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Missing from the system: Metros and skills development

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Missing from the system: Metros and skills development

Takudzwa Mutize¹ and Ivan Turok²

Abstract

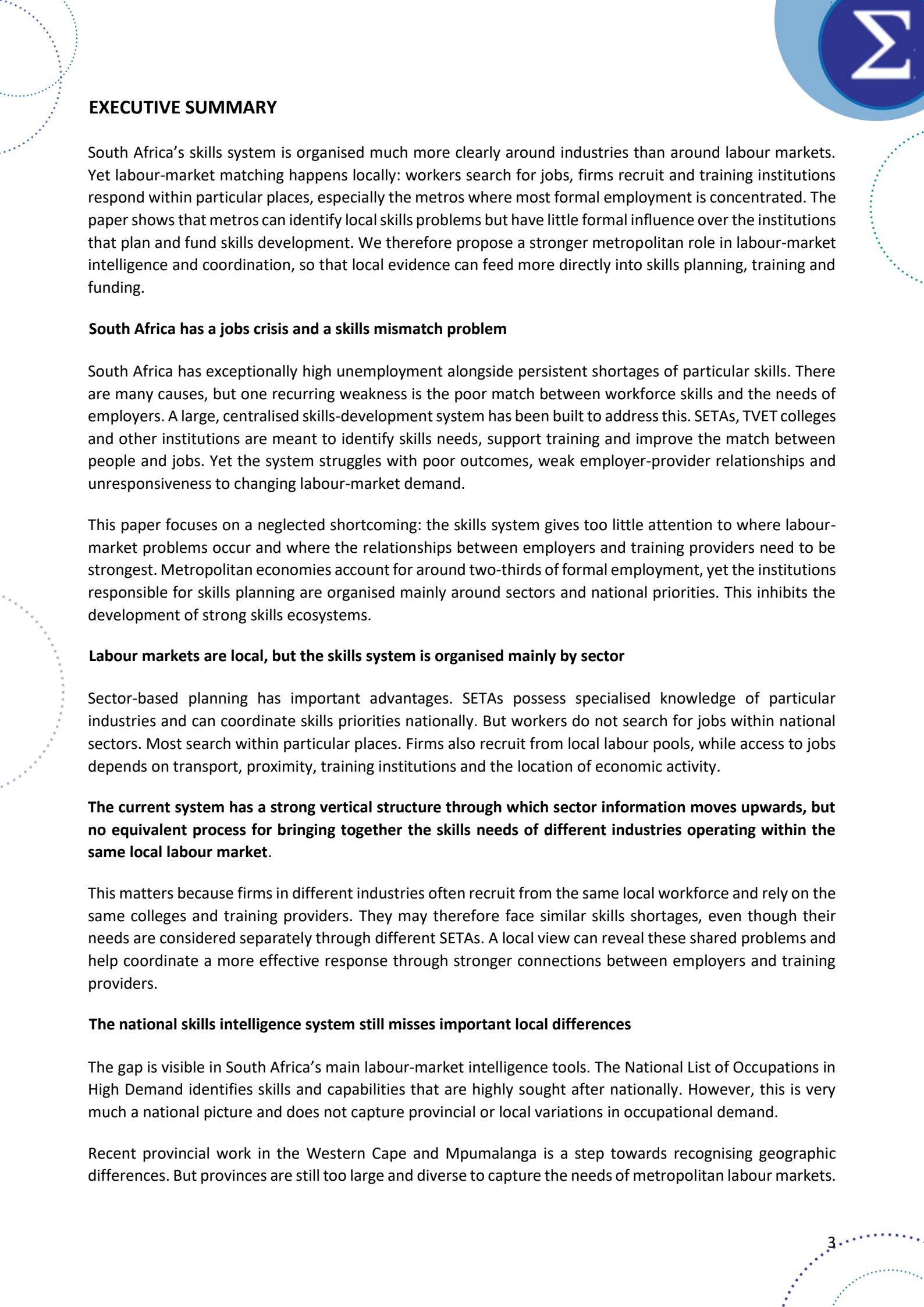
South Africa's skills system is widely recognised to be performing badly, including governance failures, operational inefficiencies and misalignment between the training funded and the needs of the evolving economy. This paper identifies an overlooked weakness: poor relationships between the supply and demand for skills at the local labour-market level, particularly within cities. The skills system is organised primarily on a sectoral rather than a spatial basis, despite big differences between local labour markets. Metropolitan economies account for two-thirds of formal employment, yet metro institutions have no formal role in skills planning, oversight or labour-market intelligence. We describe this as a spatial governance mismatch: the geography of skills decision-making does not correspond to the geography of most labour markets. The paper maps this mismatch across the constitutional and legislative architecture, examines how the metros articulate skills priorities without having any real authority, and proposes a new role in skills development. This would add labour-market intelligence, skills matching and local ecosystem development into existing planning and funding mechanisms, while retaining national qualification standards, quality assurance and SETA sector expertise.

Keywords: metropolitan municipalities; skills development; skills governance; local labour markets; skills ecosystems; place-based policy

JEL classification: R58, R23, J24, H77

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EXECUTIVE SUMMARY

South Africa's skills system is organised much more clearly around industries than around labour markets. Yet labour-market matching happens locally: workers search for jobs, firms recruit and training institutions respond within particular places, especially the metros where most formal employment is concentrated. The paper shows that metros can identify local skills problems but have little formal influence over the institutions that plan and fund skills development. We therefore propose a stronger metropolitan role in labour-market intelligence and coordination, so that local evidence can feed more directly into skills planning, training and funding.

South Africa has a jobs crisis and a skills mismatch problem

South Africa has exceptionally high unemployment alongside persistent shortages of particular skills. There are many causes, but one recurring weakness is the poor match between workforce skills and the needs of employers. A large, centralised skills-development system has been built to address this. SETAs, TVET colleges and other institutions are meant to identify skills needs, support training and improve the match between people and jobs. Yet the system struggles with poor outcomes, weak employer-provider relationships and unresponsiveness to changing labour-market demand.

This paper focuses on a neglected shortcoming: the skills system gives too little attention to where labour-market problems occur and where the relationships between employers and training providers need to be strongest. Metropolitan economies account for around two-thirds of formal employment, yet the institutions responsible for skills planning are organised mainly around sectors and national priorities. This inhibits the development of strong skills ecosystems.

Labour markets are local, but the skills system is organised mainly by sector

Sector-based planning has important advantages. SETAs possess specialised knowledge of particular industries and can coordinate skills priorities nationally. But workers do not search for jobs within national sectors. Most search within particular places. Firms also recruit from local labour pools, while access to jobs depends on transport, proximity, training institutions and the location of economic activity.

The current system has a strong vertical structure through which sector information moves upwards, but no equivalent process for bringing together the skills needs of different industries operating within the same local labour market.

This matters because firms in different industries often recruit from the same local workforce and rely on the same colleges and training providers. They may therefore face similar skills shortages, even though their needs are considered separately through different SETAs. A local view can reveal these shared problems and help coordinate a more effective response through stronger connections between employers and training providers.

The national skills intelligence system still misses important local differences

The gap is visible in South Africa's main labour-market intelligence tools. The National List of Occupations in High Demand identifies skills and capabilities that are highly sought after nationally. However, this is very much a national picture and does not capture provincial or local variations in occupational demand.

Recent provincial work in the Western Cape and Mpumalanga is a step towards recognising geographic differences. But provinces are still too large and diverse to capture the needs of metropolitan labour markets.

The Western Cape, for example, combines Cape Town with smaller towns and rural areas that have very different economic structures and labour-market conditions.

The problem is therefore not a complete lack of labour-market information. It is **the absence of a regular mechanism for producing robust local evidence and feeding it into skills planning and funding decisions.**

Metros have development responsibilities but little influence over the skills system

The institutional arrangements reinforce this gap. The Constitution gives municipalities a broad responsibility to promote social and economic development, but no explicit role in skills development. Education responsibilities lie mainly at national and provincial level, while local-government functions focus on planning, infrastructure and service delivery.

The Skills Development Act places the main responsibility for skills planning with SETAs and national institutions. Municipalities can participate in the system as employers, but they have no special standing in the preparation of Sector Skills Plans and no territorial role in skills planning.

The Municipal Systems Act gives metros extensive planning responsibilities through Integrated Development Plans. This allows them to identify local skills shortages and include training and workforce priorities in their development strategies. But an IDP cannot change the Sector Skills Plans of SETAs, redirect levy resources or fund a particular local intervention. There is no formal route through which metropolitan labour-market intelligence enters national skills planning.

This creates a basic imbalance: **metros are expected to respond to local economic problems but have limited influence over one of the main systems intended to address skills shortages.**

Metro plans show that the problem is already visible on the ground

IDPs can identify skills development, labour-market mismatch or training as local development concerns. Yet the main tools available to them are indirect: they can identify problems, form partnerships and include training priorities in their plans, while the main levers over sector skills planning, levy allocation and national training priorities remain elsewhere.

Johannesburg includes targeted skills-development programmes and youth learnerships and internships, but implementation depends heavily on external partnerships and national programmes.

Cape Town explicitly identifies a structural mismatch between labour demand and supply as a contributor to unemployment, but its response relies heavily on national skills programmes.

Buffalo City records several training initiatives undertaken with SETAs and other partners, showing that metros are not absent from skills development. The problem is that participation in individual projects is very different from having influence over the wider system.

Nelson Mandela Bay provides perhaps the clearest example. Its 2024/25 IDP included a skills-development target that was left “to be determined” because of uncertainty over external funding. This illustrates how a metro may identify a priority but remain dependent on decisions taken elsewhere before it can act.

Existing place-based initiatives do not fill the metropolitan gap

South Africa's skills system is not entirely blind to geography. The District Development Model, Provincial Skills Development Forums and emerging Skills Development Zones all recognise the need for some coordination below national level.

But each has limitations. The District Development Model helps align government plans across districts and metros, but it does not give municipalities additional standing in Sector Skills Plans or control over levy-funded priorities. Provincial Skills Development Forums operate below national level, but provinces contain diverse local economies. Skills Development Zones go further by linking training to economic change in particular places, but their focus is very selective.

These initiatives point in the right direction, but they do not connect metropolitan labour-market evidence and intelligence systematically to the institutions that plan and fund skills.

A stronger metropolitan role in skills development

We propose a stronger metropolitan role in skills development, beginning with an advisory and coordinating function within the existing system. This role would focus on three practical tasks: improving local labour-market intelligence, strengthening relationships between employers and training providers, and creating a clearer route for metropolitan evidence and priorities into existing skills planning and funding.

Metros and their partners could produce regular assessments of changing local skills needs, drawing on labour-market data as well as detailed knowledge from employers, TVET colleges, universities and training providers. They could also help bring these organisations together around skills requirements that cut across individual sectors.

