
The role of ‘intermediaries’ in brokering training and building social compacts: Can sector skills authorities perform these roles?

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ABSTRACT

This article focuses on the modus operandi of the sector education and training authorities (SETAs) in South Africa – seen by many critics of the training system as largely driven by the regulatory pressures of financial compliance imposed on public-sector organisations by the all-powerful Public Finance Management Act 29 of 1999 (PFMA). The article proposes an alternative modus operandi, one informed by the literature on ‘intermediaries’, where the main function of such intermediary organisations is not financial compliance but the strategic ‘brokering’ of training compacts. The article first outlines the role of the SETAs and the problems with a compliance mode of working. In explaining the alternative of intermediation, the discussion considers some best practices of intermediation in South Africa, but concludes that such practices are not fully diffused across the entire training system. Why diffusion is so poor is revealed through interviews with leaders in the training system.¹ The analysis concludes on a positive note, arguing that the ‘social compact’ politics being emphasised by the new South African President, Cyril Ramaphosa, could usher in a more conducive environment for brokering training and job compacts.

KEYWORDS

Functions of SETAs; compliance mode of working; intermediation; brokerage

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Introduction

The South African training system currently comprises 21 SETAs, with each authority established in a key sector of the economy. The training policy model adopted in the late 1990s was strongly influenced by similar changes in the United Kingdom, Australia and New Zealand, where wide-ranging sector skills councils were established to replace the narrow and craft-focused industry training boards established in the 1960s (NTB/HSRC, 1991:125). The core functions of SETAs, as defined by the Skills Development Act of 1998, are to:

- Develop a Sector Skills Plan;
- Promote and register learnerships;
- Collect and disburse the skills development levies in the sector;
- Report to the Director General of the Department of Higher Education and Training (DHET) on income and expenditure and on the implementation of the Sector Skills Plan; and
- Improve information flow regarding employment opportunities in the labour market (RSA, 1998:12–14).

The SETAs have additional responsibilities in their sectors. They need to help and encourage employers to prepare workplace skills plans and have to pay a mandatory grant to employers who prepare such a plan. SETAs are also involved in implementing the key targets of the state-led National Skills Development Strategy (NSDS) in their sector. But, most importantly, the SETAs will need to establish ‘awareness raising strategies to enable links with employers, trade unions, providers and other groupings to be established’ (RSA, 1999:24). These networks will take the shape of both formal and informal partnerships across a wide array of public and private institutions. Such networks (between employers, ET (education and training) providers and government departments) will be the institutional vehicles for learnership programmes and other shared training activities in the sector. In 2001, Kraak (2004) rather optimistically wrote:

This associational or networking role is at the heart of the new institutional regime for skills formation. Success here will determine whether skills development will take off or whether the status quo will remain. Underpinning the construction of this new institutional environment is the assumption that collective institutional pressures will oblige individual employers to increase their investments in and coordination of skill formation.

Dominance of a ‘compliance’ mode of regulation

Kraak’s (2004) optimism has not been realised after 19 years of the existence of the SETAs. The main organisational problem – beyond the scourge of corruption and maladministration which has become endemic across the public sector in South Africa (Chipkin et al., 2018:19–28) – is the tight financial controls imposed by the PFMA. Ironically, the PFMA – the government’s

main vehicle for ensuring diligence in the spending of state financial resources – has not been able to stop rampant corruption and theft in public-sector organisations; yet, it has crippled innovative and effective delivery of public services through the imposition of a highly bureaucratic and rigid financial compliance mode of regulation – what many call a 'tick-box compliance culture'. A recent policy review by the National Skills Authority (NSA) of the South African training system is highly critical of this 'compliance' mode:

'Compliance' is an approach to state governance, driven by the straightjacket of financial regulation, where the emphasis in provision is narrowed down to deliver services based on what the financial regulation prescribes demand – which are often quantitative performance targets set out by government programmes. Such compliance is an overly-legalistic reading of what a state must do – crudely interpreted by providers as the need to please the state auditors – whilst the complexities of ramping up delivery and improving performance are not dealt with in any depth by more flexible and creative methods of regulation (NSA, 2018a:314).

The NSA report argues that the exacting quantitative and overly bureaucratic demands of the PFMA as applied in the training system serve to exclude small businesses, cooperatives and non-governmental organisations (NGOs), which all choose to opt out of participation because of these bureaucratic demands (NSA, 2018a:61).

An alternative perspective: Intermediation

The concept of 'intermediation' provides an alternative lens with which to understand the role and modus operandi of bodies such as the SETAs which operate in the training sphere. Compliance with financial regulations is not the primary driver of intermediation. Rather, it is fundamentally premised on the idea of brokering social compacts about jobs and employment growth (Kochan, Finegold & Osterman, 2012). Such interventions on the demand side are often aimed at changing the pejorative perceptions of employers in respect of young first-time entrants into the labour market. In addition, intermediation is about helping in the production of collective goods critical to the well-being of the national economy, but which would not arise under competitive market conditions. Intermediation is also about the coordination of multiple actors in a productive system who are geographically isolated with restricted information flows between such actors – a communicative and associational void often resolved through intermediation.

