tiers of government (especially local government);
- The practice of forensic accounting;
- The continuation of research on accounting education, but with the specific need to:
  - determine the best practices in accounting education
  - determine the knowledge and skills that employers require and the alignment of learning programmes to these requirements;
- Policy issues in the field of taxation;
- Financial decision-making guidelines for individuals with a view to retirement;
- Implications of the new Companies Act for businesses and accounting practices; and
- International financial reporting standards.

The professional bodies identified a range of areas to be researched in the Fasset sector and in the broader economy. Many of the recommendations for research have relevance for businesses in general and not exclusively for the Fasset sector. Examples of such research needs are: the implications of new legislation for businesses; the requirements for integrated reporting of companies' financial, social and environmental affairs; best practices to ensure good corporate governance and compliance; measures to simplify the tax regime; and the impact of the tax burden on small and micro enterprises.

Research needs relevant to skills planning in the Fasset sector were also identified. These are:

- Research into bridging courses for accountancy and finance;
- Methodologies to quantify the return on investment in skills development of a Seta;
- The relevance of qualifications for accounting technicians and the skills development outcomes that employers require;
- Factors necessary to improve performance of accounting professionals in the workplace;
- Skills development needs for finance and accounting professionals and technicians; and
- Research on the pool of labour available to the debt collection industry.
- Determine the need for accountants in the South African economy as a whole, with particular reference to entry-level and mid-range accounting and financial skills;

- Assess the impact of investments and interventions in accountancy training in specific areas, such as the development of accounting technicians for local government and the public sector;
- Define the factors that enable school leavers to enter the job market successfully;
- Enquire into the qualifications and quality of accounting teachers at secondary level and determine the causes of the high failure rate in accounting at secondary school level; and
- Determine what Setas and other role-players can do to improve the skills base for the entire country (considering that skills development legislation has been in place for a decade, but improvement of the skills base has been slow).

A number of professional bodies also made recommendations for research in the sphere of local government and the public sector. The research requirements mostly relate to operational and service delivery challenges such as performance management, procurement practices and models for efficient service delivery.

Research into salary trends in the sector would assist in illustrating the scarce skills situation and determining the extent of scarcity and demand. This is an area to be considered in future SSPs as part of the Seta's research agenda.

#### 5.4 CONCLUSIONS

Although the need for accounting skills is evident from the research underpinning this SSP, it is also clear that the focus of skills development strategies for Fasset's sector should be on a relatively broad spectrum of professional fields and at NQF Level 5 and higher. In the longer term the shortages of managers are likely to be alleviated by an increase in the availability of professionals.

Financial skills shortages in the rest of the economy exacerbate the skills shortage situation in Fasset's sector and increase the pressure on the professional bodies and organisations in the sector that serve as training organisations to increase the numbers of financial professionals available to the South African labour market. However, organisations are constrained in this respect because there not enough trainees entering the professional learnerships.

It is important to note that the skills shortages experienced in Fasset's sector touch on the core of the activities of the sector – i.e. core professional financial high-level and mid-level skills. Without these skills the growth of the sector may be stifled. The existence of skills shortages was confirmed by employers and, as Section 2-10 shows, employers are in part handling the situation by employing people from other countries. However, financial skills shortages are experienced in many other countries in the world too. That means that there is a limited international talent pool from which South Africa can source these skills.

The research needs identified in the sector span both technical issues and skills-related issues. Many of the latter relate to methods and models that can be used to teach relevant subject matter more effectively.

## 6 SKILLS DEVELOPMENT PRIORITIES 2015 – 2020

### 6.1 INTRODUCTION

This chapter outlines the broad skills development priorities that Fasset wants to address in the five-year period from 1 April 2014 to 31 March 2019. The skills development priorities were derived from an analysis of the skills situation in the sector, as well as the situation with regard to financial skills in the rest of the economy. As indicated in the previous chapter, there is a close interaction between Fasset's sector and the other sectors in the economy in the demand for, and the supply of, financial skills.

In the setting of skills development priorities for the planning period, Fasset's Accounting Authority (Board) took into consideration the needs of the sector as they emerged from the analysis presented in the preceding five chapters as well as certain national imperatives and cross-cutting objectives emanating from Government's national strategies, policies and the skills needs of the broader economy for Fasset to act as an incubator of finance and accounting skills.

This chapter outlines in the first instance the general approach taken and the factors considered in the formulation of skills development priorities. The chapter also explains the factors that were considered in the formulation of the priorities and lastly it indicates how the priorities address certain of Government's policy objectives and how they support Government's initiatives to grow the economy and to improve the skills base of the South African labour force.

### 6.2 FASSET'S GENERAL APPROACH TO THE FORMULATION OF SKILLS DEVELOPMENT PRIORITIES

In the setting of skills development priorities, the Board first took into consideration the skills formation process as it spans the lifetimes of individuals. This process is illustrated in Figure 6-1. As indicated in Chapter 4 of this SSP, skills formation already starts at school level. It then continues through post-school education to the point where a person enters the labour market for the first time. This entire skills formation process is also referred to as the Education and Skills Pipeline.

Two very important transitional moments in this process are the transition from school to post-school education and from post-school education to the labour market. Once established in the labour market, people need to continue with the development of skills in order to progress in their careers and in order to stay abreast with changes in the world of work.

In the conceptualisation of skills development priorities and interventions for the Seta, Fasset attempts to address the full spectrum of the pipeline to varying extents. Emphasis is placed on overcoming the challenges at every point in the skills formation pipeline as they transpired in the analysis presented in the first five chapters of this SSP. This is depicted in Figure 6-1 below.

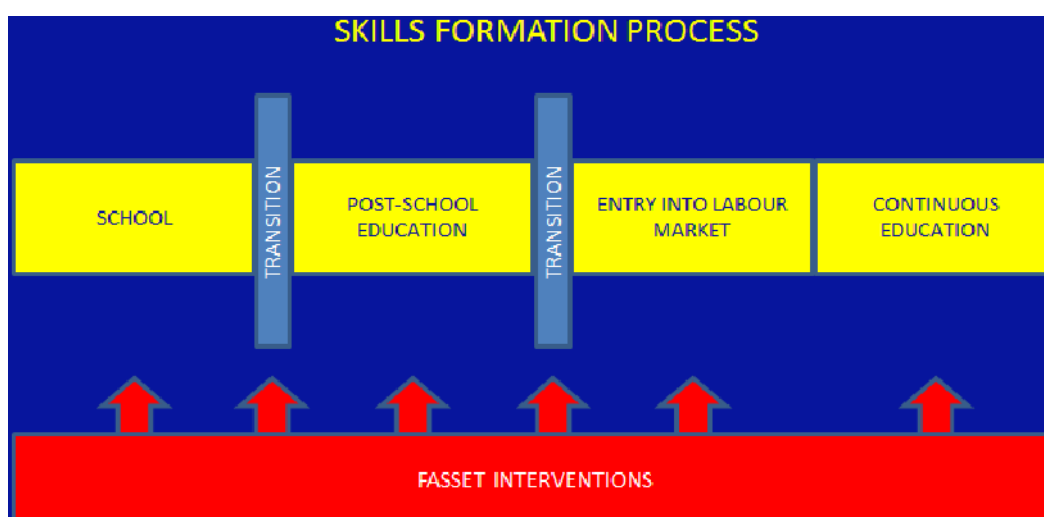


Figure 6-1 The education and skills formation pipeline and Fasset's interventions along the process

The key challenges faced at each point in the education and skills formation pipeline are summarised in Table 6-1 below.

Table 6-1 Key challenges in skills formation in Fasset's sector

KEY POINT IN PIPELINE		KEY CHALLENGES
FET LEVEL	School	Maths passes
		Career Guidance
	FET Colleges	Content of N Courses
		Lecturer capacity
		Infrastructure
	Work placements (N Diploma)	
	Professional body qualifications	Qualifications in demand outside Fasset's sector
		Work experience needed for completion of qualifications
HET Level	Students - First degrees and diplomas	Need for financial assistance
		Low throughput rates
	Students - Post graduate degrees	Low pass rate on CTA
	Professional body qualifications	Insufficient number of learners progress to professional status
Slower transformation at this level		
Drop-out from learnerships before completion		
Workplace	Job seekers	Work readiness and ability to find employment
	Ownership of firms	Slow transformation
	Employees	Scarcities remain in certain occupations
		Transformation of sector profile
		Career development - challenging for small firms
	Need for high-level specialisation remains	

Fasset shares the responsibility of skills formation with many other role players, including Government, the post-school education and training system, professional bodies and employers. In its strategic decision-making, Fasset's Board also had to consider the Seta's responsibilities and available resources in relation to the responsibilities and resources of other role players.

Although Fasset has, since its inception, taken on responsibilities with regard to the development of financial skills beyond its own sector, it is intending to further strengthen this role in the period 2015 to 2020 through funding allocated to Fasset's incubator role. At this stage Fasset has been actively involved in joint projects with several other Setas, including the Local Government Seta (LGSETA), where the AAT(SA) is currently up-skilling employees in the financial divisions of local government, merSETA (Manufacturing, Engineering and Related Services Sector Education and Training Authority) and the W&RSETA (Wholesale and Retail Sector Education and Training Authority) where AAT(SA) where employees in firms in these sectors have been up-skilled.

### **6.3 ALIGNING FASSET OBJECTIVES TO THE NSDS AND THE TO THE NATIONAL DEVELOPMENT PLAN (NDP)**

Two important policies guide the Seta's delivery in the current SSP. Other relevant policies are outlined in Annexure C – Cross-cutting objectives. The framework for NSDS III outlines certain strategic focus areas that will form part of all Fasset's interventions. Specific areas of this policy will be addressed in certain funding widows and consequent projects.