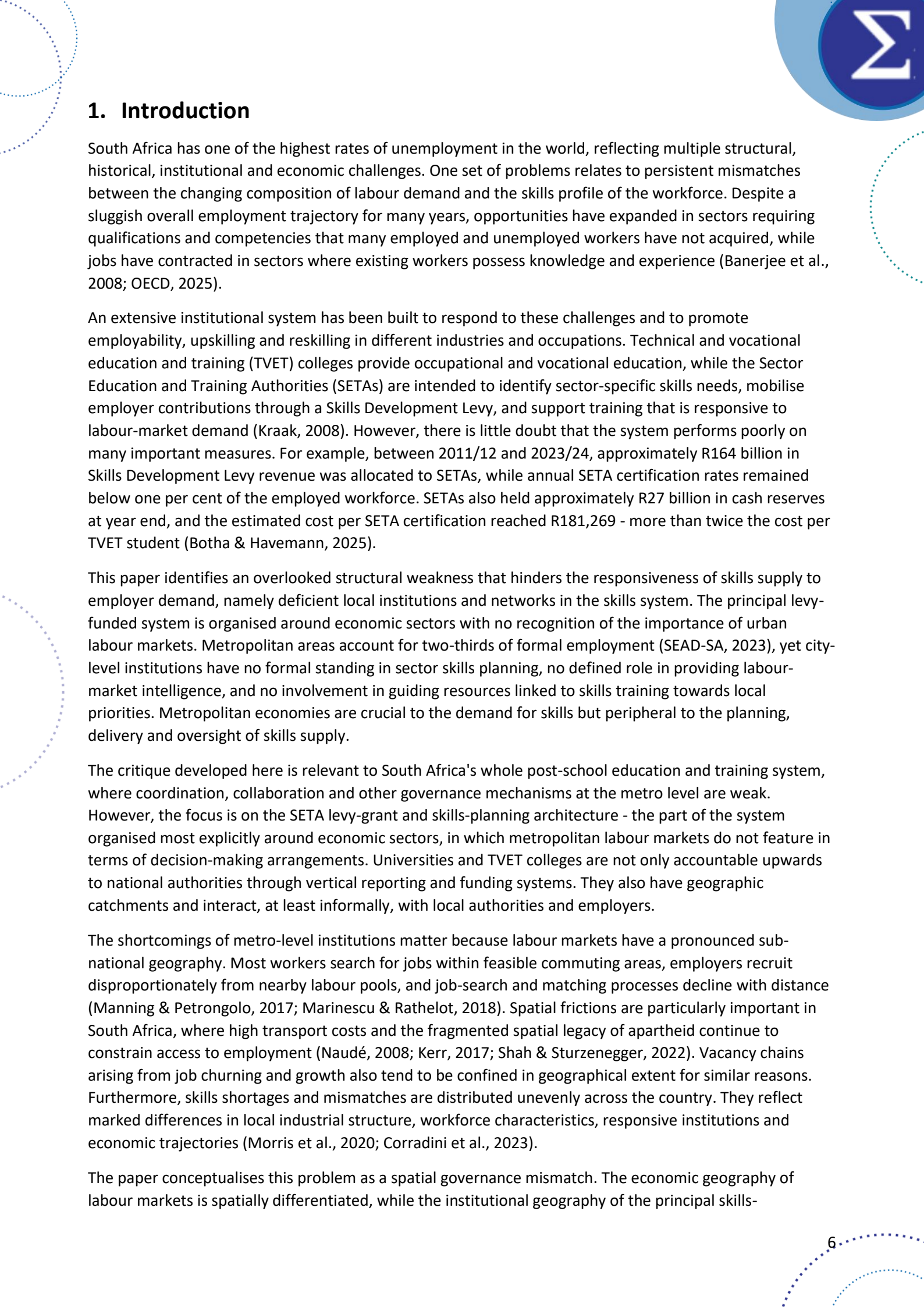
This local intelligence could then feed into SETA planning, training provision and existing funding processes. The aim is to complement sector expertise with a stronger understanding of the labour markets in which firms recruit and workers search for jobs.

The role could develop incrementally. Metros differ considerably in their institutional capacity and experience, so responsibilities should expand where local institutions demonstrate that they can improve coordination, generate useful intelligence and strengthen the response to local skills needs. National institutions would continue to provide common standards, quality assurance and sector expertise.

Reform should start gradually and build on what works

Metros differ considerably in capacity, experience and institutional strength. A uniform model is therefore unlikely to work. **A stronger metropolitan role should develop gradually,** beginning with information, coordination and stronger local relationships. Additional responsibilities could expand where metros and their partners demonstrate that they can add value.

South Africa's skills system needs both sectoral and spatial intelligence. Improving the match between skills and jobs requires understanding not only which skills industries need, but also where those needs arise and how local institutions can respond. Over time devolved responsibilities could strengthen the skills ecosystem within cities and inject greater dynamism through new partnerships, stronger accountability and more scope for adaptation and innovation.



1. Introduction

South Africa has one of the highest rates of unemployment in the world, reflecting multiple structural, historical, institutional and economic challenges. One set of problems relates to persistent mismatches between the changing composition of labour demand and the skills profile of the workforce. Despite a sluggish overall employment trajectory for many years, opportunities have expanded in sectors requiring qualifications and competencies that many employed and unemployed workers have not acquired, while jobs have contracted in sectors where existing workers possess knowledge and experience (Banerjee et al., 2008; OECD, 2025).

An extensive institutional system has been built to respond to these challenges and to promote employability, upskilling and reskilling in different industries and occupations. Technical and vocational education and training (TVET) colleges provide occupational and vocational education, while the Sector Education and Training Authorities (SETAs) are intended to identify sector-specific skills needs, mobilise employer contributions through a Skills Development Levy, and support training that is responsive to labour-market demand (Kraak, 2008). However, there is little doubt that the system performs poorly on many important measures. For example, between 2011/12 and 2023/24, approximately R164 billion in Skills Development Levy revenue was allocated to SETAs, while annual SETA certification rates remained below one per cent of the employed workforce. SETAs also held approximately R27 billion in cash reserves at year end, and the estimated cost per SETA certification reached R181,269 - more than twice the cost per TVET student (Botha & Havemann, 2025).

This paper identifies an overlooked structural weakness that hinders the responsiveness of skills supply to employer demand, namely deficient local institutions and networks in the skills system. The principal levy-funded system is organised around economic sectors with no recognition of the importance of urban labour markets. Metropolitan areas account for two-thirds of formal employment (SEAD-SA, 2023), yet city-level institutions have no formal standing in sector skills planning, no defined role in providing labour-market intelligence, and no involvement in guiding resources linked to skills training towards local priorities. Metropolitan economies are crucial to the demand for skills but peripheral to the planning, delivery and oversight of skills supply.

The critique developed here is relevant to South Africa's whole post-school education and training system, where coordination, collaboration and other governance mechanisms at the metro level are weak. However, the focus is on the SETA levy-grant and skills-planning architecture - the part of the system organised most explicitly around economic sectors, in which metropolitan labour markets do not feature in terms of decision-making arrangements. Universities and TVET colleges are not only accountable upwards to national authorities through vertical reporting and funding systems. They also have geographic catchments and interact, at least informally, with local authorities and employers.

The shortcomings of metro-level institutions matter because labour markets have a pronounced sub-national geography. Most workers search for jobs within feasible commuting areas, employers recruit disproportionately from nearby labour pools, and job-search and matching processes decline with distance (Manning & Petrongolo, 2017; Marinescu & Rathelot, 2018). Spatial frictions are particularly important in South Africa, where high transport costs and the fragmented spatial legacy of apartheid continue to constrain access to employment (Naudé, 2008; Kerr, 2017; Shah & Sturzenegger, 2022). Vacancy chains arising from job churning and growth also tend to be confined in geographical extent for similar reasons. Furthermore, skills shortages and mismatches are distributed unevenly across the country. They reflect marked differences in local industrial structure, workforce characteristics, responsive institutions and economic trajectories (Morris et al., 2020; Corradini et al., 2023).

The paper conceptualises this problem as a spatial governance mismatch. The economic geography of labour markets is spatially differentiated, while the institutional geography of the principal skills-



governance system is predominantly national and sectoral. This weakens the links between local employers and training providers, and means that city-specific skills shortages and cross-sector requirements can be obscured when employer demand is aggregated through national sectoral structures. Urban and regional economic research has long argued that policy should recognise and respond to differences in the characteristics of places and not assume that uniform interventions are appropriate and will have similar effects everywhere (Barca et al., 2012). Recent research makes a similar case for a stronger regional dimension in skills policy (Corradini et al., 2023).

Metropolitan areas are particularly relevant because they concentrate workers, employers and training institutions within dense interconnected labour markets and bring multiple industries into close proximity. Metro governments also perform many place-based functions - including land-use planning, public transport and infrastructure provision - and have a constitutional responsibility to promote social and economic development. South Africa's devolution literature has argued that capable metros require a stronger role in functions whose effectiveness depends on cooperation and coordination at the city scale (Turok, 2013; South African Local Government Association [SALGA], 2016). This does not mean that municipal boundaries correspond perfectly to functional labour markets, nor that municipalities should control the skills system. Rather, the point is that metros could potentially help to enrich the interactions between the supply and demand for skills through improving information, accountability and cross-sector networks. This could enhance the quality and relevance of skills programmes, and inject greater innovation and dynamism into the skills system.

The argument is not for wholesale devolution of skills planning and regulation. National qualification standards, accreditation and quality assurance are important to provide consistency and portability, while SETAs retain – or have the potential to develop – important sector-specific knowledge and expertise. The question is whether some other functions would be performed more effectively at a sub-national scale. Local labour-market evidence and intelligence, cross-sector collaboration between employers and training providers, and identification of specific local skills gaps would arguably benefit from stronger metro arrangements. Over time this could strengthen the skills ecosystem within cities through improved interpersonal and institutional networks and engagements. National and sectoral organisations would retain most of their existing responsibilities.

The timing is important. In response to persistent criticisms, in February 2026, President Ramaphosa announced plans to rationalise the SETA system, reform the Levy-Grant Incentive structure and transform the National Skills Fund into a more agile instrument (The Presidency, 2026b). Subsequent government and parliamentary statements reiterated wider concerns about SETA governance, effectiveness and responsiveness (The Presidency, 2026a; Parliament of South Africa, 2026). Meanwhile, a draft White Paper being prepared on local government advocates a differentiated approach to municipal powers and functions, recognising that stronger authorities should assume more responsibilities than weaker ones (Department of Cooperative Governance and Traditional Affairs [CoGTA], 2026; SALGA, 2026). These parallel policy reforms create a unique window of opportunity for considering whether workforce development should feature on the agenda of progressive metropolitan governance as a contribution to inclusive economic growth and social development.

