Banking Sector Skills Plan

"Supporting world class research and benchmarking"

FOREWORD

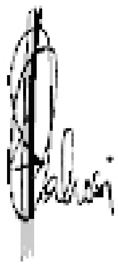
Skills planning is vital for the analysis and development of appropriate and relevant interventions to address skills priorities. The Sector Skills Plan provides the foundational knowledge for decision making and informs the development of the Annual Performance Plan to ensure that interventions addressing the needs as defined through an interrogation of national priorities are met. The following National Priorities were identified to provide guidelines to BANKSETA: the National Skills Development Strategy III, the National Development Plan, Strategic Investment Projects, Financial Services Charter and the National Credit Amendment Act.

The key objective of the Sector Skills Plan is to identify the skills priority focus areas by investigating the economic and labour market performance of the sector and the extent of skills mismatches to identify the scarce and critical skills required. These in turn inform the PIVOTAL skills that discretionary grants are utilised to reduce the skills gap. For interventions to be effective they must align to the skills needs of the sector.

BANKSETA has identified the following five strategic focus priorities to which relevant projects are implemented and the sector skills needs are appropriately aligned in the SSP:

- Improving Skills Development Related Research Outputs for the Banking Sector
- Skills Development for the Employed
- Youth Development including Work Integrated Learning
- SME support
- Capacity Building of Public Training Institutions

The information provided in the SSP is also useful for sector partners and Higher education training institutions as it provides relevant information on the skills required by the banking sector. I am confident that BANKSETA will continue to conduct relevant research to support skills development to underpin the development of creative and innovative programmes to meet the skills demands of the sector.



MARTIN MAHOSI
BANKSETA Board

LIST OF ACRONYMS

BANKSETA	Banking Sector Education and Training Authority
BASA	Banking Association South Africa
CBDA	Co-operative Bank Development Agency
CFI	Co-operative Financial Institutions
DBSA	Development Bank South Africa
FAIS	Financial Advisory and Intermediary Services Act
FET	Further Education and Training
FSB	Financial Services Board
FSC	Financial Services Charter
GDP	Gross Domestic Product
HEI	Higher Education Institution
IB	Inclusive Banking
IT	Information technology
MFSA	Micro Finance South Africa (previously Association of Micro Lenders)
NCR	National Credit Regulator
NEET	Not in Education, Employment or Training
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
PIVOTAL	Professional, Vocational, Technical and Academic Learning
RPL	Recognition of prior learning
QCTO	Quality Council for Trade and Occupations
SACCO	Savings and Credit Co-operatives
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SARS	South African Revenue Services
SETA	Sector education and training authority
SMEs	Small and Micro Enterprises
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
WSP	Workplace Skills Plan
WSP/ATR	Workplace Skills Plan/Annual Training Report

EXECUTIVE SUMMARY

BANKSETA is mandated by the Department of Higher Education to prepare an annual Sector Skills Plan for 2015/16 highlighting the skills needs and priorities of the banking sector. The banking sector employers fall within two extreme ends of the spectrum: extremely large corporate banks that provide employment to almost 65% of the sector and very small micro-finance institutions each employing a handful of people. To ensure that all employers irrespective of their size is provided with an opportunity to access skills development, BANKSETA addresses skills needs of the sector by classifying the sector into banking and inclusive banking. It therefore prepares two sector skills plans: The Banking SSP and the Inclusive Banking SSP. The Banking sector comprises all those banks that are registered with the South African Reserve Bank whilst the Inclusive Banking sector focuses primarily on lending and savings institutions both formal and informal but on a micro-level. Although banks fulfil the latter function as well, the focus here is on Development Finance Institutions, Co-operative Banks, Co-operative Finance Institutions, credit providers specifically those that grant loans and informal saving like stokvels.

Data collection for the development of the Sector Skills Plan was detailed and extensive to ensure that accurate and relevant data is available to support skills priority areas and skill interventions to be undertaken by BANKSETA. The data gathered from the WSP/ATR submissions still remain the primary data source and was strengthened by a secondary data analysis process initiated by BANKSETA. A secondary data questionnaire was submitted to all employers who were completing WSP/ATRs. In addition BANKSETA engaged in a scarce skills survey and the data gathered was validated in a workshop held with sector employers. The final data source was the benchmarked studies to India and to several African countries.

The SSP is presented in five chapters as prescribed by the Department of Higher Education. Chapter 1 provides an economic profile of the banking sector and the labour market profile. Chapter 2 focuses in Key Skills Issues while chapter 3 addresses Skills Mismatches between the demand and supply of skills. Chapter 4 provides an analysis into partnerships and stakeholder engagements and the final Chapter looks at the Skills Priorities that BANKSETA will focus on to boost skills development in the Banking and Inclusive Banking sector.

In Chapter 1, the sector profile is presented through an analysis of the scope of the banking sector, the role-players that influence activities in the sector, the economic performance of the sector, the employer profile and the labour market profile. Although not formally dissected into sectors, BANKSETA in general refers to the banking and inclusive banking sub-sectors. The banking sector comprises all those organisations that are registered with the South African Reserve Bank and are in possession of a banking licence. The Inclusive Banking sub-sector comprises a range of development finance institutions, co-operative financial institutions, micro-finance institutions and informal lending and savings organisations. With the integration of banking products, organisations can no longer be described by the product offerings as many of the organisations that fall within the banking sector now offer a range of cross-products. For example a typical bank does retail and investment banking as well as asset financing and micro loans, with some of them even banking stokvel accounts. The analysis of the role-players that influence activities in the sector provides an indication that some of them have regulatory control and hence ensure compliance like the SARB and CBDA whilst others are support organisations like the Micro-finance South Africa (MFSA) which serves as the voice for Micro-finance companies. In terms of the economic performance of the banking sector, on a global scale it has been ranked 6th out of 144 countries in terms of soundness in the 2014/15 World Economic Forum Global Competitiveness Survey.

In addition, the financial services sector has performed well with good growth in the last year with a further indication of banks performing well by an increase in share prices and dividends declared. The stokvel sector must be given serious attention as recent research indicates that stokvels are worth over R25 billion. Financial inclusion is high on the agenda of government, as this sees an attempt to ensure that all levels of the population have access to financial services. This has spurned the growth of microfinance organisations that service the low income population group. The labour market profile is based on statistics drawn from the WSPs submitted by employer organisations. The labour market profile provides an indication that the sector is balanced on gender ratings but not at all occupational levels. The sector employs a rather youthful workforce and hence issues like retirement planning is not a major issue.

It is clear however from the data provided that the sector falls short in terms of the employment of people with disabilities. The educational levels of the workforce indicates that at least 65% of the workforce lack post-matric qualifications.

In Chapter 2, analysis of change drivers within the banking sector and an alignment of the banking sector activities with National Strategies and plans were discussed. Interestingly the failure to co-ordinate supply and demand emerged as the most important cause of skills shortages. This supports the premise in chapter 3 that the mismatch between demand and supply is present. Legislation and technology also emerged as factors affecting skills demands. The major factors affecting skills demand provides a strong sense that technology driven new product development will stimulate mobile banking services which seems to support the need to development customer centric products. In analysing the influence of national priorities on skills planning, BANKSETA aligned to the National Skills Development Strategy, the Strategic Integrated Projects, the National Development Plan, the Financial Services Charter and the National Credit Amendment Act. The chapter concludes with an identification of five key skills issues that influence the banking and inclusive banking sector.

In Chapter 3, the extent of skills mismatches were interrogated by studying the extent and nature of demand and supply and identification of scarce skills and skills gaps. The extent and nature of demand commences with an analysis of vacancies. Statistics indicate that the sector does not create an exceedingly large number of vacancies. In 2014, the vacancies created was around 11 000. A large number of these vacancies relate to Information technology. This is followed by a discussion on occupations that are hard to fill. Again ICT surfaced as the most difficult vacancies to fill. An investigation into imported skills also revealed that a large number of higher level skills is being imported. These three analyses provided the basis for the development of the scarce skills list for the sector. The discussion on the extent and nature of supply focused on the supply of the schooling system as a feeder into relevant university programmes for the banking sector. Of importance is the BANKSETA interventions to grow the pipeline of graduates that could be absorbed by the sector. The analysis of where new recruits are drawn from revealed that the sector seems to employ graduates with a post-degree qualifications. It is also interesting to note that the sector is reluctant to employ TVET graduates.

In chapter 4, an investigation into current partnerships set the tone for an analysis of future partnership needs to enhance skills development in the banking sector. BANKSETA has a range of partnerships and these are progressing well. Challenges faced related to the formalisation of inter-SETA projects. These have simply not materialised as each SETA has focused on its own independent goals set.
With the expansion into Africa and the high growth in the African Continent, new partnerships on the African Continent are envisaged new projects.

Chapter 5 brings it all together by addressing the findings identified in each chapter and then explaining identified skills priority actions to address these findings. The findings are clearly outlined per chapter. To address these BANKSETA has identified the following five skills priority actions to address the skills needs within the banking sector:

- Skills Priority Action 1: Strategic Integrated Projects (SIPs)
- Skills Priority Action 2: Improving the Pipeline of Unemployed Graduates to meet the Sector
- Skills Priority Action 3: Bridging the gap between demand and supply
- Skills Priority action 4: Grow the RPL Process
- Skills Priority Action 5: Address the changes to the NCA for the Microfinance Sector

Currently the most important driver of change in the banking sector is technology. The need for customer centric new products and the profile of the client who wants to move away from going into a branch is changing the face of banking and micro-finance services. The technology drive of the sector comes through very clearly again in the analysis of scarce skills. It surfaced as occupations that are hard to fill and occupations that are imported. The Africa Expansion plans also drives activities in the sector and these influence skills planning. The five identified skills priorities will address the needs that have arisen during the development of the 2015/16 SSP for the banking sector.

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CHAPTER 1: SECTOR PROFILE

1.1. Introduction

In analysing the sector profile of the banking sector, a clear distinction must be made on what organisations comprise the banking sector. In the scope of coverage of the sector, a detailed explanation is provided on both the banking sector and the inclusive banking sector. The scope of the banking sector ranges from both local and foreign banks operating in South Africa. The inclusive banking sector discusses a range of micro-finance organisations and these include a myriad of informal organisations operating in the sector. Since the banking sector is highly driven by regulation, several role-players are vital to ensure compliance. Also, as the sector is inundated with a myriad of small players, support organisation will also be discussed and the role they play in supporting the sector. An investigation of the economic performance of the sector provides both a local and global perspective in terms of the performance of the banking sector.

The discussion then focuses on the employer profile and the labour market profile. Both are important in providing a detailed background to the nature of employers in the sector. The labour market profile looks into gender, age, disability and educational levels. Of importance is the study of employment according to the occupational levels.

1.2. Scope of coverage of the banking sector

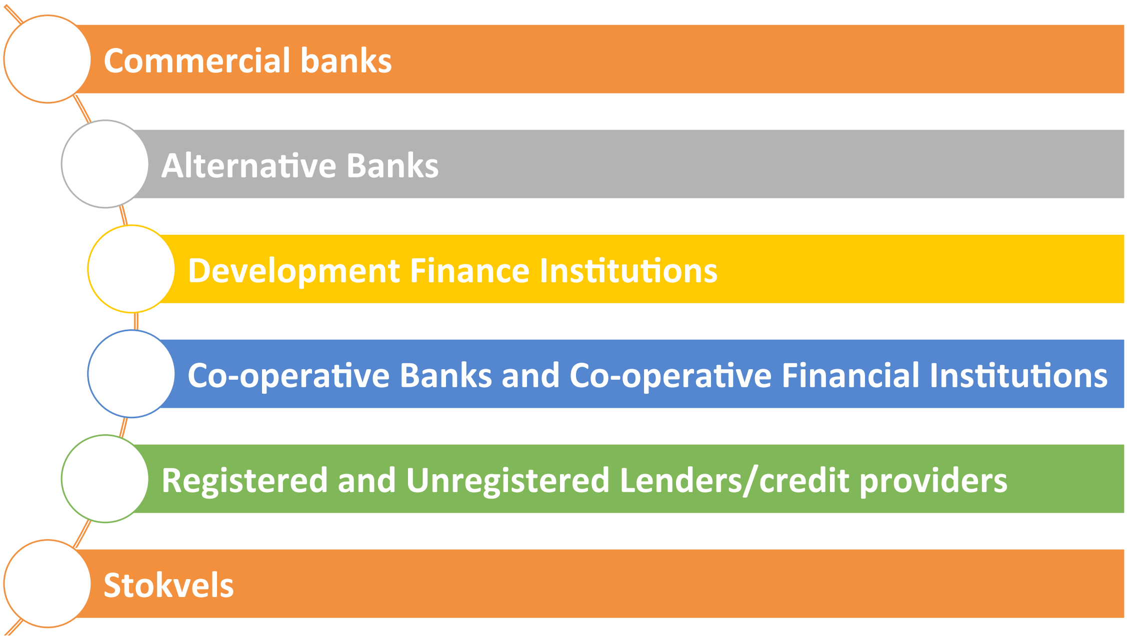
The South African banking system is well developed and effectively regulated, comprising a central bank – the South African Reserve Bank (SARB)– as well as a few large, financially strong banks and investment institutions, and a number of smaller banks and lending and savings organisations. The banking sector is not formally divided into sub-sectors, but for ease of reference BANKSETA classifies the sector into banking and inclusive banking. The banking sub-sector refers to all banking organisations that are licenced by SARB. The Inclusive banking sub-sector focuses on the micro-finance industry including co-operative financial institutions and lenders.

According to the Standard Industrial Classification, the banking sector deals with the following activities:

- Monetary Intermediation
- Discount houses and Commercial and other banking
- Building Society activities
- Other financial intermediation
- Lease financing
- Securities Dealings by banks
- Activities ancillary to financial intermediation
- Micro-finance

As reflected in figure 1 the broader banking sector comprises commercial banks and alternative banks registered with SARB as well as development finance institutions, co-operative banks and co-operative financial institutions, registered and unregistered credit providers and stokvels. In addition several regulatory organisations play a key role in ensuring compliance and governance is maintained. These include the SARB, CBDA, BASA, NCR, etc.

Figure 1 – Broader Banking Sector Institutions



Source: BANKSETA 2015

As at June 2015, SARB records indicate there are 10 locally controlled banks, 6 foreign controlled banks, 39 foreign bank representatives, 14 branches of foreign banks and 3 Mutual Banks that are registered with them to operate in South Africa. These organisations fall within the banking sub-sector. As a result of the increased competition in this market, major banks have come up with inclusive banking strategies that have resulted in a change in products and services, bank branches, composition of infrastructure, a shift in promotional activities, and partnering with merchants ranging from spaza shop owners to retail outlets to continuously honour cash withdrawals. According to Orsmond *et al.* (2013), these strategies include, among others:

- A change of focus on credit to an increased range of basic products covering all financial services (transactional, savings, credit, and insurance) to serve the entry-level market better.
- Creation of alternatives to branches aimed at reducing capital costs – mobile offerings, carve outs/in-retailer models, 'access agents', self-service devices (cash accepting ATMs) and kiosks.
- Extension of operating hours to serve commuters effectively.
- Below-the-line marketing strategies to differentiate offerings for the entry-level market from traditional offerings.

Postbank, a division of the SA Post Office, is a deposit-taking institution but is not a fully-fledged bank. Its mission is to establish a financial institution for the mass mobilisation of savings and investment funds from the broad community by making available accessible payment and savings services through post offices and other outlets. Postbank has applied for a banking licence from SARB.

The Inclusive Banking sector focuses primarily on Development Finance Institutions, Co-operative Banks and Co-operative Financial Institutions, Credit providers (registered and unregistered with the NCR) and Informal savings (Stokvels). As there are many informal (unregistered) players within the micro-finance sector, it is difficult to provide a clear picture of this sub-sector.

There are a number of Development Finance Institutions established in South Africa that serves as key channels through which government funding drives economic growth and employment creation. Four of these are registered employers with BANKSETA: the Development Bank of Southern Africa (DBSA), Ithala Development Finance Corporation, the KZN Growth Fund Trust and the Land and Agricultural Development Bank of South Africa (Landbank).

There are 2 Co-Operative Banks that are currently licenced by SARB. A Co-operative Financial Institution (CFI) is the term used for member based deposit taking financial co-operatives owned and controlled by their members who have a common bond and whose members choose to call themselves either a Credit Union, Savings and Credit Co-operative (SACCO) or Financial Services Co-operative (FSC). With the growth of the co-operative sector in South Africa, Co-operative Financial Institutions and Co-operative Banks are meant to formalise group savings and lending schemes and larger stokvels, which are currently exempted from the regulations of the Banks Act.

Credit provision in the form of loans in South Africa has grown exponentially with both secured and unsecured credit provided by both registered and unregistered credit providers. For many years banks have been lending money primarily through the process of secured lending. Their stringent processes however declined many applicants and this created the market for private lenders providing unsecured credit. Recently though private loans companies like Capitec, Ubank and African Bank converted to become banking institutions registered with SARB for a banking licence.

Only credit providers of a certain size must register with the National Credit Regulator. Credit providers who have less than 100 agreements in their book or whose total outstanding credit agreements does not exceed 500 000 do not have to register. However the unregistered lenders have grown tremendously: even though they do not have to register they still have to comply with the National Credit Act.

Stokvels are group savings schemes providing for mutual financial assistance amongst communities. These take different forms depending on the purpose of the scheme... ranging from burial, savings, grocery, and investment stokvels.

