

## **An analysis of training expenditure in the Public Service sector**

### **1. Background and Introduction**

The Public Service sector in South Africa, comprised of the national and provincial government spheres, is one of the largest employers in the country. Growth in this sector however has experienced varying trends with a contraction of 0.7% reported in the third quarter of 2017 and a recovery to 1.4% positive growth in the last quarter of the same period. This growth encompasses the entire Public sector which comprises all three spheres of government (national, provincial and local). According to Statistics South Africa<sup>1</sup> (2017), this variance in growth may be partly attributed to changes in employment numbers in the Public Sector. During 2017, approximately over half a million individuals were employed in the Public Service sector distributed across national, provincial and state owned entities (PSETA, 2017).

Globally, skills has been identified as a critical factor of productivity for any organisation to deliver goods and/or services effectively and efficiently. Similarly, in order for the state to meet its service delivery commitments, employees of the state need to be skilled accordingly. Pillay, Juan and Twalo<sup>2</sup> (2012) argue that in the Public Sector there exists a direct correlation between the efficiency and effectiveness of the state and the way in which services are delivered.

The education and skills deficiency challenge in the country has been widely investigated and articulated. Across the various sectors of the economy, an increasing

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<sup>1</sup> Republic of South Africa. Statistics South Africa. (2017). *Quarterly Labour Force Survey Quarter 3: 2017*. Pretoria: Statistics South Africa.

<sup>2</sup> Pillay, P., Juan, A. & Twalo, T. (2012). *Measuring Impact Assessment of Skills Development on Service Delivery in Government departments*. Human Sciences Research Council.

focus has been on the need for education and training to provide the workforce with the most appropriate skills. The National Development Plan (NDP), introduced in 2013 and the most prominent of all state plans, acknowledges the skills and education shortcomings in the country. The NDP emphasises, amongst other development goals, education, training and innovation. These goals have been further filtered down into national and sectoral human resource development (HRD) strategies. The country's national HRD strategy (2010-2030)<sup>3</sup> outlines the vision for HRD development in South Africa and the role it plays in meeting the country's economic, development and social needs. Within the Public Service sector prioritising education, training and skills development is the central theme in the Public Service HRD Strategic Framework (PS-HRDSF).

In terms of legislation, the Skills Development Act, 1998 (Act no. 97 of 1998) herein after called the "SDA" was formulated to address the issue of skills in the country. The SDA promulgated the establishment of Sector Education and Training Authorities (SETAs), the National Skills Fund, the National Skills Authority, the Skills Development Planning Unit and the National Skills Development Strategy (NSDS). Chapter 7, section 30 of the SDA on 'Budget for training by Public Service employers' requires each national and provincial government employer to "...budget for at least one percent of its payroll for the training and education of their employees with effect from 1 April 2000". In compliance to such, considerable sums of money have been expended within the Public Service for training and development of employees through allocation to HRD directorates within the departments.

The aim of this paper is to review and analyse this training and development expenditure within the Public Service sector over three financial years, from 2014/15 to 2016/17. The analysis undertaken is of quantitative form, covers all national and provincial government departments and delves into the following specific areas:

- Mandated training budget versus actual allocation;
- Amount spent on training; and
- Allocation versus expenditure.

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<sup>3</sup> Republic of South Africa. Departments of Education and Labour (2010). Human Resource Development Strategy 2010-2030. Pretoria: Departments of Education and Labour.

## **2. Human Resource Development within the Public Service**

Human resource development efforts within the Public Service is reflective of the state's broader goal of human capital development for a capable, efficient and effective Public Service. The Department of Public Service and Administration (DPSA) as an employer is responsible for the establishment of norms and standards across the national and provincial Government in areas such as organisational structures and establishment of departments, organisational components and other governance arrangements; labour relations; conditions of service and employment practices for employees; the health and wellness of employees; information management; information and communication technology; integrity, ethics, code of conduct and anti-corruption; transformation, reform, innovation and any other matter to improve the effectiveness and efficiency of the Public Service and its ability to deliver services to the public.