In the development of the skills development priorities Fasset took into account the skills formation process as it spans the lifetimes of individuals, along the educational pipeline. It furthermore took into consideration the specific skills needs of the sector, the objectives set by the NSDS III framework and NSDS III cross-cutting objectives (race, class, disability, youth, HIV/AIDS, gender and geographical presence).

In addition to the NSDS, the National Development Plan (NDP) forms an important government policy against which Setas should align their strategies and it influenced Fasset's skills planning as reflected in this SSP update. Various aspects of the NDP were considered, the most important of which are the following:

- The NDP states that "South Africa needs a post-school system that provides a range of accessible options for younger and older people. The system should be capable of adapting to changes in technology, industry, population dynamics and global trends. Accelerating economic growth requires science, technology, vocational and technical skills, and they need to be produced quickly. To promote lifelong learning, post-school institutions should accept students who are academically less prepared and provide them with targeted support."<sup>47</sup> Fasset's skills development programmes provide targeted support to students and learners across the total skills formation pipeline – i.e. younger and older people.
- The NDP requires the post-school education and training system to respond to the skills needs of all sectors of society, including business, industry and government.<sup>48</sup> Fasset's skills interventions are specifically designed to reach beyond its own sector to develop financial skills for all sectors of the economy.

<sup>47</sup> National Development Plan, 2013, p. 316.

<sup>48</sup> Ibid, pp. 316 – 317.



- The NDP emphasises the need to raise education and training levels to produce highly skilled professionals and technicians. It specifically mentions the need for financial management and chartered accountancy skills. Fasset's main focus is the development of highly skilled professionals and technicians in the financial field.
- The NDP places a high premium on the provision of lifelong learning to a wide range of candidates. Fasset contributes by providing lifelong learning opportunities to individuals working in its sector.
- The NDP also requires the post-school system to develop partnership to play a strong role in national and regional initiatives. Fasset has built (and continues to build) partnerships with a network of educational institutions, professional bodies and employers to develop financial skills for the South African economy.
- It stands to reason that the availability of sufficient numbers and quality financial professionals are crucial to the success of most of the development initiatives proposed by the NDP. The infrastructure development initiatives are, for example dependent on financial management skills. Corruption can only be contained in the presence of strong financial management and auditing skills and with financial professionals who are bound to ethical behaviour. Similarly, the National Health Insurance System and the improvement of the health and social welfare sectors are critically dependent on financial skills. It is with all these development objectives in mind that Fasset is focussing on increasing the numbers of financial skills developed at all levels, improving the quality of education and training, and on increasing the throughput rates throughout the educational pipeline.

#### **6.4 THE WHITE PAPER FOR POST-SCHOOL EDUCATION AND TRAINING**

The White Paper for Post-School Education and Training was approved by Cabinet on 20 November 2013. Although many aspects of its implementation still need to be fleshed out by the various role players, Fasset took cognisance of the general direction indicated by the White Paper and aligned its strategy accordingly. Specific areas that were considered are:

##### ***The FET College system***

The White Paper states that the DHET's highest priority is to strengthen and expand the public FET colleges (now called Technical and Vocational Education and Training (FET) Colleges) to become attractive institutions of choice for school leavers. The aim is also to strengthen the curricula of the colleges and to better align them to the needs of the labour market. Another objective is to strengthen the relationships between employers and the colleges. Fasset has over the last two to three years developed a strong focus on the colleges and has several interventions underway in support of the aims mentioned above. These interventions include support in the revision of curricula, staff development at the colleges, the placement of students on the National Diploma courses for workplace experience and learner enrichment interventions.

##### ***Universities***

The White Paper states that the universities have embraced the concept of an integrated post-school education system. It also states that universities should seek to expand their partnerships with employers in order to secure work experience opportunities for students – especially in fields where work experience is necessary for professional registration. Fasset, the professional bodies in the sector and employers have long-standing arrangements for the provision of work experience for



prospective financial professionals. Fasset is continuously busy with the identification of new areas where professional learnerships are needed and with the development of relevant learning programmes in collaboration with the universities, professional bodies and employers. During the previous and current financial years professional learnerships have been developed in the fields of taxation and financial markets, for example. Work placements are also incentivised and supported through the PIVOTAL grant scheme. This work will continue during the planning period covered by this SSP update.

### ***Linking education and the workplace***

The White Paper emphasises the importance of learnerships and internships in non-artisan fields and the role that Setas have to play in the promotion of these forms of learning. It also states that the roles of Setas and the NSF will be clarified and simplified with the Setas clearly focusing on the development of skills of people already working in enterprises and on a skills pipeline to such workplaces while the NSF will focus on national development strategies and priorities. Fasset has a clear focus on the skills pipeline and on the development of people in the workplace.

In terms of skills planning the White Paper proposes a central planning system which will be located in the DHET. Setas will be required to supply sector-specific information to such a central planning system. Fasset has, over the years, built up an information system. However, the efficient collection and storage of data will receive further attention in the planning period.

### ***Measuring the impact of education and training interventions***

The White Paper stresses the importance of researching the levels of efficacy and efficiency that are being achieved in education and training and to identify where any blockages in the system may be emerging. Such research should enable a more detailed and informed understanding of the skills deficits and the areas for focused growth linked to the country's needs.

The need for an overarching impact assessment framework will assist in the evaluation of the attainment of strategic objectives, Seta performance against NSDS targets and as part of general reporting requirements against various national imperatives and good governance practices.

This is particularly important in the public sector environment where there is an increasing need for Setas to account for the expenditure of public funds and the corresponding value that is added in the delivery of skills development initiatives. Setas also need to provide evidence that their skills development initiatives contribute meaningfully to addressing the various skills challenges in the country.

A Seta impact assessment framework is therefore required as a mechanism to track, monitor, evaluate, determine effect, report, identify gaps in performance and, based on past experience, inform future actions to be pursued. The process as well as indicators to be used for such assessments will also be included in this framework.

## **6.5 OTHER POLICIES**

Other important government policies were also considered, including the Medium-Term Strategic Framework (MTSF), the Human Resource Development Strategy-South Africa (HRD-SA), Industrial Policy Action Plan (IPAP), the New Growth Plan (NGP) and the National Skills Accord (NSA) and the

Minister of Higher Education and Training's Performance Agreement with the President. These have been described in detail in Annexure C – Cross-cutting objectives.

Fasset did not only consider the needs of its own sector but also the financial needs of the rest of the economy. Together with its network of stakeholders Fasset is well-positioned to play a major role in alleviating cross-sectoral skills shortages, as an incubator sector for financial and accounting skills across the broader economy.

## 6.6 SKILLS DEVELOPMENT PRIORITIES FOR THE PERIOD 2015 TO 2020

After considering the analysis presented in the preceding five chapters, the requirements of the Fasset sector as well as certain national imperatives and cross-cutting objectives emanating from Government's national strategies and policies and the skills needs of the broader economy, for Fasset to act as an incubator of finance and accounting skills, three skills development priorities for the 2015 to 2020 period were identified and are described below. These are 1) Increase the flow of new finance and accountancy entrants to employment, 2) Develop and grow the skills required in the sector, and 3) Facilitate transformation of the Financial and Accounting Services Sector.

### 6.6.1 INCREASING THE FLOW OF NEW FINANCE AND ACCOUNTANCY ENTRANTS TO EMPLOYMENT

Fasset's first overarching priority is to ensure a steady increase in the flow of new finance and accountancy entrants to the sector and into the financial divisions in organisations in the rest of the economy. Thus, the Seta's role in ensuring that the pipeline of education and skills is addressed is critical, in its capacity as the incubator sector for finance and accounting skills. This increase should be large enough to provide for the systematic eradication of the skills shortages that are currently experienced, for the expected growth of the economy, and for the replacement demand that exists in the sector. New entrants should possess the professional and technical qualifications required by the sector and should increasingly reflect the racial composition of the South African population. This priority focuses on different places in the access routes into the sector, as described in Figure 6-2 of this SSP. The priorities also address the different components of the education and training pipeline into the sector – from FET level through to workplace training.

The specific priorities related to the overarching priority of increasing the flow of new finance and accountancy entrants to the labour market are listed in Figure 6-2 below. The way in which they relate to the different components of the skills development pipeline are shown in Figure 6-2.

