



**SMME SKILLS DEVELOPMENT  
STRATEGY**

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Preamble:

This draft Strategy Paper for SMMEs is a first attempt of the ESETA to engage profoundly with an important part of the sectors employers, namely companies that are employing between 1 and 50 people. These are mainly the electrical contractors. Furthermore, with the current policy of black empowerment, this part of the sector is an area of emerging electrical contractors.

ESETA has currently very insufficient data on the structure and the skills requirement of this very part of the energy sector. Out of the estimated 6000 companies of this size approximately half of them are organised with the Electrical Contractors Association.

In order to design a sound strategy for the engagement of skills development in this part of the sector, a great deal of strategic research has to be conducted in order to put the skills development strategy on sound footing.

Therefore, the first and foremost requirement is to back up our assumptions of this part of the energy sector with sound research.

As a result this draft paper has to be verified with the existing reality in the sector.

## KEY ASSUMPTIONS

The first discussion has yielded a number of key assumptions that are pertinent to and should be taken into consideration in formulating a strategy for the proposed SMME skills development.

**Assumption 1:** SMMEs follow a predominantly informal approach to learning, and place little value on external, formal training. They are not, first and foremost, interested in recognised training per se, but in learning that enables them to solve immediate business problems. Training is principally delivered internally by the firm's owner/manager.

**Assumption 2:** Contrary to the belief that is sometimes held by some, SMMEs showed an understanding of their skills development needs. These covered a range of areas.

**Assumption 3:** SMMEs lack awareness about external training provision and consequently have limited interaction with and make little use of external training providers. This means that this delivery mechanism is not effective in reaching the sector's SMME market.

**Assumption 4:** Related to the foregoing, SMMEs demonstrated limited knowledge about the ESETA. Once they came to understand the SETA's association with a government department (Labour) they showed reluctance to deal with the SETA, associating it with government interference and red tape.

**Assumption 5:** Very few SMMEs comply with the requirements of the Skills Development Act relating to the appointment of Skills Development Facilitators (SDFs) and submission of Workplace Skills Plans (WSPs). The SDF is seen as an additional cost to the business and the WSP is seen as unnecessarily complex and not user-friendly. Thus, unless this situation is rectified, basing grant provision on compliance with these requirements would limit the number of SMMEs actually receiving training grants.

**Assumption 6:** There are insufficient incentives for SMMEs to engage in formal training. The training grants that they are eligible for, based on the levies they pay, are too low compared to the actual cost they would incur if they invested in training. Secondly, SMMEs are discouraged from investing in training by the immediate promotion and higher wage expectations of employees who undertake training. Training is thus associated with even higher cost to the business, over and above the training cost.

**Assumption 7:** International experience shows that SMMEs prefer skills development programmes that are short, sharp and problem-focused rather than long generic training programmes. As consumers, SMMEs also have specific expectations in terms of cost, convenience and programme practicality.

## STRATEGY IMPLICATIONS AND PROPOSALS

The foregoing assumptions have various implications for the proposed SMME skills development support strategy. These have to be discussed in turn and final strategy proposals formulated.

<b>ASSUMPTIONS</b>	<b>IMPLICATIONS FOR STRATEGY</b>	<b>STRATEGY PROPOSAL</b>
<p>1. Informal learning approaches and little valuing of formal recognised training. Strong problem focus.</p>	<p>Strong upfront emphasis on recognised training may alienate SMMEs, leading them to perceive training as official imposition unrelated to their business needs.</p>	<p>From a marketing point of view, the strategy must emphasise business benefit above all other considerations, with the need for recognised learning given secondary emphasis.</p>
<p>2. While these may not be clearly articulated, SMMEs do understand their skills development needs.</p>	<p>To be attractive to SMMEs, the support programme should be based on their real skills development needs.</p>	<p>An important component of the strategy must comprise the assessment of the skills development needs of the business. This process must involve SMMEs themselves. Simple and user-friendly tools need to be developed for this purpose.</p>
<p>3. Limited awareness about external training provision and limited interaction with and use of external training providers.</p>	<p>For long-term sustainability of skills development programme, an active training market needs to be developed. Provision of information on and matching of SMMEs and training providers is a critical element of market stimulation. Information must also be provided to providers on the training needs of SMMEs.</p>	<p>Gathering and dissemination of comprehensive information on training providers, training provided, and the training needs of SMMEs will constitute a critical component of the strategy. This information will need to be disseminated to SMMEs and training providers in user-friendly forms. Dissemination tools may include the internet, newsletters, course brochures and information seminars.</p>