The Public Service Sector Education and Training Authority (PSETA) is mandated to examine and forecast the nature of skills demand and supply, identify skills shortages, facilitate education and training and encourage the investment in skills development to increase competence and capacity in the Public Service sector. SETA priorities further include improving employment for the previously disadvantaged, assisting work-seekers and retrenched workers to enter the labour market, supporting employers to find suitably qualified employees and promoting skills development for self-employment.

The central crux to human resource development in the sector is the PS-HRDSF. This framework takes a holistic approach to HRD and provides an enabling framework for human resource planning within national and provincial departments. The aim of this framework is to “create an integrated strategic approach to human resource planning that will facilitate the development and implementation of strategies, tools and interventions to achieve departmental strategic objectives” (DPSA, 2013). The DPSA as the custodian of the PS-HRDSF also takes on the function of collecting, collating and analysing HRD data within the sector.

Employers within the national and provincial government spheres are required to report to the DPSA on HRD implementation initiatives within their individual departments. These implementation plans, submitted on an annual basis, are further evaluated by the DPSA in an attempt to improve the quality of HRD planning and implementation. The evaluation outcomes inform future assistance provided to departments to align human resource plans with the objectives of the PS-HRDSF, whilst considerate of individual departmental and sectoral priorities.

### **3. Review of training expenditure in the Public Service**

The tracking and monitoring of training expenditure by national and provincial departments takes place in different forms through the DPSA, PSETA, Department of Planning, Monitoring and Evaluation (DPME) and National Treasury. National Treasury produces an 'Estimates of Public Expenditure' report which provides training expenditure data on national government departments, and shows the total amount of expenditure incurred by departments, expenditure as a percentage of the total personnel budget, and the total number trained. Provincial treasuries further monitor provincial departments training expenditures. The second source of data entails the Annual Training Reports (ATRs) submitted to the PSETA – which are part of the annual Work Place Skills Plans (WSPs). However, data from the ATRs have traditionally been plagued with issues of poor quality and low credibility, and use of this data needs to be accompanied by other sources. Finally, as previously mentioned, the DPSA collects, collates and analyses data on HRD. This is data collected through the annual HRD Monitoring and Reporting tools.

A review of national government's expenditure on training from 2005/06 to 2009/10 by Pillay et al. (2012) found that there was an increase of expenditure on training of 385% from 2005/06 to 2009/10. In terms of compliance, in 2009/10 five national departments did not comply with the mandatory one percent allocation. This figure was lower in 2005/06 where only four departments were non-complaint. Similar trends were found within the nine provincial administrations (Pundy et al., 2012). Whilst the low rates of non-compliance are encouraging, further support to both provincial and national

departments is required. According to the DPSA<sup>4</sup> (2013), in 2011/12, three provincial administrations did not meet the minimum one percent target allocation for training and development.

#### **4. Analysis of Training Budgets and Expenditure**

As indicated earlier, employers within the Public Service, at both national and provincial levels, are required to allocate one percent of their total personnel budget to training and development. Data sourced from the DPSA was used to analyse the budgeting and expenditure patterns at both national and provincial levels.

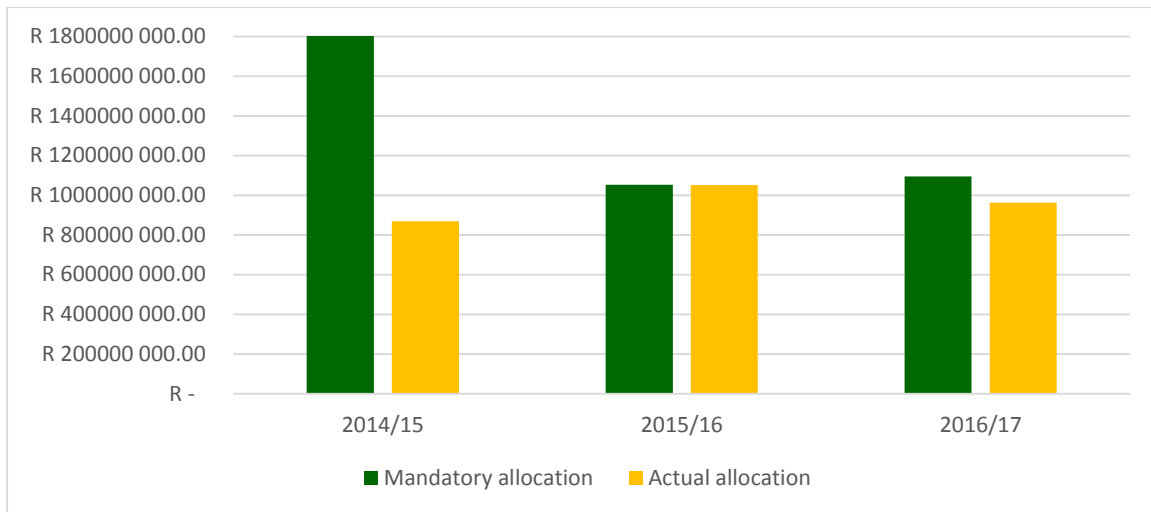
##### **4.1. Mandated training budget versus actual allocation**