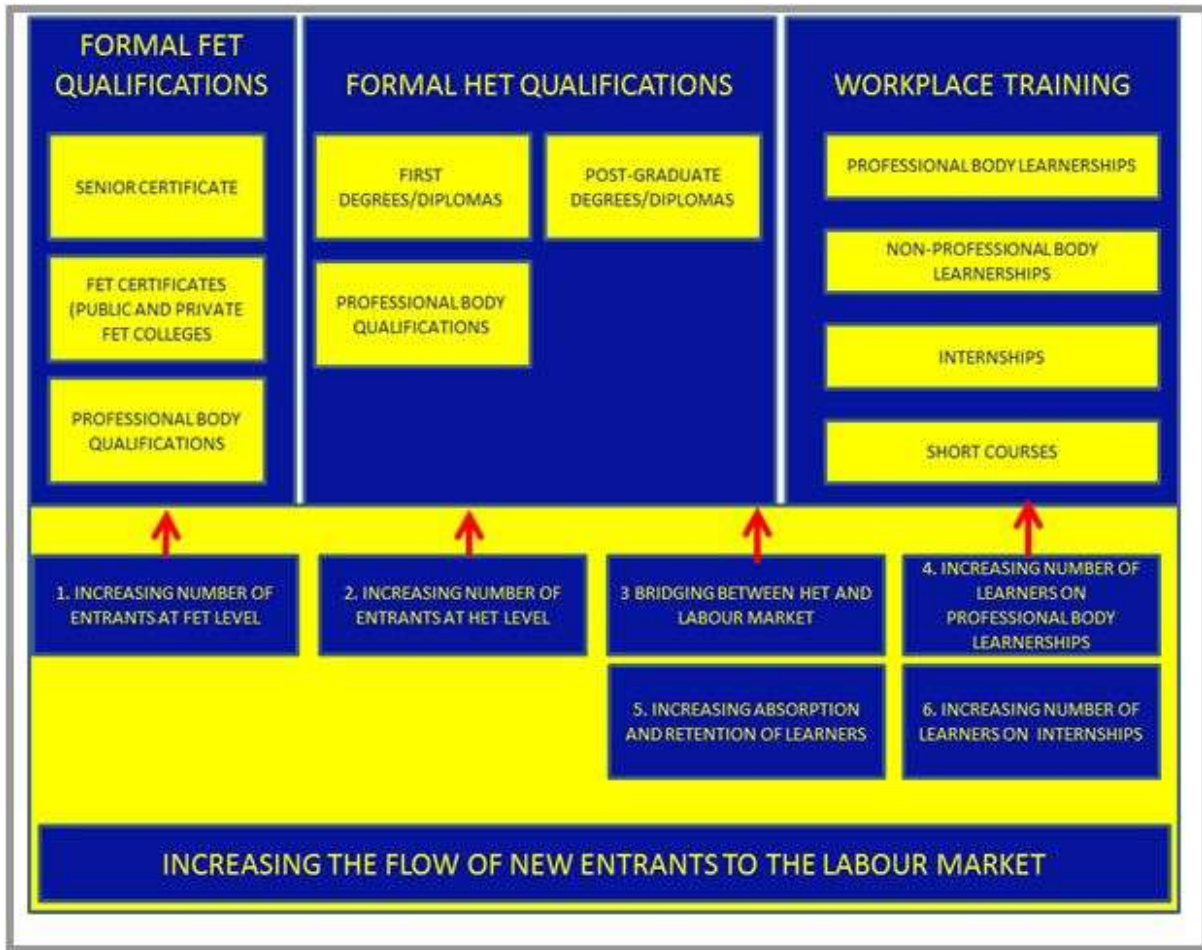


Figure 6-2 Fasset’s first priority in relation to the skills development pipeline

Fasset’s interventions start before FET level, with career guidance initiatives and continue through to full professional levels. Fasset addresses the skills needs in the sector, as well as the broader economy, via its role as a Seta.

Table 6-2 Skills development priorities (aligned to NSDS objectives) to increase the flow of new entrants to the labour market

#	Priority	Entry route	Level of skill
1	Increasing the flow of new finance and accounting entrants to employment	Entry route 1	Middle level skills
2	Increasing the number of entrants at HET level	Entry route 2	High level skill
3	Increasing the number of entrants to the employment	Entry route 3 and 4	High level skill
4	Developing work readiness of entrants at HET level	Entry route 2	High level skill
5	Increasing the number of learners who qualify on professional body learnerships	Entry route 3 and 4	High level skill

#	Priority	Entry route	Level of skill
6	Increasing the retention, work readiness and employment absorption of learners on learner-ships	Entry route 3 and 4	High level skill
7	Increasing the number of learners that enter the employment through internships	Entry route 6	High level skill

### 6.6.2 DEVELOPING AND GROWING THE SKILLS REQUIRED IN THE SECTOR

Fasset's overall priority is to ensure that all employees in the sector have access to quality education and training. This education and training should be linked to the business objectives of employer organisations and, in medium-sized- and large organisations; it should support the employment equity plans of the organisations. The specific skills development priorities that will be addressed in the five-year period covered by this SSP are listed in Table 6-3 below. The priorities address the workplace skills formation components described in Figure 4-3 and Section 4.4 of this SSP.

Public sector organisations will become more involved in skills development initiatives owing to a directive issued by the Department of Public Service and Administration (DPSA) ordering government departments to pay a percentage of the one per cent skills development levy to Setas.

**Table 6-3 Skills development priorities to develop and maintain the skills base of the current workforce**

#	Priority	Entry route	Level of skill
8	Increasing the number of employees in employment at a FET and HET levels	Entry route 5	Mid and high level skill
9	Ensuring that employees receive training (short courses and skills programmes)	Entry route 5	Mid and high level skill
10	Supporting skills development in small organisations	Entry route 5	Mid and high level skill

### 6.6.3 FACILITATING TRANSFORMATION OF THE FINANCIAL AND ACCOUNTING SERVICES SECTOR

Black African people and people with disabilities are under-represented at a professional, management and senior management level in the Fasset sector. Fasset, professional bodies associated with Fasset and educational institutions, have, for many years been engaged in initiatives to ensure that this skewed demographic is transformed.

Financial professionals form the core of employment in the sector and it is therefore imperative that young talented Black African professionals and people with disabilities are attracted into the sector

and complete relevant further and tertiary qualifications, as well as professional body learnerships in order to become full members of the professional bodies active in the sector.

As indicated above, the only population group that is under-represented in Fasset's sector is African Black people. People with disabilities of all races, are under-represented in this sector. For this reason, one of the fundamental goals of the Fasset Seta is to address the demographic imbalance of employment in the sector by directing funding into numerous initiatives for Black African people across the educational and career pipeline.

**Table 6-4 Skills development priorities to facilitate transformation in the Fasset sector**

#	Priority	Entry route	Level of skill
11	Increasing the number of Black African entrants to the employment at FET level	Entry route 1	Mid level skill
12	Increasing the number of Black African entrants at HET level	Entry route 2	High level skill
13	Increasing the number of Black African entrants to the employment	Entry route 3 and 4	High level skill
14	Developing work readiness of entrants at HET level	Entry route 2	High level skill
15	Increasing the number of learners who qualify on professional body learnerships	Entry route 3 and 4	High level skill
16	Increasing the retention, work readiness and employment absorption of learners on learnerships	Entry route 3 and 4	Mid and high level skill
17	Increasing the number of learners that enter the employment through internships	Entry route 6	High level skill
18	Increasing the number of employees in the employment at a FET and HET levels	Entry route 3 and 4	Mid and high level skill
19	Ensuring that employees receive training (short courses and skills programmes)	Entry route 5	Mid and high level skill
20	Supporting skills development in small organisations (Middle and high level skills)	Entry route 5	Mid and high level skill

## 6.7 CONCLUSIONS

This chapter outlined, in broad terms, the skills development priorities for the Financial and Accounting Services Sector for the period 2015 to 2020. These priorities will guide Fasset's funding strategies and activities. The three broad areas covered by the skills development priorities are:

- Increase the flow of new finance and accountancy entrants to employment,
- Develop and grow the skills required in the sector, and

- Facilitate transformation of the finance and accountancy sector.

Specific priorities were set for each of these broad priority areas. In the next chapter specific objectives and proposed targets to which Fasset can commit to are described.

DRAFT

## 7 SECTOR STRATEGIES, GOALS AND OBJECTIVES

### 7.1 INTRODUCTION

The chapter begins with the definition of the funding mechanisms and grant system that Fasset will apply during the 2014 to 2015 period. Following this, the sector strategies are mapped to the outcomes and outputs of the National Skills Development Strategy (NSDS) III for the 2015 to 2016 period, and planned applicable interventions are plotted against Outcome 5 of the President's Outcomes Approach to Planning Government's Work. The chapter closes with an outline of the monitoring and evaluation approach of the SETA.

### 7.2 ORIGIN AND FLOW OF FASSET FUNDS

The main source of revenue for the upcoming period is the Skills Development Levy (SDL), as a key input to Fasset as a public entity, paid by employers, including government departments (equivalent to 30% of 1% of the payroll) in accordance with the Skills Development Levies Act (SDLA) of 1999 (as amended) as well as the directive from the Department of Public Service and Administration (DPSA). The employer pays the SDL over to SARS, the collection agent for the SDL (except for government departments where the contribution is made directly to the SETA). Twenty per cent of the SDL is transferred to the National Skills Fund (NSF), and 80% is transferred to the SETA. The levy contribution is dependent on the number of employees who are employed by organisations (80% of the levies of employers that are registered with Fasset in line with the Standard Industrial Classification (SIC) codes that belong to Fasset).

In terms of the SETA grant regulations, 10.5% of the levies received are used for Administration costs. This allocation is used to run Fasset. The remainder of the funding allocation has been revised as follows, in line with the new regulations:

- 20% is paid out in terms of the legislated Mandatory Grants. Any unclaimed Mandatory Grants are transferred to the discretionary fund.
- A minimum of 80% is allocated to the discretionary fund and will be used for PIVOTAL (Professional, Vocational, Technical and Academic) programmes that align to the strategic interventions as detailed in the Strategic Plan (SP). Fasset has aligned the SETA's definition of PIVOTAL programmes to be in line with the funding regulations of December 2012 (i.e. The SETA's Grant Regulations Regarding Monies Received by a SETA and Related Matters, which was gazetted on 3 December 2012 and came into effect on 1 April 2013) (hereinafter referred to as the 'Funding Regulations (2013)'). Programmes will be linked to the Learning Programmes Matrix (LPM) released by the Department of Trade and Industry (dti) in terms of the Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice and will include learnerships, internships, professional qualifications and work readiness programmes leading to a full or part-qualification registered on the National Qualifications Framework (NQF). Detail of the LPM is included in Annexure Annexure D – Learning Programmes Matrix.

- 25.5% received from Government departments will be split between 22.95% allocated to discretionary funding and 2.55% allocated to the administration budget.<sup>49</sup>
- Any additional income received is allocated to discretionary projects.

See Table 7-1 below for a representation of this flow of funds.