Retailers and telecommunication operators have also come to the party with the provision of entry level financial services ranging from store cards, cash handling services and personal and home loans, to insurance products and other value added services. Furthermore, over the past few years there has been a rapid change in technology which has seen delivery of microfinance products and services through mobile phones.
Banking services in general include the following as is reflected in table 1 below:

Table 1 – General Banking Services

Investment banking
Corporate Finance: Assisting businesses with their funding needs, typically in support of relationship managers who are responsible for integrated client interaction.
Capital Markets: Advising business on a variety of ways to access financial markets, usually coordinating between corporate finance, sales & trading, and research
Mergers and Acquisitions: Assisting buyers or sellers of businesses with deal execution, advising on the strategy, timing, value, and terms associated with such transactions.
Public Finance: Assisting municipalities and other public-sector entities with their financing needs.
Sales/Trading: On behalf of clients or using the bank's own capital, selling, buying and structuring financial products.
Research: Providing industry, company, or product analysis to investors, typically in support of sales & trading and wealth management areas.
Wealth Management: Assisting individual investors with a variety of personal finance decisions and investment choices.
Hedge funds: Investment vehicles that mainly trade public and highly liquid securities, using a variety of strategies

Private equity funds: Investment and buyout firms that privately finance or acquire businesses, often using financial leverage to enhance returns after a multi-year hold period.
Venture capital funds: Investment funds that finance start-ups and other early-stage businesses, usually with minority equity positions, hoping for IPO or M&A liquidity events as these businesses mature.
Commercial Banking
Relationship Management: Interacting with corporate, small business or individual clients to market the bank's products and make sure client needs are addressed.
Structuring/Underwriting: Using the bank's resources to package loans or related financial products for clients, making sure that capital risks are adequately mitigated.
Syndication & Sales: Offloading all or parts of underwritten loans to other financial institutions, in support of structuring/underwriting and relationship management.
Risk Management: Assisting clients and working with bank's internal resources to help manage interest rate, foreign exchange and other market price exposure.
Cash Management: Assisting corporations with the flows and short-term investment of cash balances.
Retail Banking: Working with individuals and small businesses to address their banking needs at the branch level.
Credit Cards, Mortgages, Student Loans, etc.: Marketing, structuring, packaging, underwriting, and management of consumer credit products.
Loans/Provision of finance to business/individuals
Home loans/Housing: loans to purchase fixed property usually over a long term
Asset based: loans to purchase vehicles, furniture, etc
Business loans: loans to fund activities in a business
Short term or micro loans: loans that of a small value and usually paid over a short time period provided by registered and unregistered lenders
Student Loans: Loans granted for study purposes. These are usually repayable on completion of the study
Savings
Long term: Savings and investments taken over a long period of time. Usually the funds are not available in the short term.
Short term: Savings that is easily accessible over a short time.
Money market: Savings is available within 24 hours
Stokvels: Informal savings amongst friends and communities

Source: BANKSETA 2015

1.2. Role-players in the Banking sector

The Banking and Inclusive Banking sector is relatively well regulated and supported by government. The following role-players have a key influence on the banking sector as reflected in table 2 below:

Table 2 – Role-players in the Banking Sector

Institution	Influence on the Banking Sector
SARB	The South African Reserve Bank (SARB) is the central bank of South Africa. It is an organ of statute established by the SARB Act, and its mandate and independence are entrenched in the Constitution of the Republic of South Africa, 1996. In terms of its constitutional mandate, the Bank is required to protect the value of the currency in the interest of balanced and sustainable economic growth in South Africa. Price stability is a critical element of the foundation of an economy, contributing to economic growth, development and employment creation. The achievement of price stability is defined by government setting an inflation target that serves as a yardstick against which price stability is measured. The achievement of price stability is underpinned by the stability of the entire financial system.
BASA	The Banking Association of South Africa (BASA) is an industry body representing all registered banks in South Africa. It is the mandated representative of the sector, and represents the industry through lobbying, engagement with stakeholders and political influence. The Banking Association South Africa is the mandated representative of the banking sector and addresses industry issues through: • Lobbying and advocacy • Policy influence • Guiding transformation in the sector • Acting as a catalyst for constructive and sustainable change in the sector • Research and development • Engagement with critical stakeholders
FSB	The non-banking sector is overseen by the Financial Services Board (FSB). An independent body, it is responsible for the regulation of financial markets and institutions, including insurers, fund managers and broking operations.
NCR	The National Credit Regulator (NCR) is responsible for regulating the South African credit industry, including the registration of credit providers, credit bureaux and debt counsellors. It is responsible for enforcing compliance with the National Credit Act, and is focused on developing an accessible credit market to meet and promote the needs of people who are marginalised, especially economically.
Bankserv	BankservAfrica is Africa's largest automated clearing house and has played a crucial role in enabling simplicity in the payments industry, processing billions of payment transactions per year, while maintaining the safety and security of South Africa's National Payment System.
South Africa's National Payment System	South Africa's National Payment System is a department within SARB and encompasses the total payment process. This includes all the systems, mechanisms, institutions, agreements, procedures, rules and laws that come into play from the moment an end-user, using a payment instrument, issues an instruction to pay another person or a business, through to the final interbank settlement of the transaction in the books of the central bank. The NPS therefore enables transacting parties to exchange value to conduct business efficiently.

SASBO	The South African Society of Bank Officials (SASBO) is the Trade Union for the banking sector. The Finance Union represents employs in all the major banks and hence serves as the voice of labour within the finance sector.
IoB	The Institute of Bankers South Africa (IoB) is the professional body for bankers and financial specialists. The Institute of Bankers in South Africa provides members with professional designations, networking, educational, training and information opportunities.
SABRIC	The South Africa Banking Risk Information Centre (SABRIC) is a Not for Profit Company formed by the four major banks to assist the Banking and Cash in transit companies combat organised bank-related crimes. It serves as a financial crime risk information centre.

Source: BANKSETA 2015

The following role-players influence the Inclusive Banking sector as reflected in table 3 below:

Table 3 – Role-players in the Inclusive Banking Sector

Institution	Influence on the Inclusive Banking Sector
NCR	The National Credit Regulator (NCR) is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring the enforcement of the National Credit Act. The Act requires the regulator to promote the development of an accessible credit market, particularly to address the needs of the historically disadvantaged, low-income earners, and remote, isolated or low-density communities. The NCR is also tasked with registering credit providers, credit bureaux and debt counsellors.
CBDA	The Co-operative Banks Development Agency was established to regulate, promote and develop co-operative banking, including deposit-taking and lending co-operatives. Their role is to: To register, regulate and supervise co-operative banks To promote, register and regulate representative bodies To facilitate, promote and fund education and training to enhance the work of co-operative financial institutions To accredit and regulate support organisations To provide liquidity support to registered co-operative banks through loans or grants To manage a deposit insurance fund
MFSA	Micro-Finance South Africa (MFSA) is a representative body of registered and legal Microfinance Credit Providers in South Africa. MFSA represents almost 1700 Microfinance offices registered with the NCR and the majority of significant Service Providers in the Sector.
NACFISA	National Association of Co-operative Financial Institutions of South Africa ('NACFISA') operates as a national representative body and support organisation for all Co-operative Financial Institutions - CFIs (i.e. co-operative banks, savings and credit co-operatives - SACCOs and Financial Services Co-operatives - FSCs) in all nine Provinces of South Africa.
SACCOL	SACCOL is a registered co-operative that regulates and monitors the activities of SACCOs (savings and credit co-operatives) in South Africa. SACCOL also provides capacity-building services to affiliated members

DMASA/ AMFISA	A non-profit organisation that supports the development of Micro-finance institutions in South Africa.
NASASA	National Stokvel Association of South Africa (**NASASA)** represents the interests of the stokvels movement in South Africa.
NRHF	The National Rural Housing Fund was established to improve the housing situation of targeted rural households through their access to housing loans by providing wholesale finance and support to appropriate financial intermediaries to enable them to lend to low-income people.

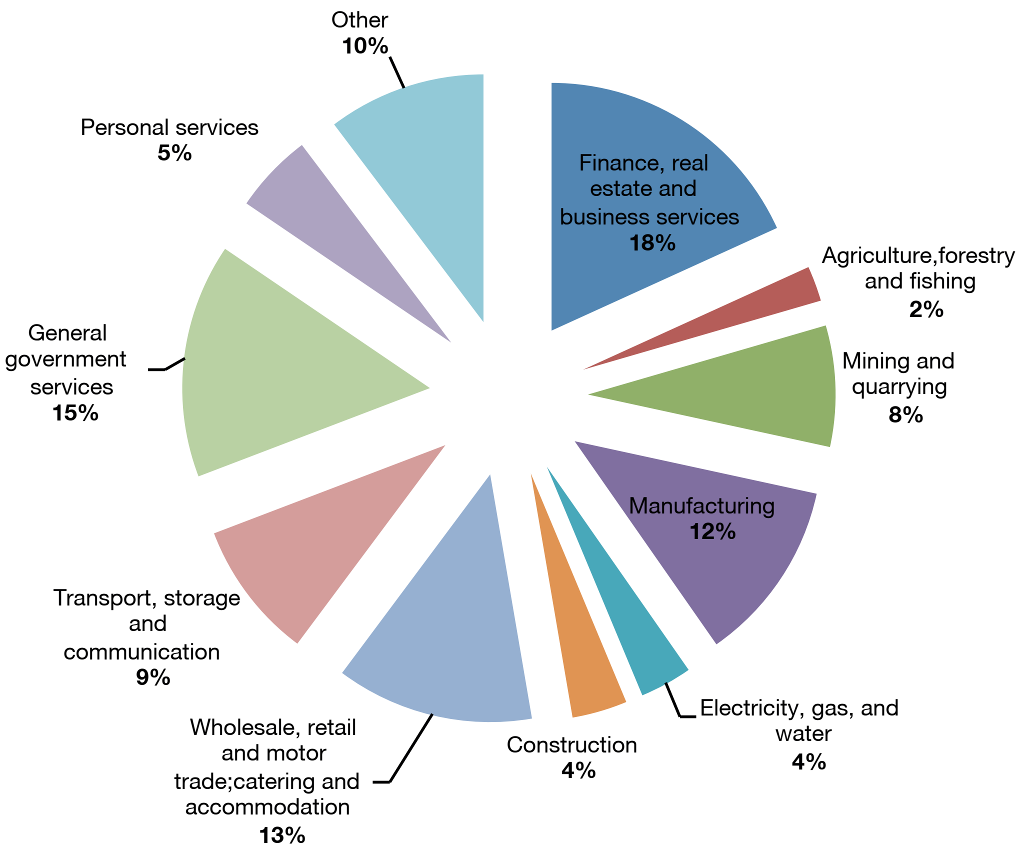
Source: BANKSETA 2015

1.3. Economic Performance

South Africa has a well-developed banking sector which compares favourably with those of developed countries. The SA banking sector has been ranked 6th out of 144 countries in terms of soundness in the 2014/15 World Economic Forum Global Competitiveness Survey.

Figure 2 below shows the sector's contribution to GDP, Statistics SA reports that the Finance, Real Estate and Business Services which includes the banking sector contributed about 18.2 percent to GDP in the third quarter of 2014. During the third quarter of 2014, the Finance, Real Estate and Business Services sector was the highest contributor to GDP followed by the Government Services sector at 15.3 percent and Wholesale and Retail sector at 13 percent.

Figure 2 – Sector contribution to GDP 2014Q4



Source: Statistics SA 2014

The SA banks have also been performing well on the Johannesburg Stock Exchange (JSE). According to Sharenet, the big four banks, Investec and Capitec Bank had, as at 20 February 2015, a market capitalisation of about R943 billion. Table 4 below depicts the share prices and movements (1 month) of the six banks as at end of business day on 19 February 2015.

Table 4 – Banks Share Price (19/02/2015)

Bank	Share price (19 Feb 2015)	Move (1 month)
Barclays Africa (ABSA)	R191.90	5.38%
Capitec	R398.00	20.28%
FirstRand	R52.50	9.92%
Investec	R103.29	8.16%
Nedbank	R257.79	5.8%
Standard Bank	R154.09	9.35%

Source: Sharenet

In 2014 South Africa's growth was recorded as 1.5%, the weakest performance since the global financial crisis. The nation's economy was affected by its most protracted industrial action in the form of strikes and significantly weak demand from trading partners. Various infrastructure gaps, notably inadequate energy supply, weak domestic demand, and anaemic investment rates also acted as a drag on growth. Nevertheless, projections based on improvements in the global economy, the successful completion of major government projects (including the Medupi power station), and new investment plans, suggest that growth could rebound to 2.0% in 2015. As one of the BRICS (Brazil, Russia, India, China and South Africa) the country is well integrated into the global economy.

The strong labour unrest marked a crack in the tripartite alliance between the African National Congress (ANC), the South African Communist Party (SACP) and the Congress of South Africa Trade Unions (COSATU). COSATU lost its biggest affiliate union, the National Union of Metalworkers of South Africa (NUMSA), as well as its leadership position in the platinum sector to the Association of Miners and Construction Union (AMCU), a new union.

According to the Labour Market forecast for 2015 (Quarter 1) for Unemployment continues to pose significant challenges: it has reached 24.3%, and youth unemployment 49% at the end of 2014. The service sector has grown in contrast with the manufacturing sector, despite the government's industrialisation plans to combat unemployment. Skills shortages continue to act as a constraint on growth. The outlook for growth is better for financial services and for the agriculture, forestry and fisheries sectors.

The South African Reserve Bank has confirmed its commitment to price and financial stability, and inflation targeting remains a key monetary policy anchor in South Africa. The depreciation of the rand (ZAR) exchange rate led the Reserve Bank (SARB) twice to increase the base rate, which since July 2014 has been at 5.75%. Rises in interest rates affected investment levels, which are structurally low. South Africa's fiscal position improved with the deficit falling to 3.4% of gross domestic product (GDP), thanks to increased tax revenues, which helped offset increasing government expenditure. High wage demands by public sector unions in 2015 could pose a fiscal risk. The new administration announced a number of measures to consolidate the budget and reduce the growth of expenditure to a real rate of 1.3% over the next two years, mainly by freezing government personnel expenditure and reducing non-essential spending. The following macroeconomic indicators reflects the slow growth and stagnant economy experienced in 2014. As shown in table 5 below, inflation rose the highest in 2014 to 6.1, Real GDP Growth was the highest in 2013.

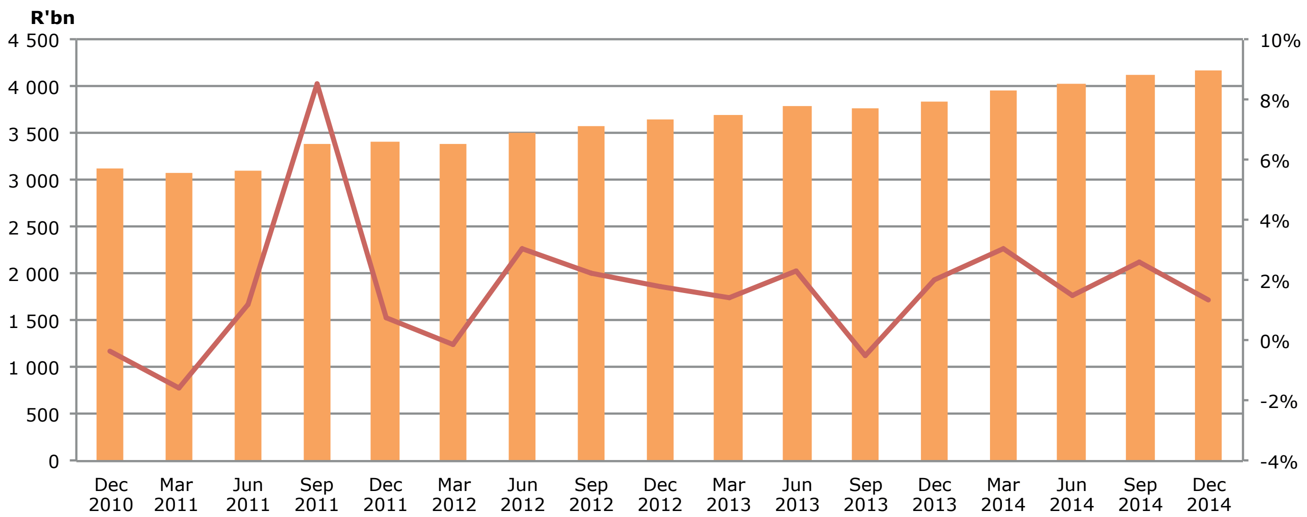
Table 5 – Macroeconomic indicators 2014

	2013	2014	2015 (projected)	2016 (projected)
Real GDP growth	2.2	1.5	2	2.5
Real GDP per capita growth	1.5	0.8	1.4	1.9
CPI inflation	5.7	6.1	4.9	5.3
Budget balance % GDP	-3.9	-3.4	-3.6	-3.9
Current account balance % GDP	-5.8	-5.8	-5.4	-5.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations, using data available as of Q1, 2015.

According to the SA Reserve Bank (SARB), the total assets of the sector amounted to R4.3 trillion at the end of December 2014 (Figure 3), an increase of 8.9 percent from the total value of assets recorded in December 2013. The five major banks, namely, Barclays Africa Group (otherwise known as ABSA), First National Bank (FNB), Investec Bank, Nedbank, and Standard Bank represent about 90.5 percent of total banking assets. Standard Bank is the largest bank in SA in terms of assets (around 25 percent of total banking assets) and customers (about 10.5 million customers). ABSA leads in terms of footprint[1] in South Africa at 37 percent, followed by Standard Bank, FNB and Nedbank at 27 percent, 19 percent and 10 percent respectively (Orsmond et al. 2013).

