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Time to rethink skills development

An independent review of the Sector Education and Training Authority system

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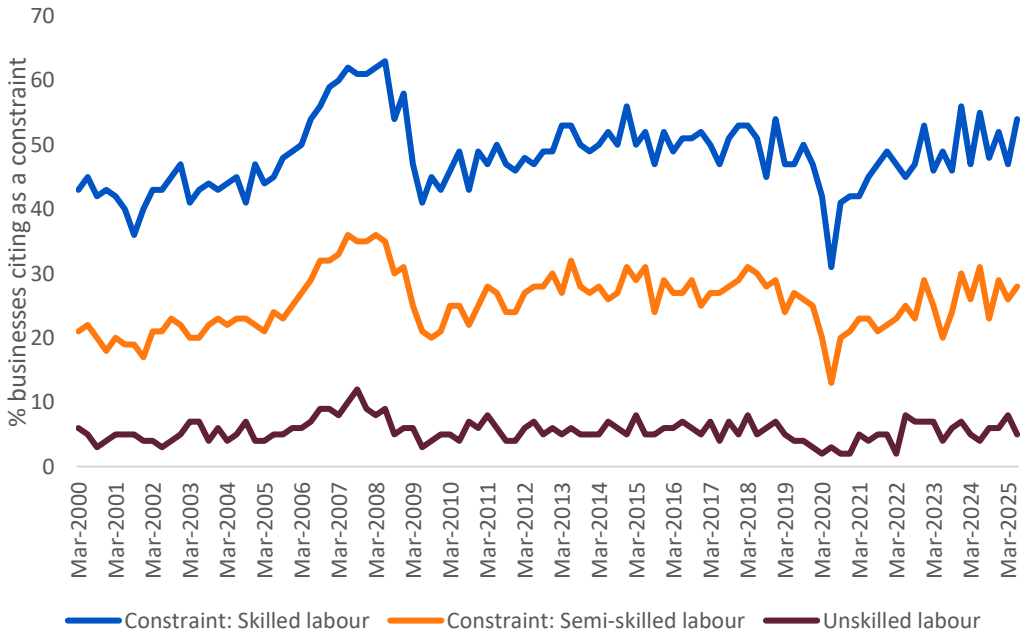
Key findings

South Africa's persistent skills shortage remains a critical barrier to economic growth. The Sector Education and Training Authority (SETA) system was a well-intentioned state-led intervention established to address critical skills shortages. The report finds that the system has proven to be inefficient and ineffective and proposes moving to a more effective approach that prioritises skills for growth.

South Africa faces a serious skills shortage which is damaging long-run economic growth. The Manufacturing Survey conducted by the Bureau for Economic Research (BER), for example, shows that around half of all manufacturing businesses cite skilled labour as a significant business constraint. Had the introduction of the SETA system been effective there would presumably have been a distinctive trend visible rather than a broad flat but elevated constraint reported. Bhorat and Khan (2018) find that every main sector of the economy has experienced a steady rise in skills intensity, with an accompanying increase in demand for skilled workers.

Figure 1: Approximately 50% of manufacturing businesses cite the lack of skilled labour as a business constraint



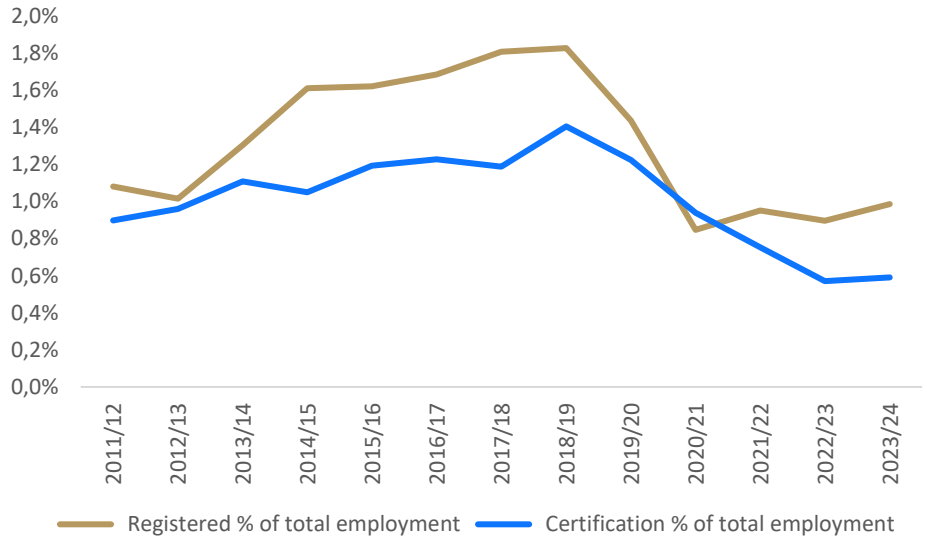
Source: BER Manufacturing Survey (various)

The introduction of the Sector Education and Authorities (SETAs) was intended to increase skills levels in the economy. The establishment of the SETA system was a state-led intervention designed to catalyse a "skills revolution" to remedy the structural skills deficit inherited from the pre-1994 era. The primary rationale was to solve market failures in skills training, such as underinvestment in skills development, by compelling firms to contribute to the collective cost of training through a mandatory levy. However, more than two decades after its inception, South Africa continues to face a serious skills shortage that damages long-run economic growth. This persistent challenge calls into question the efficacy and impact of the SETA system.

The system has been ineffective with systemic underperformance. While the SETA system operates at a significant scale, its performance is undermined by deep-rooted inefficiencies and a "leaky pipeline" where a substantial number of learners exit programmes without certification. Between 2011/12 and 2023/24, the system registered 2.6 million individuals across its various programmes, with 2 million completions. However, these headline figures mask critical weaknesses, as over 630,000 registrations did not lead to a successful certification. This leakage is most severe in the programmes designed to address deep skills and facilitate workforce entry.

The total number of SETA skills programme registrations in 2023/24 was only 1% of the employed and 0.7% of the labour force. This is in sharp contrast to similar international schemes where take up is very high, e.g., the French equivalent scheme approximately 50% of employees participate, while in Canadian scheme approximately 30% participate.

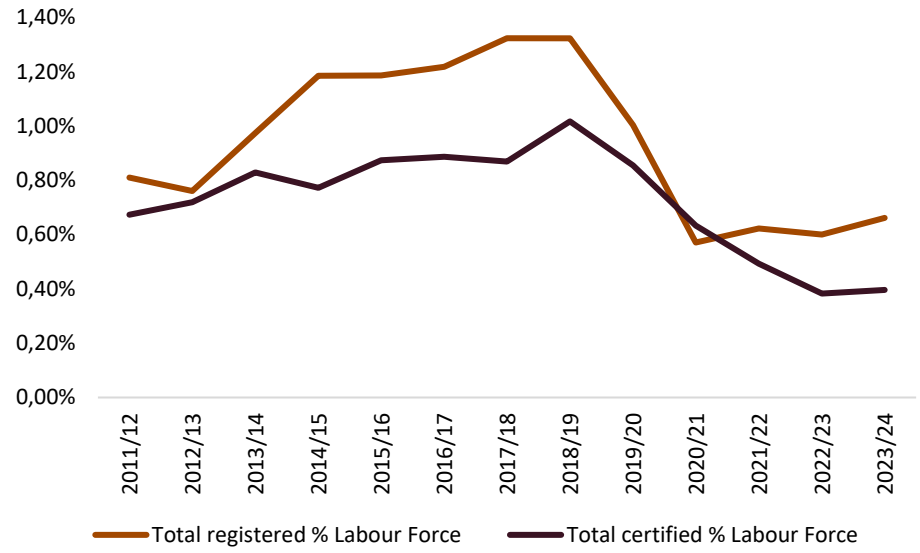
Figure 2: Total SETA certifications amounted to only 0.6% of total employment in 2023/24



Source: Authors' compilation based on data from DHET (2025) and Stats SA's Quarterly Labour Force Survey (QLFS)

Reforms have been attempted but these have not improved performance. Shifts in the framework moved back and forth between more and less centralisation and active labour market policy. In addition, amendments attempted to increase accountability, however, it is questionable whether these shifts achieved the desired outcomes.

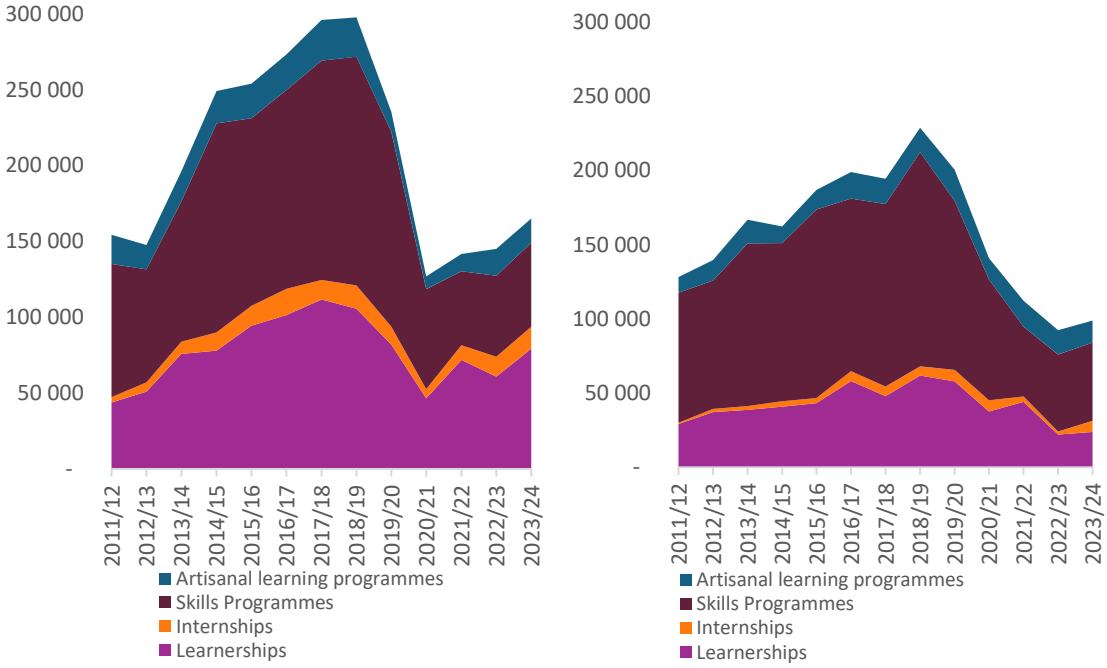
Figure 3: And in 2023/24 barely 0.7% of the workforce (employed and unemployed) received any training



Source: Authors' compilation based on data from DHET (2025) and Stats SA's Quarterly Labour Force Survey (QLFS)

Even the weak overall performance is distorted by short "skills programmes". The system's overall performance statistics are significantly inflated by short, arguably low-complexity skills programmes. These programmes account for 48.3% of all registrations and 60.8% of completions, boasting a high 96% throughput rate. When these short programmes are excluded, the throughput rate for more substantive interventions (learnerships, internships, and artisanal programmes) plummets to 57%.

Figure 4: Number and composition registered (left) and certified (right) in SETA programmes



Source: Authors' compilation based on data from DHET (2025)

The system consistently fails to meet performance targets. SETAs failed to achieve most of its cumulative targets over the period of review, for example for internships, targets were missed for 10 out of the 13 years under review.

SETAs have highly variable labour market absorption rates. The ultimate goal of SETA programmes is employment, but tracer studies reveal vastly inconsistent absorption rates. This challenges the idea of a uniform "SETA absorption rate" and points to highly contextual performance. Tracer studies find absorption rates varied between 83% to 6.1%.

The build-up and hoarding of surpluses and cash reserves points to significant financial inefficiency and chronic mismanagement. The SETA system commands significant financial resources but is defined by inefficiency and a failure to spend its budget on its core mandate. Over the 13-year review period, a total of R164 billion was disbursed from the SDL fund to SETAs. Total revenue has consistently exceeded expenditure, leading to large net surpluses, which stood at R6.7 billion at the end of 2023/24. Cash and cash equivalents held by SETAs grew from R8.9 billion in 2011/12 to R27.1 billion in 2023/24 in nominal terms and adjusting for inflation grew by 78%. This represents a massive opportunity cost, with billions of Rands intended for skills development sitting idle in bank accounts.

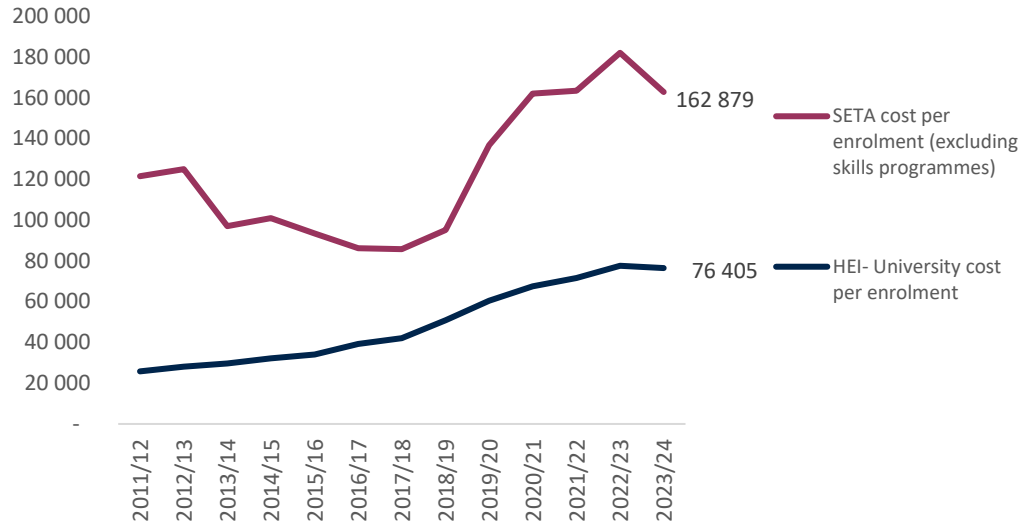
The SETA administrators (the SETAs themselves) have undergone a significant expansion in their employee headcount. The total number of employees grew by 60%, from 1 716 in 2011/12 to 2 748 in 2023/24**.** The wage bill grew at an average of 12% per annum between 2014/15 and 2023/24, significantly outpacing both average consumer price inflation (5%) and the growth of the broader public service wage bill.

The system has received multiple audit findings. The operational and financial inefficiencies are underpinned by systemic governance failures. This is reflected in an audit history that reveals a system in distress. From 2011/12 to 2023/24, across 273 individual audits, 54% were “unqualified with findings”, 15% were “qualified”, and 1% were issued with disclaimers or adverse audit opinions. The most common outcome, "unqualified with findings," masks significant governance problems, as it indicates that while the entities’ financial statements are reliable, they persistently fail to comply with key legislation.

There is also evidence of a cumulative R9.147bn in irregular expenditure over the period under review, according to the Auditor-General. This represents 5.5% of the total revenue SETAs received from the SDL over the 13-year period. An additional R274.9 million of fruitless and wasteful expenditure was incurred over the same period, which represents money spent in vain due to negligence and is a severe indictment of operational competence.

Cost comparisons per beneficiary highlight that the SETA system is excessively costly. In 2023/24, the cost per SETA certification was R181 269. This is significantly higher than the cost per university enrolment (R76 405), NSFAS funding per university student (R73 829), and TVET college funding per student (R34 230). When the low-cost, high-volume Skills Programmes are excluded to get a truer picture of the cost for substantive qualifications, the SETA cost per certification skyrockets to R388 052, which is even higher than the cost per university graduate R370 923, even though universities also have research mandates.

Figure 5: The cost per SETA enrollment is over twice the cost of a university enrolment

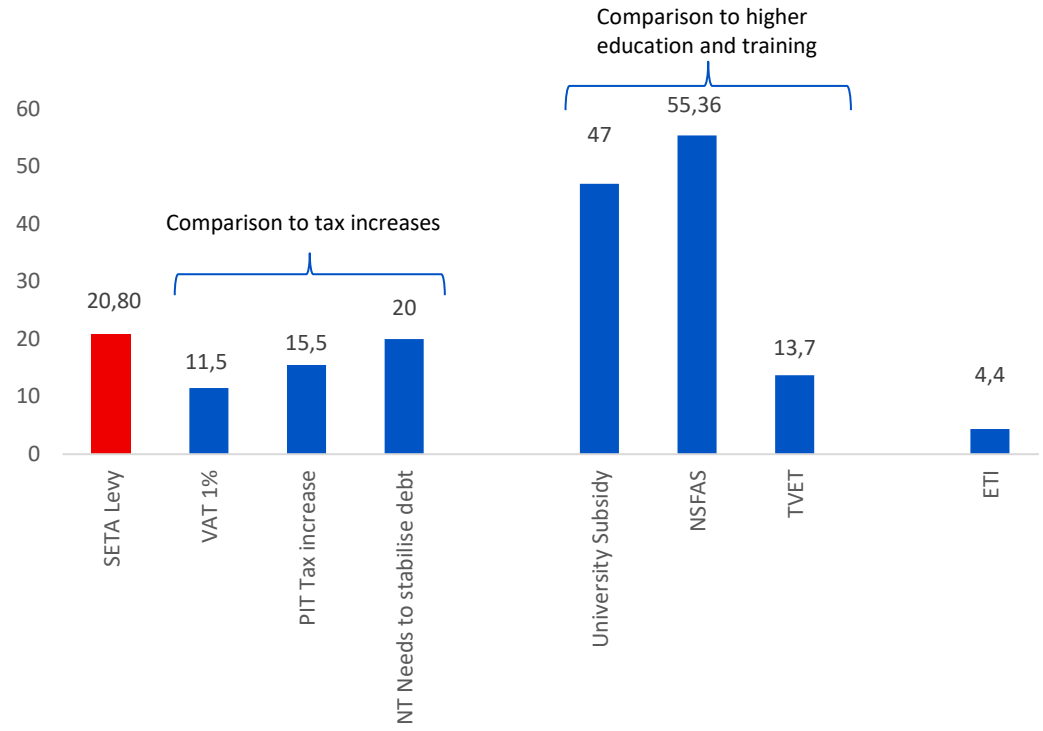


Source: Authors' calculation

Moreover, the SETA levy is significant relative to other tax and budget sources. In the 2025/26 budget, the SETA allocations from the SDL is approximately R20.8 billion, more than the net revenue from the withdrawn 1%pt increase in VAT (R11.5 billion). Alternatively, the effective increase in personal income tax (PIT) from the failure to adjust tax brackets for inflation, will raise an estimated R15.5 billion in 2025/26. The National Treasury has also indicated that it will require an extra R20 billion to help stabilise the debt ratio in 2026/2027.[1] The estimated allocation to SETAs also exceeds the transfers to TVET colleges and is approximately 44% of the subsidies to universities.

[1] As noted by National Treasury in the "Overview" that accompanying Budget 3.0, to account for revenue shortfalls, R20 billion in additional tax revenue is included in the fiscal framework for 2026/27. The 2026 Budget will present proposals to raise this amount.

Figure 6: SETA comes at a high opportunity cost (R'bn)- 2025/26



Source: Authors' compilation based on National Treasury (2025b).

Over the review period there are signs of declining efficiency, while SETA revenue increased by 46% in real terms, the number of certifications decreased by 23%. An input-output analysis shows the system has become progressively less efficient. Productivity has collapsed, with the ratio of certifications per SETA staff member declining from 92:1 in 2014/15 to 35:1 in 2023/24.

The SETA system is only achieving 4% to 6.6% of the overarching target set out in the National Skills Development Plan, in conjunction with the National Development Plan and the New Growth Plan. Based on these overarching plans, the Seta system should aim to facilitate and co-finance training "for approximately 10% of the workforce annually"[2]. In 2023/24 the labour force was 24 million, which would imply a target of 2.4 million. However, the total number of SETA registrations was 165 125 in that year while the total number of programmes completed was 98 834. Hence the system is only achieving 4%-6.6% of the target.

[2] For the purpose of this paper "workforce" and "labour force" is used in interchangeably and defined as per Stats SA's definition for labour force: "The labour force comprises all persons who are employed, plus all persons who are unemployed.".

OPTIONS FOR REFORM

There are broadly four options for reform (see Table 1).

Table 1 Summary options for reform

Option	Description	Advantages	Disadvantages / Risks
1. Phase out SETAs	Gradually wind down SETA system	• Reduces relative cost of employment • Better align incentives to employer needs • Voluntary participation for effective SETAs • Could improve skills relevance • Reduces inefficiencies and central control	• Loss of coordination and national oversight • Risk of fragmentation and inequality • Unclear fiscal path for R22.3bn levy revenue
2. Reduce levy to 0.5%	Halve the current 1% payroll levy, maintaining core SETA functions temporarily while reducing costs.	• Reduces cost of labour • Incentivises employment • Savings may increase profits and tax revenue • Eases burden on firms, especially small ones	• Inefficient SETAs remain • Potential underinvestment in training • Unclear benefit to employees • Long-term risks to SETA-funded capacity
3. Redirect levy to education or other skills development	Redirect surplus funds and/or ongoing levy revenue to education and other skills development priorities like basic education.	• Addresses critical funding gaps (e.g. basic education, ECD) • Utilises SETA surpluses productively • Politically feasible and aligns with past shifts	• One-off surplus not ideal for recurring spending • Undermines structured SETA training • Risk of piecemeal approach
4. Replace SETAs with a revenue-neutral tax incentive (i.e., use the levy to fund a tax incentive)	Allow firms to claim tax incentives for training expenditures, using levy funds, with SETAs phased out and funds channelled through tax system.	• Aligns skills provision with industry needs • Increases uptake and training flexibility • Reduces bureaucracy • May crowd in private investment	• Potential loss of national standard-setting • Quality assurance concerns • Unequal access for small firms • Legal and governance hurdles

Option 1 is to phase out the SETAs entirely, including the levy. There are a number of advantages to this (relatively) radical approach. The first (and most important) is that the SETAs are funded through a payroll tax of 1%, which increases the cost of employment by 1%. Given that there is almost certainly a negative wage elasticity of employment, this increases unemployment. If the SETAs create skills, then this effect is outweighed. However, the paltry performance of skills development (barely 0.5% of the labour force obtains a certification per year), suggests that the effect is overwhelming negative.

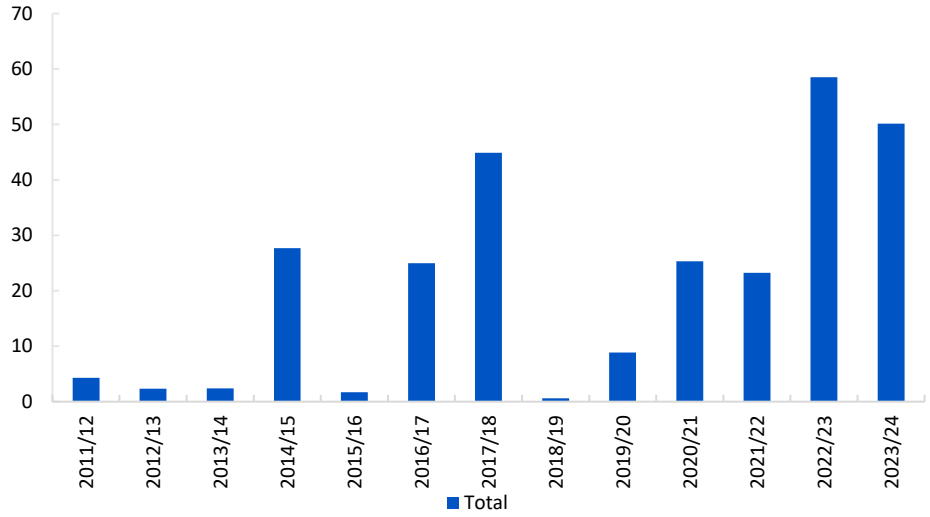
In short, it is likely that SETAs increase unemployment on a net basis and phasing them out is likely to increase employment. In practice, the impact of a lower cost of employment may not necessarily raise employment. Firms may, for example, choose to be more profitable. But even then, firms will pay a larger share of corporate tax.

The main disadvantage of Option 1 is that it would take away funding for skills development. Even though the SETAs are inefficient, the system creates an existing pool of funding that could still be used for developing skills but in a better way.

Option 2 is to reduce the levy. The SETAs are currently not spending their entire allocations with excess funds accumulating in growing surpluses and cash reserves. This is the worst of both worlds – the cost of employment has increased, *and* the money is simply going into a SETA bank account. This increases unemployment without the offsetting benefit of an increase in skills.

We evaluate this in some detail and conclude that the deadweight losses of the SETA system will remain. The administrative costs of SETAs have risen, and the Auditor-General has found significantly more fruitless and wasteful expenditure over time.

Figure 7: Fruitless and wasteful expenditure has risen (R'million)



Source: Author's calculation based on AGSA PMFA reports from 2012/13 to 2023/24

Option 3 is to redirect the levy. There have been calls to use the levy for other purposes (e.g. to fund shortfalls in basic education). We evaluate this option and conclude that this is a second-best (but still relatively good) option. In particular, funding early childhood development would support skills development over the long run. However, this does not directly address the skills shortages and mismatches that the economy currently faces.

Option 4 is to convert the system to one based on a revenue-neutral tax incentive. Economic theory suggests that a market failure in skills development arises because firms are not incentivised to skill up their employees with *general* skills, nor is there an incentive to skill up the unemployed. The market tends to underprovide training in general or transferable skills, as firms fear that once employees are trained, they may leave for competitors. Consequently, firms invest primarily in firm-specific training, which does not address broader labour market needs. Similarly, there is little to no incentive for firms to train unemployed individuals, as the return on such an investment is uncertain and may be captured by other employers. This results in a suboptimal equilibrium in which overall skill levels in the economy remain low, particularly among new entrants to the labour market. Public intervention - through subsidies, incentives, or the direct provision of training - is often justified on these grounds to correct the market failure and align private incentives with social benefits.

We argue that a better instrument to raise general skills would be a revenue-neutral skills tax incentive. Closing the SETAs would allow the cost to be funded from the skills development levy, and paired with other employment creation incentives such as the Youth Employment Service (YES) and the Employment Tax Incentive (ETI). The proposed design would mirror the Research and Development Incentive. That is, firms would be able to claim their qualifying skills programme spend off their skills development levy contribution. This would essentially create a ring-fenced pool of money for each firm to spend on skills. The choice of skills development would be at the firm-level, rather than at a centralised SETA level. Depending on budget pressures, over time the deduction can be increased (e.g. the Research and Development Incentive allows for 150% of qualifying spend to be tax deducted).