The analyses which follows examines the compliance of national departments to the mandatory one percent allocation of training budgets. The data represents over 80% of national departments. Figure 1 below illustrates the trend of total monies allocated to training budgets over the period 2014/15 to 2016/17. In general, compliance has improved over the three year period – whilst in 2014/15 only 48% of the mandatory one percent was actually allocated for training, there has been a significant improvement in the following years. In 2015/16, there was almost 100% compliance to allocating training budgets as required. This dropped slightly in 2016/17 where 88% of the mandatory amount was allocated to training.

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<sup>4</sup> Republic of South Africa. Department of Public Service and Administration. (2013). *Annual Human Resource Development Performance Report for the Public Service 2011/12*. Pretoria: Department of Public Service and Administration.

Figure 1: Mandatory versus actual allocation of training budgets of national departments from 2014/15 to 2016/17



This allocation of budget towards training and development does not imply that these were the amounts spent for training by the national departments. This is explored in section 3.2. Figure 1 only analyses the compliance of departments to the SDA, and may be reflective of the regulatory provisions taken into consideration by departments during the planning cycle every financial year.

The number of provincial departments per province vary slightly between provinces. Limitations exist within the data owing to the non-submission of HRD reports by certain provincial departments in certain years. Thus, for the three year period reviewed, the data has been aggregated per province and analysed by ascertaining the amount of budget allocated for training and development as a percentage of the total personnel budget. Table 1 below provides this information for each province from 2014/15 to 2016/17 and shows that there is still high degrees of variance from year to year on the amounts allocated for training and development. In 2016/17, the Gauteng province allocated the highest budget for training and development amongst provinces, which was almost four times the prescribed amount. In six of the nine provinces, the budget allocation exceeded the prescribed percentage. However, three provinces – Free State, Limpopo and Mpumalanga – did not meet the minimum one percent prescribed threshold.

Table 1: Percentage allocated for training per province from 2014/15 to 2016/17

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Eastern Cape	0.01%	0.01%	1.15%
Free State	0.67%	16.30%	0.67%
Gauteng	0.86%	0.80%	3.81%
KwaZulu-Natal	1.51%	1.57%	2.46%
Limpopo	11.59%	11.59%	0.59%
Mpumalanga	1.26%	0.89%	0.72%
North West	1.17%	0.91%	1.43%
Northern Cape	3.52%	0.26%	1.72%
Western Cape	0.86%	0.86%	1.15%

