Banking Sector Skills Plan

2013 - 14

"Our research and benchmarking focus facilitates the sector's growth and global competitiveness through knowledge provision."

ENABLING SKILLS DEVELOPMENT IN THE BANKING AND MICROFINANCE SECTOR

INVESTORS IN PEOPLE

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LIST OF ACRONYMS

BANKSETA	Banking Sector Education and Training Authority
BASA	Banking Association of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BIS	Bank of International Settlement
BRICS	Brazil, Russia, India, China and South Africa
CFF	Central Finance Facility
CMD	Certificate in Management Development
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DHET	Department of Higher Education And Training
EE	Employment Equity
ERP	Enterprise Resource Planning
FAIS	Financial Advisory and Intermediary Services
FET	Further Education and Training
FICA	Financial Intelligence Centre Act
FSB	Financial Service Board
FSC	Financial Services Charter
GDP	Gross Domestic Product
HEMIS	Higher Education Management Information System
HET	Higher Education and Training
HETI	Higher Education and Training Institution
HEI	Higher Education Institution
IB	Inclusive Banking
ICT	Information and Communication Technology
IEDP	International Executive Development Programme
IPAP	Industrial Policy Action Plan
MTSF	Medium-Term Strategic Framework
NCR	National Credit Regulator
NCA	National Credit Act
NGP	New Growth Path
NQF	National Qualification Framework
NSC	National Senior Certificate
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
OFO	Organising Framework of Occupations
PESTEL	Political, Economic, Social, Technological, Environmental and Legislation
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PWC	PricewaterhouseCoopers
RPL	Recognition of Prior Learning
SAGDA	South African Graduates Development Association
SARB	South African Reserve Bank
SET	Science, Engineering and Technology
SETA	Sector Education and Training Authority
SME	Small and Medium Enterprise
SSP	Sector Skills Plan
WSP	Workplace Skills Plan

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This Banking Sector Skills Plan (SSP) is the 2014–2015 update and updates the one drafted in 2012. It analyses the skills development needs of the banking sector for the period 2012–2016. The SSP initially analyses the context and the profile of the banking sector, including its segmentation. It then presents an analysis of the skills demand in the banking sector, including a Political, Economic, Social, Technological, Environmental and Legislation (PESTEL) analysis, scarce and critical skills, as well as factors that drive skills shortages in the banking sector. It then reviews supply side issues from entry level – National Senior Certificate through institutions of higher learning. The last section discusses skills development interventions that inform the Banking Sector's 2014–2015 Strategic Plan.

The SSP is informed by the National Skills Development Strategy III (NSDS III), which seeks to increase 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 and society by all South Africans and reduce inequalities. It provides a framework for alignment of work done by the Sector Education and Training Authorities (SETAs) and National Skills Fund (NSF) and drives the workplace to be a visible component of institutional learning. It complements the work of public Higher Education and Training institutions (HETIs) and research-orientated universities.

In terms of the market composition, at the end of 2012, the South Africa's banking sector comprised 17 locally controlled registered banks, two mutual banks, 41 foreign banks, 13 local branches of foreign banks, 15 controlling companies, two banks in final liquidation, with no banks under curatorship and receivership. The sector is generally regarded as highly sophisticated and well managed, and ranks second out of 142 countries in the Global Competitiveness Report (2012/13) in terms of banking sector soundness. This can largely be attributed to the sector's global crisis, which hit the world in 2008, albeit with some scathing. The analysis for 2013 shows that the sector employs approximately 161 000 people.

The banking sector is divided into three main segments: commercial banking, investment banking and developmental banking. The main focus of commercial banks is deposit taking and lending, while investment banks deal with complex financial deals, such as buying and selling financial products, which include derivatives, fixed income instruments, foreign exchange, commodities and equity securities. Commercial banks are further divided into three subsegments: retail financial services, corporate middle market and large corporates.

In terms of redress and transformation within the sector, the analysis of the sector's race, gender, education and disability profile reveals a number of skills-related dynamics. While there has been a significant impact in racial redress overall during the past 11 years, representation of Africans, particularly in management and professional positions, can still be improved. Analysis of the sector's gender profile reveals that 61% of the sector's employees are women. Certain occupational categories are, however, still dominated by men. People with disabilities comprise 1.2% of total banking staff. It is therefore 0.8% shy of achieving the statutory requirement of 4%. In terms of replacement demand, 66% of the sector's employees are below 35 years of age and only 2% are above 56 years. Replacement demand as a result of retirement is, therefore, not a major challenge. Two drivers of attrition in the banking sector have been identified as resignations (69%) and involuntary dismissals (10%). Resignations are motivated by intersectoral movement and poaching. Intersectoral movement leads to skills retention within the sector and ensures multiskilling.

It terms of skills demand, the 2012–2013 BANKSETA Workplace Skills Plan (WSP) analysis shows that demand for clerical and administrative workers has been quite high, averaging 80 000 employees per year. This is followed by managers and professionals, with an annual average of 30 000 apiece. Demand for other occupational categories is quite low.

The PESTEL analysis assisted to project the drivers of skills needs. This included analysing the political, social, technological, environmental and legislative variables that affect banks now and in the future. The analysis indicated that, on the political front, uncertainty in the policy environment about nationalisation and the role of the state in the protection of property rights has dampened investor confidence, leading to slow economic growth. Banks have challenges in fulfilling the political imperative of transformation – expanding financial services to low-income and poor South Africans. The Mzansi account, launched seven years ago and aimed at the low-income and unbanked masses of the country, was labelled a flop due to unsustainable charges and poor maintenance.

Key skills required at senior management level (including strategic management and middle management) include product, systems and risk management and methodologies.

Economic environment: While relatively stable, the South African economy has continued to face a number of challenges, such as low export volumes and low real gross capital formation, which are still below the 2008 figures. With several sectors in the economy gathering momentum and significance, including the government's Strategic Integrated Projects (SIPs), the banking sector will need to be strategic in developing appropriate financing for these sectors. This includes sectors such as transport, construction, tertiary education and communication. Key skills required are product development and risk management.

Social environment: South Africa faces a number of challenges at the social level, which include high unemployment rates, crime, and HIV and AIDS, which negatively impact on banking sector operations one way or other. To combat and circumvent the occurrence of fraud, there is a need to develop forensic accounting skills. Fraud detection skills through ongoing training in Financial Advisory and Intermediary Services (FAIS) and the Financial Intelligence Centre Act (FICA) need to be developed and reinforced at teller level. Banks should increase their intake of unemployed learners in learnership programmes aimed at equipping youth with skills to enhance their employability.

Technological environment: Technology is a major change driver in the banking sector and recent revolutionary innovations are challenging the conventional notion of banking practices. Mobile banking has brought down transaction costs and made banking services accessible to the masses. The legislative hurdle to mobile banking is still to be overcome. Exposure to risk has also heightened for the sector.

New skills sets driven by technological innovations are required in the banking sector. These include computer programming and hardware, process engineers, and selling and marketing.

Environmental factors: The world is going green and many financial institutions are offering green financial products: green loans, green mortgages and green home equity loans. In South Africa, the Nedbank Group is at the fore in the promotion of environmental awareness and financing green initiatives. To respond to global initiatives towards going green, there is a need to invest in skills for developing 'green products'.

Legislative environment: The banking sector in South Africa has to contend with diverse pieces of legislation, with more still to come, for example, the Dedicated Banks Bill, which will facilitate a regulatory platform for second-tier and third-tier banks to accept deposits. The introduction of Basel III, perceived to be the key driver of change, is likely to impact on banks' capital requirements, liquidity, funding and margins. There is a need for specialists in regulatory compliance issues. At entry level, there is a need for operational training related to FAIS and FICA.

Scarce skills: The scarce and critical skills survey undertaken by RUDO Consulting (2012) and validated in 2013 reveals that most scarce skills are among professionals, managers, banking information and communications technology (ICT) skills, risk management and credit card specialists. The main challenge is the unavailability of suitable employment equity (EE) candidates with the requisite skills and experience and information technology (IT) professionals with a banking or financial services background.

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Table 1 lists the top ten scarce skills in the banking sector drawn from the scarce and critical skills survey (2012/3).

Table 1: Scarce skills 2014–2017 (overall)

Scarce skills positions
FAIS-compliant Consultant
Credit Card Specialist
Business Development/Relationship managers
Risk Specialists
IT Markets Trading Developers
FX Spot Traders
Financial Analysts/Internal
Statistical Analysts
Debit Card/Credit Card Fraud Investigators
Research Analysts
Traders (sales, equity, derivatives)
Fiduciary Managers

Source: Source: Scarce and Critical Skills Validation Exercise (2013)

Additional retail banking scarce skills areas gleaned through qualitative interviews include risk management, forensic auditing and general accounting, chartered accounting and actuarial science. Main drivers of skills shortages in the banking sector include the following:

- Lack of requisite experience and suitable black people
- The limited number of black matriculants who access tertiary education institutions
- The introduction of new regulations that require banking institutions to comply with prescribed standards.

Critical skills: The critical skills in the sector have not changed much and the need is still within the categories of specialist financial skills, legislation compliance skills, IT, management and leadership, and customer interface. There is a need for cross-sectorial collaborations with similar SETAs that serve the financial sector, namely FASSET, INSETA and MICT SETA to address the similar scarce and critical skills needs. It is envisaged that the collaborations will be in the form of memoranda of understanding (MoUs) to address the common skills needs.

Skills supply: Analyses of skills supplies in terms of the flow of skills into the labour market and the development of the existing workforce involve assessments through the entire schooling system to establish trends in the flow of labour into the market. Secondary schooling trends reveal low pass rates in Mathematics and Science at Senior Certificate level (Matric/Grade 12), which is used as an indicator of the flow of skills from the schooling system into the labour market at entry level. This is particularly the case with African students.

While Further Education and Training (FET) colleges offer Level 3 and Level 4 qualifications, due to the evolving nature of banking skills requirements that are largely driven by advances in technology, there is need for FET colleges to offer National Qualification Framework (NQF) Level 5 and Level 6 certificates in relevant finance-related courses to produce work-ready graduates for the banking sector. Hopefully, proposals made in the Green Paper for Post-school Education and Training 2012 to allow for selected FET colleges to offer NQF Level 5 and Level 6 certificates in science/engineering/technology and business/management will receive favourable consideration. BANKSETA flagship programmes, such as Letsema and Kuyasa, should be extended and expanded in partnership with FET colleges and other stakeholders. To maximise reach, BANKSETA works indirectly with FETs through a private provider to implement training. This collaboration with FETs also serves as a conduit to access and develop rural communities.

Business and commerce courses tend to have one of the lowest pass rates of HETIs, thereby starving the banking sector of suitably qualified pools of resources from which to draw. The challenge of graduate unemployment has its roots in the mismatch between the types of workers demanded by firms and those supplied to the labour market. This is further aggravated by the quality of qualifications and the work-readiness of the graduates.

The SSP seeks primarily to proactively address skills needs in the banking industry during the next five years and beyond. This document is an ongoing plan that should be updated as and when new information becomes available. The planned interventions were informed largely by the six strategic focus areas of BANKSETA. Based on the analysis of the additional needs in the sector, this SSP identified a number of key areas of focus to consolidate and move forward towards skills development that enables stakeholders to advance the national and global position of the broader banking industry.

Key areas identified by the review that need consideration are as follows:

- Programmes to address high youth unemployment
- Interventions to address the stock of skills and transformation in the sector
- Enhancing and building the capacity of public FET institutions, HETIs, small and medium service providers of skills training, and universities of technology to increase the national footprint and improve the relevance of training interventions in response to sector needs
- Cutting-edge research to meet the changing nature of the banking sector
- Initiatives to enhance transformation

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RESEARCH
SSP
High-level strategy
Drivers of change
Supply & demand for skills
STRATEGY
Transformation targets
EQUITY
86% BLAC
54% FEMA
4% DISABI
LEARNERSHI
CAREERS IN
SMME S

In terms of the Skills Development Act, BANKSETA is required to prepare a Banking SSP every five years within the framework of NSDS III. The 2014-15 update builds on the five-year SSP prepared in 2011 and the 2012-13 update.

The SSP seeks to identify the following:

- The demand for skills in the Banking sector through an analysis of the change drivers and occupational demand.
- The supply of skills through an analysis of the supply and stock of skills in the Banking sector.
- The skills gap/shortages in the Banking sector achieved through an analyses of the above.

The approach towards SSP research was systematic and followed a multipronged research methodology to gather and analyse data. This included an extensive literature review, data from documents such as the Department of Higher Education and Training (DHET) guidelines, NSDS III, government's Medium-term Strategic Framework (MTSF), government policies, as well as a variety of research reports and secondary data. The recommendations of the National Planning Commission as well as the National Development Plan (NDP) Vision 2030 formed part of the literature review source guidelines in terms of the country's strategic direction that includes economic growth, job creation and skills requirements. Primary data was collected mainly through qualitative methods, which included in-house mini-focus groups and in-depth interviews with industry stakeholders and experts. A key area in the development of an SSP is to understand as much as possible about the sector as a whole. Valuable input was gained from qualitative engagement with the sector but the question to be considered is how issues being discussed extend throughout the sector as a whole and other large-scale factors that need to be considered. The optimal approach, therefore, was to examine a number of sources of data and to examine the results holistically. The primary source of data in the development of an SSP is the set of WSP and ATR returns (mandatory grant funding information). While there are limitations to the data, it is usually the only dataset that is specifically targeted at skills development in the defined sectorial parameters of the SETA. Therefore it took prominence in the analysis and yielded valuable information.

As useful as the WSP/ATR data can be, it is crucial to understand their inherent limitations. These limitations include sample bias as well as a risk of reporting bias. Therefore we examined as many other data sources as are available. These include the South African Revenue Service (SARS) database of levy-paying firms, third party macroeconomic datasets (Quantec), STATSSA, HEMIS and EMIS data as well as other academic and commercial studies. Furthermore, the engagements with the sector through focus groups, interviews and meetings were an important source of information that either validated the findings from the quantitative data or provide flesh to potentially surprising results. The combination of examining all of the above will provide the best picture possible of the skills-related issues in the sector and subsequently allow for the most effective plan possible.

Key Policies and Priorities

NSDS III seeks to increase access to high-quality and relevant education and training by aligning the supply and demand of labour. NSDS III recognises the misalignment between the quality demanded by employers and the quality and skills sets produced by the educational system. It encourages the linking of skills development to career paths, career development, the promotion of sustainable employment and work progression, with an emphasis on training to enable trainees to enter the formal workforce or create livelihoods for themselves. The strategy seeks to establish and promote closer links among employers, training institutions and the SETAs. NSDS III thus provides a framework to align the work done by the SETAs and the NSF. It drives and positions the workplace to be a visible complement to institutional learning. It complements the work of public HETIs, FET institutions and universities of technology and research-orientated universities. Its initiatives and interventions are designed to respond to the following pressing challenges:

Inadequate skills levels and work -readiness of graduates entering the workforce	Lack of literacy and numeracy in the long-term em-ployed
Failure of business to equip the workforce to adapt to changes in the economy as it becomes more knowledge-based.	Overemphasis on NQF levels 1 – 3 without sufficient progression to more intermediate and higher-level skills.
Skills shortages in the artisan, technical and professional fields.	Systemic blockages in the provision of skills.
Absence of coherent strategies in industries.	Urban bias of our development.

THE NSDS III is informed by seven transformational variables:

- **Race** - Racial inequality and concomitant skills profiles have persisted since the advent of democracy. Access to skills opportunities will be focused on blacks and Africans in particular.
- **Class** - South Africa is considered one of the most unequal societies in the world. Skills provision to the working class and poor can ameliorate this social inequality.
- **Gender** - Acute gender disparities exist in the labour market, which need to be addressed by including women, and specifically black women, in all training interventions.
- **Geography** - The historical bias towards urban development has been recognised by the current government. Therefore, rural development and its requisite skills needs is a key priority for government.
- **Age** -Youth unemployment is a malaise that needs urgent attention. NSDS III will augment the training of the youth to bolster their employability.
- **Disability** - Discrimination directed at disabled people is entrenched in society and targets for training them have not been attained. Skills training should significantly accommodate disabled people.
- **HIV and AIDS pandemic** - This scourge poses a colossal threat to future growth and should be viewed in a serious light. All skills development programmes should encompass the fight against and management of HIV and AIDS in the workplace.

NSDS III GOALS

NSDS III has eight strategic goals. It emphasises the relevance, quality and sustainability of skills training programmes. The goals are presented in the table below mirrored against BANKSETA's programming and strategic objectives.

> *"This strategy represents an explicit commitment to encouraging the linking of skills development to career paths, career development and promoting sustainable employment and work progression."* ***Blade Nzimande, Minister of Higher Education and Training***

BANKSETA's Strategic Objectives Aligned with NSDS III Goals[2]

NSDS III Goal	BANKSETA strategic objectives
Goal 1: Establishing a credible institutional mechanism for skills planning will ensure that the national need in relation to skills development is researched, documented and communicated to enable effective planning across all economic sectors.	1. Improving the quality of sector skills planning 2. Improving the level of participation of skills planning in the sector

2. *A more comprehensive breakdown of programme information is contained in the 2013-2014 Annual Perfomance Plan.*

Goal 2: Increasing access to occupationally directed programmes. Both intermediate level and higher level professional qualifications speak to the PIVOTAL initiative.	1. Providing learnerships to unemployed learners, focusing on scarce and critical skills 2. Providing work-readiness programmes to unemployed learners (at post-matric and graduate level), focusing on scarce and critical skills 3. Providing internships to unemployed learners (at post-matric and graduate level), focusing on scarce and critical skills 4. Providing bridging programmes for learners with disabilities to acquire the skills needed to enter the sector 5. Increasing access to occupationally directed programmes by providing workplace exposure and sponsorship for actuarial students in their honours year 6. Building career and vocational guidance to youths by funding the development and dissemination of a career guide for life orientation teachers 7. Providing learnerships to employees in the sector 8. Providing skills programmes in FAIS to employees in the sector 9. Increasing access to occupationally directed programmes by providing bursaries to the University of Zululand (Unizulu) in chartered accounting 10. Increasing access to occupationally directed programmes by providing bursaries to the University of Fort Hare in financial markets (honours) qualifications
Goal 3: Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities.	1. Building capacity with FET colleges in an effort to collaborate by assisting with accreditation to deliver BANKSETA-specific qualifications, as well as to assist FET learners to gain experience in the workplace through work-integrated learning interventions 2. Providing for the development of an articulation programme between the FET colleges and the universities in the Eastern Cape that will lead to a learner being able to enter a qualification at a second-year level at a university

Goal 4: Addressing the low level of youth and adult language and numeracy skills to enable additional training.	1. Providing targeted development programmes to improve mathematics, economics, business communications skills and accounting scores for learners in Grade 11 and Grade 12 (this intervention is to improve the quality of learners recruited for BANKSETA post-matric and graduate learnerships)
Goal 5: Encouraging better use of workplace-based skills development.	1. Providing management and leadership programmes to employees in the sector 2. Providing skills programmes in FAIS to employees in the sector 3. Providing programmes in scarce and critical skills to employees in the sector
Goal 6: Encouraging and supporting cooperatives, small enterprises, worker-initiated non-governmental organisations (NGOs) and community training initiatives.	1. Increasing BANKSETA–registered SME participation in BANKSETA SME support interventions 2. Supporting development finance organisations through BANKSETA interventions 3. Supporting cooperative banks through BANKSETA interven-tions
Goal 8: Building career and vocational guidance.	1. Building career and vocational guidance to youth by funding the development and dissemination of a career guide for life orientation teachers

National Development Plan

The NDP is the overarching blueprint for government. Elimination of poverty and reduction in inequality by 2030 are the lynchpins of the plan. These imperatives can be achieved by harnessing the energies of people, growing an inclusive economy, building capabilities, strengthening the state's capacity and promoting leadership and partnerships through society. The NDP articulates three focal areas: raising 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:

- Elimination of income poverty, entailing reducing the proportion of households with a monthly income below R419 from 39% (2009 prices) to 0%
- To reduce inequality by decreasing the Gini Coefficient from 0.69 to 0.6
- A substantial drop in the unemployment, from 24.9% in June 2102 to 6% in 2030. Therefore employment should rise exponentially from 13 million to 24 million.

The SETA Grant Regulations

The new SETA grant regulations that were gazetted on 2 December 2012 have effected fundamental changes to the mandatory and discretionary grants administered by a SETA. The following are significant:

- Reduction in the mandatory grant claim from 50% to 20% to a levy-paying employer who submits an approved WSP and ATR.
- 80% of discretionary funds are to be allocated for PIVOTAL programmes that address scarce and critical skills in the sector.
- A SETA is expected to spend at least 95% of its discretionary funds by 31 March of each year.
- Unspent discretionary grants will be allocated to the NSF by 1 October of each year.
- A SETA should assign only 10.5% of the levies paid by employers to administration costs.

National Skills Accord

With the aim of upskilling young South Africans, government signed the National Skills Accord in July 2011. This accord is a partnership of government, business, labour and civil society. The accord "binds the social partners to objectives in the areas of artisan training and training in other scarce skills, as well as the promotion of internships and the placement of graduates of FET colleges, training colleges and universities of technology". According to government, the framework for all sector skills should be aligned to the New Growth Path and Industrial Policy Action Plan II.

Documents in relation to improving access to post-education and training, as well as improving the quality of post-education for the poor in South Africa were released in 2011. These include the DHET's Strategic Plan for Higher Education and Training 2010–2015, the New Growth Path of the Department of Economic Development, the Green Paper for Post-school Education and Training (released in 2012) and the Position Paper on an Extended Post-school Education. The key message from all these are policy proposals, which make the following recommendations:

- South African universities should be positioned as 'critical drivers of social and economic change and employment'.
- FETIs should be expanded and strengthened in terms of capacity, curriculum development and successful teaching to improve on their low success rates (high dropout and low graduation rates), which contribute to their poor image in the industry.
- Selected FET institutions should be allowed to offer NQF Level 5 and Level 6 certificates in engineering, technology, business and management so as to produce more middle-income level skilled individuals.
- Collaborations with SETAs should allow FETIs to expand and extend their reach and involvement in occupational and workplace training programmes at Level 5 and Level 6.

Economic Analysis

The demand for skills within the broader banking sector is derived from the demand for the banking and financial services that the sector provides to households, businesses and government. The volume and value of banking services demanded are, in turn, a function of the volume and value of savings, investment, credit and exchange transactions that they help to facilitate. This means that the potential of banking services in a country such as South Africa to grow sustainably over time is dependent on a range of factors, including: a persistent growth in household incomes and expenditure; an expansion of the number of people employed; high levels of investor confidence; a persistent increase in new business formation and expansion; the ability to innovate and use technology in ways that help to extend banking services to domestic consumers not currently served (the "unbanked"); and the ability to support an increased array of transactions and banking services in other parts of the world from within the borders of the home country. Developments in the global and local economies, therefore, have a fundamental and direct impact on the banking sector's prospects, and on its need for skills.

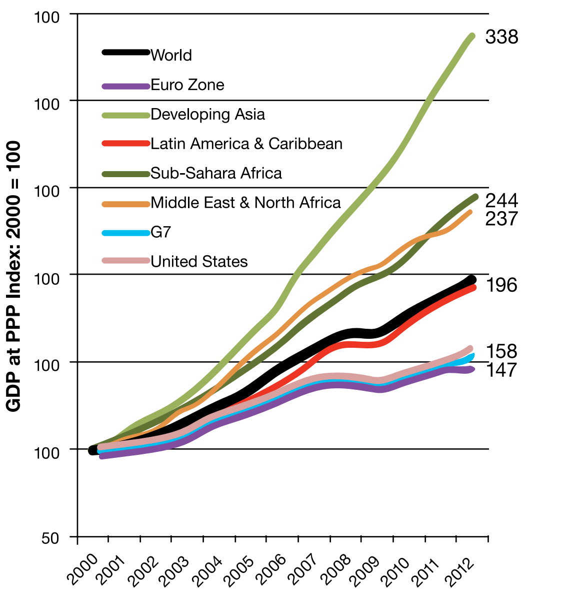
Developments in, and prospects of the world economy

The world economy has experienced a series of shocks over the past five years or so that have served to emphasise the increased integration of countries, as well as the risks and opportunities that such interdependence can give rise to. After averaging 4.6% a year growth between 2002 and 2007, real world economic growth averaged only 2.9% a year over the next five years (till 2012). This slowdown was a response to successive national and regional crises, and their contagion effects. Although the collapse of Lehman Brothers in September 2008 is often cited as precipitating the first of these crises, it is worth remembering the dramatic rise in global energy and food prices that pre-dated that event, and which gave rise to food demonstrations and riots in some parts of the world, notable shifts in economic growth patterns, and rising inflation pressures. It was the latter that led to the increases in interest rates in the US and elsewhere that served to reveal the cracks in the foundations of the sub-prime mortgage market, and which ultimately led to its collapse. The resulting losses and global liquidity squeeze, coupled with strong trade and financial flow contagion effects, quickly turned a sub-prime mortgage crisis in the US into a global economic crisis characterised by the largest contraction in global output since the Great Depression.

The slower rates of economic growth in most countries served, in turn, to highlight the dangers of excessive national, corporate and household indebtedness.

In some European countries, losses arising from property bubbles had been converted into sovereign debt through bale-outs of the banking sectors of affected countries. In others, "off balance sheet accounting" had helped some governments escape the strictures of the Maastricht Treaty relating to fiscal deficits and levels of government debt, and allowed national debt levels to balloon. Against this backdrop, increased risk aversion on the part of lenders resulted in a dramatic rise in sovereign debt risk premiums for highly indebted countries – most notably Greece, Portugal, Italy, Ireland and Spain. The effective closure of normal credit lines to these countries, coupled with economic contraction and declining tax revenues meant that they were unable to service their existing debt – necessitating massive debt write-offs by creditors and bale-outs by the European Union and International Monetary Fund (IMF). These bale-outs were conditional upon the adoption of fiscal austerity measures –which served to further depress levels of economic activity - and the surrendering of some national autonomy. The backlash against these measures continues to threaten the foundations of European monetary, economic and political union. Real economic growth rates in what remains the world's largest single market plummeted from an annual average of 2% per year between 2002 and 2007, to -0.2% a year over the next five years.

