Minister Pandor's speech introducing the Department of Higher Education and Training's 2018 Budget Vote

National Council of Provinces
29 May 2018

Chairperson
Ministers and Deputy Ministers
Deputy Minister of Higher Education and Training, Mr Buti Manamela
Director-General and Staff of the Department
Honourable Members
Honoured Guests
My special guests
Ladies and Gentlemen
Comrades and Friends

I am pleased to present the Department of Higher Education and Training's 2018/19 budget. The Department of Higher Education and Training plans to use the 2018/19 budget to develop and implement programmes that will provide skills and empowerment to young people. Our youth require programmes that will transform their lives and give hope to their families.

One of the major challenges confronting our young people is unemployment. A significant challenge and opportunity that confronts us as the Higher Education and Training Sector is developing the ability to link training and skills development to work and enterprise development. Youth unemployment is one of our central challenges. Government has embarked on a number of initiatives to tackle this challenge – not alone but in partnership with employers.

One example is the Youth Employment Scheme (YES). The initiative was recently launched by our President and stands out as one of the boldest initiatives to date in which over a million youngsters will be given a year’s work experience at large or small companies over the next three years. Private sector companies will indicate the number of YES applicants they will take on and already several companies have announced their commitment.

Training is a component of this initiative. Another initiative is the Technical Education for Communities Centre in Sedibeng that I launched last week, where Cummins Middle East and Africa and Komatsu South Africa are working together with MerSeta and Sedibeng College. The shared aim of all these initiatives is to assist young people to progress from school to work or entrepreneurship and, once there, to meet their own needs as well as to play an active part in building the success of the workplaces they enter or enterprises they start so that our economy and country can prosper.

The contribution that the Department of Higher Education and Training can make to all these initiatives is to ensure that our public education and training institutions, in particular, are well positioned to provide the learning needed for their success. Added to these initiatives we have government internship programmes this year where interns gain work experience in the Public Service.

This year we plan to intensify our investment in skills programme development in the TVET colleges. We believe that these colleges can make a decisive contribution to the youth employment challenge. This is why R10.5 bn is allocated to the TVET sector this year. The skills development programmes we will implement have been developed by the Quality Council for Trades and Occupation in partnership with employers and industry associations.

This approach has been used in the Centres of Specialisation Programme launched in October 2017. This Programme will be piloted in 26 colleges throughout the country and will provide training in thirteen trades, these thirteen artisan trades are a priority for our Ocean Economy initiatives as well as our various infrastructure programmes. The experiences gained from the pilot will be used to expand the programme to other TVET colleges.

For each of the thirteen trades we sought industry association partners and in the first round we're working with the Retail Motor Industry for the automotive trades, the Institute of Plumbers of South Africa for plumbers, the

Southern African Institute of Welders for welders and with the Steel and Engineering Industries of Southern Africa for the remaining nine trades.

With these partners we have identified two TVET colleges for each of the trades to become a Centre of Specialisation for that trade. Together we're ensuring that the curriculum is up to date, the facilitators are prepared and that the workshops are well equipped. Together we're also identifying employers around each college with the intention of securing the required workplace learning for the specified trades.

Our efforts have been greatly assisted by the Sector Education and Training Authorities (SETAs). They have ring-fenced over 780 apprenticeship grants of R165, 000 per apprentice – and these are being offered to those employers willing to partner with us. The National Skills Fund has also contributed R150 million towards these interventions. We're well on the way to meeting our target of 780 apprenticeship contracts for 2019.

This way of working is being monitored and will be evaluated as we go, but we're hopeful that it provides us a vehicle for taking these useful occupational programmes to scale in all our TVET colleges – for more trades and occupations and more colleges. After all our research shows that 73% of qualified artisans are in work.

Chairperson, I turn now to our budget. The 2018/19 budget introduces a major shift in policy and the full realisation of the Freedom Charter call that the doors of learning and culture will be open to all. Our budget rises this year to R89,9 billion in 2018/19.

The budget allocated to the TVET sector indicates our intention to support the colleges so that they become premier institutions of choice for your people. The TVET college sector can, if properly supported, make a huge contribution to South Africa achieving its human resource development goals.

The 50 TVET colleges, with an enrolment of 700,000 students, are allocated R10,7 billion this year (up 45%

from R7,4 billion in 2017). And R1,3 billion of this is for an infrastructure grant, the first time we have earmarked such funding. This is a clear indication of the emphasis we're placing on TVETs.

This year the new DHET bursary scheme for students is being implemented for all years of study: 458,875 college students will receive bursaries for tuition and books; 50,480 students will receive travel, accommodation, and meals allowances; and 82,600 will receive a transport allowance.

The additional funding will support increased levels of quality provisioning relating to current enrolment plans, which will be kept stable over the next three years.

The recent Systematic Partnership Diagnosis report of the World Bank outlines the constraints to eliminating poverty and reducing inequality. It addresses five constraints, but the key one is "insufficient skills". They explain this as follows:

> “Poor education means that goods produced by unskilled South Africans fetch less in international markets than they cost to produce, given prevailing wages. Together with rapid tariff liberalization in the 1990s and rising statutory minimum wages in South Africa’s remaining labor-intensive sectors, such as clothing, this has priced low-skilled South African manufacturing out of business in international competition with low-wage countries, especially those of East Asia.”