Figure 3 – Total assets of the SA banking sector

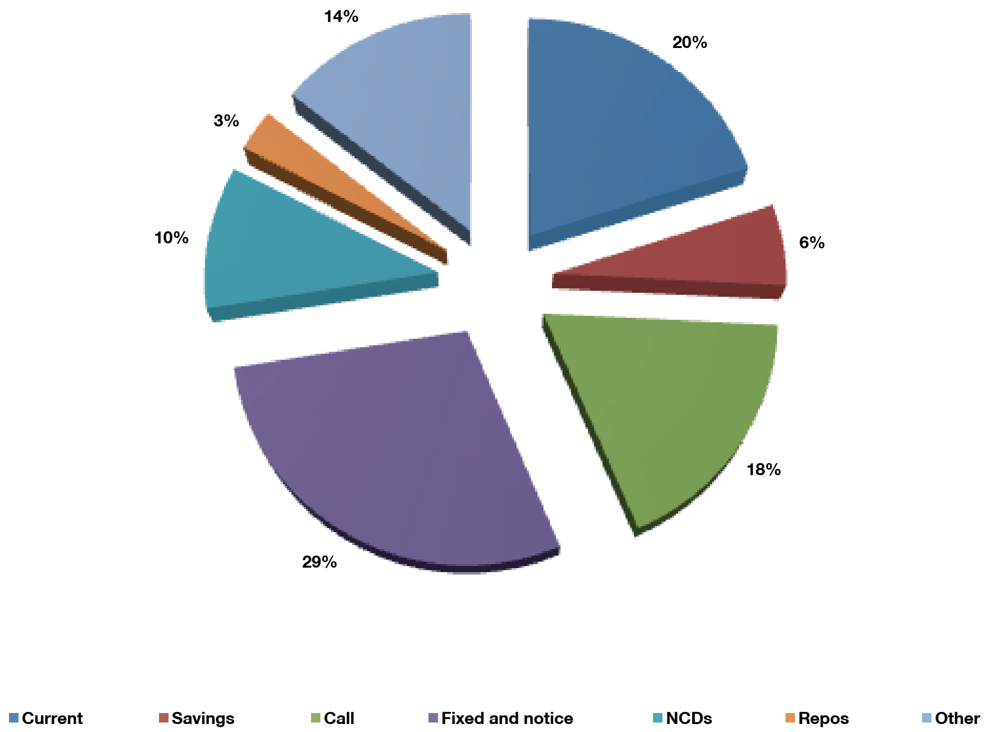


Source: SA Reserve Bank

1. *Branches and ATMs.*

The return on equity (ROE) of the total banking sector amounted to 14.65 percent in December 2014, whilst the return on assets (ROA) was around 1.08 percent. As at June 2014, the combined headline earnings of the big four banks was around 13.1 percent, according to the 2014 PWC Major Bank Analysis Report. Deposits of the total banking sector amounted to R3.4 trillion in December 2014, with Fixed and Notice Deposits constituting the largest component at 29 percent (Figure 4).

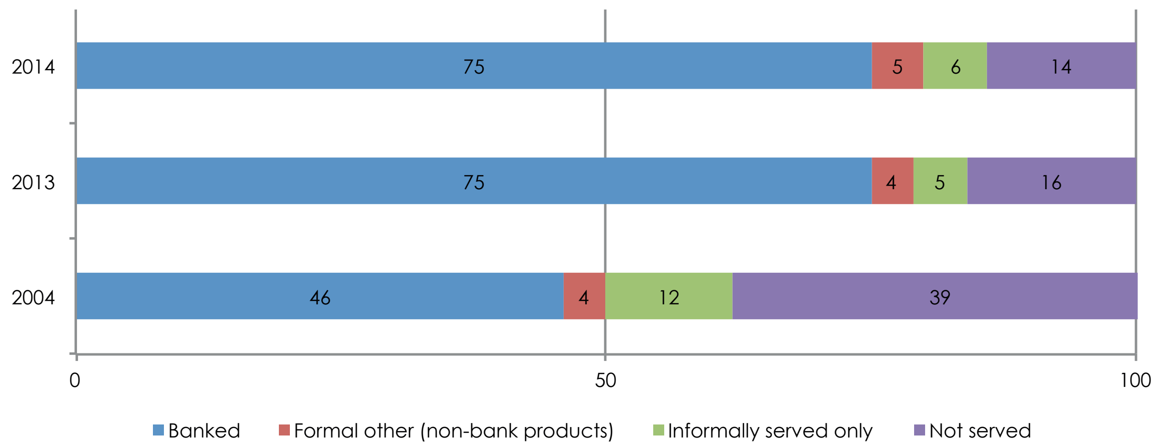
Figure 4 – Composition of deposits



Source: SA Reserve Bank

Even though the SA banking sector is well developed, a large portion of the SA adult population still remains unbanked. According to Finscope Survey 2014, about 14 percent of the adult population is still not banked. The banking sector, however, has made great strides in opening up access in the past 10 years as 39 percent of the population was unbanked in 2004 (Figure 5).

Figure 5 – Access to financial services



Source: Finscope Survey 2014

The sector faced some challenges in 2014, with the bailout of African Bank due to major losses incurred and its subsequent placement under curatorship by the SARB in August 2014.

Moody's Ratings Agency downgraded the credit rating of four major SA banks soon thereafter citing a "lower likelihood of systemic support from South African authorities to fully protect creditors in the event of need". There was a further downgrade of the five major banks by Moody's in November 2014. According to the rating agency, this was as a result of the weakening of the SA government's credit profile, combined with the banks' sizable holdings of sovereign debt securities, which links their creditworthiness to that of the national government. This second downgrade followed a sovereign downgrade by Moody's to Baa2 (the second-lowest investment grade) citing slower growth and rising debt levels.

Other challenges currently facing the banking sector in general, according to the PWC Banana Skins 2014 Report, include, amongst others, excessive regulation, the macroeconomic environment, technology, and credit risk. The scope and speed of evolution in regulation, customer behaviour and technology, coupled with changing market dynamics and the aggressive non-bank competitors, mean that banks' strategic focus will require some refining to remain relevant.

In terms of the outlook for the sector, Standard and Poor's rating agency expects fewer asset quality problems in 2015 out of unsecured loans, as lenders like African Bank and Capitec have now made upfront provisions for loans and inflationary pressures have eased. The agency has indicated that local banks entered 2015 with a "stable outlook" for the first time in three years and that no changes to the banks' credit ratings were expected by the ratings agency as economic growth was expected to improve to 2.5 percent in 2015.

Banks will find it difficult to increase profits in light of the subdued economic growth in SA and globally. Furthermore, consumers are highly indebted, with household debt currently representing 78 percent of household income. Consumers have been affected by the subdued economic conditions and the increased cost of living, precipitated by factors such as increased electricity costs and higher interest rates.

The SARB raised the repo rate by 25 basis points to 5.75 percent per annum in July 2014, thus making the prime lending rate to be 9.25 percent. A rise in interest rates has a negative impact on affordability and repayment of loans by the consumer. The IMF has also highlighted the threat posed by households struggling to repay their debts. There has been an evolution in the microfinance landscape over the past few decades. It started off as a simple service offering micro-loans to the world's unbanked populations, which now has evolved with products and service offerings that aim to provide low-income people with tools to meet credit and saving needs, as well as manage risk and efficiently execute transactions. This evolution is often referred to financial inclusion. Loan products in the sector are mostly unsecured and after a peak in unsecured lending in the past few years, there appears to be some moderation (Table 6). Unsecured lending, however, declined by 12 percent between the second quarters of 2013 and 2014, with the largest decline being evident on the R5 100 and R8 000 loan category.

Table 6 – Unsecured lending

Rand value of agreements	2013 Q2	2014 Q2	Growth
R0 - R3 000	495 429 000	592 803 000	20%
R3 100 -R5 000	597 838 000	531 089 000	-11%
R5 100 - R8 000	1 146 874 000	691 243 000	-40%
R8 100 - R10 000	822 731 000	545 109 000	-34%
R10 100 - R15 000	1 643 704 000	1 182 854 000	-28%
>R15 000	17 357 868 000	15 776 646 000	-9%
Total	22 064 444 000	19 319 744 000	-12%

Source: National Credit Regulator

1.4. Employer Profile

The banking sub-sector is currently made up of:

- 17 registered banks,
- 3 mutual banks,
- 14 local branches of foreign banks,
- 2 cooperative banks and
- 40 foreign banks with approved local representative offices

A detailed list of the organisations registered with SARB is available from their website.

Most of the banks have their head office in Gauteng which makes it the banking capital in South Africa. However they have an extensive network of branches, self-service kiosks and ATMs across the country which ensures that banking services are easily accessible to all clients.

The Ernest and Young (EY) Global Banking Outlook 2015 report indicates that global megatrends, stakeholder pressures and subdued economic growth will drive both evolution and revolution for banks over the next decade. These trends include, amongst others, the changing workforce (changing working patterns and employee expectations); adopting advanced technology (including digital business – smartphone penetration etc.); surviving a new era of competition; delivering profitable growth; and introducing new products that are more aligned to emerging client needs. Furthermore, banks start a New Year with a formidable challenge of how to design, implement and manage a business model that will meet the supervisor requirements as well as the demands of shareholders and investors. Containment of costs remains a core focus area as banks continue to invest in talent and improve their IT capabilities to respond to customer demands, regulatory requirements that require enhanced data capabilities, and cyber-crime. There has been a shift in the way of banking in the past few years with the introduction of banking apps, cashless payments and futuristic bank branches. Furthermore, expansion into the rest of Africa by banks continues to be a key trend, as major banks continue to increase their intensity in expanding the footprint across the continent.

Expansion into Africa to explore other growth prospects has been a major trend amongst SA banks. The World Bank expects Africa's economic growth to exceed 5 percent in 2015, which presents a lot of opportunities for SA banks. According to the IMF FSAP report, SA's four largest banks have 46 foreign subsidiaries, 39 of which are in Africa. The size of these subsidiaries is significant in some host countries such as Namibia, Swaziland and Lesotho. However, the combined exposure in Africa accounts for only 2 percent of total banking assets. Standard Bank operates in 20 countries and is the largest bank in Africa by assets; Barclays Africa Group (ABSA) has a presence in 12 countries; FirstRand has presence in about 5 countries whilst Nedbank has a presence in Mozambique, and its stake in Ecobank gives it access to the bank's operations in 36 countries. Expansion into Africa is expected to continue as the continent is expected to experience increased economic growth and presents a lot of opportunities that banks could explore such as infrastructure finance. The World Bank reports that the key drivers of growth in the SSA region are, amongst others, the increase in agriculture production, and investment in public infrastructure, e.g., transportation, ports, and electricity capacity.

According to The Banker 2014 bank ranking list, SA's big four banks took the top spots in the African ranking list (Table 7). Standard Bank was on top of the list with Tier 1 capital of $10.57 billion, followed by FirstRand (including FNB) with $7.83 billion in capital; Nedbank was ranked third with $5.11 billion capital. Absa as an individual bank has been dropped off from the list as it now forms a complete part of the Barclays Group (ABSA would have been placed 3rd, ahead of Nedbank). According to The Banker, Barclays Africa Group has about $5.9 billion in capital. Other South African banks that formed part of the top 25 banks in Africa include Investec, Capitec, and African Bank.

Table 7 – SA banks rankings in Africa and globally

Bank	Africa ranking	Global ranking
Standard Bank	1	116
FirstRand	2	152
Nedbank	3	195
Investec	7	320
Capitec	18	678
African Bank	22	754

Source: The Banker as quoted by Bronkhorst (2014)

A strategy that has been growing in prominence internationally and in Africa is branchless banking. In the past, opening branches or physical points of presence was the main way of reaching clients. Due to the costly nature of branches, it became necessary for banks to look at alternative measures. A branch, however, can still be the best method of delivery in areas that have adequate numbers of clients and usage levels. The use of agents, information and telecommunication platforms has been a significant part of branchless banking. There are, therefore, two pillars of branchless banking, namely, face to face and self-service. Face to face entails the use of a partnership approach to service clients, whilst self-service entails using a self-service device. The four major banks in SA do provide self-service branchless banking services and some have made good progress – partnering with merchants ranging from spaza shop owners to retail outlets that have adequate funds to honour cash withdrawals. However, there have been some challenges which this approach to banking and these relate to Agent/Partner recruiting and training, managing and maintaining partnerships. The client uptake poses another challenge that is, changing the client's behaviour to actually make use of branchless banking facilities, which is a function of information and trust. Branchless banking in SA, however, has a potential to reach a large number of those falling within the low-income bracket, the under-banked and unbanked people – a great potential as a core financial inclusion strategy.

The retail banking industry in South Africa is a highly competitive market. The depressed credit market coming out of the financial crisis of 2009 has resulted in local banks embarking on a more focused undertaking to increase revenue – either through increased growth into the 'high-risk high-return' market of unsecured lending, or supplementing the low growth in interest income with other fee income.

Banks itself are difficult to register and require lengthy compliance to regulations set up by SARB. However, branches are easy to establish. Due to the highly competitive nature of the banking sector, it is almost an impossible task to identify where all the branches of the tier 1 and 2 banks are located in order to provide a geographic map. With the introduction of on-line banking and mobile banking, the position of branches and ATMs is fast becoming obsolete as the banking sector gears towards branchless banking. Table 8 below is an indication of the number of branches for the top seven banks including Postbank operating in South Africa:

Table 8 – Number of branches of major banks

Name of Bank	Number of Branches
African Bank	637
First National Bank	775
ABSA Bank	800
Nedbank	536
Standard Bank	700
Capitec	589
Postbank	2 600
Ubank	100

Source: BANKSETA

The table indicates indicate that the branch network is relatively large. This is however a cost that banks must carry which is becoming burdensome. With branchless banking and technological advancements the future of banking may see branches slowly disappearing. Table 9 below gives an indication of the number of branches of the above 8 banking organisations that have opened and closed in the last five years:

Table 9 – Branches opened and Closed from 2011-2015

Province	Number of branches closed since 2011	New Branches opened since 2011
Eastern Cape	41	31
Free state	22	21
Gauteng	75	52
KZN	75	41
Limpopo	17	13
Mpumalanga	5	10
North West	7	6
Northern Cape	5	0
Western Cape	14	45

Source: BANKSETA 2015 WSP

Except for the Western Cape, there were more branches closed than were opened. This may be attributed to the growth of technologically driven banking products like on-line and mobile banking. Branches were closed because they were no longer viable, mergers or cost cutting exercise or operational synergies. Branches were opened for the following reasons: growing market, increase profits, better access to clients.

The Inclusive Banking sub-sector comprises the following:

- There are approximately 15 Development Finance Institutions that offer various financial support to business.
- According to National Treasury Records, there are 2 registered co-operatives and 26 registered CFIs.
- According to the National Credit Regulator in its 2013/14 Annual Report there are 5 724 credit providers' with 45 508 branches, 13 credit bureaus and 2 105 debt counsellors.
- Unconfirmed reports indicate that there are about 50 000 unregistered credit providers operating in South Africa.
- According to NASASA there were an estimated 421,000 stokvels in the country, representing 23% of the adult population.

In terms of the DFIs, four of them are levy registered employers with the BANKSETA. The purpose of the DBSA is to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. Its goal is to improve the quality of life of the people of the region. The bank plays multiple roles to mobilise finance and expertise for development projects. The Land Bank is a specialist agricultural bank guided by a mandate to provide financial services to the commercial farming sector and to agribusiness and to facilitate access to finance by new entrants to agriculture from historically disadvantaged backgrounds. The primary focus of Ithala is to increase the participation of black people in all sectors of the economy, and positively impact on job creation, skills development and training. Ithala's business finance solutions are designed to meet the needs of established businesses and emerging entrepreneurs through the provision of short, medium and long-term lending products. Ithala's Co-operatives Lending Programme is aimed at mobilising communities in KwaZulu-Natal to form co-operatives and access much needed finance. Ithala limited provides a range of key savings and investments products, insurance services and personal and home loan products to communities throughout the Province via an extensive distribution network of branches. Ithala Limited was the pioneer into the unbanked sector and despite commercial banking having moved into this market, Ithala Limited remains focussed and committed to fostering a culture of savings amongst historically disadvantaged communities.

The Combined Annual Report of the Supervisors of CBDA and SARB indicates that as at February 2014 there are 2 financial institutions registered as co-operative banks with SARB and 26 CFIs registered with either CBDA or SARB.

The co-operative banking sector experienced a significant growth in its asset base in 2014, supported mainly by growth in deposits, retention of profits, and capital injection. According to the 2014 Cooperative Bank Development Agency (CBDA) Annual Report, the total assets of the sector increased by 5 percent to R199 million in 2014 (Table 10).

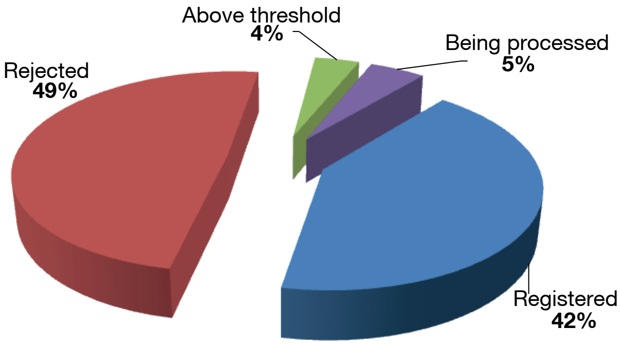
Table 10 – Consolidated sector status (including co-operative banks)

Category	2010/2011	2011/2012	2012/2013	2013/2014	Growth
No. of CFIs	121	106	35	26	-26%
Membership	59 394	53 240	38 084	33 391	-12%
Savings	175 265 000	196 230 000	200 841 000	198 624 848	-1%
Loans	116 577 000	132 227 000	142 310 000	140 463 755	-1%
Assets	195 213 000	217 506 000	220 800 000	231 367 670	5%
Average savings per member	2 951	3 686	5 274	5 948	13%

Source: Co-operative Banks Development Agency

A total of 57 cooperative financial institutions applied for registration in terms of the Exemption Notice[1] between 2012 and 2014. Forty nine percent of those applications were declined[2] (Figure 6). Only two co-operative banks[3] have been registered so far as others have not yet met all of the prudential requirements – reasons include weak governance structures, poor management systems, insufficient operational capacity, and inadequate capital levels.

Figure 6 – Status of co-operative financial institutions applications



Source: Co-operative Banks Development Agency

2. *Banks Act Exemption Notice (No. 404 of 25 May 2012).*
3. *Reasons for decline include failure to compile with capital and member requirements, insolvency, outstanding documents etc.*
4. *Ditsobotla Primary Savings and Credit Co-operative Bank and Orania Savings and Credit Cooperative.*
5. *The CBDA provides a minimum level of prudential oversight as well as capacity building support.*

A number of developments have taken place in the financial cooperatives market. Financial cooperatives used to be regulated by either SA Micro Apex Fund (SAMAF) or the Savings and Credit Co-operative League of South Africa (SACCOL). They are now required to register as a Co-operative Financial Institution (CFI) with the Co-operative Banks Development Agency (CBDA)[1] once they have a capital base of R100 000 and have 200 active members. The Cooperative Banks Act No. 40 of 2007 stipulates that once a CFI reaches savings deposits of R1 million or more, they are required to register as a Co-operative Bank. Initially the CBDA provided the regulatory function for Co-operative Banks but the Financial Services Laws Amendment Bill in 2012 proposed that the supervision and regulation of Co-operative Banks be moved from the CBDA to the South African Reserve Bank (SARB). The CBDA now focuses on capacity building and supervision of the younger institutions, including promotion of apex and representative bodies, and the SARB is responsible for the prudential supervision of the larger institutions.