At the July 2014 strategic planning session, the Board identified three broad skills priority areas. These are:

1. Increase the flow of new finance and accountancy entrants to employment
2. Develop and grow the skills required in the sector
3. Facilitate transformation of the finance and accountancy sector

These broad skills priority areas have been described in detail in Chapter 6. The funding allocation that has been approved by the Fasset Board for the 2014/2015 financial year is depicted in Table 7-1 below.

**Table 7-1 Allocation of funds 2014/2015**

Allocation Item	Income (in Rands)	Expenditure (in Rands)
Income (Levy income and Investment income) (including levies received from Government departments)	442,599,942	
Admin expenditure (including Capex)		42,358,626
Mandatory Grants		83,717,137
<i>Discretionary Funding: PIVOTAL Programmes</i>		
To support employment and skills development inside and outside of the Fasset sector for Black Africans and People with Disabilities		253,219,344
<i>Discretionary Funding: Non-PIVOTAL Programmes</i>		
To support skills development inside the Fasset sector for all people, regardless of demographic status		63,304,835
<b>TOTAL</b>		<b>442,599,942</b>

Note: The allocation of funds (expenditure) has been done on the accrual basis, based on Fasset's own projection of levy and other income which is based on previous experience.

### 7.3 DEFINITION OF FUNDING SOURCES AND MECHANISMS

The table above identify the funding sources required to support the sector strategies presented and the funding mechanisms that will be applied in order to support the skills development priorities. In the section below, Fasset outlines its strategy and interventions for the period of this SSP, as decided by the Fasset Board. The Funding Regulations (2012) has also been taken into account in our budgeting and skills programme interventions.

<sup>49</sup> The South African Revenue Service is contributing the SDL in terms of the DPSA directive, as opposed to contribution 1% of the payroll.



### 7.3.1 MANDATORY GRANTS

Mandatory Grants are paid to SDL payers who submit Skills Development Plans (SDPs) (formerly known as the Workplace Skills Plan (WSP) and Annual Training Reports (ATRs) to the SETAs. SETAs are required to pay these grants if organisations that submit the grant applications comply with certain minimum requirements. Levy payers can claim 20% of their SDL through Mandatory Grants in line with the December 2012 funding regulations.

### 7.3.2 DISCRETIONARY FUNDING

Discretionary funding is awarded at the SETA Board's discretion and focused on increasing access to occupationally-directed programmes in strategic areas as well as to expand the availability of skills. A transformation focus has been included as a key imperative. For the 2015 – 2016 financial year, Fasset will be allocating its discretionary funding to the following three broad strategic priority areas:

1. Increase the flow of new finance and accountancy entrants to employment
2. Develop and grow the skills required in the sector
3. Facilitate transformation of the finance and accountancy sector

A high level allocation of funding has been decided, as indicated in Table 7-1. As per the Funding Regulations (2012) the discretionary funding budget has been allocated across PIVOTAL and non-PIVOTAL Programmes. The goal of the PIVOTAL allocation is to support employment and skills development inside and outside of the Fasset sector, and the target group is African people and People with Disabilities. The goal of the non-PIVOTAL allocation is to support skills development initiatives inside the Fasset sector, and the target group is all people, regardless of their population group, gender and disability status.

The Seta Board will be finalising the allocation of funding to specific intervention areas at their next Board meeting, in September 2014.

### 7.3.3 INTERVENTIONS ADDRESSING SCARCE SKILLS

The scarce skills in the Fasset sector will, ultimately, be alleviated by the mandatory and discretionary funding allocated. Table 7-2 indicates how the top ten scarce skills in the sector will likely be addressed by Fasset interventions. The Seta Board will be finalising the allocation of funding to specific intervention areas at their next Board meeting, in September 2014.

**Table 7-2 Interventions addressing scarce skills**

Occupation Code	Occupation Name	2015-16	Fasset interventions
241104	External Auditor	407	Various projects and grants to increase throughput on SAICA and SAIPA learnerships
241101	Accountant (General)	359	
241106	Accountant in Practice	108	
431202	Securities Services Administrative Officer	152	Employer Grants Bridging Projects
242211	Internal Auditor	135	Employer Grants Bridging Projects
121901	Corporate General Manager	136	Employer Grants

Occupation Code	Occupation Name	2015-16	Fasset interventions
			Bridging Projects
121101	Finance Manager	21	Various projects and grants to increase throughput on SAICA and SAIPA learnerships
242101	Management Consultant	78	Employer Grants Bridging Projects
241301	Financial Investment Advisor	69	Development of Financial Markets Practitioner learnership
121905	Programme or Project Manager	63	Employer Grants Bridging Projects

#### 7.4 FUNDING STRUCTURE THAT WILL APPLY DURING THE PERIOD

The objectives set out above, and the strategies to meet these objectives, will impact on the funding structure that will be applicable from 1 April 2015.

In terms of the new grant funding regulations, 20% of levies paid will go to the NSF and 10.5% will be available for SETA administration while 69.5% of levies paid may be available for grants. Twenty per cent of the levies paid by organisations will be available for Mandatory Grants, to be paid for the submission of a SDP and ATR.

Unclaimed SDL will be made available for other discretionary interventions. The discretionary interventions to be funded will address Fasset's obligation as an 'incubator' training scarce skills occupations to address shortages within the sector, as well as outside the Fasset sector. In addition, Fasset will focus on supporting the skills level of employees inside the sector, ensuring that their skills remain relevant.

#### 7.5 MISSION AND GOALS

The Fasset mission reads:

1. Increase the flow of new finance and accountancy entrants to employment
2. Develop and grow the skills required in the sector
3. Facilitate transformation of the finance and accountancy sector

The four Fasset goals for 2015-2016 are as follows:

1. To conduct research into the skills needed in the sector and to provide stakeholders with information needed to make informed decisions on skills development.
2. To support skills development initiatives to produce mid-level and high-level skills and transform the sector.
3. To support workplaces in the sector to develop and grow the skills levels of the current workforce.
4. To facilitate initiatives to grow finance and accounting skills enabling employability in the wider economy.

It is evident from the research underpinning this SSP that the focus of skills development strategies within the sector should be to the full spectrum of the skills formation process across the post-schooling system. This, as well as the Fasset's incubator role and the transformation imperative

have been taken into account into the identified interventions as funded by Fasset that are described in Table 7-3 directly below.

**Table 7-3 Fasset Implementation Plan 2015-2016**

#	Goal	Target *	Budget *
1	To conduct research into the skills needed in the sector and to provide stakeholders with information needed to make informed decisions on skills development.	NA	R 3 627 000
2	To support skills development initiatives to produce mid-level and high-level skills and transform the sector.	5755	R 337 000 000
3	To support workplaces in the sector to develop and grow the skills levels of the current workforce.	24 420	R 227 527 000
4	To facilitate initiatives to grow finance and accounting skills enabling employability in the wider economy.	3135	R 221 600 000

\* Certain programmes have been double-counted across goals which results in the total budget exceeding the available discretionary income.

The Seta Board will be finalising the detail and allocation of funding to specific interventions at their next Board meeting, in September 2014. The complete NSDS implementation for 2015/2016 will be outlined in terms of:

- Fasset Output
- Fasset 2015 to 2016 Intervention
- 2011 to 2016 Fasset Output
- 2015 to 2016 Risks
- Mitigating Actions
- Budget
- Functional Department
- NSDS 2011 to 2016 Output

## 7.6 SUPPORT OF THE PRESIDENT'S OUTCOMES

Fasset supports the President's Outcomes Approach to Planning Government's Work. Of the ten outcomes, Outcome 5, "a Skilled and Capable Workforce to Support an Inclusive Growth Path", relates directly to the Minister of Higher Education and Training outcomes. Fasset will contribute towards achieving this outcome (as aligned to NSDS III) which are aligned to the Minister's outputs. The Seta Board will be finalising the detail and allocation of funding to specific interventions at their next Board meeting, in September 2014. The alignment of the Fasset interventions in support of the President's Outcomes Approach to Planning Government's Work (Outcome 5) will then be outlined.

- Minister's Outcome
- 2015 to 2016 Fasset Output
- 2015 to 2016 Interventions

## 7.7 FINANCIAL PROJECTIONS

Table 7-4 below gives an overview of the expected financial position of Fasset over 2015 to 2016. This includes Mandatory Grant and Discretionary Grant income.

