

Employment and empowerment

NUM's development wing, the Mineworkers Development Agency (MDA), has increased its capacity to promote rural economic development and job creation. MDA together with the Land Bank, have bought a 75% share in Rutec, a small technologies manufacturer 'creating tomorrow's micro entrepreneurs'. The MDA believes this will ensure that their existing development centres keep helping micro entrepreneurs, especially retrenched mineworkers, and that they can open new centres more quickly than before.

Rutec

Rutec is 'Africa's leading micro-economic development consultancy'. The company employs 91 people involved with production, projects and training. Its systems, machines and training courses have created self-employment for about 15 000 people.

Rutec achieves micro-economic development by outcome-based training, manufacturing machinery and offering support for micro entrepreneurs. The company identifies, designs, manufactures and sells or rents machinery. Rutec has a strong rural focus, but it also services urban areas.

Rutec's roots

Rutec was founded in October 1987 by John Dommert. He had worked in Lesotho

Etienne Vlok investigates how MDA has increased its capacity to promote rural economic development and create jobs, by buying a share in Rutec.

on projects that were 'based on first world principles and ignored the individuals' rights'. He then lived in the Caribbean where the island was undeveloped but its developmental policy created jobs for school leavers. There he came across small operations using Gandhi's view for India: own production for own consumption.

Dommert continues: 'We needed to turn these principles into a tangible reality. I started speaking to miners to find solutions to their problems. Most miners were interested in income generation. So we devised solutions. Those years in the Caribbean had given me an understanding of people's capacity and the need for training and money.'

Training courses

Rutec has designed training courses with an eight-step methodology. (See box on p 68) Courses start with a free general seminar, then get more specific. The courses, which are accredited, focus on creating sustainable jobs. Outcome-based

learning replaces ineffective traditional training. Each training course is for a specific industry. 'Anybody who finishes the course can manage cash flow, do costing and pricing and determine the quality of products,' adds Dommett.

Some courses address retrenched workers, but, stresses Dommett, the crises in their lives do not make the circumstances ideal. Rutec also presents courses for workers whose companies are retrenching.

Dommett describes the process as 'an adult approach. We do not guarantee results. We cannot push the entrepreneurs'.

Access to raw materials

Entrepreneurs do not often have access to raw materials. So, as a service to their clients, Rutec offers affordable access to

raw materials. The company also identifies and establishes supply routes and raw material sources. Rutec encourages entrepreneurs to use local suppliers to ensure local development. The entrepreneurs can also buy raw materials with their start-up kits.

Sweet making or beer brewing?

Dommett explains that the ideas for the different industries came from market research in the townships and rural areas. 'We do a business plan. If the industry is feasible and we can produce the equipment at a reasonable price, we produce it and design a training course. We are making new machinery all the time.'

Different industries are popular in different areas. The industries include brick making, oil processing, sweet making, fruit juice and ice lolly production, maize milling, silk screening, beer brewing, bread making, candle making, poultry farming, battery charging, peanut processing, fence making, atchar production, dairy products, gravestone manufacture, hair cutting, key cutting, shoe repair, tyre repair and more.

Start-up kits

Rutec has 85 start-up kits for the different industries. After being trained, the entrepreneurs buy their kits. They can compile their own kit from the price list or get Rutec's complete kit. Rutec then transports it to wherever the entrepreneur will be operating. Dommett points out that people do not have to come to Johannesburg. 'They can get their start-up kits at an MDA centre in South Africa or in some neighbouring countries.' The price of the kits ranges between R800 and R18 000, with the average being R5 500.

A start-up kit contains equipment, raw

Rutec's eight steps to get people into micro manufacturing:

1. **'Strategies for fuller employment'** seminar. Rutec introduces its products and services.
2. **Introduction to micro manufacturing opportunities:** Rutec presents 35 business opportunities with set-up costs, production capacities and profits.
3. **Planning market research:** Rutec advises on how to do market research in a community.
4. **Market research:** Entrepreneurs do feasibility studies of possible businesses in their area.
5. **Counselling:** Facilitators help entrepreneurs to choose the most suitable business.
- 6&7. **Business-specific training:** Training on chosen business to enable entrepreneurs to produce, cost and manage a business. Entrepreneurs get their start-up kits.
8. **Monitoring and evaluation:** If required, Rutec can do this for businesses.

materials, containers and machinery. Each industry has different kits depending on whether a person has access to electricity, petrol or diesel and how much they want to produce. Rutec also creates start-up kits for communities containing different industries. A company's social responsibility fund could provide these kits to a community.