Intermediaries operate across a range of socio-economic domains, and their role varies across these spaces. Weaver and Osterman (2014) argue that labour market intermediaries are entities that connect actors in the labour market to one another. They range organisationally from labour employment bureaus, NGOs and small business development agencies to regional economic development organisations and employer associations. They undertake a wide array of activities that vary from collecting information to policy advocacy and orchestrating the coordination of new economic activities – all acts for the public good that

are not likely to be undertaken by any given organisation operating on its own. In the process, they enable cycles of feedback which help overcome information and coordination failure (Weaver & Osterman, 2014:55).

From the short discussion above, it can be seen that the role of intermediaries varies dramatically from, on the one hand, supply-side matchmaking and compensatory mechanisms aimed at ameliorating the dire effects of unemployment in the labour market, to demand-side interventions in various sectoral production regimes, on the other. Also, these differing types of intermediary may occur together, as in the example of community colleges and workforce development initiatives in the United States (to be discussed later in this article), where labour market and production regime interventions are integrated (Weaver & Osterman, 2014).

A theory of intermediation

The next section locates the concept of intermediaries within a wide body of theoretical literature. The concept is included in many contemporary theories of the economy and society, but intermediation has seldom received the attention it deserves in terms of its role in capitalist development. At least four important social science theories have developed the idea of intermediaries and intermediation; these include 'transaction cost' institutional economics, social capital theory, labour market studies and, finally, evolutionary economics.

'Transaction cost' institutional economics

'Transaction cost' institutional economics arose from the work of prominent economists such as Douglas North, Oliver Williamson and Joseph Stiglitz. They have argued that institutional intermediaries reduce the transaction costs incurred between any two or more economic parties who seek to do business with each other. The institutional school argues that almost all economic activities entail transaction costs, including the buying and selling of any commodity. Buyers and sellers have to find each other, prices have to be discovered, negotiations undertaken, contracts drawn up, inspections completed, arrangements made to settle disputes, and so on. According to institutionalist logic, these costs are best managed and kept low through some intermediate set of contractual relationships, rather than through open-market competition (Williamson, 1985; North, 1990).

Social capital theory

Social capital theory has been influential in giving intermediaries more prominent status. According to Putnam (2002), social capital is that set of mutually supportive relationships in communities and nations that facilitate cooperation and which often derive valuable collective and economic benefits for members. Social capital originates from the structures of families, neighbourhoods and local labour markets which yield valuable 'assets' to members – for example, help in acquiring the first job or being accepted as a full member of a community.

The most important of this work has been that of Granovetter (1973), who defined two types of social capital: 'bonding' social capital, which helps members bond internally within their own group; and 'bridging' social capital, which provides cross-cutting links to members of other social groups. 'Bonding' social capital is built out of the strong relationships, norms and networks which define family, community and working life. It is a resource to be drawn upon when needed, for example when searching for a job. However, it is an asset asymmetrically held between children of middle-class families and those from working-class homes and neighbourhoods. Parents from the latter group do not have the same information networks and personal contacts that parents in middle-class homes have.

It is the relationship between 'bonding' within dense, discrete networks and the process of 'bridging' with others in distant networks that is of most interest from an intermediation perspective. Narayan notes that challenges arise when people move from exclusive loyalty to primary social groups (bonding social capital), to networks of secondary associations ('bridging') whose most important characteristic is that they 'bring together people who in some ways are different from the self' (Narayan, 1999:12). Narayan argues that, 'when power between groups is asymmetrically distributed, it is these cross-cutting ties, the linkages between social groups, which become critical to both economic opportunity and social cohesion' (Narayan, 1999:13).

Burt (2003) has made important contributions to overcoming the problems of bridging through his concepts of networks, structural holes and brokerage. Structural holes occur when key actors in the policy process do not interact outside of their own group or professional community, resulting in a constriction of the knowledge flow that is crucial to the policymaking process. Conversely, actors who are well connected or forge strong ties with groupings outside of their own communities in domains such as firms, sectors, regions, colleges or universities play a crucial brokerage role in overcoming structural holes in the process of knowledge circulation (Burt, 2003:3). These brokers obtain what Culpepper (2002) calls relational information – again, a crucial input in policy. Burt (2003:5) provides examples of brokerage activity, the simplest being 'making people on both sides of a structural hole aware of interests and difficulties that others experience in other groupings'. Transferring best practice is a higher level of brokerage. Burt (2003) argues that brokers are critical to learning and creativity. People whose networks span structural holes have 'early access to diverse, often contradictory information and interpretations which gives them a competitive advantage in delivering good ideas' and being able to provide solutions to problems bedeviling the interfaces between groups (Burt, 2003:5).