This paper explores how South Africa's constitutional, legislative and institutional framework allocates authority over skills planning, labour-market intelligence and coordination, and shows how this allocation inadequately reflects the spatial organisation of labour markets. It draws on a structured review of the Constitution, the Skills Development Act, the Skills Development Levies Act, the Municipal Systems Act and the National Qualifications Framework Act; national and sub-national skills-planning documents; selected metropolitan IDPs; and illustrative local and international cases. The purpose is not to estimate the causal effect of metropolitan governance, but to identify the institutional gap, explain why spatial scale matters and develop a feasible direction for reform.

2. Most labour markets remain strongly spatial

2.1 Workers search locally

Most workers do not search for jobs across national space as if distance didn't matter. Most job search is concentrated relatively close to where people live, partly to avoid the costs and disruption of migration. Manning and Petrongolo (2017) show that job-search intensity declines sharply with distance. Distance therefore creates an important friction in labour-market matching: geographically distant jobs involve additional search, commuting and, potentially, relocation costs.

These spatial frictions are particularly important in South Africa. Kerr (2017) estimates that public-transport commuters lose between 26 and 39 per cent of their effective hourly wage once commuting expenditure and travel time are taken into account. Shah and Sturzenegger (2022) similarly estimate that direct transport costs absorb around 17 per cent of net wages for poorer workers, rising substantially once the opportunity cost of commuting time is included. For workers earning relatively low wages, distant employment may therefore be unattractive or effectively inaccessible even when suitable vacancies exist.

Nor can the skills system assume that workers will simply relocate to places where employment opportunities are stronger. Statistics South Africa recorded approximately 1.53 million interprovincial moves over the preceding five years in its 2022/23 migration statistics, equivalent to only a few per cent of the national population and this includes double counting (Statistics SA, 2026). Declining mobility responses to regional labour-market shocks have also been documented in higher-mobility economies such as the United States (Dao et al., 2017).

In South Africa, mobility constraints are reinforced by the country's distinctive urban geography. Large numbers of lower-income households continue to live in peripheral townships and informal settlements far from major concentrations of formal employment, while post-apartheid housing development has often reinforced rather than eliminated this separation (Naudé, 2008; Crankshaw, 2022; Baez & Kshirsagar, 2026). Residents of the most populous neighbourhoods, such as Khayelitsha, Soweto, Thembisa and Mamelodi, therefore face substantial spatial frictions in accessing employment centres in their metropolitan areas.

For the vast majority of workers, particularly those in lower- and middle-wage occupations, the effective labour market is consequently much narrower than the national labour market. It may extend across a metropolitan area, or even only part of one. The existence of appropriately skilled workers elsewhere in the country does not resolve a shortage faced by employers in a particular local labour market.

2.2 Firms prefer to hire locally

The spatial constraints facing workers are mirrored on the employer side. Most firms do not recruit from an undifferentiated national labour pool. Recruitment is shaped by information costs, screening costs and the availability of trusted local networks. Employers are more likely to be familiar with nearby training institutions, the quality of their graduates and the reliability of local providers. Recruiting from outside the local labour market involves greater uncertainty and higher search and verification costs, particularly for semi-skilled occupations where firms have limited incentive to conduct expensive national searches.

South African evidence aligns with this. Schöer et al. (2014) show that firms and jobseekers rely heavily on referral-based recruitment channels. Personal contacts, professional networks and recommendations help employers identify and assess potential workers in a labour market characterised by limited information. Because these networks are formed through repeated interactions among workers, firms and institutions,



they tend to be spatially concentrated. Shorter and simpler commuting patterns also improve worker punctuality and reduce absenteeism.

This evidence is consistent with the broader labour-market matching literature. Search and matching become more difficult as information costs and geographic distance increase, while proximity improves the flow of information between employers and workers (Petrongolo & Pissarides, 2001). Local hiring is therefore not simply a matter of employer preference. It reflects the lower costs and lower uncertainty associated with recruiting from labour pools, institutions and networks that firms already know.

The implication for skills planning is direct. A shortage identified by firms in one metropolitan labour market is not easily resolved by the existence of suitable workers elsewhere in the country. If employers recruit mainly through geographically bounded labour pools and local networks, then skills demand must be understood to have a place-based dimension.

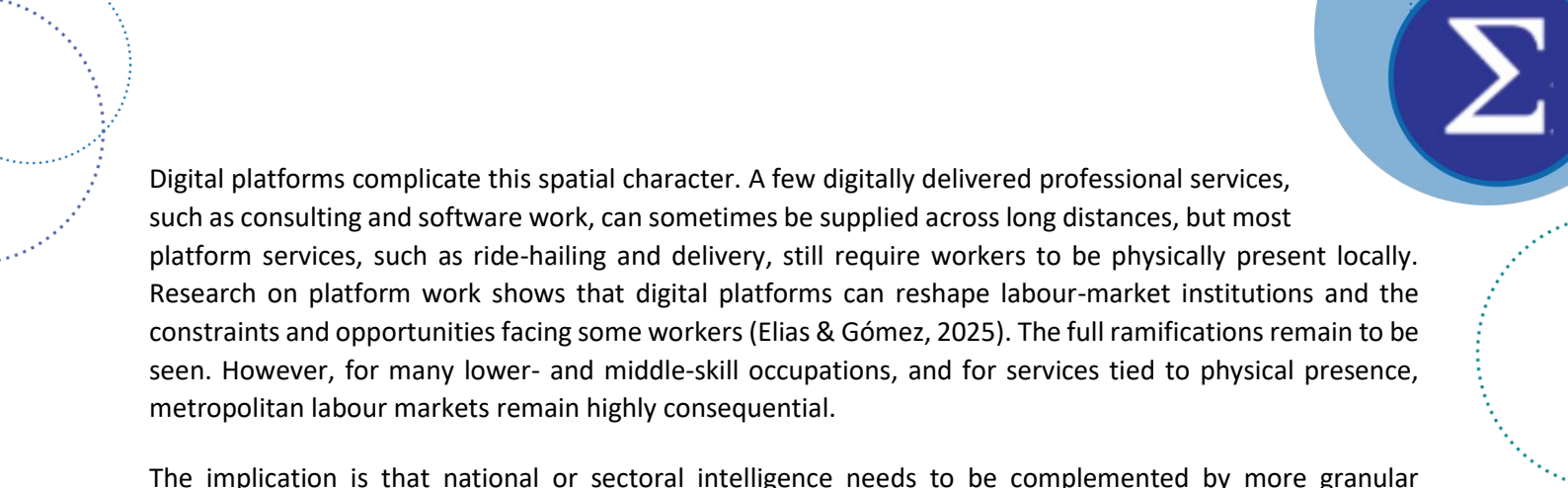
2.3 Structural unemployment is geographically specific

Because most workers and firms operate within spatially bounded labour markets, skills mismatches are also geographically specific. Regional skill shortages can impose measurable productivity costs on firms, and these effects vary across different local economic structures (Morris et al., 2020). Transport costs, relocation costs and limited wage gains can restrict the ability or willingness of workers to move in response to geographically uneven demand. Skills shortages may therefore persist in local labour markets even when qualified workers exist elsewhere.

The importance of geography is also evident within metropolitan areas. The Cities Economic Outlook 2026 shows large differences in access to formal employment across Gauteng. Most wards in Soweto can readily access approximately 3,000 formal jobs, compared with over 100,000 in central Johannesburg. Mamelodi, Daveyton and Tsakane townships also display low levels of job accessibility, while some wards in Soshanguve record fewer than 1,000 accessible jobs (Ndlovu, 2026). Naudé (2008) confirmed that distance from employment centres is associated with higher unemployment among Black workers in South African cities. More recent evidence confirms the persistence of severe spatial fragmentation and the continuing influence of the apartheid urban form on access to opportunity (Baez & Kshirsagar, 2026).

Spatial variations are also pronounced between metropolitan economies. Cape Town's employment grew substantially faster than most other metros between 2014 and 2024, while Nelson Mandela Bay recorded the weakest employment performance over the same period (Turok & Visagie, 2026). These divergent trajectories reflect different industrial structures, patterns of investment and sources of labour demand. They generate distinctive occupational and training requirements that are poorly documented and understood by relevant decisionmakers.

This presents a challenge for the skills-planning system built predominantly around national and sectoral intelligence. The OECD (2017) noted substantial sub-national variation in skills demand across South Africa, while the Cities Economic Outlook 2023 cautions against applying generic labour-market reforms across cities and regions with very different industrial compositions and economic structures (SEAD-SA, 2023). Some are dominated by particular manufacturing sectors, others by financial and professional services, and others by diverse business, tourism and consumer services. National sectoral distributions and averages can identify broad occupational pressures, but they cannot reveal where particular shortages are most acute, how local industrial structures shape demand, or whether workers with the relevant skills are accessible to employers within a particular labour market.



Digital platforms complicate this spatial character. A few digitally delivered professional services, such as consulting and software work, can sometimes be supplied across long distances, but most platform services, such as ride-hailing and delivery, still require workers to be physically present locally. Research on platform work shows that digital platforms can reshape labour-market institutions and the constraints and opportunities facing some workers (Elias & Gómez, 2025). The full ramifications remain to be seen. However, for many lower- and middle-skill occupations, and for services tied to physical presence, metropolitan labour markets remain highly consequential.

The implication is that national or sectoral intelligence needs to be complemented by more granular information capable of identifying and communicating geographically specific demand. Section 3 examines how the current skills-governance system processes employer demand and where metropolitan variation is lost.

3. What the SETA system overlooks

3.1 The sectoral rationale

South Africa's skills system was built on a clear and understandable logic. The Skills Development Act of 1998 established SETAs to organise skills training around broad areas of economic activity with similar requirements. Employers contribute funding through the Skills Development Levy, while SETAs use these resources and sector planning processes to support training intended to respond to occupational and skills needs within their sectors. This system addresses a familiar market failure: firms tend to underinvest in transferable skills because workers can leave after receiving training and other firms can benefit without bearing the original cost. A levy-grant system spreads the cost of training across employers and creates a collective mechanism for investment in skills (Kraak, 2008).

The post-apartheid system also responded to distinctive historical problems. Apartheid had excluded large numbers of Black workers from formal training opportunities. It also created fragmented qualification frameworks and institutions along racial lines, and left the economy with substantial skills deficits. Creating a unified national framework with common qualifications and sector-wide institutions was an understandable response to these problems. However, the new architecture privileged national and sectoral coordination while giving much less attention to the sub-national character of most labour markets.