#### **4.2. Amount spent on training**

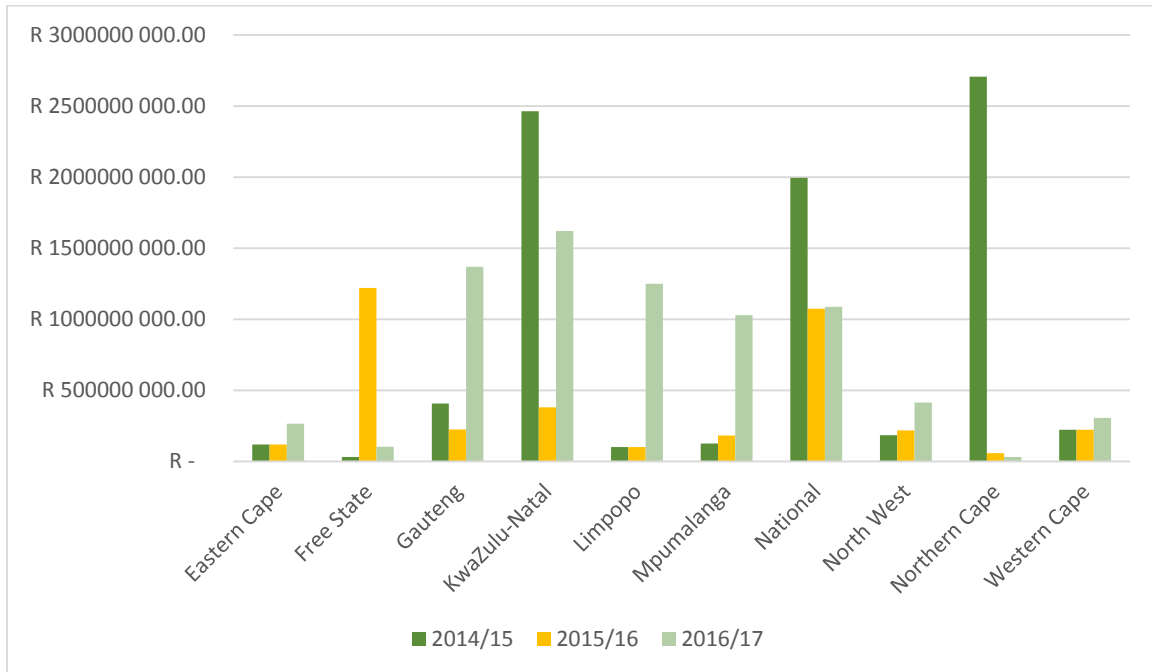
Figure 2 which follows illustrates the actual amount spent on training over a three year period. In the 2014/15 financial year the Northern Cape Provincial Administration recorded the highest spend on training and development of R2.7 billion, this was followed by the KwaZulu-Natal province with R2.4 billion. The total spend by national departments was R1.9 billion. In the subsequent years, the total spend within the Northern Cape considerably declined, recording the lowest amount spent on training and development for 2015/16 and 2016/17. Due to the limitation in the type of data considered in this report, the reasons for this significant decline cannot be explored. Important to note however, is that the total number of provincial departments in the Northern Cape that reported HRD data in the 2015/16 and 2016/17 periods were actually double the number of departments which reported in the 2014/15 year.

In 2015/16, the Free State province saw a peak in training expenditure of R1.2 billion, this trend however did not follow in the subsequent year. Within national departments, the amount of money spent on training and development was fairly consistent over 2015/16 and 2016/17, with amounts of R1.07 billion and R1.08 billion being spent respectively.

Expenditure was substantially greater in the 2016/17 financial year, with national departments and the Gauteng, KwaZulu-Natal, Limpopo and Mpumalanga provinces having exceeded R1 billion for training and development. Provincial administrations

which saw a decline in training expenditure from the previous years include that of the Northern Cape and the Free State.