IN SUMMARY

The SETA system a very expensive system that is not delivering much-needed skills development. A comprehensive review and phase out are required. The SETA levy-grant system was designed to solve a real market failure: the "poaching" or "free-rider" problem, where the fear of losing trained employees to competitors leads firms to underinvest in general skills. However, the SETA system has not solved this problem on any meaningful scale. After two decades, it trains barely 0.7% of the labour force and achieves certifications for only 0.6% of the employed annually. This pales in comparison to international equivalents, (such as the French scheme where approximately 50% of employees participate) and also falls drastically short of its own overarching target of training 10% of the workforce annually.

The levy-grant system is the wrong instrument for the problem. It is not obvious that firms should be compelled to pay for general training, as the productivity gains from such skills should be reflected in wages. If society as a whole benefits, a stronger case can be made for funding through general taxes rather than a specific levy on payrolls.

In a country with high unemployment, the 1% skills levy makes employment more expensive and increases unemployment. This directly increasing the cost of labour and running counter to the goal of job creation.

These design concerns make the observed implementation failures inevitable. The central planner model, the underpins the SETA system, severs the direct link between firms (who intrinsically understand their own needs) and training providers. It replaces it with a bureaucratic intermediary tasked with an impossible forecasting job and an overstretched mandate. This creates a closed, bureaucratic loop where performance is measured by compliance with administrative targets, not by its actual economic impact. In such a system, incentives are naturally skewed towards managing processes rather than delivering skills.

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List of acronyms

AgriSETA	Agricultural Sector Education and Training Authority
ALMP	Active labour market policy
ATR	Annual Training Reports
BANKSETA	Banking Sector Education and Training Authority
CATHSSETA	Culture, Arts, Tourism, Hospitality, and Sport Sector Education and Training Authority
CETA	Construction Education and Training Authority
CHIETA	Chemical Industries Education and Training Authority
CPI	Consumer Price Inflation
DHET	Department of Higher Education and Training
DIDETA	Diplomatic and International Development Sector Education and Training Authority
ETDP SETA	Education, Training, and Development Practices Sector Education and Training Authority
ETQA	Education and Training Quality Assurance
EWSETA	Energy and Water Sector Education and Training Authority
FASSET	Finance and Accounting Services Sector Education and Training Authority
FEW	Fruitless and Wasteful Expenditure
FOODBEV SETA	Food and Beverages Manufacturing Industry Sector Education and Training Authority
FORESTRY SETA	Forestry and Timber Industry Sector Education and Training Authority
FP&M SETA	Fibre Processing and Manufacturing Sector Education and Training Authority
HEI	Higher Education Institutions
HWSETA	Health and Welfare Sector Education and Training Authority

IE	Irregular Expenditure
INDLELA	National Artisan Development
INSETA	Insurance Sector Education and Training Authority
LGSETA	Local Government Sector Education and Training Authority
MERSETA	Manufacturing, Engineering, and Related Services SETA
MICT SETA	Media, Information, and Communication Technologies SETA
MQA	Mining Qualifications Authority
NDP	National Development Plan
NGP	New Growth Path
NQF	National Qualifications Framework
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
NTSI	National Training Strategy Initiative
Numsa	National Union of Metalworkers of South Africa
PFMA	Public Finance Management Act
PLUMBING SETA	Plumbing and Water Services Sector Education and Training Authority
PMFA	Public Finance Management Act
PSETA	Public Service Sector Education and Training Authority
QCTO	Quality Council for Trades and Occupations
SASSETA	Safety and Security Sector Education and Training Authority
SDA	Skills Development Act
SDL	Skills Development Levy
SERVICES SETA	Services Sector Education and Training Authority
SETA	Sector Education and Training Authority
SLAs	Service Level Agreements

SSPs	Sector Skills Plans
TETA	Transport Education and Training Authority
TEXTILE SETA	Textile and Clothing Industry Sector Education and Training Authority
TVET	Technical and Vocational Education and Training
W&RSETA	Wholesale and Retail Sector Education and Training Authority
WSP	Workplace Skills Plans

Introduction

The Sector Education and Training Authorities (SETAs) system was established over two decades ago to coordinate skills development and training across various economic sectors in South Africa. Given widespread concerns over the efficiency and functionality of the system it is crucial to review its performance and whether it has delivered on its original objectives, including value for money, and alignment with broader national development goals. This study is intended to support evidence-based policy discussions on the future of the SETA system.

The main function of SETAs is to implement Sector Skills Plans (SSPs). SETAs implement SPPs by facilitating skills development in alignment with the National Skills Development Strategy (NSDS), to ensure that intermediate and high-level skills are developed among both workers as well as unemployed people. SETAs are established in terms of Section 9 of the Skills Development Act (Act No. 97 of 1998) ('SDA'), and there are currently 21 SETAs.

Critical to the work of SETAs is workplace-based learning programs. These include learnerships, apprenticeships, internships, and skills programs. SETAs are also required to perform their functions as prescribed by the SDA, the Skills Development Levies Act (Act 9 of 1999) ('Levies Act'), the Public Finance Management Act (Act No.1 of 1999) ('PFMA'), and their respective constitutions as prescribed by the SETA Standard Regulations.

There are concerns about their performance and whether expenditure on SETAs is efficient. For example, studies conducted in Marock et al. (2008),Turner et al. (2013) and Courtney (2025) pointed to significant inefficiencies of SETAs.

The purpose of this review is to get a consolidated overview of how SETAs performed over the period 2011/12 to 2023/24, with an emphasis on expenditure efficiency. In light of South Africa's fiscal position, the renewed focus on expenditure reviews, and the questionable performance of SETAs, there is a need to review the SETA system as a whole.

This report is structured as follows:

- The first section of this review considers the historic context and rationale for the establishment of SETAs.
- The second section provides an overview of the legislative and policy framework and the evolution of this framework.
- The third section assesses the performance of the SETA system by considering enrolment in and completion of SETA programmes, and how actual performance measures up to targets.

- The fourth section provides a 13-year review of the SETA system's financial performance, with a particular focus on revenue, surpluses, and personnel cost structures across the SETA system.

- The fifth section provides a 13-year review of audit outcomes across the SETA system, with a focus on audit outcomes, irregular expenditure, and fruitless and wasteful expenditure.

- The sixth section explores the efficiency and functionality of SETAs by way of cost comparisons, input-output growth, institutional functionality and whether the system produces a sufficient level of skills development.

The final section explores reform options and scenario modelling under different reform options.

Historic Context

SETAs were established in 1998 to reduce persistent skills shortages in the economy. Modelled on international best practice, they took forward existing training initiatives (many of them developed by trade unions). The intention was to create an efficient, centralised system of skills development.

SETAs were established in South Africa under the Skills Development Act of 1998 to address skills shortages, unemployment, and inclusive economic development. The aim was to create a structured approach to skills development that aligned education and training with the needs of industries.

The establishment of SETAs was seen as part of the South African government's post-apartheid socio-economic transformation agenda. Emerging from a political dispensation defined by systemic inequality, the new government faced an economy constrained by a severe shortage of skilled labour, a direct legacy of discriminatory education and labour market policies (Grawitzky 2007). The creation of the SETA system was thus not merely an administrative reform, but a state-led intervention designed to catalyse a "skills revolution" (Grawitzky 2007). This initiative sought to bridge the gap between the imbalances of the past and the urgent need to foster inclusive economic growth, create jobs, and improve the productivity and competitiveness of the South African workforce (Grawitzky 2007; South Africa 1998).

The conceptual foundations of South Africa's skills development strategy predate the democratic transition, originating in the labour movement's push for a more equitable and integrated training system in the late 1980s. Initiatives such as the National Union of Metalworkers of SA's (Numsa) Vocational Training Project (1991) laid the groundwork for the National Training Strategy Initiative (NTSI) in 1994 (Grawitzky 2007). A central tenet of these early discussions was the need to integrate education and training under a single, unified framework.

Pre-1994 to 1999, the skills development landscape was characterised by disintegrated systems, processes, procedures and standards (ILO, 2023). The system consisted of 33 Industry Training

Boards (ITBs), and training and employment services were governed by the Manpower Training Act of 1981 and the Career Guidance and Placement Act of 1981 (South African Labour Bulletin 2000).

With the transition to democracy in 1994, the new government identified the inherited skills deficit as a primary structural impediment to economic growth and social redress (Grawitzky 2007). The policy imperative, therefore, was to move away from the uncoordinated ITBs and create a unified, integrated, and state-led national system for skills development. Moreover, SETAs were seen as part of the solution to the country's inequalities in income and skills provision (Barclay and Cloete 2013). It was also expected that SETAs would accelerate skills development and improve labour absorption, in the context of high unemployment (Grawitzky 2007).

This shift from ITBs to the SETA system took place with the promulgation of the Skills Development Act (SDA) 97 of 1998, which provided the legal foundation for the overhaul of the skills development architecture in South Africa. Following its enactment, the Minister of Labour formally established 25 SETAs on 20 March 2000 (South African Government 1997). This act marked the official end of the ITB era and the birth of the SETA system, representing a fundamental shift towards a state-driven, sector-based, and levy-funded national skills strategy.

Along with replacing ITBs with SETAs in 1999, the Manpower Training Act of 1981 and the Career Guidance and Placement Act of 1981 was repealed by the introduction of the Skills Development Act (SDA) 97 of 1998 and the Skills Development Levies Act (SDLA), 9 of 1999 (South African Labour Bulletin 2000). In an interview with Sam Morotoba, the then executive officer of the National Skills Authority, he gave seven motivations to explain the shift away from ITBs, which were as follows:

"*Firstly, the 33 ITBs covered a narrow industry scope as they were established along industry lines. Secondly, the establishment of ITBs was likely to continue rapidly and we could have ended with 100 to 150 ITBs. Thirdly, there was a lack of co-ordination and a serious amount of duplication amongst ITBs. Fourthly, most ITBs' scope of training coverage was narrow as they focused mainly on artisans. Fifthly, South African Qualifications Authority (SAQA) legislation determines that a distinction should exist between training provision and quality assurance. Some ITBs were setting standards, providing training and conducting quality assurance. Sixthly, the ITBs were not overly representative, with most only recently including employees on their boards. Seventhly, government departments were not participating in the activities of the ITBs and we wanted to ensure that a partnership exists between the public and private sectors*" (South African Labour Bulletin 2000, p27).

From the interview, there is also a sense that the system under SETAs, along with the National Skills Authority, entailed greater involvement and interaction with the Department of Labour, arguably shifting policy towards a more active labour market policy approach. As an example, at the time, a "Skills Development Planning Unit (SDPU) was established in the Department of Labour to assist SETAs to develop sector skills profiles" …. "The SDFs will assist companies to develop company plans and also assist them in submitting such plans to the SETAs for consolidation." (South African Labour Bulletin 2000, p28). Furthermore, the National Skills Authority informed by SETAs, was intended to play a much more active role in advising the Minister of Labour on labour policy.

Another critical aspect of this transition was the launch of the first National Skills Development Strategy (NSDS I) in 2001. Although it was launched after SETAs, it and subsequent iterations directly guide the work of SETAs. Prior to the NSDS, skills development was not centrally coordinated, the Department of Labour had minimal strategic influence, and there was no national framework to guide investment or measure impact.

WHY WERE SETAS BROUGHT IN?

SETAs were originally designed to solve market failures in skills training. Archer (2010) argues that the SETA system is a form of active labour market policy (ALMP) designed to correct market failures in the provision of skills training, and that skills development can be considered a public good with externalities. It is similar in approach to the French scheme (see Greenhalgh 2002).

Skills training can be seen as a public good. In a perfectly competitive market, firms and individuals would invest in training up to the point where the marginal benefit equals the marginal cost, resulting in a socially optimal level of skills. However, Bekker (1964) and Acemoglu and Pischke (2010) argue that markets are imperfect, leading to systemic underinvestment. Skills training can therefore be viewed as a quasi-public good; while the primary benefits accrue to the individual in the form of higher wages and to firms in the form of higher productivity, there are also significant positive externalities, or spill-over effects, for the wider economy, such as increased innovation, competitiveness, and tax revenue. Because firms cannot capture all these external benefits, they have an incentive to invest less in training than is optimal for society as a whole.

Furthermore, based on this framework, Archer (2010) argues that capital market failures, and information asymmetry necessitates interventions such as SETAs.

With regards to capital market failures, Archer argues that trainees, particularly those from disadvantaged backgrounds, often lack the collateral required to secure loans to finance their education. This credit constraint prevents them from undertaking privately optimal investments in their own human capital, leading to a loss of potential for both the individual and the economy (Archer, 2010).

Information asymmetry in this context relates to the opaqueness of the vocational training market. Employers typically possess more information about the quality, relevance, and true value of training programs than prospective employees. This asymmetry can lead to adverse selection and moral hazard, where employees are unwilling to accept lower wages during a training period for fear that the promised skills development will not materialise or be of poor quality. This "hidden" nature of the training market inhibits efficient transactions (Archer, 2010).

Another form of market failure used to justify the levy-grant system is the "poaching" or "free-rider" problem, which can be modelled as a classic collective action problem (Archer, 2010). The dilemma arises because skills, unlike physical capital, are embodied in workers who are mobile. A firm that invests in training its employees creates a valuable asset, but it does not own that asset. A non-training competitor can "poach" this skilled worker by offering a slightly higher wage, thereby gaining the benefits of the training without incurring the costs (Archer, 2010).

This scenario creates a perverse incentive structure. For any individual firm, the most rational strategy is to defect (not train) and poach skilled labour from others. However, if all firms adopt this strategy, the collective outcome is a systemic collapse in training provision, leading to a

sector-wide skills shortage that harms every firm. From a theoretical level the levy-grant system is the primary policy instrument designed to solve this collective goods problem, as it alters the payoff matrix. The mandatory levy compels employees to contribute to the collective cost of training, reducing the option to free ride. In addition, the grant mechanism rewards firms that invest in training by refunding a portion of their levy contribution, making the decision to invest in skills more financially attractive than the decision to poach (Archer, 2010). In essence, the system attempts to transform the sub-optimal, non-cooperative equilibrium into a more efficient, cooperative one.

Legislative and policy framework

LEGISLATIVE FRAMEWORK AND EVOLUTION

The operational and financial life of SETAs are governed by an interconnected legislative framework. The Skills Development Act 97 of 1998 established the SETAs, whereas the Skills Development Levies Act 9 of 1999 established the financing of the SETAs. As public entities, SETAs are also subject to the stringent financial oversight of the Public Finance Management Act (PMFA). Furthermore, the different iterations of the NSDS/National Skills Development Plan (NSDP) guides SETA operations from a policy point of view and characterise different SETA "landscapes". This evolution between landscapes also reduced the number of SETAs from the original 25 to the current 21 (ILO, 2023).

The Skills Development Act 97 of 1998

The Skills Development Act is the principal act that established SETAs and defined their purpose and functions (South African Government 1997). Section 9(1) of the Act mandated these bodies to act as intermediaries between the state, employers, and labour within specific economic sectors (Turner et al., 2013). The SDA also mandated the establishment of the National Skills Authority (NSA), an advisory body intended to guide the Minister[3] on skills policy, and the National Skills Fund (NSF), and the central source for funding national skills priorities.

The SDA assigned the following functions to SETAs:

- *Develop sector skills plans, aligned with the broader national skills development strategy*
- *Implement its sector skills plan through various activities, including establishing learnerships; approving workplace skills plans; allocating grants to employers, education and training providers, and workers; and actively monitoring education and training provision within its designated sector.*
- *Promote learnerships by identifying suitable workplaces for practical experience, supporting the development of relevant learning materials, enhancing the facilitation of learning processes, and assisting in the formal conclusion of learnership agreements.*
- *Register learnership agreements to ensure their official recognition and compliance.*
- *Apply for accreditation from the South African Qualifications Authority (SAQA) as an Education and Training Quality Assurance (ETQA) body, a crucial step for ensuring the quality and integrity of qualifications.*
- *Collect and disburse the skills development levies within each sector, acting as financial intermediaries.*

[3] Initially the "Minister" referred to the Minister of Labour, which later changed to the Minister of Higher Education and Training.

- *Liaise closely with the National Skills Authority (NSA) on matters related to national skills development policy and strategy, as well as on their specific sector skills plans.*
- *Report to the Director-General of the Department of Labour on their financial performance (income and expenditure) and the progress of their sector skills plan implementation.*
- *Facilitate improved information flow between education and training providers and the labour market, and about employment opportunities, by liaising with the Department's employment services and other education bodies. Appoint the necessary staff to effectively perform its functions. (South African Government 1997)*

The principal act has been amended on several occasions, which is set out in the following section, and Table 2 gives a summary of amendments and the main implications of each amendment.

Skills Development Levies Act, No. 9 of 1999

The SDLA of 1999 formalised the levy-grant system as the primary funding mechanism for skills development, providing a stable and dedicated financial stream for SETAs to fulfil their mandated functions.

The SDLA created the financial engine for the entire system by mandating a 1% levy on the payroll of all employers exceeding a certain threshold (Grawitzky, 2007; South Africa, 1999). The threshold is currently R500 000, and employers with a payroll exceeding R500 000 are required to pay 1% of their payroll to the South African Revenue Service (SARS) on a monthly basis, with 80% of this contribution subsequently distributed to the relevant SETA.

These levies are collected by SARS and channelled into a central fund. From this fund, 80% is allocated to the relevant SETA for its sector-specific activities, while the remaining 20% is directed to the National Skills Fund (NSF). The 80% received by the SETA is further distributed according to a prescribed formula: 10% for administration, 50% for mandatory grants (reimbursed to levy-paying employers who submit a WSP), and 20% for discretionary grants to fund projects aligned with sectoral priorities (Turner et al., 2013). This levy-grant mechanism was intended to both increase the overall investment in training and incentivise employer participation (Grawitzky, 2007).

This financial obligation on employers is coupled with an incentive structure: employers can reclaim mandatory grants (calculated at 20% of their levy) by submitting Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs).

Skills Development Amendment Act, No. 31 of 2003

The Skills Development Amendment Act, No. 31 of 2003, introduced a series of significant legislative changes aimed at bolstering accountability, transparency, and ministerial oversight within the skills development landscape.

The amendments enhanced the regulatory and oversight framework for SETAs, which intended to shift a largely autonomous, stakeholder-driven model to one with significantly increased central government oversight and control.

The introduction of mandatory Service Level Agreements (SLAs) with the Director-General formalised accountability, establishing clear performance targets and a structured mechanism for monitoring SETA performance. Failure to meet these targets or manage finances

appropriately could trigger direct ministerial instructions, the withholding of funds, or even the appointment of an administrator.

The Minister gained extensive new powers to intervene in SETA operations, including the authority to change sectors, amalgamate or dissolve SETAs, and take over their administration.

Skills Development Amendment Act, No. 37 of 2008

The 2008 Act initiated a restructuring of the quality assurance landscape, centralising authority under the Quality Council for Trades and Occupations and redefining SETAs' role from quality assurers to key implementers and funders within an occupationally focused framework.

The establishment of the QCTO as the central body for occupational standards and quality assurance fundamentally altered SETAs' quality assurance responsibilities. While SETAs previously held Education and Training Quality Assurance (ETQA) functions, these were transferred to the QCTO.

This shift positioned SETAs primarily as responsible for funding and implementing skills development initiatives, while the QCTO assumed oversight for the design, assessment, and certification of occupational qualifications. This move aimed to standardise and professionalise occupational qualifications across sectors, addressing concerns about inconsistent quality assurance across the multiple SETAs.

The implication was a reduction in SETA autonomy in the specific domain of quality assurance, positioning them more as implementers of QCTO-defined standards rather than independent standard-setters.

Higher Education Laws Amendment Act, No. 26 of 2010

The most significant implication of this Act was the transfer of primary governmental oversight for skills development from the Department of Labour to the Department of Higher Education and Training (DHET). This meant that SETAs' main reporting lines, policy guidance, and administrative interactions largely shifted to the DHET, centralising authority for skills development within the higher education portfolio.

This shift represented a policy decision to integrate skills development more closely with the broader post-school education and training system, which includes universities and Technical and Vocational Education and Training (TVET) colleges. The inclusion of key figures from other education bodies, such as SAQA and the Council on Higher Education, in the QCTO's composition was intended to ensure better alignment of occupational qualifications with the National Qualifications Framework. This increased the DHET's direct oversight and influence over SETA operations and strategic planning.

Skills Development Amendment Act, No. 26 of 2011

The 2011 Act reformed SETA governance, professionalising leadership and management.

The introduction of the "Accounting Authority" with strict composition, eligibility, and conduct requirements aimed to ensure that SETA leadership possessed the necessary skills and experience to manage public funds responsibly, with consequences for non-compliance, including nullifying proceedings and disqualification.

Employment Services Act, No. 4 of 2014

The primary implication of this Act was the removal of SETAs' direct involvement and responsibilities related to "employment services" and Productivity South Africa. These functions were simultaneously transferred to the new Employment Services Act, 2014 (transferring these functions to a dedicated statute) which was enacted to provide specifically for public employment services, private employment agencies, and Productivity South Africa.

This legislative unbundling meant that SETAs' mandate became more streamlined and concentrated on their core mission of skills development, learnerships, and skills programs, rather than broader employment facilitation or productivity enhancement initiatives.

The Public Finance Management Act (PFMA) 1 of 1999

The PFMA did not amend the Skills Development Act but is relevant to SETAs. As Schedule 3A public entities, SETAs are not autonomous corporations; they are organs of state fully bound by the PFMA. The PFMA subjects SETAs to the highest standards of public financial management and corporate governance. It establishes the SETA Board as the Accounting Authority, legally responsible for the institution's finances and performance. Furthermore, it requires that every SETA be audited annually by the Auditor-General of South Africa (AGSA).

Table 2: Overview of amendments to the Skills Development Act 97 of 1998

Act Number and Year	Date of Assent/Commencement	Key Changes Relevant to SETAs
Skills Development Levies Act, No. 9 of 1999	20 October 1999 (Assented) / 10 September 1999 (Commencement)	Formalised the levy-grant system as the primary funding mechanism for skills development; defined levy collection and disbursement roles for SETAs and the National Skills Fund.
Skills Development Amendment Act, No. 31 of 2003	20 October 2003 (Assented)	Enhanced accountability and oversight for SETAs through mandatory Service Level Agreements (SLAs), explicit Public Finance Management Act (PFMA) compliance, and expanded ministerial intervention powers (e.g. amalgamation, dissolution, administration takeover).
Skills Development Amendment Act, No. 37 of 2008	7 August 2015	Established the Quality Council for Trades and Occupations (QCTO) as the central quality assurance body for occupational qualifications, redefining SETAs' role in quality assurance.
Higher Education Laws Amendment Act, No. 26 of 2010	7 December 2010 (Commencement)	Shifted primary governmental oversight of skills development from the Department of Labour to the Department of Higher Education and Training (DHET), aiming for greater integration with the broader education system.
Skills Development Amendment Act, No. 26 of 2011	28 March 2012 (Assented)	Professionalised SETA governance through the introduction of Accounting Authorities with strict composition, eligibility, and conduct requirements; strengthened conflict of interest rules and standardised SETA constitutions.
Employment Services Act, No. 4 of 2014	5 August 2015 (Commencement)	Streamlined SETAs' mandate by repealing provisions related to "employment services" and Productivity South Africa from the SDA, transferring these functions to a dedicated statute.

POLICY FRAMEWORK AND EVOLUTION

The strategic direction of the SETA system has been guided by a series of national frameworks, in the form of NSDS I (2001-2005), NSDS II (2005-2010), NSDS III (2011-2020) and NSDP (2020-2030). Each of these strategies/plans is associated with a different SETA “landscape” (ILO, 2023).

The initial NSDS (2001-2005) focused on establishing SETAs (Grawitzky, 2007). The second iteration, NSDS II (2005-2010), shifted the emphasis towards the quality and impact of training interventions, responding to early criticisms of a "tick-box"/compliance approach (Grawitzky, 2007). NSDS III (2011-2020) is associated with the oversight shift from the department of Labour to the Department of Higher Education and Training, and the National Skills Development Plan extended the planning period from a five-year period to a ten-year period.

The following section gives an overview of each Strategy/Plan, and Table 3 provides a summary of the landscapes.

National Skills Development Strategy I (2001-2005): 1st Landscape

NSDS I was the initial policy/plan underpinning the operations of the newly created SETAs, and it was also naturally associated with the establishment of the first 25 SETAs that replaced the ITBs.

NSDS I was launched in February 2001 and also established the initial skills development targets that were to be achieved by March 2005 (South African Government, 2005). These targets were aimed at achieving what the plan referred to as “Skills for Productive Citizenship for All”. The NSDS established five objectives and 12 success indicators, primarily delivered via the SETAs and the National Skills Fund.

National Skills Development Strategy II (2005-2010): 2nd Landscape

NSDP II maintained most of the focus of NSDS I, however, it introduced Service Level Agreements for SETAs (DHET 2005). Furthermore, it also set out more explicit equity targets, which influence SETA funding and grants to firms.

During the NSDS II span, there was also a series of amalgamations and mergers of SETAs, which reduced the number of SETAs from 25 to 23 (ILO, 2023).

National Skills Development Strategy III (2011-2016): 3rd Landscape

NSDP III represented a more significant shift from NSDS I and NSDS II. The most significant was that Skills Development as a function was transferred from the Minister of Labour to the Minister of Higher Education and Training (DHET). As such, NSDS III fell under DHET as opposed to the Department of Labour, which was the case for NSDS I and NSDS II.

One of the main objectives of the NSDS III was to improve efficiency and labour market alignment to match labour market demand and supply. This entailed further amalgamations of SETAs, reducing their total number from 23 to 21 (ILO, 2023).

Another significant change was that NSDP III moved away from setting national targets for SETAs. Instead, each SETA would have to formulate separate targets, aligned to sector-specific needs, and these targets would be included in service level agreements with the DHET (DHET, 2011).

From a policy point of view, although NSDP III still promoted active labour market policy, there was a slight shift from NSDP I & II to NSDP III. Arguably there might have been a realisation of the shortcomings of the concept of “predicting” labour market needs from a central point. As Marock et al. (2008) pointed out “*While there appears to be a growing acknowledgement that it is not possible to run skills systems that are so finely calibrated as to remain perfectly responsive*

to changing economic conditions, much of the skills development policies (especially in respect of planning) appears to be predicated on the assumption that such calibration is possible" (Marock et al., 2008, p10).