According to the 2014 combined SARB and CBDA Annual Report, there are two main challenges currently facing the sector, namely, the lack of an effective and affordable information technology banking platform[2], and the shortage of skills at all levels, that is, board members, staff, and members[3] – CFIs are dependent on the active participation and effective decision-making of members and board representatives. The CBDA is currently investing in training and education programmes for co-operatives and their members and these include, amongst others:

- The development of a comprehensive information technology solution;
- Working with BANKSETA to capacitate managers in the sector;
- Providing technical assistance with preparing financial statements and audit reports;
- Providing mentors in general management and policy development;
- Supporting a range of other accredited training programmes; and
- Providing training to members as a starting point to address the skills shortage faced by CFIs.

Going forward it is envisaged that a memorandum of understanding will be entered into between CBDA and SARB to ensure ongoing co-ordination and co-operation. The co-operative banks will be encouraged to adopt a more risk-based approach and appropriate capital-adequacy requirements for co-operative banks will be also be designed.

The financial co-operative sector can play an important role in financial inclusion if the challenges facing the sector are addressed as these organisations are developmental in nature. They focus on savings rather than credit and draw on local knowledge and peers to maintain member accountability. The rural CFIs serve geographical areas that are not reached by other institutions. The sector plays a significant role in financial inclusion even though it may not achieve the volumes achieved by other suppliers of microfinance services.

According to Microfinance South Africa (MFSA), the non-bank microfinance industry is a major employment generator and offers opportunities to around 10 000 individuals, many of which are in the deeper rural areas where there is high level of unemployment. The microfinance market is very broad, with seven categories of suppliers of primary microfinance services. These include salary-based microlenders; micro-enterprise lenders; primary banks; alternative banks; co-operative financial institutions; affordable housing finance suppliers; and retailers. There are also four Development Finance Institutions (DFIs) which support the microfinance sector, that is, the Small Enterprise Finance Agency (SEFA); the Micro Agricultural Finance Institution of South Africa (MAFISA); the National Housing Finance Corporation (NHFC); and the Rural Housing Loan Fund (RHLF).

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6. *Many CFIs still use manual or excel-based systems which result in, amongst others, inefficiencies; exposure to human error or fraud, and limits the ability to measure portfolio quality, and also limits the range of service offering such as electronic payment services.*
7. *A survey by Calvin and Coetzee (2013) revealed that some co-operatives felt that their members did not fully understand the benefits of being a co-operative member and they needed to learn the benefits of savings and being committed to the institution.*

There are a number of challenges that has been reported in the microfinance sector. These include the lack of a supportive legislative environment for taking non- traditional collateral; rapid growth and emerging challenges faced by the sector resulting in consolidation and re-positioning of suppliers. According to Micro Finance SA (MFSA), the legislation and compliance pressures have negatively impacted on the viability of the businesses, especially smaller credit providers, resulting in the stimulation of the underground and rogue market. In this rogue market, consumers do not have any protection and are exposed to totally uncontained cost structures. Major developments that have an impact on the industry include, amongst others:

- The National Credit Amendment Act with additional legislative changes;
- The fact that the rates and fees has not been reviewed since the inception of the Act;
- Twin Peaks regulations;
- Alternative Dispute Resolution of the new Companies Act;
- Reckless lending practices; and
- Advances in technology.

The MFSA asserts that these changes have put the sector under pressure as new initiatives need to be developed, and there needs to be more training and development. The pressure resulting from these developments has also caused a number of credit providers to close down. Investors are also exiting the market due to the uncertainty. There are, however, a number of opportunities that also exist for businesses to diversify in respect of product development and changing their business models. Development finance and housing microfinance are also becoming more important to the sector as a whole.

For further growth, microfinance organisations will need to increase their investment in personnel and technology, which will reduce their self-sufficiency levels. Government has also introduced a number of initiatives to address the challenges within the sector.

The unsecured lending market has been shrouded with allegations of reckless lending practices that are non-compliant with the National Credit Act. Not surprisingly, the major banks are moving away from this market. Amendments to the National Credit Act are expected to further curtail growth as fixed-cost structures and credit amnesty are introduced.

According to NASASA Stokvels are estimated to be worth R25 billion. There are 8.6 million stokvel members in South Africa which represents 23% of the adult population and an estimated 421 000 stokvels in total. The following types of stokvels are in operation:

- Burial society – 65%
- Savings – 30%
- Groceries – 21%
- Investment – 6%

1.5. Labour Market Profile

The WSPs received for 2015 reflects that the sector currently employs 177 173 individuals. The big four banks employ 119 294 of these individuals which is approximately 67% of the employment in the sector. The employment statistics below is based on the WSPs received from employers in the sector.

In terms of geographic distribution of employees within the banking and inclusive banking sub-sectors, as is depicted in table 11 below, an extremely large employee population is based in the Gauteng with approximately 61% of employment finding a base here. Western Cape and KwaZulu-Natal follow closely as the next large provinces with 12% of employees based in the Western Cape and 11% in KZN. The large employee population in Gauteng provides a sound base for most of the training interventions and training providers being based in this province. Local employment is geographically based as follows:

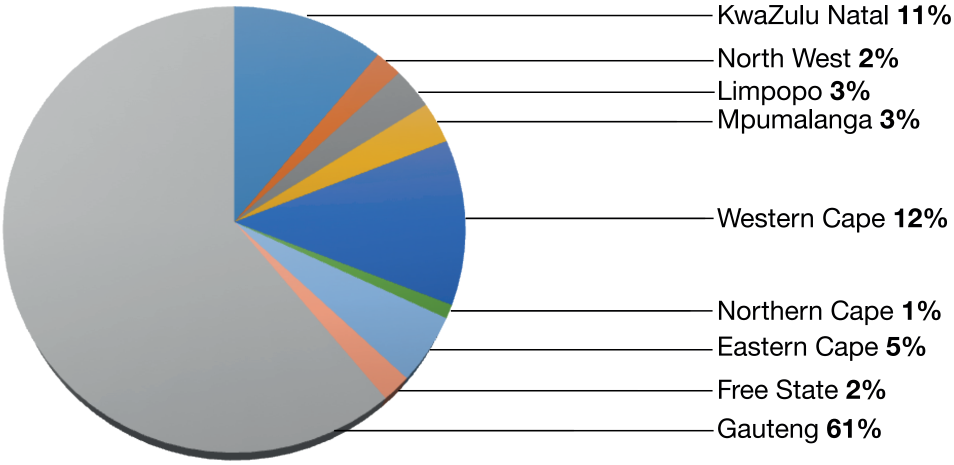
Table 11 – Geographic distribution of employees

Province	Number of Employees	Population as per provincial distribution	Employee %age
Gauteng	107 528	23.9	61
Western Cape	20 904	11.3	12
Northern Cape	1 708	2.2	1
KwaZulu Natal	18 965	19.8	11
Eastern Cape	8 362	12.6	5
Limpopo	5 907	10.4	3
Mpumalanga	5 144	7.8	3
Free State	4 696	5.2	2
North West	3 959	6.8	1

Source: BANKSETA 2015 WSP

Provinces like the Northern Cape, Eastern Cape, Limpopo, Mpumalanga, Free State and the North West provide an ideal opportunity for the growth of the inclusive banking sector where CFIs, DFIs, micro-lenders and stokvels can thrive and grow local communities to engage in financial inclusion. BANKSETA has identified these opportunities and have targeted interventions and support of Higher Education Providers to address these smaller provinces.

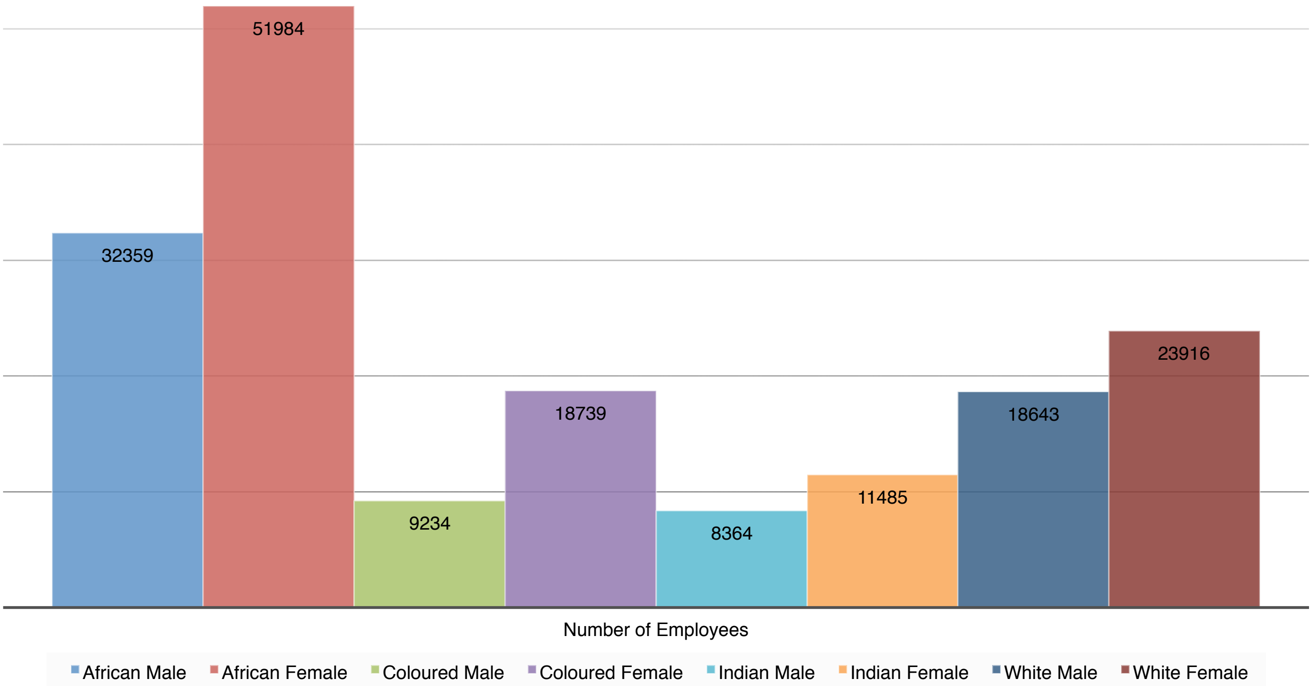
Figure 7 - % of employees per province



Source: BANKSETA 2015 WSP

In an attempt to transform the local economy, the NSDS prescribes that at least 65% of beneficiaries should be women, 84% black and 4% people with disabilities. Therefore an analysis of the race, gender, disability, youth and educational levels are important for the analysis when conducting a labour market profile.

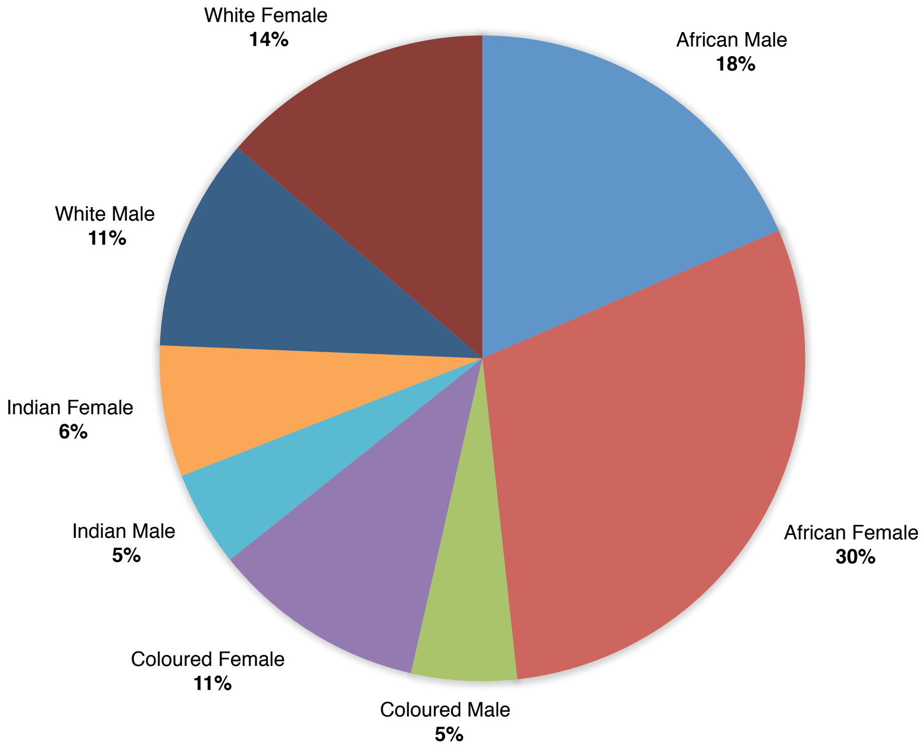
Figure 8 – Race and Gender of Banking Employees



Source: BANKSETA 2015 WSP

Figures 8 and 9 provides a graphical representation of employment in the sector in terms of race and gender. The sector employs 61% females and 39% males. This seems skewed in terms of alignment to population statistics. In terms of racial segmentation, the sector employs 75% black employees and 25% white employees. Again in terms of population statistics, this is also skewed as the white population is around 8.5% of total population. Therefore in terms of alignment to the requirements of employment equity targets, the banking sector employs more females and whites. If the sector is to align to employment equity targets, it must employ more men and individuals from the African racial group.

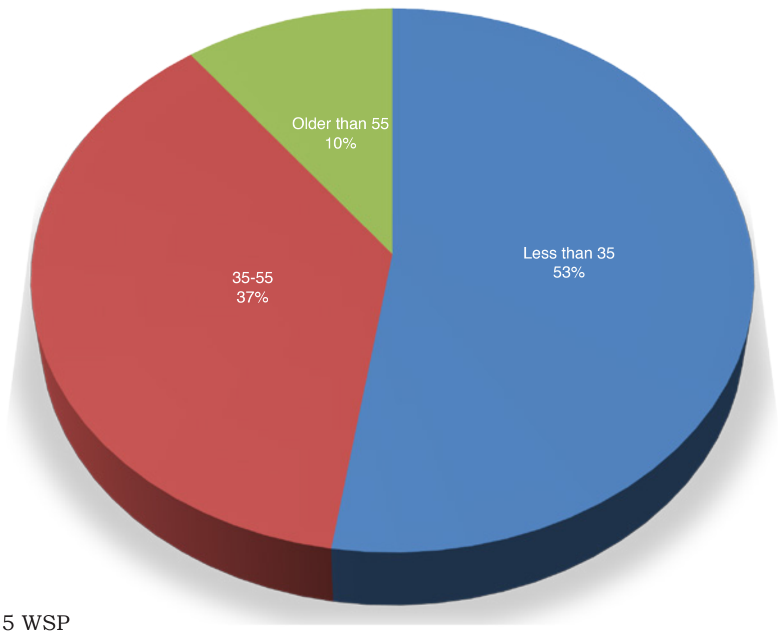
Figure 9 - % of Employees according to race and gender



Source: BANKSETA 2015 WSP

In terms of age, as shown in figure 10 the banking sector employs a youthful workforce with 53% being less than 35 years; 37% being between 35-55 and only 10% being older than 55. On the positive side, this indicates relative stability for the sector as only 10% is close to retirement age. However, this could also create a stagnant employment environment with fewer vacancies created if people remain stagnant in their posts.

Figure 10 - % of employees' age distribution



Source: BANKSETA 2015 WSP

The statistics in **table 12** relating to the employment of people with disabilities for the banking sector is alarming: a mere 1.3% of total employee population. National government's expectations is a 4% of employment should ideally be people with disabilities. The poor performance of employers to employ more people with disabilities begs the question: what are the barriers in the workplace that limits the employment of people with disabilities.

Table 12 – Number of Employees with disability

Race	Number of Employees with Disability	Number of Employees
African	698	84379
Coloured	286	27973
Indian	277	19849
White	948	42559
Other	40	2219

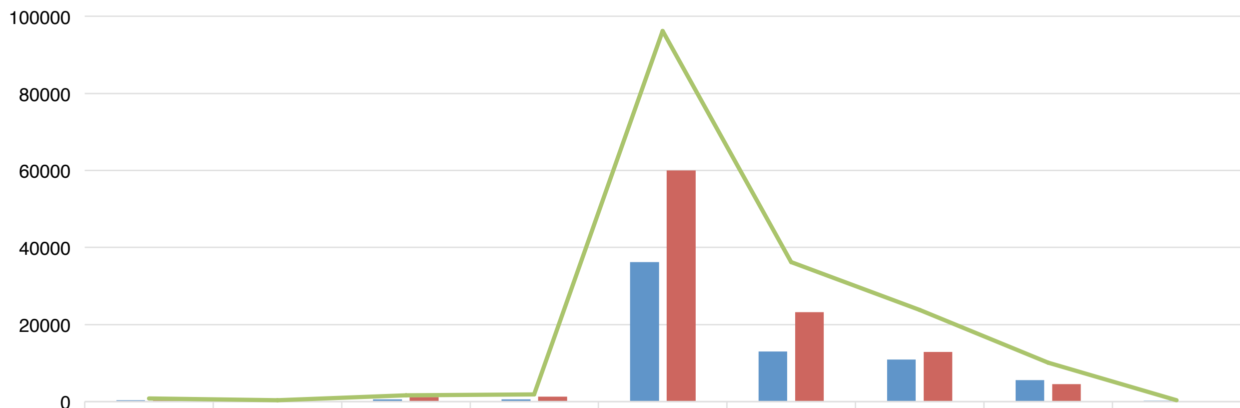
Source: BANKSETA 2015 WSP

People in the banks work within the following broad occupations:

- Clerical support
- Elementary occupations
- Managers
- Plant and Machine operators
- Professionals
- Service and Sales
- Technicians and associate professionals

The educational levels of the sector employees indicates that only 70 000 of the 177 000 employees possess a post-matric qualification. Quite often when the sector is asked about the entry level requirements for employment in the sector, maths and science at Matric level seems to be the minimum requirements. **Figure 11** provides a rather bleak picture of a sector that ought to be at the forefront of cutting edge technology. Approximately 4 500 employees have a qualification lower than a matric. Approximately 96 000 have a matric qualification and only 70 000 hold post-matric qualifications. There are only 392 employees with a doctoral degree. BANKSETA funds several programmes aimed at assisting employees to improve their qualification levels and hence career progression.