Labour market studies

Leading American labour market theorists such as Paul Osterman and Thomas Kochan have been arguing for over two decades for the adoption of intermediation as a means of resolving deep-rooted labour market problems in the United States context. The main premise of their argument is that, with the demise of structured internal labour markets (ILMs) and external

or occupational labour markets (OLMs) in global economies, the need to adopt intermediary services has grown.

The collapse of ILMs and secure long-term employment was brought about largely as a consequence of the wave of neo-liberal restructuring and trade liberalisation since the 1980s. State-sponsored employment programmes have struggled to redress the absence of these structured ILM and OLM pathways from school into work, and this has led to a highly inefficient set of labour market mechanisms in the current period (Kochan et al., 2012).

Osterman (2004) writes that the old system of employment has been blown apart by a number of factors. The first has been the wave of deregulation – in airlines, banking, insurance, telecommunications, and water and energy provision – that has transformed the competitive landscape. A second factor has been the spread of new technologies that allow companies to organise work in new ways: many of these innovations – just-in-time inventory, work teams, quality programmes and outsourcing – have led to increased productivity but with leaner staffing (Osterman, 2004:156–157).

A third factor has been the changing nature of skills and the weakening incentives for employers to maintain long-term links with employees. Skills have become more general and therefore more transferable, and employers have become reluctant to invest in long-lasting relationships with workers that entail upskilling and career development. A fourth factor shaping the new labour market landscape has been the growth of outsourcing as large firms decided to focus only on their core competencies. This led to extensive outsourcing as firms disposed of their non-core business functions to external service providers. All of the above pressures led firms to reconsider their employment systems. The aggregated effect of all of these changes created higher turnover and a less secure, more volatile labour market.

In this chaotic *laissez-faire* environment, new labour market institutions have emerged to rebuild bridges to employers and replace the structured internal and occupational labour markets of yesteryear. These institutions have been termed ‘workforce intermediaries’ in the American literature. They are an emergent phenomenon, with a number of ‘best practices’ described across the United States.

Kazis (1998) argues that an efficient labour market on the demand side requires accurate and readily available information about local job openings and general agreement about the skills levels required for these jobs. Information is also needed on the supply side regarding the skills and qualifications of local workers. At the same time, an efficient labour market enables employers to find qualified workers in ways that minimise recruitment, remedial training, and the turnover costs resulting from poor job matches. For much of the 20th century, the dominant strategy for achieving these efficiency goals was to engage ILMs and OLMs. They are no longer there and a new labour market crisis has emerged (Kazis, 1998:9–10).

Intermediation role of local workforce investment boards and community colleges

Osterman and others cite American local workforce investment boards (LWIBs) and community colleges as examples of excellent intermediaries. In particular, it is the 'policy integration' of economic and workforce development initiatives in the United States over the past three decades that has been significant in enabling effective intermediation. This focus on 'integration' emerged with the passing of the Clinton-era Workforce Investment Act (WIA) in 1998. The WIA requires each state governor to submit a Strategic Workforce Plan to the federal Department of Labour (DoL) outlining a five-year strategy for its workforce development system. Once a state-level Strategic Workforce Plan is approved, funding is devolved to LWIBs against their own five-year plans.

Today, there are more than 600 LWIBs and 3 000 one-stop shops which provide a range of employment and social services. They operate in decentralised settings where 'states and local governing boards [have] more power' (OECD, 2008:58–61). Many states have used the WIA and its funds to forge partnerships with the state-level agencies responsible for economic development and educational operations. This has entailed partnerships with non-profit organisations such as charitable foundations to help finance and deliver special workforce development programmes (OECD, 2008:58–61).

Social compact politics

Kochan (2013) and Kazis (1998) see intermediaries as a valuable tool in the development of social democratic politics, viewing them as pivotal in forging social compacts for employment and economic growth between governments, employers and workers. The form of intermediation understood here is for intermediaries to use their credibility and support in the community and in the workplace to 'prod employers to change firm behaviour in ways that improve job quality and opportunities for advancement' (Kazis, 2004:80). They do not accept that employer demand is given and static. Intermediaries attempt to change employer demand in ways that reduce inefficiencies and inequalities in wages, benefits, job security and advancement (Kazis, 1998:21). Intermediaries achieve these goals by working closely with employers to understand the specific needs of their sectors.

The best organisational form with which to achieve these goals is intermediaries working within what Kazis calls wider 'coalition networks' (1998:56–57) and what Kochan (2013:299) calls 'job compacts'. Kazis (1998:31) argues that employer associations initiate and/or join consortia to increase employer clout in the workforce development marketplace and to capture economies of scale that require inter-firm cooperation in skills development.

Evolutionary economics

The theoretical school of 'evolutionary economics' is a large and hybrid grouping of cognate and overlapping influences, including institutional economics, economic geography, regional and local economic development theory, and innovation studies. Nelson and Winter (1982:152) wrote the seminal work on evolutionary economics and defined the firm as a

repository of knowledge embodied in ‘routines’ or ‘social practices’ in an organisation. Firms may be expected to behave in the future according to the routines they have employed in the past.