The NSDS III was extended from the original timespan (2011-2016) and came to an end on 1 April 2020.

National Skills Development Plan (NSDP) (2020-2030): 4th Landscape

The NSDP 2030 was promulgated on 7 March 2019 in Government Gazette No. 42290 (Government of South Africa, 2019) and officially came into effect on 1 April 2020. Under the NSDP, the 21 SETAs were re-established.

The plan was developed with explicit links to the National Development Plan 2030 and the White Paper on Post-School Education and Training (WP-PSET). The plan also shifted from a 5-year planning timeframe to a 10-year one.

Furthermore, there was arguably a slight reversal towards centrally developed/planned targets, although SETAs would still have separate targets contained in individual service level agreements.

Along with the National Development Plan (NDP) and the New Growth Path (NGP), the NSDP reiterates the need to target 1.2 million workers for certified skills programmes annually. As noted in the NSDP, this means that the SETA system "should aim to facilitate and co-finance training for approximately 10% of the workforce annually" (Government of South Africa, 2019, p6).

Table 3: Development of Skills Development Policy

Strategy/Plan	Period	Key Changes Relevant to SETAs	Number of SETAs
NSDS I	2001-2005	Established the first national framework for the new SETA system. Replaced ITB System.	25
NSDS II	2005-2010	Continued the focus on broad national targets; introduced a stronger emphasis on equity and critical skills.	23
NSDS III	2011-2020	Abandoned rigid national targets for sector-specific ones; shift from the Department of Labour to the Department of Higher Education and Training.	21
NSDP	2020-2030	Moved from a 5-year strategy to a 10-year plan; fully embeds skills development in NDP and PSET White Paper. Reiterated targets as set out in the NDP and the NGP.	21

Previous reviews of SETAs

There have been a number of previous reviews of the efficiency and effectiveness of SETAs using different approaches. Almost all these reviews found that the SETA system was ineffective and inefficient.

MEASURING EFFICIENCY: THE INPUT-OUTPUT MODEL

To assess whether SETAs are fulfilling their mandate effectively, Turner, Halabi, Sartorius, and Arendse (2013) applied a framework, developed by Gupta and Verhoeven (2001), to SETAs. This

framework consists of a clear, quantitative test of efficiency based on the relationship between an organisation's inputs and its outputs (Turner et al., 2013).

The core principle of the model is to determine whether a given level of output could be achieved with fewer resources (inputs) or, conversely, whether more output could be generated with the same level of resources (Gupta & Verhoeven, 2001). In the context of SETAs, inputs are defined as the total financial resources received, primarily the total revenue from skills levies as reflected in SETAs' income statements (Turner et al., 2013). Outputs are the measurable training and education outcomes achieved by SETAs, directly linked to an objective. For example, the number of learners completing programmes and the number of new entrants assisted into the labour market (Turner et al., 2013).

The efficiency criterion is then calculated by comparing the growth rates of these two variables over a specific period. In Turner et al (2013), a SETA is deemed "efficient" with respect to a particular objective if the percentage growth in its output for that objective is greater than the percentage growth in its total revenue input. If output growth lags revenue growth, the SETA is considered "inefficient" (Turner et al., 2013). Overall, this model provides a tool for gauging the operational efficiency of SETAs in converting financial resources into skills development outcomes. Turner et al. (2013) applied this approach to the 21 SETAs from 2006 to 2009. Their findings paint a stark picture of systemic inefficiency.

The study found that only one SETA, the Finance, Accounting, Management Consulting and Other Financial Services SETA (FASSET), was efficient across all five of its mandated objectives.[4] At the other end of the spectrum, five SETAs were found to be efficient in only one of their five mandated objectives. This result provides strong evidence that the majority of SETAs were failing to translate their growing revenue streams into proportionally growing training outputs (Turner et al., 2013).

Another finding was the disconnect between measured efficiency and self-reported target achievement. While only one SETA was deemed efficient by the input-output model, the study found that six SETAs had consistently met all five of their own performance targets. This discrepancy suggests a significant methodological flaw in how performance was being evaluated internally and by the Department of Labour[5].

Excessive cash reserves were also highlighted as a prime indicator of inefficiency. The study's analysis of cash management provided the most damning evidence of dysfunction. The core mandate of a SETA is to utilize its funds for skills development, not to accumulate financial reserves. However, the analysis revealed that 18 of the 21 SETAs had increased their cash reserves over the four-year period. Fifteen of these had increased their cash position by over 30%, and five had increased it by over 100%. The Construction SETA (CETA), for instance, saw its cash reserves balloon by an astonishing 1155.25% (Turner et al., 2013). The authors conclude that if these accumulated funds "had been applied to education and training outputs, rather

[4] The five objectives used in the study were as follows: "The first is to prioritize critical skills for growth, development and equity. The second objective is to stimulate quality training for all in the workplace. The third objective is to promote employability and sustainable development through skills development. The fourth objective is to assist new entrants into the labour market and self-employment. The fifth objective is to improve the quality and relevance of training and learning provisions. In particular, a crucial role of these organizations is to assist government implement the National Skills Development Strategy. Finally, SETAs are required to ensure that all training interventions adhere to the standards set out by the National Qualifications." (Turner et al., 2013, p 2).

[5] The study period was before SETAs moved to the Department of Higher Education and Training (DHET).

than for investment purposes, training outputs could have been considerably increased" (Turner et al., 2013). This hoarding of cash represents a fundamental failure to execute the core mission of the institutions.

INSTITUTIONAL PERSPECTIVE: STRENGTH VS SCOPE MODEL

While the input-output model measures operational efficiency, Marock et al. (2008) considered the institutional framework of SETAs in an attempt to diagnose the underlying causes of success or failure. This was done by ranking SETAs based on good governance (as per Auditor-General reports), the ability to plan and achieve targets (based on an analysis of SSPs), and the effectiveness of their quality assurance functions (Marock et al., 2008). It also applied a "Strength vs. Scope"[6] model to SETAs, which analysed SETAs along two dimensions:

- **Scope:** The range of functions and responsibilities an institution is mandated to perform. A high-scope institution has a wide and complex set of duties.

- **Strength:** The institutional capacity to effectively execute its mandated functions, encompassing factors like governance, technical expertise, administrative efficiency, and political autonomy (Marock et al., 2008).

The study strongly suggests that the SETA system has been afflicted by "mission creep" - a phenomenon whereby the scope of its functions has expanded significantly since its inception (Marock et al., 2008). Beyond their core legislative mandate, Marock et al., (2008) argued that SETAs have increasingly been expected to take on additional responsibilities.

The analysis by Marock et al. (2008) concludes that SETAs collectively bear a mandate that is "very high in scope, but without the commensurate capacity to undertake the various functions arising from this scope". This places them squarely in what Francis Fukuyama termed "Quadrant III" of his model—a state of high scope and low strength.

Institutions in this quadrant are systematically overstretched leading to a situation where, as Fukuyama predicts, "lots of things are done badly" (as cited in Marock et al., 2008). As such, based on the study from Marock et al. (2008), the widespread evidence of inefficiency, inconsistent performance, and governance failures across the SETA landscape can thus be understood not as a series of isolated incidents, but as a predictable and systemic outcome of an institutionally unbalanced design.

GOVERNANCE FAILURE

A consistent theme across the literature is the profound failure of governance within the SETA system. Rather than acting as strategic, sector-focused intermediaries, many SETA boards have devolved into politicised arenas for constituency-based contestation. The description of boards operating as "bargaining councils" is a recurring motif, signifying a dynamic where organised labour and business representatives pursue narrow, often adversarial, interests at the expense of a coherent, sector-wide skills strategy (Grawitzky, 2007; Marock et al., 2008). This governance paralysis is exacerbated by several factors, including the low seniority of many board

[6] Developed by Francis Fukuyama

representatives, a lack of strategic expertise, high turnover of senior management, and the sheer size and complexity of many boards (Grawitzky, 2007).

The internal strife and lack of a unified vision at the board level directly lead to operational paralysis and an inability to plan and execute complex, long-term skills development projects (Grawitzky, 2007). In such an environment, the path of least resistance for SETA management is to perform simple administrative tasks, such as disbursing mandatory grants, while allowing the more complex discretionary funds to accumulate. This accumulation of unspent funds is precisely what the Turner et al. (2013) study identifies as the key indicator of financial inefficiency. Therefore, the hoarding of cash by many SETAs might not necessarily be just poor financial management, but also a symptom of a fundamental breakdown in governance.

SKILLS FORECASTING DILEMMA

A core function of SETAs and a significant component of their administrative workload is the annual development of Sector Skills Plans (SSPs). These plans are intended to identify current and future skills needs, thereby guiding the allocation of discretionary funding. However, literature in this field, and notably the work of Archer (2010), mounts a critique of this function, arguing that detailed, long-term skills forecasting is both theoretically and practically untenable.

The reasoning behind this is that demand for skills is a derived demand, subject to unpredictable and dynamic interplay of technological change, shifting consumer preferences, and global trade patterns (Archer, 2010).

Furthermore, the data used for these planning exercises is often of poor quality. The Marock et al. (2008) review found that SSPs rely heavily on employer-submitted Workplace Skills Plans (WSPs), which are frequently treated as a perfunctory compliance exercise rather than a genuine reflection of strategic skills needs. Employers may report data that simply allows them to claim their mandatory grant, rather than providing an accurate picture of training needs or activities (Marock et al., 2008). This critique challenges the very foundation of the "planner" role envisioned for SETAs, suggesting that a core part of their mandate is based on a flawed premise.

UNINTENDED OUTCOMES

With an emphasis on achieving numerical targets there might be an incentive for SETAs to focus on quantity over quality. This translates into a proliferation of low-level (NQF 1 and 2), short-duration programs that can enrol large numbers of learners at a relatively low cost per head (Marock et al., 2008). This focus on mass programs arguably diverts financial and administrative resources away from the longer, more complex, and more expensive interventions — such as apprenticeships and higher-level learnerships, that are required to address the critical shortages of artisans, engineers, and technicians that constrain economic growth (Grawitzky, 2007; Marock et al., 2008). This represents a critical unintended outcome of the policy design, where the pursuit of one valid social goal inadvertently undermines another, equally important economic one.

SETA 13-year performance review

This section provides an analytical review of the performance of South Africa's 21 SETAs over the period from 2011/12 to 2023/24. The analysis is based on a detailed examination of performance data, including registrations, certifications, and target achievement across three core interventions: Learnerships, Skills Programmes, and Internships. The main source used for this section was the DHET's annual statistics on post-school education and training in South Africa from 2011-2023. The findings reveal a landscape characterised by significant scale but marked by systemic inefficiencies, inconsistent performance and a "leaky pipeline" where a substantial number of learners/registrations exit the system without completing the relevant programme.

MACRO-PERFORMANCE OVERVIEW (2011-2023)

Over the 13-year period, the SETA system registered 2.6 million individuals in either learnerships, internships, artisanal programmes and skills programmes. Of these, 2 million completed programmes (Table 4 gives a breakdown per year, per programme). As set out in Table 4 and in Figure 8, the majority of SETA programmes are Skills Programmes, which made up 48.3% of the total registered over the period under review, and 60.8% of the total completed.

Table 4: Persons registered and completed in SETA programmes (2011/12 – 2023/24)

Year	Registered				
	Learnerships	Internships	Skills Programmes	**Artisanal programmes**	**Total registered**
2011/12	43 871	3 452	87 906	19 188	154 417
2012/13	50 885	6 127	74 587	16 054	147 653
2013/14	75 782	8 017	92 508	19 805	196 112
2014/15	77 931	12 006	137 880	21 180	248 997
2015/16	94 369	13 135	123 593	22 906	254 003
2016/17	101 447	17 216	131 017	23 506	273 186
2017/18	111 681	12 935	144 531	26 822	295 969
2018/19	105 548	15 482	150 674	25 917	297 621
2019/20	81 988	11 784	128 438	13 162	235 372
2020/21	46 546	6 022	65 973	8 453	126 994
2021/22	71 921	9 598	48 745	11 484	141 748
2022/23	60 809	13 085	53 518	17 527	144 939
2023/24	79 275	14 553	55 132	16 165	165 125
Total	**1 002 053**	**143 412**	**1 294 502**	**242 169**	**2 682 136**
	Completed				
2011/12	29 197	878	87 527	10 631	128 233
2012/13	37 158	2 195	86 491	13 922	139 766
2013/14	38 796	2 510	109 547	16 033	166 886
2014/15	40 891	3 663	106 459	11 212	162 225
2015/16	43 322	3 352	127 144	13 162	186 980
2016/17	58 080	6 777	116 141	17 974	198 972
2017/18	48 002	6 496	122 979	17 018	194 495
2018/19	61 841	6 123	144 460	16 400	228 824

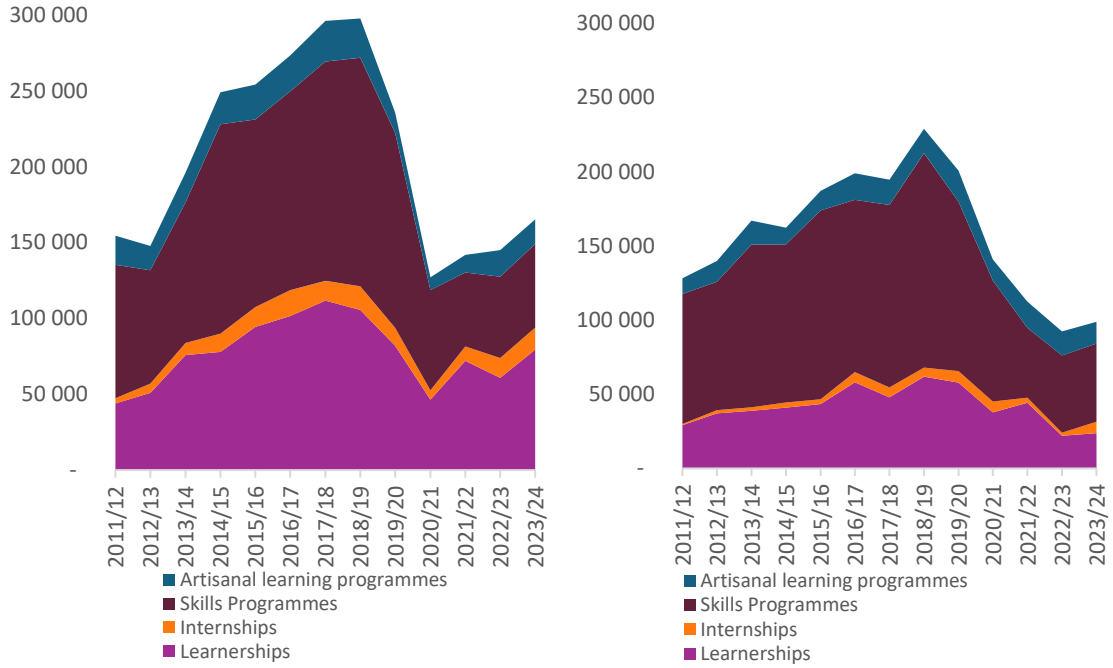
2019/20	57 888	7 711	114 032	20 963	200 594
2020/21	37 684	7 405	81 636	14 141	140 866
2021/22	44 164	3 607	46 944	17 648	112 363
2022/23	22 068	2 051	51 981	16 281	92 381
2023/24	23 826	7 613	52 666	14 729	98 834
Total	**542 917**	**60 381**	**1 248 007**	**200 114**	**2 051 419**

Source: Authors' compilation based on data from DHET (2025)

Although these figures may suggest a substantial operational footprint, they also present a "leaky pipeline", and the prevalence of Skills Programmes may arguably distort performance statistics.

In terms of a "leaky pipeline" as shown in Table 5 and 6, over the period under review the total throughput was 76%, which means that 630 717 registrations did not result in certification. This systemic leakage is most pronounced in learnerships and internships, which are crucial for deep skills acquisition and facilitating the school-to-work transition, especially for the unemployed. For learnerships, the throughput rate was 54%, meaning that almost half (459 136) of the registered learners failed to complete the programme successfully. For internships, the throughput rate was 42%. Artisanal programmes achieved a greater throughput of approximately 83%.

Figure 8: Number and composition registered (left) and certified (right) in SETA programmes



Source: Authors' compilation based on data from DHET (2025)

Furthermore, the prevalence of SETA Skills Programmes might distort the performance of SETAs from a macro perspective. Over the period under review, Skills Programmes accounted for 48.3% of registrations and 60.8% of certifications, with a relatively high throughput rate of 96%. However, these skills programmes are mostly short programmes, with varied levels of complexity and certification requirements. Moreover, if the overall throughput ratio of 76% is adjusted to exclude skills programmes, it drops from 76% to 57% for the period under review, amounting to 584 220 "learners" that registered, but did not complete their programmes.

Table 5: SETA aggregated throughput 2011/12 to 2023/24[7]

Year					
	Learnerships	Internships	Skills Programmes	**Artisanal programmes**	**Total registered**
2011/12	67%	25%	100%	55%	83%
2012/13	73%	36%	116%	87%	95%
2013/14	51%	31%	118%	81%	85%
2014/15	52%	31%	77%	53%	65%
2015/16	46%	26%	103%	57%	74%
2016/17	57%	39%	89%	76%	73%
2017/18	43%	50%	85%	63%	66%
2018/19	59%	40%	96%	63%	77%
2019/20	71%	65%	89%	159%	85%
2020/21	81%	123%	124%	167%	111%
2021/22	61%	38%	96%	154%	79%
2022/23	36%	16%	97%	93%	64%
2023/24	30%	52%	96%	91%	60%
Total	54%	42%	96%	83%	76%

Source: Source: Authors' compilation based on data from DHET (2025).

Table 6: Difference between enrolment and completion

Year					
	Learnerships	Internships	Skills Programmes	**Artisanal programmes**	**Total registered**
2011/12	14 674	2 574	379	8 557	26 184
2012/13	13 727	3 932	(11 904)	2 132	7 887
2013/14	36 986	5 507	(17 039)	3 772	29 226
2014/15	37 040	8 343	31 421	9 968	86 772
2015/16	51 047	9 783	(3 551)	9 744	67 023
2016/17	43 367	10 439	14 876	5 532	74 214
2017/18	63 679	6 439	21 552	9 804	101 474
2018/19	43 707	9 359	6 214	9 517	68 797
2019/20	24 100	4 073	14 406	(7 801)	34 778
2020/21	8 862	(1 383)	(15 663)	(5 688)	(13 872)
2021/22	27 757	5 991	1 801	(6 164)	29 385
2022/23	38 741	11 034	1 537	1 246	52 558
2023/24	55 449	6 940	2 466	1 436	66 291
Total	459 136	83 031	46 495	42 055	630 717

Source: Source: Authors' compilation based on data from DHET (2025)

LEARNERSHIP PROGRAMMES

Learnerships are structured learning programmes that combine theoretical knowledge with practical workplace experience, culminating in a qualification registered on the National Qualifications Framework (NQF). As such, they are a cornerstone of the SETA system, designed to address intermediate and high-level skills shortages. This section provides an analysis of learnership performance, dissecting the data for employed and unemployed learners and evaluating performance against targets.

Table 7: SETA Learnership perfromance-employed (2011/12-2023/24)

	Employed registered: Learnerships				**Employed completed: Learnerships**				
SETA	**Cumulative targets**	**Cumulative actual**	**%**	**Years not achieving targets**	**Cumulative targets**	**Cumulative actual**	**%**	**Years not achieving targets**	**Completion rate**
AGRISETA	23 583	18 006	76%	8	12 545	14 299	114%	6	79%

[7] Note that completion rate/throughput in this review is a rough estimate comparing a single year's enrolment with completion. Hence it's not a true throughput rate.

	Employed registered: Learnerships				Employed completed: Learnerships				
SETA	Cumulative targets	Cumulative actual	%	Years not achieving targets	Cumulative targets	Cumulative actual	%	Years not achieving targets	Completion rate
BANKSETA	14 946	17 440	117%	3	8 642	10 571	122%	6	61%
CATHSSETA	13 460	11 805	88%	5	3 953	5 269	133%	2	45%
CETA	8 434	2 609	31%	9	6 110	2 604	43%	7	100%
CHIETA	16 635	15 772	95%	7	8 346	10 676	128%	4	68%
ETDP SETA	12 330	7 802	63%	5	16 376	2 336	14%	8	30%
EWSETA	8 600	5 217	61%	4	7 600	6 892	91%	5	132%
FASSET	7 331	7 269	99%	8	3 091	3 059	99%	6	42%
FOODBEV	15 977	16 366	102%	3	7 225	9 298	129%	3	57%
FP&M SETA	9 757	10 703	110%	6	7 032	5 834	83%	6	55%
HWSETA	34 238	24 705	72%	8	25 133	11 858	47%	8	48%
INSETA	10 230	11 293	110%	3	6 964	5 275	76%	7	47%
LGSETA	35 830	20 818	58%	10	19 095	13 287	70%	9	64%
MERSETA	24 700	37 059	150%	3	21 604	21 617	100%	6	58%
MICT SETA	734	2 210	301%	1	445	574	129%	3	26%
MQA	14 440	15 325	106%	4	11 233	16 147	144%	3	105%
PSETA	2 670	2 434	91%	5	1 055	1 390	132%	4	57%
SASSETA	18 281	14 630	80%	6	13 598	11 955	88%	6	82%
SERVICES	27 770	17 190	62%	8	21 522	7 622	35%	11	44%
TETA	14 945	14 254	95%	7	9 612	7 342	76%	9	52%
W&RSETA	44 431	52 245	118%	3	17 364	20 981	121%	6	40%
Total	**359 595**	**325 523**	**91%**	**10**	**228 572**	**185 711**	**81%**	**11**	**57%**

Source: Authors' calculation based on data from DHET Statistics on post-school education and training in South Africa publications from 2011-2023.

The upskilling of employed individuals is one of the primary functions of the SETA system, intended to enhance productivity and promote career mobility. Table 7 gives an overview of SETA learnership performance for employed participants from 2011/12 to 2023/24.

Over the period under review, the SETA system registered 325 523 employed learners in learnerships, which amounts to 91% of the accumulated target over this period. Furthermore, out of the 13 years under review, the system (all 21 SETAs aggregated) missed its cumulative target for 10 respective years.

The total certified (employed learners completing their learnerships) amounted to 185 711, which is 81% of the cumulative target over this period. Furthermore, out of the 13 years under review, the system missed its cumulative target for 11 respective years. The cumulative completion rate was approximately 57%.

Table 8: SETA Learnership performance - unemployed (2011/12-2023/24)

	Unemployed registered: Learnerships				Unemployed completed: Learnerships				
SETA	Cumulative targets	Cumulative actual	%	Years not achieving targets	Cumulative targets	Cumulative actual	%	Years not achieving targets	Completion rate
AGRISETA	22 756	26 119	115%	6	13 747	21 749	158%	4	83%
BANKSETA	10 309	14 672	142%	4	6 297	10 362	165%	1	71%
CATHSSETA	12 513	23 980	192%	1	3 578	13 449	376%	0	56%
CETA	37 800	34 325	91%	8	28 871	20 208	70%	7	59%
CHIETA	26 730	28 918	108%	5	13 388	20 015	149%	2	69%
ETDP SETA	12 300	12 322	100%	5	9 455	8 953	95%	4	73%
EWSETA	17 650	18 932	107%	5	14 275	11 756	82%	5	62%
FASSET	55 352	61 363	111%	7	26 826	34 431	128%	4	56%
FOODBEV	17 058	22 481	132%	4	8 873	10 972	124%	3	49%
FP&M SETA	24 106	31 768	132%	2	17 448	14 479	83%	7	46%
HWSETA	32 468	20 356	63%	9	22 554	14 931	66%	7	73%
INSETA	15 960	14 870	93%	6	10 600	7 551	71%	7	51%
LGSETA	28 505	27 549	97%	6	19 760	11 051	56%	10	40%

	Unemployed registered: Learnerships				Unemployed completed: Learnerships				
SETA	Cumulative targets	Cumulative actual	%	Years not achieving targets	Cumulative targets	Cumulative actual	%	Years not achieving targets	Completion rate
MERSETA	33 169	48 586	146%	2	24 422	22 852	94%	5	47%
MICT SETA	33 658	34 215	102%	4	19 769	19 172	97%	5	56%
MQA	16 730	19 078	114%	5	10 625	14 353	135%	3	75%
PSETA	2 680	2 165	81%	6	621	864	139%	2	40%
SASSETA	24 685	30 870	125%	5	13 828	22 548	163%	4	73%
SERVICES	87 898	92 446	105%	7	53 266	32 376	61%	11	35%
TETA	19 794	26 543	134%	2	18 002	14 252	79%	6	54%
W&RSETA	62 659	83 969	134%	3	23 380	29 087	124%	3	35%
Total	**594 780**	**675 527**	**114%**	**3**	**359 585**	**355 411**	**99%**	**7**	**53%**

Source: Authors' calculation based on data from DHET Statistics on post-school education and training in South Africa publications from 2011-2023.

Another key goal of SETAs is to upskill unemployed individuals in an attempt to make the workforce more employable. Therefore, learnerships for unemployed individuals are a key aspect of the SETA system. Table 8 gives an overview of SETA performance in relation to learnerships involving unemployed individuals from 2011/12 to 2023/24.

Over the period under review, 675 527 unemployed people were registered in SETA learnerships, achieving 114% of the accumulated target. Over the 13 years, the system only missed the aggregated target in three respective years.

The total completed programmes amounted to 355 411, which is 99% of the cumulative target over this period. However, even by almost achieving the cumulative target, it only represents a 53% completion rate, which implies that targets are formulated with the expectation that nearly half of unemployed learners will not finish their learnerships.

INTERNSHIPS

SETA internship programmes are designed to provide unemployed graduates with structured, workplace-based learning and experience, a critical intervention for bridging the gap between education and the labour market. While representing the smallest of the main SETA interventions by volume, their strategic importance in addressing graduate unemployment is significant. This section analyses the performance of these programmes and demonstrates that internships have the "leakiest pipeline" of all SETA programmes.

