

# Is business committed to skills development?

**T**he Department of Labour announced recently that the skills levies collected by the SA Revenue Services and deposited into the accounts of 24 Sector Education and Training Authorities (Setas) was in the region of R3bn. This elicited some strong criticism as to whether Setas were delivering or not and whether business was committed to training.

The department's senior executive manager for skills development Adrienne Bird says, 'When people say that Setas are not disbursing money to companies, one has to look at how funds are being allocated and whether companies are claiming their money back.'

Bird believes that one of the factors contributing to the accumulation of monies in the Setas is the failure of companies to reclaim their grants. 'If companies do not see the value in claiming back their money they will not do so.' Often companies put forward their initial planning reports but fail to submit their final report grant which would allow them to claim back 50% of the money spent on training, Bird says. Many Setas could be holding monies because companies have not claimed their second grant.

There are however, a number of other factors, which need to be considered:

- ❑ Setas were being set up at the same time that the levy system came into effect. This has inevitably led to a delay

*The failure of Setas to spend monies allocated to them raises some serious questions as to whether business is committed to skills development. Reneé Grawitzky investigates this and outlines the various incentives available to business.*

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in the disbursement of monies from the Setas. Observers believe that parties should allow for some lead-time between the collection of levies and the disbursement for skills training.

- ❑ There are a number of Setas, which are delivering, but there are some which continue to be hampered by weak governance. This can lead to their inability to put in place good management practices. Some skills consultants believe that the work of certain Setas has been affected by union/employer conflict in respect of the overall operation of the Seta.
- ❑ Setas are public entities and should be run like proper businesses. However, in a number of cases weak governance has resulted in a failure to put in place the necessarily financial checks and balances. (There have been a number of cases where chief executive officers



(CEOs) of Setas have been suspended and charged with various counts of fraud and mismanagement.)

The success of skills development is not the sole domain of Setas, but requires support from employers.

Early indications are that, for a variety of reasons, there is antagonism from employers towards the Skills Development Act. This may not be overt but it exists. There is a sense amongst some consultants that employers are not giving the legislation a chance, despite the fact that it could be viewed as slightly bureaucratic. The perceived lack of delivery amongst the Setas does not however, encourage employer buy-in. As one consultant said: 'time will tell whether the levy system will raise training above previous levels and encourage those who previously did not train to do so.'

### Reclaiming grants

Bird explains that employers, in terms of the Act, need to submit three types of forms supplied by the Setas in order to claim back monies for different grants:

*Workplace skills plan* - in order to claim back an initial 15% of the amount spent on training, an employer needs to submit a form to the relevant Seta outlining what skills are to be trained up and what courses will be embarked upon.

Bird emphasises that the forms are simple and do not require much work. Once companies have got their 15% they can go ahead and train. At the end of the year companies must submit a report on how many people have been trained (including a racial breakdown). For that they will get a further 50% of what they paid out in training. Bird believes that one of the apparent reasons for underexpenditure by Setas is that companies have presented their initial planning grant but have not

completed their year-end report grant.

*Learnerships* - are only now getting up and running, as Setas had to first be accredited with the SA Qualifications Authority and thereafter, had to design new learnerships.

The designing of learnerships could only be achieved once Setas had completed their sector skills plans. This was necessary in order for Setas to understand their sectors and what skills are required. Each Seta now has a description of the skills profile in their sector. This can then inform the potential for learnership opportunities. Bird explains that 140 new learnership programmes have been developed ranging from basic entry level to post professional levels. Bird believes that people are more likely to succeed in self-employment if they have a combination of workplace training and education.

If employers agree to embark on learnership programmes they will be able to access a cash grant from their Seta as well as a tax incentive. Every time an employer signs up a learnership agreement they can claim R25 000 offset against taxable income. When the recognised phase of the learnership has been completed they can claim an additional R25 000 against taxable income.

*Strategic grants* - Setas are eligible to provide additional grants to companies for developmental or special skills training, for example, in the area of HIV/AIDS and adult basic education and training. These special grants would also relate to learnerships.

To find out more about the benefits of the Skills Development Act call the Department of Labour at (012) 309-4000.