Figure 1: Relative trends in GDP at Purchasing Power Parity



Source: IMF World Economic Outlook, April 2013 (via Quantec Easydata)

The depressed growth of European economies has had a negative impact on countries with strong traditional trade and investment links with that part of the world, including South Africa. Fortunately, lower rates of economic growth in most advanced economies were at least partially offset by relatively strong expansions in many emerging and developing markets – most notably China, India, and a number of African economies that have benefited from successive commodity booms and increased inward investment. While the average annual rate of growth in real GDP slowed from 9.2% between 2002 and 2007 to 7.9% a year between 2008 and 2012 among the Developing Asia group of countries, this was still sufficient to provide some cushion for the lower growth of advanced economies – particularly for commodity exporters from Africa. The average growth in sub-Saharan African economies decreased from 6.1% a year between 2002 and 2007 to a still-healthy 4.8% a year over the following five years. Figure 1 indicates the relative trends in GDP for different country groupings from 2000 onwards. Based on these trends the value of goods and services produced by the countries making up the Developing Asia grouping was some 238% higher in 2012 than it was in 2000. On a similar basis, sub-Saharan Africa economies were collectively some 144% larger, while those of the Middle East and North Africa were 137% bigger. These levels of expansion are in stark contrast to the Eurozone and G7 groupings, and the US, which expanded by only 47%, 52% and 58% respectively over the same period. The combined expansions of all economies between 2000 and 2012 resulted in an overall increase in the value of world GDP of 96%. The growth in the economies of the Latin America and Caribbean region followed similar trends to the global average – expanding by 92% between 2000 and 2012. Table 1 shows the average annual rates of growth in real GDP of different regions between 2003 and 2007, and 2008 and 2012, as well as IMF forecasts for average growth between 2013 and 2017.

The sharp decline in economic growth after the global economic crisis (2008 to 2012) is evident – with average growth rates 1.7% a year lower around the world than in the preceding five-year period. The divergence in growth patterns between advanced economies (the Eurozone, G7 and the US) and developing and emerging economies (Developing Asia, Latin America and Caribbean, sub-Saharan Africa and the Middle East and North Africa) is also apparent. Within this context, South Africa matched the global average between 2002 and 2007, but lost ground over the past five years – averaging only 2.2% a year compared with a world average of 2.9%.

Table 2: Average annual change in real GDP

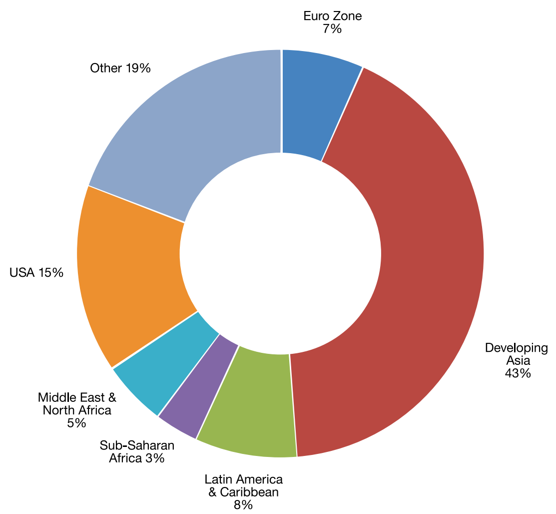
Period	Average Annual Percentage Change in Constant Price GDP								
	World	Eurozone	Developing Asia	Latin America & Caribbean	Sub-Saharan Africa	Middle East & North Africa	G7	US	South Africa
2002 to 2007	4.6	2.0	9.2	4.6	6.1	7.0	2.4	2.9	4.6
2008 to 2012	2.9	-0.2	7.9	3.3	4.8	4.5	0.3	0.6	2.2
2013 to 2017	4.1	1.1	7.5	3.8	5.7	4.1	2.2	3.0	3.2

Source: IMF World Economic Outlook, April 2013

Current IMF expectations of South Africa's rate of economic expansion till 2017 fall way short of the averages for other developing and emerging markets, and are (at 3.2% a year) even below the expected global average.

The effect of these expected regional variations in growth on the contributions to the expansion of the world economy between 2013 and 2017 are reflected in Figure 2. Fully 43% of the increased volume of goods and services produced in the world is expected to arise from within Developing Asia, with the US contributing around 15%, Latin America and the Caribbean 8%, and the countries making up the Eurozone 7%. The Middle East and North Africa and sub-Saharan Africa are expected to collectively contribute 8% (5% and 3% respectively), and all other countries and regions the balance (19%). As noted, levels of domestic investment activity are important drivers of bank lending – most notably project and corporate finance. To the extent that such investment in undertaken by government, it can hold implications for the level of government borrowing and capital market activity.

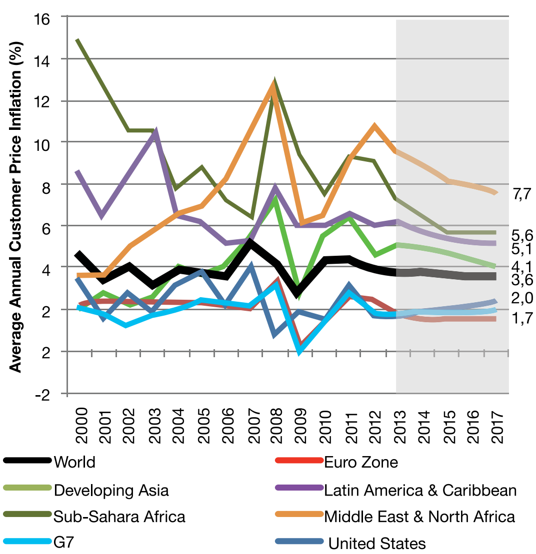
Figure 2: Expected contributions to the growth in the world economy between 2013 and 2017



Source: IMF World Economic Outlook, April 2013

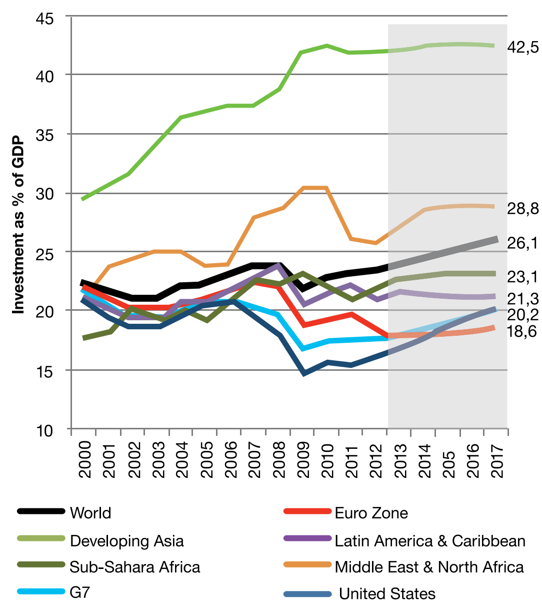
Figure 4 indicates historical and anticipated trends regarding the share of GDP that will be channelled towards capital formation/investment among different regions and country groupings. Developing Asia stands out, with overall investment levels expected to increase marginally from that of recent years, and to equate to about 42.5% of GDP by 2017. By contrast, investment levels in the Eurozone are expected to be

Figure 3: Actual and expected consumer price inflation rates



Source: IMF World Economic Outlook, April 2013

Figure 4: Investment as a % of GDP



Source: IMF World Economic Outlook, April 2013

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muted and to only recover slightly (to around 18.6% of GDP) over the next five years. Investment in sub-Saharan Africa is expected to rise to levels similar to their peak of 2009, reaching just over 23% in 2017.
The US is expected to see investment recover to pre-global economic crisis levels by 2017. Globally, the level of investment activity is expected to rise from 23.6% of world GDP in 2012 to in excess of 26% by 2017.

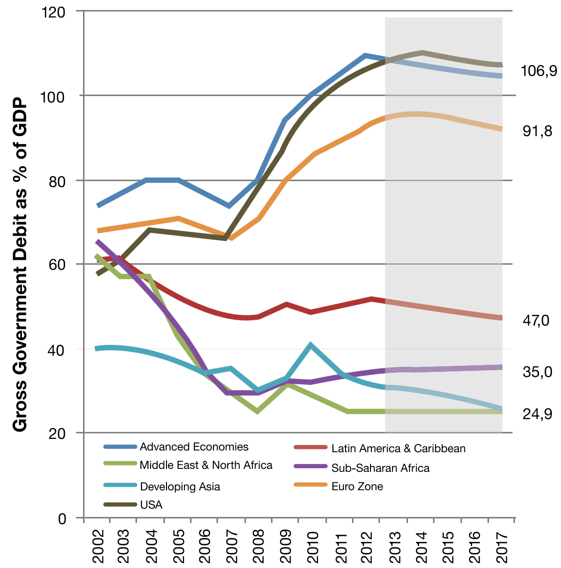
In light of the fact that monetary authorities around the world tend to have low rates of inflation as their primary objective, and that policy interest rates are generally the primary instrument used in pursuit of this objective, the outlook for inflation globally can be important to banking sector prospects. This is especially true given the extensive use that has been made of quantitative easing in many advanced economies (the US, Europe and, most recently, Japan are examples) to try to engineer lower capital market rates and thereby stimulate investment activity. There are residual concerns – echoed by the IMF – that these massive injections of liquidity could result in rapid increases in inflation when recoveries start to take hold, unless properly managed. It is then a reflection of the generally low and muted economic growth prospects of the advanced economies where quantitative easing was most actively used that inflation is not expected to rise significantly over the next five years.

In fact, as Figure 4 indicates, inflationary pressures are expected to ameliorate in most developing and emerging country regions, and to remain low and relatively flat in advanced economies. In sub-Saharan Africa, average inflation rates are expected to decline from 7.2% in 2012 to 5.6% by 2017, while in the Middle East and North Africa, they are expected to fall from 9.6% to 7.7% over the same period. While still above the global average, inflation rates in both Latin America and the Caribbean and Developing Asia are expected to decline marginally from their current levels. The average rate of inflation around the world is expected to ease marginally – from 3.9% in 2012 to 3.6% by 2017 – while rates in advanced economies will remain at around 2% going forward. This relatively benign inflation outlook suggests that money and capital market rates should generally remain low over the next five years – with policy adjustments driven by exchange rate, balance of payments and other considerations, rather than direct inflation concerns.

Another impact of the sluggish growth anticipated in advanced economies is that tax collections will remain under pressure, and that the need for fiscal stimulus is likely to persist. As a result, levels of government debt will be slow to unwind. For as long as capital market interest rates remain low, highly indebted countries should be able to service their debt, but when the interest cycle turns, the risks of default could once again come to the fore.

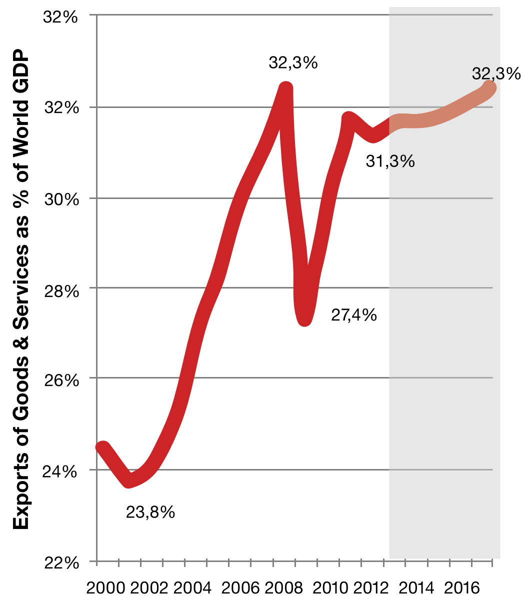
Figure 5 indicates historical and forecast levels of gross government debt as a percentage of GDP. It indicates that only a slight reduction in the levels of gross government debt

Figure 5: Gross government debt as a % of GDP



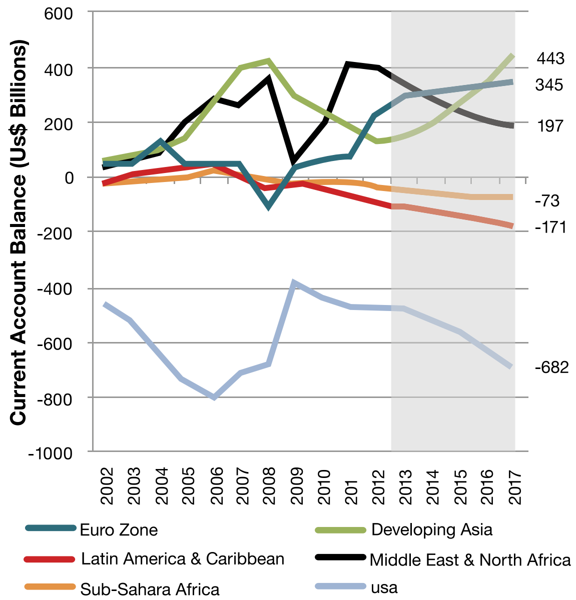
Source: IMF World Economic Outlook, April 2013

Figure 6: World exports as % of world GDP



Source: IMF World Economic Outlook, April 2013

Figure 7: Current account balances in US$ Billions



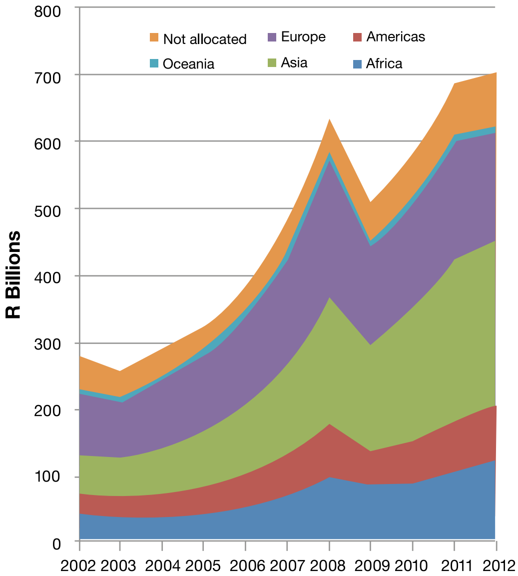
Source: IMF World Economic Outlook, April 2013 of advanced economies is anticipated over the next five years – but that the levels of debt will remain high – ranging from an average 92% in the Eurozone to 107% in the US. By contrast, government debt levels in developing and emerging market groupings are expected to remain either relatively low and flat, or to decline further from current comparatively low levels. For example, the average gross government debt level among countries in the Developing Asia grouping is expected to decline from 31% in 2012 to around 25% in 2017. Sub-Saharan debt levels are anticipated to rise marginally from 34% of GDP to 35% over the next five years.

While the share of exports of goods and services in world GDP is expected to recover to its pre-global economic crisis peak by 2017 – as indicated in Figure 6 – there is little indication that this will be accompanied by a fundamental correction of global trade imbalances (see Figure 7).

If anything, a further widening of the imbalances that existed in 2012 seems likely over the next five years – with the US's current account deficit expanding from $475 billion to an estimated $682 billion. While the current account surplus of the Middle East and North Africa region (which is derived mainly from oil exports) is expected to decline from $397 billion in 2012 to $197 billion in 2017, the combined surplus of Developing Asia is forecast to rise from $130 billion to $443 billion over the same period.

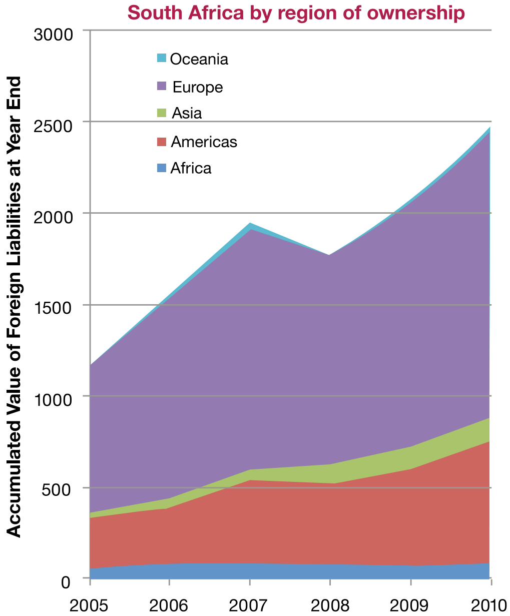
The Eurozone's surplus is expected to increase from $221 billion to $345 billion, while sub-Saharan Africa is expected to see its current account deficit rise from $46 billion to $73 billion over the next five years. Viewed in isolation, these trade patterns suggest further realignment of exchange rates – with the US dollar likely to be prone to weakness, and increased pressure on China and other Asian economies to allow their currencies to strengthen in relation to the US dollar. However, capital flows could more than negate what happens to trade flows – resulting in very different exchange rate adjustments. It is worth noting that in its July 2013 World Economic Outlook update, the IMF lowered its growth forecasts for 2013 and 2014, citing appreciably weaker domestic demand, slower growth in several key emerging market economies, and a more protracted recession in the euro area.
It also cautions that downside risks to global growth prospects still dominate. While many of these have been around for some time, the IMF has identified some new ones, including:
The possibility of a longer growth slowdown in emerging market economies, and Slowing credit, and possibly tighter financial conditions if the anticipated unwinding of monetary policy stimulus in the US leads to sustained capital flow reversals.

Figure 8: Regional destination of South Africa's merchandise exports



Source: SA Revenue Service Customs & Excise, accessed via Quantec

Figure 9: Stock value of foreign liabilities of South Africa by region of ownership



Source: SA Reserve Bank Quarterly Bulletins – various editions

The IMF concludes that stronger global growth will require additional policy action aimed at maintaining a supportive macroeconomic policy mix, while at the same time containing credible plans for debt-sustainability over the medium term, and adopting reforms that help to restore balance sheets and credit channels. In this context, many emerging market economies – including South Africa – face a trade-off between expansionary macroeconomic policies to underpin weak economic activity levels, and policies to support the balance of payments and contain capital outflows.

Trends in, and prospects for, the South African economy

Economic developments in the global economy impact the South African economy primarily in two ways: through trade, and via capital flows. Figure 8 indicates the regional destination of South African exports. While the relative importance of Europe as an export destination has declined over the past decade (from 34% of the total to around 24%), and that of Asia has increased (from 20% to 35%), regional export markets are relatively diverse, and no one region – or country - dominates to the exclusion of others. This diversity may offer some protection of the economy from shocks that are specific to particular regions. However, the world economy is now so integrated that such shocks tend to be transmitted indirectly if not directly – as the global economic crisis aptly demonstrated. The aggregate export figures shown in Figure 8 are deficient in that they do not differentiate between commodity exports and manufactures; nor do they include service exports. The emergence of Asia – particularly China – as the global manufacturing centre has resulted in it becoming a major consumer of South African mining commodities. By contrast, manufactured exports constitute a relatively larger proportion of South African exports to Europe, North America and Africa.

However, as Figure 9 indicates, changing trade patterns are not consistent with capital inflows. The stock value of foreign liabilities at year end indicates that Europe is still by far the largest source of foreign capital – accounting for 64% of the total in 2010. By contrast, capital inflows from Asia accounted for only 5% of the total. While the quality of the investment certainly matters, numerous studies of both South Africa and other economies have concluded that the ratio of capital formation to GDP needs to be maintained at around 25% for the rate of economic growth to be sufficient to make meaningful inroads into the unemployment rate. The NDP predicates its employment outcomes on – among other things – the ratio of investment to GDP rising to 30% by 2030.

Box 1: **Implications of the global economic environment for the South African economy – 2013 to 2017**

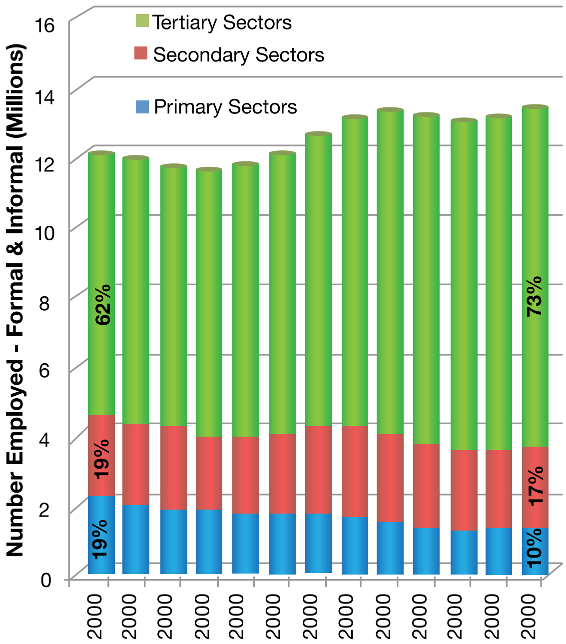
Viewed collectively, the global economic environment is unlikely to provide an external spur to the rapid acceleration of the rate of growth of the South African economy. Strong growth in demand for South African exports from advanced economies is unlikely, and the country's terms of trade in respect of emerging markets – especially Developing Asia – are likely to deteriorate given inflation expectations and the fact that it tends to export commodities to these markets and import manufactures from them. While the stronger anticipated growth of sub-Saharan Africa should create some opportunities for merchandise and services export growth, these economies are now more competitively served, and there is no guarantee that South Africa will be able to expand, let alone maintain, its share of these export markets. Commodity exporters may fare slightly better, if they are not derailed by labour instability and rapidly rising costs, but the expected global environment is not likely to support a significant, or sustained, commodity price boom.

South Africa will also face greater competition in its attempts to attract foreign capital inflows – which are crucial to its attempts to fund higher levels of fixed capital formation, and to sustain higher rates of economic growth into the future. This could have implications for the level of interest rates, as higher interest differentials may be required to maintain capital inflows and stabilise the currency. At the same time, increased liquidity and negative real interest rates in advanced economies could continue to "feed" capital inflows into emerging markets offering higher returns on either bank deposits or equities. South Africa could benefit from this, but the flows are likely to be comparatively risk averse. The exchange rate could be more volatile as a result. At the same time, there is growing concern that a number of European banks could assume "zombie-like status": neither weak enough to collapse, nor healthy enough to lend to firms. Despite relatively effective South African banking legislation and supervision, the risk of some element of international banking sector contagion remains real. Greater risk aversion – particularly in relation to lending to small businesses – will tend to reinforce sluggish economic and employment growth prospects in South Africa.

Since current rates of gross domestic savings to GDP amount to around only 14%, achieving a ratio of even 25% implies a need for net foreign capital inflows equivalent to around 11% of GDP – or around R350 billion in 2012 prices. However, in 2012, the country managed to attract net capital inflows on the financial account of the balance of payments of only R162 billion, and achieved a capital formation to GDP rate of only 19.2%.

Figure 10 indicates the split between employment (both formal and informal) in the different broad sectors of the economy, and how these have changed over time. Employment in the primary sectors have almost halved since 2000 – from around 2 million and 19% of total employment, to 1,3 million and 10% of the total in 2012. Employment in the secondary sectors has remained relatively static at 2,3 million, but its share of total employment has declined from 19% to 17%. Over the same period, employment in the tertiary sectors - which includes the banking sector - increased from 7,5 million (and 62% of the total) to 9,8 million (and 73% of the total).

Figure 10: Formal and informal employment in South Africa



Source: Quantec Standardised Industry Database

In this context, and not withstanding other initiatives aimed at increasing employment in other sectors, it is not surprising that the NDP sees potential for employment growth in the services sectors – especially those that can be traded internationally. It notes: "Some of the fastest growing global segments are in finance and business services, where South Africa has capability."

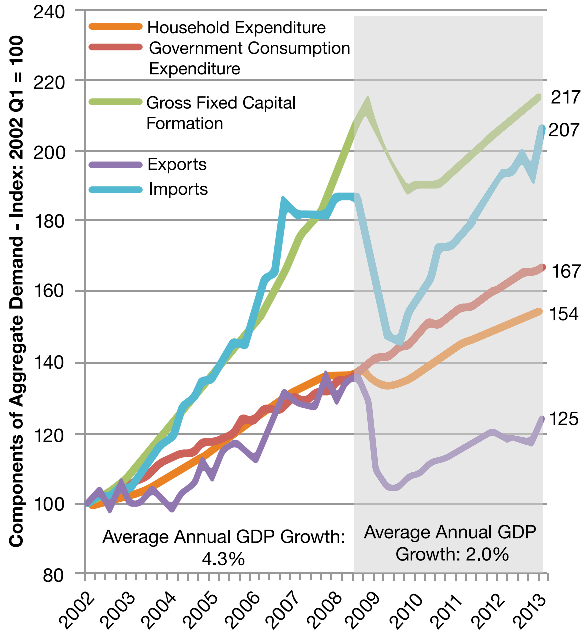
Table 3: Number of people employed and unemployed, and unemployment rates

Description	2002	2004	2006	2008	2010	2012	2013 Q1
Unemployed - Official	4 940 743	4 132 940	4 399 590	4 121 906	4 396 339	4 667 333	4 601 399
Discouraged Work Seekers	1 225 023	1 215 384	997 849	1 071 353	2 032 654	2 169 849	2 329 574
Employed (Formal & Informal)	11 068 137	11 625 486	12 799 609	13 654 623	12 974 505	13 645 308	13 620 995
Official Unemployment Rate	30.9%	26.2%	25.6%	23.2%	25.3%	25.5%	25.3%
Expanded Unemployment Rate	35.8%	31.5%	29.7%	27.6%	33.1%	33.4%	33.7%

Source: Statistics South Africa, Labour Force Survey (accessed via Quantec)

However, despite some employment growth (total employment increased by some 1,8 million between 2003 and 2012), the number of people unable to find work has risen. Table 2 indicates that while the number of people unemployed in terms of the official definition (ie those actively looking for work) increased by around 500 000 between 2008 and the first quarter of 2013, the number of discouraged work seekers more than doubled to 2,3 million. The effect of this has been a divergence between the official unemployment rate (which rose from 23.2% to 25.3% over the same period), and the expanded unemployment rate (which increased from 27.6% to 33.7%). The NDP sets a target of creating 11 million net additional jobs between now and 2030 – which should reduce the official unemployment rate to around 6%. To the extent that these jobs are not created by the private sector and in the public service, the gap would need to be filled by expanded public works programmes (EPWPs). Under the different scenarios outlined in the NDP, the number of employment opportunities that would need to be accommodated by EPWP interventions ranges from 5,5 million (under the current growth trajectory) to only 400 000 (under the type of economy that the plan seeks to create).

