



Kate Moloto
Chairperson

CHAIRPERSON'S FOREWORD

In the past financial year, the merSETA broke new ground via a host of innovative projects and smart training initiatives in the post-school education and training sphere.

Through consistent strategic output reviews by the Accounting Authority, and implementation by the organisation's management, staff and external stakeholders, the organisation boosted and burnished hopes of employment and entrepreneurship in South Africa in the 2022/23 financial year.

The bouquet of interventions included focal points on technical and vocational education and training institutions and key upgrading in lecturer development as well as interventions in curricula development for the Fourth Industrial Revolution (4IR).

As 4IR relentlessly changes the depth of work knowledge, especially in the manufacturing sector, such collaborative initiatives are crucial for sustainable jobs in a sluggish economy with abnormal levels of unemployment.

President Cyril Ramaphosa's five-year initiative to attract R1.2 trillion exceeded the target. Government's checklist showed 160 pledges are under construction, 45 projects have already been completed and R450 billion was spent.

These investments and pledges provide a good base for growth as fiscal and structural challenges are tackled, especially through the national Operation Vulindlela, but programmes and projects of this magnitude need the highest level of skills and knowledge that are grounded in the correct curricula and knowledge set at higher education and training institutions.

Creating and burnishing hope through high-set skills and work-integrated upgrading is thus fast becoming a key merSETA output.

Strategic Overview

The South African gross domestic output grew at an annualised rate of 1.1% in the first quarter of 2023 according to the Bureau of Economic Analysis. This is far below the required growth rate for absorption of the thousands of new matriculants as well as the millions of others seeking employment, even temporary work.

And the majority of businesses in the mer-sector still struggled in the past financial year to keep productivity and sales at pre-COVID-19 levels.

Companies continued to close as they struggled to remain viable in a sluggish economy while being structurally unprepared for the technological rush of 4IR. This was made worse by the energy crisis in South Africa that also saw record high increases in fuel prices and rolling blackouts. The unemployment rate soared close to 33% and could even be higher given the poor economic growth. This has triggered a socio-economic crisis and is likely to increase poverty, unemployment and inequality.

These conditions impacted our workplace training schemes in the past financial year. On-site and work-integrated training and learning did not resurge to previous levels as training workspaces were simply unavailable in the light of company and factory closures and cut-backs.

The bright spark has been the automotive sector and its related industries which continued to invest heavily in plants and productive capacity for the export markets.

One international company announced an investment of more than R15 billion in new and extended plants in South Africa in the previous financial year. Work has already begun on the plants, machinery installations and robotics. This will cascade to hundreds of companies that are component manufacturers for that vehicle manufacturer, thus offering thousands of opportunities of employment for those with the right skills.

The World Bank's latest forecast sees South Africa's economy growing by 0.5% in 2023. The South African Reserve Bank sees growth of just 0.2%, while the International Monetary Fund sees growth of 0.1%.

In this economic maelstrom, a sustainable solution for the growing unemployment rate is required.

The Accounting Authority manages the merSETA risks in a way that supports the organisation in setting and achieving its strategic objectives. In the year under review, the Accounting Authority considered the organisation's risk profile, appetite, mitigation and aggravation factors as well as strategic interventions.

As this annual report shows, the merSETA has mounted sustainable solutions through its stakeholders and tertiary/training partners to stem the growing ranks of unemployed by enabling skills that have been directly identified by the labour market through our chambers.

Through research conducted by our six chambers, we are better placed to implement solutions that arise from the main consumers of labour and capital.

A key study by one of our chambers in the mer-sector is set to map out Automotive Components Manufacturing SIC Codes and Activities of Companies to understand and recommend measures to ensure this sector's readiness for 4IR. This means including micro-enterprises in future training in 4IR modules.

We have also upped the ante in our traditional role of supporting government's socio-economic efforts through skills development for self-employment, entrepreneurship, cooperatives, the informal sector and small business. These upskilling schemes are vital to supporting sustainable livelihoods in communities and the broader social economy.

Strategic Relationships

Speaking at the National Assembly on the state of readiness for the 2023 academic year earlier this year, the Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, said new strategies for Post-School Education and Training (PSET) had been implemented.

Each academic year, he said, must be approached as a milestone in taking forward the country's goals to improve access and success in the PSET system. More than R2.8 billion had been spent on the development and refurbishment of 16 new TVET campuses to enable expansion of the TVET system in the medium term, the minister pointed out.

In keeping with this, the merSETA earmarked ten colleges throughout the country for such interventions, which included establishing and equipping 4IR centres at the TVET colleges with high-set 4IR equipment and tools.

Two fully functional 4IR laboratories/workshops have been established at the Maluti and Motheo TVET colleges, while centres of specialisation for high-skill outputs are still receiving funding from the organisation.