Figure 2: Actual training expenditure from 2014/15 to 2016/17

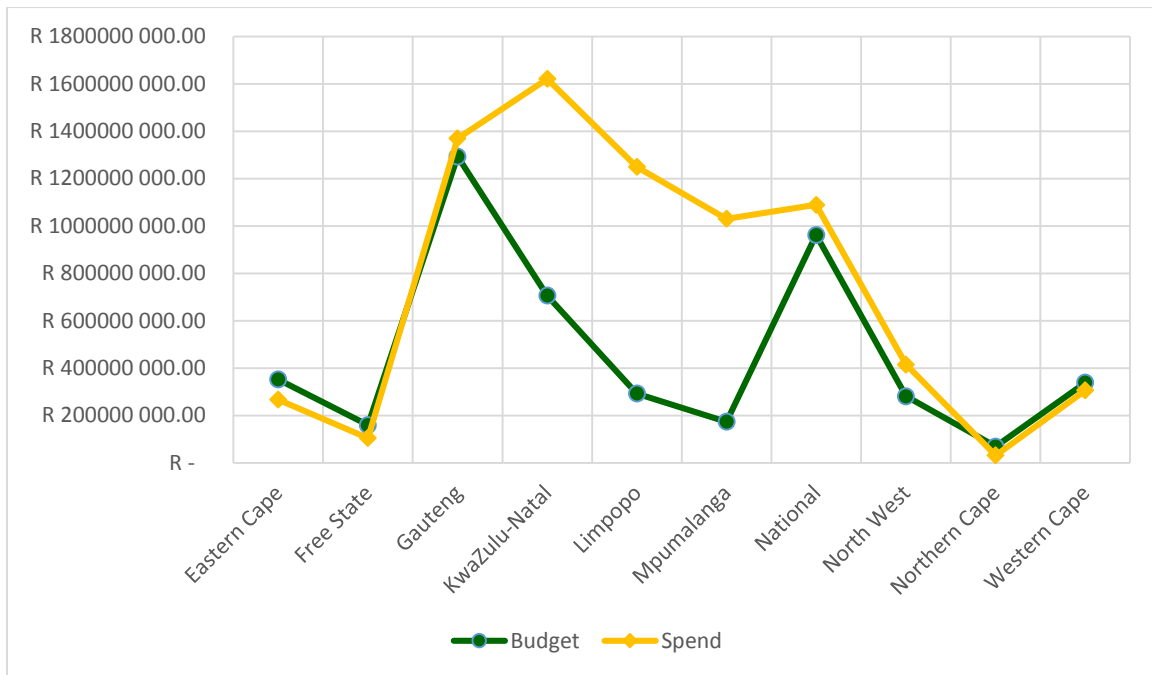


### 4.3. Allocation versus expenditure

In order to ascertain the relationship between budget and actual expenditure, an analysis of the two variables follows. Figure 3 shows the budget and expenditure of all provincial administrations and national departments for the 2016/17 financial year.



Figure 3: Budget versus spend on training and development, 2016/17



From figure 3 above, six of the provincial administrations and national departments spent more of their funds on training than the allocated budget for 2016/17. The Northern Cape and Western Cape provinces were the most on par with spending. In the Eastern Cape and Free State however, the disbursement for training and development was below the budgeted amount. On average, the majority of departments spent more than budgeted on training and development, with the highest difference between spend and budget being in the Limpopo province of R9.5 million, followed by the KwaZulu-Natal province with a difference of R9.1 million.