Figure 11: Relative performance of the components of real aggregate demand



Source: SA Reserve Bank Quarterly Bulletin (accessed via Quantec)

Figure 11 indicates the relative performance of the different components of real aggregate demand. The immediate effects of the global economic crisis are clearly evident on all components other than government consumption expenditure. It is also apparent that while imports have assumed a growth trajectory similar to their pre-crisis path, exports and household consumption expenditure have been comparatively sluggish. While gross fixed capital formation has been increasing more strongly, it is still expanding at a slower rate than pre-crisis levels. Overall, the average annual rate of growth in real GDP since the start of the Crisis has been only 2%, compared with average growth of 4.3% a year between 2002 and the third quarter of 2008. The average rate of growth since the official commencement of the current upswing (fourth quarter 2009) has been 2.9% a year. As has already been noted, the level of activity of the banking sector is primarily a function of the value and volume of consumption and investment transactions (for transactional income) and of the value and volume of credit and other borrowing (for interest income). Figure 12 indicates the comparative trends in different categories of real final consumption expenditure by households. Although spending on durable goods is increasing at a relatively rapid pace since the start of the current upswing, this component took a substantial knock as a result of interest rate increases preceding the crisis, and the crisis itself.

While spending on semi-durable goods was also negatively affected by the crisis, its recovery has been more muted than that of durable goods. After showing little sign of growth between 2007 and 2010, non-durable goods spending is starting to recover, but the rate of growth is still below pre-crisis levels. A similar pattern emerges in relation to services.

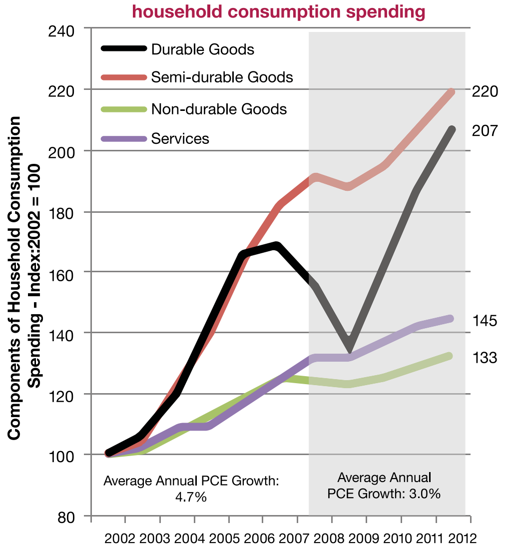
Box 2: Implications of the South African economic outlook for the banking sector – 2013 to 2017

The current outlook for the South African economy – as reflected by the IMF, the Governor of the South African Reserve Bank, ratings agencies and local economic commentators - is in many respects at odds with what the authors of the National Development Plan and the New Growth Path would like it to be. Within the context of a largely unhelpful global environment, no single policy or other lever stands out as being capable of kick starting the economy and of causing the rate of economic expansion to gain momentum. Interest rates are already at historic lows and the Repo rate has been negative in real terms for some time. Given the risks of inflation overshooting the upper limit of the target range, and of capital outflows, little will be gained by further policy rate cuts within an environment of depressed investor and consumer sentiment. At the same time, expansionary fiscal policy has largely run its course. Other than through higher infrastructure spending in line with existing plans and commitments, and extracting greater efficiencies from existing spending, there is relatively little that can be done on the fiscal front that will not threaten sovereign credit ratings or create risks in the longer term. As has already been noted, a significant growth stimulus from higher exports also seems unlikely over the next few years. Additionally, delays in the commissioning of the Medupi power station will also act as a supply constraint to further growth – particularly of more energy-intensive industries.

Within this context, it is to be hoped that the combined impact of numerous policy and other shifts across the whole economy will generate positive outcomes that are greater than the sum of their individual parts, and will succeed in pushing the economy onto the virtuous growth path laid out in the NDP (Scenario 3 – A diversified, dynamic economy). Such growth acceleration will be synonymous with changes to the "DNA" of the economy, rather than in response to counter-cyclical, expansionary monetary and fiscal policies. But they are predicated on a more responsive public sector, which is able to effectively implement policies and strategies that reduce, or eliminate, the binding constraints identified in the NDP and NGP.

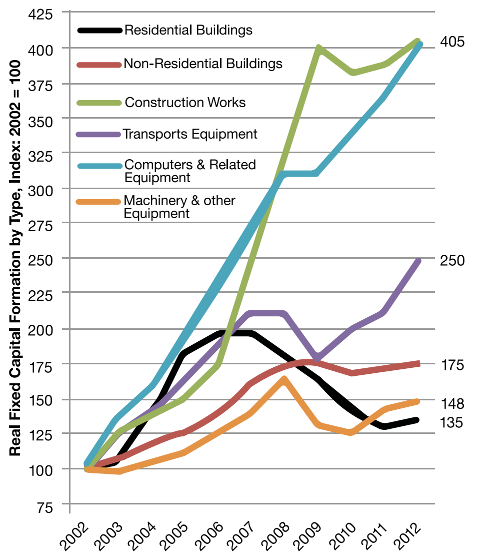
The banking sector has a significant role to play in this process: Firstly, it needs to ensure that its actions do not unnecessarily inhibit the establishment of new businesses, or the expansion of existing ones. In the light of a generally low risk appetite among banks globally, the government could assist in this process by instituting more effective risk-sharing schemes. Secondly, it needs to ensure that its extension of consumer credit does not create prudential risks for the sector and broader economy. Thirdly, it needs to contribute to the competitiveness of other sectors of the economy, by continually seeking to achieve greater efficiencies and lower effective costs, and through innovation. This has implications for skills levels in the sector, and implies that the sector should ensure that a lack of appropriate skills does not inhibit its own growth, or its ability to address the banking needs of other sectors.. Lastly, it should actively exploit opportunities for its own growth arising from the potential to export banking and related services to other countries – particularly in Africa.

Figure 12: Relative trends in different types of real household consumption spending



Source: SA Reserve Bank Quarterly Bulletin (accessed via Quantec)

Figure 13: Trends in the types of fixed capital spending



Source: SA Reserve Bank Quarterly Bulletin (accessed via Quantec)

Going forward, growth in household consumption expenditure is likely to depend primarily on employment growth.

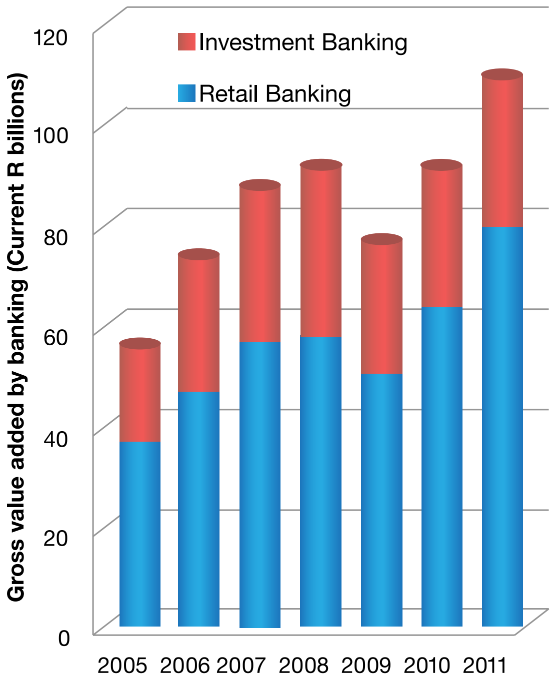
While household debt levels are off their peak (down to 75.4% of disposable income in the first quarter of 2013 from a peak of 82.4% in 2008), greater risk aversion on the part of both credit providers and consumers makes it unlikely that there will be a dramatic increase in credit spending over the medium term. The relative trends in capital formation spending are reflected in Figure 13. While the growth in investment in computers and related equipment, and transport equipment has matched trends in the pre-crisis period in recent years, other types of assets are not receiving the same levels of attention (or funding). In particular, residential buildings investment decreased by around 70% between 2006 and 2011, and showed only a marginal recovery in 2012. Construction works (which benefitted significantly from World Cup-related projects, and which includes much of the infrastructural spending by government) is showing some signs of acceleration, but non-residential building investment and spending on machinery and other equipment have been relatively sluggish.

Prospects for growth in capital spending rest on a successful rollout of the State's infrastructure programme, as well as increases in capacity utilisation levels and improvements in investor confidence levels. Even though the cost of funds is at attractive levels, and many corporate balance sheets have been improving, there is unlikely to be a significant, or sustained, rise in private sector investment until there is reasonable certainty that the required returns on such investment will not be derailed by negative political and/or labour market developments.

THE SECTOR PROFILE

This section provides a snapshot of the South African banking industry by examining the various aspects of the industry, in particular its landscape and contribution to the economy. Further, it describes how the banking sector is segmented, giving insights into the size of the key players and their operational composition. It further describes retail and investment banking in detail, identifying product offerings, skills and types of financial professionals required to support this sector of the financial industry. The analysis is followed by a description of the existing infrastructure found in the banking industry to support its operations and the distribution channels available.

Figure 14: Estimated gross value added by banking in South Africa



The banking sector in South Africa is generally regarded as being highly sophisticated and well managed. The Global Competitiveness Report 2012–2013 rates the country second out of 144 counties in terms of banking sector soundness and third for financial market development. It has strong linkages with all other sectors of the economy, and while it emerged from the global economic crisis intact, it was not unscathed.

Estimates of the gross value added by the sector (see Figure 14) indicated that the total nominal gross value added increased from R56,5 billion in 2005 to R92,3 billion in 2008, before declining sharply to R77,5 billion in 2009. It has since increased to an estimated R109,9 billion in 2011. Of this, it is estimated that retail banking accounted for around R79,9 billion (73% of the total) and investment banking R30,1 billion (27%).

This implies a direct contribution to the real economy of around 4.7% of total gross value added in 2011, which is up from 4.2% in 2009, but still below the 5.1% estimated for 2008.

Based on returns received from businesses registered with BANKSETA, total employment in the sector in 2011 amounted to 157 000. Using a similar method to that employed for estimating gross value added, historical figures back to 2005 were estimated and apportioned between retail and investment (see Figure 3). In contrast to the composition of value added, employment in investment banking was estimated to have contributed only 11% of total employment in the sector in 2011, while retail banking was estimated at 89%.

The banking sector

This sector comprises various banking operations and financial services organisations, including microfinance organisations, and an emerging, relatively unsophisticated, yet highly regulated subsector, which operates in markets where a large proportion of the population remains unbanked. Monetary intermediation remains the primary scope of business in the banking and microfinance sector. In 2013 Q1, the financial, real estate and business services sector grew by R7 billion to R161 billion accounting for 22.4% of nominal value added.

As at November 2012, the South African banking sector had 17 locally controlled registered banks, two mutual banks, 41 foreign banks, 12 local branches of foreign banks. The South African banking industry is dominated by four big banks, namely Absa, Standard Bank, First National Bank and the Nedbank Group, with the concentration mainly in the urban areas. The rural areas or smaller towns are typically starved of the branch networks found in urban areas. According to Banking Association of South Africa (BASA) figures for 2013, these four major banks have approximately 35 million retail bank accounts, serviced through 2 740 branches and 21 000 ATMs countrywide.

Total assets amounting to about 84% are controlled by four major banks, with total assets amounting to R3,5 trillion. In terms of the composition of loans and advances, home loans represent the lion's share at 32%, followed by terms loans at 19%.[3]

3. *Banking sector developments, Cas Coovadia: June 2012*

Table 4 presents South Africa's registered banks, both local and foreign-controlled banking institutions, as at October 2012.

Table 4: South African banks

Registered bank – locally controlled	Registered mutual banks	Registered banks – foreign controlled	Branches of foreign banks	Foreign banks with approved local representative offices
Absa Bank Limited	GBS Mutual Bank	Albaraka* Bank Limited	Bank of Baroda	AfrAsia Bank Limited Banco BPI
African Bank	VBS Mutual bank	Habib Overseas Bank Limited	Bank of China	
Bidvest Bank		HBZ Bank Limited	Bank of Taiwan	
Capitec Bank		Mercantile Bank Limited	BNP Paribas	
FirstRand Bank Limited			Calyn Corporate and Investment Bank	
Imperial Bank Limited			China Construction Bank Corporation	
Investec Bank Limited			Citibank NA	
Grindrod Bank			Deutche Bank AG	
Nedbank Group			JPMorgan Chase Bank	
Sasfin Bank			Societe Generale	
Standard Bank Limited			Standard Chartered Bank	
UBank			State Bank of India	
			Hong Kong and Shangai Banking Corporation	
			Royal Bank of Scotland	

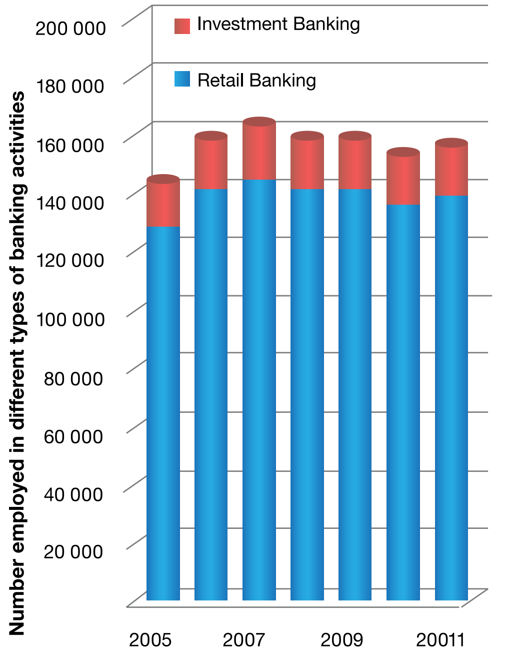
Source: South African Reserve Bank, 2011

Financial inclusion is still an imperative for the banking sector to ensure that appropriate and cost-effective products are developed for the poor in this country. Financial inclusion in South Africa has increased in 2012 according to Finscope from 73% in 2011 to 81% in 2012 coupled with 4% growth in the adult population who are banked. People that are financially excluded (people with no bank account and no other formal or informal financial product or service) in 2012 were 19%. The sector's competition is mainly from non-traditional banking institutions, such as retailers and other service providers. In most cases, these non-traditional banking institutions offer financial services in partnership with traditional financial service providers, usually leading to disintermediation of traditional banking services.

The provision of financial services in South Africa and the banking system is highly regulated under the supervision of the South African Reserve Bank (SARB). Other agencies that regulate the financial services landscape include the National Credit Regulator (NCR) and the Financial Services Board (FSB).

Regulatory capital is required for banks to reduce the probability of insolvency, ie it acts as an internal insurance fund for risks that cannot be insured in an external market. This is a major reason why banks differ from other institutions, and why the approach to the regulation and supervision of banks must be differentiated from other parts of the financial system. Streamlining the regulatory environment to be conducive to the developmental needs of the banking sector, as well as establishing a productive balance in terms of contradictions caused by the South African policy landscape and global forces, is important.

Figure 15: Estimated number of people employed in different types of banking



Source: Quantec standardised industry database, annual reports of banks

The successful performance of South African banking industry in 2012 does not necessarily indicate a sector without challenges. On the contrary, several challenges exist, which include the need to expand services to low-income communities and the unbanked, excessive legislation, uncertain markets, dependence on technology, and retention of clients based on their evolving needs and the unavailability of key skills and talent. Topmost among the challenges are the growing volume of regulations for banks and the overhaul of the regulatory environment. Furthermore, South Africa has a brain-drain problem that has generally affected most sectors, including the financial sector. All this signifies an added challenge to a problem already identified as early as 2006 by former President Thabo Mbeki in his State of the Nation address, where he emphasised “the fact that a shortage of skills is among the most critical issues facing South Africa and requires urgent attention”.

This growing demand for skills in various areas of the banking industry must be seen in the context of the South African economy being positioned as a growing bulwark in the African context and a springboard into the African continent. Most important is the fact that, as South Africa prepares itself to address the backlogs created by the previous system, it requires a well-developed financial sector, manned by skilled financial managers relevant to the majority of those not included in the mainstream economy and financial sector. The changes in the traditional concept of banking have significantly impacted on the number, size and products offered by the banking sector in partnership with other service providers. This is evident from the number and range of participants, change in product offerings, and shifts in the institutional and regulatory environments.

The segmentation of the South African banking sector

All the banks operate their business through a wide array of business lines, which require different approaches to their management. The business units are structured slightly differently from bank to bank, but generically the main pillars in the industry include commercial banking, investment banking and development banking, as indicated in Figure 4. Commercial banks’ main focus is deposit taking and lending, while investment banks deal with complex financial deals, such as the buying and selling of financial products, which include derivatives, fixed-income instruments, foreign exchange, commodities and equity securities. They assist their customers to raise funds in capital markets and provide advice on mergers and acquisitions.

Table 5: The main segments of banking in South Africa

Wealth Management	Investment Banking	Private Equity	Global Markets	Trading	Retail Banking	Middle Corporate	Large Corporate	DBSA	Land Bank	Postbank
Investment Banking					Commercial Banking			Development Banking		
South African Banking Sector										

Commercial banking: Commercial banking, as illustrated in Table 5, can be divided into three divisions: retail financial services, the corporate middle market and large corporates. The focus in the commercial arena is mainly on lending and collecting deposits from individuals and business. This division of banking also identifies specific borrowers and builds relationship with them.

Investment banking: An investment bank assists companies, governments and their agencies to raise money by issuing and selling securities in the primary market. They assist public and private corporations to raise funds in the capital markets (both equity and debt), as well as providing strategic advisory services for mergers, acquisitions and other types of financial transactions[4]. The product offering for investment banking (Table 3) is dominated by very large transactions, customised to the requirements of the big corporates or financial institutions. The financing is specialised and ranges from export and import financing, to the financing of commodities, and the structuring and customisation of finance for large and risky transactions. These customised transactions can be utilised for project financing or corporate acquisition. Trading in banking is an area that involves the trading of different instruments for investment purposes, with the aim of hedging against future exposure to risk.

Trading is divided into derivatives, equities and fixed income. These instruments can be traded in various markets, using specific forms of products. The product offering for trading includes those products traded for third parties and traditional proprietary trading. Trading for third parties involves the interaction of traders with customers and business units to cluster customised products for large borrowers like banks, insurance companies, brokers and funds. Private banking focuses on the management of assets for individuals and companies. It is also a part of investment banking that focuses on specialised services like wealth management for specific clients

Table 6: Investment banking products

Investment banking products	Clients
Equity capital securities	Medium and large corporates
Debt capital securities	Medium and large corporates
Trading	Financial institutions
Derivatives	Financial institutions
Brokerage	Financial institutions
Insurance	Parastatals and government entities
Advisory	Large corporates and government entities

Source: RUDO 2012

Development banking: The development banking sector plays a key role in the South African banking industry. Although there are several development finance institutions in South Africa and southern Africa, the organisations detailed in Table 4 play a key role:

Table 7: Development banking organisations

Development banking organisation	Role in the banking industry
The Development Bank of Southern Africa (DBSA)	Its purpose is to accelerate sustainable socioeconomic development by funding physical, social and economic infrastructure. DBSA's goal is to improve the quality of life of the people of the region.
The Land Bank	This organisation focuses on the agricultural sector and is a leading agricultural financier. The development banking sector has distinct differences when compared with other industry players, but also demonstrates remarkable similarities. From a skills development perspective, focus should be placed on key drivers, such as economic factors and technological developments.

4. www.wikipedia.com

Postbank	The South African Postbank is mainly a savings bank, currently restricted to taking deposits, and does not cater for credit and other savings products. However, the South African Postbank Limited Act is searching for a legislative framework that would increase the ambit of the Postbank in terms its role and product offering to the poor.

Source: BANKSETA Banking SSP, 2012

Demographic profile of the sector

The main objective of the Employment Equity Act of 1994 is to create opportunities and increase access for those historically excluded from further education, the semi-skilled and skilled job market, and people excluded specifically on the basis of the pre-1994 race categories, gender and disability. Its broader objective is to enable the successful use of such opportunities with a view to building a more socially just society, and with a view to cultivating learning and work settings in which the experiences and voices of all residents of South Africa can be heard, valued and challenged. This section of the SSP analyses the demographic composition of the banking sector with a view to gauging the employment equity (EE) mix against the targets of the Financial Services Charter (FSC) and making recommendations on possible skills development interventions where necessary.

FSC targets as at 2002 were set as follows: 20–25% of senior management to be black by 2008 (4% to be black women), 30% of middle management to be black by 2008 (10% to be black women), 40–50% of junior management to be black by 2008 (15% to be black women), 33% of management at all levels to be black women by 2014 and 4.5% of total new staff to be black matriculants in registered learnerships.

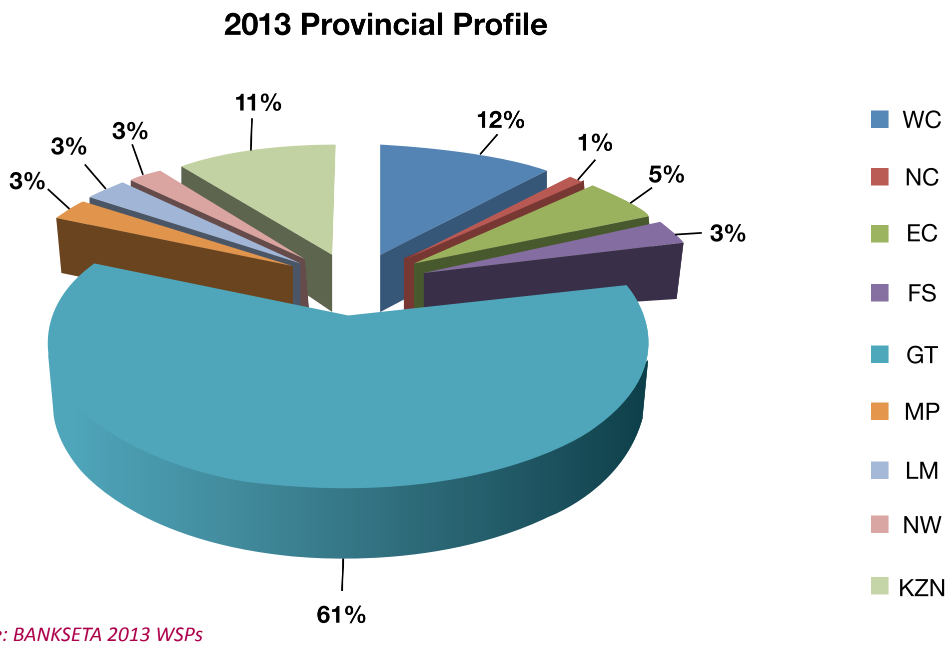
The sector's demographic analysis is based on the 2008-2011 WSPs of the sector and primary information from stakeholders gathered through face-to-face and telephonic interviews.

Table 8: Total employment figures

Major occupation group	2008		2009		2010		2011	
1. Managers	27 232	17%	30 323	20%	29 679	19%	30 730	20%
2. Professionals	28 707	18%	28 471	18%	26 879	18%	28 774	18%
3. Technicians and trade workers	2 186	1%	1 854	1%	1 741	1%	2 586	2%
4. Community and personal service workers	2 723	2%	3 084	2%	2 985	2%	3 299	2%
5. Clerical and administrative workers	77 350	49%	85 090	55%	81 148	53%	83 215	53%
6. Sales workers	8 136	5%	2 379	2%	5 042	3%	6 098	4%
7. Machinery operators and drivers	669	0%	2 318	1%	3 533	2%	381	0%
8. Elementary workers	1 498	1%	1 538	1%	1 877	1%	1 635	1%
9. Other	8 316	5%	0	0%	0	0%	0	0%

The four big banks (Nedbank, Absa, Standard and FNB) represent 85% of the sector's staff composition. The analyses indicate that the sector has 156 718 employees and largely employs clerical and administrative workers, which include tellers and frontline staff, followed by managers and professionals – see Table 5. The employment levels dropped in 2010, probably as a result of the recession, but have since increased by 2.5%.

Figure 16: The banking sector's provincial profile



Source: BANKSETA 2013 WSPs

The provincial organisational and employment profiles for 2013 are presented in Figure 16. Over the past six years, there have been no significant changes in the provincial employment profile of the banking sector. Gauteng still employs the largest number of employees, 61%, followed by the Western Cape and KwaZulu-Natal. Lower numbers are reported for the remaining six provinces. This is consistent with the acknowledged fact that Gauteng is the economic hub of South Africa.

From a skills perspective, Gauteng is also the province with the highest skills requirements. However, South Africa's development policy has a strong emphasis on rural development and on building the provincial skills base to drive rural development. An increased focus on skills for rural development is one of the seven pillars of NSDS III. The banking sector, therefore, needs to develop a clear strategy of empowering people in the provinces with adequate skills to support rural development strategies. Learners in rural-based Letsema learnerships should, therefore, be supported and empowered.

Table 9: The banking sector's racial profile

	2012					2013				
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total
1. Managers	25%	12%	16%	48%	100%	26%	13%	15%	45%	100%
2. Professionals	35%	12%	15%	38%	100%	38%	12%	14%	36%	100%
3. Technicians & Trade workers	46%	16%	10%	28%	100%	50%	15%	9%	26%	100%
4. Clerical Support Workers	52%	20%	10%	17%	100%	55%	20%	9%	16%	100%
5. Service And Sales Workers	61%	15%	5%	18%	100%	62%	15%	8%	15%	100%
6. Skilled Agricultural, Forestry, Fishery, Craft And Related Trades Workers	44%	9%	5%	42%	100%	47%	12%	6%	35%	100%
7. Plant And Machine Operators And Assemblers	76%	10%	2%	12%	100%	78%	6%	3%	14%	100%
8. Elementary Occupations	88%	9%	1%	2%	100%	86%	8%	2%	4%	100%
Grand Total	**44%**	**16%**	**12%**	**28%**	**100%**	**46%**	**16%**	**11%**	**26%**	**100%**

Source: 2012-2013 WSPs

The racial profile according to the 2013 employment statistics (see Table 6) show that 46% of banking employees are Africans, 26% are whites, 16% are coloureds and 12% are Indian. The number of Africans increased from 44% to 46% during the past two years, while the number of whites decreased from 28% to 26% in the same period. The number of Indians decreased from 12% to 11%, while there was no change in the number of coloureds during the same period.