Figure 11 – Educational levels of banking employees



	Below Grade 9	Grade 9	Grade 10	Grade 11	Grade 12	Diploma	First Degree	Honours/ Masters	Doctoral
Male	320	125	564	599	36202	13033	10923	5523	229
Female	482	206	1124	1314	60020	23244	12861	4542	163
Total	802	331	1688	1913	96222	36277	23784	10065	392

Male Female Total

Source: BANKSETA 2015 WSP

With the growth of the South African banks into Africa, a need arises to understand the employment demographics of the SA banks. Table 13 below reflects employment of SA Banking Institutions employment in Africa. Skills transfer and best practice should not remain within the borders of South Africa only and BANKSETA intends on taking its best practice models in skills development to the rest of Africa.

Table 13 – Number of employees in African branches of SA Banking Institutions

Country	Total Number of Employees	Number of South Africans Employed	Number of Locals Employed
Kenya	4 453	0	4 225
Botswana	2 977	29	2 940
Namibia	2 162	19	2 130
Tanzania	2 132	7	2 110
Ghana	1 807	0	1 800
Zambia	1 732	13	1 719
Egypt	1 717	0	1 717
Mozambique	1 450	4	1 432
Uganda	1 078	0	1 021
Mauritius	899	0	899
Zimbabwe	731	0	731
Lesotho	337	7	253
Swaziland	330	3	327
Seychelles	193	0	193
Nigeria	35	9	26
Angola	1	0	1

Source: BANKSETA 2015

1.7. Conclusion

In summary, the banking sub-sector comprise the large organisations that possess a banking licence whilst the inclusive banking sub-sector comprise smaller organisations. The banking sector profile provides an indication that the inclusive banking sector is relatively small in terms of revenue generation and GDP contribution but is an important cog in the financial services sector. As the sector is highly regulated, a substantial number of role-players exist to ensure compliance to both local and international banking regulations. Other role-players provide support services and represent smaller organisations.

The economic performance of the sector provides an indication of a strong well-developed banking sector with local banks performing well on both the top 100 African Banking list as well as globally. This is largely due to a strong asset base. However, the banks have been exposed to downgrades in the past year. The employer and labour market profile provides key learnings on for opportunities for skills development. This chapter thus provided a detailed picture of the banking sector.

Chapter 2:
Key Skills Issues

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Chapter 2: Key skills Issues

2.1. Introduction

As the chapter heading suggests, an important question to ask for skills planning is "what are the key skills issues impacting the banking sector. To answer this question, this section interrogates 2 aspects: change drivers and national priorities. It is assumed that in understanding the change drivers that influence the sector, skills needs to address these drivers of change will emerge. The second aspect that informs skills issues is government priorities. There are many but for this SSP, the evaluation will focus on Strategic integrated Projects, the National Development Plan, and Government's 9 point plan, the National Skills Development Strategy, the National Credit Act and the Financial Services Charter.

2.2. Change Drivers

Understanding the causes of skills shortages provides an opportunity to understand why skills shortages exist. As shown in table 14, the most important reason for skills shortages is the failure to co-ordinate supply and demand and that there is insufficient time for supply to adjust to address demand. This in essence is the core problem: a skills shortage occurs because the skills that are in supply does not match the skills that are in demand. In the scarce skills survey, participants ranked the causes of skills shortages as being most to least important as follows:

Table 14 – Causes of skills shortages

Causes of Skills Shortages
Failure to co-ordinate supply and demand
Not enough time for supply to adjust
Lack of labour market information
Failure of providers to deliver quality of skills
Demographic and industrial restructuring in other countries and global demand for particular skills
Introduction of a new employee to an organisation and the need to adjust to new conditions
Underinvestment by employers
Inadequate staff development
The historical legacy of the past in which apartheid excluded people from access to skills
Poor retention and motivation practices
Failure of companies to invest in skills as a result of changes to business strategy

Source: BANKSETA 2015 Scarce skills Survey

Most banks still regard legislation and technology as the two major factors affecting skills demands. BASEL III, the NCA and the twin peaks regulations dictate the type of skills demanded. ICT is a major contributor to trends within the banking and financial industry with the advent of cloud computing, cellphone and online banking and the increasing risk posed by cyber-crime. These factors have changed the skills profile of the industry to that of a techno-savvy banker. Table 15 below shows that the projected future skills needs are entirely within the ICT and Regulation space.

Table 15 – Major factors affecting skills demand

Major Factors Affecting Skills Demand	Importance
Legislation	1
Technology	2
New product development	3
Compliance	4
Mobile Banking	5
Africa Expansion	6
Consumer Centricity	7
Geographic location	8
Fraud	9
Cyber-crime	10

Source: BANKSETA 2015 Scarce skills Survey

From the survey it is apparent that focus on technology and new product development which is of paramount importance to address customer centricity. Enhancing customer service implies attracting and retaining the customer base and this is one of the top challenges faced by banks. Banks who successfully employ a customer-centric business model will gain a competitive advantage. New product development must allow for increased customer choice, and systems that allow customers to bank from wherever they are. Even the unbanked population do not want to spend hours at a branch: they want to conclude their banking transactions wherever they are. They must be able to understand their customers' needs, and be present with a relevant solution at the time of need. In order to achieve customer centricity banks believe that simplification in products and fee structures are essential. The changing needs of the customer implies the changing skills sets demanded by banks. Unfortunately, skills development in South Africa is not as dynamic and adaptable. Technology changes to self-service terminals, migration to online and mobile banking channels and the needs of a larger rural population with a less developed technological infrastructure are challenges that banking executive s must overcome.

Regulatory compliance issues like anti-money laundering regulations, Protection of Personal Information legislation (POPI) amongst others are new learning areas for management within the banking environment. Technological constraints present a pervasive obstacle affecting their ability to deliver more customer-centric business models, advanced analytics, simplification and open innovation.

The above analysis is an indication that the key areas identified by BANKSETA is supported by research and employer information. Information Technology (incorporating product development, fraud and cybercrime) and Africa expansion are two key areas where extensive research has informed targeted interventions that BANKSETA will focus on.

2.2. Alignment with National Strategies and Plans

BANKSETA aligns its skills development activities to five key national strategies and plans: the National Skills Development Strategy, the Strategic Integrated Projects, the National Development Plan, Government's 9 point plan, The Financial Services Charter and the National Credit Act. The main drivers of transformation in the financial sector have been the Financial Sector Charter (FSC) and the Broad-Based Black Economic Empowerment (B-BBEE) Act. The FSC was implemented in 2004 with targets set up to the end of 2008.

The National Skills Development Strategy

The NSDS III effective 2011 – 2016 has provided the framework for all BANKSETA targeted interventions and is aimed at achieving a skilled and capable workforce that contributes to and shares in, the benefits and opportunities of economic expansion and an inclusive growth path. The Strategy is aimed at increasing access to high quality and relevant education and training and skills development opportunities, including workplace learning and experience, to enable effective participation in the economy by all South Africans.

The NSDS III has identified a number of challenges that have an impact on the ability of SA's economy to expand and provide increased employment opportunities and these include, amongst others:

- Poor work readiness and inadequate skills levels of a number young people leaving formal secondary and tertiary education to enter the labour market for the first time, which is exacerbated by inadequate linkages between institutional and workplace learning.
- Blockages within the system which include a lack of synergy between the various post-school sub-systems (e.g. universities, Technical Vocational Education and Training (TVET) colleges, SETAs); a lack of clarity on expected roles of the various components of the skills development system; and the silo approach that prevents partnerships and alignments needed to improve effectiveness.
- There is a need for more substantial programmes that will improve qualifications, support career-pathing, enable greater flexibility and mobility, and increase productivity.
- There is an urban bias to economic development resulting in skills development for rural areas being neglected.

Strategic Integrated Projects

The South African government identified water, electricity, transport, telecoms and regional infrastructure as critical areas towards social and economic development. As highlighted by BASA regional infrastructure programs will contribute towards regional integration through projects that will enable regional trade and investment performance such as the north south corridor, enhancing border facilities, improving energy access, ICT connectivity and revitalizing transport and logistics. South African have also interests to expand into Africa an initiative which the South African government supports.

The banking sector through BASA has identified its role within the SIP to include:

- Coordinating, structuring and managing infrastructure finance and investment packages
- Building partnerships, linkages and collaborations to implement these major infrastructure projects:
  - BASA through BUSA
  - BASA is part of the Task Team on Private Sector Financing of Infrastructure under the National Treasury
  - BASA is engaged in talks with ASISA to establish a team that will look at public-private financing structures'
- Research and Development to understand the infrastructure types and classes so as to structure appropriate financing packaging; including those of the green economy

The banking sector has extensive experience and knowledge in the managing and financing of large infrastructure projects but skills are needed to support the African expansion, product development for financing of niche infrastructure projects and the green economy.

One of the main concerns raised by industry on the implementation of SIPS was the issue of RAISING APPROPRIATE FUNDS. The second is that all current engagement on the SIPs project has been on direct engagement of the actual infrastructure projects. The upstream and downstream effects especially the potential economic development/growth areas using the outputs of the infrastructure project have not been researched. The DHET analysis captured in a document titled Skills for and Through SIPS outlines the direct Occupations that will be needed to support the SIPs initiatives. Of relevance to the banking sector, the Contracts Manager and the Management Accountant will require skills related to the sourcing of finance from banks to support their projects and financial management skills. This implies a core focus on Project Finance and the proper planning, management and execution relating to project finances.

These 3 key aspects raises the following potential opportunities for the Banking and Inclusive Banking Sector:

1. Supporting SIP Contractors to raise appropriate funds for SIP Projects
2. Supporting Foreign Direct Investment into SIPs projects
3. Enhancing the role of Development Finance Institutions like Ithala, DBSA, as well as Investment Banking
4. Growth of Co-operatives to support SIPs projects and hence CFIs and Co-op Banks
5. Growth of micro-finance institutions especially where increased employment takes place
6. Growth of stokvels especially where increased employment takes place

The National Development Plan (NDP)

The country's medium goal is to deal with the triple threat of poverty, inequality and unemployment. To achieve this goal, the government adopted plans to grow the economy that are underpinned by job creation and equity. One of these is the National Development Plan which is a policy bedrock whose main objective is to eliminate poverty and create 11 million jobs by 2030. The National Development Plan (NDP) is the overarching blueprint for government.

The elimination of poverty and a reduction in inequality by 2030 are the lynchpins of the NDP. These imperatives can be achieved by harnessing the energy of people, growing an inclusive economy, building capabilities, strengthening the state's capacity and promoting leadership and partnerships throughout society. The NDP articulates three focal areas: increasing employment through faster economic growth, improving the quality of education, skills development and innovation, and building the capability of the state to play the binary role of development and transformation.

The salient milestones to be achieved by 2030 are the following:

- Elimination of income poverty, entailing reducing the proportion of households with a monthly income below R419 from 39% (2009 prices) to 0%.
- Reducing inequality by decreasing the Gini coefficient from 0.69 to 0.6.
- A substantial drop in unemployment from 24.9% in June 2012 to 6% in 2030. Therefore employment should rise exponentially from 13 million to 24 million.

The NDP has given human settlement priority this to rectify the structural and spatial patterns that worsened inequality created by the Apartheid system. To this the NDP recommends the creation of 'sustainable living and working environments' through affordable housing. The banking sector has risen to this challenge through various residential and commercial property products. The Financial Services Charter mandated banks to address issues relating to affordable housing for the low-middle and low income earners as well as the gap-market.

- The sector responded through various interventions that include:
- New product development
- Borrower education
- Partnership with the government to finance the 'gap market'

The microfinance industry through Microfinance South Africa (MFSA) is also in the process of developing micro lending housing products for the lower income market.

As a result of these developments the sector as a whole needs risk assessment skills that will enable the development of 'out of the box' solutions for the affordable housing market.

The bedrock of any economy is a robust and flourishing Small Business Sector. 'Some researchers have estimated that in South Africa small and medium-sized make up 91% of formalized business, provide employment to about 60% of the labour force and total economic output accounts for roughly 34% of GDP'. BASA website; 2015. However South African SMEs are faced with numerous challenges, the main being difficulties in obtaining funding, finance and credit needed to sustain businesses and business management.

Other challenges include:

- Lack of capacity due to skills shortage
- Access to markets and developing relationships with customers
- Appropriate technology and low production capacity
- Recognition by large companies
- Government bureaucracy with regards to the procurement and payments
- Crime and corruption
- Complying with all the legislative requirements of the country, including the skills development

The sector is assisting to address this challenge through mentoring programs, financial support, and business planning and advisory services. However a survey conducted in 2009 by USAID in partnership with BASA indicate that most SMEs struggle with understanding financial statements and cash-flow, developing proposals and business plans. The sector assists SMEs through third party consultants, however the quality of the interventions cannot always be guaranteed as these services are not standardized and accredited.

BANKSETA's current contribution to the NDP includes the following:

- Learning programmes targeted at unemployed youth aimed at increasing employability of the youth on these programmes
- Inclusive banking interventions specifically in micro-finance and co-operatives support poverty alleviation
- Learner allowances and stipends and accommodation models support rural learners
- Invest in skilled, technical, professional and managerial training interventions to support transformation to better reflect the country's racial, gender and disability makeup.
- The ICT training interventions encourage the banking sector to create banking products that make use of high-speed broadband internet capabilities.
- The Africa expansion project should play a leading role in the development of the African continent, economic integration and human rights.

Government's 9 Point Plan

Government has developed a 9-Point Plan comprising simultaneous actions in key strategic areas, at a scale large enough to constitute a 'Big Push' to ignite economic growth. The 9-Point Plan consists of the following:

1. Resolving the energy challenge;
2. Revitalising the Agriculture and the agro-processing value chain;
3. Advancing beneficiation and adding value to our mineral wealth;
4. More effective implementation of a higher-impact Industrial Policy Action Plan;
5. Encouraging private sector investment;
6. Moderating workplace conflict;
7. Unlocking the potential of SMMEs, Co-ops, Township and Rural enterprises;
8. State reform, including boosting the role of state owned companies in broadband, water, sanitation and transport infrastructure; and,
9. Growing the Ocean Economy and Tourism.

Of these 9 key areas, BANKSETA contributes significantly to number 7: Unlocking the potential of SMMEs, Co-ops, and Township and Rural enterprises. BANKSETA addresses this through the following current interventions:

1. Enterprisation project with SAICA has set up an entrepreneurial hub to deal with SMME support in payroll support, business plan development and advisory services for growth development strategies for small business
2. Inclusive Banking funds SME support in developing 100 SMEs
3. CFI and Co-op bank support

The sector has made strides in achieving targets set at the implementation of the FSC in 2004. However, the last report of progress made in respect of transformation in the sector was in 2008. The Banking Association SA has indicated that the Financial Sector Charter Council is in the process of compiling an updated report. After the first phase of the FSC which ended in 2008, the sector has been involved in discussions to align the FSC to the BBBEE Codes of Good Practice. This process has resulted into the drafting of the Financial Sector Code which was gazetted in November 2012. However, the BBBEE Amendment Act was made into law in October 2013 and amendments were proposed to align the BBBEE Code of Good Practice and the BBBEE Amendment Act. According to the Banking Association, this created a challenge in that the Financial Sector Code had been finalised in 2012 and the new changes relating to the amendment of the Act and Codes did not specify any code that related to sector codes or charters. Furthermore, the government provided a 12-month transition period and the challenge was that the Financial Sector Code was scheduled to be reviewed in 2014. The Banking Association has indicated that the process of aligning the Financial Sector Code to the revised BEE Codes in still under way and it is hoped that the revised Financial Sector Code will be gazetted during the first half of 2015.

The National Credit Amendment Act

The National Credit Amendment Act ("the Amendment Act") was enacted on 13 March 2015. The Amendment Act was enacted pursuant to the outcomes of an assessment on the effectiveness of the National Credit Act ("NCA") performed by the Department of Trade and Industry. The assessment revealed that certain gaps in the NCA need to be addressed in order for the NCA to reach its full potential, and that the regulation of credit providers needed to be improved. The purpose of the Amendment Act is to amend and clarify certain provisions of the NCA to ensure that the aims set out in the NCA may be achieved. The Amendment Act recognises that, whilst the framework of the NCA and its underlying policy provided was sound, the application of the legislative provisions of the NCA often failed to ensure the best possible outcomes for consumers.

The following amendments will be of most relevance to credit providers:

Provision for the automatic removal of adverse consumer information;

The most debated amendment to the NCA is the introduction of Section 71A, in terms of which credit providers and credit bureaux must remove any adverse credit information of a consumer once the consumer has paid its debts in full, giving the consumer a "clean slate". This essentially means that the notion of "credit history" or good and bad credit records will be a thing of the past. Although this may be good news for consumers that are struggling to secure homes and employment due to their bad credit histories, it isn't good news for credit providers that rely on a consumer's credit history in order to determine whether or not to grant credit, how much credit and at what interest rate.

Changing the requirements for obtaining clearance certificates;

The NCA only allows consumer to apply for a clearance certificate if the consumer has settled all short and long term debts. Since a long-term debt such as a mortgage takes longer to settle (i.e. 15 to 20 years) this meant that the consumer would have to wait 15 to 20 years to obtain a clearance certificate and to be rehabilitated. The Amendment Act has changed this by allowing consumers to be issued with a clearance certificate once if the consumer has paid up all other debt and the only outstanding debt is a mortgage agreement

Extending the scope of credit providers that must register with the National Credit Regulator ("NCR");

The NCA only required credit providers with at least 100 credit agreements or a total principal debt of R500 000 to be registered credit providers. The Amendment Act removed both requirements, instead the Minister will determine the threshold amount for the purposes of determining whether a credit provider is required to be registered. At this stage the Minister has not determined the new threshold amount, however the purpose of the Amendment Act is to provide for the registration of all credit providers and it is likely that the threshold amount will be R0.00.