A second key tenet of the evolutionary school is that product and process improvements in a firm are fundamentally a result of internal, localised, path-dependent and interactive processes – both in a firm and between firms operating in local clusters. The evolutionary focus is primarily on how the economy transforms itself from within. The organisational memory of past routines is a critical input to the current and future innovational capabilities of a firm.

A third major focus is on innovation and the generation of ‘novelty’ as the ultimate source of self-transformation. Novelty is the creative capacity of economic agents to drive economic evolution and adaptation. Innovation and knowledge are central to this process of novelty – it is the internal production of new knowledge that drives the innovation process (Boschma & Martin, 2010:5).

‘Innovation’ as a key concept

The substantial literature on innovation is an influential subdivision of the larger evolutionary economics school. The innovation school has a twofold focus: first, a ‘systems’ perspective concerned with the building of national innovation systems (NISs) and, secondly, a major focus in the regional innovation systems (RISs) literature on the spatial dimensions of innovation and place-based innovation policies (Lundvall & Borrás, 1997; Cooke, 2004).

The RIS focus is based on the idea that regional competitive advantage is increasingly innovation-based, and that innovations emerge when existing knowledge is continuously reconfigured into new combinations in local contexts. Both approaches stress interactions between industry and organisations involved in knowledge exploration, such as universities and research centres (Coenen, Asheim, Bugge & Herstad, 2017:603). Both foci – an NIS and an RIS approach – see innovation as a social learning process that takes place in a context of networks and institutions and which can be proactively influenced to build the innovation capacity of firms, regions and nations.

Watkins, Papaioannou, Mugwagwa and Kale (2015) maintain that intermediaries play a direct role in this innovation process. First, they may perform the function of information collection and exchange through various networks. Such information might be about current and emerging technologies, new products and processes, changing regulation, and potential partners and competitors. Secondly, intermediaries can contribute directly to the construction or development of a network by bringing together similar and/or complementary actors. They act as a network-selection mechanism. Thirdly, once a collaborative relationship between network members is established, intermediaries can then help to manage and develop those relationships, facilitating the collaboration process (Watkins et al., 2015:1409).

The role of the state and non-market institutions

A key issue which has not yet been raised in this discussion so far is the role of the state in the learning economy. The differences between the new model of the firm and the traditional view of the state have widened. In fact, the traditional organisational structure of the state has stronger affinities with earlier corporate models of work organisation and, in particular, the bureaucratic forms of control that reside in large vertically integrated conglomerates. The usual image of the state is that it is bureaucratic, rigid in its application of rule-based operational procedures, and inflexible in the face of change. Its mode of regulation is one of 'command and control' (Wolfe & Gertler, 2002). Overcoming this organisational gulf between traditional state structures and the new forms of networking between firms is a major task for modern governments, especially in key policy areas highly dependent on cooperative relationships, including industrial policy, enterprise training, and small-business development.

The primary mechanism, according to evolutionary economics, appears to be strategically placed institutional intermediaries who can play an interlocutor role between state and capital. Chang (2004) argues, from an industrial policy perspective, that the task of intermediary organisations is to induce private actors into new activities that they would have had no interest in entering under free-market conditions. As Chang suggests, an electronics industry that is non-existent today has nobody to advance its interests – even though it might be very successful tomorrow (Chang, 2004:167). Closing this gap – between public policy (for example, developing a new electronics industry) and the interests of a local entrepreneurial community – is no easy task.

Evolutionary economics has taught us that non-market institutions play a central role in the economy. This is because institutions, through synergistic interaction with each other, produce certain 'collective goods' such as multifunctional skills, enterprise research and development (R&D), networking, industrial clustering, and cooperative industrial relations, all of which are central elements of competitiveness in the new global economy.

These collective goods do not arise easily under purely market conditions. This, taking enterprise training as an example, is because of the 'standard externality problem', by which individual employers, faced with training decisions based purely on 'free-market' principles, most often fail to provide sufficient training for society's needs. When employers do train personnel, they tend to train in narrow company-specific skills. Those employers who do not train, poach.

However, market failure becomes a more severe problem when considered against the complexity of the changes required in the shift up the value chain towards higher value-added production, which is the central pillar of competitiveness in the new global economy. Private enterprises and the market mechanism are not well placed to initiate this vast array of changes, precisely because the benefits to society are far greater than those accruing to

individual employers. Dynamic growth depends on investments in infrastructure being made on a scale far beyond the means of any single employer. What is required is large-scale investment in education and training institutions, R&D facilities, employer associations, innovation partnerships between higher education institutions and industry, and industrial peace. These investments are best attained through cooperation between the state, employers and civil society. Such cooperation is usually expressed organisationally, by social institutions interacting and working together to attain certain commonly agreed social outcomes (Streeck, 1992).

Organisational capabilities needed to undertake intermediation

Having outlined the theoretical evolution of the concept of intermediation, the key practical question which now arises is: How does this conceptualisation of intermediaries translate into a doable number of functions that a body such as a SETA could carry out? The theoretical literature reviewed above points to at least two capabilities that are required to perform intermediation: (1) having embedded sectoral expertise to convince actors to behave differently; and (2) possessing brokerage skills.