Table 10: The banking sector's gender profile

	2012		2013	
	Male	Female	Male	Female
1. Managers	51%	49%	50%	50%
2. Professionals	49%	51%	51%	49%
3. Technicians and trade workers	35%	65%	40%	60%
4. Clerical Support Workers	29%	71%	28%	72%
5. Service And Sales Workers	76%	24%	63%	37%
6. Skilled Agricultural, Forestry, Fishery, Craft And Related Trades Workers	94%	6%	90%	10%
7. Plant And Machine Operators And Assemblers	95%	5%	92%	8%
8. Elementary Occupations	52%	48%	38%	62%
Grand Total	**39%**	**61%**	**40%**	**60%**

Source: 2012-2013 BANKSETA WSPs

Table 10 presents the gender profile of the banking sector in South Africa for the period 2012 to 2013 and shows that female employees still dominate the sector, constituting 60% of the total labour force, the bulk of whom occupy the clerical and administration, as well as the sales categories. Males dominate in three categories: plant and machine operators (92%), skilled agricultural and forestry worker and service and sales workers (63%), %). There is gender parity on manager category, whilst male employees have a slight edge over their female counterparts in the professional category, at 51% and 49% respectively. Further changes in demographics are anticipated as organisations that have committed to the FSC work on achieving EE targets.

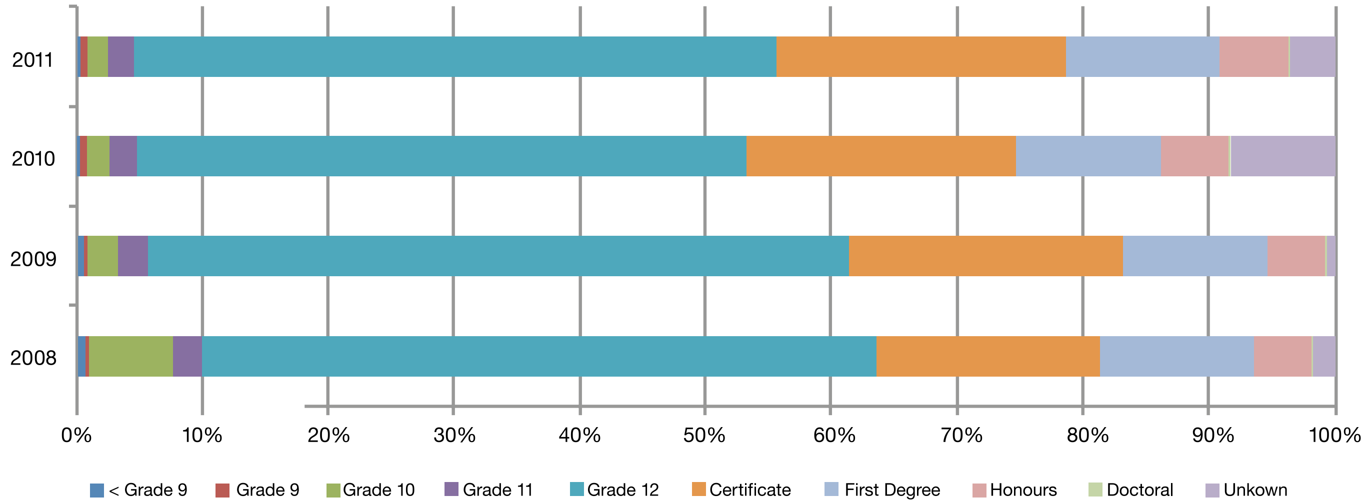
Table 11: The banking sector's disability profile

	2012	2013
1. Managers	1.5%	1.6%
2. Professionals	2.9%	1.4%
3. Technicians and trade workers	0.8%	0.8%
4. Clerical Support Workers	1.6%	1.7%
5. Service And Sales Workers	0.4%	0.9%
6. Skilled Agricultural, Forestry, Fishery, Craft And Related Trades Workers	0.7%	1.4%
7. Plant And Machine Operators And Assemblers	0.2%	0.3%
8. Elementary Occupations	0.2%	0.5%
Grand Total	**1.6%**	**1.5%**

Source: 2012-2013 WSPs

The percentage of people with disabilities has marginally decreased from 1.6% to 1.5% within the two years. Limitations around the attainment of the target of 4% could be driven by a number of factors, namely the structure of disability education, the physical construction of most banking institutions, and disparities in the remuneration of students with disabilities in the various sectors, with the mining industry, in particular, paying disabled learners four times as much as the banking sector, making it difficult for the banks to meet their targets. BANKSETA is currently developing the learnership for people with disabilities, which will increase the throughput of people with disabilities in the sector and developing occupations and training interventions specific for disabled people, eg call centre learnerships for people with disabilities. BANKSETA should also increase the pace to attract disabled talent to the Letsema and Kuyasa learnerships. BANKSETA, however, achieved the target of training 4% disabled employees on the Executive Management Development programme during 2010/11.

Figure17: The banking sector's educational profile



Source: 2012-2013 WSPs

Source: 2012-2013 WSPs

The WSP educational analyses indicate that most banking employees do not have a tertiary education. Some 51% employees have a Grade 12 certificate, 23% have a certificate and only 12% have a bachelor's level degree, mostly in commerce, accounting and finance (see Figure 17). The sector is progressing towards a higher skills trajectory, but the educational profile is still to reflect this reality. Although there is no separate educational analysis by subsector, investment banking staff account for 11% the sector's staff complement and they require high and complex skills sets. Stakeholder interviews undertaken indicated that "around 85% of investment banking staff has postgraduate qualifications". In view of the huge percentage of employees with Grade 12 and below as their highest qualification, recognition of prior learning (RPL) is needed to assist those employees with hands-on experience, but lacking in requisite qualifications so that they can be graded appropriately and remunerated fairly.

Table 12: Banking sector age profile in 2013

	2012			2013		
	<35	36-55	56+	<35	36-55	56+
1. Managers	34%	60%	5%	37%	58%	5%
2. Professionals	54%	42%	4%	51%	44%	5%
3. Technicians and trade workers	59%	37%	4%	56%	40%	3%
4. Clerical Support Workers	66%	31%	4%	61%	35%	4%
5. Service And Sales Workers	62%	35%	2%	64%	33%	2%
6. Skilled Agricultural, Forestry, Fishery, Craft And Related Trades Workers	42%	47%	11%	44%	48%	9%
7. Plant And Machine Operators And Assemblers	24%	56%	21%	28%	53%	18%
8. Elementary Occupations	23%	61%	16%	29%	61%	10%
Grand Total	**56%**	**40%**	**4%**	**54%**	**42%**	**4%**

Source: 2012–2013 BANKSETA WSPs

The sector has a youthful labour force, with 56% of the workforce being younger than 35 years old, 40% being in the 36–55 age group and only 4% being over 56 years old (Table 9). The under-35-years category comprises mainly clerical support (66%), service and sales (62%) and technicians and trade workers (59%). The highly skilled categories of management and professionals, 32% and 48% respectively, are also under 35 years.

CONCLUSION

This chapter provided the context of the banking skills development and SSP development in South Africa against NSDS III requirements. The regulatory environment discussed provides insights into the legislative burden banks face. The sector profile was discussed to paint a landscape of the sector and the context in which the skills required will be discussed.

The South African banking sector is sound and globally competitive. Its sophistication and soundness in management significantly contributed to the sector surviving the global crisis in 2008. Implementation of Basel II requirements minimised the negative impact of the crisis, although it still endured some measure of scathing, shedding R4,8 billion in total nominal gross value in 2009. The banks have since recovered, posting total nominal gross value added of R109,9 billion in 2011.

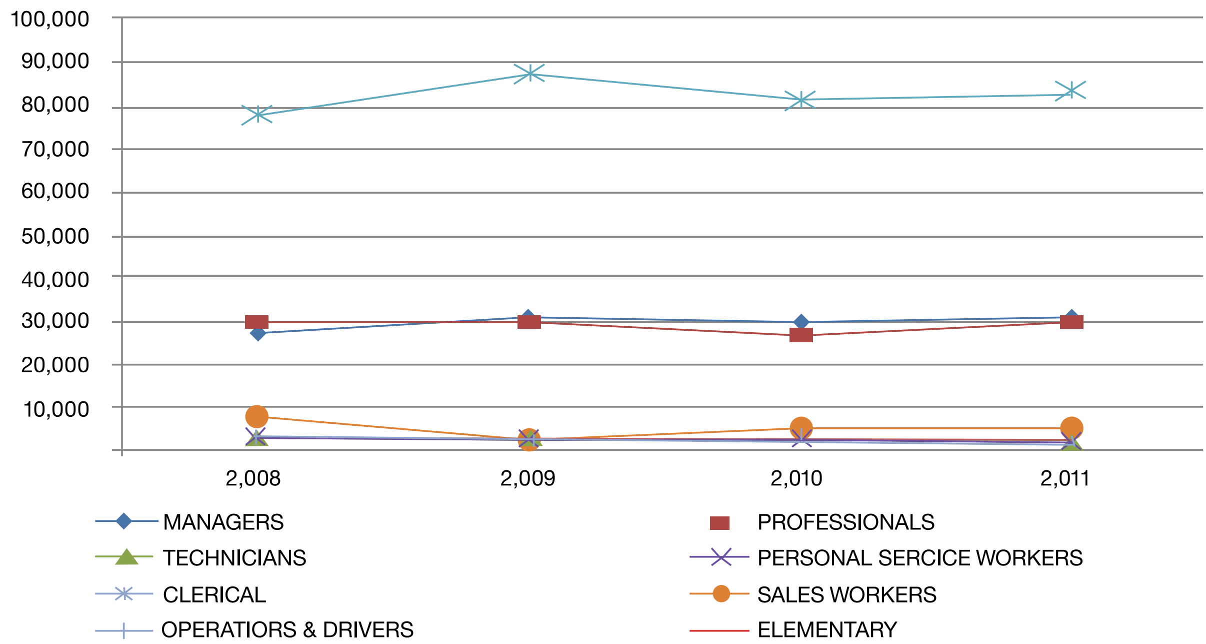
Despite its sophistication, the banking sector is not without its challenges. It has to contend with excessive regulation, a complex technology environment and the need to develop a mentality of thinking outside the box to develop innovative financial products that are relevant in an environment in which there is a skills shortage.

The chapter also looked at the demographic profile of the country's banking sector and its implication on skills development. In terms of its employee base, the sector has demonstrated a progressive trend. Significant redresses have been attained during the past 11 years in terms of race, gender and disability. Main areas of improvement remain at occupational category level where race and gender discords are still apparent. Due to the youthful nature of the sector's employee base, replacement demand is not a critical issue in the short to medium term.


"Skills Development" Provide an institutional framework to
implement national, sectoral and workplace strategies, so a
and improve the skills of the South African workforce
Evaluation Fee"

This chapter identifies skills demand in the banking sector, drawing largely from the 2012–2013 WSP analyses and desktop research, augmented by in-depth interviews with stakeholders. The chapter also tackles a number of issues, including Political, Economic, Social, Technological, Environmental and Legislation (PESTEL) analysis, and identifies scarce and critical skills and factors that contribute to the skills demand in the sector, turnover rates, recruitment into new positions (replacement vs expansionary demand), and other labour movement issues.

Figure 18: The employment trend



Source: 2008-2011 BANKETA WSPs

Source: 2008-2011 WSPs

Figure 18 shows that demand for clerical and administrative workers has been quite high in the banking sector during the past four years, averaging around 80 000 per annum. This is followed by managers, which average around 30 000, and professionals (slightly below 30 000 employees each year). The hiring of sales workers took a dip in 2009 after the 2008 recession, and has slowly started to gain momentum to reach 6 098 sales workers in 2011 (an increase of 3 719). There hasn't been much of a demand for other occupational categories (operators and drivers, personal service workers and elementary workers) during the past four years.

Table 13: Table by Occupation Category

	2012	2013
1. Managers	17%	19%
2. Professionals	18%	17%
3. Technicians and trade workers	17%	11%
4. Clerical Support Workers	43%	45%
5. Service And Sales Workers	2.5%	4.6%
6. Skilled Agricultural, Forestry, Fishery, Craft And Related Trades Workers	0.26	0.23%
7. Plant And Machine Operators And Assemblers	0.29%	0.25%
8. Elementary Occupations	0.87%	0.7

The analysis shows that the majority of employees (45%) in the sector are clerical and administrative workers (Table 13). This is followed by managers and professionals, at 19% and 17% respectively. There are slightly more females in the managerial and professional bands, while there is an even gender representation in the clerical levels. Males continue to dominate the technician and personal service band. Conversely, service workers and labourers (both male and female) are significantly underrepresented, given the trend in banking to outsource non-core functions.

Table 14: Replacement demand (retirement only)

	2012	2013
	56+	56+
1. Managers	5%	5%
2. Professionals	4%	5%
3. Technicians and trade workers	4%	3%
4. Clerical Support Workers	4%	4%
5. Service And Sales Workers	2%	2%
6. Skilled Agricultural, Forestry, Fishery, Craft And Related Trades Workers	11%	9%
7. Plant And Machine Operators And Assemblers	21%	18%
8. Elementary Occupations	16%	10%
Grand Total	**4%**	**4%**

Source: 2012-2013 WSPs

As the sector transforms over time, the supply of skills needs to be adequate at all organisational levels. With regard to replacement due to retirement, the 2013 figures indicate that 4% of the entire banking staff is over 56 years, with plant and machine operator workers contributing 18% of this age group, followed by elementary workers at 14%. Only 5% of managers and professionals are due for retirement. Consistent with this finding, employees in the banking sector are being upskilled over time to enable them to take on management positions. Therefore, replacement on retirement in key occupation categories, such as managers and professionals, is not a major challenge in the sector for the foreseeable future.

Table 15: Replacement demand: attrition factors by race and gender

Attrition factor	African		Coloured		Indian		White		Total		Averages
	M	F	M	F	M	F	M	F	M	F	M and F
Resignation	11%	14%	4%	7%	3%	5%	9%	16%	27%	42%	69%
Emigration	0%	0%	0%	0%	0%	0%	1%	0%	1%	1%	1%
Redeployment	1%	2%	0%	0%	0%	0%	0%	0%	1%	2%	3%
Retirement	0%	0%	0%	0%	0%	0%	1%	2%	1%	2%	3%
Death	1%	1%	0%	0%	0%	0%	0%	0%	1%	1%	2%
Retrenchment	1%	0%	0%	0%	0%	0%	0%	1%	1%	1%	2%
Involuntary dismissal	3%	3%	1%	1%	0%	0%	1%	1%	5%	5%	10%
Voluntary severance package	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Short-term: Maternity leave	0%	1%	0%	0%	0%	0%	0%	0%	0%	2%	2%
Short-term: Illness	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Short-term: Sabbatical	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	1%	2%	0%	1%	0%	0%	1%	1%	2%	5%	7%
Total	**17%**	**24%**	**5%**	**10%**	**4%**	**6%**	**12%**	**21%**	**39%**	**61%**	**100%**

Source: SSP 2010/11

A further analysis of attrition trends in Table 15 highlighted a number of issues influencing the demand for skills (BANKSETA 2009). Resignations accounted for the highest attrition in banking, at 69%, for both males and females. Resignations were mostly motivated by intersectoral movement and poaching. Intersectoral movement leads to skills retention within the sector. It ensures skills development over time and serves to fill management positions more readily than professional positions. The effect of intersectoral movement was confirmed during the 2010 stakeholder consultations. People in specialist positions, such as finance and ICT, are targeted for recruitment in various other industries requiring similar skills.

This was followed by involuntary dismissal, at 10%. As already mentioned, retirement played a minor role. The attrition factor labelled “other” accounts for 8% of employees leaving the sector. Unfortunately, the data was limited and these factors could not be expanded on.

Future skills demands driven by PESTEL

Various factors drive change in the South African banking sector. The sector's ability to compete in the global economy depends on the effectiveness of its people at all levels. Sustainable industry growth depends on the continuous and rapid acquisition of new knowledge and skills. BANKSETA has recognised the importance of assessing the banking sector's operating environment for periods extending beyond the 2016 planning period in view of the rapidly changing operating environment. BANKSETA undertook research in the form of a literature review, as well as engagement with industry players to explore the future of the banking landscape and the skills impact over the long term through a PESTEL analysis. This approach generated a set of key assumptions that are detailed below.

The political environment

Within the political environment, the key policy focus will remain on issues such as transformation, accelerated broad-based black economic empowerment (B-BBEE), people empowerment and equality.

The policy environment: South Africa has introduced a comprehensive set of post-1994 policy documents to redress past inefficiencies and inequalities. The real transformation process was set off by the Constitution of the Republic of South Africa (Act 108 of 1996). The greatest challenge was to address issues such as spatial distortions, discriminatory practices and the exclusion of the majority of South Africans from economic participation. In response to the challenges facing the country, the government has been implementing the MTSF, among other policy frameworks.

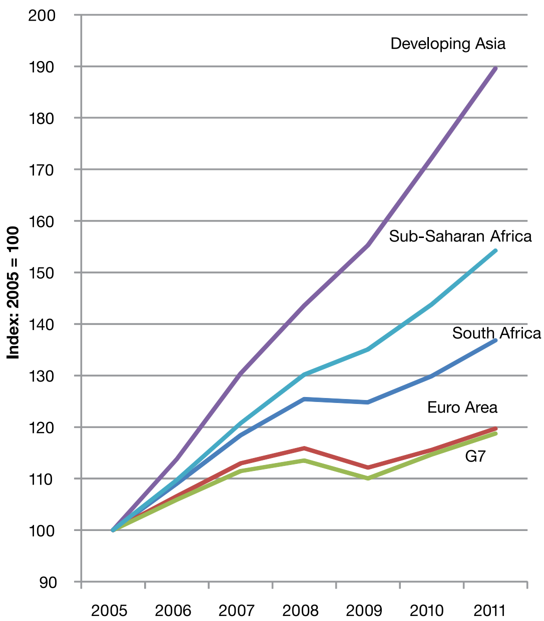
This framework identified a number of priorities to respond to the challenges highlighted above. The priorities identified include the following:

- The acceleration of growth and transformation of the economy to create decent work and sustainable communities is a major goal for the country.
- The extensive programme to build economic and social infrastructure is considered to be important for the banking industry and is a key focus area for the development of skills in the industry.
- Rural development that focuses on the transformation of rural communities.
- Improvement of the health profile of all South Africans is another key priority because of its importance to economic growth.
- The fight against crime and corruption is crucial for the country.

The dearth of policy cohesion is saliently manifested in the adoption of the NDP by the government. President Jacob Zuma appealed to all South African to unite behind the NDP in the State of the Nation address delivered on February 2013. Cosatu has, however, fervently resisted this call through its strident criticism of the plan. The nucleus of Cosatu's opposition to the NDP is that it is synonymous with the Growth, Employment and Redistribution Plan that espouses a neo-liberal trajectory to growth. It remains to be seen whether the ANC-led Government and Cosatu can reach common ground over the NDP.

This debate, coupled with the need for policy alignment (alignment of the NDP with the New Growth Path) does not bode well for the realisation of the imperative of policy certainty in South Africa. Policy uncertainty, among other factors, is contributing to weak foreign (foreign direct investment – FDI - dropped in 2012 by 24% to $4,57 billion from $6 billion in 2011) and domestic investor confidence (48 in Q2 2013 from 52 in Q1 2013). This has not culminated in a sanguine scenario for banking activity due to a reduction in the requests for finance for investment purposes from corporates.

Figure 19: Comparative performance of GDP at purchasing power parity



Source: IMF World Economic Outlook, April 2012

Increased government interest is considered as the third most important development in the South African banking industry. Mediocre economic growth has prompted government to investigate how banks can spur economic growth through increased investment in major urban infrastructure and renewable projects. The government has committed to spending R827 billion as unveiled in the 2013 budget by state-owned companies for infrastructure. This consequently opens up a plethora of opportunities for banks to capitalise on.

Increased government interest is evident in the shift to a "twin peak" system of financial regulation, which is government's approach to financial sector reform. The mooted reform aims to maintain and enhance financial stability, consumer protection and market conduct, expanding access through financial inclusion and, finally, to combat financial crime. This is to be achieved through a binary regulatory framework, viz prudential regulation (limit risk taking by institutions to foster stability) will be the preserve of the SARB, and market conduct regulation (behaviour of financial institutions) led by the FSB and NCR.

Allied to this, in October 2012, an agreement was concluded among representatives of the main retail banks, BASA, National Treasury and the FSB to embolden responsible lending practices to avert household debt immersion, which was an issue pertaining to market conduct behaviour (Treasury 2012). The parties agreed to:

- Review the approach to affordability of assessments and develop minimum standards to measure affordability.
- Reduce debt instalments as a relief mechanism to qualifying distressed borrowers.
- Standards linked to credit practices associated with lending and a framework considering consumer interests and the impact of charges on affordability.
- Not to use garnishee orders against credit defaulters and to support enforcement against pre-signed orders.
- To minimum norms and standards for debt orders to be accepted by banks and debit order users and to the development of a regulatory framework thereof.
- Improved client education on secured and unsecured credit and the development of a consumer education fund oriented to the household lending sphere.

The PricewaterhouseCoopers (PWC) banking survey (2011) found that, for credit risk management reasons, banking institutions strongly disagreed with the removal (in the new Companies Act) of the annual audit requirements for certain companies. Banks also have to implement changes to comply with legislation being introduced by the New Companies Act.

Retail banks mentioned the strong political pressure to comply with B-BBEE legislation in terms of hiring historically disadvantaged candidates, resulting in banks continuously upskilling staff. This was exacerbated by stringent requirements that 'customer-facing staff' need to meet, including being FAIS compliant and understanding clients' needs in an environment moving towards offering '21st century financial solutions'.

The South African government is fully committed to achieving financial inclusion and hence transformation - defined as encompassing and improving the range, quality and availability to the underserved and financially excluded (Stein:2004) - as evidenced in 2004 with the adoption of the FSC, which is a unique multi-stakeholder forum that sets target with financial inclusion in mind. The charter committed banks and insurance companies to partner with government and civil society to increase access to financial services by people from the low-income segments of the population, to increase the number of black workers, managers and owners in the financial industry, and to increase products designed to benefit people with a low income. The banking sector achieved or exceeded most of the targets set in the five year purview from 2004-2008. From 2009, the undertaking has been to align components of the charter to the Department of Trade and Industry (dti) codes. Protracted negotiations, principally on the ownership elements, heralded the gazetting of the financial sector code in November 2012 and implementation thereof in January 2013.

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Implications for skills development

The banking industry requires a variety of skills to advance and enhance the national goals, as set out in the many policy documents of government. This will help ensure that economic growth is achieved and the creation of jobs is possible. There is, therefore, a need to align interventions in retail and investment banking with these development objectives. The following were some of the skills identified from the political dimension:

- The skills implications of the above are that senior bank personnel (management and leadership) are operating in a complex political environment that requires strategic and systems thinking skills. They need to know and understand policy and associated implications.
- For retail banks, there is pressure for frontline staff to be FAIS-compliant.
- The four major banks have dedicated inclusive banking in their retail banking units to service the low-income and poor consumers. Staff in these units require skills to develop new products, systems and risk management methodologies as traditional banking methodologies have failed to service the poor.
- Language skills not only assist with the client interface, but also enable staff to further understand the complex 'working with the poor' methodologies.
- In terms of infrastructure skills, employees require corporate finance and infrastructure development financing knowledge.

Economic environment

The economic environment is currently less favourable than it was in the period prior to the start of the global economic crisis in 2008, and South Africa's economy is battling to regain lost momentum in the face of a combination of depressed levels of domestic spending and confidence, and weak demand from many traditionally important trading partners. Although the country has performed comparatively better than major advanced economies since 2005, it has lagged behind emerging market groupings such as developing Asia and sub-Saharan Africa by some margin. Not only was the negative impact of the global crisis on South Africa noticeably more marked than on these emerging and developing economy groupings, but the country has failed to recover from the crisis as quickly. On a purchasing power parity basis, South Africa's GDP increased by 9.6% between 2009 and 2011, compared with 14.2% in sub-Saharan Africa, and 22.1% in developing Asia (see Figure 19).

According to the 2012 Banana Skins report on banking risk, the gravest threat to the banking industry is the fragility of the world economy or termed macroeconomic risk. The factors contributing to this perception are: the Eurozone sovereign debt crisis, the nexus of the burgeoning debt problems in many of the world's largest economies and low banking confidence. The Eurozone sovereign debt problem, however, should not be overstated in relation to the South African banking sector. The ongoing maintenance of high-quality capital and liquidity buffers well above the minimum macro prudential requirements, resulting in SA's banking system recently being rated second in the world in terms of soundness, means that a meltdown in our financial markets remains unlikely even if a Lehman style default occurs in the Eurozone.

Whilst the impact of the Eurozone crisis to South Africa's banking sector is unlikely, the biggest threat to the financial services sector, according to the Central Bank, are strikes and work stoppages[5]. The ramifications associated with labour instability are higher unemployment, depressed economic growth and rand weakness. Social unrest and crime could ensue from a proliferation in unemployment, thus eroding the country's propitiousness to potential foreign investors, leading to a withdrawal of foreign bond holdings (currently comprising a third of all bonds) in South Africa.

Another concern, from a macroeconomic perspective, is a sharp rise in money market interest rates and higher unemployment in South Africa. Stakeholders are apprehensive about the low growth forecast (2.8% for 2013 and 3.8% in 2015) and high unemployment rate. Banks have retrenched staff due to the severe strain associated with an unfavourable global economic environment. Although the current macroeconomic environment is characterised by slow global growth, there is a more promising African growth story. Six out of the top ten fastest-growing economies in the next five years are predicted to be in Africa. The main drivers of this growth are the continent's vast natural resources and its burgeoning economically active population.

5. online.wsj.com/article/BT-CO-20130425-703805.html. Accessed 4 August 2013

South African bank executives are, therefore, attracted by the allure of opportunities presented by Africa. Close to 50% of respondents indicated that between 10% and 15% of their after tax profits will be derived from sub-Saharan Africa (excluding South Africa) in the next three to five years[6]. These bullish views resonate with the stakeholder opinions. According to them, Africa is a growth market and the challenge is how to position the different products, which requires seasoned bankers.

