

EVALUATING COSTS AND BENEFITS OF SKILLS DEVELOPMENT

11

DISCUSSION BRIEF 11



BACKGROUND

Significant investments are made in skills training and development in South Africa compared to other countries. The skills base and its ability to generate economic growth is, however, considered inadequate. Policy and decision makers are questioning the impact of investments in post-school education and training and are calling for evaluations to help guide decisions and actions.

**Are we spending enough to make a real difference?
Are we spending too much, for less?**

These questions point to the costs of skills training and development and, more importantly, to the benefits associated with those costs. Typically, to answer these questions we would turn to the economic evaluation method of cost benefit analysis. Cost Benefit Analysis (CBA) became popular in the early 1900s and is still widely used to inform budgetary allocations, especially in public service contexts like education, health and welfare programmes. It aims to quantify costs and benefits in economic, monetary values and compares these in a ratio or percentage. The biggest limitation with this methodology is that it misses everything that cannot be counted in monetary terms. This is somewhat limiting when it comes to quantifying the real costs of activities associated with training and skills development, but particularly limiting when evaluating the outcomes and benefits of these investments.

Are we doing the right thing, right?

SETAs have expressed a need for a cost benefit evaluation (CBE) tool to answer some of these big questions. A tool was developed as part of the research programme on M&E in a SETA Environment. The tool helps to identify and cost inputs into skills development. Through also developing a contextual profile of where these costs are incurred, the tool generates a broad spectrum of financial, non-financial, direct and indirect benefits in relation to these costs.



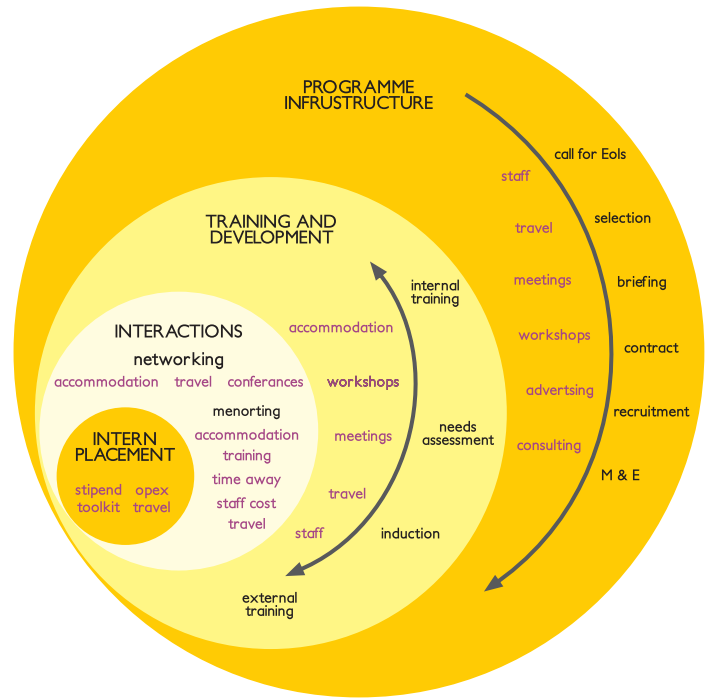
INSIGHTS

When we think of costs associated with skills development, these are often the financial and direct costs like stipends, bursaries, travel allowances and resources. We seldom think about the hidden costs, like the indirect costs of administering and managing the bursary award or the non-financial costs of mentoring for work-based learning, like the mentor's time, experience and networks that all contribute to the growth of the learner. Similarly, obvious benefits are skills acquired, employment and income earned. We don't immediately think about what that employment means for the individual and their family beyond immediate needs, like financial security that improves general well-being. Or the contribution made to the fiscus through tax, which now becomes available in grants to more people or increases the education and health budgets. The tool helps SETAs to expand their view of costs and benefits of skills training and development.

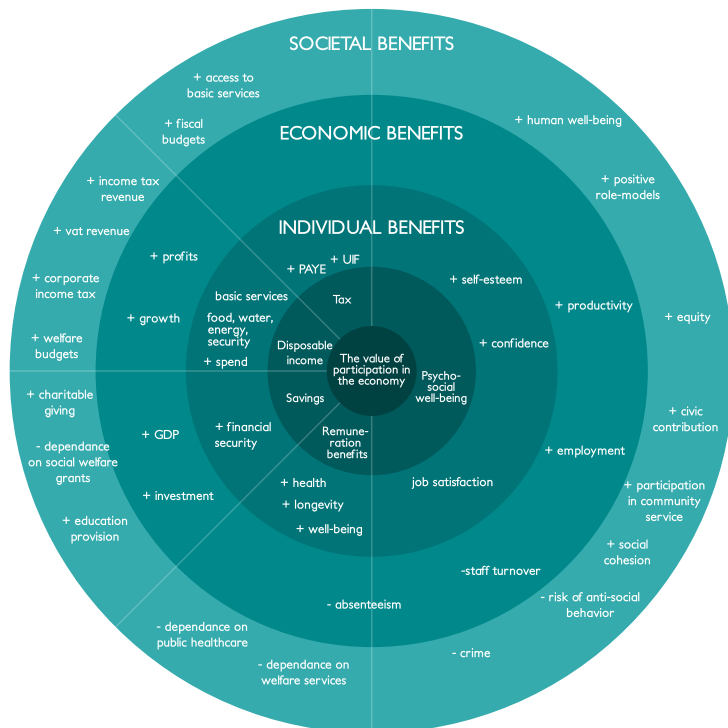
COST

Costs are incurred by all stakeholders in skills training and development, including SETAs, employers (individually or as industry associations) and training providers, at four levels:

- Programme infrastructure – costs related to overall programme management
- Training and development – direct and indirect costs
- Interactions – costs associated with mentoring, networking for example
- Direct costs – such as stipends and travel



BENEFITS



Benefits are more than those immediately obvious and accruing to the individual. Through the individual who benefits from skills training and development, there are rippled additional benefits for the economy and society as well.

Look beyond what is immediately visible in direct and financial costs and benefits, to also include indirect and non-financial costs and benefits.

RECOMMENDATIONS

1

Cost benefit analysis (CBA) in its simplest form, with an emphasis on quantifying economic and monetary value, is limiting in what it reveals. Cost benefit evaluation (CBE) is an expansion of CBA that includes also more qualitative costs and benefits.

A wise and approachable mentor could add huge value to mentoring a school leaver entering the workplace. This cannot be quantified economically in rand value, but can be captured as part of an evaluation that values this as part of the inputs, the 'costs' of the programme, that can be qualitatively described.

2

Consider all costs beyond those that are visible and directly related to the skills development initiative. These include indirect costs and non-financial costs. Even though this might significantly increase costs – never ideal when making an argument for efficiency and effectiveness – it gives SETAs the opportunity to identify where they might be able to streamline the associated processes and make savings.

Learners placed for work-based learning, incur a pro rata share of the human resource management cost in the organisation. Mentors spend time away from their own work, a non-financial cost to the organisation of lost productivity.

3

When an individual is employed post training and skills development, many direct financial benefits are derived, such as an increased income, increased consumption, increased savings. In addition, there are many indirect and non-financial benefits, like improved health given increased access to health care with membership to a medical aid, increased well-being as a result of less anxiety over health and financial issues. Some benefits are psycho-social, like improved self-esteem and confidence. These individual benefits catalyse benefits for the economy, such as increased investment due to increased individual savings, that could lead to organisational and economic growth and expansion that could lead to more jobs being created, and an ongoing cycle of individual, organisational and economic prosperity. These benefits at the economic level, similarly catalyse broader benefits to society. When an individual pays more tax, the fiscus expands, social grants increase and the well-being of more people is potentially increased.



GUIDELINES FOR USING THE TOOL

The CBE tool comprises four parts: the (1) contextual profile and (2) cost sections that requires SETA inputs to generate the (3) benefits and (4) results. Currently parts 3 and 4 are under construction.

The tool first requires the user to register on the site www.cbe-tool.co.za, and select a SETA. Selecting your SETA is crucial as particular data sets drawn from your specific SETA will inform the results of your evaluation. After registration, all subsequent use of the tool will require you to login with the email address and password set up as part of the registration.

The landing page provides a brief background to the tool and a prompt to perform an evaluation. A dashboard follows that allows you to start a new evaluation or go back to an existing evaluation for editing or completion.

1 Guided by the tool, the user enters information which allows for the development of a contextual profile for the chosen learning programme, for example, the number of learners who entered and completed the programme in relation to the number of learners employed, self-employed or engaged in other economic activity. Data from tracer studies will inform these inputs. This contextual profile provides data for computations of costs and benefits, and can also be used in reporting on learning programmes.

2 The cost section of the tool requires input of costs incurred by all four stakeholders involved in skills training and development, i.e. SETAs, employers (individually or as part of an industry association) and training providers. For each of these stakeholders it also requires cost inputs in four broad categories of programme infrastructure (the overall management and co-ordination of the programme), training and development, learning interactions and direct skills development costs. Each of these categories have specific activities to be selected if relevant to the chosen learning programme, and associated cost inputs are required. This part of the tool requires the biggest inputs from the SETA and might take some time. A 'Save for later' function allows users to come back to the tool without losing information already entered.

3 Benefits:
This part of the tool is under construction.

4 Results:
This part of the tool is under construction.



All SETA M&E Project Reports and other deliverables are available at www.ru.ac.za/elrc/projects/meinasetaenvironment/publicationsusefullinks/deliverables

All DPME M&E Guidelines are available at www.dpme.gov.za/keyfocusareas/evaluationsSite/Pages/Guidelines.aspx

Ward, M. and Rosenberg, E. 2019. SETA M&E Project 7: Develop a Monitoring and Evaluation Framework for the Mandatory Grant: Scoping Report. Rhodes University, Grahamstown