Table 9: SETA Internships performance (2011/12-2023/24)

	Internships registered				Internships completed				
SETA	Cumulative targets	Cumulative actual	%	Years not achieving targets	Cumulative targets	Cumulative actual	%	Years not achieving targets	Completion rate
AGRISETA	5 334	5 649	106%	4	2 536	3 675	145%	2	65%
BANKSETA	4 580	6 952	152%	3	1 133	1 190	105%	2	17%
CATHSSETA	2 485	3 014	121%	4	1 375	1 810	132%	2	60%
CETA	9 238	3 247	35%	10	4 518	816	18%	9	25%
CHIETA	5 256	5 771	110%	3	2 629	3 190	121%	2	55%
ETDP SETA	9 843	15 020	153%	3	8 644	12 621	146%	7	84%
EWSETA	6 090	3 295	54%	10	3 495	527	15%	11	16%
FASSET	8 208	7 622	93%	5	2 035	2 126	104%	2	28%
FOODBEV	5 370	4 923	92%	7	2 450	2 358	96%	4	48%
FP&M SETA	4 533	4 195	93%	7	3 076	1 970	64%	6	47%
HWSETA	10 451	5 724	55%	7	7 280	2 025	28%	8	35%
INSETA	12 140	7 676	63%	7	6 762	3 287	49%	8	43%

	Internships registered				Internships completed				
SETA	Cumulative targets	Cumulative actual	%	Years not achieving targets	Cumulative targets	Cumulative actual	%	Years not achieving targets	Completion rate
LGSETA	6 705	5 724	85%	4	3 958	1 139	29%	12	20%
MERSETA	3 617	3 852	106%	5	2 399	2 576	107%	4	67%
MICT SETA	14 852	13 277	89%	4	6 105	4 621	76%	5	35%
MQA	6 665	6 253	94%	7	2 034	1 952	96%	3	31%
PSETA	4 008	6 115	153%	0	1 545	2 368	153%	3	39%
SASSETA	4 750	3 977	84%	6	3 315	2 068	62%	11	52%
SERVICES	21 434	20 210	94%	7	13 138	7 079	54%	9	35%
TETA	6 504	4 634	71%	9	2 881	1 798	62%	8	39%
W&RSETA	11 373	6 276	55%	7	4 989	1 185	24%	8	19%
Total	156 872	136 466	87%	10	86 297	60 381	70%	10	44%

Source: Authors' calculation based on data from DHET Statistics on post-school education and training in South Africa publications from 2011-2023.

Over the period under review, the SETA system registered 136 466 internships, which is 87% of the cumulative target for this period. Furthermore, the system did not achieve its aggregate target in 10 out of the 13 years.

Of the 136 466 registered internships, 60 381 were completed, which is 70% of the target, and amounts to a completion rate of 44%. Similar to registrations, the system did not achieve its completion targets in 10 out of the 13 years.

This means that for every ten participants who begin an internship, approximately six do not complete it successfully. This represents a substantial failure to convert programme participants into certified completers who have gained the full benefit of the intended workplace experience.

Overall, this inefficiency suggests that internships are a high-risk intervention for SETAs. It also represents a missed opportunity to transition individuals into the workforce and points to a critical area of weakness in the SETA system's ability to effectively manage workplace-based learning.

SKILLS PROGRAMMES

Skills Programmes are shorter and intended to be more targeted interventions designed to provide learners with a specific set of skills, often leading to a part-qualification or unit/course credits. These programmes constitute the largest portion of SETA activity by volume, however, it should be noted that skills programmes vary significantly in terms of nature, complexity and length.

Over the period under review, the SETA system enrolled 1 294 199 learners. Of these, 1 247 279 completed SETA skills programmes, which translates to a 96% completion rate. Furthermore, it amounts to 96% of the cumulative enrolment target over the period and 119% of the cumulative target for Skills Programmes completed.[8]

[8] Note that Skills Programmes are offered to employed and unemployed learners, however the data is not disaggregated for 2022/23 and 2023/24. Hence it only provides an analysis of the consolidated performance.

Table 10: SETA Skills Programes perfromance (employed and unemployed) 2011/12 to 2023/24

	Enrolment Skills Programmes				Completed Skills Programmes				
SETA	Cumulative targets	Cumulative actual	%	Years not achieving targets	Cumulative targets	Cumulative actual	%	Years not achieving targets	Completion rate[9]
AGRISETA	59 361	78 204	132%	3	38 425	68 690	179%	3	88%
BANKSETA	10 019	11 086	111%	5	4 212	6 851	163%	3	62%
CATHSSETA	14 205	31 767	224%	0	10 399	52 971	509%	0	167%
CETA	29 563	31 025	105%	7	29 186	25 198	86%	8	81%
CHIETA	39 338	41 208	105%	6	24 170	28 098	116%	4	68%
ETDP SETA	63 502	82 548	130%	1	31 308	58 620	187%	4	71%
EWSETA	26 377	19 539	74%	7	21 475	14 766	69%	9	76%
FASSET	255 273	162 747	64%	9	260 756	168 675	65%	9	104%
FOODBEV	12 585	16 263	129%	4	6 470	12 541	194%	2	77%
FP&M SETA	33 982	74 995	221%	2	28 660	68 666	240%	1	92%
HWSETA	112 357	63 400	56%	8	75 535	67 303	89%	7	106%
INSETA	45 485	42 121	93%	5	29 250	36 843	126%	5	87%
LGSETA	85 390	70 515	83%	9	56 001	54 026	96%	8	77%
MERSETA	85 095	94 070	111%	5	46 117	42 642	92%	6	45%
MICT SETA	24 205	26 750	111%	4	14 224	19 609	138%	4	73%
MQA	239 993	224 470	94%	5	243 239	388 242	160%	3	173%
PSETA	14 935	12 133	81%	7	9 590	7 583	79%	6	62%
SASSETA	46 869	36 526	78%	6	31 491	25 536	81%	9	70%
SERVICES	52 345	40 532	77%	6	25 655	18 018	70%	6	44%
TETA	27 615	50 037	181%	5	27 906	44 562	160%	5	89%
W&RSETA	62 228	84 263	135%	4	30 015	37 839	126%	7	45%
Total	1 342 722	1 294 199	96%	6	1 044 084	1 247 279	119%	5	96%

Source: Authors' calculation based on data from DHET Statistics on post-school education and training in South Africa publications from 2011-2023.

ARTISANAL LEARNING PROGRAMMES

From 2011/12 to 2023/24, the SETAs enrolled 242 169 individuals in artisanal learning programmes of which 200 114 completed them successfully - a completion rate of 82.6% (as set out in Table 11). As shown in Table 11, the majority of artisanal learning programmes were situated in MERSETA, MQA, CETA and CHIETA.

Table 11: Artisanal learning programmes per SETA 2011/12 to 2023/24

SETA	Enrolment	Completion	Completion rate
AGRISETA	4 815	3 096	64.3%
CATHSSETA	7 034	4 597	65.4%
CETA	38 824	18 607	47.9%
CHIETA	30 625	13 930	45.5%
EWSETA	12 612	16 916	134.1%
FOODBEV	2 247	1 318	58.7%
FP&M SETA	5 271	3 261	61.9%
HWSETA	1 138	1 081	95.0%
LGSETA	4 837	3 616	74.8%
MERSETA	70 915	78 327	110.5%
MQA	27 781	26 834	96.6%
PSETA	484	289	59.7%
SASSETA	3 110	1 427	45.9%
SERVICES	14 704	15 052	102.4%
TETA	10 750	10 127	94.2%

[9] Note that the completion rate is a rough estimate comparing a single year's enrolment with completion, hence not a true throughput rate. In some cases, the completion rate exceeds 100%. This is due to the fact that there was a significant drop in enrolments from 2020/21, and it takes a minimum of 3 years to complete an artisan programme. Hence relatively higher completion rates from before 202/21 are matched with relatively low enrolments from 2020/21 onwards.

SETA	Enrolment	Completion	Completion rate
W&RSETA	7 022	1 636	23.3%
Total	**242 169**	**200 114**	**82.6%**

Source: Authors' calculation based on DHET (2025)

SETA absorption rate

A central and recurring critique of SETAs is low labour market absorption rates for learners who complete SETA-funded programmes. In other words, unemployed learners complete SETA programmes, but they do not necessarily find employment as a result. It is also not clear whether they are necessarily more employable after completing SETA programmes. The core of this critique is the assertion that substantial financial resources are expended on training interventions that do not translate into meaningful employment, thus questioning the overall efficacy and economic return on investment of the entire system.

Evaluating the quality and applicability of SETA programme curriculums is beyond the scope of this review. However, various tracer studies conducted by SETAs give an indication of whether SETA graduates have subsequently found employment, giving an indication of learner absorption rates.

Analysing the headline employment and absorption statistics from key tracer studies reveals a landscape of highly variability. This variance fundamentally challenges the notion of a single, uniform "SETA absorption rate" and suggests that performance is highly contextual. Table 12 demonstrates a wide spectrum of results, from exceptional success to critically low levels of employment.

On the upper end of the spectrum, the merSETA reported in its 2016 tracer study an 83% employment rate for its learners, who were predominantly in structured apprenticeship programmes (merSETA, 2016). This stands as a benchmark for high performance within the system. However, it is important to note that the tracer study only covered 1030 learners who completed their learnerships or apprenticeships between 2012 to 2013.

A significant cluster of studies showed moderate success, with roughly half of the learners securing employment. A 2024 FoodBev SETA study found an overall employment rate of 54% across its various programmes (Centre for Researching Education & Labour 2024). Similarly, a 2020 study by CHIETA reported a 53% absorption rate for its beneficiaries (CHIETA, 2020). Furthermore, a ETDP SETA study from 2020, found that 48% of its beneficiaries were in some form of employment (ETDP SETA, 2021).

Conversely, some studies indicate significantly lower absorption rates. For example, a 2023 study on CATHSSETA-supported programmes showed an absorption rate of 38%, with only a third of the 38% being full time employment. Most alarmingly, a 2024 study by the W&RSETA on its graduate placement programme, focusing on beneficiaries who completed W&RSETA internship programmes, found that only 6.1% of beneficiaries had secured full-time employment (W&RSETA, 2024).

Table 12: SETA tracer studies and absorption rates

SETA / Body	Overall Employment / Absorption Rate	Comment
merSETA (2016)	83%	A possible weakness of the study is that it only covered 1030 learners who completed learnerships or apprenticeships between 2012 to 2013.
FoodBev SETA (2024)	54%	Focused on learners that participated in FoodBev SETA programmes for the unemployed during the intervention periods of 2018-2019, 2019-2020, and 2020 2021. Sample of 1463 learners, and 96 employers.
CHIETA (2020)	53%	The study consisted of a standardised questionnaire from students who completed their learning programmes during stipulated years as given by the CHIETA. The cohorts chosen by CHIETA were 2017 to 2018 and 2018 to 2019. Samples were taken from these cohorts. As noted in the report, "an argument could be put forward that the sponsor selected a sample from which desired outcomes could more readily be harvested." (CHIETA 2020, p 68-69)
ETDP SETA (2020)	48% (39% full time, 9% part time)	The aim was to determine whether programmes supported by ETDP targeted at Technical, Vocational Education and Training colleges (TVET) and University of Technology (UoT) learners are achieving their objectives. The study assessed the period 2015/16 to 2018/19.
W&RSETA (2024)	6.1% (full time) 5.6% (part time)	Study focused on beneficiaries who completed W&RSETA internship programmes.
CATHSSETA (2023)	38% (66% of these jobs were short term and only 33% of the jobs were classified as full time)	Study entailed interviews with 517 beneficiaries of CATHSSETA learning programmes who completed their studies in the 2019/20 and 2020/21 financial years. Nine surveys were also completed by employers who worked with CATHSSETA beneficiaries.

Source: Authors' compilation.

Given the disparity of the absorption rates, there isn't a generalised SETA absorption rate. In short, performance is not uniform across the 21 SETAs.

The specific economic sector in which a SETA operates and the type of learning intervention that is funded is very important when considering absorption rates. In relation to the latter, the tracer studies imply that those SETAs with artisan apprenticeships experience much greater absorption rates. For example, in the FoodBev (2024) study, the absorption rate for artisans was 84%, and in the merSETA (2016) study, the 83% absorption rate was driven by apprenticeships.

13 Year Review of Financial Performance

This section presents a review of the SETA system's financial architecture and financial performance from 2011/12 to 2023/24. The analysis primarily uses financial data contained in National Treasury's Estimates of National Expenditure from 2011/12 to 2025/26, the DHET's statistics on post-school education and training in South Africa publications from 2011-2023, and data from each SETA's annual financial statements.

THE FINANCIAL ARCHITECTURE OF THE SETA SYSTEM

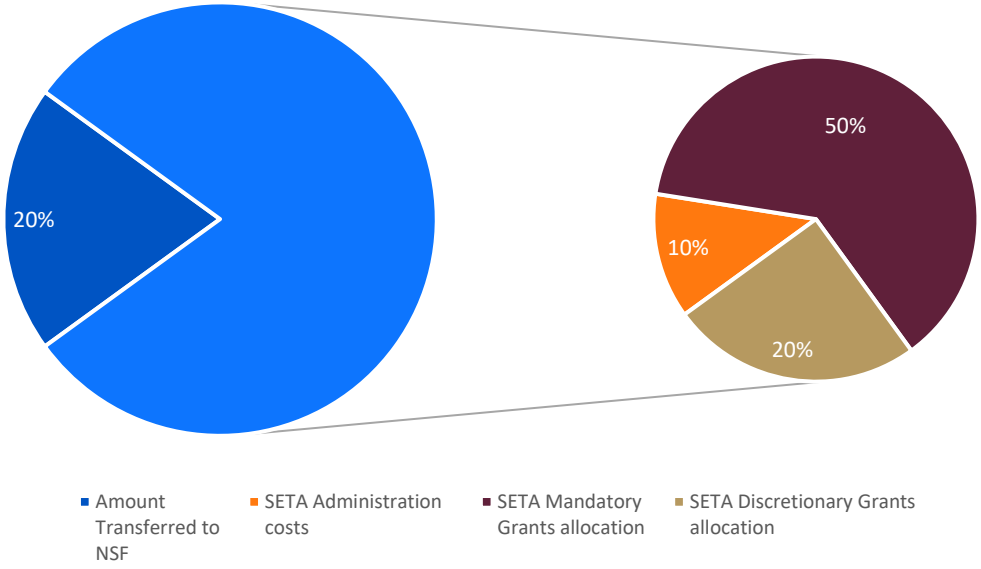
The primary financial lifeblood of the entire SETA ecosystem is the SDL, which is a compulsory contribution mandated by the Skills Development Levies Act of 1999. The levy is imposed on employers with an annual payroll exceeding R500 000, calculated at a rate of 1% of the total remuneration paid to employees (SARS, 2024).

The funds are collected by the South African Revenue Service (SARS) and are specifically earmarked to finance national skills development initiatives, forming the revenue base for both the National Skills Fund (NSF) and the 21 individual SETAs.

Furthermore, the Skills Development Act and its associated regulations prescribe a two-way split of the total collected levy as set out in Figure 9. Of the total funds, 20% is statutorily transferred to the National Skills Fund (NSF), while the remaining 80% is disbursed to the 21 SETAs.

Once the 80% portion of the levy reaches the SETAs, it is further subdivided according to a regulated framework. The key expenditure categories are administration costs, mandatory grants, and discretionary grants.

Figure 9: Distribution of the Skills Development Levy



Source: DHET (2025)

As set out in Table 13, the total amount disbursed by the Skills Development Levy Fund has increased from R10.1 billion in 2011/12 to R22.3 billion in 2023/24, and a total of R205 billion cumulative over this period. Over the period 2024/25 to 2027/28, it is expected that the accumulated amount would be R108 billion.

Table 13 : Distribution of Skills Development Levy

Year	Total Amount Disbursed by the Skills Development Levy Fund R'000	Distribution of Levy Funds					Portion of SETA Admin costs transferred to QCTO R'000
		Amount Transferred to NSF R'000	Amount disbursed to SETAs R'000	SETAs			
				Administration costs R'000	Mandatory Grants allocation R'000	Discretionary Grants allocation R'000	
2011/12	10 106 213	2 020 029	8 086 184	1 010 773	5 053 865	2 021 546	n.a.
2012/13	11 419 341	2 283 872	9 135 469	1 141 934	5 709 668	2 283 867	n.a.
2013/14	12 566 289	2 511 390	10 054 899	1 319 705	2 513 725	6 221 469	15 428
2014/15	14 036 309	2 818 082	11 218 227	1 472 392	2 804 557	6 941 278	28 500
2015/16	15 225 043	3 044 212	12 180 831	1 598 734	3 045 208	7 536 889	40 000
2016/17	15 298 454	3 046 235	12 252 219	1 608 104	3 063 055	7 581 061	60 670
2017/18	16 234 599	3 246 920	12 987 679	1 704 633	3 246 920	8 036 126	68 431
2018/19	17 479 895	3 495 979	13 983 916	1 835 389	3 495 979	8 652 548	86 691
2019/20	18 283 843	3 656 768	14 627 075	1 919 804	3 656 769	9 050 503	90 347
2020/21	12 363 798	2 473 409	9 890 389	1 298 114	2 472 597	6 119 678	97 200
2021/22	19 011 609	3 802 322	15 209 287	1 996 219	3 802 322	9 410 746	67 743
2022/23	20 808 849	4 161 770	16 647 080	2 184 929	4 161 770	10 300 381	96 147
2023/24	22 394 463	4 478 892	17 915 570	2 351 419	4 478 893	11 085 259	111 646
Total	205 228 705	41 039 880	164 188 825	21 442 149	47 505 328	95 241 351	762 803
2024/25, and MTEF Estimation							
2024/25	24 493 292	4 898 659	19,594,635	2 571 795	4 898 659	12 124 180	113 171
2025/26	26 005 953	5 201 190	20,804,763	2 730 624	5 201 190	12 872 948	120 160
2026/27	27 810 985	5 562 197	22,248,789	2 920 153	5 562 197	13 766 439	128 500
2027/28	29 772 759	5 954 552	23,818,208	3 126 139	5 954 552	14 737 517	137 564
Total	108 082 989	21 616 599	86,466,395	11 348 713	21 616 599	53 501 083	499 396

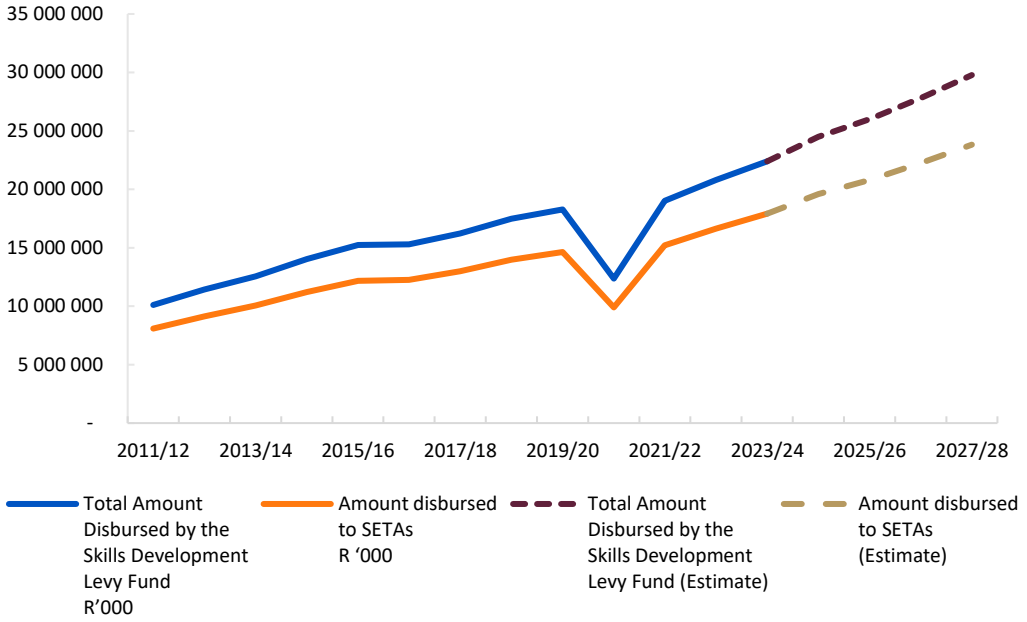
Source: Authors' compilation using DHET (2025) and National Treasury (2025a)

Of the SDL, the amount disbursed to SETAs increased from R8 billion in 2011/12 to R17.9 billion in 2023/24 (see Table 13 and Figure 10), and the accumulated allocation over the period amounted to R164.1 billion. Over the period 2024/25 to 2027/28, the total allocation is estimated to amount to R86.4 billion.

Administrative costs increased from R1 billion in 2011/12 to R2.3 billion in 2023/24. Mandatory grants, which is effectively a refund paid out to levy-paying employers who submit an annual Workplace Skills Plan (WSP) and an Annual Training Report (ATR), decreased from R5.05 billion in 2011/12 to R4.4 billion in 2023/24.

The largest portion of the SETA budget, approximately 50%, is allocated to Discretionary Grants. These funds are used at the discretion of the SETA board to fund projects that align with their Sector Skills Plan. This is the primary funding vehicle for learnerships, internships, apprenticeships, and skills programmes. The allocation for discretionary funding saw a substantial increase from R2.02 billion in 2011/12 to R11.08 billion in 2023/24.

Figure 10: SDL and SETA funding 2011/12 to 2027/28



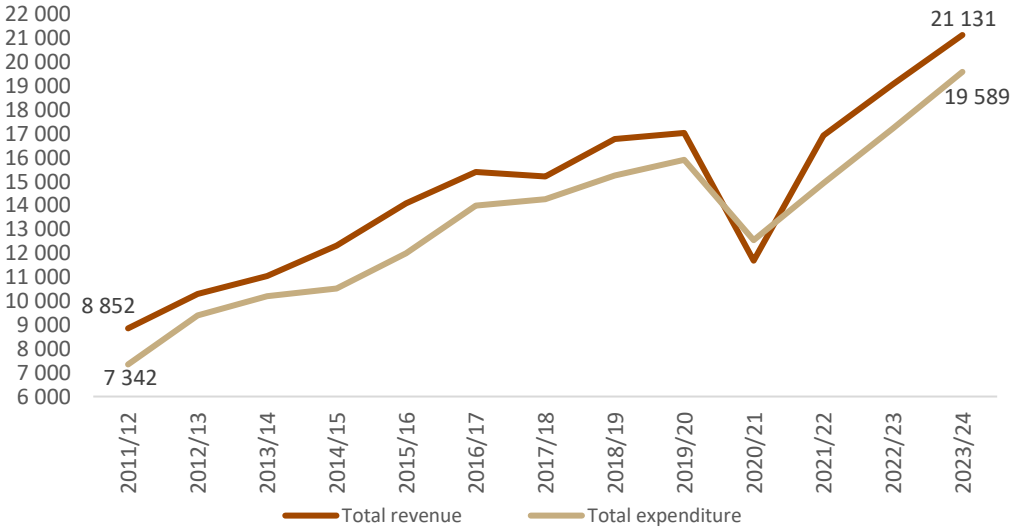
Source: Authors' compilation based on data from DHET (2025)

SETA FINANCIAL POSITION

An analysis of the consolidated financial position of SETAs reveals a trend that is central to the public criticism of the system, which is the large and growing accumulation of cash reserves and surpluses.

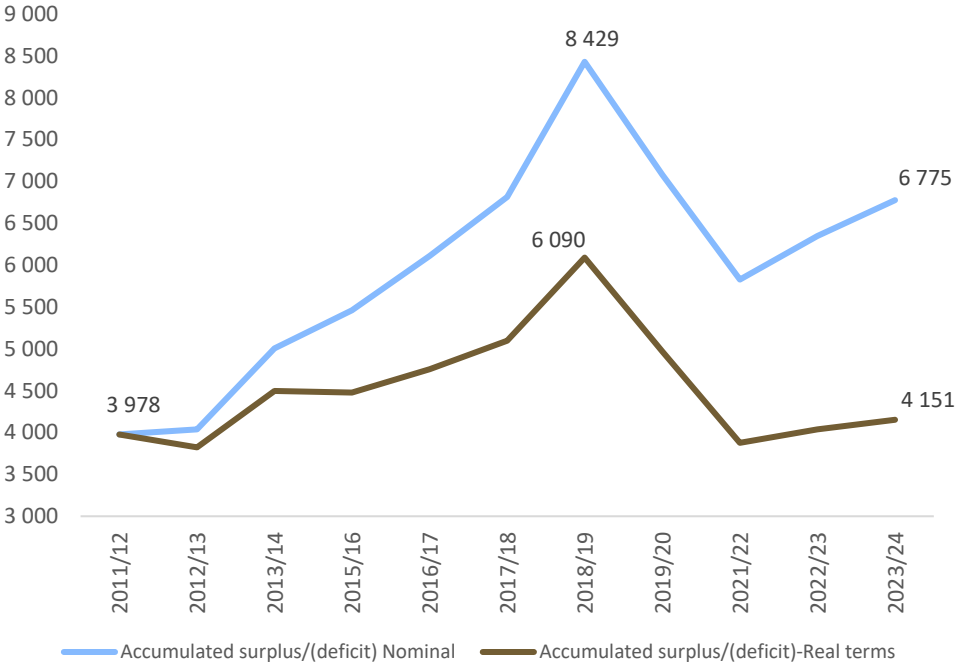
Over the period of 2011/12 to 2023/24, total expenditure by SETAs grew from R7.3 billion to R19.5 billion, while total revenue grew from R8.8 billion to R21 billion over the same period (See Figure 11). Total revenue consistently exceeded total expenditure, and as a result the system consistently recorded net surpluses, which, as shown in Figure 12 increased from R3.9 billion in 2011/12 to R8.4 billion in 2018/19, and then decreased to R6.7 billion in 2023/24.