'Embedded' expertise of the sector

In achieving the kind of intermediation suggested above, SETAs will need to have an intimate knowledge of the sectors they operate in. More specifically, a dedicated unit of core staff members needs to have considerable expertise of the economic sector they work in, the problems faced by it, and the solutions needed – both in terms of skills development and, more broadly, in terms of moving up the sectoral value chain. This requires personnel in the SETAs who have both theoretical knowledge of the sector and practical work experience in the sector. Writing from a vocational education and training perspective, Crouch, Finegold and Sako (1999:232) argue that these intermediary agencies need to possess an authority based on 'constantly updated knowledge so that firm competencies can be ratcheted up and so that educational institutions and relevant government departments can be kept in touch with what is required'.

In South Africa, such authority and expertise do not exist across all 21 SETAs. In-house research capacity is largely absent in these sector skills bodies. The majority of staff employed by the SETAs have no industry experience – most come with prior experience of working in the school and adult education systems. Unfortunately, knowledge of formal schooling is insufficient preparation for understanding the dynamics of a complex economic sector (NSA, 2018b:63).

'Brokerage' skills

'Brokerage', that is, brokering deals among disconnected and sometimes conflicting members, is another key function needed for intermediation. Williams defines the act of 'brokering' as follows:

Brokering ... depends on the employment of a range of competencies and skills – an acute understanding of interdependencies between problems, solutions and organizations; an interpersonal style that is facilitating, respectful and trusting; and a drive to devise solutions that make a difference to solving problems on the ground (Williams, 2002:117).

Brokerage requires 'boundary-crossing' to occur. Intermediaries who help isolated actors to cross boundaries serve 'as mutually trusted lynchpins between social groups'. In short, they 'help overcome informational asymmetries, establish a common set of expectations, and facilitate goal adjustment' (Williams, 2002:108). Brokers and boundary-crossers have the capacity to bring together unlikely partners, break through red tape, and see problems in new ways which defy conventional wisdom. For Jessop (2003:18), the role of such interlocutors is to simplify a 'complex, contradictory and changing reality in order to be able to act'.

Brokerage is often required in contexts where public policy requires a defined set of social partners to work together and collaborate, but where something is at odds with their normal governance routines. In some cases, certain stakeholders are difficult to bring on board – for example, small enterprises. They tend (at least initially) to stay away from collective activities of employer associations because they have few resources to contribute to industry development or workforce management and skills. However, through the efforts of brokerage, small enterprises can become an integral part of the public-policy process – for example, through their inclusion in supply chains (OECD, 2012:24).

Good brokerage requires 'dialogic capacity' (De Matos, Cassiolato & Lastres, 2018). Dialogic capacity comprises the ability to promote problem-solving discussions among members. Discussion allows groups to overcome informational gaps because it enables them collectively to brainstorm and to devise solutions no member would probably have imagined individually. If an organisation has this capacity, 'its ability to broker deals among conflicting members gives these decisions a certain legitimacy with all members, even those who are not favoured by a given bargain' (Culpepper, 2002:777).

Extent of intermediation in South Africa

The extent of intermediation activities in South Africa is unknown: little research exists to draw on in order to make definitive conclusions about intermediation. However, in recent times, researchers have taken an interest in it. Peterson, Kruss, McGrath and Gastrow (2016), for example, in research conducted for the government-funded Labour Market Intelligence Partnership, have used the concept of intermediaries to highlight science, technology and industrial policy in three sector-specific case studies: sugarcane growing and milling, automotive component manufacturing, and the Square Kilometre Array (SKA) sectoral systems of innovation. This research concluded that public-private intermediaries play crucial coordinating roles and that the potential exists for public intermediaries to contribute more effectively to systemic functioning (Peterson et al., 2016).

Similarly, Marock (2015) has examined the work of NGOs in the youth labour market from an intermediary perspective. Marock completed three 'best-practice' case studies of NGOs that aimed to put first-time entrants into work. All three of the NGO programmes had been designed to 'mitigate the access barriers faced by young work-seekers in seeking formal sector employment' (Marock, 2015:4). These barriers included not having access to social networks that lead to job opportunities and, related to this, not having job search knowledge critical to accessing formal-sector employment. Marock also touches on the reality that employers prefer to use prior work experience rather than the Grade 12 school-leaving certificate as a predictor of success in the workplace. This preference locks out first-time work-seekers from new-entry opportunities. Marock argues that it is the combination of these social barriers to entry that have triggered the labour market interventions of the NGOs reviewed. Understood theoretically, these social barriers are imposed by societal institutions and processes: they are not irreversible and can be removed or altered through purposive countervailing action – something which NGO intermediaries are good at.