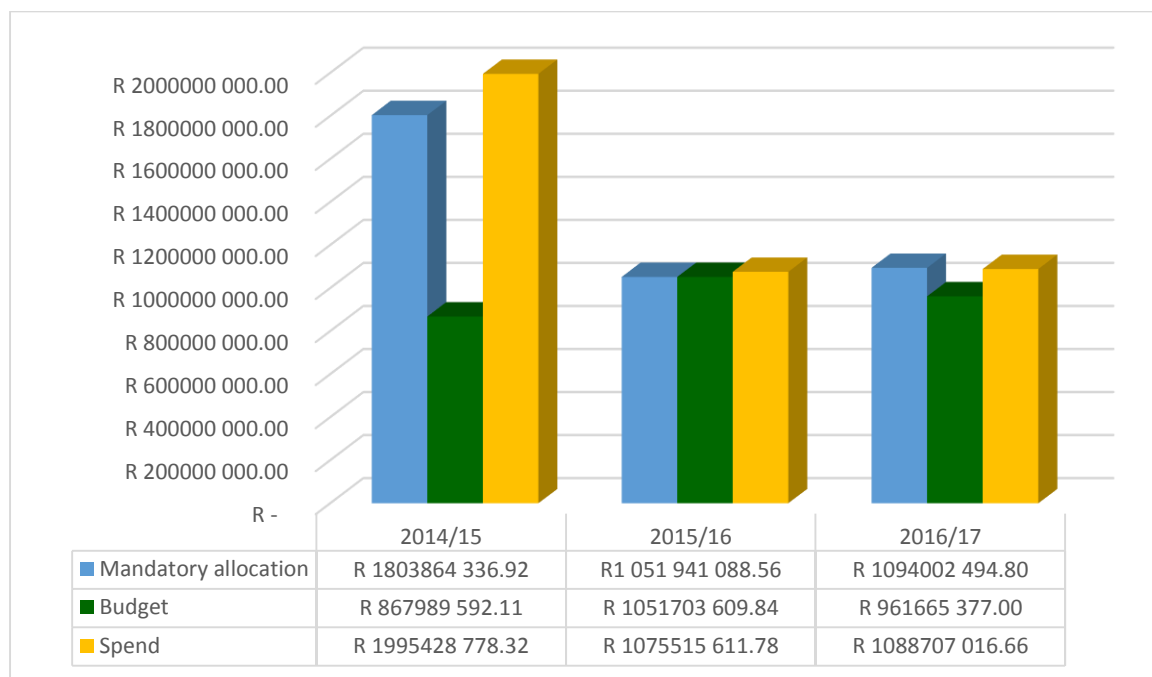
Figure 4 which follows delves deeper into the budgeted versus expended amounts at an aggregate level for national departments. In general, there was more money spent on training than budgeted for. Spending on training in 2014/15 far exceeded the planned amount by approximately 130%. Spending in 2014/15 was highest amongst the following departments:

- International Relations and Cooperation;
- South African Police Service; and
- Justice and Constitutional Development.

In 2015/16, the difference between budgeted and actual spend was much lower. National departments spent approximately 2% more than the budgeted amount. Similarly, in 2016/17 national departments spent more than 13% of the allocated budget for training and development.

Interestingly in 2014/15 the budgeted amount was significantly less than the regulated one percent. Actual spending however exceeded the mandatory allocation. In 2015/16 and 2016/17 the budgeted amounts were less than the mandatory allocation. Again in both years actual amounts spent was almost equivalent to the required minimum of one percent.

Figure 4: Budget versus spend for national departments, 2014/15 to 2016/17



## 5. Conclusion and Recommendations

The objective of this report was to assess the compliance of government departments to the mandatory one percent allocation of their training budgets and to analyse spending over the period from 2014/15 to 2016/17. A quantitative analysis of HRD reporting data was undertaken. Due to the variability in the number of provincial departments that submit their annual HRD reports to the DPSA, the data presented within provincial administrations should be considered with caution. The results show

that the majority of departments invest vast amounts of their resources in training and development. There are however discrepancies between the planned or budgeted spending and actual expenditure. The budget allocated for training and development by a department may serve as a proxy indicator for HRD planning in a department. Thus, the misalignment between budgeted and actual spend may be indicative of a more serious issue within HRD planning. The DPSA (2013) notes that training interventions are often misaligned with identified scarce and critical skills.

It is encouraging to note that the actual spending on training and development exceeds the minimum regulated amount. This is indicative of compliance to the requirements of the SDA to spend the required one percent on training and development. Whilst these figures are encouraging, the outcomes of training and development interventions are often not monitored and measured, thus making it impossible to assess the actual impact on productivity and ultimately service delivery.

In order to enable monitoring of compliance to the SDA, all departments must be compelled to submit their HRD reports which is also part of the Management Performance Assessment Tool (MPAT) required by DPME as part of compliance. Whilst the reporting of HRD initiatives remains a mandatory requirement for national and provincial departments, compliance to such remains a challenge. It is recommended that the enforcement of such reporting protocols be pursued more vigorously in order to enable more specific and credible reporting of training and development.

Furthermore, tools to assess the relevance of training to identified skills gaps, and to measure the impact of training is recommended. It must be noted that the DPSA in collaboration with HRD practitioners in the sector continue to work on updating monitoring and reporting tools. However, the move from output measures to outcome and impact related measures is required in order to assess the return on investment in training and development within the Public Service sector.

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**Research conducted by the Skills Planning and Research department of the Public Service SETA.**

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