SETAs are defined primarily by economic activity. They distinguish firms according to what they produce and the industries in which they operate, with little allowance made for the local labour markets in which they recruit. For some purposes this is probably appropriate: specialised technology firms may share certain occupational requirements and benefit from common sector standards for vocational qualifications. But a purely sectoral perspective cannot easily distinguish between the different combinations of expertise needed, skills availability and training provision across very distinctive metro economies. Sectoral similarities do not eliminate spatial differentiation and complexity.

3.2 Spatial blindness at every stage

The current skills-planning process relies on information flowing vertically from employers into sectoral and national planning. Employers submit Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs), SETAs use these and other sources to prepare Sector Skills Plans, and the Department of Higher Education and Training (DHET) draws on sectoral and economy-wide evidence to produce national labour-market intelligence, including the List of Occupations in High Demand. There is little sense in this arrangement of how skills currently fit into local or metropolitan labour-market ecosystems, or how they could do so more effectively in the future.

Earlier work under South Africa's Labour Market Intelligence Partnership recognised the need for a more integrated understanding of skills supply and demand. Reddy et al. (2016) explicitly sought to move away from simple manpower forecasting and emphasised the complex interaction between labour demand, education and training provision, and wider economic change. That work strengthened the national evidence base, but it did not establish a metropolitan-level mechanism or channel through which city-level demand is, or could be, assembled and transmitted into the levy-funded skills planning system.

The problem is compounded by weaknesses in the information entering the system. Allais (2026) is one of several observers who argue that institutional processes around skills planning have become heavily compliance oriented. Matha and Jahed (2024) raise another serious concern about whether SETA methodologies reliably distinguish genuine occupational shortages from recruitment difficulties generated by wages, working conditions or employer behaviour. Workplace Skills Plans therefore provide an imperfect measure of actual labour demand and subtle factors that condition skills requirements. Even where useful employer information is collected, it is subsequently aggregated through sectoral structures, which results in a loss of valuable nuance and granular information.

The national List of Occupations in High Demand illustrates the spatial limitation. The 2024 list identifies 350 occupations judged to be in high demand nationally and explicitly notes that it reflects a national picture and does not take account of provincial or local variation in occupational demand (DHET, 2024). National occupational intelligence is valuable for identifying economy-wide pressures, but it does not reveal where shortages are most severe, which local industrial clusters are driving these shortfalls, or whether suitable workers are accessible within the relevant catchment area.

The centralised nature of the SETAs has caused other concerns about their performance. Between 2011/12 and 2023/24, real SETA revenue increased substantially while certifications declined, and certifications per SETA staff member fell sharply (Botha & Havemann, 2025). These outcomes sit alongside broader concerns about weak relationships and accountability between SETAs, employers and training providers. Governance failures, qualification design, employer behaviour, institutional capacity and procurement problems all appear to be involved. The simple claim advanced here is that the system that struggles to translate employer demand into effective training might be strengthened if relationships were improved between stakeholders at the local level, where everyday interactions need to be strongest.

A second limitation follows from the sectoral structure itself. Many capabilities required by urban economies cut across industry boundaries. Digital capabilities, logistics, management, communication and emerging green-economy competencies can be demanded simultaneously by firms belonging to several different SETAs. Donaldson (2026) highlights the difficulty of aligning vocational and skills provision with employer needs in a fragmented system. Metropolitan labour markets can therefore face a collective skills problem that does not belong neatly to a single sector institution. The critical question is who coordinates and responds to demands that cut across sector boundaries within the same place.

Recent work on skills for the Just Energy Transition reinforces this concern. Ramsarup et al. (2024) describe emerging green skills as part of complex inter-sectoral systems and show why fragmented, linear supply-demand approaches can miss the relationships among occupations, institutions and transition pathways. The point also echoes a broader insight emerging from industrial policy internationally: sector-specific interventions often need to be complemented by institutions that address economy-wide capabilities and coordination problems that cut across industries (Stiglitz et al., 2013). A local arrangement adds value where multiple sectors draw on the same local labour pool, training providers and other infrastructure.

The missing metropolitan scale is consistent with a broader feature of economic governance in South Africa. Robbins (2025) argues that post-apartheid national economic policy has frequently neglected cities as



economic actors despite their concentration of firms, jobs and productive activity. This hampers improvements in productivity, innovation, economic performance and structural transformation. Skills governance reflects a similar institutional oversight: national policies recognise sectors, occupations and provinces more readily than metropolitan economies, even though labour-market interactions occur predominantly at city or city-region scales.

Equivalent tensions have emerged elsewhere. Recent work by Centre for Cities on England's skills and employment-support system describes persistent confusion over which functions belong nationally and which should be exercised locally. Johnson (2026) argues that fragmented responsibilities can make it much harder to align training provision with local economic needs and priorities. Current policy reforms in England are seeking to find an arrangement for national and local functions to coexist in a way that enables the skills system to respond effectively and sensitively to geographically differentiated demand.

The central problem is not sectoral planning per se. Sector institutions can provide useful, specialised industry knowledge and national coordination. However, South Africa's skills architecture contains a strong sectoral axis without a complementary metropolitan one. Sector-specific information moves vertically through the system, with no equivalent mechanisms for the demands of particular metro labour markets to be assembled 'horizontally' across sectors and fed back into skills planning and delivery. Accountability upwards also hinders local relationships between stakeholders and inhibits the development of local skills ecosystems.

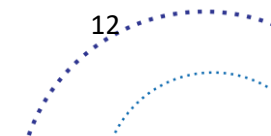
3.3 What already exists and why it is not enough

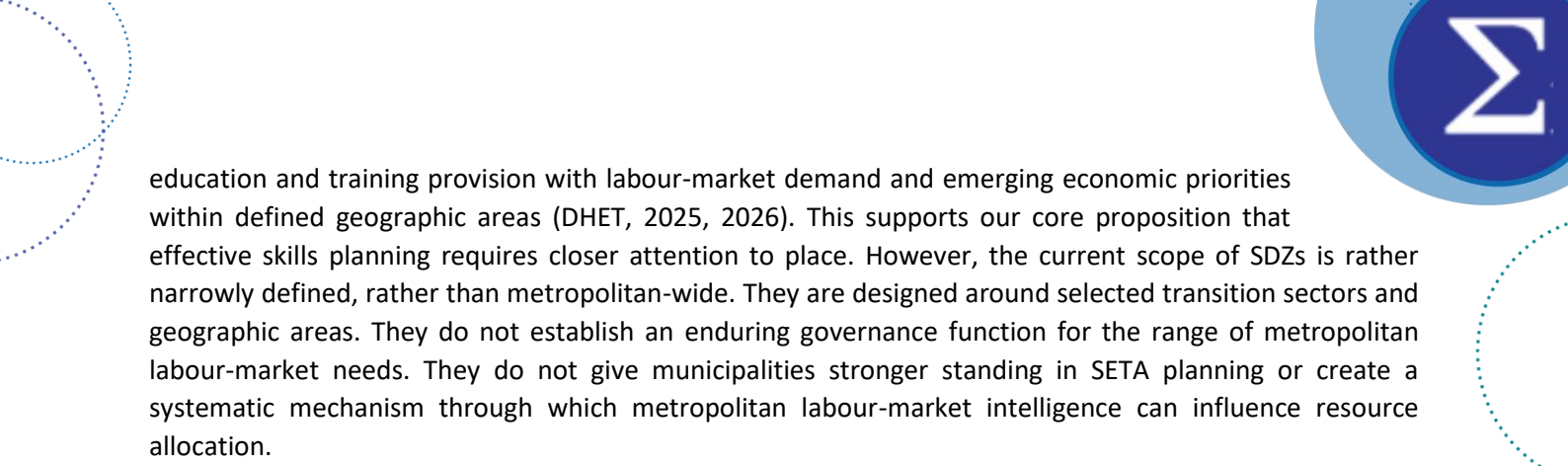
The skills system is not completely blind to geography. Several initiatives recognise that skills needs vary across places and that stronger coordination is required below the national level. Three mechanisms are particularly relevant and worth mentioning: the District Development Model, Provincial Skills Development Forums and emerging Skills Development Zones. Together they appear to indicate growing recognition of the spatial dimension of skills planning. None, however, establishes a proper metropolitan skills-governance function.

The District Development Model (DDM), introduced in 2019, seeks to improve coordination across the 44 districts and eight metropolitan municipalities by bringing national, provincial and local government together around a single One Plan for each area (CoGTA, 2019, 2022). The model explicitly treats districts and metros as distinct places within which plans, budgets and programmes should be better aligned. This is a potential move towards place-sensitive planning, although the emphasis is on intergovernmental coordination (excluding employers, for example), and the scope is arguably too broad and geared to central oversight. It does not give municipalities any additional standing in the Sector Skills Plan process, or control over levy-funded skills priorities and allocations.

Provincial Skills Development Forums (PSDFs) provide another sub-national mechanism. The Skills Development Act includes a skills-development forum for each province and requires SETAs to liaise with these forums (Skills Development Act 97 of 1998, ss. 2, 10, 22-23). Their existence suggests that the system recognises a need for some degree of coordination below national level. Yet most provinces cover vast territories containing many towns and extensive rural areas with very different labour-market conditions and institutions that bear little relationship to each other. PSDFs also remain mechanisms for central coordination and consultation. They are not significant institutions with scope to strengthen skills ecosystems, influence Sector Skills Plans and steer levy allocations in the most productive directions.

Skills Development Zones (SDZs) represent a more explicit move towards place-based skills planning. DHET's 2025/26 and 2026/27 planning documents develop SDZs around Just Energy Transition priorities. The 2026/27 Annual Performance Plan defines SDZs as place-based coordination mechanisms intended to align





education and training provision with labour-market demand and emerging economic priorities within defined geographic areas (DHET, 2025, 2026). This supports our core proposition that effective skills planning requires closer attention to place. However, the current scope of SDZs is rather narrowly defined, rather than metropolitan-wide. They are designed around selected transition sectors and geographic areas. They do not establish an enduring governance function for the range of metropolitan labour-market needs. They do not give municipalities stronger standing in SETA planning or create a systematic mechanism through which metropolitan labour-market intelligence can influence resource allocation.

These initiatives are notable because they begin to go beyond the choice between a purely national system and a spatially differentiated one. Elements of sub-national variation are beginning to emerge. One unresolved question is which spatial scale should perform which functions, and with what authority. The DDM promotes district- and metropolitan-scale intergovernmental coordination; PSDFs provide a provincial layer; and SDZs create place-based mechanisms around selected transitions. None performs the combination of metropolitan labour-market intelligence, cross-sector coordination, formal planning input and ecosystem development that is proposed here.