Success stories in the current South African training system

Outside of this small body of academic work, there are a few examples of good intermediation practice that stand out but are as yet undocumented by scholars. For example, the Joint Initiative for Priority Skills Acquisition (JIPSA) was introduced by the Mbeki government in 2006 when there was a serious shortage of artisans and a near-collapse of the apprenticeship training system. The key feature of the scheme was to bring everybody back into the system to help solve the problem of apprenticeship training. The broker role was played by a JIPSA secretariat managed by the National Business Initiative (NBI), an employer-linked NGO. These brokerage interventions helped significantly to overcome the decline in the production of new artisans as witnessed in previous years (JIPSA, 2009; 2010). The changes introduced after JIPSA's brokering intervention were largely institutional: a Chief Directorate for National Artisan Development was established at the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) in 2010, with four directorates: Artisan Development; Trade Test Application and Assessment; Career Development; and Artisan Registration. The first directorate, Artisan Development, hosts a National Artisan Development Support Centre, which performs the important function of data management and dissemination (DHET, 2018:13). The directorate also hosts the National Artisan Moderation Body (NAMB), which plays a critical role in monitoring the performance of apprentices in trade tests in addition to moderating trade-test results. From the outset, a consultative and cooperative approach was pursued by the chief directorate. The primary benefit of this brokering approach was that a large number of people were 'taken along' with the process to achieve a single national artisan development system, and, in this way, this large group of individuals developed a system they can relate to and 'own' (HRDC, 2013). These institutional changes led to a dramatic improvement in the enrolment and graduation of artisans in the period after JIPSA. For example, apprenticeship registrations improved from 36 703 for the period 2000 to 2005 at the end of the National Skills Development Strategy One (NSDS1), reaching 32 748 for the period 2005 to 2010 at the

end of NSDS2. This decline in numbers was largely due to the transfer of the entire Skills Development Branch from the Department of Labour to the DHET in 2009, a major institutional reform which took a long time to finalise. Enrolment numbers across the training spectrum froze in the years 2009 to 2011 until the transfer of the division had stabilised. Nonetheless, JIPSA-inspired preparations for increasing apprenticeship enrolments continued during this period and, by 2017, the total figure had reached 137 836 for the five-year period 2012 to 2017 at the end of NSDS3. Similarly, the numbers graduating as registered artisans significantly improved from the low of 2 779 artisans graduating in 2003 to 12 129 in 2012 and 21 198 in 2017 (INDLELA data).

A second example is the Centres of Specialisation (CoS) project, a DHET artisan-training initiative run under the leadership of its Special Projects Unit (SPU). The SPU plays the role of a public-sector intermediary. In its attempt to introduce a German-style model of dual apprenticeship training, the CoS has set three criteria for participation by employers: (a) they must be within commutable distance of the college; (b) these employers must be prepared to work with the college; and (c) they must also be prepared to work with the dual artisan system model so that the learner will rotate between the college and the firm. The CoS project seeks to facilitate a more frequent rotation between the college and workplace than was traditionally associated with the old South African 'block-release' system which saw apprentices spend a short period of time in practical training in between theoretical lectures at the college. In the CoS, learning has three components: theory, practice and workplace experience. The aim of the initiative is to extend it to 13 trades in 26 colleges (out of a total of 50), but, if the model works, it can grow to other occupations.

The project leader of the CoS at the time of the research described the work of the project as 'occupational intermediation'. This intermediation is premised on training nationally for one occupational category – for example, electrician – because then all trained artisans can find employment in multiple sectors where electricians are required. Currently, each economic sector has its own electrician certificate registered on the National Qualifications Framework (NQF), making mobility across sectors difficult. For the project leader, cross-sectoral intermediation entailed striking a deal between multiple employer groups, SETAs, colleges and curriculum experts in order to build a single occupational qualification for each of the 13 trades – a massive brokering task.

Views of key stakeholders in the training system

There are many other examples of intermediation in South Africa but they are mostly undocumented. To overcome this paucity of information, four senior officials in the South African skills development system were interviewed in 2018 about their views on intermediation practices initiated by the SETAs. The interviewees were: The former Deputy Director General of Skills Development in the Department of Labour who was Director of the SPU in the DHET at the time; the Director of SETA (Sector Education and Training Authority) Support and Learnerships, DHET; the Senior Manager for Applied Research and

Innovation at the Manufacturing, Engineering and Related Services SETA (merSETA); and the Head of Research at BANKSETA.

The interviews sought, first, to elicit senior skills officials' views on 'intermediation' as an organisational tool to deploy in the skills system, and, secondly, whether they could report on any intermediation practices taking place in the skills system. The following are extracts from their comments, clustered under particular themes that were highlighted across the four interviews.

The limits of intermediation

Much of the interview discussion was concerned with the limits of intermediation. For example, the BANKSETA head of research indicated that SETAs do not see employers as social partners with a common vision regarding human-capital development. Instead, they see employers contractually as levy-paying organisations seeking to access the skills levy through mandatory and discretionary grants. The concept of 'partnership' in this SETA environment, she opined, was defined by two rather restrictive contract documents: the Service-Level Agreement (SLA) and the Memorandum of Agreement (MoA) – in her view, a rather narrow and legalistic interpretation of the potential of partnership:

The relationship that most SETAs have with employers would be around the distribution of discretionary grants either through funding windows or engagements for them to undertake workplace-based learning. But engaging with employers in terms of broader skills-related issues facing the sector does not happen in a coordinated manner but rather in isolated instances (Interviewee 1, BANKSETA, March 2018).