The merSETA is also funding the development of curricula that will have crucial components such as Awareness Training for Industry 4.0, the Introduction to Industry 4.0 for Management as well as Industry 4.0 Applications and Practice.

A merSETA-funded project with the University of the Western Cape (UWC) focused on capacity building of TVET college lecturers through the PhD candidates' field work.

A further success of this intervention was to enable access for TVET college lecturers to South Africa's new suite of qualifications for TVET college lecturers.

The Postgraduate Diploma in TVET (PGDIP: TVET) was the first qualification within this qualification framework to achieve accreditation by the Department of Higher Education and Training (DHET) and the Council on Higher Education.

The merSETA funding for 80 TVET college lecturers to enrol in and graduate from the PGDIP: TVET has not only built pedagogic capacity within public TVET colleges but also contributes to the expansion of TVET as a research field. Successful graduates of the PGDIP: TVET are able to enrol in Master's degrees and UWC is in the final stages of obtaining accreditation of a Master's Degree in TVET in addition to the accredited PhD in TVET.

The merSETA also funded the development of an Engineering Technology elective module for the PGDIP: TVET, which provides specialised pedagogical leadership for TVET college lecturers teaching engineering programmes at TVET colleges. Thus, the merSETA has emerged as a leading SETA with its focus on building capacity for manufacturing and engineering within South Africa. These interventions demonstrate the organisation's ability to ensure the successful transfer of leading technologies knowledge, especially in the design and implementation of competence assessment to gauge the efficacy of South Africa's artisan training capacity.

This is an important contribution to South Africa's PSET system.

Investigations

Following thorough investigations into the contractual activities and conduct of specific officials, merSETA has put a hold on four contracts with beneficiaries of discretionary grants. During the past year, these contracts were presented to the court for re-evaluation and potential cancellation. The investigations have highlighted the crucial need for a comprehensive review of the discretionary grant awarding process. The objective of this is to identify and address any weak points or risks that might compromise compliance and efficiency. In situations where there were suspicions of staff members being involved in inappropriate behaviour, such individuals have been placed on precautionary suspension. This action is taken in anticipation of the results from the ongoing investigations. This by and large is the reason for the dip in audit outcomes and overall performance rates.

Conclusion

I express my deepest gratitude to every member of the Accounting Authority, the chamber committees, the merSETA staff, and our stakeholders for their unwavering dedication and valuable contributions throughout the 2022/23 financial year.

Kate Moloto
merSETA Chairperson



Chief Executive Officer's Overview

Disa Mpande (Mrs)
Acting Chief Executive Officer

Amidst the creeping uncertainty and unpredictability of artificial intelligence (AI), the merSETA in the past financial year recalibrated its programmes and projects in innovative ways to face the sudden onset of this challenge.

Artificial intelligence is the new menacing face of the Fourth Industrial Revolution and the threat it poses to society, work and social relations is unfathomable at this stage.

Extensive work needs to be done by thought and information technology leaders on harnessing the impact of AI on production, workplaces, education and training and society as a whole.

Yet the merSETA, in the 2022/23 financial year, found novel ways and means to counter the existential threat to jobs and training of this burgeoning AI process, primarily through innovative partnerships around the new world-of-work.

Innovation is a crucial strategy of the merSETA in the development of skills for the new world – or Society 5.0 – and the accompanying surge in new methods of manufacturing and engineering.

In the year under review, the organisation re-prioritised and then proceeded to provide financial resources to stakeholders, including employer partnerships, public entity partnerships, universities, TVET colleges, NGOs, private skills development providers and international partners.

Industry Transformational Projects

One of the most innovative projects yet launched in South Africa is the EON-merSETA partnership based primarily on artificial intelligence and its various components. This includes relevant hardware, software and training in "soft" skills.

In 2022/23, the merSETA and EON Reality, a Californiabased IT-company, began rolling out the EON Knowledge Metaverse (EKM) Programme, a hands-on, easy-to-use extended reality (XR) education and training solution that includes extensive simulation.

With XR solutions, learners and trainers enter immersive environments where soft skills for customer service and technical abilities make training far more accessible and enjoyable.

The target is 50 000 learners and 7 500 intern/worker computer licences for virtual learning at the highest level. South African learners, interns and workers now form part of an all-encompassing global project to build a new and improved inter-connected world to learn, train and perform using XR.

XR education allows students, interns and workers to work and learn together in virtual environments as though they were physically there in a working/studying environment. Interactivity between students and educators in real time sets it apart from other platforms that are often bedevilled by cacophony during live sessions.

Fifteen higher education institutions and training providers are part of the project. By enhancing their educational quality, institutions can expect to see a significant return on investment due to increased student enrolment, retention, satisfaction and engagement.

In yet another breakthrough, the merSETA has approved the funding of R141 million for NSFAS for a period of three years. The funding is aimed at the "missing middle" – a key point of debate in past years – and the agreement links the payment of administration fees to submission of project reports.