4. The current legislative and labour-market intelligence architecture

4.1 The Constitution



The Constitution does not assign municipalities an explicit role in skills development. Their main functions relate to the built environment and service delivery, not human capital. Schedule 4 Part A lists education, excluding tertiary education, as a concurrent national and provincial competence, while local-government functions in Schedules 4 Part B and 5 Part B include matters such as municipal planning, local tourism, municipal public transport and trading regulations (Constitution of the Republic of South Africa, 1996). The Constitution nevertheless gives municipalities a broad developmental mandate: section 152(1)(c) identifies the promotion of social and economic development as an object of local government, while section 153 requires municipalities to structure planning and administration to promote social and economic development.

This distinction is important. Metropolitan municipalities have a constitutional responsibility to promote the development of their territories and communities, but no corresponding authority over the skills-development system. Their economic-development role intersects with skills needs without giving them any influence over the institutions through which those needs are addressed.

The Constitution provides legal routes through which additional functions may be assigned later. Section 156(1)(b) allows national or provincial legislation to assign additional matters to municipalities. Section 156(4) further provides for assignment of certain Schedule 4A or 5A matters where they necessarily relate to local government, would be most effectively administered locally and the municipality has sufficient capacity. The Municipal Systems Act sets out procedures for assignments, including consideration of fiscal and capacity implications. A carefully defined metropolitan workforce-development and coordination role could therefore be created through legislation without constitutional amendment.

4.2 The Skills Development Act 1998

The Skills Development Act establishes a governance architecture centred on national institutions and sector bodies. SETAs develop Sector Skills Plans within the national skills framework, implement workplace and learning programmes, engage employers and administer grants (Skills Development Act 97 of 1998, ss. 9-10).

Metropolitan municipalities have no particular role in this architecture as territorial governments with an interest in the efficiency and responsiveness of local skills ecosystems.

Municipalities may participate in the system as employers - through Workplace Skills Plans and levy arrangements - but this is quite different from having any oversight or governance authority. The Act does not create metropolitan representation as a separate category in SETA governance or confer formal metropolitan standing in Sector Skills Plan preparation. SETA governance is structured principally around organised employers, organised labour, relevant government departments and sector interests negotiating at national level, rather than the smooth operation of metropolitan labour markets (Skills Development Act 97 of 1998, s. 11).

The position regarding access to the National Skills Fund also requires a distinction between eligibility and entitlement. Municipalities may apply for NSF funding under existing calls for their own workforce-development purposes, but this does not entitle them to have any influence over the use of NSF resources for wider labour-market improvement purposes (National Skills Fund, n.d.). Access to funding for their own projects is different from being able to steer a predictable flow of resources and have some authority to shape the metropolitan skills-planning ecosystem.

The scale and significance of NSF funding available should not be underestimated. The skills levy is tied to employer payrolls, while metropolitan areas accommodate two-thirds of formal employment and an even larger share of higher-wage activity. This suggests that metropolitan economies contribute a substantial share of levy revenue even though their governments have no influence or oversight in the system. This highlights an asymmetry between the places where skills demand and levy generation are concentrated and the national locus of decision-making for the provision of skills.

4.3 The Municipal Systems Act 2000

The Municipal Systems Act gives municipalities extensive planning responsibilities through Integrated Development Plans. IDPs provide a strategic framework for municipal development and coordination of social, economic and spatial priorities. This gives metropolitan governments scope to identify local skills constraints as an important obstacle to growth, and to incorporate workforce-development aspirations into their broader economic growth strategies.

The Act does not give municipalities any operational authority over the national skills system. An IDP can identify a skills shortage, prioritise training plans or propose partnerships to provide workforce training, but it cannot persuade a SETA to alter its Sector Skills Plan, redirect levy resources or fund a particular intervention. Nor does the Act create a formal route through which metropolitan labour-market intelligence can enter national skills planning. The result is a distinction between metropolitan planning authority and skills governance. Municipalities can diagnose and prioritise local skills issues without possessing the levers that may be required to steer the institutions responsible for addressing them.

Section 68 of the Municipal Systems Act concerns capacity-building for municipal staff and should not be confused with a broader metropolitan labour-market role. It reinforces an important distinction between skills development for the municipal administration and skills governance for the metropolitan economy.

4.4 The intelligence gap

The omission of the metros is also apparent in the country's principal national labour-market intelligence instrument. The 2024 National List of Occupations in High Demand identifies 350 occupations judged to be

in high demand nationally. The list explicitly notes that it reflects a national picture and does not take account of provincial or local variations in occupational demand (DHET, 2024).

Recent provincial OIHD work for the Western Cape and Mpumalanga represents an important step towards spatial differentiation. This effort indicates that South Africa's skills-intelligence system is not completely spatially blind. However, the system has begun to recognise the value of sub-national differentiation at the provincial scale, while the metropolitan scale remains largely absent.

Provincial aggregation can conceal substantial differences within provinces. The Western Cape occupational-demand profile combines Cape Town's dominant metropolitan economy with smaller towns and rural areas, whose sector structures and labour-market conditions differ considerably. Provincial intelligence is more spatially sensitive than a national list, but it may remain too coarse to identify many specialised skills needs associated with a metropolitan labour market facing competitive international pressures.

The gap in understanding does not relate to the absence of national or provincial intelligence. It is the absence of an equivalent mechanism that systematically produces, validates and feeds metropolitan occupational-demand evidence into sector planning and resource allocation.

5. Aspirations without authority: evidence from metropolitan IDPs

South Africa has eight Category A metropolitan municipalities. Four are examined here in greater detail to capture variation in geographic location, economic structure and institutional context: Johannesburg, Cape Town, Nelson Mandela Bay and Buffalo City. The purpose is to examine whether metros operating in different settings display a common pattern in the way they address skills development.

This analysis builds on earlier work examining talent attraction and retention across all eight metros (Mutize et al., 2025), but uses selected IDPs here for a different purpose: to examine the gap between locally articulated skills priorities and formal governance authority. The focus on IDPs is methodological. IDPs are the principal statutory planning instruments through which municipalities articulate development priorities, assign responsibilities and establish performance commitments. They therefore provide the most systematic and comparable documentary source for examining how metropolitan governments formally position skills within their development mandates.

Economic-development strategies, sector plans and programme documents can provide richer detail on particular initiatives, but they vary considerably across metros in scope, timing, terminology and public availability. The purpose here is not to provide a comprehensive inventory of all metropolitan skills activity, but to test whether formally articulated local skills ambitions are matched by any authority within the national skills system. This choice may understate informal collaboration, experimental programmes and locally generated intelligence that sit outside the IDP process. A fuller account of those practices would require a broader documentary review and interviews with municipal officials, employers, SETAs and training institutions.

The pattern across the four metros is similar. Each identifies skills development, labour-market mismatch or training as a local development concern, but the instruments available to respond are largely indirect. Municipalities can identify problems, convene partners and include skills-related objectives in their plans, while the main levers governing sector skills planning, levy allocation and national training priorities remain outside their control.

Johannesburg's 2022-2027 IDP commits the city to a targeted approach that promotes skills development and includes youth-focused programmes involving learnerships and internships (City of Johannesburg, 2022).

Yet implementation relies substantially on partnerships and national programmes. The IDP therefore illustrates the distinction identified in Section 4: the municipality can articulate a local skills priority without possessing corresponding authority over sector skills planning and funding.

Cape Town's 2022-2027 IDP identifies a structural mismatch between labour demand and supply as an important contributor to structural unemployment in the city (City of Cape Town, 2022). Its response includes support for national government skills programmes. The case illustrates the broader spatial-governance problem: a labour-market mismatch can be diagnosed at city scale while the principal institutional response remains outside the city's sphere of control.

Buffalo City's 2021-2026 IDP records several skills and training interventions undertaken in partnership with SETAs and other institutions (Buffalo City Metropolitan Municipality, 2022). Such partnerships demonstrate that metropolitan governments are not completely absent from skills-development activity. However, participation through individual projects is different from statutory influence over Sector Skills Plans or levy allocation, especially where they are focused on the municipality's internal requirements.

Nelson Mandela Bay provides a particularly clear illustration of dependence on external funding. Its 2024/25 IDP includes a skills-development performance indicator whose target was recorded as 'to be determined' (Nelson Mandela Bay Municipality, 2024). The municipality linked the uncertainty to doubts about the availability of external funding. The example shows how a metro may recognise a local skills priority but remain dependent on decisions taken by institutions outside its control before that priority can be translated into a funded municipal commitment.

Taken together, the cases show that metros have an interest in skills development. They identify constraints holding back economic and social development. They also participate in relevant partnerships and incorporate training objectives into development plans. However, they are hampered by the fact that their responsibility for diagnosing and responding to local development problems is not matched by any equivalent authority within the skills-governance system.

Table 1 brings together the legislative and planning evidence presented in Sections 4 and 5 above. The pattern is consistent across the different governance functions: national and sectoral institutions hold the formal authority over skills planning, funding, standards and intelligence, while metro municipalities appear mainly through broader planning responsibilities and local aspirations. The role of metros is indirect and weakly institutionalised, rather than absent from skills-related activity altogether. They may identify skills constraints through IDPs, engage employers and training providers, and participate in particular partnerships, but they do not have a position of authority within the core skills-governance architecture. This gap between local responsibility for development outcomes and limited influence over the skills system is the central institutional shortcoming identified in the paper.

Table 1: Distribution of selected skills-governance functions across the statutory architecture

Governance function	Constitution	Skills Development Act	Skills Development Levies Act	Municipal Systems Act	NQF Act	Metropolitan role
Skills planning	No explicit metro skills function; developmental mandate under ss. 152-153	SETAs develop Sector Skills Plans	Levy-financing instrument	IDPs can identify local development priorities	No labour-market planning mandate	Planning/advocacy only; no statutory role in SSPs
Levy collection and allocation	-	SETA/NSF grant architecture	Establishes levy and collection mechanism	Municipality participates as employer; s.68 concerns internal staff training	-	Levy payer as employer; no territorial allocation authority

Governance function	Constitution	Skills Development Act	Skills Development Levies Act	Municipal Systems Act	NQF Act	Metropolitan role
Qualification standards / quality assurance	Education powers mainly national/provincial	QCTO functions within skills system	-	-	SAQA and Quality Councils govern NQF architecture	No formal territorial role
National skills intelligence	-	Department researches national, sector and state needs; SETA intelligence	-	-	Not a labour-market intelligence mandate	No distinct metro role
Metropolitan labour-market intelligence	No explicit function	No statutory metro LMI stage	-	IDPs may diagnose local constraints	-	No formal statutory function
Cross-sector local coordination	Developmental objects of local government	SETA coordination is sector-based	-	IDP/LED processes can convene stakeholders	-	Possible informally; no dedicated skills mandate
Employer engagement	-	WSP/ATR and sector structures	Levy applies to employers	Municipalities may engage firms through development planning	-	Metro participates as employer or convener, not territorial skills authority
Skills funding for metro priorities	-	NSF/SETA grant mechanisms	Levy revenues finance SETAs/NSF	No dedicated external labour-market funding entitlement	-	Can seek project funding; no dedicated metropolitan entitlement

Source: Authors' own synthesis of the Constitution, Skills Development Act 97 of 1998, Skills Development Levies Act 9 of 1999, Municipal Systems Act 32 of 2000 and National Qualifications Framework Act 67 of 2008. The table distinguishes participation in the system from governance authority.