**Table 7-4 High level financial projections for the 2015 to 2016 period, the five-year period and MTEF estimates (on accrual basis)**

<b>FASSET</b>					
<b>Draft 2015/16 - 2019/20 Budget</b>					
	<b>2015/16 Budget (Prelim)</b>	<b>2016/17 Budget (Prelim)</b>	<b>2017/18 Budget (Prelim)</b>	<b>2018/19 Budget (Prelim)</b>	<b>2019/20 Budget (Prelim)</b>
<b>INCOME</b>					
<b>Levy income (80%)</b>	460 573 736	497 419 635	537 213 206	580 190 262	626 605 483
Admin Levies received (10.5%)	60 450 303	65 286 327	70 509 233	76 149 972	82 241 970
Discretionary Levies received (49.5%)	284 979 999	307 778 399	332 400 671	358 992 725	387 712 143
Mandatory Levies received (20%)	115 143 434	124 354 909	134 303 301	145 047 566	156 651 371
<b>Levies received Government Departments</b>	<b>25 432 551</b>	<b>27 467 155</b>	<b>29 664 527</b>	<b>32 037 690</b>	<b>34 600 705</b>
Admin Levies	8 477 517	9 155 718	9 888 176	10 679 230	11 533 568
Discretionary Levies	16 955 034	18 311 437	19 776 352	21 358 460	23 067 136
Investment income	14 850 000	16 038 000	17 321 040	18 706 723	20 203 261
Other income	-	-	-	-	-
<b>TOTAL INCOME</b>	<b>500 856 287</b>	<b>540 924 790</b>	<b>584 198 773</b>	<b>630 934 675</b>	<b>681 409 449</b>
<b>EXPENDITURE</b>					
Administration Expenses (Total)	46 351 600	50 059 728	54 064 507	58 389 667	63 060 841
Mandatory Grant Expenses (payout % of 78%)	93 391 867	100 863 217	108 932 274	117 646 856	127 058 604
Discretionary Grant Expenses	361 112 819	390 001 845	421 201 993	454 898 152	491 290 004
Pivotal programmes	288 890 256	312 001 476	336 961 594	363 918 522	393 032 003
Other discretionary projects	72 222 564	78 000 369	84 240 399	90 979 630	98 258 001
<b>TOTAL EXPENSES</b>	<b>500 856 287</b>	<b>540 924 790</b>	<b>584 198 773</b>	<b>630 934 675</b>	<b>681 409 449</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The financial assumptions are as follows:

1. The budget is based on the mandate that must be performed.
2. The administration budget expenditure does not exceed 10.5%.
3. The mandatory grant expenditure is based on a payout ratio of 81% on Fasset's estimated mandatory grant levy income (based on historical experience).
4. All unspent administration expenditure and mandatory levies will be used to fund discretionary projects and -grants.
5. Salary increases: All current staff will remain with Fasset. Increase will include an inflation-linked component, a performance component and structural adjustments. The budget includes a component of performance bonuses. There are no level adjustments planned for staff.
6. Cost inflation: Inflationary increases were applied to the majority of administration costs (stationery, printing, postage, insurance, bank charges, etc.).
7. Equipment replacement strategy: As per Fasset's policy computer equipment is replaced every three years. Some of the office equipment and furniture and fittings require replacement as they are past their economic useful life.
8. Investment income is expected to increase over the next 5 years as cash balances increase due to the expenditure cap.
9. Cost saving measures: The administration expenditure budget was prepared to comply with the 10.5% legislative requirement.
10. Reprioritisation of resources: Not applicable.

## 7.8 MONITORING TRENDS AND IMPACT

Fasset's objective is to monitor trends and changing needs in the sector and (wherever possible) to measure and assess the impact of its interventions on a regular basis.

### 7.8.1 STRATEGIES

#### a) *Assessment of critical skills and skills shortages*

Fasset will assess skills shortages in the sector every year as part of the update to the SSP and via the annual grants analysis. Every five years the SETA will conduct a sector study which will provide insight into changes in the sector from one period to another. The third sector survey since the SETA's establishment in 2000 took place in the 2014/2015 period.

#### b) *Assessment of impact of interventions*

The SETA has a declared objective to measure the impact and effectiveness of interventions entered into. It has also developed a framework document that guides the evaluation and the measurement of the impact of all its interventions.

Fasset's general approach to impact assessment is to integrate it, as far as possible, as an important part of the normal activities of the SETA and to limit the time and resources spent on additional impact assessment interventions to the minimum.

Indicators of impact are formulated to realistically reflect the work of the SETA. Ideally indicators will be limited to areas over which the SETA has direct control. However, this is not always possible and in the interpretation of information certain contextual issues will be taken into consideration; for example, the uptake of learnerships by employers may be affected by economic conditions – something outside the control of the SETA.

The activities used to monitor impact will consist of three tiers. First, impact will be monitored in Fasset's own system on a regular basis by using data that is collected for other purposes and as part of the execution of the SETA's normal functions. Second, regular studies undertaken by Fasset for other purposes will be utilised to monitor impact – for example, customer satisfaction surveys and grant monitoring visits – and third, *ad hoc* and additional projects to measure impact will be undertaken from time to time.

Specific activities aimed at assessing the impact of interventions in the period covered by this SSP include the following:

- All project funding applications will be required to outline the expected impact of the project and to identify impact indicators. Where possible the projects themselves will include an impact assessment phase.
- Fasset will commission other specific impact studies from time to time during the period. In 2013 a study was completed measuring the impact and effectiveness of Fasset work readiness programmes.
- A Monitoring and Evaluation Framework has been developed and began commencement in the 2014/2015 financial year.
- The Monitoring and Evaluation Framework is in the process of review, with a specific focus on Economic Rate of Return (ERR) and will commence in 2015/2016.

#### c) *Continuous process improvement following audits*

The SETA's participation in a variety of checks and audits provides opportunities for analysis of the SETA systems and processes and for feedback that could be used for continuous improvement.

- All reporting as per the Service Level Agreement (SLA) to be developed with the DHET for the 2011 to 2016 period and for each financial year will be audited, usually quarterly. Continuous process improvements flowing from these audits will be integrated into future quality management systems.
- External and internal audits as required and implemented by Fasset will suggest areas where improvements to the Fasset system can be undertaken.

*d) Accountability and governance*

The Fasset Board is accountable for funding and other decisions made. As such, research conducted by the SETA must be robust enough to support such decision-making. Ensuring that sound strategic decisions are made is the main function of the Fasset Board.

Research conducted points to two main themes. Firstly, transformation of the sector in terms of the employment, education and training, of Black African people is relevant. Secondly, the main skills shortages in the sector lie between NQF levels 6 and 8, and skills development interventions must fall into this educational level, or lead into it.

Notwithstanding the main research findings in the Fasset sector and the needs of the Fasset sector, it is important that the SETA aligns its strategic implementation plan to national policy and cross-sectoral needs, such as the importance of FET colleges and the Fasset sector as an incubator of skills for the South African economy.

## **7.9 CONCLUSION**

This last chapter of the SSP outlined Fasset's revised vision and goals. The Board is to meet in September 2014 whereupon the interventions to be implemented in according with the Fasset vision and goals will be confirmed. A more detailed alignment to the NSDS as well as Outcome 5 of the President's Outcomes Approach to Planning Government's Work will be included. The chapter also includes financial projections of income and expenditure.

This budget will be revised from year to year and for 2015/2016 follows principles of accrual accounting. Fasset has also adopted a framework for the regular evaluation of all its activities and interventions and for the measurement of impact (as far as it is possible). Regular evaluations and impact assessments will guide the budget revisions. The Fasset Board is accountable for the decisions made for the Fasset sector.

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# ANNEXURES

## ANNEXURE A – POPULATION GROUP – CENSUS 2011

### CENSUS 2011

Population group	Total Population		EAP		People in Employment	
Black African	41 000 938	79%	15 637 318	76%	8 996 396	68%
Coloured	4 615 401	9%	1 938 079	9%	1 418 371	11%
Indian or Asian	1 286 930	2%	586 843	3%	505 261	4%
White	4 586 838	9%	2 294 201	11%	2 134 364	16%
Other	280 454	1%	152 784	1%	125 686	1%
<b>Total</b>	<b>51 770 560</b>	<b>100%</b>	<b>20 609 224</b>	<b>100%</b>	<b>13 180 077</b>	<b>100%</b>

**ANNEXURE B – EQUITY TRENDS IN THE FASSET SECTOR**

Please note: Figures were obtained from WSP submissions 2001 to 2013 (weighted). All 2012 figures were obtained from the 2012 Sector Survey. More than 6 000 employee records did not have information on race. This skews the 2012 figures. Figures are also influenced by changes in the occupational classification system.

<b>TOTAL EMPLOYMENT</b>									
Year	African		Coloured		Indian		White		Total
2001	16 726	25%	5 765	9%	6 261	9%	38 356	57%	67 108
2002	20 911	24%	8 749	10%	7 796	9%	50 411	57%	87 868
2003	21 533	23%	8 865	9%	8 525	9%	55 914	59%	94 838
2004	21 941	24%	8 857	9%	8 498	9%	53 964	58%	93 261
2005	24 579	25%	9 789	10%	8 950	9%	54 284	56%	97 602
2006	30 821	30%	11 331	11%	9 796	10%	50 139	49%	102 087
2007	35 937	32%	12 304	11%	9 908	9%	53 654	48%	111 803
2008	39 997	34%	14 097	12%	10 415	9%	54 819	46%	119 327
2009	39 183	34%	14 168	12%	10 406	9%	50 914	44%	114 671
2010	41 207	34%	14 970	12%	10 980	9%	52 844	44%	120 001
2011	43 690	34%	14 593	12%	12 357	10%	56 045	44%	126 685
2012*	39 971	31%	13 900	11%	10 962	8%	64 375	50%	129 208
2013*	41 680	36%	14 184	12%	10 640	9%	50 246	43%	116 750

\*Total figures differ from total employment figures in Chapters 2 and 3 because information on the population group of some employees was not provided by employers.

<b>MANAGERS</b>									
Year	African		Coloured		Indian		White		Total
2001*	758	9%	279	3%	661	8%	6 839	80%	8 537
2002*	1 016	9%	434	4%	865	7%	9 535	80%	11 849
2003*	1 100	8%	460	3%	1 083	8%	10 827	80%	13 470
2004*	1 207	9%	484	4%	1 054	8%	10 596	79%	13 341
2005*	1 435	10%	548	4%	1 088	8%	11 350	79%	14 421
2006*	1 606	12%	538	4%	1 118	8%	10 061	76%	13 322
2007*	1 580	12%	514	4%	962	7%	10 017	77%	13 073
2008*	1 921	13%	652	4%	1 174	8%	10 775	74%	14 523
2009	2 220	14%	891	6%	1 455	9%	11 633	72%	16 199
2010	2 877	16%	1 106	6%	1 849	10%	12 045	67%	17 877
2011	3 371	16%	1 235	6%	2 375	12%	13 621	66%	20 602
2012	2 815	15%	963	5%	1 064	6%	13 423	73%	18 265
2013	4 338	21%	1 397	7%	2 322	11%	13 011	62%	21 068

\* Legislators, Senior Officials, Managers and Owner Managers.

