

Workshop on business' role in strengthening involvement of SMMEs in Work Based Learning in South Africa

REPORT OF THE WORKSHOP HELD ON 25 FEBRUARY 2021

1. Purpose of workshop

The overall purpose of this process is to ensure that business speaks with one voice on skills development and education policy matters and to provide a broad platform for business engagement.

This specific workshop sought to facilitate business's input into the World Bank Study (in collaboration with DHET) on "Strengthening involvement of SMMEs in Work Based Learning in South Africa". Discussions focused on the current participation of SMMEs in Work Based Learning, the barriers to participation as well as what policy reforms and incentives could be introduced in order to increase SMME participation. The research findings will be shared with participants at a later event.

2. Opening and Welcome: Cheryl James (SIFA Regional Coordinator)

Welcomed colleagues from across the organisations who are involved in this process and in particular the SETA business board representatives. The agenda was then explained (it is available in Annexure A) and the research introduced.

3. World Bank study (in collaboration with DHET): "Strengthening involvement of SMMEs in Work Based Learning in South Africa"

This project is co-funded by the European Union and the Federal Ministry for Economic Cooperation and Development



Supported by



3.1 Introduction and importance of the study

The team from the World Bank were introduced: Elizabeth Ninan (Senior Education Specialist) and Jutta Franz (Consultant to the World Bank).

The team explained the research study, which started last year and is planned for completion by June 2021, and specifically the intention to draw a picture of the situation of SME involvement in workplace-based learning in South Africa. The reasons why the research is considered important were highlighted as follows:

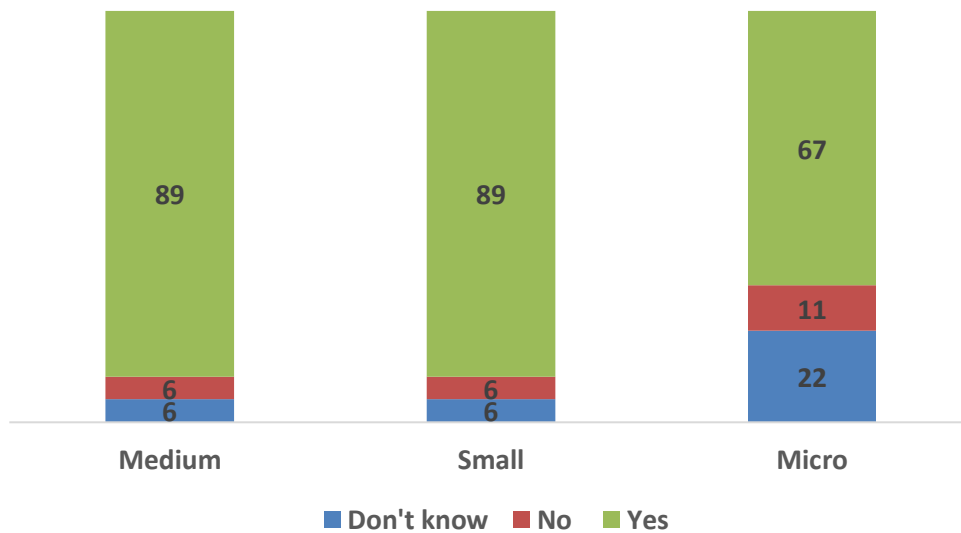
- Workplace Based Learning programmes are an important sub-system of PSET, with **distinct advantages**
- South Africa has an **established system** of WBL, and the RSA **Government supports its expansion**
- However, participation is currently mainly **limited to larger enterprises**
- More **knowledge about barriers and the potential of WBL in smaller enterprises** is required for the development of appropriate strategies to better exploit learning opportunities in MSMEs.

3.2 Findings from the preworkshop study

Prior to the workshop a survey was sent out to all the business representatives. There were 20 responses from across 14 economic sectors. Around half of respondents represented companies that are currently not involved in formal WBL (apprenticeships, learnerships, internships).

The findings are provided in the Annexure B entitled strengthening involvement of MSMEs in workplace-based learning in South Africa. Of import is that respondents highlighted the potential of MSMEs to participate in WBL.

In your sector, do you think MSMEs would have the potential to participate in WBL? (Percent of respondents)



3.3 Outcomes from the polls conducted during the workshop

Participants were directed to a link where they could indicate whether it would be possible to expand skills development programmes and enhance work-based learning in medium and small enterprises and in micro enterprises.