What’s really interesting about the World Bank report is its focus on the Korean TVET system. Not the German ‘dual system’. We don’t have a large enough SMME sector to duplicate the ‘dual system’. The Koreans introduced training consortia based on partnerships between large companies and government. In 2016, there were 215 training consortiums in Korea and 155 are led by large companies such as Samsung, Hyundai, SK, and LG; 33 are led by universities; and 27 are led by public training institutions.

We are beginning to see examples similar to the Korean model in South Africa. Samsung has a television manufacturing plant in the Dube Trade port. To provide skills for the plant, Samsung partnered with the Coastal KwaZulu-Natal TVET College and the Department of Higher Education and Training to establish the Samsung Engineering Academy in KwaMashu.

It is our intention to increase such partnerships in future. Successful implementation of our skills strategy and college development will require lecturers able to deliver a modernised skills curriculum. R34.9 m is provided for lecturer development in the 2018/19 budget.

We are also investing in capacity development in our universities. This year the University Capacity Development Grant is R928 m. It will support university quality development in four key areas. These are: student academic development, lecturer development, leadership development, as well as support for post graduate study and curriculum development. I am pleased at efforts many universities have directed at developing new curriculum and support programmes for student success. These initiatives lay a good foundation for our economic policies which are focussed on creating new industries and new manufacturing plants.

South Africa has an extensive manufacturing base, but one that is not competitive enough. It needs to be further diversified, modernised and made more competitive, in order for it to contribute more to job creation and economic growth in our country.

There are about 35,000 manufacturing firms in South Africa employing about 1.4 million people. Doubling its size would require an enormous infusion of capital and lots of skilled people: thousands of entrepreneurs, managers, machinists, engineers, accountants, tax officials, lawyers, marketers, artisans, electricians and IT experts. It takes five skilled people to run the average manufacturing company. Now that means 175,000 skilled people would be needed to double our manufacturing industry. Such an increase would lead to a meaningful impact on economic growth. We are pleased at the efforts of the SETAs that are providing support for skills in key manufacturing sectors.

It’s not only skills at the lower end of the spectrum that we require. We also need high-level skills that you learn in higher education. Those with high-level skills are employed in the dynamic parts of the economy - hi-tech manufacturing, the creative industries, hi-tech medicine, business services, education and computer software, in advertising, in mobile phones, and in aerospace engineering.

These are sectors that offer strategic opportunities to South Africa. We should develop sector skills plans for each of them. We need to intensify our efforts and resources directed at research and development and innovation. Our support for researchers is provided through block grants to the institutions and through the University Capacity Development programme. Our higher education sector is constrained by a shortage of scientists and technologists. This is a legacy of poor science and mathematics performance in our schools, but also a failure to invest more aggressively in our university system. This changes from this year's budget.

Talent, wherever it is, must be given the opportunity to flourish. In particular this must include a focus on the black community, especially black women, postgraduate students and the provision of financial and academic support.

And that's what we've done in this year's budget, a step change in our investment in skills.

This year 26 universities, with an enrollment of 975,000 students, of whom 635,000 are in contact universities and 340,000 at UNISA, are allocated R38,6 billion (up 22% from R31,6 billion in 2017). NSFAS is allocated R20,5 billion in 2018 (up 100% from R10,1 billion in 2017) and the DHET expects 84,000 first-time entry university students to be fully funded, and 190,000 students in all other years of study to be funded at 'average full cost of study'.

We've opened up our universities to change, and thousands of black students and women today enjoy state-supported access to higher education. We've substantially re-organised the sector to decisively change its past racial character, in line with our desire to promote growth, especially in regard to research.

Recent statistics published by the CHE suggest we are making progress in university success rates, the report shows. We are also making progress in women's access to and success in our universities. At the post graduate level there is positive progress. We are debating this budget in a rapidly changing world. We need a Higher Education system that is competent in addressing automation, digitisation and new internet based business.

How do we address the World Economic Forum's projection that one in three jobs in South Africa – almost 5.7 million – are currently at risk of total digital automation within a mere seven years?

How do we teach our children the skills that will not be outsourced to foreigners in another country where that work can be done cheaper, or automated or digitised?

We know workers will have to continuously upgrade skills and learn new skills through lifelong learning.

That's why we're investing in skills to become a learning and knowledge society.

But what jobs are we losing? Among the torrent of information that is now available, one trend has been hidden - women are in a better position to benefit from automation. Women are overwhelmingly in jobs that require the human touch and that are least likely to be automated (like nursing, teaching and care work). That's on the one side. On the other side, women in South Africa are better educated than men. There are more of us in school, in college, and at university. We have a comparative advantage, because of our better education, in a labour market that is being transformed through new technologies.

I’m not saying that automation will transform gender discrimination or equalise pay between men and women, but I’m saying that women should take greater advantage of the opportunities of the Fourth Industrial Revolution.

New technologies provide huge commercial and economic payoffs, and as women expand their dominance at university from the soft to the hard sciences and from undergraduate to postgraduate studies, they will be in the best position to take advantage of high-skilled jobs in new and emerging technology fields.

With that, Chairperson, I have the honour to commend the DHET Budget Vote to the Council.

Thank you.