The implications of the economic environment for South Africa's banking sector are unpacked in greater detail in the section below. However, the following broad conclusions can be drawn:

- Although regionally differentiated, the prospects for the global economy over the next five years are not particularly encouraging. Average growth will be lower than that experienced prior to the global economic crisis, and carries higher risks of volatility. If South Africa wishes to leverage from the growth of particular regions, it will need to continue to focus its export marketing efforts on higher growth regions such as developing Asia, sub-Saharan Africa, the Middle East and North Africa, and Latin America. However, while developing Asia (which includes China and India) is expected to achieve the highest average rates of economic growth over the next five years, South African exports to Asia are dominated by commodities, rather than high value-added manufactures. Just four product categories (iron and other ores, coal, precious stones and metals, and iron and steel) accounted for 75% of South African merchandise exports to Asia in 2011. In contrast, advanced economies and sub-Saharan African markets appear to offer the best prospects for an expansion of higher value-added manufactures. Banking activity linked to this international trade will primarily be around arranging trade finance and facilitating foreign exchange transactions.

- Real levels of private gross fixed capital formation – although showing tentative signs of recovery – are still below their pre-global economic crisis levels. In contrast, real capital formation by public corporations is expanding rapidly. In a context of dissaving by government and households, funding for an expansion of capital formation – particularly by the private sector – is likely to be dependent on foreign capital inflows. Banking activity linked to capital formation will include project finance, corporate restructuring, facilitating international capital-raising activities and foreign investment (including mergers and acquisitions), and sponsorship and the facilitation of initial public offers and other capital-raising activities.

- Despite government's prioritisation of industrial development (through the Industrial Policy Action Plan 2 and the New Growth Path), the contributions of the primary and secondary sectors to the economy are declining. These sectors, nevertheless, have important linkages with the tertiary sectors, and will continue to require banking services, such as corporate finance, business banking, merger and acquisition facilitation, and trade finance. Although construction companies have experienced something of a slump following the completion of 2010 World Cup-related infrastructure, planned infrastructure spending by the public sector should inject renewed vigour into the sector. There may be a need for extended overdraft and credit facilities to entities undertaking construction activities on behalf of public-sector entities.

- The stability of government consumption expenditure (and, by inference, public sector employment) relative to other components of aggregate demand highlights the relative attractiveness (and lower risk) of credit extension to public sector employees during volatile times. However, this market may be relatively saturated and there is some risk of over-indebtedness.

- Islamic banking: Islamic banking has grown in the past years, and it has a positive impact on the economy as it has footprints within the number of banks and offering a range of services, ie Islamic vehicle finance, Islamic savings accounts, Islamic short-term loans, Islamic youth accounts etc. These services have a positive spin-off for the country's economy. This has posed a challenge to the banks in terms of staff and operations to accommodate the special needs required in Islamic banking to ensure that is it a success.

- Strategic integrated projects (SIPs): According to Moyaagabo Maake (October 2012), "the cost of the SIPs is estimated at about R4 trillion over the next 15 years". This is to assist with job creation, especially among the youth. The government has identified the role that banks can play in this project, which is mainly support in terms of developing sustainable financing packages, and funding to assist with raising project finance, debt or equity funding. However, where the infrastructure is to be developed by state-owned enterprises (SOEs) or municipalities, banks can avail themselves of either loan or capital market funding. Banks, on the other hand, are concerned about the government's inability

6. PricewaterhouseCoopers:2013 Shaping the Bank of the Future South Africa Banking Survey 2013

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to utilise the allocated capital effectively. According to Metcalfe (June 2011), "it should be noted that local government failed to spend 17% of the 2009/10 allocated to capital expenditure". As a result, the government still battles to create and sustain job creation.

Implications for skills
The skills implication related to the African expansion are that senior South African employees, who are working and will work in these countries, need a suite of skills that includes: African languages, such as Swahili; and the other countries' regulations and protocols; leadership skills; global experience; understanding the African market and soft skills (diversity, change management and attitude)

In retail banking, loans sales consultants, personal bankers and Islamic consultants need better sales and marketing skills, which will enable them to find more customers, given the volatility of the local market.

The opportunities for investment banking linked to increase value-added manufacturing in sub-Saharan Africa, expanding capital formation by public corporations and the Industrial Policy Action Plan 2 and New Growth Path suggest a need for more professionals in all domains. Other key skills required by investment banks include finance (actuaries, accountants and business administration graduates), law and engineering skills.

The growth of Islamic finance has resulted in a need for banks to employ Islamic consultants who already possess skills on the protocols involved in Islamic culture. There is also a need for the Islamic consultants to undergo training, which will equip them with basic knowledge of Islamic economic principles and Islamic banking practice.

In terms of funding the SIPs, skills required would include people skilled in finance (actuaries, accountants, and business finance graduates), law and engineering.
Social environment

Although South Africa enjoys relative peace and stability, the country is plagued by high unemployment rates, crime, and HIV and AIDS, factors that have a direct and indirect bearing on banking operations.

Unemployment
Unemployment remains a social anathema in South Africa, as evidenced in Table 2. The official unemployment rate in June 2013 was 25, 2% and has remained as this percentage since March 2012. Government interventions such as infrastructure development among others to alleviate unemployment have thus far not made a difference. Furthermore it should be that SETAs are not job creation bodies, but are conduits that bolster the job creation prospects of people through training interventions.

Table 16: Labour Market Statistics

Year	2012			2013	
Quarter	Mar	Jun	Sept	Mar	Jun
	(000's)	(000's)	(000's)	(000's)	(000's)
Total employment	13 422	13 447	13 645	13 577	13 621
Total Unemployment	4 526	4 470	4 667	4 501	4 601
Total economically active	17 948	17 916	18 313	18 078	18 222
Total not economically active	14 838	14 987	14 705	15 050	15 017
Total Aged 15-64 years	32 786	32 903	33 018	33 128	33 240
Official Unemployment	25,2%	24,9%	25,5%	24,9%	25,2%

Source: SA Reserve Bank June 2013 Quarterly Labour Bulletin

The PWC (2011) banking survey report observed that unemployment levels in South Africa inhibit the country's ability to grow at the same pace as other leading emerging market economies, resulting in negative consequences for growth in the country's banking sector.

Fraud: This was identified as the biggest social concern for banks in 2012. According to stakeholders, fraud is more prevalent in retail banking as syndicates are targeting tellers to engage in fraudulent activities, whereas phishing is prevalent in investment and retail banking. "Bombings affect revenue as clients develop a fear of using the bombed ATM."

The prevalence of HIV and AIDS in South Africa is understood to be one of the highest in the world as a result of lack of proper knowledge in the past of how the disease spreads. While the HIV and AIDS problem in the rural areas of KwaZulu-Natal is acknowledged, it is critical not to overstate this problem in the banking industry as the 'big four' have well developed wellness programmes. Furthermore, it is negligible in investment banking because of the socioeconomic standing of the highly skilled people in this sector.

Stakeholders are alarmed at the poor quality of passes in mathematics and accounting because the pass rate of 33% has culminated in inferior standards and students struggling with higher education and labour market expectations.

The biggest social threat facing the banking sector is the growth in indebtedness buttressed by unsecured lending. Stakeholders were anxious about it and the concomitant inability to repay debt exacerbated by job losses and rising interest rates. The PWC 2013 survey finds unsecured lending as the second most important development and second largest weakness in the South African banking industry.

Implications for skills

- Fraud is a major concern and the skills implications are that forensic accountants (employed former prosecutors and police officers) and white hackers (who probe and test systems) are needed. These were identified as scarce skills.
- For retail banks, the front-level tellers need fraud detection through ongoing FAIS and FICA training to continuously detect and hopefully prevent fraud. Most sales and frontline staff were reported to struggle in passing the FAIS examination, resulting in a relative scarcity of FAIS-compliant personnel.
- Most customers are also affected by identity and fraud, and most banks embark on financial literacy programme to create financial security awareness and to close 'loopholes' of being victims.
- To retard indebtedness, staffs needs robust risk management skills and ethical skills.
- To enhance the standard of education in relation to mathematics and accounting, digital mathematics and accounting education for rural schools should be supported (e-learning programmes, video programmes so that rural learners are exposed to same quality of learning as their urban counterparts)
- With regard to youth unemployment, the encouragement of young scholars through career guidance initiatives to strive for higher qualifications, especially in accounting, auditing and other specialised areas, through an incentive scheme may assist in closing the apparent gaps. This approach may be part of a youth development initiative with its roots in the high schools where students are nurtured and mentored by the industry for future positions, especially in the investment banking industry.
- Learnerships like Letsema and Kuyasa enhance employability, but do not necessarily create employment. Youth development programmes, like incubation and investing in youth entrepreneurship training, create a pool of job creators.

Technological issues

The banking industry has recently witnessed a number of radical technological innovations that continuously challenge the skills landscape. Technology is one of the enablers of innovation and the big four banks are investing R3,5bn in technology in the medium term. Mobile banking, in particular, is revolutionising the practice of banking, bringing in delivery cost efficiencies, ushering in branchless banking (predicted to drop by 21% from 2 877 currently to 2 285 in 2016) and attracting massive customer uptake by those with a low income. Electronic channels of banking have yielded handsome returns for South African banks who want to exploit this strategy as they expand into Africa. Technology has facilitated the rationalisation of physical banks and has provided vast opportunities for the sector, especially in the area of service delivery, it has also created new competitors and threats.

At the retail level, the major shifts have been the move to mobile banking and the activities focused on improving financial services directed at the low-income groups. Africa has one of the highest mobile phone penetration rates, which presents a big and lucrative opportunity to offer mobile banking services. These activities include improvements in access to financial services or payment mechanisms by the unbanked and the use of social media for marketing and product development.

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Mobile banking presents a unique opportunity to extend banking to people in remote regions and rural areas however the cost of the technology could undermine this imperative. According to stakeholders it is important to engage with mobile operators to reduce the cost of access to mobile technology. However, the challenge for mobile banking is the legislative hurdle that still needs to be balanced to allow for a foolproof system of money transfer before this transformed way of banking can grow. Although technological advances facilitated more efficient services and products, banks now have complicated risks through the convergence of crime and system applications.

Many activities in investment banks are highly automated and computerised. This level of automation of operations continues to increase across trading and transaction systems. In addition, many clients demand tools to enable them to trade and transact electronically. Higher transaction volumes, the global movement of funds and the advent of seamless integration make automation a necessity to reduce operational risks and assist in the reconciliation of large volumes and values of transactions.

Retail banks have become heavily reliant on social media to determine trends and customer needs, run advertising campaigns, gather complaints and receive feedback from consumers. However, social media has a reputational impact, and banks have centralised the function to specific divisions that manage social media comments.

Retail banks have also become very innovative and have focused on streamlining systems to provide clients with seamless and speedy service. This includes teller cash recycle units, which enables, among others, the reconciliation of deposits and recordkeeping systems. ATM technology has saved 'face time with tellers and consultants' and have improved access to many poor South Africans living in remote and rural areas.

The consumer is highly dynamic and young and is looking for speed, feedback and decision-making in real time and the ability to provide service in a convenient manner. This necessitates a digital process. In this regard, stakeholders stress that digital migration (enables competition) should be undertaken in a customer centric manner.

Implications for skills

- On the issue of skills supply and demand, stakeholders concluded that due to the convergence of technologies, there is an increased need for 21st-century ICT skills as a generic driver of change.
- Because of integration across business units, staff needs to have an understanding of technology across disciplines and different business units. Investing in upskilling initiatives on ICT skills and product knowledge is therefore critical.
- Technology is driving innovation in product development and system usage, resulting in vigorous competitiveness, which drives an approach termed 'cross-selling', focusing on providing a comprehensive solution to a client. The solution entails client profiling and offering a range of products commensurate with the profile.
- Entrants into the banking market have to understand technology and the shift in the way of doing business in the sector. As a result of technology, most scarce skills are not directly related to banking. These include computer programmers, process engineers and generally people in the ICT industry.
- This paradigm shift to a digital dispensation requires the following set of skills: sales staff that understands technology and relationship management and process engineers that understand controls should possess banking experience and customer relations skills.

Environmental factors

Large and small banks are increasingly offering green loans, sustainable certificates of deposit and paperless loyalty rewards such as disco included this concept into their business environment. Among the approaches are innovative certificates of deposit where invested money is only used to finance solar projects and fair trade. A good example internationally is the New Resource Bank's solar CD, which uses investment from clients to assist in financing solar energy projects. The CDs have one- to two-year maturities and pay slightly higher interest rates to spur on new depositors.

Paperless cheques: Other approaches or incentives for green banking include going paperless, which offers clients green rewards or incentives like cash at participating banks. In some instances, debit cards are even made from recycled plastic. An interesting incentive is one that has an impact on the environment and involves that the bank also plants a tree when a new account is opened.

Green mortgages: This is another evolving niche area for green banking and some of the products include the energy-efficient mortgage. This is a loan for green homes that can provide a break on mortgage rates. There are other incentives for adding energy-efficient features. Some mortgage loans are also based on the government's aim of improving energy efficiency. Some banks, such as Bank of America and Green Bank in Houston, offer green mortgage loans, but there is a downside. "There's more paperwork," says Cole. "And there's a lack of loan specialists."

Green home equity loans: Greening your home can pay off. These home equity loans are available from credit unions and banks such as Wainwright Bank. Projects include installing new windows, upgrading furnaces and insulating your home.

Most South African banks are signatories to the COP 17 resolutions and have operational protocols and requirements to ensure the sustainability of their businesses and the impact they make on the environment, their employees, customers and other stakeholders. These include the following:

- Responsible lending to ensure that banks do not finance projects that are environmentally harmful
- For investment banking, funding business opportunities on carbon trading, renewable and green energy
- Procurement of eco-friendly buildings, and encouraging paperless transactions
- Supporting and funding green projects.

South Africa's truly 'green' bank is exemplified by the Nedbank Group, which has a well-established reputation for environmental awareness, investment and action. But while the bank's extensive green credentials demonstrate its passion for caring for the environment, its significant investments into environmental sustainability reinforce its unquestionable commitment to preserving and conserving the planet's green heritage. Its more than 20-year journey in sustainability puts the group on a good footing to be able to engage and influence the green agenda in various ways. It has done this through its participation at COP 17 meetings. In terms of products, Nedbank Capital is committed to funding and playing an advisory role in sustainable water infrastructure projects in southern Africa. It is not clear what products are utilised to mobilise these funds. Nedbank has also opened the first wind-powered branch in South Africa, in Du Noon, Western Cape. This branch also provides affordable and easy-to-use banking products for local community members.

Implication for skills

The development of green economies is taking shape internationally and South Africa is joining this trend by getting its banking business aligned with green economy principles. What is apparent is the support provided by Nedbank to participating at key business events to provide insight on various issues concerning the business of the green economy. Initiatives supporting the greening of economies include participation at exhibitions, and sponsoring various events that not only facilitate the sharing of information but also recognise those that have made a contribution in addressing sustainability issues. Despite the campaigns to support various programmes for the preservation and conservation of the environment and wildlife, there seems to be a lack of products that are specifically designed for supporting the greening of the economy by the South African banking industry. Compared to the international banking industry, especially in the US, banks in South Africa appear to be at their initial stages of inception.

In terms of skills, banks need to develop skills that focus on individuals who will specialise in developing and designing products that will support the following:

- Awareness of green issues and how banks should support green initiatives
- Development and support of the green business products
- Development of risk tools to minimise defaults on the products
- Developing products that will ensure incentives and rewards accrue to investors and clients

Legislative environment

The South African regulatory structure includes the banking supervision department of the South African Reserve Bank (SARB), which has the authority to register and supervise banks. The SARB Act of 1990 and the Mutual Banks Act of 1993 provide a comprehensive legal framework for banking supervision. National Treasury has lead responsibility for setting national policy and taking legislation through Parliament.

Other legislation includes the National Credit Act (NCA) and the Dedicated Banks Bill, which will facilitate a regulatory platform for second-tier and third-tier banks to accept deposits. The Bill is directed at enabling access for rural and low-income individuals. The changing banking regulations will have an impact on all spheres of banking, as South African banks have to comply with many global regulations such as Basel III, Solvency II, anti-money laundering (FICA and Know Your Customer requirements), financial advice (FAIS), etc.

The much vaunted Basel III is the most significant regulatory instrument currently with the potential to impact on capital requirements, liquidity, funding and margins. The Bank of International Settlement (BIS) is the organisation tasked worldwide with the responsibility of regulating the banking sector. In 2010, the Group of 20 (G20) gave direction for the revision of banking legislation. The BIS responded by publishing Basel III, which is a series of documents rather than a single package as typified by the comprehensive Basel II. The series of Basel III documents firstly focuses on capital held by banks and secondly on the type of liquidity in banks. The emphasis on capital is more on the size and quality of this capital. The importance of the common equity/share and retained earnings has been elevated. To achieve consistency, it also formalised the definitions of what constitutes capital instruments. A conservation buffer has been introduced to addresses the right to make discretionary bonus and dividend payments. "One addition in the capital section is the countercyclical buffer." This is a measure meant to force banks to hold extra capital when credit growth is seen as excessive in the economy and to reduce their appetite to lend more. The other addition, the "leverage ratio", addresses the challenge posed by an increasing need to provide capital as lending increases. The purpose of this ratio is to discourage over-reliance on complex risk-based capital calculations. The idea here is to make capital calculations very simple. Finally, there are also moves to introduce additional capital for those systematically huge banks.

With regard to liquidity, two proposals were made to address issues around mismatches in maturity that could arise due to financial shocks, namely the liquidity coverage ratio, which requires banks to keep a strategic portfolio of very liquid assets to address net obligations over a 30-day rolling period and the net stable funding ratio, which encourages the banks to fund their long-term lending with funds longer than one year. The purpose here is to keep stable funds available. While South African banks were found to have implemented Basel II successfully, which is why they faed well during the crisis, the implementation of Basel III will have an impact on bank resources as new people are recruited and trained.

"In addition to Basel III, there is an avalanche of regulations in the investment banking sector. There are over 17 pieces of legislation every week since January 2012. For example, the international regulations on over-the-counter derivatives might see the demise of local derivative markets and hence the traders. This suggests that regulation is the key driver of change for investment banks." (Invest Banker)

The recent stakeholder interviews reinforce the perception that regulation is the key driver of change and extends it to the entire banking sector. The PWC 2013 survey strengthens this trajectory because regulation is the most important development, weakness and pressing issue in the banking sector in 2013.

Another recent issue that necessitates intense regulation is shadow banking. This refers to non-banks undertaking banking activities such as credit, maturity and liquidity transformation with negligible regulation and no access to safety net instruments. Shadow banks if not regulated can be deleterious to the entire banking system and is a source of risk in two ways- directly through its maturity, credit and liquidity transformation activities; and indirectly through its inexorable linkage to the mainstream/formal banking system. Initiatives to regulate the sector have been mooted by the financial stability board with the hegemonic theme in national and international regulatory discourse centred around a macro-prudential approach.

Implications for skills

Skills in banking will not change directly, but the mix of these legislative requirements will.

- An investment bank mentioned a need for compliance and regulatory specialists in order to respond to these legislative changes. "There is a shortage at every level and it takes about four months to fill these positions. Universities are not producing graduates that can think. This is an environment that needs people with a high level of cognitive functioning. Generally scarcity is acute at middle to senior level."
- There is also a need for change management skills for managers and leaders in order to respond to these continuous legislative changes.
- For retail banks, the legislation acutely affecting skills is FAIS. All advice-giving roles require a FAIS qualification, as well as a completed regulatory examination to operate in this role. The implication

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for skills is profound for sales staff as this FAIS and regulatory examination is required within five years of the person starting in a FAIS-flagged role. If a person does not pass the examination, which is usually the case, their employment will be terminated and/or they will be redeployed. Recent stakeholder engagements have highlighted the strong displeasure with FAIS and the IRE exam because many people are failing thus decimating the sales teams in banks. There is a need to relook at why so many people are failing.
- At entry level, operational training is needed relating to FAIS and FICA.

Top Five Identified Drivers of Change in The Banking Sector

At a high level, the PESTEL analysis revealed the following five main drivers on change in the banking sector: technology, Basel III, African expansion, unsecured lending and government policy. The solutions proposed to address challenges stemming from the PESTEL analysis have implications for skills development in the retail and investment banking industry.

- Regulation is the most significant driver of change. Although the introduction of Basel III (as a key driver of change) will strengthen South Africa's banking sector in the long-term, it will result in the added challenges of meeting the liquidity requirements in the short-term. Banks have been dealing with regulatory changes for a number of years and this is set to continue for some time. The new Companies Act is also ushering in new compliance requirements.
- Unsecured lending has recently gained currency in the South African banking sector. The increase in unsecured from the demand side is fuelled by a benign interest rate and ignorance on the part of some consumers about the negative effects of indebtedness. On the supply side credit lenders are attracted by its economic potential over other forms of credit.
- Government interest: This is the third most important development in banking as evident in the fiasco surrounding FNB and the political reverberations around the advert. On the positive side, government is entreating banks to invest in infrastructure to spur economic growth.
- Technology is still a major driver of change in this industry. Mobile and internet banking, in particular, has significantly reduced the cost of service delivery by IB service providers, ushering in the era of branchless banking, contributing to seamless and efficient service, and simultaneously exposing the industry to the risks of electronic crime and fraud. Not only did technology change the landscape of service and financial access, but it has also changed the skills set of a 'banking employee', who requires generic complex ICT skills as entry requirements to the sector.
- African expansion: Africa continues to feature strongly in banks' expansion plans, driven mainly by the need to follow and service their corporate clients as they expand in these markets.

Top skills identified for the employed through the PESTEL include the following:

- Risk management
- Specialised credit skills
- Strategic management
- Generic ICT skills
- Language skills
- Forensic accountants
- Numeracy and quantitative skills
- Sales and marketing skills within IT

The most significant skills identified by the PWC 2013 survey are:

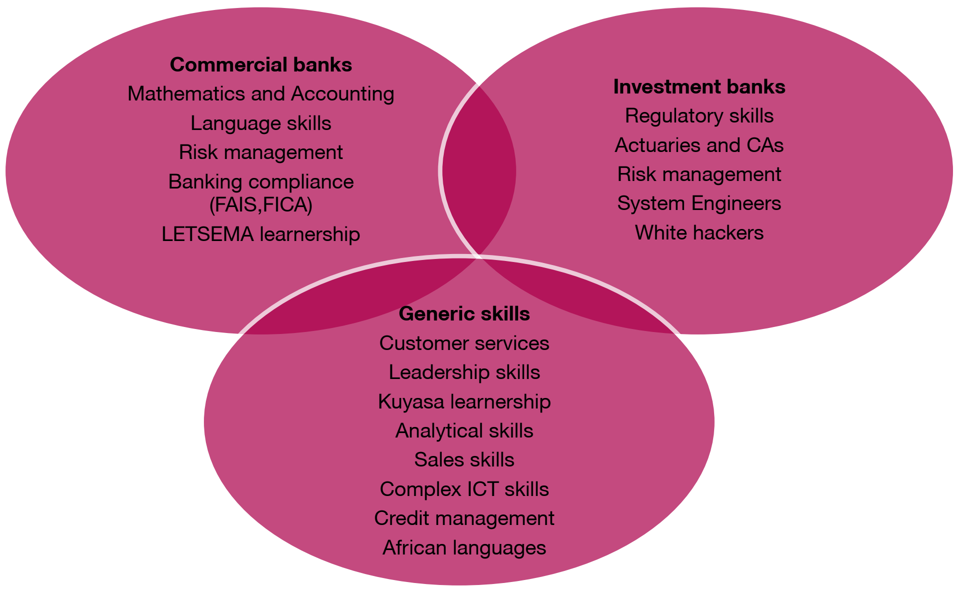
- Lack of global experience
- Lack of ability to lead others
- Lack of ability to adjust to change quickly
- Lack of ability to understand risk
- Lack of business experience
- Lack of product knowledge
- Lack of client relationship skills
- Lack of understanding of tax issues
- Lack of ability to collaborate

The plague of youth unemployment requires partnership between the sector and government through youth development programmes like incubation programmes and entrepreneurship training. As learnerships and internships (Letsema and Kuyasa) are meant to enhance employability and build employment pipelines for the industry, the quality of these new 'entrants' need to be improved through job-readiness programmes, youth financial skills that include mathematics and accounting, lifeskills like personal financial management and language skills (business English).

BANKSETA, through its partnership with the industry, should continue to improve and customise Letsema and Kuyasa learnerships to meet the increasing demand of the industry, including a revision of the learner screening methods, course material, the introduction of built-in job readiness programmes and life skills modules.

The International Executive Development Programme (IEDP) and other management programmes should also be constantly reviewed and improved. Material development should be encouraged in the areas of generic ICT skills, ICT risk management, credit management, African languages to be utilised in the banking industry, and advanced regulatory skills for managers and leaders.

Figure 10: Banking services per sector



SCARCE SKILLS

This section identifies and discusses scarce and critical skills in the banking sector. The analysis of this section is based mainly on information from the scarce and critical skills validation exercise undertaken during July and August 2013, which involved validating the scarce skills identified through the 2012-2013 WSP analysis. This was done through qualitative interviews with the five major banks and two investment banks. The analysis is enriched through the triangulation of information from literature reviews, PESTEL analysis and focus group/interview inputs. The broad definitions[7] for "critical" and "scarce" skills guide this analysis. These explain "critical" skills as skills gaps that exist within an occupation or group of occupations that generally are generic or technical top-up skills. "Scarce" skills refer to occupational categories for which employers struggle to find suitably qualified and/or experienced candidates.

Table 17: List of top ten scarce skills: retail banks

Credit Card Specialist
Digital Designers
Systems Engineers (process engineers, systems architects, IT System Developers)
Forensic/Fraud/Security Specialists
Business Analyst
Risk Managers
Credit Specialists
Business Development Officers
Transformational Programme Managers

Source: Scarce and Critical Skills Validation Exercise (2013)

7. Adapted from the Department of Labour: Identifying and monitoring scarce skills, 8 June 2005

The validation process indicated a big shift of scarce skills needed to support the sector's digital migration drive and the sector's new appetite for unsecured lending. As per the trend, most scarce skills in retail banking are among the professional and management occupation categories. Specialist skills are needed for managing specific portfolios and investment risk in retail banking institutions. There is a notable increase in scarce skills in the IT category, both for systems development and delivery. This is largely driven by the surge in technology- driven products offered by banking institutions. The same scenario was reported in the preceding SSP. Transformational are mainly required to drive the African expansion an area identified as competitive by bank CEOs in the PWC survey of 2013. The shortage of professionals is discussed in the context of South Africa's policy imperatives, with particular emphasis on B-BBEE, gender and other equality requirements, with most banks complaining about the unavailability of suitable EE candidates with the requisite skills and experience. This was reinforced by PESTEL stakeholder interviews as well.