The outcomes of the snap polls conducted during the workshop were as follows:

The pre-survey suggests that there is a good potential for further expansion of skills programmes and WBL in medium and small enterprises, but less so in the micro enterprise sector.

For Small and Medium

- **40** respondents said YES that Small and Medium has the potential for expansion
- 2 respondents said they were UNSURE whether Small and Medium has the potential for expansion

For Micro

- **17** respondents said YES Micro has the potential for expansion
- 9 respondents said NO Micro does not have the potential for expansion
- 21 respondents said they were UNSURE whether Micro has the potential for expansion

The number of unsure 'votes' highlights the importance of having these kinds of discussions.

Do you agree that the following statements about the current system of incentives and initiatives for skills programmes and WBL are true for SMALL & MEDIUM ENTERPRISES?

The incentives that exist encourage SMEs to participate

7 Yes

13 No

1 Unsure

The incentives are accessible

6 Yes

11 No

The incentives are effective

3 Yes

11 No

1 Unsure

And are they true for MICRO ENTERPRISES?

They encourage micro enterprises to participate

9 No

The incentives are accessible

7 No

3 Yes

The incentives are effective

4 No

2 Yes

4. Discussion

4.1 Challenges that emerged from participation in WBL programmes

- The application process for funding the SMMEs is complex and very lengthy. This results in considerable uncertainty.
- Difficult for SMMEs to manage learners as they are normally a single entrepreneur and do not have HR or IR experts and so struggle with the legislative environment.
- Many of the SETAs have systemic challenges and there is little alignment of systems (including grant amounts, the way in which payments are made and determining who accesses the discretionary grants).

- The mandatory grant can be cumbersome for small and micro enterprises.
- There are a host of SMEs that do not make application to the SETAs for a discretionary grant because they may have not built up a track record and so are already disadvantaged.
- The limited amount available for administration makes more innovative models that accommodate SMMEs more difficult to achieve.
- The SETAs (CETA was highlighted here) resist adjusting their funding models to respond to the needs of SMMEs.
- SETAs are perceived to ignore the needs of small businesses.
- Whilst some companies pay the levy the system allows non-levy paying organisations like a TVET college to access the levy which causes tensions.
- Accessing the PIVOTAL grant appears to require a partnership with a TVET college, which is a deterrent for SMMEs.
- Graduates from the TVET colleges do not have practical experience and are not ready to do what is required in a practical environment.

4.2 Best practices, suggestions and questions that emerged

Best Practices

- FASSET recognised that in the finance sector the educational institution is able to provide very good education and knowledge for young learners and employers are often able to provide the technical skills that learners need in order to be able to complete a learnership or articles (in the financial sector). The gap that was identified was the work readiness skills that fall between the world of education and the world of work. The SETA therefore put in place programmes that were offered in the private sector to give people the work readiness skills that were needed for them so that if they joined a small medium or micro enterprise, they were able to hit the ground running. Those programs were very successful, and

the majority of the learners were able to secure work placements thereafter. What was also part of the process was that the people who were administering the workplace base learning component were also available to assist with some of the administrative work and the tracking and monitoring of the learners once they were placed in the SMME environment which meant that the administrative burdens of workplace learning for the SMME was picked up by the intermediary.

- For construction it would be valuable to create employment hubs. It was explained that the project-based nature of working in the construction industry means that construction sites move from place to place and given the need for a learner to be able to cover all the competency requirements they are better off with a cluster of employers who are then able to offer elements of the curriculum.

Suggestions

- Need programmes for stakeholders as to how to put a proposal together that meets SETA requirements.
- There should be space for industry trade associations to make an application to support training for micro enterprises within their sectors.
- One respondent noting that TVET colleges run new venture creation learnerships and are accredited and suggested that strengthening this relationship could be beneficial for enterprises.
- The colleges are eager to get industry representatives on their structures and it is important for industry trade associations to make an effort to attend these sessions and guide the offerings of the TVET Colleges.
- TVET college are important but there is also a need to create spaces for private providers who work directly with business.
- The more business can articulate its views in the SETAs the more their policies could meet the needs of industry.

- There is a need to build in more flexibility within the SETAs in terms of how they respond to SMMEs versus large organisations. This requires a differentiated approach and a greater focus on the communities in which these smaller enterprises are located.
- A suggestion was also made that there is a need for advocacy to be done so that small and medium and micro enterprises can understand the cost benefits associated with workplace based learning.