Provision for a standard affordability assessment;

Non-standardised affordability assessments, amongst other things, have led to an increase in the extension of reckless credit. The Amendment Act aims to standardise affordability assessments with the introduction of

Affordability Assessment Regulations. Although credit providers may determine the evaluative measures and procedures to be used in determining whether or not to extend credit to consumers, those measures and procedures must not be inconsistent with the Affordability Assessment Regulations.

Providing clarity on the method of delivery of a notice in terms of section 129.
The extent to which a credit provider must go in order to bring a section 129 notice to the attention of the consumer led to a Constitutional Court case. The Amendment Act clarifies this and provides that a credit provider must deliver the notice to the consumer by registered mail or personal service on the consumer. Proof of delivery will be evidenced by written confirmation from the postal service or the signature of the consumer.

Five Key Skills Issues

Based on the change drivers and national priorities, BANKSETA identifies the following as the five key skills issues for the 2015/16 financial period:

1. Technological advancement and the changing needs of customers to move towards the use of technology in the development of banking products
2. Expansion of SA companies into Africa.
3. Educational level of currently employed individuals must be improved beyond matric.
4. Alignment of the skills set to the FSC and BBBEE codes
5. Aligning the micro-finance sector to the amendments of the NCA

2.3. Conclusion

The key drivers of change indicates legislation tops the list followed by technology. These two drivers shape the products that the banking sector develops. With the fast technological developments, cyber security and on-line fraud are also emerging as drivers of change in the sector. As the sector looks to expand, its positioning in South Africa shapes its expansion into the Africa continent and this is also shaping the banking industry.

Aligning the sector's activities to the five national priorities provides a strong indication of the roles the banking and microfinance industry plays in the economic and social development of the country.

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Chapter 3:
Extent of Skills Mismatches

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Chapter 3: Extent of Skills Mismatches

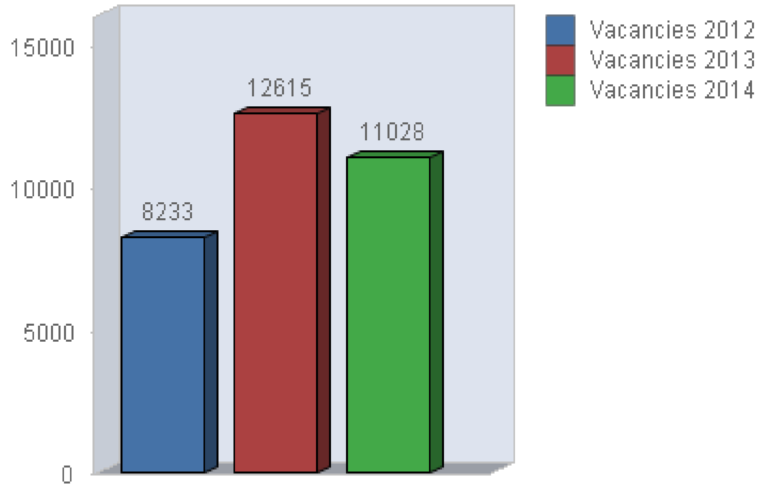
3.1. Introduction

Skills mismatches come from measuring the gap between skills demanded and skills supplied. Skills demanded by the banking and inclusive banking sector are vastly different in terms of the complexity of the tasks carried out within the various occupations. This analysis commences with a look at that existed in the sector and occupations that are hard to fill. These provide the first snapshot into the scarce and critical skills for the sector. Skills supply is a little difficult to ascertain as qualifications are not specific but rather generic in nature. This analysis looks at supply from the TVET Colleges, Higher Education Institutions and professional bodies. This comparative then provides the list of top ten scarce skills for the sector.

3.2. Extent and Nature of Demand

Vacancies within the banking sector have been steady on average although there was a sharp increase of vacancies in 2013 of 12 615 from 8 233 in 2013, with a marginal drop in 2014 as shown in figure 12 below.

Figure 12 – Overall Vacancies that arose from 2012-2014



Source: BANKSETA 2015 Survey

As a result of the digitization and technological advancements in the industry most vacancies are amongst ICT Systems Analysts followed by office administrators. The banking sector has mentioned customer centricity as a major change driver of the industry with a need for professionals who can understand clients holistically. This is evident with a lot of vacancies amongst corporate and customer services managers (coming third and fourth consecutively).

Table 16 shows details of occupations where most vacancies have been created over the past three years from 2012-2014. Some of these vacant positions may have been filled with new recruits' whist others may be with individuals with experience.

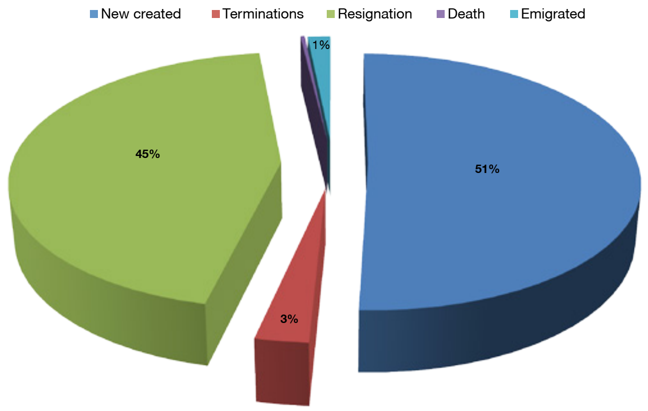
Table 16 – Vacancies that arose from 2012 - 2015

Code	Occupation	Vacancies 2012	Vacancies 2013	Vacancies 2014
133104	Application Development Manager	353	558	306
421101	Bank Teller	316	260	97
421102	Bank Worker	136	895	635
422206	Call or Contact Centre Agent	134	234	126
121901	Corporate General Manager	251	244	110
121902	Corporate Services Manager	1503	2101	1624
122105	Customer Service Manager	756	1021	1022
112101	Director (Enterprise / Organisation)	287	271	310
411101	General Clerk	344	300	145
251101	ICT Systems Analyst	1039	2282	2326
242101	Management Consultant	182	296	322
334102	Office Administrator	1680	1349	856
122102	Sales Manager	302	384	388
252201	Systems Administrator	275	463	678
Others	Others	675	1957	2083
Total		8233	12615	11028

Source: BANKSETA 2015 Survey

The main reasons for the above vacancies were as a result of newly created posts followed by resignations. According **to figure 13**, very few employees had their services terminated and only 1% of the new vacancies were due to death. In the subsequent studies, the BANSKETA need to establish where most of the resignations end up, as anecdotal evidence indicate that retailers are in need of banking skills.

Figure 13 – Why did the vacancies arise?



Source: BANKSETA 2015 Survey

Occupations that are hard to fill

As shown in table 17, most hard to fill vacancies were mainly within the ICT environment mainly developers, designers, programmers and analysts. Analysis indicates that this is fuelled by massive demand of ICT across different sectors and the lack of the much needed banking experience. There seems to be a preference for seamless technology among customers and the sector. This is an approach that integrates the heterogeneous channels and including mobile and online channels, sparking a need not only of the core competencies but in-depth banking and retail experience.

Table 17 – ICT Skills that are hard to fill

OFO Code	Occupation	Why are these hard to fill?	How are these vacancies filled currently?
133101	Chief Information Officer	Big demand for these skills across all industries	Using Head Hunters and Agencies to provide these skills (Many are contractors)
251201	Software Developer	Big demand for these skills across all industries	Using Head Hunters and Agencies to provide these skills (Many are contractors)
		Sought after skills which are in high demand.	External Recruitment Agencies Social Media / Online Job portals
252901	ICT Security Specialist	Big demand for these skills across all industries	Using Head Hunters and Agencies to provide these skills (Many are contractors)
252101	Database Designer and Administrator	Big demand for these skills across all industries	Using Head Hunters and Agencies to provide these skills (Many are contractors)
251101	ICT Systems Analyst	Sought after skills which are in high demand. Limited availability in the market which makes them costly to recruit.	External Recruitment Agencies
		Big demand for these skills across all industries	Using Head Hunters and Agencies to provide these skills (Many are contractors)
		Scarce skill, EE requirements	Multiple sources, including agencies and social media
		They are highly demanded in the market	Through advertising and recruitment agencies
252201	Systems Administrator	Scarce skill, EE requirements	Multiple sources, including agencies and social media

251202	Programmer Analyst	Some candidates meet our EE requirements · Large premium to be paid (>50%)	Using Head Hunters and Agencies to provide these skills (Many are contractors)
		Big demand for these skills across all industries	
251203	Developer Programmer	Sought after skills which are in high demand.	Multiple sources, including agencies and social media
			External Recruitment Agencies Social Media / Online Job portals
		Big demand for these skills across all industries	Using Head Hunters and Agencies to provide these skills (Many are contractors)
351201	ICT Communications Assistant	Scarce skill, EE requirements	Multiple sources, including agencies and social media

Source: BANKSETA 2015 Survey

ICT skills are followed by actuaries, credit managers, accountants and investment professionals who mainly depend on quantitative and mathematical skills as reflected in table 18 below. These are professionals that are a scarcity because of their 'cross-over' skill and very specialized nature. The secondary data indicate that most banks outside Gauteng and Cape Town struggle to fill these posts.

Table 18 – Quantitative, Mathematical and Investment skills

OFO Code	Occupation	Why are these hard to fill?	How are these vacancies filled currently?
241202	Investment Manager	Limited Skills in Market	Hire Junior to grow internally
241201	Investment Analyst	Africa in general - Language Barriers / Skills / Work Permits	Head Hunting
121901	Corporate General Manager	Very specialised / limited skills in Market	Looking internationally

212101	Actuary	·Some candidates meet our EE requirements · Large premium to be paid (>100%)	Using Head Hunters and Agencies to provide these skills (Many are contractors)
		Big demand for these skills across all industries	
		Scarce skill, EE requirements	Multiple sources, including agencies and social media
121103	Credit Manager	Current market instability of the unsecured lending environment. The environment is perceived as too high risk to enter into.	External Recruitment Agencies
		Experience; Leadership; Wage Levels	
241102	Management Accountant	High turnover / limited skills	Recruitment

Source: BANKSETA 2015 Survey

The constant legislative requirements always necessitate the need for regulation and compliance skills. These have been articulated as policy analysts and compliance officers as shown in table 19. These skills require in-depth knowledge of the banking and financial regulation and extensive experience that is difficult to find.

Table 19 – Regulation and compliance skills

OFO Code	Occupation	Why are these hard to fill?	How are these vacancies filled currently?
242202	Policy Analyst	They are highly demanded in the market	Through advertising and recruitment agencies
242207	Compliance Officer	Scarce skill, EE requirements	Multiple sources, including agencies and social media
		Relevant experience; Leadership; Wage Levels	
263101	Economist	They are highly demanded in the market	Through advertising and recruitment agencies

Source: BANKSETA 2015 Survey

Most of the employment in the banking sector comprises permanent employees as shown in figure 14. This implies that employment is rather stable especially since the banks employ a large portion of youth.

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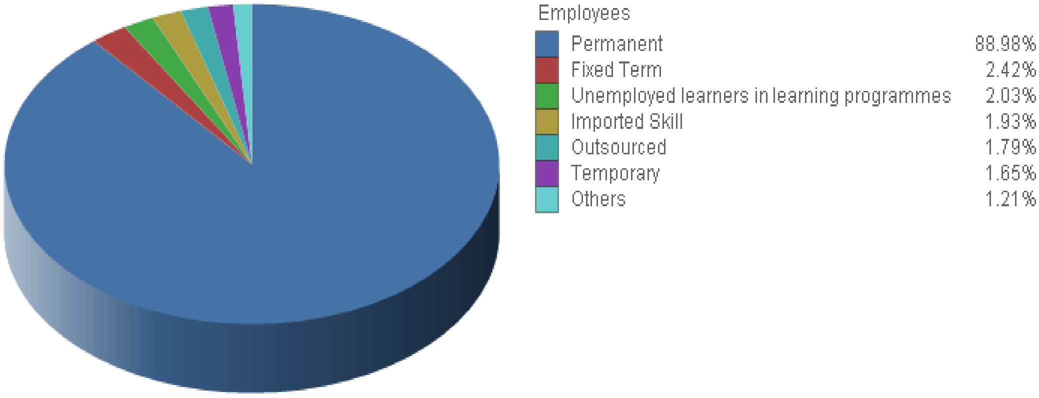
Figure 14 – Employees as per employment types



Source: BANKSETA 2015 Survey

Research conducted by BANKSETA indicates that the exportation of skill is not an issue for the sector. According to respondents a small minority of employees have left their organisations to work outside of South Africa. However, employers have not indicated the movement of staff to work in branches outside of SA. This data will be collected in further studies. Imported skill however reflects a different scenario: 1.93% of the workforce is imported skills. For a country with high rates of unemployment an investigation into this is important to determine the skills needed to replace imported skill with local skills.
The top ten imported skill as per occupation code are as reflected in table 20 below:

Table 20 – Occupations filled by imported skill

OFO Code	Occupation	Number of positions filled by imported skill
121902	Corporate Services Manager	718
112101	Director (Enterprise / Organisation)	167
121901	Corporate General Manager	92
251202	Programmer Analyst	71
242101	Management Consultant	71
122105	Customer Service Manager	58
334102	Office Administrator	51
262202	Information Services Manager	48
441903	Program or Project Administrators	46
422206	Call or Contact Centre Agent	40

Source: BANKSETA 2015 Survey

The research indicates that a large number of ICT skills are imported for the following occupations as indicated in table 21:

Table 21 – ICT Occupation that are imported

OFO Code	Occupation	Number of positions filled by imported skill
251202	Programmer Analyst	71
262202	Information Services Manager	48
251203	Developer Programmer	21
251901	Quality Assurance Analyst (Computers)	18
251101	ICT Systems Analyst	16
252301	Computer Network and Systems Engineer	14
252901	ICT Security Specialist	12
252201	Systems Administrator	9
133105	Information Technology Manager	9
251201	Software Developer	8
351201	ICT Communications Assistant	6
133101	Chief Information Officer	4
243402	ICT Business Development Manager	2
133104	Application Development Manager	2
133102	ICT Project Manager	2
252101	Database Designer and Administrator	1
216604	Web Designer	1
216603	Multimedia Designer	1
216601	Graphic Designer	1

Source: BANKSETA 2015 Scarce skills survey

There are a number of developments that have taken place both globally and domestically that highlighted that need for skills within the sector. Product innovation, systems automation, changing technology, increased customer expectations, streamlining of processes, and changing regulatory requirements have resulted in the development of more integrated business functions which require a more diverse and hybrid types of skills, experience and industry background, which has been a challenge to attract and retain. There is also a need for specialist skills in cyber security – expertise in encryption and biometric verification.

New technology has brought about an increased demand for skills in the industry. According to the UCT Financial Sector Assessment Report (2014), in the South African economy there is a massive deficiency of Information Technology skills. These include hybrid roles such as Business Architects and Business Analysts, and there is also a growing need for Digital Managers.

It has also been reported that the following information technology roles in companies within the financial services sector are in demand:

- JAVA Developers;
- COBOL Developers;
- IT Project Managers;
- SAP Developers;
- Software Developers;
- Systems Analysts;
- Systems Developers
- Systems Architects;
- Analyst Developers; and
- Information Architects.

Another driver of change in the information technology skills arena has been that of regulation and compliance. Regulatory reporting requirements become more complicated and Information Technology staff need to gain expertise develop complex systems that are needed to meet the changing needs of the business. Increasing regulatory requirements have also highlighted the need for specialist expertise in regulation and compliance with the ability to assess legislation and make appropriate recommendations taking into account business operations and strategic goals of the institution.

There is also a huge demand for specialist Mathematical, Quantitative and Investment expertise, which are specifically required in, amongst other subsectors, investment banking and asset management. Furthermore there is fierce competition to attract skills such as, amongst others, Market Risk Specialists, Research Analysts, Credit Risk Specialists, Investment Analysts/Managers, Investment Business Development Managers, and Mergers and Acquisitions Specialists.

Data Analytics has also been identified as a major future development area for the sector as companies have large quantities of consumer data where the ability to identify trends and develop innovative solutions from that data is required. It has been reported this area has suffered most due to the dearth of Statisticians in South Africa.

- Other general skills that are in demand include, amongst others:
- Branch Managers;
- Chartered Accountants;
- Customer Relationship Managers;
- Human Resources Specialists;
- Legal Experts;
- Strategists; and
- Taxation Specialists.

3.3. Extent and Nature of Supply

The supply of skills to the banking sector can be through the basic education sector and the tertiary education sector which includes universities, universities of technologies, business colleges, and TVET colleges. Other sources of supply include, amongst others, the SETAs (BANKSETA, MAPPSETA), recruitment agencies, and professional associations. This section however will look at the basic education sector and the tertiary education sector.

The basic education stream is quite significant as it provides throughput for all post-school education and training streams. The Matric pass rate has improved over the past 20 years, from 53 per cent in 1994 to 75.8 per cent in 2014. However, there was decrease in the pass rate between 2013 and 2014 as the pass rate dropped from 78 per cent in 2013. The Department of Basic Education attributed this decline to changes in policy that affected the learning and teaching of the 2014 class. In 2014, 532 860 full-time learners and 94 884 part-time learners sat for the NSC examination.