The agreements provide for more than 300 learners per year where claims could be less than the maximum of funded value as there is provision for learners from both TVET colleges and Higher Education Institutions.

Our funding in infrastructure has also increased. The merSETA approved R55 million for tools and equipment for 11 technical schools that fall under the Gauteng Department of Education.

Further, R172 million was earmarked in 2022/23 for the training of 5 000 learners in the Solar PV Microgrid and Business skills and Entrepreneurial Training scheme via the Gauteng City Region Academy. With consistent load shedding and society's priority on South Africa's abundant solar energy as an alternative to fossil fuels, this training scheme will widen the scope for penetration of solar energy both for industry and households.

Indeed, the merSETA has grasped and acted upon the energy crisis in our country.

In the Free State, the merSETA approved funding of R174 million for ten technical schools, the Motheo TVET college and other institutions for various skills development that fall under the provincial government's departments.

A further amount of R70 million was allocated to the Motheo TVET college, the Central University of Technology and the University of the Free State for student debt relief. In effect, students unable to receive their graduation certificates due to dire circumstances will be helped through this fund.

For the Northern Cape Provincial Government, the merSETA granted R210 million for a host of training programmes including skills training for 950 learners (solar installation, welding and hand tools), Clinical Engineering Training and similar high-set skills.

Seven Youth Service Centres focusing on training in electrical, welding and computer equipment will also be launched after the merSETA agreed to broaden the scope of its interventions in the Northern Cape.

The North West Provincial Government's Cooperative Governance and Traditional Affairs Department will receive about R12 million to fund 44 learners in candidacy programmes run by the department.

These innovative projects are apart from the standard training in the traditional modes of work that the merSETA has undertaken in the past 23 years.

In the 2022/23 financial year, the merSETA entered and exited more than **13 000** learners in learnerships, artisanal and ARPL programmes. The merSETA also maintained 29 partnerships with TVET colleges and 12 with Higher Education Institutions (HEI), while it continued support of three Centres of Specialisation.

Finance

The merSETA's revenue is on a sound footing and is more than **R1.8 billion**. The merSETA evaluated applications and awarded discretionary grants valued at more than **R800 million** in the year under review. The merSETA focus is on initiatives that contribute to the sustainability, growth and profitability of grant recipients and industries within the mer-sector.

As listed above, we earmarked a considerable amount of disbursement on innovative projects that take in the new world-of-work, especially artificial intelligence components. Again, the bulk of discretionary grants was disbursed for artisan training and learnerships. These two interventions account for 75% of the Discretionary Grant budget.

In the financial year of 2022/23, the merSETA approved **3 781** companies for Mandatory Grants, amounting to about **R267 million**.

The levy breakdown per chamber remained almost unchanged from previous years, with the Metal Chamber contributing the largest share. Most contributing companies are in the "small category", with little over 13 000 companies paying levies, mostly in Gauteng and North West.

Organisational Transformation

In the 2021/22 year, the merSETA launched the Organisational Design Project.

The intention was to realign the merSETA's organisational structure and HR processes with appropriate competencies (staff, governance, structures, implementing partners and stakeholders) to achieve its mandate. The core focus of the programme was on change enablement and empowerment of the organisation's leaders and employees.

In 2022/23, a robust consultative process that involved several stakeholders across the organisation was launched. The current operating environment demands the right calibre, capability and capacity of human resources. Accordingly, the merSETA will continue to implement its strategy on transforming the HR function to be more responsive to business requirements underpinned by implementing an HR operating model and integrated HR information management system.

Way Forward

The Fourth Industrial Revolution and its most advanced progeny, artificial intelligence, will bring major disruptions in the manufacturing, engineering and related services sector.

What began as an immersive component of the entertainment and gaming spheres, is now fast becoming the centre of digitisation of production and communication. Problemsolving in the manufacturing space is now a question and click away with demonstrable tactics. Real world simulations are the zenith for pre-production manufacturing. Thus, a competitive manufacturing and engineering sector depends on the capacity of firms to master advanced technology domains, to innovate and to meet the precise needs of customers.

This has created an opportunity for the merSETA to partner with stakeholders like EON Reality, HEIs, research councils, non-profit organisations and employers to promote innovation and keep abreast of advanced manufacturing technologies, data analytics and the application of robotics.

The green, blue and circular economies have been identified as sustainable development imperatives with the potential for job creation, and AI and its associated components will advance technical application in these spheres.

New business and manufacturing opportunities will abound. This is an indicator of the type of future skills built from an entrenched approach to lifelong learning. The role of digitisation in revolutionising curricula, teaching, learning and skills development cannot be overemphasised. The merSETA is up to the task.

Disa Mpande (Mrs)
merSETA Acting Chief Executive Officer