<b>PROFESSIONALS</b>									
Year	African		Coloured		Indian		White		Total
2001	2 308	16%	680	5%	1 448	10%	9 894	69%	14 330
2002	2 364	15%	830	5%	1 396	9%	11 032	71%	15 623
2003	1 936	13%	759	5%	1 427	9%	11 101	73%	15 223
2004	2 298	15%	817	5%	1 486	9%	11 048	71%	15 649
2005	2 835	16%	1 045	6%	1 848	10%	11 998	68%	17 726
2006	3 199	18%	1 018	6%	1 850	10%	11 675	66%	17 743
2007	3 934	19%	1 187	6%	2 210	11%	12 893	64%	20 225
2008	4 014	20%	1 409	7%	2 054	10%	12 148	62%	19 625
2009*	7 192	24%	2 310	8%	3 391	12%	16 470	56%	29 362
2010*	10 121	25%	2 921	7%	4 980	12%	22 161	55%	40 183
2011*	11 150	26%	3 281	8%	5 421	13%	22 697	53%	42 549
2012*	13 571	28%	4 322	9%	6 225	13%	24 668	51%	48 786
2013*	11 158	29%	3 307	8%	4 532	12%	19 930	51%	38 927

\* Including trainee account/audit clerks. In other years they are included with Technicians and Associated Professionals.

<b>TECHNICIANS AND ASSOCIATE PROFESSIONALS</b>									
Year	African		Coloured		Indian		White		Total
2001*	3 506	21%	1 263	8%	1 935	12%	9 966	60%	16 670
2002*	4 362	19%	1 813	8%	2 785	12%	13 508	60%	22 467
2003*	4 848	19%	1 766	7%	3 088	12%	16 296	63%	25 997
2004*	4 984	19%	1 896	7%	3 144	12%	15 841	61%	25 865
2005*	5 642	22%	2 053	8%	3 085	12%	14 610	58%	25 389
2006*	6 990	26%	2 380	9%	3 463	13%	14 401	53%	27 234
2007*	7 532	25%	2 665	9%	3 580	12%	15 927	54%	29 704
2008*	8 164	27%	2 920	9%	3 683	12%	16 019	52%	30 786
2009**	8 385	37%	2 759	12%	2 553	11%	8 683	39%	22 380
2010**	5 197	43%	1 454	12%	950	8%	4 527	37%	12 128
2011**	5 979	39%	1 821	12%	1 396	9%	6 182	40%	15 378
2012**	6 817	30%	1 974	9%	1 321	6%	12 694	56%	22 806
2013**	5 280	36%	2 053	14%	1 059	7%	6 147	42%	14 539

\*Technicians and Trades Workers

\*\* Technicians and associate professionals

<b>CLERICAL AND ADMINISTRATIVE WORKERS</b>									
<b>Year</b>	<b>African</b>		<b>Coloured</b>		<b>Indian</b>		<b>White</b>		<b>Total</b>
2001*	7 282	31%	3 063	13%	2 120	9%	11 097	47%	23 562
2002*	8 714	30%	4 457	15%	2 394	8%	13 254	46%	28 819
2003*	9 528	29%	5 151	16%	2 763	8%	15 724	47%	33 166
2004*	9 142	29%	4 786	15%	2 667	9%	14 713	47%	31 309
2005*	10 291	31%	5 340	16%	2 666	8%	14 970	45%	33 266
2006*	12 963	38%	6 167	18%	3 048	9%	12 346	36%	34 524
2007*	13 331	38%	5 560	16%	2 817	8%	12 939	37%	34 647
2008*	16 134	40%	6 742	17%	3 180	8%	13 859	35%	39 915
2009	12 192	37%	5 397	17%	2 650	8%	12 306	38%	32 545
2010	15 635	41%	7 210	19%	2 976	8%	12 582	33%	38 403
2011	15 369	42%	7 218	19%	2 935	8%	11 507	31%	37 029
2012	13 411	39%	5 645	16%	2 288	7%	12 933	38%	34 277
2013	12 763	43%	5 818	19%	2 214	7%	9 155	31%	29 950

\*Clerks

## ANNEXURE C – CROSS-CUTTING OBJECTIVES

The following strategies and their relevance to Fasset are described in detail below: 1) NSDS III; 2) Government's MTSF objectives; 3) HRDS-SA; 4) Industrial Policy Action Plan (IPAP), 5) New Growth Plan (NGP) and the National Skills Accord, 6) the Minister of Higher Education and Training's Delivery Agreement with the President, and 7) Fasset's role in the Strategic Integrated Projects (SIP) programme. The White Paper for Post-School Education and Training has been dealt with in the body of the document.

### 1) NSDS III

The framework for NSDS III outlines certain strategic focus areas that will form part of all Fasset's interventions and that will not be addressed by specific projects. Other strategic focus areas for the Seta will be directly addressed by project interventions.

#### *a) Race*

Over the last ten years, Fasset's skills development interventions have had a very strong focus on historically disadvantaged South Africans (HDSAs). This was necessitated by the need to transform the sector. At this stage the only population group that is under-represented in Fasset's sector is African people – that is if the South African population distribution is taken as the point of reference. For this reason Fasset's Board has taken the decision to focus its initiatives on this population group.

#### *b) Class*

The emphasis on HDSAs (and specifically African learners) will, to some degree, also address the class inequalities that persist in South African society. However, some of the interventions are specifically aimed at alleviating the financial burden of poor learners. One such intervention is the payment of NSFAS loan obligations of poor learners on Fasset learnerships. A means test is applied when candidates for this support programme are selected.

Some of the other interventions in the sector (specifically the Thuthuka bursary fund) also apply a means test, which implies that the target groups are not only HDSAs but specifically Black students from economically deprived backgrounds. Experience has shown that processes that assist students to complete the total pathway to professional status have a profound effect on the deprived families and communities from which students originate. Young Black professionals tend to support their families financially and to assist their siblings to attain tertiary qualifications and rise out of poverty.

#### *c) Gender*

Although women's share in senior management has increased slightly over time, it does not equal the share enjoyed by men, specifically for African women. An analysis of the number of female versus male professionals shows that both genders are equally represented. Fasset will continue to support research that monitors these trends and may introduce grants in the future that seek to incentivise firms that provide training and development for female managers and professionals in courses that allow them to enter senior management.

**d) Youth**

Much policy and legislation focuses on the uptake of young people into the workplace. The Fasset sector has always enjoyed a young workforce and continues to encourage the entry of young people into the sector through the widespread application of learnerships and internships. Fasset defines young people as people under the age of 35.

**e) Disability**

Work in financial service organisations and in the financial divisions of companies lends itself to the employment of people with physical disabilities. The skills development initiatives of the sector will, as far as possible, accommodate people with physical disabilities and will be aimed at increasing the employment of people with disabilities in the sector. The grant schemes run by Fasset offer higher grant amounts where applicants are people with disabilities.

**f) HIV/AIDS**

As indicated in Chapter 1 of this SSP, HIV/AIDS is not a major problem in this sector. Training programmes will, however, include information on and efforts to raise awareness of HIV/AIDS.

**g) Geographic distribution**

Fasset will endeavour through its bridging projects, grants, incentives and national Lifelong Learning Programme to support people in rural areas to develop their skills, to develop the skills of the unemployed, and to contribute to local economic development. Fasset is unable to train rural learners to remain in rural areas, and contribute to rural economic development, as the Fasset sector firms in which these learners may work are located in urban areas.

**2) SUPPORT OF GOVERNMENT'S MTSF OBJECTIVES**

Realistically speaking, Fasset can contribute to only a few of the MTSF objectives. Obviously, all Fasset's skills development initiatives will contribute to the strengthening of the skills and human resource base of the country; i.e. *Priority 4 – Strengthen the Skills and Human Resource Base*. The other objectives that will be addressed are discussed below.

**a) Speeding up growth and transforming the economy to create decent work and sustainable livelihoods (Priority 1)**

Financial skills are of critical importance to a growing economy. Fasset's overall aim would be to help ensure that the flow of financial skills into the labour market keeps pace with the growth of the economy. (This is obviously a task shared with the formal education sector.) Through the provision of grants to employers who train learners, and in the training of learners via Fasset's bridging projects, beneficiary groups will be exposed to training opportunities that will allow them to become more employable and obtain decent work.

**b) Improving the health profile of all South Africans (Priority 5)**

Undoubtedly, systems, policies and infrastructure need to support the health of those living in South Africa. Fasset will assist in improving the health profile of South Africans by ensuring that learners participating in the Seta bridging projects attend specialised courses aimed at preventing HIV/AIDS.

**c) Intensifying the fight against crime and corruption (Priority 6)**

As indicated before, financial professionals play a critical role in ensuring sound financial management and in the fight against crime and corruption. Via the codes of conduct that apply to the members of professional bodies in the sector, and ethics courses offered to all registered learners on Fasset learnerships and bridging projects, the Seta is supporting this MTSF objective.

**d) Pursuing African advancement and enhanced international co-operation (Priority 8)**

The professions in Fasset's sector are in various ways contributing to this objective. For example, accounting practices are aligned to international standards and several of the professional bodies are members of international institutes. This ensures that South African businesses can easily do business in the international arena. Several of the professional bodies are also involved in the development of professionals of other African countries. Although these endeavours are not directly funded by Fasset, the stimulation of the development of financial professionals indirectly strengthens South Africa's and Africa's position in the international world.