Figure 11: SETA Total Expenditure and Revenue (R'million) 2011/12 to 2023/24



Source: Authors' compilation based on data National Treasury: Estimates of National Expenditure 2011/12 to 2025/26

Figure 12: Accumulated surplus (R'million), real and nominal (2011/12 to 2023/24)

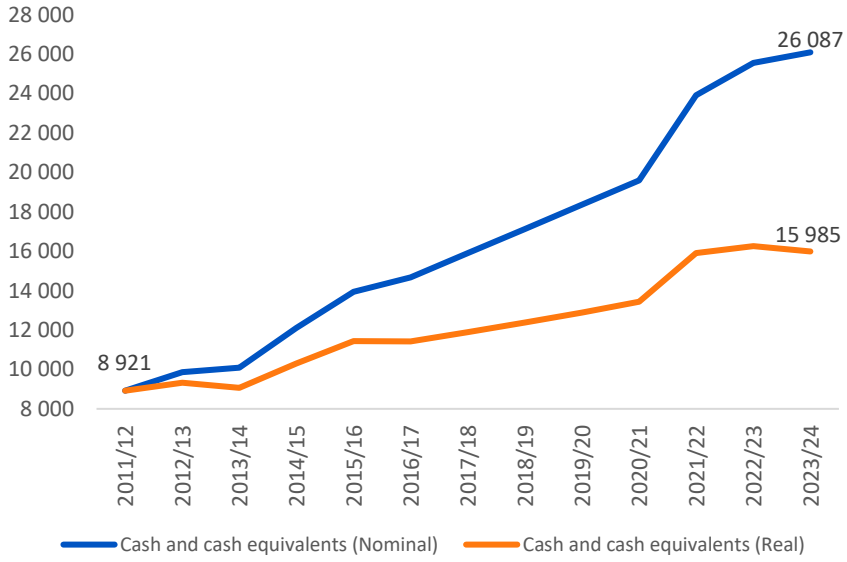


Source: Authors' compilation based on National Treasury: Estimates of National Expenditure 2011/12 to 2025/26

In real terms the accumulated surpluses increased by 53% from 2011/12 to 2018/19 and decreased after 2018/19. In 2023/24 the accumulated surpluses, while still significant, was only slightly higher than in 2011/12 in real terms. Part of this decrease reflects the impact of the SDL payment holiday that was granted to business as a form of relief during the COVID-19 pandemic.

Similarly, cash and cash equivalents at the end of each financial year have increased from R8.9 billion to R27.1 billion in nominal terms and from R8.9 billion to R15.9 billion in real terms (78% real growth) from 2011/12 to 2023/24 (See Figure 13).

Figure 13: Cash and cash equivalents (nominal and real, 2011 base year) (R'million)



Source: National Treasury: Estimates of National Expenditure 2011/12 to 2025/26

In a private, for-profit company, a large and growing surplus might be lauded as a sign of financial strength and prudent management. However, for a public entity with an explicit mandate to spend its allocated budget on public services, surplus accumulation is a profound indicator of systemic failure. The chronic accumulation of surpluses and cash reserves is one of the most damning criticisms of the SETA model, as it represents clear inefficiency and dysfunctionality. This is an issue that was also raised in the study by Turner et al. (2013) and, as is evident from this analysis, still remains relevant more than a decade later.

The consequence is that billions of Rands, specifically collected from employers to address South Africa's critical skills shortages, are effectively taken out of circulation and left idle in SETA bank accounts. This represents a massive opportunity cost. Moreover, the levy could be considered a tax on employment, without a full counterbalance.

SETA PERSONNEL COMPLEMENT AND COST STRUCTURE

This section dissects the trends in SETA headcounts, total compensation costs, and the internal structure of the wage bill over the past decade.[10] The analysis reveals a significant expansion in both size and cost, raising critical questions about resource allocation and operational efficiency.

The consolidated personnel data for the 21 SETAs shows a notable expansion with the total number of employees across the system increasing from 1716 in 2011/12 to 2748 in 2023/24 - a 60% increase. Table 14 provides a breakdown of SETA personnel numbers by salary level from 2014/15-2027/28.[11]

Table 14: SETA Personnel numbers by salary level

Personnel numbers by salary level						
Year	Total	1 – 6	7 – 10	11 – 12	13 – 16	17 – 22
2014/15	1 752	346	999	225	176	6
2015/16	2 059	487	1 146	278	143	5
2016/17	1 815	274	1 066	269	199	7
2017/18	2 296	377	1 321	314	272	12
2018/19	2 592	557	1 351	481	193	10
2019/20	2 549	424	1 398	421	279	28
2020/21	2 747	504	1 458	435	327	23
2021/22	2 602	484	1 328	475	294	21
2022/23	2 558	495	1 312	447	291	13
2023/24	2 748	541	1 430	432	333	12
2024/25	2 725	491	1 517	361	344	12
2025/26	2 702	491	1 488	364	347	12
2026/27	2 673	492	1 458	364	347	12
2027/28	2 683	499	1 459	365	348	12

Source: Authors' calculations-based on data from Estimates of National Expenditure publications from 2011-2025

[10] The analysis in this section is based on information contained in National Treasury's Estimates of National Expenditure from 2011-2025.

[11] 2014/15 is the first year with fully reported data. Figures for 2025/26-2027/28 are based on the ENE estimation.

As shown in Table 15, the collective wage bill for the SETA system rose from R745.8 million in 2014/15 (the first year with fully reported cost data) to R1.9 billion in 2023/24 and is expected to increase to R2.5 billion by 2027/28.

Furthermore, the average annual increase in personnel costs across the SETA system amounted to 12% per annum from 2014/15 to 2023/24. It is expected that the average annual increase in personnel costs from 2014/15 to 2027/28 would amount to 10.4%.

Over the same period, average consumer price inflation (CPI) was considerably lower, averaging 5% per annum from 2014 to 2023.[12] This disparity indicates that the SETA wage bill has been growing at a rate that significantly outpaces inflation, representing a substantial real-terms expansion of employee-related costs.

This real growth suggests that the increase is not merely due to inflationary salary adjustments for an existing workforce. Rather, it is a product of two combined factors: a significant increase in the number of staff employed by the SETAs, and a concurrent increase in the average cost per employee that exceeds inflation. In fact, the SETA wage bill has outpaced the growth of the public service wage bill, as shown in Figure 14.

Table 15: Personnel cost per salary level 2014/15 to 2027/28

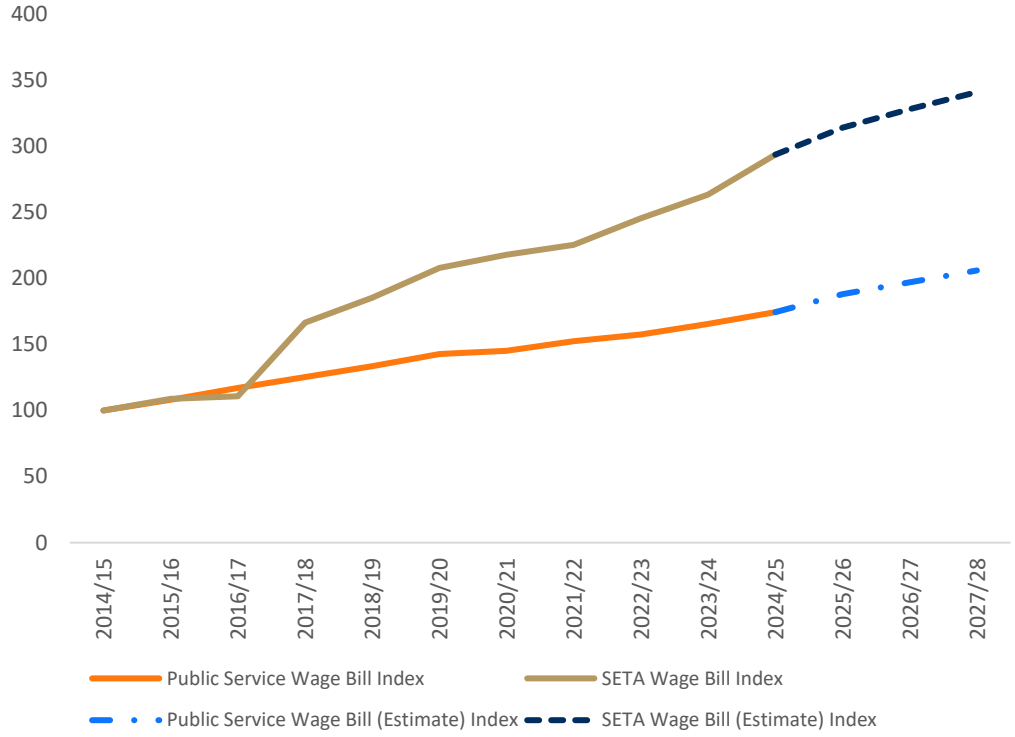
Total personnel cost per salary level						
R million	Total	1 – 6	7 – 10	11 – 12	13 – 16	17 – 22
2014/15	745.8	37.3	342.9	154.2	199.2	12.1
2015/16	811.9	54.6	389.6	176.2	177.7	13.8
2016/17	826.9	31.4	377.3	190	211	17.2
2017/18	1 241.5	70.7	546	258.5	338.1	28.3
2018/19	1 382.6	92.1	635.4	371.6	158.4	25
2019/20	1 551.5	85.4	712.4	340.6	380.8	32.3
2020/21	1 625.4	105.9	696.9	328.7	439.7	54.1
2021/22	1 680.8	109.3	680.1	329.4	510.6	51.4
2022/23	1 830.3	156	793.2	394.2	450.4	36.5
2023/24	1 964.9	154	862.5	385	524.5	38.9
2024/25	2 190.0	149.9	1,023.3	409.8	570.7	36.3
2025/26	2 343.1	157.9	1,096.5	431.5	617.9	39.2
2026/27	2 449.6	165.8	1,132.2	452.1	657.7	41.9
2027/28	2 545.4	173.6	1,165.6	473.8	689.1	43.3
Total personnel cost growth (%) per salary level						
2014/15						
2015/16	8.9%	46.4%	13.6%	14.3%	-10.8%	14.0%
2016/17	1.8%	-42.5%	-3.2%	7.8%	18.7%	24.6%
2017/18	50.1%	125.2%	44.7%	36.1%	60.2%	64.5%
2018/19	11.4%	30.3%	16.4%	43.8%	-53.1%	-11.7%
2019/20	12.2%	-7.3%	12.1%	-8.3%	140.4%	29.2%
2020/21	4.8%	24.0%	-2.2%	-3.5%	15.5%	67.5%
2021/22	3.4%	3.2%	-2.4%	0.2%	16.1%	-5.0%
2022/23	8.9%	42.7%	16.6%	19.7%	-11.8%	-29.0%
2023/24	7.4%	-1.3%	8.7%	-2.3%	16.5%	6.6%
2024/25	11.5%	-2.7%	18.6%	6.4%	8.8%	-6.7%
2025/26	7.0%	5.3%	7.2%	5.3%	8.3%	8.0%
2026/27	4.5%	5.0%	3.3%	4.8%	6.4%	6.9%
2027/28	3.9%	4.7%	3.0%	4.8%	4.8%	3.3%
Average	10.4%	17.9%	10.5%	9.9%	16.9%	13.3%

Source: Authors' calculations-based on Estimates of National Expenditure from 2011-2025

[12] Authors' calculation based on Stats SA (2025)

As set out in Table 16, the average unit cost for a SETA employee amounted to R715 000 in 2023/24 and is expected to increase to R949 000 per annum by 2027/28. It is also notable that in 2023/24 there were 12 positions in the SETA system falling within the 17-22 salary level, with an average unit cost of R3.2 million per annum. It is estimated that this unit cost will increase to R3.6 million per annum by 2027/28. To juxtapose these salary levels, their counterparts in government, such as the heads of Provincial Education Departments, shoulder significantly more responsibilities yet are compensated at only about R2.1 million per annum in 2023/34.

Figure 14: Public service wage bill growth VS SETA wage bill growth (indexed)



Source: Authors' calculations-based on data from National Treasury (2025a) and Estimates of National Expenditure from 2011-2025

Table 16: Unit cost per salary level 2014/15-2027/28

Unit cost per salary level							
R million	Total	1 – 6	7 – 10	11 – 12	11 – 12	13 – 16	17 – 22
2014/15	0.426	0.108	0.343	0.685	1.132	2.017	0.426
2015/16	0.394	0.112	0.340	0.634	1.243	2.760	0.394
2016/17	0.456	0.115	0.354	0.706	1.060	2.457	0.456
2017/18	0.541	0.188	0.413	0.823	1.243	2.358	0.541
2018/19	0.533	0.165	0.470	0.773	0.821	2.500	0.533
2019/20	0.609	0.201	0.510	0.809	1.365	1.154	0.609
2020/21	0.592	0.210	0.478	0.756	1.345	2.352	0.592
2021/22	0.646	0.226	0.512	0.693	1.737	2.448	0.646
2022/23	0.716	0.315	0.605	0.882	1.548	2.808	0.716
2023/24	0.715	0.285	0.603	0.891	1.575	3.242	0.715
2024/25	0.804	0.305	0.675	1.135	1.659	3.025	0.804
2025/26	0.867	0.322	0.737	1.185	1.781	3.267	0.867
2026/27	0.916	0.337	0.777	1.242	1.895	3.492	0.916
2027/28	0.949	0.348	0.799	1.298	1.980	3.608	0.949

Source: Authors' calculations-based Estimates of National Expenditure from 2011-2025

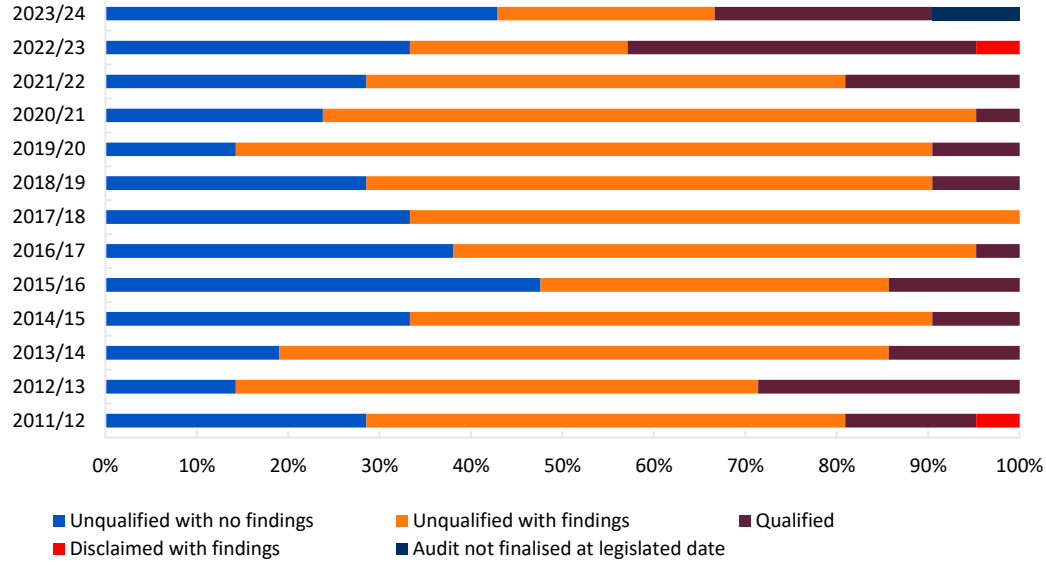
13 Year Review of SETA Audit Results

This section presents an analysis of the state of financial governance of the 21 SETAs from the 2011/12 to 2023/24. The analysis is based on the official findings of the Auditor-General of South Africa (AGSA), focusing on three critical indicators: audit outcomes, irregular expenditure (IE), and fruitless and wasteful expenditure (FWE). Overall, it reveals weak governance and audit outcomes.

SETA AUDIT OPINIONS (2011/12-2023/24)

The overall trajectory of audit outcomes does not show a system on a clear path to recovery as improvements in some entities are consistently offset by regressions in others (as shown in Figure 15). Furthermore, the system is plagued by corruption allegations and malfeasance.

Figure 15: Consolidated overview of SETA Audit results 2011/12-2023/24



Source: Author's calculation based on AGSA PMFA reports from 2012/13 to 2023/24

As set out in Table 17, the period under review generated 273 individual audits, of which 30% were "unqualified with no findings", 54% were "unqualified with findings" and 15% were "qualified". A further 1% of audits were issued with disclaimers, and another 1% were "not finalised at legislated date". The latter refers to outstanding audits from the most recent audit cycle.

While a minority of SETAs, such as PSSETA and SASSETA, have demonstrated that achieving consecutive clean audits is possible (both achieved clean audits in the last four audit cycles - 2020/21-2023/24), they remain the exception.

Across the review period, the most common audit outcome was "unqualified with findings". This means that while most SETAs could produce financially reliable statements, they persistently failed to comply with key legislation or reliably report on their performance targets.

Table 17: Consolidated Audit Results per SETA (2011/12-2023/24)

Auditee		Audit outcome													
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
AgriSETA															
BANKSETA															
CATHSSETA															
CETA															
CHIETA															
ETDP SETA															
EWSETA															
FASSET															
FOODBEV SETA															
FP &M SETA															
HWSETA															
INSETA															
LGSETA															
MERSETA															
MICT SETA															
MQA															
PSETA															
SASSETA															
SERVICES SETA															
TETA															
W&RSETA															
		Audit result composition in %													Total
Unqualified with no findings		29	14	19	33	48	38	33	29	14	24	29	33	43	30
Unqualified with findings		52	57	67	57	38	57	67	62	76	71	52	24	24	54
Qualified		14	29	14	10	14	5	0	10	10	5	19	38	24	15
Adverse with findings		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disclaimed with findings		5	0	0	0	0	0	0	0	0	0	0	5	0	1
Audit not finalised at legislated date		0	0	0	0	0	0	0	0	0	0	0	0	10	1

Source: Authors' calculation based on AGSA PMFA reports from 2012/13 to 2023/24

The prevalence of "unqualified with findings" outcomes across the SETA system may create a false sense of comfort by masking a significant governance problem. While this audit outcome means the financial numbers are reliable, the findings point to material non-compliance with legislation—often procurement rules—and/or unreliable performance reporting. Furthermore, as summarised in Text box 1, the system has been plagued by corruption allegations and malfeasance.

Text box 1: Summary of selected corruption allegations and malfeasance at SETAs

AgriSETA (SIU, 2024)

Investigating Body / Source of Allegation: Special Investigating Unit (SIU) / National Prosecuting Authority (NPA)

Summary: Fraudulent application for R1.9 million in funding for non-existent food garden training. The scheme involved a fictitious joint venture and payments to a non-profit organization chaired by one of the perpetrators. One accused entered a guilty plea agreement,

was convicted on fraud and money laundering charges, and received a suspended sentence. Former CEO charged under the PFMA.

AgriSETA (2013-2019) (Public Protector South Africa, 2019)

Investigating Body / Source of Allegation: Public Protector

Summary: Maladministration, nepotism, procurement and recruitment irregularities by the former CEO, Mr. Jerry Madiba. Irregular appointment of staff and awarding of tenders. Report found conduct was improper. Former CEO and another implicated official were paid separation packages and left the organization before the report was finalized. Recommended criminal charges against other parties for fraud.

CATHSSETA (2014-2015) (PMG, 2015)

Investigating Body / Source of Allegation: Minister of Higher Education and Training / Administrator/ Parliamentary Committee

Summary: Placed under administration due to board in-fighting, failure to meet targets, qualified audits, and serious allegations of corruption against board members and senior management. Board disbanded. Administrator appointed in Oct 2014. CEO and CFO suspended.

Allegations of irregular bursaries awarded to children of board members and SCM failures leading to criminal activities. Investigation was ongoing at the time of the report (2015). CATHSSETA later signed an MOU with NSFAS to manage future bursary disbursements.

CETA (Mawson, 2025)

Investigating Body / Source of Allegation: Duja Forensic Report / Parliamentary Committee

Summary: Systemic corruption and financial mismanagement. Key findings included R738 million in discretionary grants awarded without accounting authority oversight, excessive executive salaries, and accreditation of non-compliant training providers.

CETA (2025) (Ryan, 2025)

Investigating Body / Source of Allegation: Whistleblower/ OUTA/ Special Investigating Unit (SIU Proclamation 267 of 2025).

Summary: Repeated victimisation and suspension of employees for refusing to manipulate tenders and disqualify bidders without cause. Alleged that the executive committee pushed tenders through without due process.
Maladministration, fraud, and corruption. Focus on 1) Allocation of discretionary grants to entities where officials had undisclosed interests (including a R30.5m case); 2) Procurement irregularities in ICT and auditing services. SIU investigation authorised in June 2025. CHIETA claims it initiated the probe in 2019 and opened a criminal case in 2021. The investigation is active.

EWSETA (2020-2025) (Ryan, 2025)

Investigating Body / Source of Allegation: Auditor-General of South Africa (AGSA).

Summary: Awarded R700 million for training programs where little to no value was delivered, in violation of National Treasury rules. Part of the R700 million was recovered as part of the AG's expanded powers to enforce accountability for material irregularities.

HWSETA (2025) (Goni and Pongweni, 2025)

Investigating Body / Source of Allegation: Media Reports.

Summary: R1.72 million in wasteful expenditure (unpaid stipends, accommodation for absent learners, etc.). R2.8 million in irregular spending (inflated purchase orders, payments to unregistered stakeholders). Disciplinary proceedings concluded, resulting in dismissals of responsible personnel. Legal action initiated against four service providers to recover R2.5 million in withheld learner stipends.

LGSETA (2019-2022)

Investigating Body / Source of Allegation: Whistleblower / Forensic Investigation.

Summary: Systemic corruption, maladministration, and governance failures. Key findings: Procurement irregularities in a R2.3 billion tender, irregular appointment of training providers, discretionary grants allocated without board approval, financial bias, and overpayments. Forensic report received in Sept 2022. A criminal case was opened with the Hawks and is pending further investigation. No arrests made as of July 2025.

merSETA (2021-2024) (PMG, 2024)

Investigating Body / Source of Allegation: Whistleblower / Forensic Investigation.

Summary: Unethical conduct and fraudulent activities involving executives. Allegations against former and current board members and staff. CEO and COO suspended pending disciplinary hearings. Senior Manager resigned; legal action taken to recover funds and matter reported to the Hawks. One manager dismissed. Criminal and civil proceedings initiated against implicated individuals.

PSETA (2005-2011) (PMG,2011)

Investigating Body / Source of Allegation: Forensic Audit / Special Investigating Unit (SIU).

Summary: Historic fraud in a 2005-2006 learnership project. Findings included fraudulent alteration of learner bank details, R1.4m paid to fictitious accounts, and a potential R10.8m in fraudulent transactions. The project's former finance manager was convicted on 38 counts of fraud and jailed in 2009. The matter was referred to the SIU in 2011 for finalisation and recovery. Two project managers faced disciplinary action for negligence.

SSETA (2017-Present) (OUTA, 2025)

Investigating Body / Source of Allegation: OUTA / Whistleblowers / National Skills Authority (NSA)

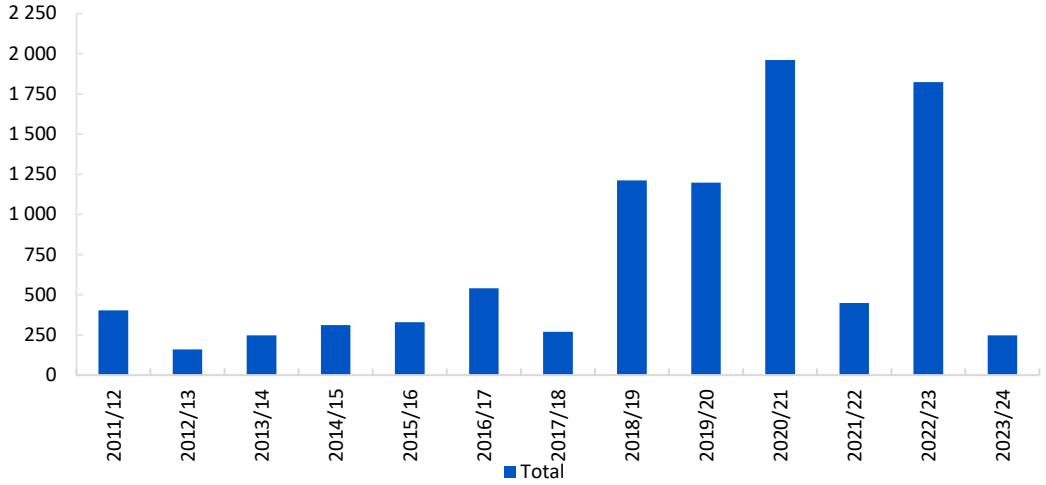
Summary: Pervasive and systemic corruption. Key cases: 1) R163m Grayson Reed contract for a biometric system and stipend payments, involving tender fraud, a front company, non-delivery, and possible offshore money laundering. 2) R36m Five Star Communications contract for grossly overpriced branding materials. 3) Exorbitant spending on basic items like lanyards and USBs. Grayson Reed contract was terminated early, but no funds were recovered. OUTA has laid criminal complaints with SAPS and submitted evidence to the SIU.

IRREGULAR EXPENDITURE

Irregular expenditure (IE) serves as a direct measure of an entity's failure to adhere to the legislative framework governing its financial activities. Furthermore, IE represents public money that was spent without following the prescribed legal and procedural requirements, primarily those related to fair, transparent, and competitive procurement.

The overall trend of IE at SETAs has been volatile, with no clear, sustained downward trajectory. While some years show a dip, others exhibit dramatic spikes, indicating that efforts to curb non-compliance have been inconsistent and largely ineffective at a systemic level. This lack of sustained improvement over more than a decade suggests that the root causes of non-compliance - weak internal controls, lack of consequence management, and inadequate oversight - have not been adequately addressed across the system.

Figure 16: Total irregular expenditure from 2011/12- 2023/24 (R million)



Source: Authors' calculation based on AGSA PMFA reports from 2012/13 to 2023/24

The cumulative irregular expenditure recorded between 2011/12 and 2023/24 amounts to R9.147 billion, which is 5.5% of the total amount received from the SDL by SETAs. This points to widespread non-compliance with procurement and other financial legislation.

Table 18 shows irregular expenditure adjusted for the total expenditure and total revenue from 2013/14-2023/24[13]. Irregular expenditure over this period amounted to 5.5% of total SETA expenditure, and for multiple SETAs this ratio exceeded 10%.