6. A direction for reform

The analysis identifies a gap in the institutional framework without advocating wholesale decentralisation. National institutions are important for qualification standards, accreditation and sector-specific expertise. However, research on skills ecosystems emphasises that effective skills formation depends on strong relationships between employers, providers, government and other actors within particular places (Ramsarup et al., 2023). What is currently missing is a mechanism to bolster such interactions while at the same time generating vital local labour-market intelligence, coordinating skills needs across sector boundaries and transmitting those signals into the institutions that plan and fund skills development.

As a first step, we propose a stronger advisory and coordinating role for metros within the skills-planning process. Rather than creating a new formal structure at the outset, metros could begin by assembling local labour-market intelligence, identifying cross-cutting skills needs among employers, convening local stakeholders and feeding these priorities into existing SETA and training-provider processes. This would allow metros to demonstrate where they can add value before any broader responsibilities or funding arrangements are considered. Over time, if these arrangements improve coordination, strengthen local relationships and make skills planning more responsive to local economic conditions, the role of metros could be expanded.

6.1 Strengthening the metropolitan role in skills development

A stronger metropolitan role could begin by making better use of existing institutions and relationships rather than creating new bodies or funding structures. Three areas appear particularly promising: improving metropolitan labour-market intelligence, strengthening local employer-provider coordination, and ensuring that place-specific priorities are taken more seriously in existing planning and funding processes.

A metropolitan labour-market intelligence function could produce a regular assessment of local skills needs and labour-market conditions. Its purpose would be to identify where occupational demand, skills shortages and training needs differ from national or sectoral patterns, and to bring together information across sectors within the same local economy. Existing WSP and ATR data, Statistics South Africa data, DHET labour-market intelligence and spatial employment datasets could provide a foundation, although data-sharing, confidentiality, geographic coding and quality issues would need to be resolved (Allais, 2026; Matha & Jahed, 2024). These quantitative sources could be complemented by qualitative insights generated through regular engagement with employers, training providers and other local stakeholders.

This intelligence could then be synthesised into a metropolitan skills assessment highlighting major local occupations, cross-sector requirements and priorities that may not be visible in national or provincial aggregates. Rather than creating a new statutory submission process at the outset, SETAs could be encouraged and expected to incorporate relevant metropolitan knowledge and insights into their Sector Skills Plans and programmes. Existing SETA provincial structures could help provide the interface between metropolitan actors and sector planning, limiting the need for additional administrative machinery.

The emphasis would therefore be on strengthening existing relationships and decision-making processes before considering more formal institutional changes. If metropolitan intelligence and coordination demonstrably improve the relevance of skills planning and local collaboration, stronger responsibilities could be considered over time.

A second area is stronger metropolitan employer-provider coordination, bringing together employers, TVET colleges, universities, SETAs, organised labour and other relevant intermediaries across sector boundaries to build relationships and social capital. This form of coordination would differ from SETA engagement because it would bring actors together around their shared interests in the local labour market rather than around a single industry. The municipality would normally provide convening capacity, but it could just as well delegate that task to other stakeholders who may be better equipped with that aptitude, such as an employer organisation, university or development agency.

South African evidence supports this emphasis on local coalitions of different role players, rather than municipal control. Ramsarup et al. (2025), using skills-ecosystem mapping in four township settings, show that skills needs are shaped by interactions among firms, training institutions and local economic conditions. They argue that compartmentalised and formulaic approaches to skills and training that are not sufficiently sensitive to these local contexts are poorly suited to promoting local economic transitions. Such arrangements could strengthen this relational function at the metropolitan scale, while allowing the mix of conveners and participants to differ across cities in accordance with local dynamics.

A third area concerns how evidenced metropolitan priorities could gain more reliable access to existing skills funding where needs are strongly place-specific, cross-sectoral or poorly served by current arrangements. Initially, this could involve making better use of existing NSF and SETA funding channels to support well-evidenced local priorities. More predictable funding arrangements could be considered later if metropolitan coordination demonstrates clear value. The immediate objective would be to ensure that credible

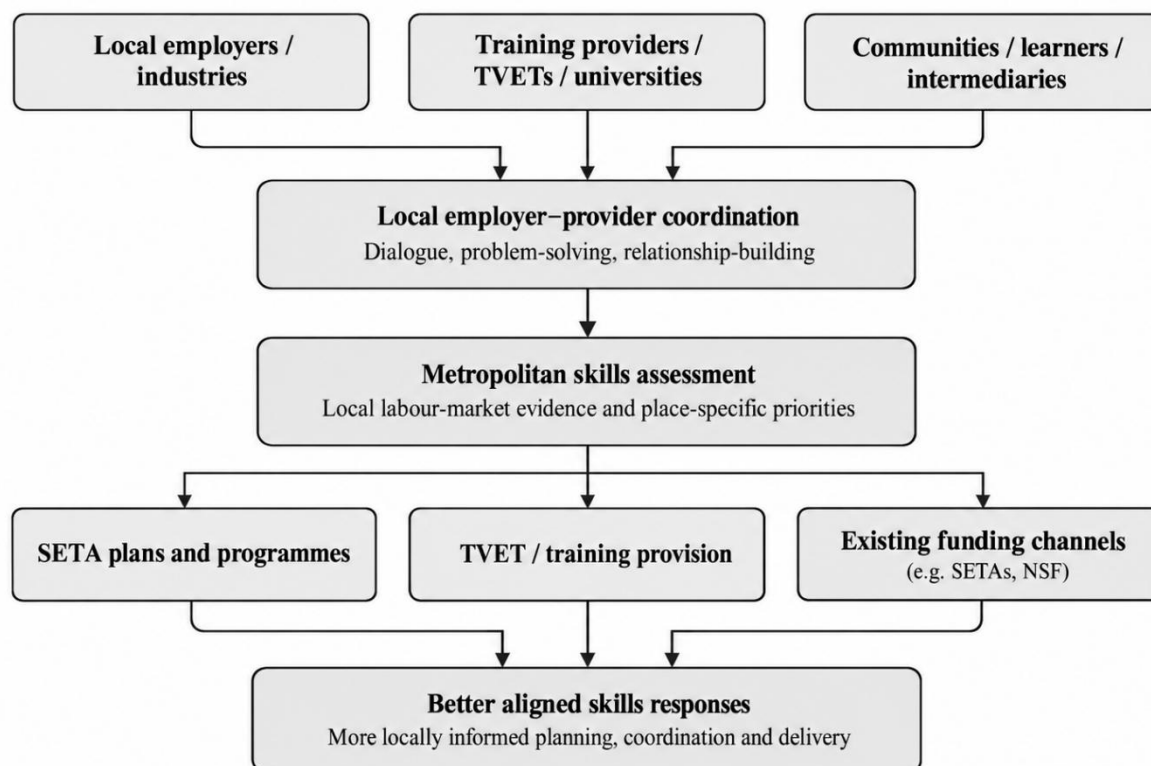
metropolitan priorities are more visible within existing funding processes and are not dependent entirely on ad hoc relationships or applications.

Resources would not create new qualifications or displace existing SETA functions. They could finance or co-finance accredited provision through eligible institutions, including public TVET colleges where consistent with DHET funding and governance rules, and other accredited providers. Funding decisions should follow the intelligence rather than precede it: local evidence, cross-sector validation and well-evidenced metropolitan priorities should guide targeted funding and provision.

A more responsive and locally informed skills system could improve the match between workers, training provision and employer needs, strengthen productivity and make training investments more effective. Better coordination at the metropolitan level could also help firms identify relevant skills more quickly, enable providers to respond more effectively to changing demand, and improve workers' prospects of accessing suitable opportunities. These gains would complement, rather than substitute for, the wider drivers of employment such as investment, economic growth, infrastructure and industrial policy.

Figure 1 illustrates how a stronger metropolitan contribution could improve the flow of skills information and coordination without replacing the existing national and sectoral system. Under the current arrangement, employer information moves primarily through SETAs into national planning processes, with limited scope for horizontal interaction and metropolitan variation to shape decisions. The proposed approach strengthens local employer-provider coordination and brings local labour-market evidence together in a metropolitan skills assessment that can inform SETA plans, training provision and existing funding channels. The figure therefore illustrates the paper's central principle: national standards and sector expertise are complemented by locally grounded information and coordination.

Figure 1: How a stronger metropolitan contribution could improve skills coordination



Note: A stronger metropolitan contribution complements national standards and sector expertise with locally grounded information and coordination.

6.2 What changes and what stays the same

The proposed reform adds additional information and knowledge into the system to improve its relevance and accountability. National qualification standards, NQF registration and quality assurance remain largely unchanged. SETAs retain their sector mandates and responsibility for Sector Skills Plans. Workplace Skills Plans and Annual Training Reports continue to provide employer-level information. DHET retains national policy and oversight responsibilities. What changes is stronger metropolitan input into the relationships between these institutions.

Table 2 translates the reform proposal into a practical governance framework by identifying what would change. It shows how the metropolitan role would complement the existing national and sectoral architecture. Core functions such as qualification standards, national policy oversight, SETA sector responsibilities and the WSP/ATR system would continue, while metropolitan institutions would gain a clearer role in local labour-market intelligence, cross-sector coordination, employer input and selected funding functions. The phased approach also recognises that these responsibilities could not be introduced uniformly across all metros and would need to expand in line with institutional readiness and demonstrated capacity.