**e) Building a developmental state, including improvement of public services (Priority 10)**

Included in Fasset's sector are a number of public institutions that play a crucial role in the rendering of public services. These include the National Treasury, the Auditor-General, SARS, and the provincial treasuries. During the planning period, Fasset will work closely with these institutions to strengthen their capacity. This will take place within the context of Fasset's key skills development priorities that are outlined in the next section.

**3) HUMAN RESOURCE DEVELOPMENT STRATEGY FOR SOUTH AFRICA (HRDS-SA)**

Owing to the close alignment of the MTSF objectives and the HRDS-SA, Fasset can contribute to most commitments set out in the HRDS-SA. The alignment of the Seta's strategy with the HRDS-SA is detailed in the table below.

**Table 1: Alignment of HRDS-SA and Fasset Strategy**

#	Commitment
1	We will urgently overcome the shortages in the supply of people with the priority skills needed for the successful implementation of current strategies to achieve accelerated economic growth.
2	We* will ensure improved universal access to quality basic education and schooling (up to Grade 12) that is purposefully focused on achieving a dramatic improvement in education outcomes for the poor, that is focused on equipping learners with optimal capacity for good citizenship and on pursuing post-school vocational education and training or employment.
3	We will increase the number of appropriately skilled people to meet the demands of our current and emerging economic and social development priorities.
4	We will urgently implement skills bridging programmes that are purposefully aimed at equipping recipients/citizens with requisite skills to overcome related scourges of poverty and unemployment.
5	We will ensure that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment.
6	We will improve the technological and innovation capability and outcomes within the public

#	Commitment
	and private sectors to enhance our competitiveness in the global economy and to meet our human development priorities.
7	We will ensure that the public sector has the capability to meet the strategic priorities of the South African Developmental State.
8	We will establish effective and efficient planning capabilities in the relevant departments and entities for the successful implementation of the HRDS-SA.

#### 4) THE INDUSTRIAL POLICY ACTION PLAN (IPAP) 2010/11 – 2012/13

Another Government policy that was considered in the preparation of this SSP update was IPAP. In January 2007 Cabinet adopted the National Industrial Policy Framework (NIPF), which sets out Government's broad approach to industrialisation with the following core objectives:

- To facilitate diversification beyond our current reliance on traditional commodities and non-tradable services. This requires the promotion of increased value addition characterised particularly by movement into non-traditional tradable goods and services that compete in export markets as well as against imports.
- The long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy.
- The promotion of a more labour-absorbing industrialisation path with a particular emphasis on tradable labour-absorbing goods and services and economic linkages that catalyse employment creation.
- The promotion of a broader-based industrialisation path characterised by the increased participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy.
- Contributing to industrial development on the African continent, with a strong emphasis on building its productive capacity.

Guided by the NIPF, the implementation of industrial policy is to be set out in an Industrial Policy Action Plan (IPAP). In August 2007 Cabinet approved the first (2007/8) IPAP, which reflected chiefly 'easy-to-do' actions. A process of intensive consultation and analysis – led by the Minister of Trade and Industry – has culminated in a revised IPAP for the 2010/11 – 2012/13 Financial Years.<sup>50</sup>

One of the growth areas that the IPAP identifies and aims to stimulate is business process services – also referred to as "business process outsourcing". Although business process services are not clearly demarcated and IPAP refers only to the role of the Services Seta in relation to business process services, it stands to reason that certain of the services offered by organisations in Fasset's sector also fall within this realm. By focusing on the supply of work-ready new entrants to the labour market Fasset will inevitably contribute to the objectives of IPAP.

#### 5) THE NEW GROWTH PLAN AND THE NATIONAL SKILLS ACCORD

On 23 November 2010 Minister Ebrahim Patel, Minister of Economic Development, released a document entitled *The New Growth Path: The Framework*. This policy aims to enhance growth, em-

<sup>50</sup> Government of South Africa, 2010/11 – 2012/13 Industrial Policy Action Plan, February 2010.



ployment creation and equity and its principal target is to create five million jobs over the next ten years. (Subsequently the name has been changed to the New Growth Plan.)

The New Growth Plan addresses a wide array of economic policies that need to be re-aligned and focused on economic growth and job creation. Among these is an increased focus on skills development. It sets targets for scarce and key skills and identifies the role of Government departments and agencies in working to meet these goals.<sup>51</sup>

The document also acknowledges the social economy as one of the major drivers of job creation and simultaneously stresses the fact that organisations in this sector may need Government support, including assistance with marketing, bookkeeping, technological and financial services and training.<sup>52</sup> This emphasises the importance of the development of financial skills for all sectors of the economy.

The National Skills Accord<sup>53</sup> is one of the first outcomes of social dialogue on the New Growth Plan. This accord was entered into between government, business, labour and civil society and was signed in July 2011. The accord consists of the following eight commitments:

- 1) To expand the level of training using existing facilities more fully.
- 2) To make internship and placement opportunities available within workplaces.
- 3) To set guidelines of ratios of trainees: artisans as well as across the technical vocations, in order to improve the level of training.
- 4) To improve the funding of training and the use of funds available for training and incentives on companies to train.
- 5) To set annual targets for training in state-owned enterprises.
- 6) To improve Seta governance and financial management as well as stakeholder involvement.
- 7) To align training to the New Growth Plan and improve Sector Skills Plans.
- 8) To improve the role and performance of FET Colleges.

Not all the commitments have a direct bearing on the skills planning in Fasset's sector. Commitments 1 and 3 refer specifically to the training of apprentices. Fasset's sector employ very few artisans and the training of apprentices is not very relevant to the sector. Commitment 5 refers to training in state-owned enterprises – none of which belongs to this sector.

The other commitments, and Fasset's reaction to each, are discussed in more detail below.

***Commitment 2: To make internship and placement opportunities available within workplaces.***

According to this commitment companies will annually make 12 000 placements/internship spaces available for students who complete their certificates at FET Colleges, 5 000 internships for 3rd year students at universities of technology who need the work experience as part of their qualifications, and they will provide opportunities for training exposure in a work environment to at least 16 000 lecturers at FET Colleges. This will be phased in, with 20% of the target to be achieved in 2011, 50% in 2012 and 100% by 2013.

<sup>51</sup> Jaffer, Z. The New Growth Path: The Framework.

<http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=14787&tid=24857>

<sup>52</sup> Government of South Africa, The New Growth Path: The Framework, p.13.

<sup>53</sup> The New Growth Path: Accord 1 National Skills Accord.

In assisting to achieve this target, Fasset will firstly, put programmes in place such as bridging projects, the levy-grant scheme, and a range of interventions that will assist in equipping unemployed learners with work-readiness skills via the Seta's bridging projects, utilising bridging programmes. This is intended to make learners more employable. Secondly, employers will be assisted through the Seta discretionary grant scheme, which will incentivise the employment of unemployed learners on workplace- and occupationally directed programmes. Thirdly, Fasset will pay the NSFAS loan obligations of poor learners on Fasset learnerships. Fourthly, Fasset will assist poor learners through the funding of bursaries. Fifthly, Fasset will work with FET institutions to assist in more learners acquiring sector-relevant qualifications, assisting learners complete their qualifications via work placements in the Fasset sector, as well assisting learners to receive relevant 'soft skills' training via learner enrichment programmes.

***Commitment 4: To improve the funding of training and the use of funds available for training and incentives on companies to train.***

This commitment includes various provisions, the most relevant of which is business's commitment to improve spending on training that companies undertake beyond the 1% compulsory training levy. Business will urge companies to spend between 3 per cent and 5 per cent of payroll (total salary bill) on training, with as many companies as possible at the high end of this range.

To support this commitment, Fasset will put programmes in place such as the levy-grant scheme, and a range of discretionary grants. The Mandatory Grant scheme will reward companies who submit plans and reports of their training, while the discretionary grant scheme will incentivise the employment of unemployed learners on workplace- and occupationally directed programmes. Companies will benefit when Fasset pays the NSFAS loan obligations of poor learners on Fasset learnerships in Fasset sector companies.

***Commitment 6: To improve Seta governance and financial management as well as stakeholder involvement.***

Through its governance structures, committees, policies and procedures, the Seta will continue to ensure it is aligned to sound governance, financial management and stakeholder involvement.

***Commitment 7: To align training to the New Growth Plan and improve Sector Skills Plans.***

Commitment 7 contains seven undertakings pertaining to the SSPs and their linkages to the New Growth Plan. These undertakings are listed below and Fasset's response to each of the undertakings is briefly outlined.

***Commitment 8: To improve the role and performance of FET colleges***

The parties also agreed to work together to improve both the capacity and quality of FET colleges.

Through Fasset's projects, as well as cross-sectoral projects, FET colleges will be supported in skills development initiatives. The Seta will support this commitment by undertaking quality assurance of qualifications at FET institutions, as well as ensuring that learnership programmes are available to learners exiting FET colleges. Discretionary funding has been allocated for the current year to 1) Build institutional capacity in rural FET colleges to offer FET qualifications of professional bodies, 2) Increase the number of learners on FET-level learnerships and qualifications, 3) Providing lifelong

learning / learner enrichment, 4) Developing new qualifications as required and 5) Supporting internships / work placement offered by employers.