Table 18: Irregular expenditure as % of expenditure and revenue per SETA (2013/14-2023/24)

Auditee	Total IE 2013/14 to 2023/24 R'000	Total Revenue 2013/14-2023/24 R'000	Total IE as % of total revenue %	Total Expenditure 2013/14-2023/24 R'000	Total IE as % of total expenditure %
AgriSETA	118 300	4 977 228	2.4%	4 691 969	2.5%
BANKSETA	29 520	9 047 475	0.3%	8 245 636	0.4%
CATHSSETA	390 600	4 029 239	9.7%	3 539 773	11.0%
CETA	909 940	7 730 716	11.8%	7 666 940	11.9%
CHIETA	112 500	5 903 569	1.9%	5 607 100	2.0%
ETDP SETA	7 860	10 006 345	0.1%	8 764 481	0.1%
EWSETA	450 590	5 251 784	8.6%	5 158 725	8.7%
FASSET	13 300	6 321 540	0.2%	5 407 773	0.2%
FOODBEV SETA	32 550	4 507 853	0.7%	4 250 608	0.8%
FP&M SETA	75 620	4 059 965	1.9%	4 394 002	1.7%
HWSETA	205 930	7 350 038	2.8%	7 512 702	2.7%
INSETA	27 170	5 740 600	0.5%	5 352 834	0.5%
LGSETA	237 920	7 885 398	3.0%	5 937 337	4.0%
MERSETA	1 341 010	17 758 247	7.6%	13 537 015	9.9%
MICT SETA	178 900	9 757 408	1.8%	9 379 620	1.9%
MQA	94 270	13 270 245	0.7%	12 987 957	0.7%
PSETA	107 370	1 230 852	8.7%	1 031 832	10.4%
SASSETA	276 360	4 928 052	5.6%	4 463 456	6.2%
SERVICES SETA	3 377 300	18 397 766	18.4%	16 805 306	20.1%
TETA	94 860	7 938 408	1.2%	7 788 769	1.2%
W&RSETA	502 100	13 489 425	3.7%	12 286 598	4.1%
Total	**8 583 970**	**169 582 154**	**5.1%**	**154 810 433**	**5.5%**

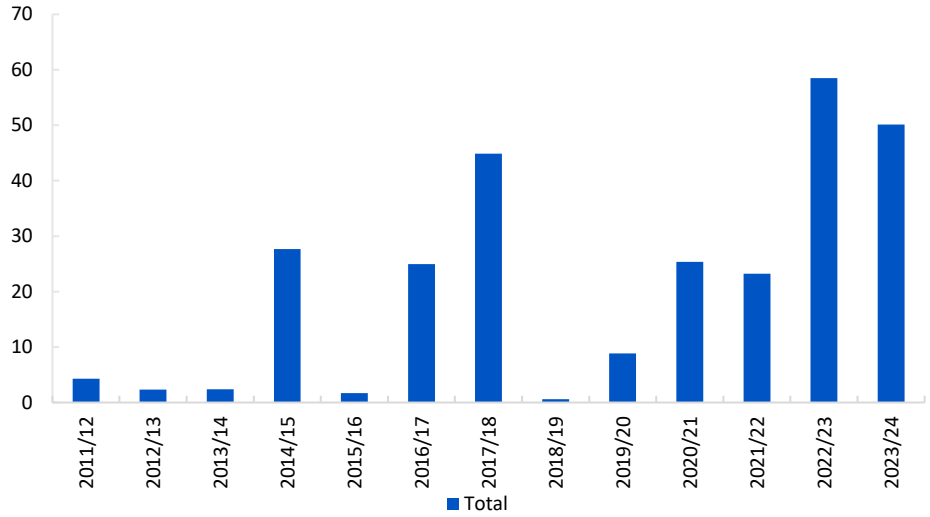
Source: Authors' calculation based on AGSA PMFA reports from 2012/13 to 2023/24, and data from National Treasury

[13] Incomplete financial data for 2011/12-2012/13 complicates the adjustment for the entire review period.

FRUITLESS AND WASTEFUL EXPENDITURE

While irregular expenditure points to failures in process, fruitless and wasteful expenditure (FWE) is a direct measure of financial loss to the state due to negligence. It represents money spent in vain that could have been avoided. Though the monetary values are typically lower than those for irregular expenditure, fruitless and wasteful expenditure is a more severe indictment of an entity's basic operational competence.

Figure 17 : Fruitless and wasteful expenditure from 2011/12-2023/24 (R'million)



Source: Authors' calculation based on AGSA PMFA reports from 2012/13 to 2023/24

Over the 13-year period from 2011/12 to 2023/24, the SETA system incurred R274.958 million in fruitless and wasteful expenditure - R21.151 million on average annually.

Table 19 shows fruitless and wasteful expenditure adjusted for total expenditure and total revenue from 2013/14-2023/24[14]. Irregular expenditure over this period amounted to 0.2% of total SETA expenditure.

Table 19: Fruitless and wasteful expenditure as % expenditure and revenue per SETA (2013/14-2023/24)

Auditee	Total FWE 2013/14 to 2023/24 R'000	Total Revenue 2013/14-2023/24 R'000	Total FWE as % of total revenue %	Total Expenditure 2013/14-2023/24 R'000	Total FWE as % of total expenditure %
AgriSETA	231	4 977 228	0.00%	4 691 969	0.00%
BANKSETA	2 095	9 047 475	0.02%	8 245 636	0.03%
CATHSSETA	6 994	4 029 239	0.17%	3 539 773	0.20%
CETA	32 740	7 730 716	0.42%	7 666 940	0.43%
CHIETA	2 340	5 903 569	0.04%	5 607 100	0.04%
ETDP SETA	962	10 006 345	0.01%	8 764 481	0.01%
EWSETA	772	5 251 784	0.01%	5 158 725	0.01%
FASSET	302	6 321 540	0.00%	5 407 773	0.01%
FOODBEV SETA	143	4 507 853	0.00%	4 250 608	0.00%
FP&M SETA	30 627	4 059 965	0.75%	4 394 002	0.70%
HWSETA	3 298	7 350 038	0.04%	7 512 702	0.04%
INSETA	797	5 740 600	0.01%	5 352 834	0.01%
LGSETA	76 533	7 885 398	0.97%	5 937 337	1.29%
MERSETA	48 054	17 758 247	0.27%	13 537 015	0.35%

[14] Incomplete financial data for 2011/12-2012/13 complicates the adjustment for the entire review period.

Auditee	Total FWE 2013/14 to 2023/24 R'000	Total Revenue 2013/14-2023/24 R'000	Total FWE as % of total revenue %	Total Expenditure 2013/14-2023/24 R'000	Total FWE as % of total expenditure %
MICT SETA	653	9 757 408	0.01%	9 379 620	0.01%
MQA	111	13 270 245	0.00%	12 987 957	0.00%
PSETA	686	1 230 852	0.06%	1 031 832	0.07%
SASSETA	29 530	4 928 052	0.60%	4 463 456	0.66%
SERVICES SETA	18 680	18 397 766	0.10%	16 805 306	0.11%
TETA	5 200	7 938 408	0.07%	7 788 769	0.07%
W&RSETA	7 570	13 489 425	0.06%	12 286 598	0.06%
Total	**268 318**	**169 582 154**	**0.2%**	**154 810 433**	**0.2%**

Source: Authors' calculation based on AGSA PMFA reports from 2012/13 to 2023/24, and data from National Treasury

How efficient and functional are the SETAs?

This section considers performance, and cost comparisons to provide insights into efficiency and functionality of the SETA system. The main findings are that SETAs are a particularly expensive approach to skills development and are not particularly effective compared to other options.

This is done firstly by undertaking a general cost comparison per learner/beneficiary. Secondly, the section considers efficiency gains by using an input-output approach, similar to the study by Turner et al. (2013). Thirdly, it considers institutional aspects of SETAs, similar to the approach used by Marock et al. (2013), and finally it revisits the public good problem as raised by Archer (2010).

COST COMPARISON

Cost per learner/beneficiary

The following section compares the cost per learner/beneficiary across various modes of delivering higher education and training. This is done by comparing what the SETA system costs per enrolment and per certification compared to the equivalent costs for NSFAS, TVET colleges, Higher Education Institutions (universities), and public schooling. Although Basic Education falls under a different category, for the purpose of cost comparison, it is included.[15] Table 20 gives a breakdown of the cost comparison, which is also displayed in Figures 18 and 19.

Table 20: Cost per learner/beneficiary DBE, NSFAS, SETA, HEI, TVET

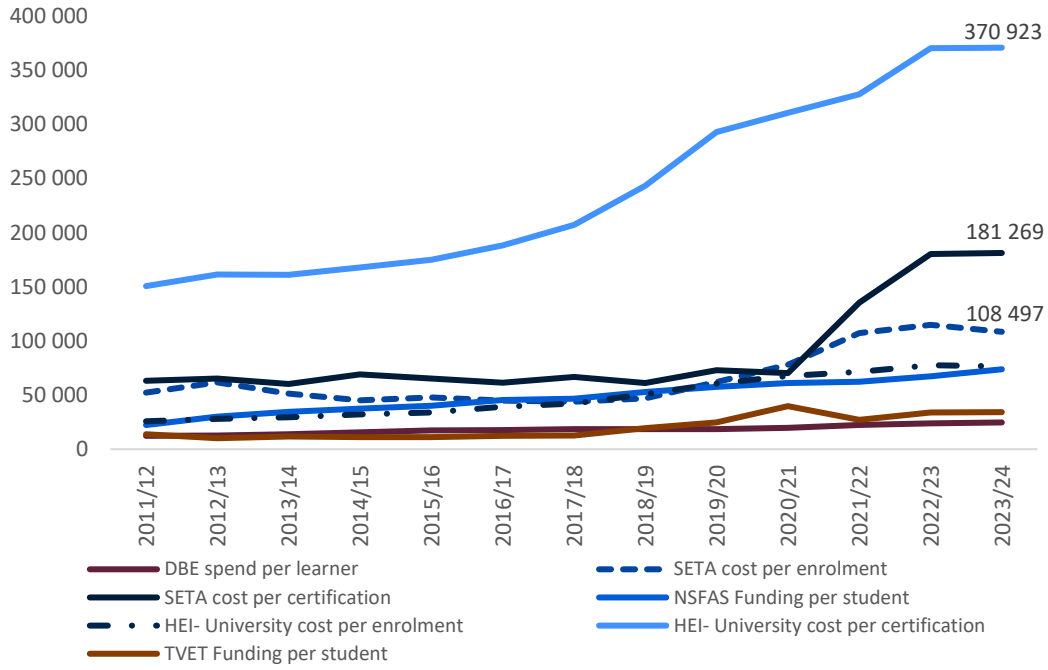
	2011/12	2023/24

[15] Note that the cost comparison used is an imperfect comparison, as it compares cost of the system against enrolment and completion for a specific financial year. However, many programmes take more than one financial year to complete. Furthermore, the complexity and completion requirements differ significantly between different courses and modes of delivery.

DBE spend per learner	12 326	24 700
Cost per NSF Beneficiary	18 785	143 853
SETA cost per enrolment	52 365	108 497
SETA cost per certification	63 058	181 269
SETA cost per enrolment (excluding skills programmes)	121 576	162 879
SETA cost per certification (excluding skills programmes)	198 648	388 051
NSFAS Funding per student	223 22	73 829
HEI- University cost per enrolment	25 797	76 404
HEI- University cost per certification	150 676	370 922
NSFAS TVET per student	9 712	28 187
TVET Funding per student	13 720	34 230

Source: Authors' own calculations

Figure 18: Cost per beneficiary SETA, NSFAS, DBE and HEI



Source: Authors' calculation

In general, a critical finding is the pervasive "leaky pipeline" effect, where the financial investment in enrolling a learner significantly exceeds the cost of producing a certified or graduated individual. This is evident in the large discrepancies in the cost per enrolment against the cost of certification/completion of a course.

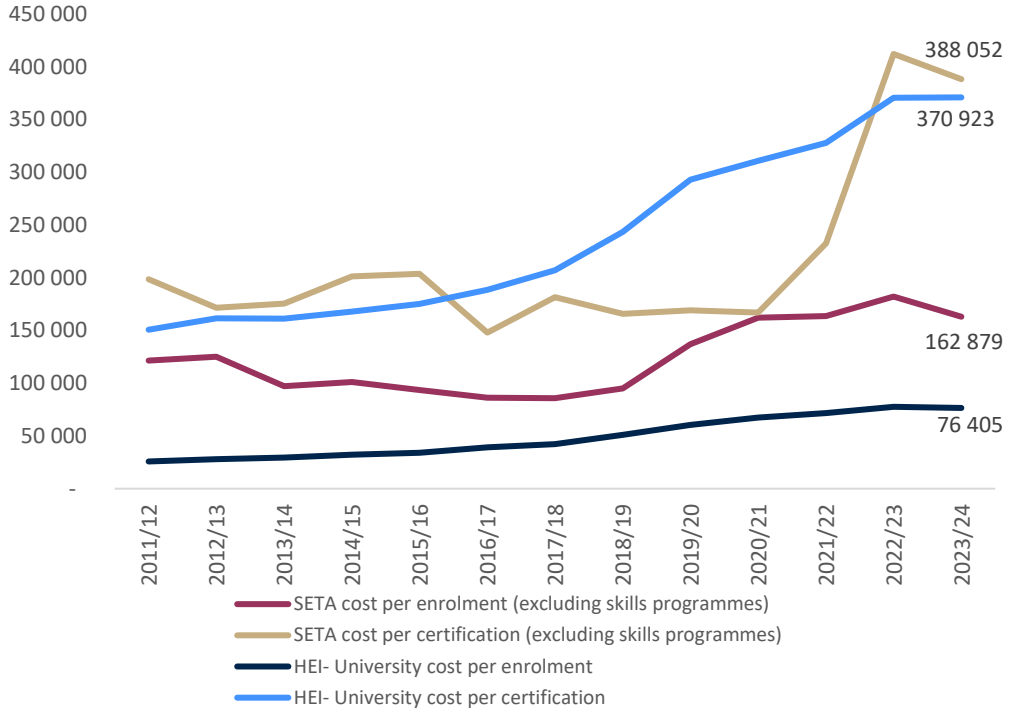
The SETA system emerges as a particularly concerning area. It exhibits pronounced inefficiency, with the cost per certified learner being consistently higher than the cost per registration. This tendency has become more pronounced post 2020/21. This low conversion rate of learners into graduates signals a failure to translate financial inputs into desired skills outputs.

In 2023/24, the cost per SETA enrolment - which includes skills programmes, internships, learnerships and artisanal programmes - amounted to R108 269 for the year. This figure increases to R181 269 for the cost per SETA programme completed/certification. This is excessively high. For example, as shown in Table 20 and shown in Figure 18, South Africa's expenditure on Basic Education amounted to approximately R24 701 per student in the same year, NFAS funding per student amounted to approximately R73 830 per student, and TVET funding per student amounted to R34 231 for 2023/24.

In 2023/24, the cost per enrolment at Higher Education Institutions (HEI) was R76 405 per student and the cost per certification was approximately R370 923. In the same year, the SETAs' cost per certification was R213 014. However, universities' cost structure reflects their dual mandate of teaching and research, which necessitates extensive infrastructure, highly qualified personnel, and significant operational expenditure. Secondly, Skills Programmes under SETAs account for 48.3% of all SETA enrolments and 60.8% of certification. Many of the skills programmes are very short programmes, in some cases single unit courses, which inflate SETAs' enrolment and certification figures and lower their unit costs accordingly.

As shown in Figure 19, if Skills programmes are excluded, the cost per SETA beneficiary increases to R162 879 per enrolment and R388 052 per certification/completed programme. This is higher than the costs associated with HEI.

Figure 19: Cost per beneficiary SETA (excluding skills programmes), NSFAS, DBE and HEI



Source: Authors' calculation

SETA Cost compared to tax increases and Higher Education

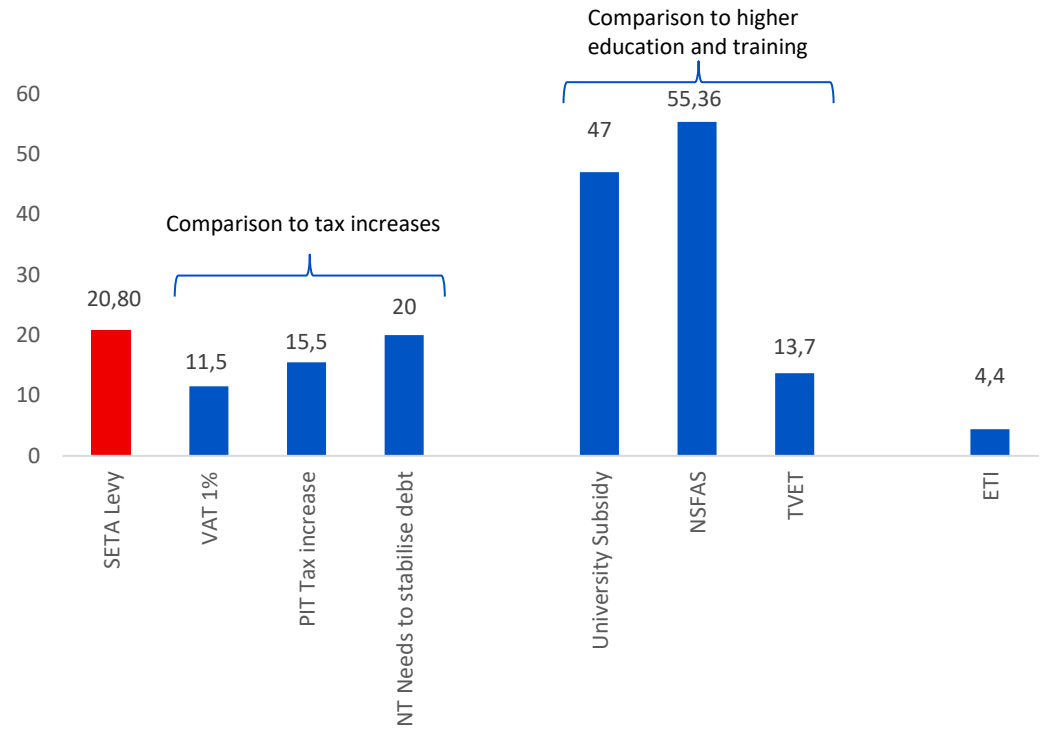
Comparing the estimated SDL allocation to SETAs in 2025/26 to tax increases and what National Treasury requires to stabilise sovereign debt also gives an idea of the comparative cost of the system.

As shown in Table 13, the 2025/26 budget allocation to SETAs from the SDL is approximately R20.8 billion. The National Treasury estimated that a 1 percentage point increase in VAT would have raised an additional R11.5 billion in 2025/26. Alternatively, the PIT tax increase, in the form of fiscal drag, will raise about R15.5 billion in 2025/26. The National Treasury has also indicated that next year it will require an extra R20 billion to stabilise the debt ratio as planned. In other words, the annual cost of the SETA system is almost equivalent to a 2 percentage points increase in VAT, and exceeds the anticipated annual revenue generated from fiscal drag. In addition, the

debt ratio could be stabilised with an amount equivalent to what is spent on the SETAs (all else being equal).

The estimated allocation exceeds the transfers to TVET colleges and is approximately 44% of the subsidies to universities.

Figure 20: SETA Cost comparison (R'bn)- 2025/26



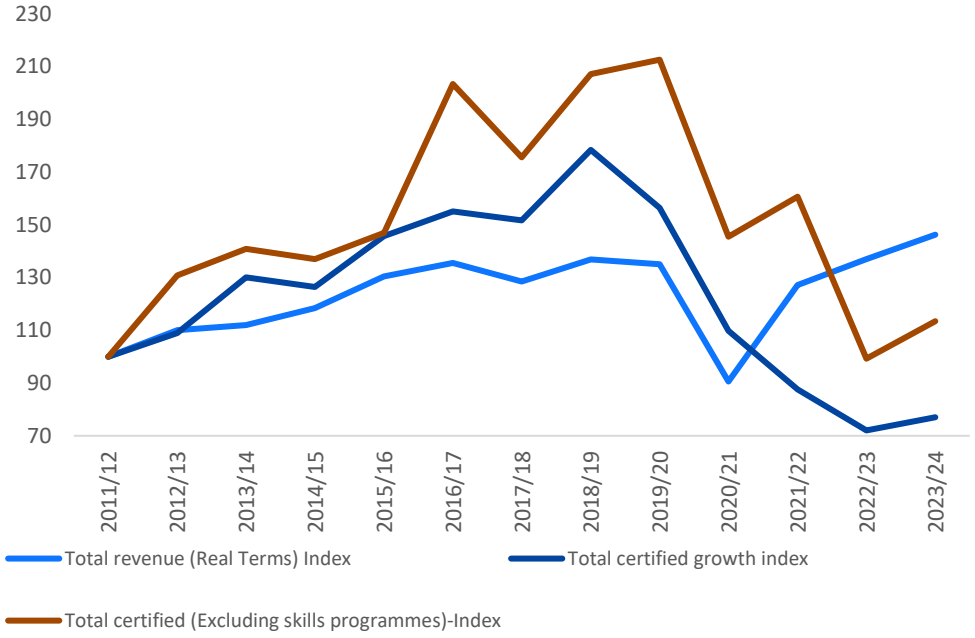
Source: Authors' compilation based on National Treasury (2025b).

INPUT-OUTPUT GROWTH

One of the main aspects of the study by Turner et al (2013) is to compare growth rates of inputs and outputs. If the growth of inputs exceeds the growth in output, the system is deemed inefficient. However, in this review, growth in inputs and outputs are viewed as a sign of whether the system is improving or regressing in terms of efficiency.

Figure 21 shows the growth in revenue adjusted for inflation and the growth in the total completed SETA programmes. Based on the input-output approach, there were some efficiency gains up to 2018/19. However, over the entire period, the system has become less efficient. In real terms total revenue increased by 46% from 2011/12 to 2023/24, while the number of certifications decreased by 23%.

Figure 21: Growth in revenue vs growth in completed programmes (index)



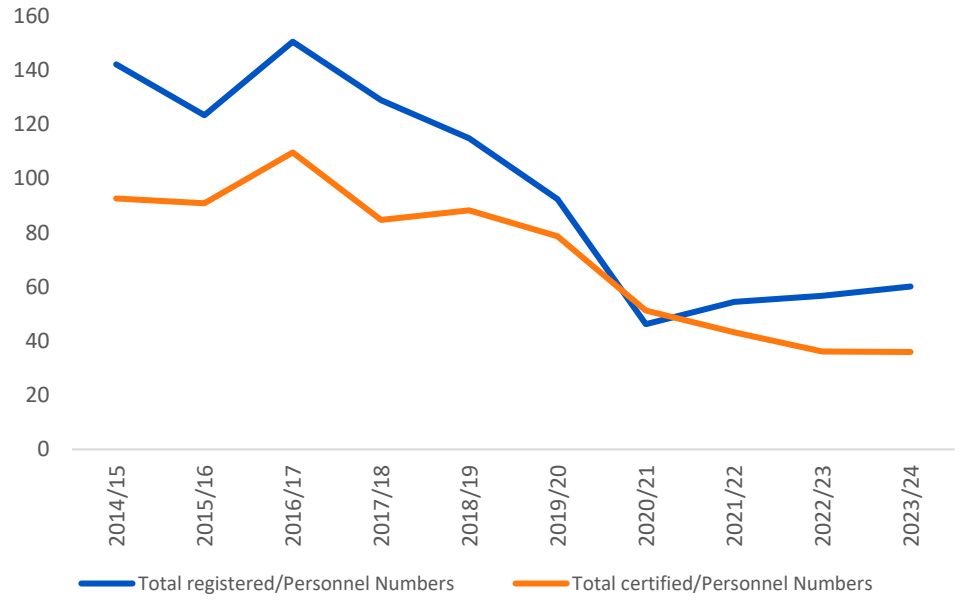
Source: Authors' calculation

The sharp decrease in the total number of certified/complete programmes coincides with the relative reduction in skills programmes from 2018/19. However, removing skills programmes from the total number of completed programmes, renders a similar result. The number of programmes completed, excluding skills programmes increased by 13% from 2011/12 to 2023/24, while revenue (adjusted for inflation) increased by 46%.

Another way to consider input, is to consider the growth in SETAs' personnel numbers in comparison to the number of registrations and certifications. If the ratio of registrations or certifications to personnel numbers increases it would imply efficiency gains, and the opposite if the ratio decreases.

As shown in in Figure 22, the ratio of individuals registered to SETA personnel decreased from 142 registered to one per personnel member in 2014/15 to 60:1 in 2023/24 – a drop of 57%. The ratio between completed SETA programmes/certifications and SET personnel decreased from 92:1 in 2014/15 to 35:1 in 2023/24 - a 61% decrease.

Figure 22: Ratio of registrations and certifications to SETA personnel



Source: Authors' calculation

Similarly, the SETAs' chronic accumulation cash reserves and surpluses could also be considered as inputs that have not been utilised or applied to increase output. Hence, as highlighted earlier in this review, their existence serves as a significant indication of inefficiency in the SETA system.

As such, based on an input-output model, the SETA system is not efficient, and has arguably become more inefficient since the study from Turner et al. (2013).

INSTITUTIONAL PERSPECTIVE

Drawing partially from the approach taken by Marock et al. (2008), the SETA system could also be considered inefficient and not functional from an institutional point of view. This view considers an institution's governance (as per Auditor-General reports) and its ability to achieve targets. Note that the Marock et al (2008) study also considered the effectiveness of SETAs' quality assurance (ETQA) functions. However, since then this function has been moved to QCTO.

In terms of good governance, 54% of SETA audit reports were issued as "unqualified with findings", 15% were "qualified", and 1% were issued with disclaimers (as set out in Table 17). Total fruitless and wasteful expenditure amounted to R274.9 million and irregular expenditure to R9.1 billion. Moreover, as set out in Text box 1, the system is plagued by corruption allegations and malfeasance. As such, from a good governance perspective, the system is neither efficient nor functional.

In terms of its ability to achieve targets, the SETA system would also be considered inefficient and not functional. As shown in Table 20, the only areas where SETAs met targets over the review period was for registering unemployed individuals for learnerships and for completed skills programmes. For the other categories, excluding artisanal learning programmes[16], targets

[16] Data was not available for aggregate targets for artisanal learning programmes.

were not achieved. Given the number of years the system has not achieved its targets, either the targets are poorly formulated, or the system is not adjusting to the targets.

Table 21: Summary of SETA cumulative targets and actual achievement

	Cumulative targets	Cumulative actual	% Achieved	Years not achieving targets	Completion rate
Employed registered: Learnerships	359 595	325 523	91%	10	57%
Employed certified: Learnerships	228 572	185 711	81%	11	57%
Unemployed registered: Learnerships	594 780	675 527	114%	3	53%
Unemployed certified: Learnerships	359 585	355 411	99%	7	53%
Internships registered	156 872	136 466	87%	10	44%
Internships certified	86 297	60 381	70%	10	44%
Enrolment Skills Programmes	1,342 722	1 294 199	96%	6	96%
Completed Skills Programmes	1 044 084	1 247 279	119%	5	96%

Source: Authors' calculation

As such, considering good governance and the ability to achieve targets, the system can be considered as inefficient and not functional.