ASSUMPTIONS	IMPLICATIONS FOR STRATEGY	STRATEGY PROPOSAL
4. Limited knowledge about the ESETA and subsequent association with government interference and red tape.	If the ESETA is to play a central role in fostering skills development among SMMEs, it needs to re-image and position itself as a credible facilitator of skills development and negate its association with interference and red tape.	The ESETA will need to determine the desired market image for itself and promote this image to SMMEs. The SETA will need to develop an internal strategy to position itself as genuinely interested in the skills development needs of SMMEs and in working with SMMEs to respond to these needs.
5. Few have appointed SDFs and even fewer have submitted WSPs.	According to current arrangements, enterprises that fail to appoint SDFs and submit WSPs do not qualify to claim grants. This is an impediment to investing in training.	Consideration must be given to providing assistance to SMMEs to acquire the services of SDFs without necessarily appointing their own. For instance, external SDFs may be contracted by the ESETA to assist SMMEs to develop and submit WSPs. This could be a valuable service of the SMME support programme.
6. Insufficient training incentives from a cost and employee expectation points of view.	Higher cost of training relative to the size of grant qualified for will continue to stifle participation in training. Employee expectations also stifle training participation on the part of both the employer and employees.	<p>Provision of better training incentives, in the form of higher financial allocations, should constitute an important part of the strategy. For instance, training costs could be shared between the SMME and the ESETA on a 50:50 basis based on the actual training cost incurred on recognised training rather than the levy paid.</p> <p>The strategy also needs to develop mechanisms to encourage employees to participate in training without the promise of immediate financial benefit. This may entail formulation and implementation of a joint campaign between the programme and employee representatives.</p>

<b>ASSUMPTIONS</b>	<b>IMPLICATIONS FOR STRATEGY</b>	<b>STRATEGY PROPOSAL</b>
<p>7. Strong preference for short, problem-focused, practical affordable, and accessible programmes.</p>	<p>To attract the interest of SMMEs, skills development support programmes must take into account their training preferences.</p>	<p>The strategy must emphasise the assessment of the training preferences of SMMEs. These preferences must then feature prominently in the design, marketing and delivery of skills development programmes. For instance, from a cost point of view, SMMEs may be encouraged to form clusters in order to jointly access training and therefore reduce their individual training costs. From the accessibility point of view, training may be delivered after hours or during weekends, in locations that are convenient to and non-threatening to SMMEs.</p>

## **SPECIFIC STRATEGY RECOMMENDATIONS**

### **(A) Implementation mechanism**

An important consideration in determining the success of the SMME skills development strategy is the implementation mechanism that will ensure sufficient capacity to implement and effectively manage the strategy. ESETA does not have sufficient internal capacity to satisfy this requirement. It is also not considered feasible, due to budgetary constraints, to appoint additional staff to undertake the SETA's education and training responsibilities. Thus, ESETA has to look externally for the required capacity. This approach would entail delivering services through existing external institutions.

Secondly, a critical factor to bear in mind is that recruiting SMMEs to participate in implementing a strategy such as the envisaged one, is not an easy task. Evidence shows that those agencies that are closest to SMMEs are better placed to achieve success in this area. These agencies tend to be seen by SMMEs as possessing a better understanding of their support needs and non-threatening to them from the point of view of officialdom and letting out their business secrets.

It is submitted that if ESETA is to deliver the levels of education and training as is required by the sector and the country, a different approach to the one currently being used to facilitate education and training needs to be adopted. The need to speed up delivery cannot be overstated.

Based on the foregoing, it is recommended that the implementation of the support strategy be 'outsourced' to specific industry associations such as ECA, Industries Education and Training Institute as well as empowerment groups.

A number of factors support this choice:

- Business membership organisations, such as industry associations, and other business organisations are generally seen as among those that possess the characteristics outlined above.
- Many of them already have SMMEs as their members and therefore enjoy the trust of these enterprises as they are seen as being "on our side".
- Because of their industry specificity, associations have a better understanding of the skills development needs and trends within their industry and are therefore better placed to correctly diagnose the skills development needs of SMMEs.