According to this interviewee, stakeholder dialogue in a SETA environment is closed. It is literally a linear type of engagement:

SETAs tend to be guided by issues raised in the National Skills Development Strategy (NSDS) and the White Paper on Post-School Education and Training. If these strategy documents indicate, for example, that capacity building of public higher education institutions is a priority, SETAs respond via discretionary grants and various interventions to support these strategies. SETAs do not fulfil the intermediation role of bringing social partners together to broker a broader mandate in a well-planned, structured manner on a frequent basis (Interviewee 1, BANKSETA, March 2018).

The Director of SETA Support and Learnerships in the DHET agreed with the above view. According to her, SETAs have in the main focused on using the 'carrot and stick' of financial incentives to get employers to deliver on projects without using additional types of mediation such as 'brokerage' and 'visioning' wider sectoral needs. Dissatisfaction by employers and

their lack of skills system buy-in present further problems. For DHET officials, this stance is difficult to work with. While, on the one hand, according to her,

... employers disown participation in the skills system in one breath, on the other hand, employers are part and parcel of the SETA Board. But they don't use this facility strategically. In disowning participation in the system, employers say that they don't share the same vision, their enterprise needs are different, they're competitive with other players in the sector and can't cooperate. It makes working together as a collective very difficult (Interviewee 2, March 2018).

According to the BANKSETA interviewee, SETAs have not placed much emphasis on developing stakeholder engagement strategies and this has restricted their ability to broker more expansive education and training agreements. She maintained that there has been a lot of confusion in the SETAs between what actually constitutes a partnership and contractual agreements that are entered into with role players in the sectors:

In developing the Sector Skills Plan, an entire chapter is dedicated to partnerships. It is here that SETAs can clearly demonstrate the role they play as intermediaries. However, a partnership must not be confused with a contractual agreement where clearly defined deliverables are matched with a payment. In a partnership, a number of social partners engage and contribute to finding a solution to a skills development challenge (Interviewee 1, BANKSETA, March 2018).

The absence of trust is a major contributor to low levels of intermediation, argued the senior official from merSETA, holding that SETAs are wary of the present discussions about restructuring the current SETA landscape. Moreover, she said, employers do not trust that the money will be put to better use outside the current system, which is largely about who controls the money (Interviewee 3, 2018).

Asking too much of SETAs

Here, the DHET director of SETA Support and Learnerships argued that expecting the SETAs to go beyond their current modus operandi is asking too much, because, at this stage, there is little capacity in the system to do that. She said:

We've had to go back to basics and say to the SETAs, first get better labour market information, and then determine the next step. This is our approach now – let's go back to the basics and fix that before we start moving in a more complex direction (Interviewee 2, March 2018).

While the director of the SPU in the DHET agreed that the role of intermediaries was a valuable way of looking at improved SETA performance, she believed that the concept ran the risk of asking too much of SETAs given the lack of capacity. For example, the idea of

SETAs providing business-support services in order to improve productivity and work organisation and offering this to individual firms or a collective of firms in a cluster, was asking too much. At best, she thought, intermediation would entail partnerships between the SETAs and industry associations but not dedicated services that other organisations such as the Small Enterprise Development Agency (SEDA) and Productivity South Africa (PSA) offer. This suggestion, she cautioned, still faced the problem that agencies such as SETAs, the Department of Trade and Industry, SEDA and PSA operated in silos and did not easily find each other for purposes of offering a collective basket of enterprise services (Interviewee 4, 2018).

No training on how to be an effective SETA employee

A further problem inhibiting intermediation has been the lack of sector training for SETA personnel. At the launch of the SETAs, many former school and adult education teachers were recruited, giving the SETAs educational know-how but not embedded knowledge of the industries they were to serve. The director of the SPU at the DHET agreed that this was not ideal and that it was an unplanned and unexpected outcome, saying that people with sectoral expertise had not entered the SETAs when they were formed at the time:

We always wanted that embedded, intimate knowledge of the sector, and we really didn't get it. We always hoped that by setting up a board of social partners that they would ensure that the staff came from the sector. I fully agree with the point that they should come with real expertise from the sector, and it didn't really happen. I'm not sure whether we understand fully why the general pattern emerged that we got people who were generalists rather than sectoral experts, which I always believed was central (Interviewee 4, March 2018).