Dommett adds 'The ILO found that Rutec is the only one-stop shop of its kind in the world. We manufacture the machinery, get the raw materials, design the training courses, train the people and help them access funding.'

MDA

The MDA is the development and job creation wing of NUM. It sets up centres to encourage micro enterprise in areas affected by mine retrenchments. Here the MDA runs training programmes that provide business and technical skills. There are currently four centres in areas where mine workers come from: Lesotho, Mhala (near Bushbuckridge in the Northern Province), Welkom and Kokstad. The MDA has nine new centres in the pipeline. (See Malcolm Ray, 1998 'Mhala, co-operating to compete', *SA Labour Bulletin*, vol 22 no 5.)

Training is open to anyone, not only retrenched miners. The MDA uses Rutec's training materials and provides other business training courses at these centres. It adapts the courses, which the Department of Labour accredits, according to people's levels of literacy. Training is



The MDA trains micro entrepreneurs in window frame making at Mhala in the Northern Province.

done in the language people speak at home. Although the applicants pay for the service, it is hugely subsidised. The minimum amount needed to start a micro enterprise is R800 for atchar production.

Central buying

The MDA has set up a central buying agency, called Ethaleni. Often the entrepreneurs do not have access to the raw materials that they need. Someone in Mhala might decide to do poultry farming but the poultry feed supplier is on the East Rand.

The MDA then supplies the raw materials at their centre. Kate Philip, CEO of MDA, says that this allows them to deliver better prices for the entrepreneurs. 'With central buying we can reduce the cost of poultry feed by 40%. Ethaleni passes on cheaper prices for local producers and still covers all its costs.'

The MDA examines the local economy of an area where it sets up a new centre.

Each area requires different industries because of the raw materials available and the needs of the people. Philip explains: 'In Mozambique we had meetings with examiners and in all three districts their responses and needs were different.'

In rural areas most of the MDA's users are women, usually the wives of retrenched miners. Philip says 'studies show that when money comes into poor households through the women, it is more likely to impact on child nutrition, health and education. We are also targeting the ex-mineworkers who return to the mining towns in search of work. A centre has been set up in Welkom and others will be set up in Klerksdorp and Carletonville.'

Why the deal?

Philip explains the deal: 'We have four successful centres and a model that creates jobs. Still, it is too little for the 300 000 retrenched miners in southern Africa. The social plan for the areas affected by retrenchments forced us to expand. We have to improve delivery, set up new centres as quickly as possible and target mining towns. Owning part of Rutec will help us do this. We can also improve and increase the products according to the entrepreneurs' needs.'

'Profits back to the development sector'

The MDA is Rutec's biggest client and has used Rutec's training and technical products in job creation programmes for over a decade 'The MDA's biggest cost in setting up a centre is buying technology, with most of the money going to Rutec. So we felt Rutec's profits should come back to the development sector. We bought a 40% share in Rutec and the Land Bank bought a 35% share. The Land Bank financed our share,' adds Philip.

Philip continues: 'If another company

bought Rutec it could have stopped us from delivering our part of the social plan that arose from the mining summit. Our programmes depend heavily on Rutec.'

'Not a normal company'

For Dommett the deal has two main advantages: 'It makes Rutec black-controlled which means access to more contracts. And it ensures that we are not seen as a normal company just making money. Most of our profits will go into a non-profit organisation and to a lending institute. We can continue with our developmental work.'

Dommett emphasises that Rutec does not want to be 'an Anglo American, but the deal will bring us closer to the entrepreneurs. Involving the Land Bank means possible finance for those who have completed our courses'

The Land Bank

The Land Bank supports developing the rural economy by providing capital and micro credit to rural communities. Helena Dolny, managing director of the Land Bank, says the deal forms part of the bank's development mandate. It can help the bank provide small entrepreneurs with affordable products.

Philip points out that 'the Land Bank's micro lending product has the lowest interest rates of any micro loan on the market and no entry requirements. The loans start low but can go up to R5 000. The link with the bank also helps entrepreneurs to access credit.'

On a Rutec pamphlet there is a quotation by Gandhi: 'The poor of the world cannot be helped by mass production, but by production by the masses.' The MDA is trying to relieve this country of its unemployment problem by working on a small scale. This deal might just help them achieve it. ★