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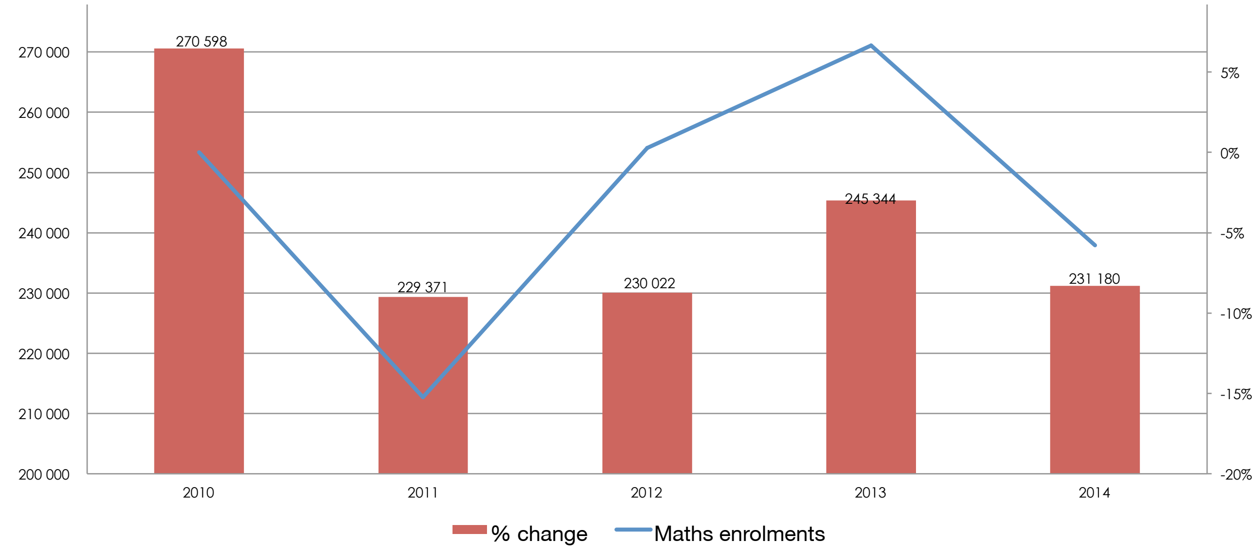
Of the total number of full-time leaners, 403 874 attained the NSC. As mentioned earlier, poor performance in Mathematics, which is key for employment in the banking sector has been a cause for concern. Data from the Basic Education Department indicates that there has also been a decline in enrolments for the subject **(Figure 15).** There has been a sharp decline in enrolments in 2010 and 2014, declinig by 15 per cent and 6 per cent respectively.

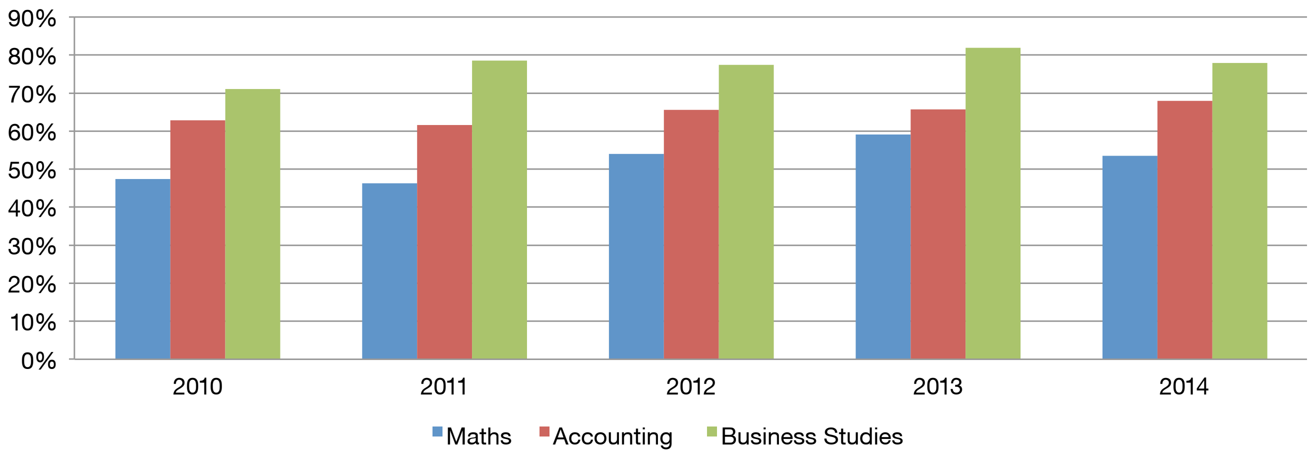
Figure 15 – Enrolments for Maths at school



Source: NSC Examination Technical Report (2015)

When looking at passing rates for other subjects that are relevant for the banking industry, namely, accounting and business studies, mathematics has shown poor performance amongst the three (Figure 16). However, there has been some slight improvement in the pass rate for maths between 2010 and 2013, but the pass rate slightly declined from 59.1 per cent in 2013 to 53.5 per cent in 2014. This decline, however, can be possibly linked to the noticeable decline in maths enrolments in 2014. Mathematical skills are required for the majority of roles in the banking sector and poor performance by learners may exclude them from opportunities in the banking industry. The Department of Basic Education hopes that with the establishment of the new Directorate for Mathematics, Science and Technology there will be some improvement in learner participation and outcomes for mathematics.

Figure 16 – Pass rate for selected subjects



Source: BANKSETA 2015 NSC Examination Technical Report (2015)

In respect of the overall pass rate, observers have expressed concern about the lowering of standards, i.e., the 30 per cent pass mark. Observers have argued that the higher pass rate can be possibly linked to the lowered passing standards. Furthermore, it has been argued that learners are not adequately prepared for tertiary education and the labour market, and this often leads to some of them dropping-out or lower graduate rates. Upon achievement of a Bachelor's degree pass in the NSC examination, learners can enrol for a Bachelor's degree at any university in SA. Government, in its Green Paper for Post-School Education and Training (2012), indicated that the post-school system was not meeting the needs of the economy and society as a whole. There is often a mismatch between what is produced at higher education level and what industry often requires. A major problem that has been identified in the system is the inadequacy in the provision of post-school education and training in terms of quantity, diversity and in some instances quality. The Green Paper aimed to "align the post-school education and training system with South Africa's overall development agenda, with links to various development strategies such as the New Growth Path, the Industrial Policy Action Plan 2, the Human Resource Development Strategy for South Africa 2010-2030, and South Africa's Ten-Year Innovation Plan" (Post-schooling Green Paper, 2012). In the university system, a number of problems relate to access, curriculum, staffing, management, student funding, and other forms of student support.

The Higher Education Institutions (HEI) system consists of 23 public universities and 113 private universities. Table 22 below illustrates the number of students enrolled in public and private institution between 2009 and 2013. Almost a million students were enrolled in 23 public universities in 2013 compared to almost 120 000 students in 113 private universities. The number of first year student enrolments as percentage of total students enrolled at public institutions has declined over this period, dropping from 20 per cent in 2009 to 16 per cent in 2013.

Table 22 – Overview of Higher Education Institutions

Category	2009	2010	2011	2012	2013
Public HEIs	837 776	892 936	938 201	953 373	983 698
Private HEIs	77 205	90 676	103 036	97 478	119 941
First year enrolments (Public)	164 518	168 388	179 105	169 765	158 389

Source: BANKSETA 2015 DHET (2015)

The common fields of study offer a supply stream for the banking sector are Bachelor of Commerce; Bachelor of Science: Actuarial / Financial Mathematics; Bachelor of Business Administration; Bachelor of Science: Engineering/Applied Mathematics/Computer Science; Bachelor/Master of Law: Corporate Law; Bachelor of Accountancy. There are in some cases intakes from Bachelor of Arts: Psychology and Bachelor of Social Science: Human Resources. The bulk of the supply falls within the Business and Management.

TVET Colleges have been identified by government as a vehicle to improve throughput rates and expand the numbers of qualified people entering the workforce. Improved quality through effective training of college managers and academic staff, and improved student support was envisaged in the Green Paper for Post-Schooling Education and Training. According to the Green Paper, improving the quality will entail "the development of appropriate programmes; upgrading lecturer qualifications; capacity building for management and governance; improved learner support; utilising appropriate information technology systems for both learning and management; and building strong partnerships between colleges and employers in both the public and private sectors".

In growing an appropriate skills development pipeline, BANKSETA focuses on post-matric NQF level 5 Learnerships and post-graduate Learnerships branded as the Letsema and Kuyasa Learnership programmes. In addition, specialized niche funded learnership programmes also provides an opportunity to build the skills pipeline of individuals required from other fields of study.

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An analysis of the employment of new recruits indicate that the sector does not favour the employment of TVET graduates. In fact, most of the new recruits are post-graduate learners from higher education institutions. The Institute of Banking does not play a dominant role in the provision of training of professional certification. In fact there is no professional certification for the banking sector. However, the Accounting Professional bodies do play a significant role in building capacity for the sector. SAICA is one such professional body that has partnered with BANKSETA to build the pipeline of Accounting professionals required by the banking sector.

3.4. Identification of scarce skills and skills gaps

BANKSETA carried out an intensive scarce skills survey where a validation workshop was held with the sector. A robust discussion resulted in the finalisation of the scarce skills list. Technology is the lynchpin of banking operations because banks are adopting rigorous innovation practices, driven by technology as a means to attain that competitive edge, resulting in an exponential increase in operating costs. It is therefore not surprising that future skills include ICT occupations especially developers, programmers, network engineers and designers. Cybercrime has been identified as a risk for most banks and their clients and ICT Security Specialists are included in this industry.

Table 23 – Next Five Year skills

OFO Code	Occupation/Job Title/Job Description
122201	Advertising and Public Relations Manager
212103	Statistician
241102	Management Accountant
242207	Compliance Officer
251101	ICT Systems Analyst
251201	Software Developer
251203	Developer Programmer
252101	Database Designer and Administrator
252901	ICT Security Specialist
251202	Programmer Analyst
212101	Actuary
133101	Chief Information Officer
241202	Investment Manager
261101	Attorney
133102	ICT Project Manager
133104	Application Development Manager
242403	Assessment Practitioner
243402	ICT Business Development Manager
252301	Computer Network and Systems Engineer

Source: BANKSETA 2015 scarce skills survey

The scarce skills survey provided an opportunity to engage with the sector to determine what skills were scarce and the extent of the scarcity: absolute or relative. The scarce skills listed below confirms the data obtained in research of the ICT needs of banking. Most of the scarce skills relate to IT. This seems logical due to the changing technology and new product development of banks in an effort to move away from archaic legacy systems and the development of technologically driven new products.

Table 24 – Scarce skills

OFO Code	Occupation
251201	Software/Programmer Developer
252901	ICT Security Specialist
252101	Database Designer and Systems Administrator
251101	ICT Systems/Programmer Analysts
241202	Investment Manager/Analyst
121901	Corporate General Manager
212101	Actuary
121103	Credit Manager
241102	Management Accountant
242207	Compliance Officer

Source: BANKSETA 2015 Scarce skills survey

From table 24 shown above, it is clear that the skills needs exist at the management and professional levels. This is supported by the fact that the sector employs mostly matriculants and hence the skills set is generic in nature. Specialised skill is clearly scarce as the sector seems to lack the qualified personnel in the roles of professionals and managers.

If one examines the list of imported skill, it is safe to assume that these skills are absolute scarcity within the banking environment. With the large number of new posts created, the dynamic nature of banking is not supported by a properly qualified and skills pipeline. Resignations in the sector is also high which gives an indication that the movement of skills amongst banking institutions are fuelled by higher than market wages for scarce skills especially in the ICT arena. This level of scarcity will start to grow as non-banking competition heats up for both market share and skilled personnel. Relative scarcity exists in the inability of the sector to meet transformation targets especially with the employment levels of people with disabilities and transformation at management and executive levels. To address this, BANKSETA implements the International Executive Development Programme in an effort to fast track individuals identified by the banks. Critical skills refers to capabilities required within an occupation. FAIS compliance is an identified critical skill in the banking sector along with customer centricity or satisfaction and technology.

An analysis of the above indicates that the following skills gaps exists and needs to be improved:

- Skills gaps exist amongst technicians, professionals and managers
- The development of a pipeline of IT graduates that meet the skills needs of the banking sector. This pipeline must address the skills that are imported to fill the current skills gaps in IT
- The alignment of bespoke/specialised IT skills programmes that are unique to banks in terms of the banking platforms they utilise
- Accountants and Actuaries still remain a need within the sector
- Managers at various levels seem to lack the requisite skills needed to perform effectively, especially the need for Corporate General Manager.
- A range of Analysts appear to be a scarce skill

The impact of the skills shortages identified above are:

- Continuation of importing of skills despite high levels of unemployment
- Paying higher than market salaries for occupations in high demand – increase operating costs
- Posts remain vacant for a long time – influences productivity levels
- Pipeline graduates not at level required – takes time to train and additional costs
- Fraud and Cybercrime will continue if banks do not acquire the skills to combat this
- Stifle the growth potential of the banking sector
- Low labour productivity

BANKSETA's Certificate in Banking services seems to be a much sought after qualification for entry level into the sector.

Actuarial graduates/students/fellows also find employment in banks

Banks seem to absorb most graduates from the following Higher Education Institutions:

- Cape Peninsula University of Technology
- Central University of Technology
- Durban University of Technology
- Nelson Mandela Metropolitan University
- North West University
- Stellenbosch University
- Rhodes University
- Mangosuthu University of Technology
- Tshwane University of Technology
- University of Cape Town
- University of Johannesburg
- University of KwaZulu Natal
- University of Pretoria
- UNISA
- University of the Western Cape
- University of the Witwatersrand

Research indicates that virtually no graduates from the TVET Colleges are employed within the banking sector.

The following reflects the fields of study that are most sought after by employers in the banking sector:

- Banking services
- Information technology
- Human resources
- Cost and management accounting
- eCommerce and Web Management
- Management
- Financial Accounting and Information systems
- Accounting
- Business Administration
- Quantitative Finance
- Economics
- Econometrics
- Industrial Psychology and Labour Relations
- Risk Management
- Business Mathematics and Informatics
- Credit Management
- Computer Science

- Investment Management
- Actuarial Science
- Marketing
- Internal Auditing
- Project Management

A large number of the graduates employed possess post graduate degrees at Honours and some at Masters Level. This is an indication that the banking sector is employing graduates with a degree of higher qualification. This supports the analysis that technical and professional skills are scarce and required by the banking sector.

3.5. Conclusion

In the demand for skills analysis an investigation into vacancies, occupations that are hard to fill and skills that are imported, provided a strong case that various information technology skills are in demand. The supply of skills is primarily from the Higher education sector with very little scope for the employment of graduates from the TVET Sector.

Chapter 4:
Sector Partnerships

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Chapter 4: Sector Partnerships

4.1. Introduction

This sector on partnerships provides an analysis of the current partners that BANKSETA works with in ensuring that it delivers its mandate to the banking and microfinance sector. Existing partnerships provide either support to projects or serve as service delivery partners in projects. As BANKSETA seeks to support banking organisations in Africa, it also looks to form new partnerships in the African continent. This chapter seeks to interrogate these partnerships so that greater success can be achieved in the future.

4.2. Existing Partnerships

BANKSETA views partnerships as relationships/collaborations/co-operation with industry role-players and government departments/units that promote training and skills development as one of its mandates. In addition collaboration with public educational institutions (TVET Colleges, Universities of Technology and Universities) that support training and skills development for the world of work are also classified as partnerships. These partnerships enhance and support the achievement of targets set by BANKSETA in terms of its Strategic and Annual Performance Plan.

Some of these partnerships exist as informal arrangements between the organisations with an understanding that co-operation best supports skills development in the sector. Engagements with the TVET Colleges, Universities of Technology and Universities are defined in a Memorandum of Understanding or a Service Level Agreement that is entered into between BANKSETA and the public institution.

Employers are viewed as one of the key partners especially in programmes were the employer co-funds programmes due to limited financial resources of BANKSETA. In these instances a fully co-operative model is implemented to ensure the success of interventions. Employers also partner with for the Masters and Executive Development Programmes by selecting appropriate beneficiaries from their organisations.

Table 25 below provides an indication of existing partnerships between BANKSETA and key role-players in the sector:

Table 25 – Existing partnerships with industry role-players

Banking Association South Africa	**A close relationship exists between BANKSETA and BASA. BASA engages in Consumer Education and Risk Management capacity building within the banking and inclusive banking sector.**
SASBO – Employee Union	Although no formal partnership exists with the Labour Union, the Union serves on the Board of BANKSETA and has the opportunity to engage on any matter relating to skills development.
Institute of Bankers	As the Professional Body representing the banking sector, the Institute of Banking has engaged with the BANKSETA on several initiatives.
Zenex Foundation	The Foundation works in partnership with the BANKSETA on the Maths and Science Support Programme aimed at improving the Maths and Science results of disadvantaged students in rural schools.
National Research Foundation	The NRF hosts workshops where BANKSETA is afforded an opportunity to engage with potential Doctoral students and to provide advice on the funding of doctoral studies.
South African Revenue Services	Representatives are invited to the Information Sharing sessions to provide advice to employers on Tax incentives and allowances for various training interventions.

SABPP	The SA Board for People Practices also provides advice to the sector during information sharing sessions on topics like BBBEE.
SABRIC	Representatives also engages in information talks to learners on risk and fraud scams.
MFSA	The MFSA works closely with BANKSETA to provide Strategic support of Microfinance/SME organisations. BANKSETA is provided with an opportunity to engage in the Roadshows of the MFSA.
CBDA	Capacity building interventions are designed with the CBDA for CFIs. These programmes are aimed at building their capacity to move towards meeting the requirements for registration as co-operative banks.
Planet Finance	This partnership is focused on the capacity building of Development Financial Institutions like SEF and SEFA.

Source: BANKSETA 2015

The National Department of Economic Development has engaged in a project to development the Co-operative Sector and in establishing a Co-operative Academies with the TVET and University environments. BANKSETA supports this initiative and is keen to partner with the Academy for the development of learning resources specifically for CFIs and Co-operative Banks.

BANKSETA also seized the opportunity to provide support to the SADC region and signed a partnership agreement with DBSA to provide learning resource support for many of its interventions that are useful for development in the SADC region.

BANKSETA has looked to form partnerships not only with organisations that support its skills development mandate but also to reduce costs of its operations. Negotiations are underway to engage with other SETAs to share similar contracted resources in a bid to decrease administrative expenses. This attempt however has not been successful.

A partnership exists with Motheo FET where BANKSETA has been tasked to fulfil the role of Lead SETA in the Free State by the Department of Higher Education. BANKSETA has established a satellite branch at this FET to support the various interventions in implements in the Free State.