The DHET SETA Support and Learnerships official acknowledged, too, that there had been no formal training programme in the time that she had been at the DHET, nor had there been any requirement that SETA personnel should have a specific form of sectoral expertise prior to appointment (or indeed post-appointment). The interviewee indicated that SETAs were formally constituted, independent bodies and so it had been difficult for the DHET to prescribe to these institutions what training should be conducted. Ideally, she continued, all mid- to senior-level staff should have a sound knowledge base regarding the sector: for example, staff needed to understand employer dynamics and labour market processes, because, without understanding these phenomena, how would these SETA officials translate plans into supply-side policy? In her current job at DHET as director of SETA support, she said:

...it very rarely occurred that a SETA official would articulate these employer needs and demands to me in any kind of detail. This was disconcerting for me, because I would have this problem over and over again ... And the low levels of trust currently in the system also restrict the flow of expertise to the SETAs – especially from employers (Interviewee 2, March 2018).

On the other hand, though, some SETAs did possess sector-based expertise in the form of personnel who entered the SETA from industry. For instance, interviews revealed that every client liaison officer and quality assurance officer in the merSETA was a qualified artisan who had worked in the manufacturing industry. In the BANKSETA, many of the senior leaders had come from the banking sector. However, it appeared that the challenge for SETAs was to combine sector expertise – as in the case of the two examples mentioned above – with the curriculum and pedagogic expertise needed to understand the education and training system as well. Having both capabilities should be a major end-goal, but it would seem that it was not easily achieved by the SETAs.

Compliance and the 'tick-box culture'

A final constraint on intermediation has already been discussed in the introduction – the straightjacket of performativity and financial compliance. As indicated earlier, the PFMA entails a highly bureaucratic system comprising all of the arduous tasks of supply chain and performance management. Implementing this in the skills system has resulted in a highly compliance-oriented service provision model emerging where the main objective of SETA management is to avoid incurring qualified audits by the Auditor-General. This problem has also introduced a pervasive short-termism – most often resulting in contracts of only one or two years, an emphasis on the production of quantitative indicators (even if most training situations do not lend themselves easily to quantitative measures), and a strong orientation towards avoiding risk and experimentation. Intermediation does not easily emerge in this environment because it requires openness to new ways of doing things, taking the inputs of other players seriously, building consensus, and adopting medium- to longer-term solutions. Interviewees confirmed these problems in the following comments:

Much of the work of SETA staff is in response to head office driving them on numbers. It's all about numbers In fact, the service-level agreement adopted by the DHET is all numbers-based; it's not qualitative. How many partnerships do you have? How many learners registered are undertaking artisan training? How many of them qualify? How many skills programmes were entered into and completed? How many bursaries? There is nothing qualitative about it. So the DHET is actually driving this behaviour. We sign an SLA with them every year and it has become a straitjacket which restricts intermediation (Interviewee 3, March 2018).

When you look at SETA delivery, a lot of it entails tick-box exercises. Really meaningful data is difficult to get – for example, actually measuring the socio-economic impact of the SETA. Because you don't have valid and verifiable data, what you end up with is a focus on meeting DHET SLA deliverables. Compliance with the PFMA, National Treasury guidelines and any other compliance that they have to meet to get an unqualified audit from the Auditor-General seems to be the focus of the SETA (Interviewee 1, BANKSETA, March 2018).

Conclusion

A number of key observations can be made from the above discussion about the SETA skills system.

First, SETAs were established and recruited staff (particularly in the mid- to senior strata) without requiring any expertise in respect of the sectors that staff were about to work in, nor did the SETAs provide sectoral training for staff after recruitment. This has left a big vacuum in the skills system and it explains the rapid adoption of a compliance model as the only governance model put on the table. In addition, the skills system appears unable to engage with employers or to align with small business and industrial policy.

Secondly, South Africa has experimented with 'social compact' agreements (as advocated by Kochan and Kazis earlier in this article) between the key societal stakeholders, especially in the formation of NEDLAC (National Economic Development and Labour Council) and the Growth Summit of 2003. But, more recently, under the Zuma administration, the potential impact of these experiments on the generation of 'collective production goods' such as skills formation and technological innovation has been severely muted. Gwaindepi (2014:82), for example, sees Zuma as taking the pre-2009 ideas of social compacts and a developmental state and turning them into elements of a broader populist strategy 'despite the fact that they were never developed beyond rhetoric'.

Thirdly, although there are pockets of innovative intermediation in the skills systems, it is clear that there are many obstacles to be overcome before intermediation becomes a more dynamic and influential part of the overall system. The problems are varied, from the straightjacket of PFMA compliance to the limited capabilities within the SETA system to perform anything more than the most basic of functions.

However, with the rise of the Ramaphosa administration since February 2018, committed as it is to social compacts and given the existing pockets of excellence in intermediation described in this article, a gradual introduction of more intermediation activities in the system is possible. The current debate about reducing the number of SETAs, and, in so doing, reducing their inflated bureaucracies, could provide an opportunity to rejig the capabilities in the skills system, prioritising people who have credible sectoral expertise. Proposals to restructure the many SETAs into fewer 'value chain'-driven organisations would help to develop this economic and sectoral expertise. And, finally, comprehensive training interventions for SETA staff to develop intermediation capabilities would be most valuable in this changing context.

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