Questions about the study

- The study is very relevant for the insurance sector as we aim to grow SMMEs in the supply chain – and keen to understand how the research will involve small and micro enterprises so that it does not only get the views of larger enterprises?
- We just recently launched a platform that is also targeting small to medium and micro enterprises and what we found in our survey is that at least in particular with Covid-19 that 90% of the micro- to small scale medium enterprises are in the informal sector. We know that these enterprises are absorbing the unemployed through networks –and interested to know how the study is dealing with this level of informality?

4.3 World Bank responses

- Aware of the potential large space of learning that is taking place in the informal sector and know from experience in other countries that this can be very important for youth but that it is often not supported as it's not certified. The study will look at this in more detail to understand what is possible.
- Also indicated that the research will include many rounds of discussions including with micro and small enterprises so we will access these perspectives and also interested in understanding how to attract young people to this space.

- There is a link with the finance and competitive division within the World Bank so that ultimately there can be a holistic understanding of SMME development in South Africa.

5. Best practice examples from other countries

5.1 Presentation by World Bank (Jutta Franz)

The presentation covered the following:

- The challenge for participation by SMMEs is the same across the globe
- Typical challenges MSMEs face are operational, technical and infrastructural
- Some policy responses and interventions include: Networks and partnerships among companies, intermediary organizations, financial support, incentives, marketing and matching
- Some lessons learnt were presented and are covered in the full presentation which is attached.

5.2 Responses to and inputs from delegates

- The study is important to go beyond “the how” (to implement WBL) to a focus on “the why” (WBL is so important).
- Noted that WBL is beneficial for the company and the apprentices.
- It was noted that this intervention could have a major influence if young people choose this option as this will deepen their understanding– and perhaps their interest – in and of the SMME sector.
- View that the best practice examples shared in the international study are very helpful and suggested that in the South African space there is an opportunity to move in this direction through linking skills development, youth employment and

the BBBEE agenda. This will create a strong incentive for companies to be involved.

- Noted the value of the scenarios from different countries for South Africa and its capacity to enhance our systems such that our policies work for South Africa as a whole is improved.

6. Way forward and pressing matters in skills development

6.1 World Bank study way forward

The World Bank team explained that this study is located within the broader work of the World Bank and they thanked everyone for the comments and indicated that they hope to can be in touch with people from this forum for further discuss and engagements (which was agreed upon).

6.2 Current SIFA work

SIFA, together with BUSA, is undertaking the following:

- The first draft of the Rapid Skills Assessment that SIFA undertook in South Africa on the impact of COVID in specific sectors is currently going through a validation process and the outcomes of that rapid skills assessment will be shared with everybody.
- SIFA and BUSA will also commence a research project that will look at the broader skills and development strategy in South Africa (all of the policies that impact on the national skills development strategy and the regulations). This includes looking across the SETA regulations from DHET and at the impact of BBBEE and employment equity as well as some of the work that DTIC and DHA is doing to understand the impact of all legislation on business and identify any policy misalignments with the aim - at the end of the process - to enable

businesses, through BUSA, to come up with policy positions on how alignment can be increased.

6.3 Broader issues relating to skills development matters in South Africa

- DHET have tabled the department's skills strategy in response to the ERRP. This skills strategy was reviewed by the Cabinet Lekgotla and is currently being taken through key structures including NEDLAC, the NSA and SETAs. Business needs to engage with the strategy to ensure its concerns are addressed in this new strategic direction.
- DHET is reconsidering the current funding regulations and will be taking this through NEDLAC. Business needs to ensure that it allows for the flexibility and agility that was discussed today.
- The Critical Skills List has been released by the Department of Home Affairs for public comment and input. This will determine who is able to apply for a critical skills visa. There is a need for business to review the list and make input both to determine whether the occupations required by business are on the list as well as to determine if the list of occupations against the OFO addresses requirements or whether the shortages relate to individuals that may have a combination of skills and experience that may not be accommodated in the existing list. This is important as National Treasury and the Presidency are currently reviewing the critical skills process to both ensure that the needs of business are better addressed and to ensure that occupations on the list are really a shortage in South Africa which could not be resolved through demand led training programmes (noting the challenges that emerged relating to truck drivers amongst others).

7. Closure and thanks

The next steps include:

1. World Bank will contact delegates for further input
2. Report from the workshop will be shared
3. SIFA will share the results of the research being undertaken
4. SIFA/BUSA will plan further workshops based on key issues emerging.

Final thanks were then made by Cheryl James from SIFA

ANNEXURES:

1. Agenda
2. World Bank study presentation
3. World Bank best practice presentation