**Table 2: Important areas of New Growth Plan and National Skills Accord**

#	Undertaking
1	The framework of all SSPs will be aligned to the New Growth Plan and its manufacturing-driver, the IPAP.
2	The SSPs should support growth and jobs in the sectors by ensuring relevant skills are developed and by significantly stepping up production of key skills. Quantitative targets will be set for training particularly for core skills and key skills to improve industrial and workplace performance. This will also include clear targets on the number of apprentices to be enrolled in each sector and systems to track progress against targets.
3	Business and labour commit to ensuring that the funding of New Growth Plan: Accord 1.1.4 training through the skills development levy is directed towards the training that meets the skills needs of the economy, including the training of professionals and training programmes that lead to qualifications.
4	Workplace skills plan requirements will be incorporated into the SSPs to ensure that these are aligned to the national goals set out herein and that training practices are transformed in South Africa's workplaces.
5	A funding plan will be developed to support the targets set out in SSPs and WSPs.
6	Structures that exist should be used where possible and parties will work closely with relevant government departments, including those dealing with higher education, economic development, trade and industry, mineral resources, agriculture, forestry and fisheries and labour.
7	Sectors will develop these new Sector Skills plans by September 2011 for submission to the DHET by 30 September 2011 for consideration by the Minister of higher education and training.
8	We will establish effective and efficient planning capabilities in the relevant departments and entities for the successful implementation of the HRDS-SA.

## **6) THE MINISTER OF HIGHER EDUCATION AND TRAINING'S DELIVERY AGREEMENT WITH THE PRESIDENT**

As mentioned above, the Minister of Higher Education and Training is the coordinating minister for Outcome 5 of Government's 12 outcomes towards the improvement of service delivery and development of the country. Outcome 5 is *A skilled and capable workforce to support an inclusive growth path*.

The outputs that have been agreed upon for this outcome<sup>54</sup>, and Fasset's contribution to each of the outputs, are outlined below.

***Output 1: Establish a credible institutional mechanism for skills planning, which includes the provision of information with regard to the demand and supply of skills, as well as a career guidance system for the country.***

Fasset has, since its inception, built up an information system based on all the information collected through grant applications. This information has been analysed every year and credible time series data has been developed for the sector. In addition, Fasset has conducted extensive sector surveys

<sup>54</sup> Department of Higher Education and Training, Annual Performance Plan 2012 – 2013.

every five years. This practice will continue during the planning period covered by this SSP and Fasset will make available its information for a national planning mechanism if it is requested to do so.

Fasset has also developed a career guide and video for its own sector and updates it annually, based on its SSP updates. This information will also be made available for a national career guidance system.

Additionally, a campaign of Fasset Campus Brand Ambassadors (CBAs) will be rolled out. CBAs are individuals, stationed at South African education and training institutions (such as universities and FET institutions), who are tasked with the role of providing information on Fasset qualifications and learnerships to enrolled learners. In addition, a learner marketing campaign has been planned and will be implemented using the communication platforms such as career guidance, participation at career guidance events, establishment of a regional presence at post-schooling institutions of learning, and utilising print, electronic and social media.

***Output 2: Increase access to programmes leading to intermediate and high level learning, including the raising of skill levels of both youth and adults to access training.***

All Fasset's skills development programmes are aimed at intermediate and high level learning. The funding of learnerships, internships and bridging programmes are specifically aimed at increasing youth's access to training.

***Output 3: Increase access to occupationally-directed programmes in needed areas and thereby expanding the availability of intermediate level skills, with a special focus on artisan skills and other mid-level skills.***

Fasset's qualifications and learnerships include programmes at NQF levels 4 to 6 (i.e. mid-level skills). The development of these skills in financial occupations forms an integrated part of the skills development initiatives in the sector. Mid-level skills are also included in the career guidance initiatives of the Seta.

***Output 4: Increase access to high level occupationally-directed programmes in needed areas such as engineering, health sciences, natural and physical sciences, as well as increasing the graduate output of teachers.***

Financial skills are in short supply throughout the South African economy. Fasset's professional body qualifications and learnerships address the need for high-level financial skills and as Fasset's sector is a training sector interventions in this area has an impact on financial skills throughout the country. Through the allocation of discretionary funding, Fasset will increase the supply of learners in scarce skills area, for the South African economy.

***Output 5: Increase research, development and innovation in human capital for a growing knowledge economy, with a particular focus on post-graduate degrees, deepening industry and university partnerships, as well as increased investment into research development and innovation, especially in the areas of science, engineering and technology***

Fasset, as part of its Sector Survey, completed an inventory of the research and innovation capacity and initiatives in HEIs, FET colleges and professional bodies. It is also identifying research relevant to the SSP and areas for collaboration between HEIs and the Seta.

Learners on academic articles (i.e. learnerships completed in the academic environment) are funded through Fasset's learnership grant scheme. Fasset has already set goals and targets for research and innovation for the 2012-2013 financial year.

Learners on academic articles (i.e. learnerships completed in the academic environment) are funded through Fasset's learnership grant scheme.

## **7) FASSET'S ROLE IN THE STRATEGIC INTEGRATED PROJECTS (SIP)**

Government recently adopted an Infrastructure Plan that is intended to transform the economic landscape of South Africa, create a significant numbers of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies. This is to be done across various administration structures, across a twenty-year planning framework to avoid stop-start patterns. From the spatial analysis of the country needs, seventeen SIPs have been identified that cover a range of economic and social infrastructure needs, across all nine provinces in South Africa, with emphasis on poorer provinces. A number of benefits are expected for South African society such as: jobs, a significant increase in tax base and tax revenues, infrastructure projects and economic activity attracts foreign direct investment, an increase in exports and trade, improved quality of life for all citizens and addressing the backlog in basic services. Fasset's role in the various SIPs will be rolled out of over time, and once the project plans for these SIPs are revealed to Setas, Fasset will engage wholeheartedly in developing relevant and appropriate skills to address the needs to the projects. It is anticipated that the main responsibility of Fasset will be an "incubator" role in providing accountants to broader economy.

Of specific relevance to all Setas are two SIP projects. Project 13: National school build programme and Project 14: SIP 14: Higher Education Infrastructure.

Project 13, is a national school build programme which will be driven by uniformity in planning, procurement, contract management and the provision of basic services. The intention of this project is to replace inappropriate school structures, address basic service backlog and to provide basic services under the Accelerated School Infrastructure Delivery Initiative (ASIDI). In addition, it seeks to address national backlogs in building classrooms, libraries, computer laboratories and administration buildings. On developing this infrastructure, the learning environment will be improved which will have the eventual effect of improving outcomes, especially in the rural schools as well as reduce overcrowding of schools.

Moving into the Higher Education sector, Project 14 aims to provide infrastructure development for higher education institutions focusing on lecture rooms, student accommodation, libraries and laboratories as well as internet and computer connectivity. Large scale projects include the development of university towns with a combination of facilities including residences, retail space, recreation and transport. The potential to ensure shared infrastructure such as libraries by universities, FETs and other educational institutions is envisaged within this programme.

Current projections indicate that the main requirement will be for engineering professionals (engineers, technologists and technicians) and project managers. 713 financial managers (642 in the City of Johannesburg, 54 in the City of Cape Town, 16 in the Water Boards) are required. It is also estimated that 182 Procurement Specialists (15 at the Development Bank of South Africa (DBSA), 119 City of Johannesburg and 45 in the Water Boards) will be required.

A full 5-year implementation Plan for SIP is being developed and rolled out by the relevant SIP secretariats. Fasset will cooperate fully with the SIP processes, as and when required, should adequate budget be made available. This will require Fasset, as a public entity, to sign a performance contract to agree to specific responsibilities.

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## ANNEXURE D – LEARNING PROGRAMMES MATRIX

#	Mode	Narrative Description	Delivery Mode	Learning Site	Learning Achievement	Fasset Example
A	Bursaries	Institution-based theoretical instruction alone – formally assessed by the institution	Institutional instruction	Institutions such as universities and colleges, schools, ABET providers	Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning	Business Science Degree (University of Cape Town)
B	Internships	Institution-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment - formally assessed through the institution	Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning	National Diploma Public relations Management at Vaal University of Technology. Third Year: Distance Education: Communication Science III and Public Relations III. Nine months practical training plus three contact sessions per semester.
C	Learnerships	Recognised or registered structured experiential learning in the workplace that is required after the achievement of a qualification – formally assessed by a statutory occupational or professional body	Structured learning in the workplace with mentoring or coaching	Workplace	Occupational or professional knowledge and experience formally recognised through registration or licensing	Post Graduate Diploma: Professional Accountant in Practice (via a learnership) – Practicing members of the Institute perform duties as an Accounting Officer and provide a number of accountancy related services to companies, close corporations, partnerships, sole proprietors, trusts and various other types of small business and non-corporate undertakings.
D	Learnerships or Apprenticeships	Occupationally-directed instructional and work-based learning programme that requires a formal contract – formally assessed by an accredited body	Institutional instruction together with structured, supervised experiential learning in the workplace	Institution and workplace	Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority registered qualification, a certificate or other similar occupational or professional qualification issued by an accredited or registered formal institution of learning	FET Certificate: Debt Recovery (via a learnership) – This is for any individual who is or wishes to be involved in the Debt Recovery function within the business sector and is intended to enhance the provision of service within the field of Debt Recovery within the business and commerce sector.
E	Work-integrated learning	Occupationally-directed instructional and work-based learning programme that does not require a formal contract – formally assessed by an accredited body	Structured, supervised experiential learning in the workplace which may include some institutional instruction	Workplace, institutional as well as ABET providers	Credits awarded for registered unit standards, continued professional development, improved performance or skills (e.g. evidence of outputs based on Performance Development Programme)	Achievement of a part-qualification quality assured via the Quality Council for Trades and Occupations (QCTO)

#	Mode	Narrative Description	Delivery Mode	Learning Site	Learning Achievement	Fasset Example
F	Informal training	Occupationally-directed informal instructional programmes	Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses	Institutions, conferences and meetings	Continuing professional development, attendance certificates and credits against registered unit standards (in some instances)	Fasset Budget & Tax Update
G	Informal training	Work-based informal programmes	Informal training	Workplace	Increased understanding of job or work context or improved performance or skills	In-house cadetship or graduate placement programme. This also includes internships which do not fall into Category B of the Learning Programmes Matrix (LPM).