- Because they are interested in increasing their membership and rendering improved services to their members, industry associations are more likely to be 'willing' partners in implementing the SMME skills development support programme.
- The associations already have the required infrastructure for recruiting and communicating with small businesses, at least their own members, and providing support services, which in certain instances include training, to these enterprises.

### **Reworking the grant structure to provide incentives**

Efforts are underway to simplify the relevant forms so that they are user-friendly particularly to small businesses. ESETA should therefore consider the possibility of putting some money aside for accessing by small business.

This is justifiable on the grounds that it is mainly small businesses that currently do not claim grants and therefore forfeit their levy contributions. The arrangement will ensure that the levies unclaimed by SMMEs are channelled back to them through, amongst other ways, discretionary grants thus enabling them to achieve the required training.

### **Strategy communication**

The strategy must develop and implement a comprehensive communication effort in order to inform various role players in the small business education and training market. The communication effort must provide information, inter alia, on:

- What ESETA is and its role in supporting skills development among small businesses. This would aim at positioning the ESETA in the eyes of small businesses as being "on your side" and dissociate it from officialdom and red tape.
- Education and training opportunities available to small businesses within their locality – covering accredited courses / programmes and providers.
- The importance of aligning education and training activities within small businesses with nationally recognised learning.
- Support available to small businesses from the SMME support project.

## **Appointment of Skills Development Facilitators (SDFs)**

ESETA should consider providing resources to the partnering associations (refer to A above) to enable them to appoint SDFs and making their services available to small businesses for at least a period of one year. During this period, SDF services would be financed by the ESETA. It would, however, be the responsibility of the partner associations to oversee the activities of these SDFs. After this period, SDFs would continue to render services to small businesses based on the demand for their services and payment from small businesses.

## **Structure of and approach to education and training**

Given evidence that suggests that small businesses prefer short and focused programmes, consideration should be given by the Learning Programmes Division to focussing on Skills Programmes rather than on learnerships. Should it be necessary, longer-term programmes can be phased in over time once small businesses have engaged meaningfully in education and training programmes.

Secondly, given their large numbers and small size, small businesses lack the economies of scale to engage cost-effectively in education and training and are difficult and costly to serve on an individual basis. Therefore, the strategy should adopt the cluster approach that has been followed successfully elsewhere. This will largely be carried through associations (refer to A above) who should be able to access project funds from ESETA. This would enable small businesses to access support programme on a group basis, thus making it feasible to deliver education and training services to them cost-effectively.

## **Spelling out roles and responsibilities between ESETA and partners**

The overall design and co-ordination of the strategy would be the responsibility of ESETA. The funding for sector-specific projects will be provided by ESETA, with the stakeholders required to meet specific outputs and reporting requirements.

In addition to funding, ESETA will be responsible for:

- Quality assurance relating to the training programmes delivered
- Provision of resources to the partnering associations to facilitate the training as well as identified projects
- Ongoing monitoring of the programmes (ESETA will develop tools for this)
- Documentation and dissemination of experiences
- Evaluation of the pilot
- Design of the wider programme at the end of the pilot

## **RECOMMENDATION ON PROCESS GOING FORWARD**

To move towards the implementation of the SMME skills development support strategy at industry level, it is recommended that the following process be adopted:

- A meeting convened with industry associations to discuss the proposed implementation approach to the strategy. This would cover the overall objective of the strategy and its intended outputs.
- Collective design of the overall strategy, with both the ESETA and industry associations participating. This would cover issues such as strategy objective; strategy approach (needs assessment, recruitment), target group, expected results; activities; marketing; resourcing; monitoring and evaluation. The overall design would also clarify roles and responsibilities (between the ESETA and the participating industry associations).
- Development of criteria for approval of proposed industry projects for financial support by the ESETA.
- Invitation of detailed proposals from various industry associations, spelling out their intended project design and implementation. The proposed design and implementation should be in line with the overall project design and implementation approach. It is critical that proposals spell out how the industry projects will contribute towards a better positioning of the ESETA within the SMME market.
- Approved projects will then be implemented on a pilot basis to facilitate learning, and will be monitored on an ongoing basis for the duration of the pilot. Following the evaluation of the pilot phase, implementing agencies may be invited to submit further proposals for wider implementation of the programme. At this stage, other implementing agencies (in addition to industry associations) may be invited to participate in the programme.

**This Paper is a working document and has not being ratified by the ESETA's Authority**

## Process for developing a strategy paper