In addition, it should be noted that since the Marock et al. (2008) study, the scope of SETAs has been reduced as a result of the Skills Development Amendment Act No.37 of 2008, and the Employment Service Act No. 4 of 2014. It can also be argued that the "strength" of the system has increased as a result of amendments to the initial Skills Development Act. The significant increase in personnel should also have increased capacity. Hence, at least in the "Strength vs Scope" model, the SETA system should be in a better position to fulfil its mandate. However, this has not translated into improved performance.

PUBLIC GOOD PROBLEM ADDRESSED?

Another way to consider functionality and efficiency is to consider whether the SETAs have addressed the common-good and market-failure problems as described by Archer (2010) in so far as the incentive structure facing firms results in an underinvestment in skills development. In other words, have SETA accelerated skills development to a desired level? Overall, the impact of SETA programmes is difficult to establish. The variation in absorption rates, in the context of a stagnant economy, makes it even more challenging.

However, comparing SETAs' performance against the targets set out in the NDP, NGP and NSDP could provide an indication of whether their output is sufficient. According to the NSDP, the relevant target for SETAs is to "facilitate and co-finance training for approximately 10% of the workforce annually". The NDP also sets a target of 30 000 artisans to be produced annually by 2030.

As shown in Table 22, SETAs are not producing nearly enough to meet the target, assuming that the "workforce" referred to in the NSDP relates to the labour force as recorded by Stats SA. Indeed, the number of SETA registrations was merely 6.6% of the target in 2023/24, whereas the total certified was 4% of the target.

Table 22: SETA Performance vs NDP/NGP and NSDP target

	2011/12	2015/16	2020/21	2021/22	2022/23	2023/24
Labour Force	19 052 836	21 397 776	22 237 262	22 776 001	24 125 028	24 970 638
10% of Labour force	1 905 284	2 139 778	2 223 726	2 277 600	2 412 503	2 497 064
SETA Total registered	154 417	254 003	126 994	141 748	144 939	165 125
% of Target	8.1%	11.9%	5.7%	6.2%	6.0%	6.6%
SETA Total certified	128 233	186 980	140 866	112 363	92 381	98 834

% of Target	6.7%	8.7%	6.3%	4.9%	3.8%	4.0%
Artisanal programmes						
NDP Target-by 2030	30 000	30 000	30 000	30 000	30 000	30 000
Artisanal programmes	**14 023**	**16 114**	**15 106**	**19 536**	**20 062**	**16 277**
SETAs	*10 631*	*13 162*	*14 141*	*17 648*	*16 281*	*14 729*
INDLELA	*3 392*	*2 952*	*965*	*1 888*	*2 036*	*1 548*
Unspecified	*0*	*0*	*0*	*0*	*1 745*	*0*

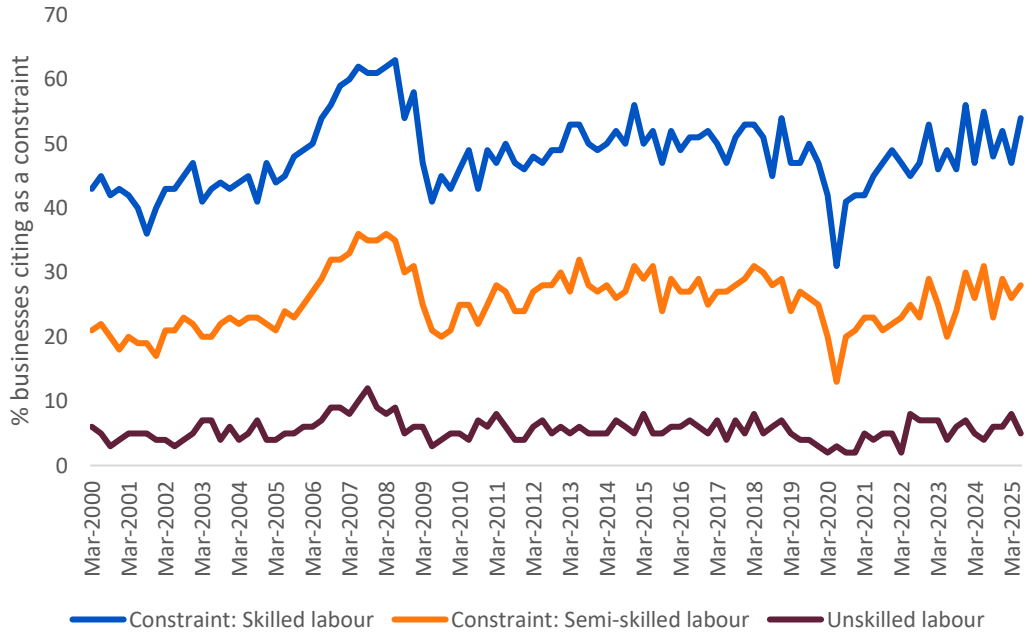
Source: Authors' calculation

In terms of artisanal programmes, the total number of programmes completed via SETAs amounted to 14 729 in 2023/24. If the number of artisanal programmes via Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) is included, the total number of artisanal programmes completed increases to 16 277. This is still barely half (54%) of the target as set out in the NDP, which is 30 000 artisans annually by 2030.

Based on this target, SETAs are not achieving their overarching goal nor are they arguably addressing the collective good challenge as described in Archer (2010).

In further support of this notion, skills shortages are often cited as a constraint to economic growth in South Africa. For example, based on BER manufacturing surveys from 2000 to 2024, approximately 50% of manufacturing businesses cited the lack of skilled labour as a business constraint, as shown in Figure 23. Had the introduction of the SETA system been effective, one could argue that there would presumably have been a distinctive trend visible rather than a broad flat but elevated constraint reported. Furthermore, Bhorat and Khan (2018) find that every main sector of the economy has experienced a steady rise in skills intensity.

Figure 23: Approximately 50% of manufacturing businesses cite the lack of skilled labour as a business constraint



Source: BER Manufacturing Surveys (various)

Are SETAs the wrong model for the problem?

Considering the poor performance of the SETA system, the key question is whether it is failing because of poor implementation, or whether the system is the incorrect design. We argue that it is likely a combination of both, but primarily the latter.

FLAWED IMPLEMENTATION

Evident from the review, and the SETAs' weak performance overall, the system is characterised by poor implementation.

Furthermore, as demonstrated in the discussion regarding the evolution of the legislative and policy frameworks, there have been multiple adjustments to try to improve the outcomes and accountability of SETAs. However, none of these changes have significantly improved outcomes or addressed the problem that SETAs were initially set out to solve.

Moreover, considering the multiple amendments to the legislative framework it could be argued that the scope of the system has been reduced at the same time as the increase in headcounts and financial resources suggest an increase in capacity/ "strength". Considering the "Strength vs Scope" model referred to in Marock et al. (2008), the expectation is that the system's performance should have improved. However, there is no indication of this. This further supports the notion that the problem goes beyond that of flawed implementation.

DESIGN WEAKNESSES

While there is evidence of implementation failure, this arguably arises as a consequence of the model.

The Skills Forecasting Dilemma

The SETA model is based on the idea that a central body can effectively identify current and future skills needs and plan training interventions accordingly. This approach views the policy problem as simply a low level of skills, which a central planner can rectify. This function is embodied in the mandatory development of Sector Skills Plans (SSPs).

However, as the work of Archer argues, this premise is flawed. Detailed, long-term skills forecasting is theoretically and practically difficult because the demand for skills is a derived demand, subject to the unpredictable interplay of technological change, global trade patterns, and shifting consumer preferences. The notion that a central body can accurately plan for the needs of a dynamic, complex economy is unrealistic. The outcome is a system disconnected from both economic demand and labour market realities.

This theoretical impossibility is compounded by data limitations. The review by Marock et al. highlights that the primary data inputs for these plans—employer-submitted Workplace Skills Plans (WSPs)—are often treated as a perfunctory compliance exercise to claim mandatory grants, rather than a genuine reflection of strategic needs. This results in "bad source data"

being "escalated through the various levels of planning, with severe consequences for the credibility of planning". The central planner is, therefore, not only attempting an impossible task but is forced to do so while “flying blind”. The failure of this model is evident in the outcomes.

An Ineffective Instrument for a Market Failure

The SETA levy-grant system was designed to solve a real market failure: the "poaching" or "free-rider" problem, where the fear of losing trained employees to competitors leads firms to underinvest in general skills. However, the system has not solved this problem on any meaningful scale. After two decades, the SETA system trains barely 0.7% of the labour force and achieves certifications for only 0.6% of the employed annually. This pales in comparison to international equivalents, such as the French scheme where approximately 50% of employees participate and falls drastically short of its own overarching target of training 10% of the workforce annually.

Furthermore, the levy-grant system may be the wrong instrument for the problem. It is not obvious that firms should be compelled to pay for general training, as the productivity gains from such skills should be reflected in wages. If society as a whole benefits, a stronger case can be made for funding through general taxes rather than a specific levy on payrolls. Critically, in a country with high unemployment, the 1% skills levy acts as a tax on employment, directly increasing the cost of labour and running counter to the goal of job creation.

To solve a collective action problem like poaching, an intermediary such as a SETA requires access to private, relational information about employers' intentions, their willingness to cooperate, and their levels of mutual trust. Without this information, the state cannot design incentives that foster genuine cooperation. The SETA model structurally lacks a mechanism to access this crucial information, leaving policymakers "reduced to pushing on a string".

These design concerns make the observed implementation failures inevitable. The central planner model severs the direct link between firms (who understand their own needs) and training providers, replacing it with a bureaucratic intermediary tasked with an impossible forecasting job and an overstretched mandate. This creates a closed, bureaucratic loop where performance is measured by compliance with administrative targets, not by actual economic impact. In such a system, incentives are naturally skewed towards managing processes rather than delivering skills.

Reform Options and Scenario Modelling

The report has highlighted a number of weaknesses in the current SETA system. There are four options for reform: phasing out the system; reducing the levy to "right-size" the system; redirecting the SETA levy to other skills programmes / objectives; or introducing a revenue-neutral skills incentive. We evaluate each of these in some detail below, and overall, argue that retaining some skills incentive programme is important for long-run growth, but that it should not be the current SETA system as it stands.

Note that for each option, **we advocate the retention of the Quality Council for Trades and Occupations (QCTO)**. Indeed, many of the reforms that have taken place, including the introduction of the Occupational Qualifications Sub-Framework (OQSF), which is a key component of South Africa's National Qualifications Framework (NQF), can (and should) be delinked from the SETA system. It's designed to organise and standardise qualifications related to specific occupations, trades, and professions, ensuring they are relevant to the workplace. This is a separate process from the SETAs.

OPTION 1: PHASING OUT OF THE SETA SYSTEM, INCLUDING THE LEVY

The first option is to phase out the SETA system. As we have highlighted above, the SETA system is an expensive and inefficient skills development model. SETAs have large surpluses and thus can absorb the transitional costs of a slow and deliberate reduction in funding. This will allow them to wind up their affairs.

What would replace the SETA system?

Replacing the SETA system with a tax-incentivised, employee-led skills development programme would better align incentives. In the current SETA model the state imposes a 1% payroll tax and uses that income to decide and implement a set of skills development interventions on behalf of the companies that pay the tax.

Centralised skills training is arguably inefficient compared to employee/employer-led training. Proponents of a centralised training model argue that skills training is a quasi-public good. On the other hand, a decentralised model is likely to more closely align with what firms need.

The incentives of the various SETAs are not necessarily aligned with those of businesses. The counterfactual is a system of stronger incentives where businesses make their own decisions in consultation with employees about what skills development training their employees need. The administratively simplest way to deal with this would be through a system where skills training is subject to a tax incentive.

Employers could opt to voluntarily contribute to those SETAs which provide useful training initiatives. One concern with the current system is that the training that it provides is variable – there are patches of relatively good initiatives. Allowing firms to contract directly with these service providers would retain the system's positives without the overall loss of effectiveness.

What would the impact be on employment?

By raising the cost of employment relative to other factors of production (e.g. machinery), a payroll tax such as the SETA levy disincentivises employment.

What would happen to the revenue from the SETA system?

Currently the skills development levy generates R22.3 billion in revenue annually. Given the country's fiscally constrained environment, it would seem inappropriate to simply phase this levy out. Perhaps the revenue could be redirected elsewhere?

We explore this option in more detail below, but it is important to highlight that a payroll tax is particularly inefficient type of tax. This is for the following reasons:

Disincentive to Work

Payroll taxes reduce the net wage received by workers and increase the cost of hiring for employers. This creates a wedge between what employers pay and what workers receive, potentially discouraging both:

- Labour supply (people working fewer hours or not working at all), and
- Labour demand (firms hiring fewer workers).

Table 23 Payroll versus taxes on profits

Criteria	Payroll Tax	Taxes on profits
Distortion of labour market	High – discourages hiring and work effort	Low – does not directly affect hiring decisions
Equity (fairness)	Often regressive	Can be progressive if designed well
Incentives for formality	Encourages informality	Less distortion of formal employment
Base mobility	Fixed (labour is less mobile)	More mobile – firms can shift profits abroad, though this can be mitigated
Revenue stability	More stable (wages are less volatile)	More volatile (profits vary with economic cycle)
Administrative ease	Easier to collect from payroll systems	Harder – requires careful accounting and anti-avoidance measures

Distortion of Labour Markets

In economies with large informal sectors (like many developing countries), payroll taxes encourage informal employment, undermining the tax base and weakening social protection systems.

Not Neutral

Unlike value-added or consumption taxes, which are often considered less distortive, payroll taxes directly target a production input—labour. This violates one of the key tenets of efficient taxation: don't tax production inputs directly.

Not levied on profits

Payroll taxes are not levied on profits, but rather on one of the costs that firms have. The natural response of any profit-maximising firm would be to reduce the taxed inputs (reduce the number of people employed) in favour of other inputs.

The analogy is the carbon tax, where National Treasury increases the price of carbon relative to other inputs with the express intention of reducing the use of carbon.

OPTION 2: REDUCING THE SETA LEVY FROM 1% TO 0.5%

The report highlights that the SETA system is generating large surpluses. These could arguably be used better in other parts of the system.

One policy option to lower the cost of employment in South Africa would be to reduce the Skills Development Levy (SDL) - currently set at 1% of total payroll - to 0.5%. Implementing such a change would require an amendment to the Skills Development Levies Act, but this is procedurally straightforward and politically feasible, especially given current fiscal conditions.

SETAs are currently running significant surpluses: revenue collection exceeds actual spending on training programmes. This suggests that the full 1% levy is not currently being utilised effectively, and a reduction could be implemented without materially undermining the training and development functions of the SETAs - at least in the short term.

What would the economic effects be?

Lower Cost of Labour

Reducing the levy would immediately lower the non-wage cost of employing labour. For employers, this could represent a meaningful cost saving, especially in labour-intensive sectors. For example, on a payroll of R100 million, halving the SDL would save R500,000 annually.

Rebalancing Relative Factor Costs

By lowering the cost of labour (relative to capital), the policy would shift the incentive structure slightly in favour of hiring workers rather than investing in machines or automation. This could be especially relevant in sectors where firms are marginally substituting capital for labour due to rising labour costs or rigidities in the labour market.

Uncertain Pass-Through to Employees

However, the extent to which this cost reduction may benefit employees - in the form of higher take-home pay or greater employment - is unclear. Employers may retain the savings, especially in competitive sectors where profit margins are thin or where wage-setting is not highly responsive to small changes in labour cost.

Potential Increase in Profits and Tax Revenues

If firms retain most of the benefit, this would increase corporate profitability. Since corporate income is taxed at 28%, some portion of the cost saving would return to the fiscus via higher tax revenue. In this sense, the proposal may represent a partial reallocation of resources from earmarked training funds to general revenue.

Distributional and Sectoral Impacts

The benefits of the levy reduction would be largest in sectors with high formal employment and relatively high wage bills. Conversely, sectors with low formalisation or low payrolls may see limited benefit but even they and small firms - which are often disproportionately burdened by compliance costs – may welcome the simplification and cost relief.

Risks and Trade-offs

Reduced Training Investment: Over the medium term, a permanent reduction in SETA funding could impair skills development capacity if not accompanied by reforms to improve efficiency or alternative funding sources.

Missed Opportunity for Targeted Upskilling

With South Africa's chronic unemployment and skills mismatch, critics might argue that the surplus should be spent more effectively, rather than reduced, particularly to support youth employment and artisanal skills development.

Will it solve the problem?

The analysis above highlights that the cost of the SETA administration has risen as a share of overall spending. This has not come with the corresponding benefits of centralised skills planning. There is thus a deadweight administrative cost from having the set of authorities.

Reducing the levy will provide some positive employment gains but does not solve the underlying concerns with the system.

OPTION 3: REDIRECTING A PORTION OF THE SETA LEVY TO OTHER SKILLS DEVELOPMENT ACTIVITIES

Over the past number of years, a share of the Skills Education and Training Authorities (SETA) levy has been channelled to activities outside the core mandate of SETAs—most notably to the National Skills Fund (NSF). This trend is consistent with earlier policy decisions to reallocate portions of the levy to support broader educational objectives, particularly in the higher education sector.

More recently, there have been calls to expand this redirection further, with proposals to channel a greater share of the SETA levy toward other skills development priorities such as Technical and Vocational Education and Training (TVET) colleges or community colleges. Such proposals reflect the recognition that South Africa’s skills pipeline requires strengthening in many places — not only the workplace-focused training supported by SETAs, but also the foundational and intermediate training institutions that feed into the labour market.

Advantages of Redirection

A key argument for reallocating some of the SETA levy is the clear and pressing funding gap in the education system. The most acute pressures are currently in higher and basic education:

Higher Education: Funding shortfalls have affected university operations, student support, and infrastructure investment, limiting the expansion of access for low-income students.

Basic Education: In Budget 3.0 (the May 2025 budget), provisional allocations for basic education were revised down by R9.6 billion. Moreover, the comprehensive roll-out of early childhood development under the Basic Education Laws Amendment Act (BELA) was initially costed at R29.1 billion, but due to fiscal constraints, the final allocation was only R19.5 billion, leaving a significant gap in implementation capacity.

These gaps could potentially be addressed, at least in part, by:

- Redirecting a portion of the SETA levy to fund targeted priorities in basic or higher education; or
- Drawing down on accumulated SETA surpluses.

Risks and Limitations

While drawing down surpluses may seem appealing in the short term, international public finance best practice cautions against using once-off reserves to fund recurring operational expenditure. Doing so can create a "fiscal cliff" when reserves are exhausted, forcing abrupt budget cuts or emergency financing. Sustainable financing for ongoing programmes should ideally be matched to recurring revenue sources, ensuring continuity and predictability of service delivery.

Redirecting the levy also raises important policy trade-offs. The SETA system was designed to strengthen workplace skills development and industry–training alignment. Overly large diversions of funding risk undermining the SETAs' ability to deliver on their mandate, potentially weakening employer-driven training systems. Any reallocation would therefore need to balance **short-term fiscal pressures** against **long-term skills pipeline integrity**.

International Comparators: Redirecting or Restructuring Levy-Funded Training Systems

Several countries have adjusted the use of payroll-based training levies to respond to changing economic and education priorities. These experiences offer useful insights for South Africa:

France – Partial Redirection to Broader Skills Initiatives

Reforms to France's compulsory employer training levy in 2018 achieved significant benefits. One was an increase in apprenticeships. This resulted in a notable decline in unemployment and boosted skills levels, particularly of young people (see Box).

Key Elements of Levy Reform in France's 2018 Apprenticeship Overhaul

France operates a compulsory employer training levy, traditionally earmarked for sector-specific training funds (*OPCOs*), which share many similarities to SETAs.

Over the past decade, reforms have allowed part of this levy to be channelled toward broader national priorities, such as apprenticeships and training for the unemployed, administered by *France Compétences*.

In 2018, France significantly reformed their skills system. It included the creation of a new national authority, *France Compétences*, which was responsible for overseeing and regulating vocational training and apprenticeships, including the management of levy funding. This replaced several previous bodies, streamlining governance.

Reforms to the apprenticeship system resulted in the number of students almost reaching 800 000 in 2021 and the youth unemployment rate declining significantly.

Changes were also made to the training levy. From January 2020, two separate employer contributions — the apprenticeship tax and the continuing vocational training contribution — were merged into a **single unified levy**, known as the *Contribution Unique à la Formation Professionnelle et à l'Alternance* (CUFPA).

Collection mechanisms were also restructured: the levy, previously managed via multiple channels, began to be collected centrally . This further consolidated the process.

Singapore – Strategic Reinvestment in National Skills Programmes

Singapore's Skills Development Levy is collected from all employers and funds the Skills Development Fund (*SDF*).[17]

While much of the SDF supports workplace training, the government has deliberately redirected portions toward strategic national initiatives such as SkillsFuture—covering reskilling of mid-career workers and subsidised courses in public institutions.

This has enhanced adaptability in a rapidly changing economy, though it required strong central coordination to ensure quality and avoid duplication.

Brazil – Levy Diversion to Support Broader Education Goals

Brazil's Sistema S is funded by employer levies and historically supported vocational training through industry federations (e.g. SENAI, SENAC).[18]

In periods of fiscal stress, the federal government has diverted portions of the levy to general budget purposes or higher education funding.

While this provided short-term fiscal relief, stakeholders argued it diluted industry-led training capacity and reduced responsiveness to sector-specific skills needs.

United Kingdom – Apprenticeship Levy Reform

Employers' levy payments are credited to a digital account, which they can use to fund approved apprenticeship training. The government tops up each monthly levy payment by 10%.

[17] **https://www.cpf.gov.sg/employer/employer-obligations/skills-development-levy**

[18] **https://unevoc.unesco.org/countryprofiles/docs/UNESCO_Funding-of-Training_Brazil-SENAC.pdf**

Funds in the digital account remain available for 24 months from the date of deposit. Any unspent balance — including the government's 10% top-up — expires after this period and is reclaimed by His Majesty's Revenue and Customs (HMRC).

Payments to training providers are made monthly from the digital account for the duration of the apprenticeship, continuing until the apprentice completes the programme or leaves. Apprenticeships ending within 42 days of commencement do not qualify for any payments.

OPTION 4: REPLACING THE SETA SYSTEM WITH A REVENUE-NEUTRAL TAX INCENTIVE

A final option is to replace the SETA system with a revenue-neutral tax incentive. Revenue from the skills levy will flow to the National Revenue Fund, but instead of being used to fund the SETAs (which will be phased out), it will be drawn down by firms in the form a tax incentive set at an appropriate level to encourage additional skills acquisition.

The effect is to shift the choice of skills provision from the SETAs to the firms themselves. There are a number of reasons (many of which we discuss above) why firms are better placed to choose the appropriate skills training that individuals should receive.

If this option is combined with other incentives (e.g. the YES initiative or the employment tax incentive) that encourage firms to hire new employees, then it will have a double benefit. As discussed above, a "common good problem" arises because there is little incentive for profit-maximising firms to provide generalised training to individuals. There is even less (if any) incentive to train unemployed individuals. Some schemes deal with this market failure by strongly incentivising firms to hire and train particularly young, unemployed individuals. A combination strategy, where money is used from the SETA levy to support this goal, would accelerate these programmes.

Advantages

A shift to an incentive-based system will ensure better alignment with industry needs – especially helpful where SETAs are noted as being slow to adapt to new skill demands (e.g. coding, data analytics, green skills). The current SETA system doesn't necessarily allow firms to tailor training to specific skills shortages in their sector or region.

Relatedly, there is likely to be improved uptake and effectiveness. SETAs often underperform in grant disbursement — redirecting funds may increase actual training delivery. As we noted in the analytical section, the SETAs' revenue exceeds their spending on actual training (they run a surplus on aggregate), plus there are a large, ongoing costs associated with the administration of the system.

It will reduce the administrative burden. Firms often find SETA reporting and compliance complex and bureaucratic. More decentralised spending could reduce friction for smaller firms. The international experience of centralised systems is that they favour large firms and individuals who already have skills.

Greater flexibility and innovation. Employers could fund non-traditional or firm-specific training not currently recognised by SETAs. This option would supports on-the-job learning, digital courses, or international certifications.

It is likely to crowd in private investment. If firms get partial autonomy, they may top up the levy with their own funds, encouraging co-investment in skills.

Disadvantages

The most significant disadvantage of moving to a decentralised system is the loss of coordination and national oversight. SETAs provide a central mechanism for sector-wide planning, standard-setting, and quality assurance. Fragmentation may lead to duplication or gaps in critical areas like artisan training.

A second disadvantage is equity concerns. Large or high-capacity firms benefit most from flexibility. Smaller firms or rural employers may lose access to structured support unless well-designed safeguards exist.

Risk of poor training quality. Without SETA evaluation, redirected funds might go to low-quality providers. This could weaken alignment with NQF (National Qualifications Framework) standards. However, as previously noted, we recommend retaining the Quality Council for Training and Occupations and this could ensure quality is maintained.

Reduced focus on public-good priorities. SETAs also fund training in unprofitable or undersupplied areas (e.g. early childhood education and community health). Firms may direct funds away from these socially important but unprofitable areas.

Potential legal and governance complexity. This option would require amendments to the Skills Development Act and possibly the Income Tax Act. There is a risk of accountability gaps in the absence of proper audit trails.

SUMMARY OF OPTIONS

Table 24 Summary options for reform

Option	Description	Advantages	Disadvantages / Risks
1. Phase out SETAs	Gradually wind down SETA system	• Could better align incentives to employer needs • Voluntary participation for effective SETAs • Could improve skills relevance • Reduces inefficiencies and central control	• Loss of coordination and national oversight • Risk of fragmentation and inequality • Unclear fiscal path for R22.3bn levy revenue
2. Reduce levy to 0.5%	Halve the current 1% payroll levy, maintaining core SETA functions temporarily while reducing costs.	• Reduces cost of labour • Incentivises employment • Savings may increase profits and tax revenue • Eases burden on firms, especially small ones	• Potential underinvestment in training • Unclear benefit to employees • Long-term risks to SETA-funded capacity
3. Redirect levy to education or other skills development	Redirect surplus funds and/or ongoing levy revenue to education	• Addresses critical funding gaps (e.g. basic education, ECD)	• One-off surplus not ideal for recurring spending

Option	Description	Advantages	Disadvantages / Risks
	and other skills development priorities like basic education.	• Utilises SETA surpluses productively • Politically feasible and aligns with past shifts	• Undermines structured SETA training • Risk of piecemeal approach
4. Replace SETAs with a revenue-neutral tax incentive (i.e. use the levy to fund a tax incentive)	Allow firms to claim tax incentives for training expenditure, using levy funds, with SETAs phased out and funds channelled through tax system.	• Aligns skills provision with industry needs • Increases uptake and training flexibility • Reduces bureaucracy • May crowd in private investment	• Loss of national standard-setting • Quality assurance concerns • Unequal access for small firms • Legal and governance hurdles

EVALUATION OF OPTIONS

As highlighted above, skills training can be viewed as a quasi-public good. While the primary benefits accrue to the individual in the form of higher wages and to firms in the form of higher productivity, there are also significant positive externalities, or spill-over effects, for the wider economy, such as increased innovation, competitiveness, and tax revenue. Because firms cannot capture all these external benefits, they have an incentive to invest less in training than is optimal for society as a whole (Archer, 2010).