A regional analysis from the preceding SSP indicated a need for Islamic bankers in KwaZulu-Natal, as well as the fact that it is generally difficult to resource outlying areas. "Credit skills are lacking in outlying areas, for example, no-one wants to be a credit manager at Matatiele, but rather in Durban."

A further analysis of survey results indicates that occupations with the largest number of vacant positions include IT systems development and delivery (21 positions), research analysts (14), business analysts (10) and risk managers. WSP analysis indicated scarcity of retail banking jobs in the areas of actuarial science, sales and management consultants. The drivers of scarcity were mostly attributed to EE candidates and lack of relevant banking experience especially in the ICT area.

Table 18: List of scarce skills: investment banks

Occupation
Fx Spot Trader
Fiduciary Managers
Oil and Gas Transactors
Carbon Trading and Structuring
Agronomist in Investment Banking
Geologist in Investment Banking
Digital Forensic Analyst/Investigator
Mobile and Digital Specialist
Systems Integrator/Systems Architecture
Rated Research Analyst
Traders (Sales, Equity, Derivatives)

Source: Scarce and Critical Skills Validation Exercise (2013)

Although not featuring among the top ten scarce skills overall in the banking sector (as some of the investment banks that participated in the survey were not recruiting and as such had not experienced scarcities), investment banks have a demand for skills sets in areas of technological innovations, green economy and research. The specific scarce skills in these broad areas are detailed in Table 15, and they still remain unchanged from 2012. Although the numbers of required skills in these institutions are still small, their significance is driven by the growing global awareness of the green economy and technological efficiency issues. Business compliance officers/managers and forensic accountants were identified as scarce skills for investment banking.

Scarce skills for 2014–2017

The projected scarce skills did not change dramatically from 2012. Banking institutions that participated in the validation exercise indicated a number of positions they envisage filling during the next four years as detailed in Table 18. Among the positions identified as future scarce skills are those of FAIS-compliant consultants, credit card specialists, business development managers and ICT specialists, among others.

Table 19: Scarce skills 2014–2017 (overall)

Scarce skills positions
FAIS-compliant consultants
Credit Card Specialist
Business development/relationship managers
Risk specialists
IT markets trading developers
FX spot traders
Financial analysts/internal
Statistical analysts
Debit card/credit card fraud investigators
Research analysts
Traders (sales, equity, derivatives)
Fiduciary managers

Source: Source: Scarce and Critical Skills Validation Exercise (2013)

Factors driving skills shortages in the banking sector

A number of factors contribute to skills shortages in the banking sector. These include the following:

- As a result of technology, most scarce skills are not directly related to banking. These include computer programmers, process engineers and generally people in the ICT industry. The scarcity largely stems from people with limited experience of banking and financial services
- Lack of requisite experience and lack of suitable black people. The rather specialised nature of the work and the need for people with a particular background for managerial positions were key challenges that employers frequently referred to as limiting factors.
- The limited number of black matriculants who access tertiary-level education institutions with mathematics and science, as well as the limited number who eventually graduate with mathematics and science degrees are factors that contribute to skills shortages in the banking sector.
- The introduction of new regulations that require banking institutions to comply with prescribed standards. Key regulatory instruments that banking institutions have to be in compliance with are the FAIS Act and the NCA. In accordance with the stakeholder consultations, the unintended consequence of fewer people passing the FAIS RE 1 exam is that Sales Consultants and other sales roles have emerged as scarce, as banks are willing to pay those that have passed their exams more. Banking institutions also have to meet Basel III standards, employment equity and the demographic targets agreed upon in the FSC.

CRITICAL SKILLS

An analysis of implementation reports submitted indicates that critical skills (also referred to as strategic skills priority areas) largely remain unchanged, save for the increasing importance now attached to legislation compliance skills (see Table 16 where priority is indicated according to the number of interventions and people trained). This is mainly attributed to the plethora of new local and global legislation and regulations affecting the financial services sector and banking in particular, as detailed in the drivers of change through PESTEL. Table 16 illustrates the ranking of skills priorities for 2014.

Critical skills in detail

The critical skills requirements are informed by the validation exercise undertaken during July and August 2013, BANKSETA historical research data, as well as the 2012-2013 WSP analysis so as to provide a more accurate picture of current critical skills requirements. The critical skills requirements can be grouped into five major categories that include specialist financial skills, legislation compliance skills, information technology, management and leadership and customer interface (see Table 19).

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Table 20: Critical skills per occupation category

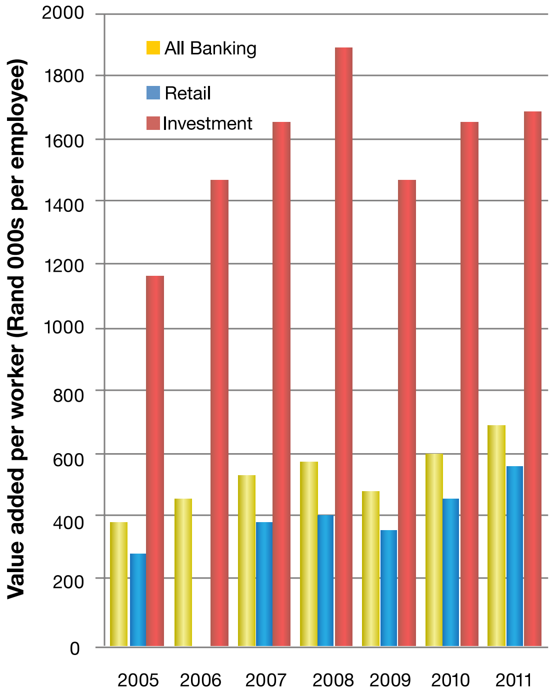
Skills	Clerical support workers	Managers	Professionals	Sales
Legislation	FAIS NCA PFMA FICA	FAIS NCA PFMA FICA	FAIS BA II Regulations and Basel 3 NCA Legal and FAIS	FAIS FSB - compliance skills Short compliance courses FAIS Regulatory Level 2
Information technology			Network skills IT governance ERP technical knowledge Database planning development IT risk; Network support Specific systems training IT operations Accredited courses LEAN 6 (Sigma)	
Management and leadership		Project management Change management Strategic HR Leadership development training, performance appraisal skills, global banking experience	Project management Quality assessment Capacity planning Process management Change management Strategic HR Research skills	Project management Logistics management Cash management Leadership skills
Skills	Clerical support workers	Managers	Professionals	Sales
Customer interface		Marketing		Interpersonal skills Selling skills Financial and credit skills
Specialist financial skills	Industry knowledge Maths ability Numeracy	Industry knowledge Credit management Small business credit granting Financial market knowledge training Accounting and financial management Budgeting Risk management	Financial analysis Business risk Treasury business knowledge Regulatory examinations FAIS Trade finance Forex Risk management Treasury accounts knowledge Financial modelling Forensic investigation	Industry knowledge Medical underwriting Wealth management Insurance and risk management Financial and credit skills

Source: 2008-2011 BANKSETA WSPs and Scarce and Critical Skills survey (2012)

Specialist financial skills: These skills sets are broadly defined as “skills enabling the development and management of specialist financial products”. These skills refer to the provision and maintenance of financial products, solutions and services related to the financial wealth of individuals and institutions, with due regard to client profile, business risk and profitability.

This includes assessing and managing risks. For retail banking, specialist financial skills are required in credit, risk assessment and management, financial investment, risk and asset management. Dealing with Treasury, as well as domestic and foreign trading, were identified for investment banking.

Figure 21: Estimated nominal gross value added per employee in banking



Source: Quantec standardised industry database, annual reports of banks, own estimates

Legislation compliance skills: Banking sector operations are highly regulated. Legislation implementation skills are becoming an increasingly critical area for development in order to interpret legislation/regulations and translate regulatory instruments into day-to-day operations. Skills encompass knowledge and understanding of the compliance framework in various areas of legislation, as well as understanding and applying legal duties and obligations. Recommendations on the implementation of systems and procedures, and improvements to the regulatory compliance framework of the organisation are part of this competency. For retail banks, this included FAIS competency, which is mostly needed by sales consultants, as well as knowledge of the NCA, PFMA and FICA. Investment bankers requested "investment banking flavour to regulatory compliance" as they also need FAIS and forex skills.

Information technology: The banking environment is technologically sophisticated, which means greater dependency on employees with IT expertise. This is particularly the case with the proliferation of mobile banking, ATM technology, internet banking, e-commerce and other electronic channels of banking. IT skills, thus, range from basic non-specialist to highly specialised technical skills. The gaps identified were within the professional occupation group in the specialist areas of network skills, IT governance and enterprise resource planning (ERP) technical knowledge.

Management and leadership: Most banking institutions in South Africa find themselves competing aggressively for a pool of leadership talent that is not keeping pace with demand, especially in the light of the African expansion drive. Consequently, the expansion and improvement of leadership skills is a crucial competitive imperative in the eyes of the sector, dovetailing with the imperative of affirmative action and employment equity. Both imperatives confirm a need to fast-track leadership talent through a process of accelerated development and exposure. Skills development in the executive leadership base is also receiving widespread attention. Management skills were highlighted among managers, professionals, sales and technicians. All these categories identified project management skills, strategic human resource management and change management. Stakeholders identified senior and executive development to deal with complex projects, eg African expansion, that requires strategic and systems thinking.

Customer interface: This is probably the fast-changing area in retail banking. The move to a customer centric paradigm has intensified the need for specialised client services skills carried by a robust digital platform. This driving is a growing trend for representatives of banks to initiate contact with clients. Competencies include implementing and maintaining processes aimed at expediting the processing of customer queries, problems and transactions digitally without losing the personal interface. The interactions may be physical, telephonic and/or electronic. Selling and marketing skills were identified by retail banking stakeholders due to increasingly technologically-driven product offerings and a techno-savvy client base. The investment banks interviewed indicated that most of their candidates are at a very high level, and that most of their soft skills training is sourced overseas.

Bankseta's Collaboration with other SETAs

The financial sector cluster as conceptualised by the Department of Higher Education and Training is serviced by four SETAs: BANKSETA, INSETA, FASSET and MICT SETA. As a result, there are overlaps and similarities in terms of skills needs and skills development interventions. To increase reach, to maximise resources, cost-effectiveness and sustainability, collaboration among the four SETAs is encouraged and discussions among the four SETAs have commenced.

Areas of possible collaboration include projects addressing cross-cutting scarce skills needed by the sectors. Such skills include accountants, IT specialists and forensic auditors, among others. It is envisaged that collaborations will be in the form of MoUs among the SETAs, aimed at addressing common skills needs.

Productivity Analysis

Taking account of both the trends in value added and the trends in employment, it is possible to estimate the value added per worker in the banking sector. Figure 21 shows the average for the sector as a whole, as well as for retail and investment banking activities separately. On average, the nominal value added per employee increased from around R390 000 to R576 000 between 2005 and 2008 – before dropping to R485 000 in 2009. It has since recovered to more than R694 000 in 2011.

The consequences of investment banking having a comparatively large share (27% in 2011) of the value add of the sector and a small share (11%) of total sector employment gives rise to very high levels of nominal value added per employee. These increased from more than R1,2 million to R1,9 million between 2005 and 2008, but dropped by 22% to R1,5 million in 2009. A combination of employment cuts and strong growth in value added has since seen the figure rise to R1.7 million. While nominal value added in the retail banking segment is slightly lower than the average for the sector as a whole, it has followed very similar trends. In 2011, it was estimated at almost R569 000.

Changes in the real value added per employee provide an indication of productivity in the banking sector. Table 21 shows the absolute value of these figures for each of the segments, and banking as a whole, as well as the annual percentage changes in these figures. It indicates that the real value added per employee in banking increased by an average of 4.2% a year between 2005 and 2011. Although the annual changes are highly volatile – ranging from 20.5% between 2005 and 2006 to -21.6% between 2008 and 2009 – there is likely to be a correlation between trends in labour productivity and changes in total employment in the sector over time. If the past six years are a reasonable representation of what is likely to happen in the sector over the next five to ten years, then it implies that growth in real value added in the sector of less than 4% a year is likely to result in net employment losses. Net employment gains should occur when average growth in real gross value added exceeds 5% a year.

Table 21: Estimated real gross value added per worker and implicit annual and average labour productivity gains between 2005 and 2011

Banking segment	Estimated value added per employee at constant 2005 prices						
	2005	2006	2007	2008	2009	2010	2011
All banking	R 389 788	R 469 791	R 476 031	R 516 313	R 415 424	R 471 710	R 499 738
Retail banking	R 290 423	R 339 424	R 349 307	R 365 886	R 307 344	R 367 989	R 409 385
Investment banking	R1 160 607	R1 481 101	R1 459 085	R1 683 240	R1 253 853	R1 285 098	R 1 208 292
Annual percentage change in real value added per employee							
	2006	2007	2008	2009	2010	2011	Average: 2005 to 2011
All banking	20.5%	1.3%	8.5%	-19.5%	13.5%	5.9%	4.2%
Retail banking	16.9%	2.9%	4.7%	-16.0%	19.7%	11.2%	5.9%
Investment banking	27.6%	-1.5%	15.4%	-25.5%	2.5%	-6.0%	0.7%

Source: Quantec standardised industry database, Annual reports of banks, own estimates

The comparatively high productivity gains (in particular years and in general) are indicative of and consistent with the widespread adoption of new technologies in the sector.

There are numerous factors that will influence the ability of the South African banking sector to grow both the volume of transactions and the total value of loans advanced. One important growth determinant is the ability of the locally-based banking sector to expand the number of suitable foreign business and individual customers it is able to service. South Africa's exports of financial services increased from 0.3% of global exports in 2007 to 0.42% in 2011 – from R6,2 billion to R6,9 billion.

However, while the major banking groups are all according greater importance to expanding their footprints in Africa, there is a significant difference between banking 'globalisation' that involves servicing global (or African) clients from a single location (South Africa), and the development and growth of banking multinationals that have a physical presence in a number of different countries. Studies on the potential of different industries to globalise suggest quite different potentials for retail banking and investment banking.

Retail banking is generally regarded as having limited potential for globalisation because of the restrictions placed on it by banking legislation. This does not mean that South African banking groups will not be able to expand their operations into Africa, but it makes it unlikely that the country will enjoy significant value added and employment gains from servicing foreign retail clients from South Africa. There may, however, be scope for some back-office functions to be supplied from within South African-based operations, or for royalties to be earned on locally developed technologies and systems.

The potential for some aspects of corporate and investment banking (such as project finance, corporate finance and trade finance) is somewhat better – provided that there are not significant capital controls in place. The projected growth in sub-Saharan African economies over the next five years at least suggests an expansion of the number of businesses operating on the continent, a large number of infrastructure and other projects, increased merger and acquisition activity, and higher levels of intraregional trade (see Figure 23). It should be possible to supply at least some of these services from within South Africa.

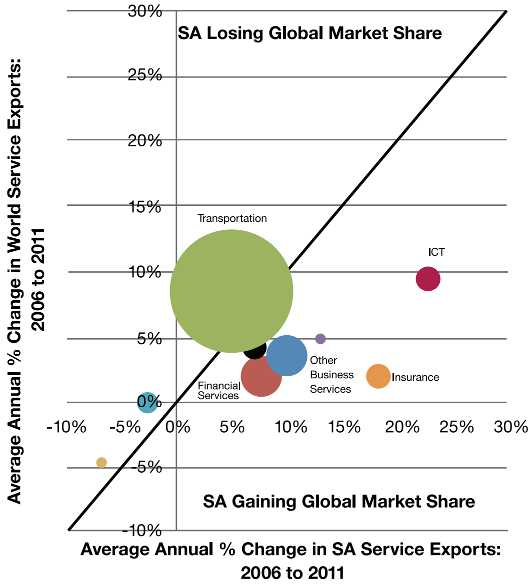
Implications For Employment And Skills In Banking Of Different Economic Growth Scenarios

As has been noted, the number of people employed in banking is a function of the real value added to the sector and the prevailing technology, which is reflected predominantly in changes in productivity. Growth in real value added that exceeds productivity growth can be expected to lead to growth in overall employment within the sector, while real value added growth that is lower than productivity growth will lead to a reduction in the number of people employed.

The NDP and other studies suggest that real economic growth of at least 6% a year is required for the country to make meaningful inroads into unemployment rates and poverty. Based on historical trends, that would suggest that the growth in real banking-sector value added should average at least 7% a year. This represents a high growth scenario. A continuation of the recent status quo (and longer term average growth since democracy) implies a growth of around 3.5% a year in real GDP, which would necessitate growth in real banking output of around 4% a year, and would imply a medium growth scenario.

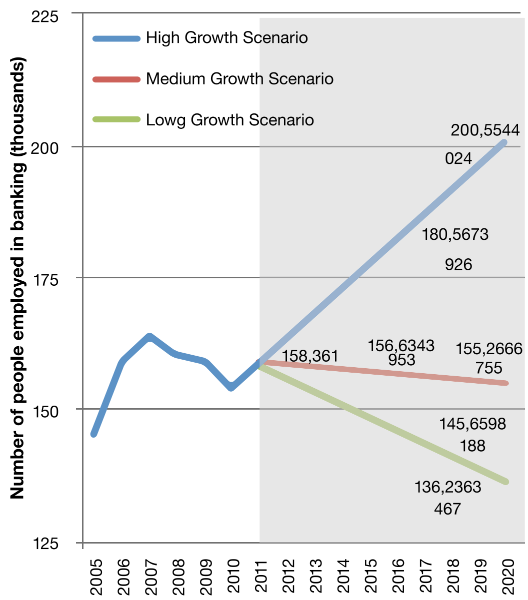
Average real GDP growth of around 2.5% a year is taken to represent a low growth scenario. Given average annual growth in the real value added per banking sector employee of just over 4% a year over the past six years, the impact on total employment would be as shown in Figure 23.

Figure 22: Revealed competitive advantage of South Africa's services exports



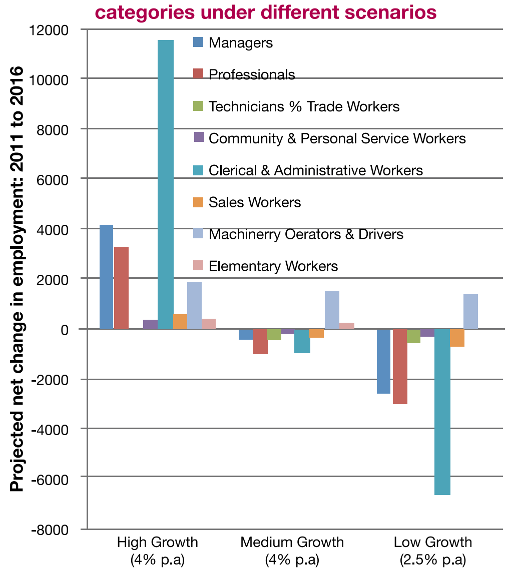
Source of basic data: Comtrade (via TradeMap)

Figure 23: Projected employment in banking in South Africa under different scenarios



Source: Quantec Standardised Industry Data Base, Annual reports of banks, Own estimates, WSPs

Figure 24: Projected change in OFO employment categories under different scenarios



Source: Quantec standardised industry database, annual reports of banks, own estimates, WSPs

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It implies net employment growth of about 22 000 by 2016 and 42 000 by 2020 under a high growth scenario, a marginal decline in employment of about 1 700 by 2016 and 3 100 by 2020 under the medium growth scenario, and a decline of around 13 000 by 2016 and 22 000 jobs by 2020 under a low growth scenario. If the structure of skills deployment in the banking sector was assumed to remain relatively static over the next ten years or so, then the net change in the number of people employed in different Organising Framework of Occupations (OFO) categories in the next five years (until 2016) under the different scenarios would be as shown in Figure 24. It may, however, be assumed that the adoption of new technologies will tend to change the structure of employment in the sector, with increased needs for IT specialists and technicians, and comparatively fewer lower skilled workers being required. Since it is incumbent on BANKSETA to support and facilitate national economic and employment growth objectives, the sector's skills development initiatives would need to produce the following:

- 4 200 additional managers
- 3 300 additional professionals
- 400 additional technicians
- 450 additional community and personal service workers
- 11 800 additional clerical workers
- 950 additional sales workers
- 50 additional machine operators and drivers
- 250 elementary workers.

These figures do not make provision for attrition of the existing banking workforce through death, disability, retirement and migration.

CONCLUSION

This chapter covered the skills demand in the banking sector. The equity profile of senior managers and professionals remains a concern that is being addressed through sectoral and BANKSETA dedicated initiatives. The monitoring and evaluation of scarce and critical skills will continue to be a strategic BANKSETA focus. The majority of scarce skills vacancies are driven by the need for equity candidates in the respective positions. It should be taken into account that in the future landscape, it is not possible to directly link skills demand to roles and positions that are clearly outlined and defined.

A strong content and cluster approach has emerged, with specific themes that include the following:

- ICT skills
- Customer relations skills
- Specialised financial skills
- Sales and marketing skills
- Strategic management skills as a result of the highly technological and complex regulatory environment

The demand scenarios for skilled historically disadvantaged people at senior and executive management levels, although improving over the years, remains a concern in terms of meeting the targets of the FSC. This concern is further articulated in the analyses of the supply of skills from the schooling system and the higher education sector in Chapter 3. The supply of scarce skills remains of high importance for the sector. If the drivers of change are taken into account, it is clear that accelerated efforts are required to address future skills shortages. The most significant focus of critical and scarce skills should be on historically disadvantaged South African citizens.

> "In an environment of turbulent and seemingly unpredictable change, being adaptive is not good enough. A rudderless ship in gale force winds will simply go round in circles. Neither is it enough to adopt a wait and see attitude. A company that pulls in its sails and waits for the calmer seas will find itself becalmed in an industry backwater. However tumultuous the industries, executives still have to make strategic choices. On the other hand, how can a company, possessing only a map of the past, make an intelligent decision about which technologies to pursue, which core competencies to build, which product or service concepts to back, which alliances to form, and what kind of people to hire?"


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This chapter provides a base for skills supply estimates, drawing from historical work done by the BANKSETA in addressing supply trends and requirements, an evaluation from sources, including WSPs, literature review and information collected from industry stakeholders. One of the greatest challenges to overcome is the fact that the required skills are not yet demarcated in positions and roles. Future skills are also not yet fully aligned with qualifications and skills programmes. The section analyses the supply of skills in terms of the flow of skills into the labour market and the development of the existing workforce. According to the analysis, the national context that feeds into the supply of skills reflects the following enrolment and graduation trends from the tertiary education sector.

Flow of skills into the banking sector

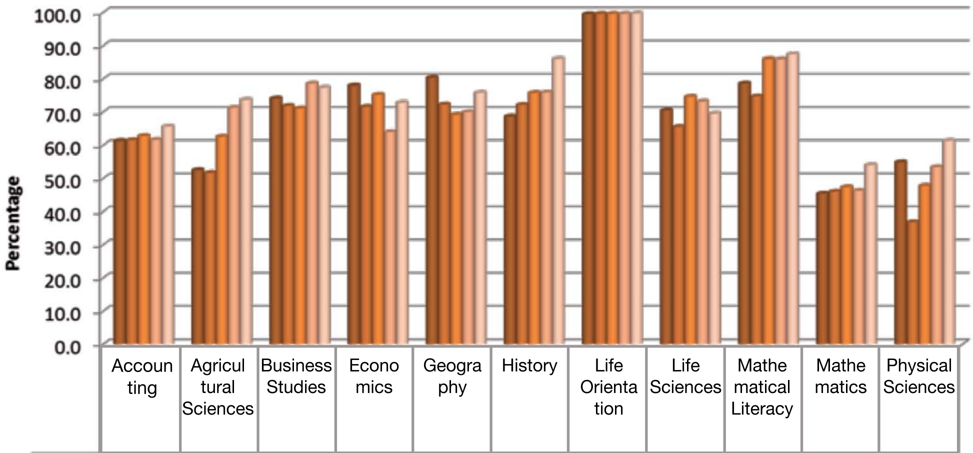
The skills profile of the banking sector as detailed in the previous chapter shows that while the sector does demand a higher than average skill level when compared to the overall economy, employees are drawn from all skills levels. Therefore, when one considers the pipeline of skills into the labour market, the results of secondary and higher education institutions needs will have an impact on the overall supply of skills.

SECONDARY SCHOOLING

The skills required by the banking sector draws from commerce subjects and demands proficiency in numeracy. The backbone of developing a suitable pool of skills from which to draw is the county's education system, starting from primary school and and progressing through to secondary school ahead of of tertiary education. The outcome of the NSC (matric/Grade 12) exams is used as an indicator not only of the flow of skills from the schooling system into the labour market, but also the flow into the tertiary education system and thus future HEI graduates.

The 2012 matric results were lauded as a success with 73.9% of the 511 152 pupils who wrote the exams attaining a pass mark. Since the banking sector has a relatively high reliance on numerical and other technical skills, the mathematics and science as well as the accounting and business studies pass rates are of more interest.

Figure 25 reflects matric results from 2008 to 2012 for subjects with a 40% pass mark. In relation to accounting, mathematics and physical science have the lowest pass rates, attaining 65.6%, 54.0% and 61.3% respectively. Business Studies, on the other hand, had a higher pass rate at 77.4%. Furthermore, a positive trend in the results shows a steady increase in all subjects since 2008.



	Accounting	Agricultural Sciences	Business Studies	Economics	Geography	History	Life Orientation	Life Sciences	Mathematical Literacy	Mathematics	Physical Sciences
2008	61.3	52.5	74.1	78.0	80.4	68.7	99.5	70.5	78.6	45.4	54.9
2009	61.5	51.7	71.9	71.6	72.3	72.2	99.6	65.5	74.7	46.0	36.8
2010	62.8	62.6	71.1	75.2	69.2	75.8	99.6	74.6	86	47.4	47.8
2011	61.6	71.3	78.6	64.0	70.0	75.9	99.6	73.2	85.9	46.3	53.4
2012	65.6	73.7	77.4	72.8	75.8	86.0	99.7	69.5	87.4	54.0	61.3

Figure 25 Candidates' performance in selected subjects 2008 – 2012 (at 30% level) Source: DBE 2013

As can be seen in Table 18, of the 224 635 learners who wrote matric Mathematics in 2011, only 104 033 (46%) passed. This improved to 121 970 from 225 874 (53.9%) in 2012. Of concern however, is the downward trend in the number of students who write the exams in these key subjects since 2008. As can be seen, over 300 000 students sat for the 2008 Grade 12 Mathematics exam as compared to just under 226,000 students in 2012. This means that even though the pass rate has increased from 45% to 54%, the absolute number of students who attained a Mathematics pass has decreased. Similarly, the increase in the pass rate in Physical Science from 55% to 61% has yielded fewer passes in absolute numbers.