In collaboration with AAT (SA), a partnership between the South African Institute of Chartered Accountants (SAICA) and the Association of Accounting Technicians, BANKSETA has launched a pilot project to capacity build seven FET institutions in the level three Accounting Technicians qualification and take nominated lecturers through the qualification, but at level four. The initial intake is 300 learners and 35 lecturers in seven provinces, and the project provides additional support to enhance the learners' employability and facilitate their placement with host employers for practical experience. In Phase 2, the accredited TVET colleges will be responsible for the training of approximately 500 learners.

To encourage work integrated learning and work experiential learning for TVET graduates, BANKSETA currently has partnerships with several TVET Colleges. In addition a concerted effort is undertaken to build lecturer capacity and accredit TVET Colleges as secondary training providers. The following Colleges as shown in table 26 engage in this partnership programme:

Table 26 – TVET Colleges engaged in BANKSETA Capacity building programme

TVET Colleges engaged in Capacity Building Programme
Letaba FET College (Tzaneen , Limpopo)
Umfolozi FET College (Richardsbay, Kwazulu Natal)
Flavius Mareke FET College (Sasolburg, Free State)
Motheo FET College (Bloemfontein, Free State)
Gert Sibanda FET College (Standerton/Ermelo, Mpumalanga)
Orbit FET College (Rustenberg, North West)
Lovedale (Eastern Cape)
Northern Cape Urban College (Northern Cape)

Source: BANKSETA 2015

BANKSETA approves TVET colleges on an annual basis for Work Integrated Learning (WIL) grant funding, the aim of which is to assist the colleges to make links with employers in order for the learners to obtain the requisite workplace experience to make them more employable. BANKSETA manages the relationships between colleges and the sector employers by inviting the sector employers to various regional networking sessions, where employers are taken through the aims and objectives of the intervention, processes on how to become involved as well as meet the respective college contacts. The following TVET Colleges as shown in table 27 participate in this collaboration:

Table 27 – TVET Colleges participating in work integrated learning

TVET Colleges participating in work integrated learning
Ekhurhuleni West College
King Hintsa FET College
Esayidi TVET College
False Bay College
North Link College
College of Cape Town
Maluti FET College
Goldfields FET College
Vhembe TVET College
Letaba TVET College
Waterberg TVET College
Sekhukhune TVET College

Source: BANKSETA 2015

Work Integrated Learning (WIL) grant funding has also been extended to the Universities of Technology in an attempt to allow graduates to develop the soft skills so essential to corporate teamwork and productivity. UoTs that participate currently in the programme is shown below in table 28:

Table 28 – UoTs participating in work integrated learning

UoTs participating in work integrated learning
Mangosuthu University of Technology
Central University of Technology
Cape Peninsula University of Technology
Vaal University of Technology
Tshwane University of Technology

Source: BANKSETA 2015

BANKSETA covers the funding of bursaries through partnership agreements with Universities. The support is holistic (covering tuition, textbooks and accommodation, on or off-campus, depending on what has been arranged by the University). Each institution will use its pre-determined entry criteria to identify learners to nominate for Merit Bursaries. BANKSETA Merit Bursaries are renewable annually and are dependent on the students' academic progress. The following University partnerships are recorded below in table 29:

Table 29 – Universities participating in Bursary Programmes

Universities participating in Bursary Programmes
University of Witwatersrand
University of Pretoria
University of Fort Hare
Nelson Mandela Metropolitan University
University of the Free State
University of Zululand
University of Venda

Source: BANKSETA 2015

These partnerships have enabled BANKSETA to achieve the following key outputs:

- Grow the pipeline of graduates ensuring they complete their studies with the necessary workplace experience making them more employable
- Provide bursaries to address PIVOTAL skills like ICT
- Provide learners who completed their N6 level of study at a TVET College to obtain the 18 months work experience necessary to convert their Certificate to a National Diploma
- Provide learners from UOTs with the financial support to complete their work experiential learning for completion of the diploma
- The funding of doctoral students provides an enabling environment for the generation of new knowledge for the banking sector in the form dissertation papers whilst simultaneously Funding of doctoral students

BANKSETA strategic relationships built with the public TVET colleges, Universities and Universities of Technology is designed in such a manner to either:

- Improve how the institution responds to the needs of the broader banking and inclusive banking sector, through lecturer support; or
- Develop scarce and critical skills for occupations that are in short supply by the sector, through bursary support; and
- Bring demand (industry/ employers) for skills closer to supply (current workers / new entrants into the economy) of skills by address better use of work-based skills development.

Partnerships with industry role-players especially those with the Public Institutions of Higher Learning has worked well. Because these partnerships have quality assurance mechanisms in place, challenges are identified early and through the process of collective agreement, problems are resolved.

With the recent finalisation of the Stakeholder engagement strategy, BANKSETA has consciously taken a decision to increase its engagement with sector partners and stakeholders. To achieve this regional offices are in the process of being established.

The following advisory Committees serve to encourage stakeholder participation:

- Sector Skills Planning Committee
- Project Steering Committees
- IT Forum
- Disability Forum
- Sector Sub-Committee

Information sharing sessions are held at most regional centres. The following Information Sharing sessions are held with the Sector:

- Workplace Skills Planning
- Pivotal Programmes

On a quarterly basis, BANKSETA hosts Business Boardroom sessions where topics of interest to the Banking Community is discussed. These sessions generally initiate discussions which influences skills development. Written Memorandum of Agreements or Service level Agreements provide a strong base on which many of the partnerships are cemented. In this way, roles and responsibilities are concisely outlined and this ensures a successful partnership follows. This has worked well and BANKSETA ensures that most partnerships have these signed agreements.

Like all relationships, current partnerships have their challenges and issues. The formation of Inter-SETA partnerships are a challenge as each SETA is fully absorbed in focusing on their own operational goals. More effort will be placed on forging these Inter SETA partnerships going forward.

4.3. New Partnerships

BANKSETA has identified the need to engage in new partnerships with SETAs, role-players, other public higher education institutions, Banks and Educational Institutions in Africa and Internationally.
The following inter-SETA partnerships are required:

- As the engagement of retailers in the banking environment is fast growing, discussions must take place with the W&R SETA
- There are a large number of stokvels that run burial society stokvels and these fall within the scope of INSETA.
- The scarce skills survey provides a crystal clear picture of the scarcity of ICT skills in banking. A partnership with the MICT SETA is imperative if this scarce skill is to be resolved. In addition telecom providers are moving into the banking space.
- BANKSETA has been partnering with FASSET on several initiatives but no formal partnership is in place. With the Africa Expansion on the horizon, working with FASSET on developing Actuarial and accounting related skills will be very important.

For the growth of the Inclusive Banking sector, a partnership with the National Credit Regulator and the National Stokvel Association is imperative. These organisations represent a large number of unregistered providers.

The following Partnerships in Africa will be finalised to support the growth of SA Banks into Africa:

- University of Dar es Salaam in Tanzania
- Makerere University in Uganda
- Lagos Business School in Nigeria
- SA Banks in Africa
- African Banks and organisations

BANKSETA will look to form the following International Partnerships
Universities/Business Schools in New York for the implementation of the leadership development programme
Universities in India with a focus on ICT skills for banking

Partnerships with other TVET, UOT and University Partnerships will be established to strengthen the provision of:

- Work integrated learning
- Bursaries (Masters and Doctoral)
- Secondary providers of BANKSETA programmes
- Alignment of university programmes to sector needs

4.4. Conclusion

BANKSETA has current partnerships with a wide range of Institutions including TVET and HE Institutions. Many of these partnerships relate to service delivery agreements specific to internships, bursaries and work integrated learning. Partnerships with professional and regulatory bodies help to strengthen delivery mandates and ensures that all relevant stakeholders participate in SETA funded initiatives. Growing the partnership mandate into Africa with new partnerships will allow BANKSETA to share its experience and best practice models that have developed in skills development.

Chapter 5:
Skills Priority Actions

Chapter 5: Skills Priority Actions

5.1. Introduction

In this final chapter of the SSP, a detailed discussion on the key findings from each chapter will be highlighted. These key findings then inform the skills priority actions that BANKSETA will focus on to address these findings.

5.2. Findings from Previous chapters

From Chapter One, the following findings emerged:
South Africa is showing poor growth in the past year and projections look bleak. This was largely due to the energy crisis and serious labour unrest. Despite this, the finance sector is well placed for growth in terms of GDP having outperformed all other sectors in the past year. This implies that the sector should be creating jobs. Financial inclusion is high on the agenda of government as it is seen as one of the means to reduce poverty and grow the micro-finance economy.

Unemployment remains the major challenge for the SA government, especially the creation of work opportunities for the NEET. The low educational levels combined with a lack of work experience makes it difficult for this group to secure employment. This is a key challenge that SETAs must look to address in their sector skills planning.

Although great strides have been made by the sector to reduce the %age of the unbanked population, this still remains a good growth point for the banking and inclusive banking sector. Financial inclusion of this market may create employment/entrepreneurial opportunities through new product development that is more customer centric.

Credit granting largely by unsecured credit and unregistered lenders placed South Africa in a spiral of debt. This has forced the National Credit Regulator to seriously investigate credit provision and to implement changes that would strengthen lending criteria to reduce the risks associated with borrowing. Changes instituted by the National Regulator created challenges for credit providers in terms of compliance.

The Co-operative sector has been disappointing with the lack of conversion of CFIs into registered co-operative banks not occurring as fast as expected. An affordable information technology banking platform and the shortage of skills at all levels are cited as reasons for the lack of growth of this sub-sector. Partnering with CBDA will go a long way in addressing some of these challenges. With the focus being on savings rather than credit, CFIs can help bolster the banking sector tremendously.

Improving their IT capabilities, becoming more customer centric, regulatory demands, cyber-crime and fraud, banking apps, cashless payments, all within the ambit of cost containments are the juggling tasks of banking executives in an attempt to balance the demands of the Banking supervisor and shareholders and investors.

To grow their market share the banks will expand into Africa. This expansion places its own set of skills demand on the organisations as they look to grow and increase their levels of profitability.

Employment statistics provided through the WSP process has provided interesting data. Are the banks racial and gender employment in line with national norms in terms of population? At a glance it seems that the sector is transforming well by employing a rather youthful workforce and generally more females than males. Add educational and occupational levels into this mix and the picture is completely different. With most employees possessing a matric qualification, much needs to be done to improve qualifications within the sector to encourage career progression.

The following findings emerged from Chapter 2:
The failure to co-ordinate/match demand with supply surfaced as the main reason for skills shortages. This simply means that there is a mismatch between the skills demanded by the sector and the skills supplied by various training institutions, private and public.

The ten factors affecting skills demanded has been cited as legislation, technology, new product development, compliance, mobile banking, Africa expansion, consumer centricity, geographic location, fraud and cyber-crime. Information technology has emerged as the most important skills shortage in the sector aligning to a range of IT related occupations. This is largely due to the changes in technology and the fast pace of mobile banking and cashless transactions. This is linked to customer centricity as customers no longer want to wait in queues at banks.

The Financial Services Charter, the National Credit Amendment Act, the National Development Plan and the Strategic Infrastructure Projects are the four main national priorities that BANKSETA needs to align its skills development interventions. In this way, BANKSETA will be able to measure the sectors contribution to poverty reduction, employment creation and infrastructure development.

The following findings emerged from Chapter 3:
An analysis of vacancies in the banking sector indicates occupations were most vacancies arose and the reasons for these vacancies. With a youthful employment, it seems that new posts were created and resignations are the main reasons for vacancies arising. What is not clear is whether the new posts are a result of restructuring or growth. It is also unclear what happened to the employees that resigned: did they move within the same sector or did they take up employment in another sector.

Of greatest significance to the sector skills plan is the list of occupations that are in high demand. These give an indication of the scarce skills in the sector and the PIVOTAL programmes that should be implemented to address these hard to fill occupations. This is where the mismatch of supply to demand comes through very clearly. High unemployment, coupled by occupations that are hard to fill is an indication that supply side does not produce the requisite skills that is in demand.

The reported skills mismatch has been largely been attributed to the low standard of education in particular the Mathematics subject which is required for entry into a majority of positions in the banking industry. Data from the Basic Education Department indicates that there has also been a decline in enrolments for the subject. Even at the tertiary eductation level there has been a decline in enrolments for the Business and Management fields of study, with enrolments declining by 3 per cent between 2011 and 2013. This is likely to have an impact of the rate of supply of skills for the sector.

In respect of TVET Colleges, it has been reported that there has been an underutilisation of these colleges for skills supply for the sector. The BANKSETA is collaborating with some of these colleges to ensure skills supply for the sector.

Despite a number of skills development initiative within the sector, there is still some skills shortages which have led to the importation of skills, some on a permanent basis and some for certain period of time. Importation of scarce skills can benefit the sector if the process entails an element of skills transfer to the local people. However, this should not be viewed as a permanent measure; just a move to address the immediate skills needs and should be used as tool for skills transfer to local workers. The country is faced with high levels of employment, including a number of unemployed graduates. A process of upskilling or reskilling such people is therefore required.

Imported skills also provides an indication of the mismatch at local level. From the list provided, a large number of IT Skills are imported.

The scarce skills relate to the following:

- Information Technology
- Management and leadership
- Customer Centricity
- Compliance and Regulation
- Specialist Financial and Related

The following findings emerged from Chapter 4:
BANKSETA engages in a range of partnerships with both industry and higher education institutions to deliver on its mandate. To support the development of the sector inter-SETA partnerships, partnerships with other Public higher education institutions, Partnerships in Africa and Overseas are imperative for the successful implementation of new projects.

5.3. Recommended Actions

BANKSETA has identified the following five strategic focus priorities to which relevant projects are implemented:

- Improving Skills Development Related Research Outputs for the Banking Sector
- Skills Development for the Employed
- Youth Development including Work Integrated Learning
- SME support
- Capacity Building of Public Training Institutions

Based on the findings from the skills planning research, table 30 below provides an analysis of the current and future interventions that will address these skills priorities:

Table 30 – BANKSETA Skills Priority

Skills Needs Identified	BANKSETA current interventions
Support for NEET in developing skills demanded by the sector	The Letsema learnership supports unemployed matriculants whilst the Kuyasa Learnership supports post-graduate youth.
NEET who do not have a matric qualification	Learnerships for the Unemployed from NQF 3-5.
Skills Mismatches between supply and demand	Work Readiness for Graduates and Post Matric learners and the Internships and Work-base experience programmes aims to provides graduates with work readiness skills
Scarce skills in Information Technology, Actuarial and Accounting as per the Scarce Skills List	Bursaries for Higher Education Institutions through collaborations with Universities with a focus on Information Technology, Accounting and Actuarial Science. Merit bursaries also address this need Some of the Collaboration is via the established Centres of Excellence
Transformation Target on disability not met by the sector. Also addresses NEET youth living with disabilities	Learning Programme for Learners with Disabilities targets unemployed learners living with disabilities
Poor maths and Science grades in school, impacts on skills mismatches	Maths & Science Support to Grades 10, 11 and 12

Low levels of qualification of employees at matric and below	Learnerships at NQF 4 and above
High vacancy rates at management levels and scarce skills at management and professional levels	Certificate in Management Development aimed at building skills at middle and junior management levels
Small number of employees with Masters and Doctoral qualifications	Executive Programme for Masters study and doctoral and post-doctoral studies.
Low number of employees who meet FAIS compliance requirements	RPL for FAIS Compliance
Scarce Skills as per the Scarce skills list	Scarce skills are funded via a Pivotal Grant Funding window
Lack of management and leadership skills for Microfinance institutions	Certificate in Management Development Programme for Micro-Finance
Slow growth of CFI and registration of Co-op Banks - Compliance, regulation and management support for CFIs	Cooperative Financial Institutions Support
Poor uptake of TVET graduates by the sector	Post-School Public FET Capacity Building
Mismatch of demand and supply of skills	The Articulation project aims to align TVET and HE Programmes
New requirements of the amended NCA	Consumer Education
Compliance and regulation training for credit providers	RPL for FAIS Compliance

Source: BANKSETA 2015

The following Skills Priority Actions will be undertaken to address the findings of this SSP:

Skills Priority Action 1: Strategic Integrated Projects (SIPs)

The first task at hand is to investigate the current contribution of BANKSETA during the NSDS III period to the SIPs projects. BANKSETA will drive research (ideally within the financial services cluster) to examine the role that the financial services sector will play in both upstream and downstream activities. This will then provide a better opportunity to outline a clear path for BANKSETA to engage in supporting the SIPs project. BANKSETA will investigate the need for a Project Finance Programme to provide the requisite skills to source and manage the project finances of all SIP related projects.

Skills Priority Action 2: Improving the Pipeline of Unemployed Graduates to meet the Sector

The current learnership, bursary and internship projects have provided a skills rich pipeline for the sector. This is evident in the high uptake of these successful graduates by the banking and other sectors. BANKSETA is aware of the fact that the banking and microfinance sector will not be able to absorb these graduates and it seeks partnerships in other sectors for the uptake of the graduates. In ensuring that an all-rounded well developed graduate is created BANKSETA seeks to develop a soft-skills programme covering a range of skills that a new employee will require to be productive in the workplace as well as live a balanced life.

Skills Priority Action 3: Bridging the gap between demand and supply

It has become evidently clear that a gap does indeed exist between the skills demand and supply. BANKSETA will host a series of workshops with Sector relevant partners and public HE and TVET Colleges to facilitate discussions to better inform the development of curricular relevant for the sector. This Skills Action aims to develop a competency framework for the sector and to engage in articulation programmes across the supply of skills.

Skills Priority action 4: Grow the RPL Process

BANKSETA has over the years invested in developing a successful RPL model and resources for the sector. It plans on housing this work in a virtual RPL Centre thus making this invaluable set of tools easily accessible for general public use.

Skills Priority Action 5: Address the changes to the NCA for the Microfinance Sector

The new National Credit Amendment Act has certain guidelines for training for all Credit providers. There is definitely a need for all credit providers registered and unregistered to undergo the training. A partnership between BANKSETA and the MFSA for the microfinance community to formalise the industry in an attempt to create more compliant and regulated credit providers.

5.4. Conclusion

The 2015/16 SSP provides a detailed analysis of the sector, its skills needs and suggested interventions to address these needs. As funding is always limited, the five skills priority actions aims to address the key skills challenges that emerged during the sector skills planning process. in the banking industry.

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