Table 2: How a stronger metropolitan role could complement existing skills institutions

Governance function	Current state	Possible metropolitan contribution	What remains unchanged
Skills planning	National and sectoral planning dominates; metros have no formal SSP standing	Metropolitan priorities could inform relevant SSPs and be considered alongside sector and national evidence	National skills policy, NQF architecture and SETA sector planning
Labour-market intelligence	National OIHD has 350 occupations; provincial pilots exist; no systematic metro LMI stage	Regular metropolitan skills assessment identifying occupational, sectoral and cross-sector needs	National OIHD and provincial intelligence continue
Cross-sector coordination	SETA coordination is primarily sectoral; local coordination is ad hoc	Local employer-provider coordination brings together employers, TVETs, universities, SETAs and labour across sectors	SETA sector mandates and stakeholder structures
Employer demand signal	WSP/ATR evidence feeds mainly into sector planning	Metropolitan intelligence could supplement WSP/ATR evidence and inform SSP preparation	WSP and ATR reporting continues
Skills funding	NSF/SETA funding available through existing mechanisms; no dedicated metro entitlement	Existing NSF and SETA funding channels could give greater recognition to well-evidenced metropolitan priorities	Existing NSF and SETA grant mechanisms continue
Training provision	DHET governs public PSET; QCTO quality-assures occupational provision	Metropolitan intelligence informs locally responsive accredited provision and partnerships	DHET governance, national qualifications, SAQA/QCTO quality assurance
Monitoring and accountability	No metro-specific skills-governance framework	Metropolitan partners could report on local demand, supported interventions and outcomes through agreed systems	DHET/SETA/NSF and municipal oversight continue

Source: Authors' own proposal

6.3 Risks and mitigating factors

There are several potential complications arising from this proposal. Four deserve attention: compliance without meaningful engagement, uneven municipal capacity, political and institutional contestation, and duplication within an already complex skills system.

First, there is a risk of compliance without genuine engagement. The skills system already contains extensive reporting, planning and administrative requirements, and some reforms have not strengthened institutional capabilities or improved coordination (Allais, 2026). A stronger metropolitan role could become another reporting obligation rather than a means of generating useful intelligence and more embedded relationships. The design should therefore prioritise analytical and relational capacity over mere conformance.

Second, metropolitan governments differ widely in administrative, analytical and financial capabilities. Assigning a new function to some of them without capacity-strengthening could produce simple conformity without substantive implementation. A differentiated and phased approach is preferable: more capable metros could assume fuller intelligence and coordination responsibilities, while others participate through external support for intelligence-gathering and partnerships, with responsibilities expanding as capability develops (Turok, 2013; South African Local Government Association [SALGA], 2016).

Third, there is a risk that vested interests will resist the intrusion into their powers and responsibilities. SETA governance reflects established relationships between organised employers, organised labour and government, with formal representation embedded in the Skills Development Act. A stronger metropolitan role could generate resistance if perceived to be displacing existing actors or infringing on their decisions. The proposed approach minimises this risk by retaining SETA boards, sector mandates and the SSP process while introducing a complementary spatial perspective. At least initially, metropolitan involvement would focus on place-specific intelligence, cross-sector coordination and a route into existing planning and funding processes, with its scope expanding only if it demonstrates value.

Fourth, there is a risk of duplication and further fragmentation in an already complex skills system. A stronger metropolitan role could add another layer of coordination without improving outcomes if it simply replicates existing SETA, provincial or training-provider functions. This reinforces the case for working through existing institutions where possible and keeping the initial metropolitan contribution focused on local intelligence, cross-sector coordination and the articulation of place-specific priorities rather than creating parallel structures.

Table 3 makes the tensions in the reform explicit by setting out the main risks associated with each metropolitan function and the measures that could reduce them. Creating a formal metropolitan role would not automatically produce better outcomes. Weak municipal capacity, limited employer participation, duplication with SETA functions and compliance-driven implementation could all undermine the reform. The table treats these risks as design constraints, and shows how phased implementation, clearer institutional responsibilities, co-governance arrangements and national oversight could help manage them.

Table 3: Reform elements, risks and mitigating factors

Reform element	Intended contribution	Main risks	Mitigating factors
Metro input into SSPs	Geographically specific demand enters sector planning	Box-ticking; political contestation	Encourage SETAs to consider and respond to relevant metropolitan evidence within existing SSP cycles; retain DHET oversight.
Support for metropolitan priorities	Connects evidenced local priorities to resources	Duplication, politicisation, weak project selection	Use transparent criteria within existing SETA/NSF processes; prioritise evidenced local and cross-sector gaps; monitor outcomes.

Reform element	Intended contribution	Main risks	Mitigating factors
Metropolitan labour-market intelligence	Regular city-level intelligence on occupational and cross-sector demand	Uneven capacity; data quality; confidentiality/access	Standardised methodology; existing data foundations; technical support; phased implementation
Employer-provider coordination	Cross-sector employer-provider coordination	Employer fatigue; capture; weak facilitation	Broad representation; transparent governance; allow non-municipal conveners where appropriate
Workforce development in metro planning	Strengthens local coordination and accountability	Could become another IDP compliance item	Link responsibilities to capacity; use existing IDP/SDBIP systems; phased implementation
Stronger metropolitan role overall	Adds a stronger spatial perspective to national and sectoral arrangements	Additional bureaucracy and fragmentation	Keep the role focused; retain national standards and SETA functions; use existing institutions where possible

Source: Authors' own. Mitigating measures are proposed design principles rather than guarantees of effectiveness.

6.4 Why metropolitan municipalities are the appropriate vehicle

The remaining question is why the institutional response should involve metropolitan municipalities rather than districts, SETA regional offices, TVET colleges or some other intermediary. Metros are a plausible institutional vehicle for four main reasons.

First, metros encompass the largest and densest concentrations of workers, firms, commuting flows and vacancy chains within relatively integrated urban labour markets. Labour-market boundaries do not correspond perfectly to municipal boundaries, but metropolitan areas are much closer to the scale at which daily job search, recruitment and commuting occur than other territories (Manning & Petrongolo, 2017; Turok, 2013).

Second, metropolitan governments already exercise functions that shape urban labour markets, including spatial planning, public transport and infrastructure provision, while the Constitution requires them to promote social and economic development. Skills intelligence and facilitation are complementary to their existing responsibilities.

Third, metros can potentially integrate information across sectors within the local economy. SETAs possess specialised industry knowledge, but city economies contain many sectors drawing on overlapping labour pools, infrastructure and training institutions. A place-based institution can identify cross-cutting requirements and bottlenecks that SETAs are likely to neglect (Corradini et al., 2023).

Fourth, metropolitan municipalities are democratically accountable institutions with mandates that require them to plan in a holistic manner for their cities and communities. They may not have the specialised technical knowledge of SETAs or training institutions. However, they have a distinctive responsibility for taking a strategic perspective of their territories and coordinating development across sectors and functions within their areas.

Other scales cannot be ignored. Provinces can provide broader regional coordination, districts play a role through the DDM, SETA offices retain sector expertise and TVET colleges serve important local catchments. These institutions complement the efforts of metros to take on a bigger role. Different arrangements should be made in different parts of the country depending on the settlement configuration. Gauteng is in a unique situation because the metro labour markets of Johannesburg, Ekurhuleni and Tshwane are interconnected. Rather than combining their functions into a single unwieldy entity, there is a case for continuing to treat them as separate mechanisms for skills intelligence, planning and accountability, but with a clear inducement for them to collaborate on cross-boundary matters and share information.

6.5 The subsidiarity principle: allocating functions by scale

The case for stronger metropolitan involvement can be understood through the principle of subsidiarity: functions should be located at the lowest institutional scale capable of performing them effectively, while those requiring national standards, economies of scale or coordination across wide territories remain at higher levels (Constitution of the Republic of South Africa, 1996, s. 156(4); SALGA, 2016; Turok, 2013). Regional skills research supports this general approach. Corradini et al. (2023) argue that nationally uniform skills policies can struggle to respond to diverse labour-market conditions, while place-based research more broadly emphasises the importance of adapting policy to differences in local economic structures, institutions and constraints (Barca et al., 2012).

Applied to South Africa's skills system, this suggests a differentiated rather than fixed division of responsibilities. National institutions are likely to remain best placed to perform functions where consistency, portability and scale are important, including qualification standards, quality assurance and much of the levy architecture. SETAs retain valuable sector-specific knowledge and relationships with employers. Metropolitan institutions, by contrast, may be better positioned to contribute where proximity, local knowledge and cross-sector relationships matter most, particularly in labour-market intelligence, employer-provider coordination and identifying place-specific skills priorities.

The boundaries between these roles should not be treated as rigid. Some functions will require shared responsibility, and the appropriate arrangement may vary between places depending on institutional capacity, economic structure and existing partnerships. The objective is therefore not to prescribe a complete allocation of functions in advance, but to improve the fit between the scale at which problems are experienced and the institutions involved in responding to them.

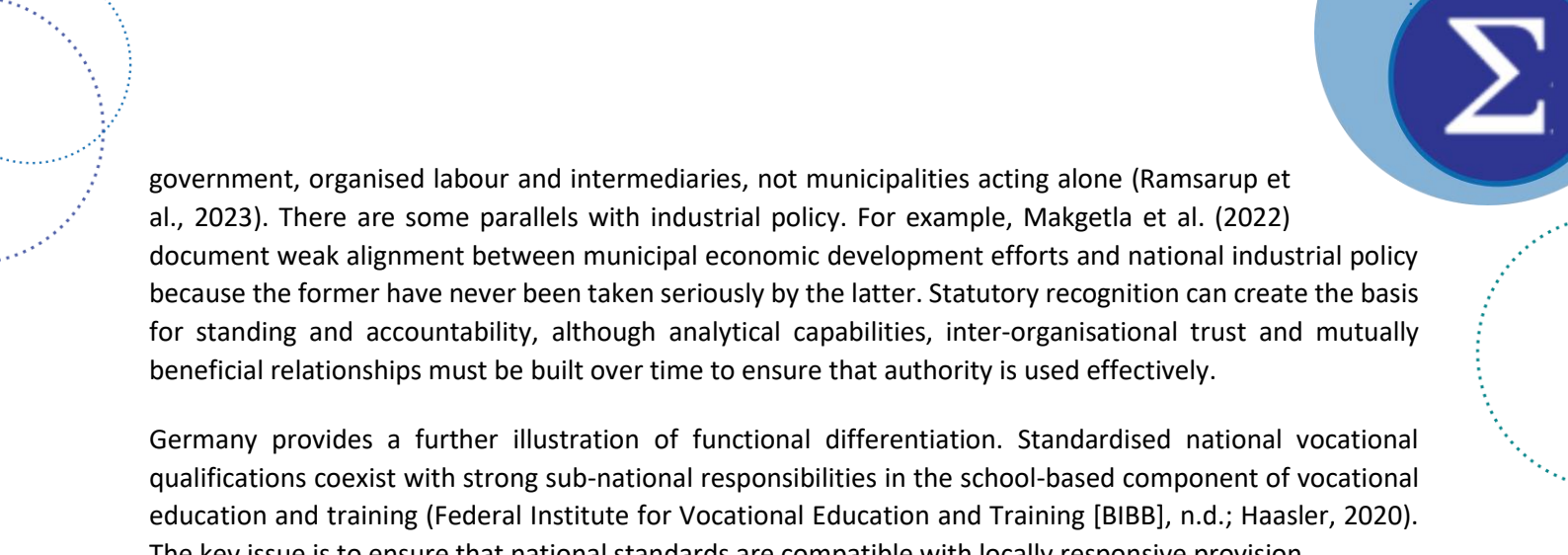
6.6 From informal coordination to more durable arrangements

It is inevitable that some informal local skills networking and coordination already exists as actors communicate with others to achieve their everyday tasks. However, it could undoubtedly be more effective and impactful if better organised and more empowered. Without greater influence in the Sector Skills Plan processes, local information and intelligence remain optional and advisory, at best. Without a predictable funding route, local initiatives are vulnerable and dependent on project applications. Without stronger recognition and sustained support, local skills coordination may be squeezed out by other pressures. These are enduring features of the current set-up that will not be resolved by more networking on its own.