Table 22: Matriculants passing Mathematics and Science subjects

	Mathematics			Physical Science		
	Wrote	Passed	%	Wrote	Passed	%
2008	300 008	136 184	45%	217 300	119 206	55%
2009	290 407	133 505	46%	220 882	81 356	37%
2010	263 034	124 749	47%	205 364	98 260	48%
2011	224 635	104 033	46%	180 585	96 441	53%
2012	225 874	121 970	54%	179 194	109 918	61%

Source: Report on the National Senior Certificate Exams, 2012

Therefore, while the overall pass mark is improving, the extent to which graduates are adequately prepared for tertiary education as well as the labour market remains a challenge. Based on the Department of Basic Education's presentation to the portfolio committee, the main concerns about mathematics and science are:

- Poor understanding of the basics and foundational competencies taught in earlier grades such as algebraic manipulations, factorisation, solutions of equations and inequalities.
- Overdependence and focus on previous papers without proper grounding and understanding of the concepts. Candidates therefore regurgitate answers to similar questions from previous papers.
- Poor mathematical skills relating to reading and interpretation of graphs, handling of calculators.

Other challenges include: wrong subject choices at Grade 10 with rural and township learners taking mathematics literacy and thus unable to access SETA courses at tertiary level; lack of teacher capacity for mathematics and science, especially in rural and peri-urban areas; and career guidance provided late, normally at Grade 12, when major subjects could not be changed. The role of special schools needs to heighten as there is a constrained pipeline of learners with disabilities. It is crucial to understand and analyse special schools in terms of how they develop disabled learners and build a base of disabled throughput and a skill pipeline for the banking sector.

If the focus of candidates is to pass the exams, as opposed to actually understanding the underlying concepts, the ability of the overall class of graduates to function in the workplace will be compromised. This is supported by reports that indicate that students from the secondary education system are inadequately prepared to cope with tertiary education or the workplace. This leads to higher failure, drop-out and low graduate rates (CHET, 2009). This is supported by the 2011 RUDO Landscape Report, which noted that various researches have raised their concern around the issue of the low quality of education. For example, 60% of students who passed mathematics in matric failed to cope with mathematics and science at university level and 82% of students who are accepted into South African tertiary institutions are functionally illiterate.

It is further evidenced by the seemingly incongruent phenomenon of having unemployed graduates on the one hand and unfilled posts in the market on the other. This still heightens the need for career guidance in Grade 8 in order to create awareness of banking opportunities and to emphasise the importance of attaining pass rates in mathematics, science and accounting subjects at the NSC level. BANSKETA should also continue with bridging courses for promising matriculants to enable them to access universities and technikons. Work-readiness programmes also need to be facilitated for those matriculants to access Letsema learnerships.

FET colleges

The high education policy shift has seen FET colleges positioned 'to provide the intermediate-level and artisanal skills to mitigate the shortage of people to fill positions available in the technicians and associated professionals occupational category and thereby massively alleviate unemployment. The DHET has acknowledged the challenges that blight FETs, including high drop-out rates and attention on NCV course. Figure 15 shows graduates from FET institutions in 2010 that fed into the skills supply line across various sectors. The banking sector is likely to draw on graduates from finance et al and IT. The pass rates in these fields are fairly low, at 48% and 54% respectively. This has an obvious impact on the level of skills available in the labour market.

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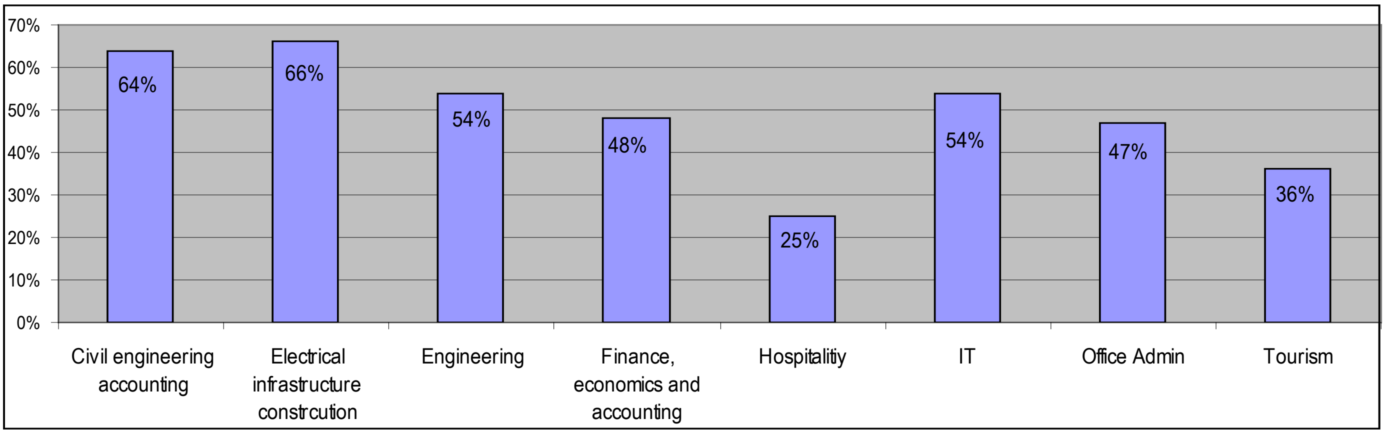
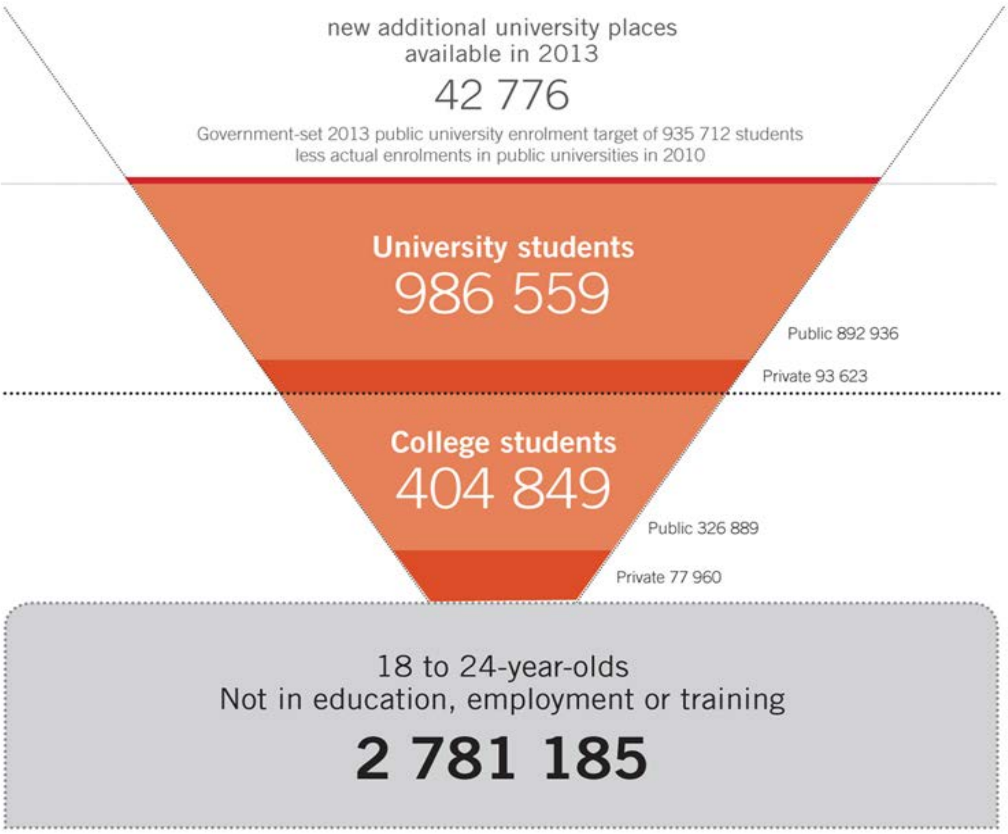
Figure 26: Graduates from FET institutions



Source: FET inclusive growth path report, Anton Gewer, 2010

The banking sector is developing higher levels of technological innovation and competition on a global scale, therefore demanding a need to foster the growth and development of workers to qualify at NQF Level 5 and above. In itself, this poses a challenge as it is difficult to train individuals beyond NQF Level 4 on the FET band. This is due to stringent entry requirements for HET-band qualifications in public higher education institutions. However, The Green Paper for Post-school Education and Training 2012 has made proposals to allow for selected FET colleges to offer NQF Level 5 and Level 6 certificates in science/engineering/technology and business/management. There are also opportunities for the BANKSETA to partner and collaborate with selected FETs to allow for the extension of learnerships at Level 5 and Level 6. Although learnerships such as Letsema and Kuyasa are intended to improve skills supply into the sector, equity requirements also affect the sector's ability to absorb skilled labour. This is because learnership patterns seem to indicate that African learners enrol in learnerships that position their entry at low levels (Letsema), while White and Indian learners tend to participate in learnerships that guarantee entry at middle and higher levels (Kuyasa). The reasons for this are still unclear, but might point to the inadequate output of the secondary schooling system. The challenge still remains to fill skilled positions because of the scarcity of skills in the African workforce.

Figure 27: Higher Education Pipeline. Source: CHET (2013)



Further, Minister Nzimande has acknowledged the challenge posed by the large number of school leavers each year and the subsequent high levels of competition for jobs. According to the Centre for Higher Education Transformation (CHET, 2009), there are approximately 2,7 million 18-24 year olds who are not employed, not in education and not in training (NEETs). A million of these NEETs have Grade 10 or higher and fewer than 500 000 have secondary schooling but less than Grade 12. This is the group that does not shift in terms of employment and thus a need for massive collaborations to retrain and reskill them to increase their employability.

BANKSETA COLLABORATION WITH FET COLLEGES

According to the Green Paper, SETAs should collaborate and partner with labour, employers with a special focus on public FET colleges as vehicles for better preparing youth with the necessary foundational knowledge and practical skills coupled with assistance to gain access to workplace opportunities. This prompted the BANKSETA to undertake a survey of eight (8) FET colleges in KwaZulu-Natal, Mpumalanga, the Free State and Eastern Cape in September 2012. The brief was to assess the level of FETs to work with the BANKSETA, the level of available infrastructure, the course menu as well the willingness of FETs to collaborate and partner with the BANKSETA. While the focus of the survey was around microfinance courses, the findings would apply to any new programme offered at the institutions.

The results indicated the need for assistance in three priority areas:

- Development of lecturers/facilitators (linking to a skills programme): Given that finance is a new discipline for FETs, there is a need to come up with a capacity-building programme that facilitates the development of lecturers that will offer these courses at FET colleges.
- Delivery of SETA-specific and accredited skills programmes: It will lead to the development of BANKSETA-specific accredited courses offered in a targeted manner.
- Support for curriculum development: Partnership with BANKSETA will ensure the development of appropriate curricula for the banking sector.

Other areas of assistance identified included the following:

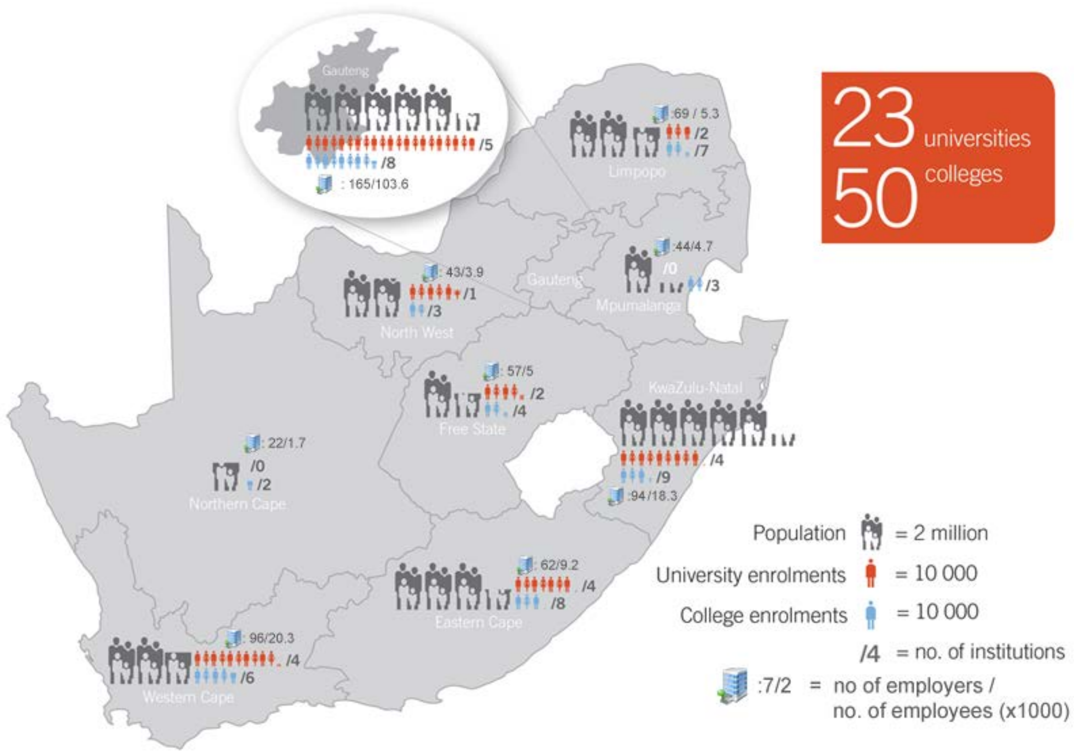
- Facilitate collaboration between colleges and training providers: This will ensure a coordinated approach offering standardised training packages to the sector.
- Develop professional qualifications between college and university: Partnerships with BANKSETA will ensure the trajectory of a clear career path, defining entry-level training packages offered at FET college level, progressing all the way to institutions of higher learning.
- Support learner guidance in scarce and critical skills: The additional benefit is that interested learners can pick courses where service providers are experiencing scarcity and pursue careers that have a higher likelihood of acquiring employment.
- Identify relevant programmes and establish partnerships: Partnership with BANKSETA will enable the identification of relevant programmes offered in the region and internationally (for example by the Consultative Group to Assist the Poor (CGAP) and International Labour Organisation (ILO) Social Finance Unit) and facilitate the establishment of capacity development partnerships with local FET colleges and institutions of higher learning.

With the move towards establishing partnerships with FET colleges and as the lead SETA in the Free State; the BANKSETA has established a physical presence in Motheo FET College based in Bloemfontein. Currently, the BANKSETA works directly with FETs and indirectly through private service providers to implement its learnerships and other programmes. It is recommended that BANKSETA identifies key occupations that can be either fed into the labour market directly or to a university for further education. This can then be piloted through a partnership with selected FET colleges that already have capacity to deliver the training.

However, the BANKSETA needs to be aware of the ability of the local market to absorb graduates. Examining the number of employers (and their size) in the feeder area for an FET college will contribute greatly towards the overall feasibility of the BANKSETA interventions.

FET colleges are spread across all the country's nine provinces. Top three provinces in terms of number of FET colleges are KwaZulu-Natal followed by the Eastern Cape and Gauteng. In terms of geographical spread of employers in the country, Gauteng has the highest concentration at 33% followed by the Western Cape and KwaZulu-Natal, at 13% and 11% respectively. The concentration of population, education institutions and employment opportunities is shown graphically in figure 28 below.

Figure 28 Population, HEIs and Employment Opportunities.



Source: CHET & WSP 2013 data

It is recommended that BANKSETA undertake a more detailed analysis of the geographic concentration of the population (municipal level) relative to educational institutions and employers (and thus the ability to absorb graduates). However the analysis demonstrates the following:

- KwaZulu-Natal and Gauteng have similar populations and also similar educational infrastructure. However, there are 165 employers representing 103 600 employees in Gauteng whereas KwaZulu-Natal has only 94 employers staffed by 18 300 employees. Similarly, the Eastern Cape has a large population (6,5 million), has substantial enrolments in 12 educational institutions but has a small economic sector, with only 9 200 employees. This implies that, in terms of the banking sector, the ability to place graduates will be more difficult in KwaZulu-Natal and Eastern Cape than in the other provinces especially Gauteng.
- The Western Cape on the other hand, has a much higher concentration of educational institutions in relation to the population size. There are 5,8 million people and 10 educational institutions. There is also more economic activity with 96 companies employing 20 300 people.
- Limpopo, North West and the Free State all have similar concentrations of people to universities and colleges with a fair-sized banking sector.
- The Northern Cape and Mpumalanga do not have any universities and five FET colleges between them. The size of the banking sector is commensurate with their low population sizes, employing only 6 400 people between them.

The FET infrastructure is still underutilised by SETAs and they should maximise their partnerships with these colleges to ensure maximum reach and increase their footprint especially in rural and peri-urban areas. The relevance and image of FETs is still a challenge and BANKSETA should collaborate with FETs to ensure that their value propositions match the required standards of the banking industry.

Higher Education Institutions

Subsequent to mergers of various higher education institutions in 2005, higher education is clustered into universities of technologies, comprehensive universities and traditional universities. This serves to reduce the number of higher education institutions, encourage participation by the youth in education and shift the balance between humanities, business and commerce, and science, engineering and technology. Traditional and technical universities represent unmerged universities and merged/unmerged technikons respectively. Comprehensive universities subsequently formed as mergers between traditional universities and technikons.

According to the Higher Education Management Information System (HEMIS) data collected by the Department of Higher Education and Training, enrolments at higher education institutions have increased since 2004, with a dramatic increase between 2004 and 2005 due to higher education institution mergers. The total number of students enrolled in 2011 was up 17% on the 2008 figure (see Table 23).

Table 23: Enrolment and completion at HET institutions

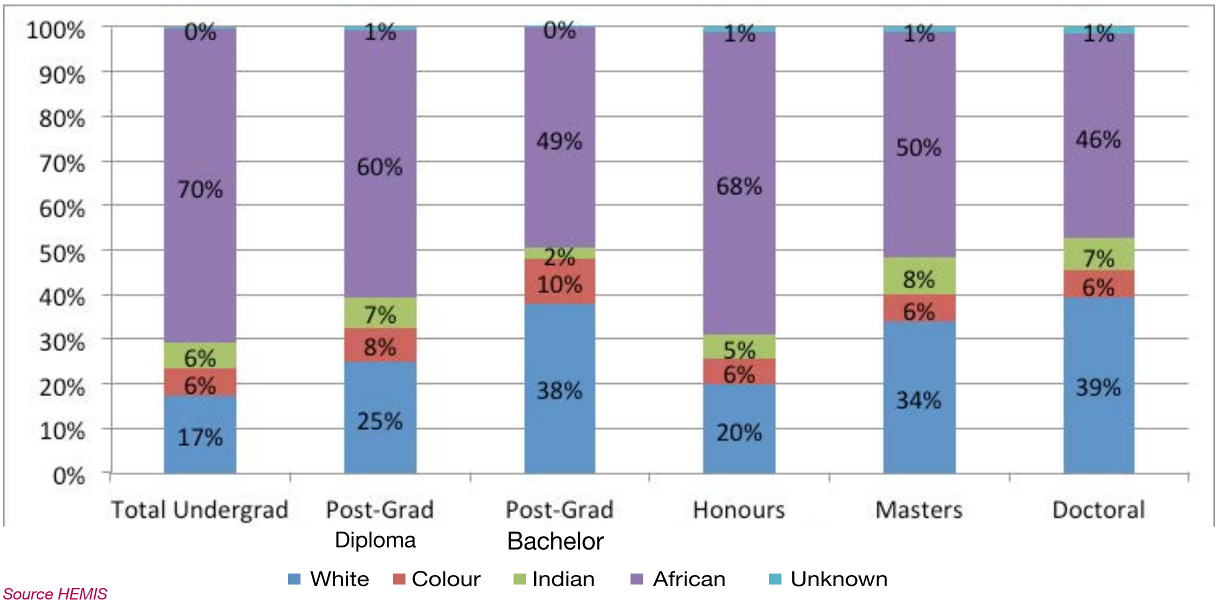
Year	Headcount enrolment	1Black students as proportion of head-count (%)	Female students as proportion of headcount (%)	Proportion of headcount enrolments in major fields of study (%)		
				2SET	3Business	4Humanities
2008	799 387	77.4	56.4	28	29	43
2009	837 779	78.6	57.1	28	28	43
2010	892,936	80.0	57.4	28	31	40
2011	938,201	80.4	57.8	28	31	41

Source: HEMIS 2008-2011

In terms of transformation of the workforce, there is a positive trend across all qualification levels for the period 2008 through to 2011. The analysis indicates that 80.4% of students that were enrolled in HET institutions in 2011 were black which is up from 77.4% in 2008. More significantly, as mentioned above, the total number of students has increased. This means that the number of black students enrolled in HEIs since 2008 has increased by a massive 22%. The proportion of enrolments by major field of study on the other hand has changed little. There has been a slight growth in business enrolments at the expense of the humanities while science, engineering and technology has grown organically with the student population, remaining constant at 28%.

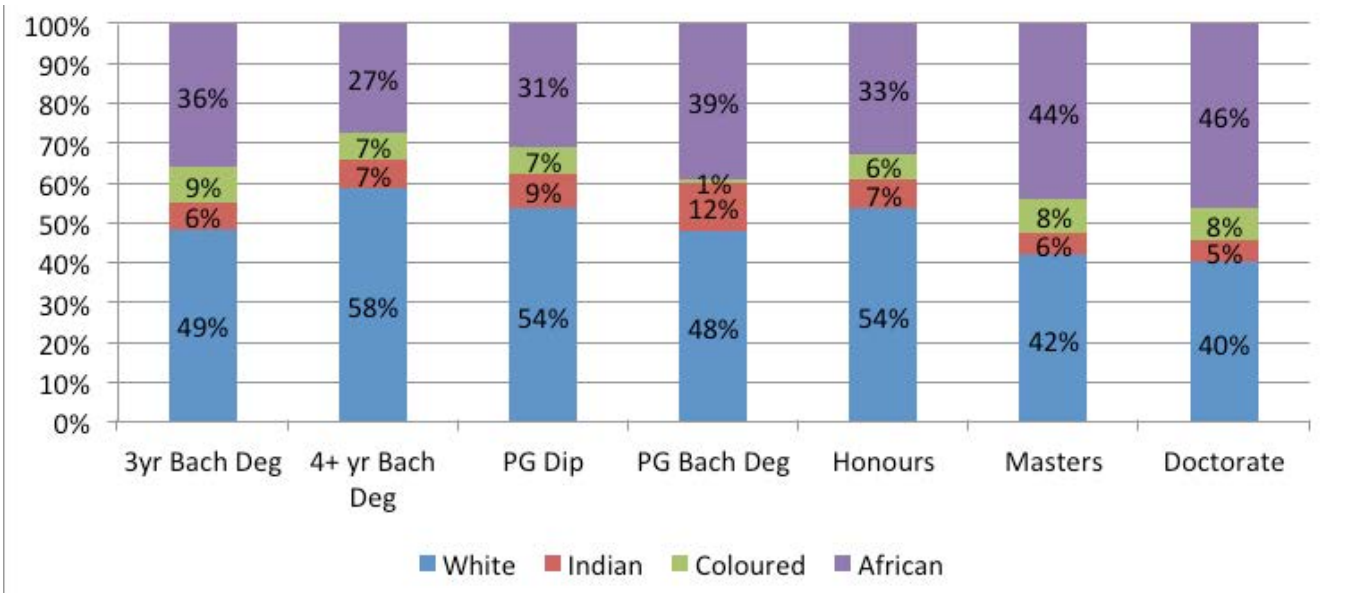
It is interesting to note that the proportion of black students (African students in particular) decreases in the more advanced degrees. Figure 29 shows that whites represent only 17% of undergraduate enrolments but 38%, 34% and 39% of Post graduate bachelors, masters and doctoral degrees. Encouragingly, African students are very well represented in honours programmes representing 68% of all enrolments. To effect transformation in the highest levels of management in the economy, it is important for the proportion of black students to remain high in all academic levels.

Figure 29: Enrolments for all institutions 2011.



Source HEMIS

An analysis of the success rate in HE institutions shows that nearly half of all students that enrol end up dropping out. According to CHET, 27% of students who registered for an undergraduate degree in 2005 completed their programme in three years. A further 15% graduate in year four, with 6% and 3% graduating in year five and six respectively.



What is of particular concern is that African students are mostly affected by the high dropout rate. If one considers the proportion of African enrolments versus graduates, the number falls from 65% African enrolments (2009) to 33% African graduates (2011). Conversely, in 2009. white students represented 21% of enrolments but represented 52% of graduates in 2011.

Figure 30: Graduates across all institutions by race and qualification level.

Source: HEMIS

The 2009 Banking SSP suggests that 5% of new recruits into the sector are straight out of school, university or other educational institutions, presenting a significant proportion of the labour force with no previous experience in the sector and uncertainty in terms of work readiness. This dynamic could also be an indication of a sector that puts a lot of effort into internal talent development that suits its needs and specialised requirements. It further highlights the need for work-readiness programmes and repositioning learnerships as entry-level vehicles into the sector.

GRADUATE UNEMPLOYMENT

Historical data on the unemployment of graduates shows that graduate unemployment is only one part of the larger South African unemployment problem. The root of the problem is a mismatch between the types of workers demanded by firms and those supplied in the labour market. With a structural shift of the South African economy towards more capital intensive industries, the need for highly skilled people has increased. There is also pressure to become technologically advanced and globally competitive, which heightens the demand for highly skilled people. Unemployment among graduates in itself is insignificant in the context of broader unemployment in South Africa.