A wholesale phasing out of the SETA system may leave the country without a coordinated skills development system. The argument may be made that there is some benefit from a centralised skills programme.

That said, the relative lack of success of the SETA system together with the governance and audit weaknesses argue for a radical overhaul. Any option that retains the SETAs risks perpetuating the poor governance system and leading to significant dead-weight losses throughout the system.

On balance, using the SETA revenue to fund a tax incentive (option 4) balances both the need to have a centrally supported skills programme and the need to comprehensively reform the system. Our main recommendation is thus to replace the SETA system with a revenue-neutral tax incentive that will support a more flexible, growth-oriented approach to skills development.

Conclusion

Raising the level of skills in the South African economy is central to any growth strategy. In this review we analyse the role of the SETA system and find that it is not an efficient way to improve skills. Indeed, given it significant cost and its design as a payroll tax, it is likely damaging both growth and employment. We recommend a number of options for reform, including closing the scheme, reducing it in size or replacing it with a revenue-neutral tax incentive.

This review of the SETA system highlights that the model that has been unsuccessful. Despite significant financial resources, over R164 billion in levy disbursements between 2011/12 and 2023/24, the system has not delivered on its core mandate. It is characterised by a "leaky pipeline" where 630,000 registered learners exited programmes without certification. When the high volume of short "skills programmes" is excluded, the throughput rate for more substantive learnerships, internships, and artisanal programmes falls to just 57%. This inefficiency is not only a matter of poor performance but also of significant cost. In 2023/24, the cost per certification was R388 052, more than the cost of a university graduate, despite universities having a dual mandate of teaching and research.

These operational failures are underpinned by governance weaknesses and financial mismanagement. Poor audit outcomes include a cumulative R9.1 billion in irregular expenditure and R275 million in fruitless and wasteful expenditure over the review period. Rather than deploying funds effectively, SETAs have consistently accumulated surpluses, with cash reserves growing to R27.1 billion by 2023/24. This accumulation of capital, collected through a 1% payroll tax, represents a notable opportunity cost, effectively removing resources from the productive economy while simultaneously increasing the cost of labour. The administrative body of the SETAs has also expanded, with a 60% increase in headcount and a wage bill that has significantly outpaced inflation, pointing to declining productivity. With the system achieving only 4% to 6.6% of the overarching national skills development targets, it is clear that the model is not addressing South Africa’s critical skills shortages.

The evidence suggests that these are not merely implementation failures but are consequences of the model. The system is based on the assumption that a central body can accurately forecast the complex and dynamic skills needs of the economy.

We evaluated four potential reform options:

1. Phasing out the SETA system entirely, which would reduce the cost of employment but risk losing a dedicated funding stream for skills.

2. Reducing the levy to 0.5%, which would lower labour costs but leave the inefficient core of the system intact.

3. Redirecting the levy to other education priorities, a second-best option that fails to address immediate, high-level skills shortages.

4. Replacing the SETA system with a revenue-neutral tax incentive.

On balance, we recommend the fourth option. Converting the skills development levy into a fund for a tax incentive allows firms to claim qualifying training expenditures directly. This approach realigns incentives, shifting the decision-making power from a centralised bureaucracy to the firms themselves, who are best placed to identify their specific skills needs. Such a system would be more flexible, reduce the administrative burden, and encourage private co-investment in training. While retaining a national body for quality assurance like the QCTO is essential, this decentralised, demand-led model offers the most promising path to building a skills base that can genuinely support economic growth and competitiveness in South Africa.

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Annexure 1: Irregular expenditure per SETA from 2011/12-2023/24

Annexure 1: Irregular expenditure per SETA from 2011/12-2023/24

Auditee	Irregular expenditure															
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total	**SETA % of IR**	**Average**
AgriSETA	0.097m	0.09m	0.88m	0.22m		30.9m	0.43m	5.3m	0.17m	1.1m	1.4m	77.9m	-	118.487 m	1.3%	9.874m
BANKSETA		3.3m	0.99m		0.13m	0.1m	1.3m	2.6m	1.8m	19.7m	1.3m	1.6m	-	32.82m	0.4%	2.984m
CATHSSETA		-	42.8m	123.9m	35.1m	43.5m	47.3m	2.6m	48.9m	12.5m	6.3m	27.7m	-	390.6m	4.3%	32.55m
CETA	11.71m	5.3m	2.1m	0.64m		-	-	79.4m	557.4m	107.4m	76.0m	79.9m	7.1m	926.95m	10.1%	77.246m
CHIETA			-			-	-	32.4m	44.9m	2.4m	32.1m	0.7m	-	112.5m	1.2%	12.5m
ETDP SETA		-	0.03m			1.3m	0.84m	0.82m	-	2.9m	0.98m	0.99m	-	7.86m	0.1%	0.786m
EWSETA	28.31m	5.9m	34.8m	29.7m	39.8m	0.29m	6.1m	88.7m	210.4m	13.0m	11.0m	8.6m	8.2m	484.8m	5.3%	37.292m
FASSET		3.8m	1.2m		0.82m	1.2m	1.2m	0.66m	-	0.32m	0.3m	3.9m	3.7m	17.1m	0.2%	1.555m
FOODBEV SETA	1.45m	8.5m	4.7m	11.4m	7.6m	2.0m	0.59m	0.31m	3.6m	0.65m	1.2m	0.5m	-	42.5m	0.5%	3.269m
FP&M SETA		0.03m	-		7.5m	6.3m	56.0m	2.0m	0.12m	9.8m	1.0m	0.4m	-	75.65m	0.8%	7.565m
HWSETA	0.073m	-	-			-	-	-	197.8m	0.56m	0.67m	4.0m	2.9m	206.003 m	2.3%	18.728m
INSETA		1.1m	0.63m		0.01m	-	1.8m	0.04m	0.35m	0.46m	18.2m	5.0m	0.68m	28.27m	0.3%	2.57m
LGSETA	54.48m	259.5m	87.7m	9.8m		-	-	-	-	0.32m	41.6m	86.5m	12.0m	292.4m	3.2%	26.582m
MERSETA	4.64m	0.33m	0.61m		1.0m	4.8m	8.0m	29.2m	17.6m	6.1m	3.8m	1 266.9m	3.0m	1 345.98m	14.7%	112.165m
MICT SETA		0.04m	-			-	1.0m	88.1m	83.3m	1.6m	3.6m	1.3m	-	178.94m	2.0%	17.894m
MQA		0.03m	-		16.0m	15.6m	37.7m	4.2m	0.13m	0.06m	0.06m	20.5m	0.02m	94.3m	1.0%	8.573m
PSETA	5.08m	5.7m	4.3m	0.1m	0.11m	80.8m	19.6m	1.0m	-	0.71m	0.52m	0.23m	-	118.15m	1.3%	9.088m
SASSETA	27.05m	122.8m	2.8m	126.0m	138.9m	0.8m	2.1m	0.76m	-	1.5m	1.1m	1.1m	1.3m	426.21m	4.7%	32.785m
SERVICES SETA	263.26m		63.9m	10.4m	32.5m	80.2m	-	855.8m	19.3m	1 768.2m	138.1m	215.8m	193.1m	3 640.56m	39.8%	303.38m
TETA	1.27m	0.71m	-		0.03m	0.07m	0.5m	1.6m	-	0.36m	92.3m	-	-	96.84m	1.1%	8.07m
W&RSETA	5.61m	2.7m	-	8.5m	57.3m	272.2m	84.1m	15.6m	12.2m	10.6m	16.3m	18.5m	15.3m	510.41m	5.6%	42.534m
Total	403.03m	160.33m	247.44m	312.16m	329.3m	540.06m	268.56m	1 211.09m	1 197.97m	1 960.24m	447.83m	1 822.02m	247.3m	9 147.33m	100.0%	703.641m
Year % of IR	4.4%	1.8%	2.7%	3.4%	3.6%	5.9%	2.9%	13.2%	13.1%	21.4%	4.9%	19.9%	2.7%	100.0%		

Source: Author's calculation based on AGSA PMFA reports from 2011/12 to 2023/24

Annexure 2: Fruitless and wasteful expenditure per SETA from 2011/12-2023/24

Annexure 2: Fruitless and wasteful expenditure per SETA from 2011/12-2023/24

Auditee	Fruitless and wasteful expenditure															
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total	Average	SETA % of FEW
AgriSETA	0.003m	0.001m	0.13m	0.001m	-	-	0.1m	-	-	-	-	-	-	0.235m	0.018m	0.1%
BANKSETA	-	-	0.004m	-	0.006m	0.005m	0.12m	0.04m	-	-	-	0.02m	1.9m	2.095m	0.161m	0.8%
CATHSSETA	0.038m	0.06m	0.17m	0.42m	0.09m	-	0.1m	0.003m	5.9m	0.001m	0.22m	0.07m	0.02m	7.092m	0.546m	2.6%
CETA	0.138m	0.14m	0.54m	-	-	-	-	-	-	10.4m	16.8m	5.0m	-	33.018m	2.54m	12.0%
CHIETA	-	-	-	-	-	-	-	-	-	-	2.2m	0.14m	-	2.34m	0.18m	0.9%
ETDP SETA	-	0.05m	-	-	0.06m	0.58m	0.02m	0.02m	0.002m	-	-	0.28m	-	1.012m	0.078m	0.4%
EWSETA	0.045m	1.3m	0.15m	0.16m	0.13m	0.03m	0.002m	0.006m	0.01m	0.02m	0.001m	0.003m	0.26m	2.117m	0.163m	0.8%
FASSET	0.027m	0.17m	0.009m	-	0.003m	-	-	-	-	-	0.18m	-	0.11m	0.499m	0.038m	0.2%
FOODBEV SETA	-	0.03m	0.09m	0.003m	0.04m	0.01m	-	-	-	-	-	-	-	0.173m	0.013m	0.1%
FP&M SETA	-	0.22m	-	-	-	22.0m	8.0m	0.13m	-	0.001m	-	0.006m	0.49m	30.847m	2.373m	11.2%
HWSETA	0.009m	-	0.15m	0.007m	0.003m	-	0.002m	0.006m	0.2m	0.01m	0.02m	1.2m	1.7m	3.307m	0.254m	1.2%
INSETA	-	-	0.009m	-	0.001m	-	0.002m	0.002m	0.02m	0.003m	0.76m	-	-	0.797m	0.061m	0.3%
LGSETA	-	0.27m	0.61m	0.06m	0.16m	-	35.9m	-	-	-	0.003m	-	39.8m	76.803m	5.908m	27.9%
MERSETA	0.321m	-		-	-	-	-	0.31m	0.23m	-	0.01m	47.5m	0.004m	48.375m	4.031m	17.6%
MICT SETA	-	-	0.24m	-	0.25m	-	0.03m	0.01m	0.002m	-	-	0.001m	0.12m	0.653m	0.05m	0.2%
MQA	0.015m	-		-	-	-	-	0.001m	0.01m	0.1m	-	-	-	0.126m	0.011m	0.0%
PSETA	0.006m	0.08m	-	0.27m	0.08m	0.1m	0.23m	0.002m	-	0.004m	-	-	-	0.772m	0.059m	0.3%
SASSETA	-	-	-	26.6m	0.6m	2.2m	0.07m	0.04m	-	-	0.02m	-	-	29.53m	2.272m	10.7%
SERVICES SETA	3.63m	-	0.22m	0.14m	-	-	0.02m	-	-	12.3m	1.5m	4.3m	0.2m	22.31m	1.716m	8.1%
TETA	0.069m	-	-	-	-	-	-	-	-	-	-	-	5.2m	5.269m	0.405m	1.9%
W&RSETA	0.018m	-	0.09m	-	0.27m	0.02m	0.3m	0.04m	2.5m	2.5m	1.5m	-	0.35m	7.588m	0.584m	2.8%
Total	**4.319m**	**2.321m**	**2.412m**	**27.661m**	**1.693m**	**24.945m**	**44.896m**	**0.61m**	**8.874m**	**25.339m**	**23.214m**	**58.52m**	**50.154m**	**274.958 m**	**21.151m**	**100.0%**
Year % of FWE	1.6%	0.8%	0.9%	10.1%	0.6%	9.1%	16.3%	0.2%	3.2%	9.2%	8.4%	21.3%	18.2%	100.0%		

Annexure 3: Cost per learner/beneficiary DBE, NSFAS, SETA, HEI, TVET

Annexure 3: Cost per learner/beneficiary DBE, NSFAS, SETA, HEI, TVET

	DBE spend	SETA per enrolment	SETA cost per certification	SETA cost per enrolment (excluding skills programmes)	SETA cost per certification (excluding skills programmes)	NSFAS Funding per student	HEI-University cost per enrolment	HEI- University cost per certification	NSFAS TVET per student	TVET Funding per student
2011/12	12 326	52 366	63 059	121 577	198 648	22 323	25 797	150 676	9 712	13 720
2012/13	12 756	61 871	65 363	125 030	171 478	30 207	28 101	161 398	9 685	10 137
2013/14	13 694	51 271	60 250	97 051	175 359	34 537	29 620	161 136	8 839	11 602
2014/15	15 635	45 054	69 152	100 959	201 166	37 446	32 117	167 911	8 710	11 117
2015/16	17 445	47 955	65 145	93 404	203 570	40 202	34 040	175 105	8 878	11 124
2016/17	17 573	44 849	61 578	86 181	147 918	45 606	39 217	188 448	9 338	12 271
2017/18	18 546	43 882	66 776	85 762	181 605	46 562	42 129	207 113	10 044	12 731
2018/19	18 531	46 986	61 112	95 163	165 757	52 954	50 914	243 279	11 437	19 382
2019/20	18 667	62 144	72 919	136 786	168 978	57 540	60 485	292 943	14 733	24 715
2020/21	19 659	77 881	70 211	162 082	166 983	61 151	67 510	310 704	23 825	39 759
2021/22	22 375	107 298	135 358	163 535	232 490	62 403	71 601	327 850	17 129	27 158
2022/23	23 805	114 856	180 200	182 093	412 056	67 267	77 600	370 553	20 105	33 939
2023/24	24 701	108 497	181 269	162 879	388 052	73 830	76 405	370 923	28 188	34 231

Source: Authors' calculation

Annexure 4: ETI and YES

In reviewing SETAs, and considering potential reform options, it is useful to consider other programmes that have related objectives to SETAs. This section briefly explores the Employment Tax Incentive (ETI) and the Youth Employment Service (YES).

ETI

On 1 January 2014, the South African government introduced an employment tax incentive (ETI). It reviewed and extended it in 2016 and 2018[19]. It is set to come to an end on 28 February 2029.[20] The aim of the ETI is to encourage employers to hire younger, less experienced people. The ETI is a wage subsidy for firms hiring workers between the ages of 18 to 29, who receive a remuneration of less than R7 500 per month.[21] As such, the focus is on reducing youth unemployment and giving young people work experience.

Essentially the ETI reduces the cost of hiring younger, less experienced people by reducing the amount of tax an employer needs to pay (pay-as-you earn) in respect to qualifying employees.

Since its inception, the tax expenditure incurred by government on the Employment Tax Incentive (ETI) has amounted to approximately R47.6 billion (2013/14-2023/24).[22] In the first full financial year of the ETI's implementation, 2014/15, total ETI tax expenditure amounted to R2.4 billion[23]. This reached R4.4 billion in 2023/24[24].

The number of employers claiming the ETI has averaged 33 000 and, as shown in Figure 24, peaked in 2020/21 at 49 244. The number of employers claiming ETI was lower in 2023/24 (most recent stats) at 29 932, than it was at the policy's inception in 2014/15 when the number was 31 335.

The impact and success of the ETI is highly debated. These debates and opposing views were extensively aired when the ETI's extension was considered in 2016. The public hearings and related submissions raised two main concerns.[25] The first concern was that the ETI might create job displacements - where employers displace older workers for younger workers to claim the ETI. In such an event, the ETI is not necessarily creating *more* employment even though it might be reducing *youth* unemployment. The second concern was that job creation attributed to the ETI, would have taken place regardless of the ETI, and as such, the ETI is merely propping up

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[19] **https://www.treasury.gov.za/documents/National%20Budget/2019/review/FullBR.pdf**

[20] **https://www.sars.gov.za/wp-content/uploads/Ops/Guides/PAYE-GEN-01-G05-Guide-for-Employers-in-respect-of-Employment-Tax-Incentive-External-Guide.pdf**

[21] **https://www.sars.gov.za/wp-content/uploads/Ops/Guides/PAYE-GEN-01-G05-Guide-for-Employers-in-respect-of-Employment-Tax-Incentive-External-Guide.pdf**

[22] **National Treasury's Budget Reviews 2019 to 2025.**

[23] **Budget Review 2020**

[24] **Tax Statistics 2024**

[25] **https://pmg.org.za/committee-meeting/23629/**

profits, without any impact on job creation. However, the ETI still enjoyed majority support, hence the extension.

Even so, the ETI remains a topic of debate, with multiple studies having been conducted into its effectiveness. Though many studies attempt to establish a causal effect, especially using difference-in-differences techniques, there are many challenges that undermine the estimation of credible counterfactuals and, as such, the estimation of causal effects. (Budlender and Ebrahim (2021) provide a detailed discussion on the difficulties of estimating the impact of the ETI).

Figure 24: Unique employers claiming the ETI - 2013/14 to 2023/24

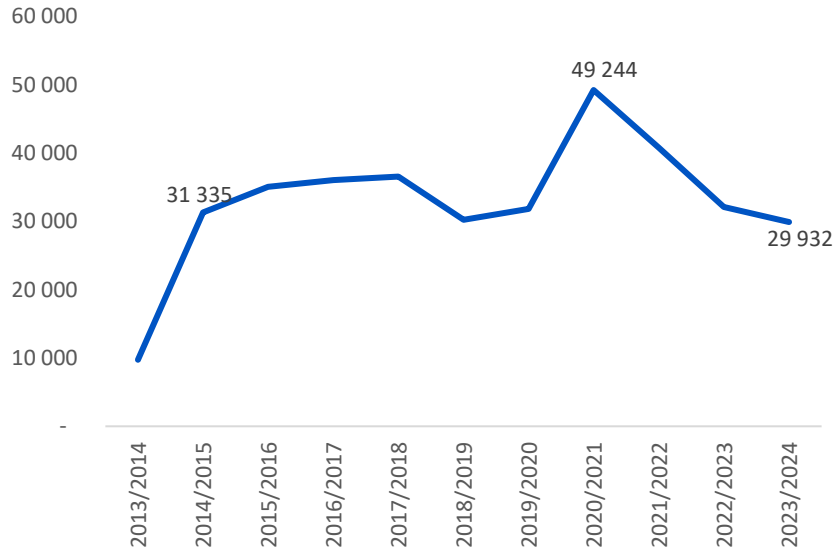

Table 25 gives a summary of studies conducted on the effect of the ETI. The consolidated view is that the ETI has likely not had any impact on overall employment, however, it may have improved youth employment and delayed job losses.

Table 25: Summary of selected studies on the effect of ETI

Ebrahim and Pirttilä (2025)[26]	
Time period: 2010-2018 **Methodology:** Triple Differences (DDD) **Data:** Survey and tax administrative data.	**Findings:** - Policy has minimal overall employment impact. - Boost in employment and reduction in unemployment among women. - Earnings rise for eligible men. - Moderate, but statistically significant increase in the earnings for the target group, exclusively driven by wage increases in eligible men: "*greater earnings but no employment increase for men and no income gains but positive employment impact for women – is in line with the idea that earnings increases limit employment gains*." - Probability of hiring new target workers increased. - Job duration increases are seen, especially in high take-up industries.

[26] https://www.sciencedirect.com/science/article/pii/S0304387824001433

	- Potential negative spillover impact on workers aged 31-35, as they may find their labour-market prospects worsened because of subsidised younger workers.
Budlender and Ebrahim (2021)[27]	
Time period: 2010-2018 **Methodology:** Partial identification, difference-in-differences. **Data:** Administrative tax data.	**Findings:** - Some indication that ETI might have increased youth employment. - Insufficient evidence to conclude the overall employment effects of the ETI either way. - The study also discusses methodologies used in other studies trying estimate the effect of the ETI and points out significant shortcomings from these methodologies.
Bhorat et.al (2020)	
Time period: 2013-2016 **Methodology:** Difference-in-Differences combined with propensity score matching **Data:** Tax administrative data	**Findings:** - Statistically significant but small impact- During a times when employment levels were decreasing, it is estimated that for every 1 job lost in a non-ETI claiming firm, ETI firms only lost between 0.51 and 0.66 jobs on average. - Translates to a total of 35 333 jobs saved between 2014 and 2016 as a result of the ETI. - Small firms of fewer than 10 employees have experienced the most benefit from the ETI, with growth of between 0.888 and 0.928 percentage points greater than comparable non-ETI firms. - "ETI does not appear to have negatively impacted employment for workers who are thought to have been most at-risk of displacement due to the subsidy and has not had any measurable impact on the non-wage benefits of those employed as a result of the subsidy."
Ebrahim, Leibbrandt, & Ranchhod (2017)[28]	
Time period: 2012-2015 tax years **Methodology:** a conditional difference-in-differences (DID) **Data:** Tax administrative data	**Findings:** - No statistically significant impact on youth employment on average. - Positive and statistically significant effect on youth and non-youth employment in firms with fewer than 200 employees. Cannot distinguish whether the increase is due to the policy or to employment growth within the firm. - Suggests firms were hiring anyway. - No significant impact
Makgetla (2016)[29]	
Time period: 2013-2015 **Methodology:** Comparative Interrupted Time Series **Data:** Employer-issued income tax forms IRP5 for 2013-2015.	- No substantial increase in employment of young workers - Some evidence firms on ETI see workforce become younger - Employee growth not clearly caused by ETI

[27] https://sa-tied.wider.unu.edu/sites/default/files/SA-TIED-WP187_0.pdf

[28] https://www.wider.unu.edu/sites/default/files/wp2017-5.pdf

[29] https://www.wider.unu.edu/sites/default/files/About/2_3_makgleta.pdf

Ranchhod & Finn (2015)[30]	
Time period: 2011-2014 **Methodology:** Difference-in differences model. **Data:** Quarterly Labour Force Survey (QLFS) data.	- ETI has not resulted in a statistically significant change in the probability of young people finding jobs. - No significant impact on youth employment probabilities - No significant impact of extent of labour market churn amongst youth
National Economic Development and Labour Council (2016)[31]	
Time period: 2013/14-2014/15 **Methodology:** Not specified **Data:** Quarterly Labour Force Survey (QLFS) data.	- The number of employees and employment growth rates increased significantly in firms claiming the incentive. - Effects were most pronounced in firms with less than 50 employees, though positive effects held for all firm sizes. - There is no significant evidence that the incentive displaces older workers. - The incentive improves employment growth in firms that were growing before claiming, and firms with shrinking employment, demonstrating that it also plays a role in halting job losses. - Employers tend to retain workers after the two-year eligible period passes because the employees have gained experience and on-the-job training.' (Budget Review 2018, page 46)

Source: Authors' compilation

YES

The Youth Employment Service (YES) programme is a business-led, government-backed initiative that came into effect on August 28, 2018.[32] The programme is mainly focused on addressing youth unemployment and creating more employable youths, aged 18-35, by providing work experience via private companies, and by providing training.

YES is entirely private sector funded. That is, it does not receive any public funding and creates a link between private companies and unemployed youths. Furthermore, the initiative is entirely voluntary. The biggest motivation for companies to participate in YES is that it improves their B-BBEE scores. In fact, part of the stated mission for YES is "leveraging B-BBEE policy for better, and more meaningful company impact and performance".[33]

These programmes are 12-month work experience programmes and are measured by B-BBEE verification agencies. YES provides two modes to collaborate with private companies. The first, is for companies to provide a 12-month work experience within their own company. The second, is to sponsor a placement with a third-party enterprise affiliated with YES. In both cases the

[30] https://opensaldru.uct.ac.za/bitstream/handle/11090/785/2015_152_Saldruwp.pdf?sequence=1

[31] https://www.treasury.gov.za/documents/National%20Budget/2018/review/FullBR.pdf

[32] https://8585911.fs1.hubspotusercontent-na1.net/hubfs/8585911/Annual%20Report%202024.pdf

[33] https://www.yes4youth.co.za/about-us

participating company pays the participant a monthly salary (starting from minimum wage of R4 992 a month), a registration fee and a monitoring and evaluation fee to YES.

Since its inception, YES has had 1 900 corporate sponsors and supported 188 049 work experience opportunities. In 2023/34 alone, it supported 37 092 work experience opportunities.[34] It compares well to the SETAs which recorded 23 826 completed learnerships, and 7 613 completed internships in the same year.[35] In addition, 29% of participants were given a permanent job contract after their 12-month YES programme[36]. Overall, 45% of YES Alumni are employed in permanent or contract roles.[37]

Since inception, the total amount spent on salaries by companies on YES participants totals R10.95 billion.[38] At an average monitoring and evaluation fee of R4 000 per work experience paid to YES by participating companies, and accounting for salaries paid to YES participants, the average cost of a YES work experience opportunity amounts to R62 229 per opportunity. This is significantly lower than the costs associated with SETAs.

[34] **https://8585911.fs1.hubspotusercontent-na1.net/hubfs/8585911/Annual%20Report%202024.pdf** & **https://www.yes4youth.co.za/impact**

[35] **DHET Higher Education Statistics 2024.**

[36] **https://repository.up.ac.za/server/api/core/bitstreams/747d7b27-4ff1-407d-a02f-57e0c103283e/content**

[37] **https://blog.yes4youth.co.za/press/yes-streamlines-operations-with-azure-to-help-more-south-african-youth-land-their-first-jobs#:~:text=The%20youth%20job%20placement%20program,being%20provided%20to%20the%20youth**.

[38] **https://www.yes4youth.co.za/impact**