A simple point from Greater Manchester in the UK illustrates the distinction between informal engagement and formal authority. Its adult skills responsibilities have evolved over time from unofficial to properly recognised. They now include devolved control over substantial adult-skills funding, while national government retains wider standards and policy functions (Local Government Association, 2022). The message is that coherent national standards and responsive local skills governance can readily coexist.

Moreover, devolved skills governance need not mean municipal control. A 2026 skills blueprint for Manchester was developed jointly by the Greater Manchester Combined Authority, further- and higher-education institutions, GM Colleges, the GM Civic Universities Board and the Chamber of Commerce. It is built around shared labour-market data, coordinated pathways, systematic employer involvement and flexible provision across institutions (University of Manchester, 2026). The notion of a coalition or cross-sector partnership is closer to the mechanism envisaged here than municipalities acting alone.

Legislation may help to elevate the stature of the arrangement. Skills-ecosystem research emphasises that effective skills systems require enduring, two-way relationships between employers, training providers,



government, organised labour and intermediaries, not municipalities acting alone (Ramsarup et al., 2023). There are some parallels with industrial policy. For example, Makgetla et al. (2022) document weak alignment between municipal economic development efforts and national industrial policy because the former have never been taken seriously by the latter. Statutory recognition can create the basis for standing and accountability, although analytical capabilities, inter-organisational trust and mutually beneficial relationships must be built over time to ensure that authority is used effectively.

Germany provides a further illustration of functional differentiation. Standardised national vocational qualifications coexist with strong sub-national responsibilities in the school-based component of vocational education and training (Federal Institute for Vocational Education and Training [BIBB], n.d.; Haasler, 2020). The key issue is to ensure that national standards are compatible with locally responsive provision.

7. Local initiatives in practice

This reform may appear ambitious, yet local governments are already experimenting with forms of place-based skills coordination without statutory recognition. Two examples illustrate both the potential for local coordination and the limitations of relying on informal or discretionary arrangements.

The Garden Route Skills Mecca is a flagship initiative of the Garden Route District Municipality (GRDM) designed to tackle youth unemployment, close skills gaps and increase economic inclusion. It has operated since 2018 and uses biannual multi-stakeholder Skills Summits to bring together municipalities, SETAs, training providers, employers and other partners. It also coordinates a variety of practical skills programmes, learnerships and internships across the seven local municipalities (Garden Route Skills Mecca, n.d.). The example demonstrates that a district authority can convene actors across different sectors and spheres of society around a place-based skills agenda.

The Garden Route Skills Mecca operates without a formal mandate or dedicated status. Consequently, its growth and survival depend on supportive partnerships, programme funding and institutional goodwill, which have to be perpetually renegotiated. Its very existence illustrates the value of place-based coordination, yet its outlook is always uncertain because it does not have an established position in the skills system.

The eThekweni Maritime Cluster offers a different model: a distributed coalition around a significant local economic cluster. Its training and skills programme involves a wide variety of institutions, including the provincial education department, the University of KwaZulu-Natal, Durban University of Technology, Transnet Maritime School of Excellence and industry partners. Its training activities include educator development and graduate placements (eThekweni Maritime Cluster, n.d.). Once again, this is far from being a form of municipal control. Local government acts as convener and partner within a wider ecosystem, rather than as the training provider or director.

Giving such arrangements stronger recognition and more predictable support would not automatically improve outcomes. However, it could help to stabilise and strengthen these partnerships by providing greater legitimacy, visibility and continuity. Perhaps more importantly, stronger recognition could encourage similar skills alliances in cities where local coordination is currently weak or fragmented. It could also give greater voice to local actors who recognise shortcomings in existing skills provision and want stronger coordination and alignment. Successful schemes emerging from more responsive arrangements could in due course serve as exemplars for programmes and partnerships in other metros, setting in motion a dynamic process of adaptation and innovation across the skills-development system.

8. Conclusions

South Africa's skills system was built to address serious problems of underinvestment, systematic social exclusion and institutional fragmentation. The dominant sectoral logic remains important to pool employer contributions, support industry knowledge and maintain national coherence. However, the system is underperforming and lacks dynamism, partly because information and accountability flow mainly inwards and upwards.

The paper argues that a complementary horizontal arrangement within each metro would strengthen relationships between stakeholders on the ground and create a more responsive and adaptive skills system. More information and accountability would flow downwards and outwards, thereby enriching the connections between employers, training providers and intermediary organisations. This would be facilitated by a better fit between the institutions responsible for skills planning and the geography of functional labour markets.

Some recognition of the importance of place and geography has gradually emerged through the District Development Model, Provincial Skills Development Forums, provincial labour-market intelligence and Skills Development Zones. These initiatives are notable, but none gives a meaningful role to metropolitan areas in terms of assembling local intelligence, encouraging cross-sector coordination and providing pathways for local stakeholders into skills planning and funding.

The proposed stronger metropolitan role seeks to elevate the contribution that coalitions of interdependent stakeholders can make to strengthen the skills system through information sharing and collaboration around skills planning and delivery. Territorial coordination can add considerable value in the form of labour-market evidence, cross-sector convening and onward transmission of place-specific skills priorities into wider national and sectoral planning and funding systems. The role of the metro itself could vary in different cities depending on the relative knowledge, expertise and capacities of different organisations and individuals.

Implementation of a stronger role for metros in skills development should be differentiated and incremental, recognising that they start with different levels of experience and capability. New responsibilities could expand over time as metros and their partners demonstrate stronger competencies and effective collaboration. This is consistent with the process of reform envisaged in the local government White Paper. Imminent reforms to the SETA system create another opportunity to address the current spatial blind spot by incorporating a cross-cutting metropolitan perspective.

If this is configured in a viable way, with suitable incentives and guardrails, there is a prospect of injecting much greater innovation and dynamism into the skills system through a succession of experimental programmes and partnerships involving diverse stakeholders. By encouraging local employers, training providers and intermediaries to interact and communicate more closely, the value and relevance of programmes should improve, and the quality of outcomes should get better too. With effective arrangements for monitoring and evaluation in place, other cities could learn from these experiences and incorporate further enhancements to their projects and processes. This would help to generate an intriguing momentum for change across the skills-development system as a whole.

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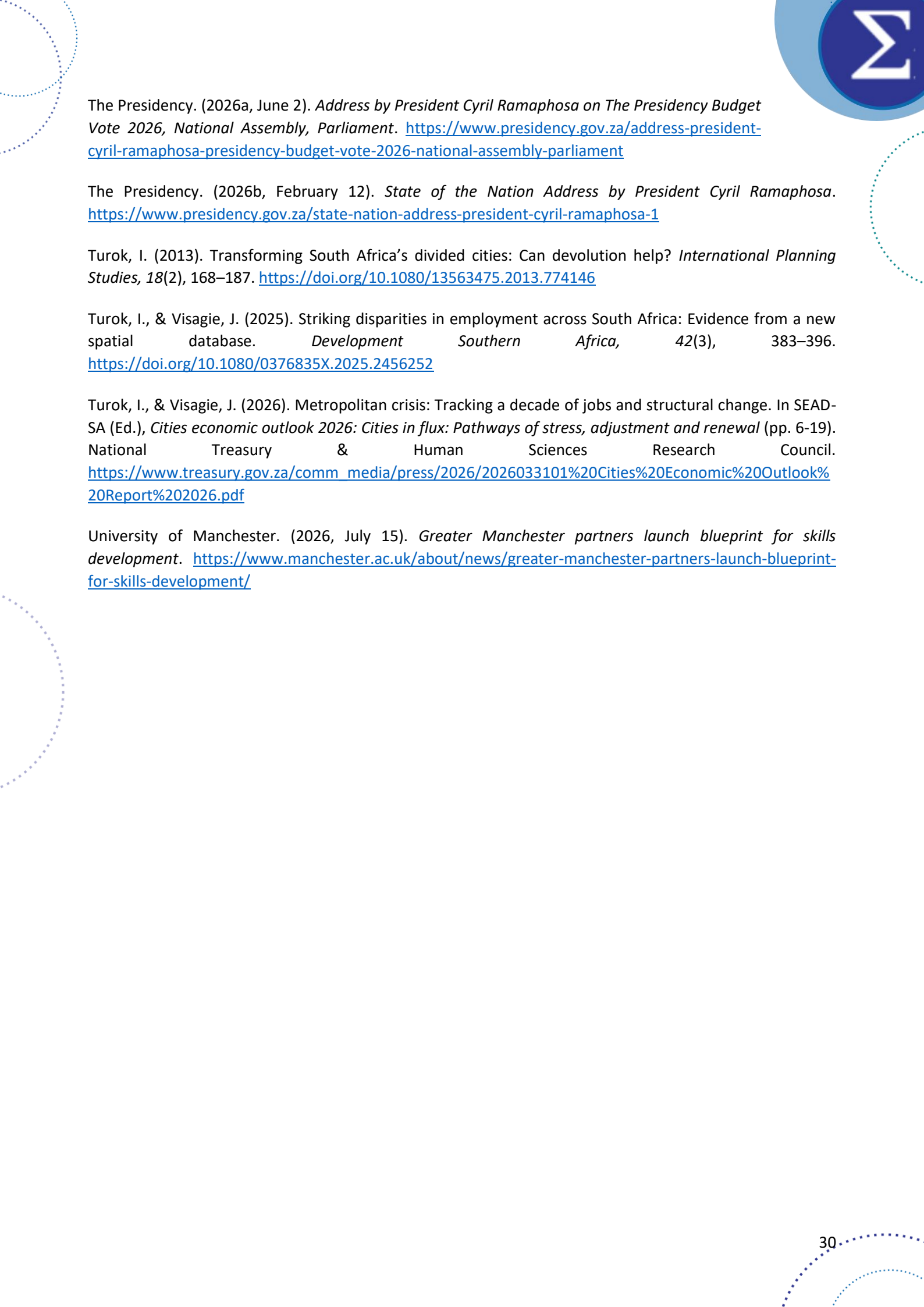
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