"Education plays an important role in the labour market in several respects. Graduates are more likely to be employed in the formal sector. As many as 97.3% were employed in that sector compared to 52.9% of persons whose education level was below matric level" (StatsSA http://beta2.statssa.gov.za/?p=1377 Accessed 1 Aug 2013)

Matriculants make up 27% of the unemployed, while people with tertiary qualifications, including people with post-matric diplomas, technical qualifications and University degrees make up 9.5%[8]. Some 82% of tertiary unemployed graduates hold diplomas. A study by Haroon Bhorat found that African graduates have been the worst hit as they account for the bulk of unemployed graduates (with only one black graduate per every six white graduates getting employed).

"Here you get into non-data areas, because you start speculating but there are a couple of reasons for this that one can think of. Firstly, there's the usual suspect of continued (although unofficial) discrimination. There is also what economists refer to as the accumulation of human capital in the wrong fields, which boils down to too many graduates, particularly Africans, in market-glutted humanities-related subjects rather than in, say, the commerce fields. The third reason is the perceived quality of the tertiary institution that students attended. So, for instance, a graduate from one of the more pedigreed universities, like UCT or Rhodes, would find more favour with potential employers than would a graduate from, as an example, historically African institutions that are assumed to have less scholarly lustre (Bhorat, 2004).

While the match between the qualification and the skills in demand is a major contributor to graduate unemployment, quality of qualifications and work-readiness are among the major causes of unemployment of graduates. The South African Graduate Development Association (SAGDA) and Umsobomvu databases of unemployed graduates provide lists of graduates with qualifications in scarce spheres - commerce, business and management, ICT and finance. Yet, these individuals still cannot find jobs. Graduate unemployment is also compounded by racial disparities, because according to Smith (2009), 53.4% of black youths between the ages of 15 and 24 years were unemployed at the end of 2009, compared to 14.5% of young white youths. Historical data on the unemployment of graduates indicates that tertiary institutions, especially historically black universities supply low-quality graduates with no life and technology skills. African students or students studying at historically black universities tend to graduate in fields of study with lower employment prospects. This is often because they do not meet the minimum requirements for enrolling in fields of study such as finance, mathematics and science.

BARRIERS TO SKILLS SUPPLY

This SSP has outlined a number of skills barriers that need to be addressed. As identified through stakeholder consultation, these include the following:

- Budgetary constraints: To provide quality training and yet stay within a limited budget presents a major problem. It has been indicated that when the economy deteriorates, the first costs that are cut are usually training.
- Constraint in the pipeline of disabled learners
- The inability of opportunities for the NEETs group, necessitating retraining and reskilling of this group
- Lack of relevant qualifications: The relevant qualifications required for entry into particular fields of study present a second problem. Extensive shortages of candidates with Grade 12 mathematics and physical science makes it especially challenging to source and develop skills to fill scarce positions, including ICT and the specialised financial skills. Critical shortages in black female school-leavers/graduates with mathematics and physical science are also challenging.
- Intake and output by institutions of higher education: The number of learners who pass the National Senior Certificate with university exemptions, as well as those who do not pass with matric exemptions, including those who enter the FET system, are not absorbed by universities. This, coupled with the low percentage of pass rate in some FET college (estimated to be at 4%), poses significant barriers to the supply of skills.
- Insufficient numbers of career counselling professionals: The lack of qualified and experienced career guidance professionals to advise young talent limits the impact of addressing skills shortages. "An investment banking stakeholder has requested a need for career guidance and awareness for investment banking."
- Credit granting, collection and credit analysis: There are no formal qualifications available in credit management processes. BCom students are currently employed to fulfil these job specifications, but must go through lengthy training programmes to prepare them for the working environment. The qualifications offered by the Institute of Credit Management are not sufficient. Consequently, these skills are very difficult to source and are virtually non-existent as far as EE candidates are concerned.

Skills Development In the Banking Sector

This section examines the contribution of banks to the skills supply and training in the sector. In addition to the flow of skills into the market, an analysis of the training conducted within the sector will provide an insight into both the focus of employers and the gaps in the existing skills sets.

8. Bhorat, H. 2004. Changing class, education and social in post-apartheid South Africa, Human Sciences Research Council

As part of the Annual Training Report (ATR), employers are asked to indicate the total number of training interventions per strategic skills priority areas each course is counted only once. For example, if an employer sent staff on eight MS Excel Basic courses, they would indicate only "1" under Information Technology Related Skills Development under the specific NQF Level. This not only shows the areas of focus but also the intensity of the training activity. The table below shows the results of the ATR for 2012.

Table 24: Skills Priorities 2012

	Skills Priorities 2012										
	level 1	Further 2	Further 3	Further 4	Higher 5	Higher 6	Higher 7	Higher 8	Higher 9	Higher 10	Total
Customer Interface related skills development	618	44	236	102	553	385	15	5	5	0	**1963**
Company specific	859	0	0	832	27	0	0	0	0	0	**1718**
Specialist financial skills development	481	9	17	237	327	318	160	37	6	18	**1610**
Legislation implementation skills development	377	12	13	292	570	99	26	13	4	18	**1424**
Management and leadership skills development	508	19	13	159	183	162	59	45	23	9	**1180**
Information technology skills development	150	17	20	274	201	198	49	14	2	4	**929**
Financial skills			1	549	24						**574**
Lifeskills development	2				58	114	10	1			**185**
Microfinance	1	2	22	23	65	3	0	0	0	0	**116**
Backoffice processes and support skills development	0	0	0	0	31	44	3	0	0	0	**78**

Table 25: Skills Priorities 2010

	Skills Priorities 2010										
	level 1	Further 2	Further 3	Further 4	Higher 5	Higher 6	Higher 7	Higher 8	Higher 9	Higher 10	TOTAL
Management leadership	30	11	44	165	304	135	45	20	866		**1620**
Information technology	59	19	59	112	314	94	20	10	919		**1606**
Specialist financial skills	32	7	149	131	369	115	70	28	682		**1583**
Customer interface	48	41	112	214	300	30	8	1	717		**1471**
Legislation/compliance	38	6	24	143	116	58	10	8	576		**979**
Backoffice processes and support skills development	0	0	0	46	726	41	0	0	0		**813**
Back office processes and support skills development	0	3	7	13	4	0	0	0	205		**232**
Back office and processing	0	0	1	0	0	0	0	0	176		**177**
Lifeskills development	0	0	0	48	111	0	0	0	0		**159**
Various degrees	0	0	0	0	0	0	0	63	0		**63**

There are a few points that are particular note in the above tables:

1. The overall intensity of training has remained fairly constant as has the priorities themselves. Eight out of the top ten skills priorities in 2010 were listed in 2012.
2. However, there has been movement and progress in areas of focus:
   a. Management leadership was the highest priority in 2010 (1620) but fell to fifth in 2013 (1 180).
   b. Similarly IT skills fell from second in 2010 to (1606) to sixth in 2013 (929). This has allowed the focus to move to other areas such as customer service and other company specific issues.
3. Specialist financial skills rated very highly in both 2010 and 2013 and may be addressed through a BANKSETA intervention.
4. The bulk of the interventions are targeted at lower NQF levels. Level 1 and below represent 30% of the training interventions in 2013 with Level 4 accounting for a further 25%. Higher education levels five and six account for 21% and 13% of training accordingly.

Training Interventions By Occupational Group

It is also important to consider the beneficiaries of the training. The discussion on skills priorities highlighted a focus in the 'middle' NQF levels (especially 4 and 5) and if one looks at the recipients by occupational category it is noted that the training seems to be concentrated on the clerical and administrative workers. In both 2010 and 2012, this group received approximately half of the training interventions. Managers, professionals and technicians/associate professionals also benefited to a large degree with very little being targeted at the remaining occupational groups.

Table 26: Training interventions received by occupational group 2010 vs. 2012

Occupational Group	2010	2012
Managers	19%	18%
Professionals	18%	15%
Tech & Assoc Prof	1%	15%
Clerical & Support	56%	47%
Service & Sales	6%	4%
Skilled Craft & Trade	0%	0%
Plant & Machine Op	0%	0%
Elementary	0%	0%

Source: ATR 2010-2012

Training Beneficiaries By Race And Occupation

The racial profile of the training beneficiaries' indicates that the current interventions favour African employees slightly with technicians and associate professionals a high focus on upskilling African employees.

- A total of 60% African service and sales staff received training in 2012
- A concentration in training of African professionals, with an increase in training of African professionals from 28% in 2010 to 38% in 2012
- More white managers still trained, at 44%, with only 28% African managers receiving training
- Indians also receive relatively high levels of training relative to their numbers in the sector.

In 2012, 65% of training beneficiaries in the occupational group were African which is substantially greater than the 49% representation in the workforce. This is a trend that needs to be transferred into the management and professional occupational bands if the shortage of suitable African candidates for top level positions is to be addressed.

Table 27: Training beneficiaries by race and occupation 2010 vs. 2012

	2010				2012			
	African	Coloured	Indian	White	African	Coloured	Indian	White
Managers	23%	14%	15%	48%	28%	13%	15%	44%
Professionals	28%	11%	16%	45%	38%	12%	14%	37%
Tech & Assoc Prof	41%	16%	15%	28%	65%	10%	7%	19%
Clerical & Support	50%	21%	10%	19%	55%	20%	9%	17%
Service & Sales	61%	15%	7%	17%	60%	16%	9%	16%

Skilled Craft & Trade	0%	0%	0%	0%	63%	10%	5%	22%
Plant & Machine Op	70%	9%	2%	19%	60%	6%	4%	31%
Elementary	79%	15%	1%	5%	83%	10%	1%	6%

Source: WSP 2012-2013

CONCLUSION

From a skills supply perspective, the following realities and influential factors need to be taken into account in terms of the national skills supply:

- Banking sector research, together with data presented in the Labour Force Survey, shows that the workforce is generally highly skilled, especially those employees with tertiary qualifications[9]. In a specialised industry such as investment banking, employee competency at NQF Level 5 and above is essential and the accelerated delivery of sufficient numbers of historically disadvantaged South Africans at these levels is non-negotiable. This poses a challenge for the sector as it is difficult to train individuals beyond NQF Level 4 on the FET band, and there are stringent entry requirements for HET band qualifications. Proposals are, however, underway to ensure that selected FET colleges can offer financial, economic and business management courses at NQF Level 5 and Level 6.
- Since the banking sector demands high level skills, the output of higher level qualifications are of key importance. It was shown by means of examining the HEMIS database that the drop-out rate is disproportionately high for African students. So while African enrolments in bachelors and similar qualifications are very high, the proportion of African graduates (especially post graduate degrees) is substantially lower. Therefore, if the sector is to transform the highly skilled occupations, interventions will need to concentrate on African students.
- According to a UCT study, qualification levels at all spheres of educational output still reflect the inequalities of the past. This is evident in the equity profile of the labour force and that of the financial intermediation sectors. This implies that historically disadvantaged individuals find it difficult to enter the sector, based on their educational qualifications and work experience. Once again, this confirms the heightened need to capacitate, support and empower black learners so as to increase the employment of historically disadvantaged individuals in the banking sector. There are encouraging signs that training within the sector is impacting positively to reverse this. There is a greater focus on skills development for ACI employees (when compared to their proportion of the workforce). This, however, can be improved especially for managers and professionals.
- It has been discussed at length in a number of forums that the throughput of African matriculants, with mathematics, science and accounting subjects at the NSC level is poor. The challenge is further perpetuated at tertiary level where the graduation rates of African students with SET and commerce qualifications are low. An analysis of learnerships also indicates that African learners enrol in learnerships that position their entry at low-levels, while white and Indian learners tend to participate in learnerships that guarantee entry at middle and higher levels. This implies that historically disadvantaged individuals find it difficult to enter the sector, based on their educational qualifications and work experience, further confirming the increased need to capacitate, support and empower black learners so as to increase the number of historically disadvantaged individuals to be employed in the banking sector.
- The majority of new entrants to banking, such as school leavers, graduates and those with post-school qualifications, need extensive further work orientation training and exposure to the industry. This is the core reason why there is a seemingly incongruous phenomenon of graduate unemployment and skills shortages. An analysis of the successful completion of banking learnerships indicates that learnerships are being successfully implemented. For Letsema, one of BANKSETA's flagship learnerships, the success rate is over 90% and the placement of the previously unemployed ranges from 75 to 83%. Although the labour and skills entering the sector are improving, this is happening at a slow rate.

9. BANKSETA, 2010

- A geographic representation of the relationship between the number of people in an area (in this case a province), the number of institutions and their enrolments and the ability of banking sector to absorb the graduates was included. It revealed that certain areas have a higher concentration of institutions given the size of the populations and others have relatively a small industry, thus affecting the absorption of people graduates into the workforce. For this to be a useful planning tool however it is recommended that the exercise be repeated on a more micro scale.
- This way the BANKSETA will be able to compare and analyse:
    - Number of institutions (this is for the potential throughput of students)
    - Number of institutions that offer banking related programmes (enrolment in those programmes specifically)
    - Number and size of employers to determine job availability/placement of graduates

The launch of the post-school Green Paper on 12 January 2012 by Minister Blade Nzimande, re-emphasised the need to build coherence within the post-school system as a whole, between basic education and the post-school system, as well as between the post-school system and the labour market. This critical balance between demand for skills and the supply of relevant skills will ensure that South Africa delivers on 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. The BANKSETA 2013 review further acknowledges that as the sector changes over time, the supply of skills needs to be adequate, even for entry level occupations, to keep up with the skills needs of this progress.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This plan draws from the insights and trends identified in the SSP research and are guided by BANKSETA's strategic objectives and the NSDS III goals. The SSP recognises the milestones BANKSETA has registered in its quest to build skills in the banking sector. It also identifies additional interventions to consolidate and expand the skills sets needed by the sector. The operating environment and needs in the banking sector have continued to evolve and new needs have continued to emerge since the previous update. Based on the analysis of the additional needs in the sector, this SSP identifies a number of key areas of focus to consolidate and move forward towards skills development that enables stakeholders to advance the national and global position of the broader banking industry.

Although the South African banking sector is sophisticated and globally competitive, it is still challenged by excessive regulation and a technologically complex environment. The workforce to service this sector, although fairly educated, is continually upskilled through employer and SETA initiatives to meet the demands of clients and investors. On the transformation side, there is generally a progressive trend towards redress.

However, more effort is still needed to address race and gender at senior manager and executive levels.

- Technology has been identified as the key driver of change as the sector is rapidly moving towards automation of systems and services, revolutionising the traditional concepts of customer interface, marketing and sales. The implications for skills are quite major, requiring ICT skills for prospective entrants and current employees.
- Regulation has also emerged as a key driver of change as evidenced by the looming introduction of Basel III demands. FAIS compliance requires competent sales staff to pass the RE 1 exams. Furthermore, leadership and managerial skills are needed to navigate the dynamic regulatory environment.
- Africa is regarded as a 'growth area' by most South African banks and African expansion needs to be supported by a 'suite of skills' that include language (Portuguese, French, Swahili), regulatory and protocol induction.
- Locally, the growth of Islamic banking might spawn the growth of occupations to render specialised products to this niche client base, such as Islamic sales consultants. As mentioned above, BANKSETA could collaborate with the Islamic College of Southern Africa to present Islamic finance learning interventions.
- On the home front, the move by banks towards inclusive banking is welcome by the government and also requires knowledge of local African languages to assist with customer needs analyses, customer interfaces and improved access for clients. BANKSETA could partner with a university or training provider who can develop language material that can be relevant for the banking and financial services industry.
- Youth empowerment is at the heart of the NSDS III. To add value to this mammoth task, it is recommended that BANKSETA expands the reach of the Letsema learnership, especially in the rural and outlying areas, through partnerships with selected FET colleges. For the unemployed youth and graduates, work-readiness programmes are encouraged, as well as career guidance initiatives to encourage learners to enter the sector, especially investment banking, which needs more exposure in terms of the entry requirements into this sector.
- Lack of career pathing in the sector results in many experienced employees without academic qualifications. RPL needs to be intensified as an approach to allow these employees' skills to be mapped to the achievement of a recognised qualification.
- ICT professionals, managers (operations managers, general managers and management consultants), internal auditors and accountants were identified through WSP analysis as the as the most scarce skilled employees, especially in retail banking. The scarcity of these occupations was attributed to lack of requisite experience, lack of black people and a limited number of black matriculants with mathematics and physical science subjects. Sales jobs in retail banking are also becoming scarce as fewer people are able to pass FAIS examinations.
- The landscape of critical skills has not changed much since 2008 with critical skills requirements including legislation skills (FAIS, FICA, PFMS and NCA), IT skills, management skills, customer interface skills and specialist financial skills.

Overall, the inadequate supply of skilled historically disadvantaged people, especially at senior and management level, is still a concern that needs to be addressed.

In terms of the 2014-15 strategic plan, BANKSETA needs to enhance cross-sectoral collaboration particulalrly with analogous SETA's so as to maximise the impact of interventions within the ambit of available resources. The nascent cluster approach should be an ideal platform for BANKSETA to broaden the purview of engagements beyond SSP compilation to encompass broader SETA functions and activities.

The directive to collaborate with FET colleges from DHET needs to be adopted as an exigency and hegemonic practice by BANKSETA despite the aversion among stakeholders to the usage of them as preferred mediums of instruction. BANKSETA could consider the FET-HET articulation approach as a manner to collaborate with FET colleges as a supply side mechanism to ameliorate scarce skills shortages in the mainstream banking sector. Funding from the discretionary grant pool directed at PIVOTAL learning programmes could be utilised to embolden stakeholders in this regard.

Table 28: The 2013 Proposed Interventions Based on the SSP Research Findings[10]

NSDS III	Description of Programme	Bankseta Strategic Goals	Challenges Identified by SSP	Proposed Interventions Based on findings
Goal 1: Establishing a credible institutional mechanism for skills planning will ensure that the national need in relation to skills development is researched, documented and communicated to enable effective planning across all economic sectors	Planning of professional, vocational, technical and academic learning (PIVOTAL) programmes through a grant system that ensures effective skills planning based on researched needs Promoting research among the academia on banking developments On-going research in partnership with key research institutions and skills planning units. The consolidation of research outputs will ultimately be undertaken by BANKSETA research staff.	Research and benchmarking	The quality of SSPs submitted Lack of baseline statistics for BANKSETA projects, this to create a departure point and measurement Innovations within banking rapidly changing the landscape of skills needs in the sector Impact assessment of BANKSETA's implemented interventions to evaluate impact and sustainability	A validation model to ensure quality of WSP and ATR data collection. The validation model could encompass monitoring visits to employers to determine the veracity of the WSP information and employer surveys to confirm/reject the information in the WSP-ATRs. Improving and adding new fields to the WSP template to ensure quality collection of skills planning data Continue with programmes to capacitate SDFs and increase participation of WSP submissions through information sessions targeting new companies. This suggests a greater footprint in the regions. Annual banking SSP update. Engagement with cluster SETA's to determine best practice regarding SSP and scarce and critical skills research.

10. These are proposals which will not necessarily translate into definitive interventions in the 2014-15 BANKSETA Strategic Plan and Annual Performance Plan

NSDS III	Description of Programme	Bankseta Strategic Goals	Challenges Identified by SSP	Proposed Interventions based on findings
Goal 2: Increasing access to occupationally-directed programmes. Both intermediate level and higher level professional speak to the PIVOTAL initiative	Improving access to skills training for employed persons in order to enhance their professional qualifications thereby improving access to skills by the banking sector. Provide long-term interventions (including learnerships and PIVOTAL programmes) Provide short-term interventions such as skills programmes, and management and executive development programmes Provide programmes and/or related bursaries targeted at NSC level to improve Maths, Science, Accounting and Business Communication as a means to enter banking. Provide programmes and/or related bursaries targeted at public FET institutions to link learners to work-integrated learning opportunities.	Skills development for the employed	Under-representation of disabled employees Lack of pace in up-skilling black female managers Lack of specialist skills at professional level (SAP, Oracle, Risk Management, forensic/fraud investigators) Low pass rates of FAIS RE1 examinations still driving scarcity of sales consultants and thus a barrier to meeting EE targets Lack of specialised credit management skills	Interventions to attract people with disabilities leading to full qualifications. This is possible as 80% of discretionary grant funding is allocated to pivotal learning programmes. Increase women quotas in all BANSKETA programmes (consider a Women Development Programme) leading to full qualifications. This is possible as 80% of discretionary grant funding is allocated to pivotal learning programmes. Increase the pace of achieving EE targets (especially black and coloured) leading to full qualifications. This is possible as 80% of discretionary grant funding is allocated to pivotal learning programmes. Develop Technician Development Programmes (ICT, Forensic Scientists, Digital Designers etc) – Collaborations with relevant SETAs. Investigate and understand the barriers to passing the FAIS programmes and provide the necessary interventions to increase the pass rates Continue to provide FAIS-related programmes to meet FSB requirements. Develop programmes to address the specialised credit management skills currently needed by the sector to ensure a sustainable unsecured lending market going forward. Continue to enhance the existing skills pool by providing long-term interventions (including learnerships and PIVOTAL programmes), as well as short-term interventions, such as skills programmes, and management and executive development programmes to employees at all levels of small, medium and large organisations registered with BANKSETA in the following skills priority areas identified by the SSP: o Risk Management o Management and leadership skills o IT skills o Banking Engineers (process engineers, systems engineers, digital designers) o Specialist financial skills o Sales and relationship management o Legislative compliance Continue with implement RPL methodologies to ensure that employees with experience attain the relevant qualifications. Cross-sectoral collaboration with FASSET, INSETA and MICT SETA in the form of MOUs to address common skills needs within the sector.

NSDS III	Description of Programme	Bankseta Strategic Goals	Challenges Identified by SSP	Proposed Interventions based on findings
Goal 3: Promoting the growth of a public further education and training (FET) college system that is responsive to sector, local, regional and national skills needs and priorities	To transform the FET College system to ensure the integration of education and training, and respond to skills needs in the country. In order to increase the capacity to meet industry and the country's developmental needs, partnerships between the DHET, SETAs, employers, private providers and public FET colleges are being promoted Support FET colleges and SME providers to deliver BANKSETA-registered qualifications and learnerships, through an accreditation process. Improve the quality and increase throughput in these institutions by building infrastructure, developing resources, funding and guiding sector-relevant research, funding staff development, sponsoring bursaries and technology innovation. Increase workplace-integrated learning and workplace experience opportunities for learners from FET and HET institutions. The overarching objective is to strengthen the country's public institutions, enabling them to intervene in the economy to build an inclusive growth path. Support FET colleges and SME providers to deliver BANKSETA-registered qualifications and learnerships, through an accreditation process.	Capacity building for public FETs	Quality of public (FET/ HET) institutions graduates currently not meeting the needs of the sector Some FETs not accredited to deliver on the sector's qualifications and programmes The relevance and image of FETs Some FET lecturers lack the requisite pedagogy skills The BANKSETA national footprint is limited	Support and capacitate FETs to deliver relevant qualifications that meet the required standards of the industry. Support FET colleges and SME providers to deliver BANKSETA-registered qualifications and learnerships, through an accreditation process. Intensify FET lecturer and leadership capacity building. Facilitate partnerships to promote and increase workplace-integrated learning and workplace experience opportunities for learners from FET institutions. Promote more partnerships with FETs to increase the footprint of the BANKSETA especially in rural and per-urban areas.

NSDS III	Description of Programme	BANKSETA Strategic Goals	Challenges Identified by SSP	Proposed Interventions based on findings
Goal 4: Addressing the low level of youth and adult language and numeracy skills to enable additional training	This goal seeks to develop a national strategy aimed at providing all young people leaving school with an opportunity to engage in training or work experience, and improve their employability. Build the pipeline of skills required for entry into the retail and investment niche segments of the banks by providing long-term interventions (including learnerships and PIVOTAL programmes), as well as short-term interventions (such as skills programmes) This deals with the lack of guidance to direct young people, in particular to programmes for which they have an aptitude and which will provide training in areas needed in the economy Career guidance and bridging courses	To enhance the employability of the youth through effective education and training development initiatives	Constraint in pipeline for youth with disabilities High youth unemployment rate Low pass rates in Mathematics, Science and Accounting Lack of Mathematics and Science teachers in rural and township schools -Lack of progress in employability prospects of NEETs as most have Matric Certificate pass (33%) and graduated in Humanities (currently 3 million in the country)	Build the base of throughput for disabled children; build a skilled pipeline through engagement and capacity at special schools. Identify talent at these schools and build on that. Provide programmes and/ or related bursaries to assist learners with disabilities to acquire the skills needed to enter the sector. Digital education programmes for rural schools to level the playing field. Collaboration with stakeholders to increase the stock of Mathematics and Science teachers. Provide programmes and/ or related bursaries to develop qualifications to address scares and critical skills, including mathematical finance modelling, financial economics, risk and insurance, in collaboration with HET institutions. Suggestion that all offerings at HET level must have a compulsory work-readiness component. Provide programmes and/or related bursaries targeted at NSC-level to improve Mathematics, Science, Accounting and Business Communication as a means to enter banking. Retraining and reskilling programmes for NEETs to meet the industry's demand for work experience Internships, bursaries and work integrated learning programmes for HEI graduates Continue to provide programmes and/ or related bursaries targeted at public FET institutions to link learners to work-integrated learning opportunities. The FET-HET articulation approach should be adopted to improve the quality of FET graduates into the sector. Continue with bridging courses to assist matriculants in coping with higher education and further learning as well as learnerships to enhance workplace readiness.

NSDS III	Description of Programme	BANKSETA Strategic Goals	Challenges Identified by SSP	Proposed Interventions based on findings
Goal 8: Building career and vocational guidance		To enhance the employability of the youth through effective education and training development initiatives	Career guidance provided late, normally at Grade 12 Wrong subject choice at Grade 10 (most rural and township learners taking Mathematics Literacy, teachers make subject choices for learners)	Continue to build the pipeline of skills required for entry into the retail and investment niche segment of the banks by providing long-term interventions (including learnerships and PIVOTAL programmes), as well as short-term interventions 9such as skills programmes) in the following skills priority areas identified by the SSP: ○ Management and leadership skills ○ IT skills ○ Specialist financial skills ○ Sales and relationship management ○ Legislative compliance Continue with career guidance programmes to increase awareness of requirements for SET programmes. BANKSETA specific learnerships for school learners in grade 9-11 to enhance preparedness for the banking sector, banking related higher education qualifications and banking related learnerships
		Transformation	Lack of or slow transformation in the sector	All interventions to meet the minimum equity requirements of 85% black, 54% female and 4% disabled.

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