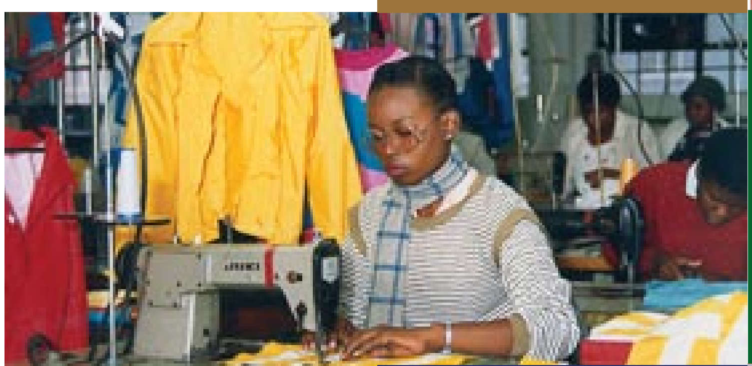
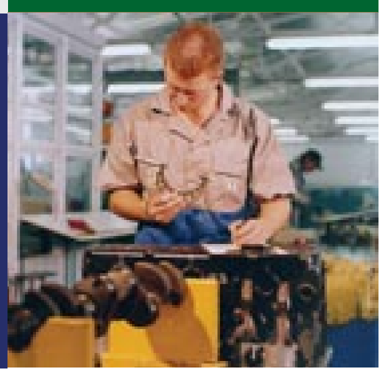
Department of Labour

Benefits of the Skills Strategy for Employers



VHUTSILA OUR SKILLS DEVELOPMENT STRATEGY



Introduction

A 1998 study on the training in 15 OECD Member States found that the majority of enterprises believed or acknowledged that staff training results in:

- Productivity improvements
- Greater workforce flexibility

- Savings on material and capital costs
- A more motivated workforce
- Improved quality of the final product or service.

No equivalent study has been undertaken in South Africa. Judging from our ratings in the World Competitiveness Report - our country has been slow at embracing a real commitment to vocational education and training. No doubt, past government failures have contributed to this.

The market has failed us too - as can be seen from the fact that the demand for skills far outweighs the supply. Too often the response of firms has been to poach scarce skills from others - not to train. As a result the price of scarce skills on the labour market has increased relative to others, but the skills pool has not increased significantly. So we had a problem that can easily get worse.

The Skills Development Act and the Skills Development Levies Act represent the government's response to this crisis. There was wide-ranging consultation on both Acts and they had the support of Organised Business and Organised Labour. The Acts aim to increase the level of investment in training and its impact. But too many South African employers see the new Skills Development levy as a cost only. They do not see the benefits. How often do we hear the phrase: "It's a tax, I'll pay it and then leave me alone." Let us consider the benefits.

Benefits

The benefits can be considered as:

- **Increased revenue**

Increased turnover is generated when workers are able to exploit technology, are able to interact with clients positively, and are willing to identify and exploit new ways of doing things and market opportunities. Skills can contribute to these outcomes, which can translate into improved profits and growth.

- **Decreased or avoided expenses**

Skilled workers can reduce expenses in a number of ways. Workers can undertake routine maintenance; detect faults, solve problems smartly, make fewer ignorant errors and breakages and they can address client complaints in a way that builds relationships. Skills can contribute to all these outcomes.

- **Intangible benefits**

When workers know that their employer is committed to their skills development they are more likely to stay, more likely to tell other skilled workers about their positive working environment making further recruitment possible, more likely to extend their efforts when needed… Clients and customers respond well to environments where people work well as teams… the list goes on.

But what about the cost?

All employers pay the levy. So everyone contributes and shares the cost. The levy makes up the pool of money that is available for grants.

How do employers benefit?

Employers who train gain

1. They get a grant back from their Sector Education and Training Authority (SETA).
2. They can even get more back than they contributed. Employers may claim discretionary grants and a SETA **MAY** pay these. These grants do not depend on how much you pay for the levy. The SETAs will decide these grants based on whether the skills development activities being proposed contribute to the implementation of sector skills plans. There will be grants

for learnerships, skills programmes, apprenticeships and for sector strategic projects of the SETA. For more details, contact your SETA.

3. Most importantly, they get to enjoy the fruits of their investment i.e. increased revenue, decreased or avoided expenses and intangible benefits. These are real – as the 1998 OECD study confirmed.

The purpose of the grant is to encourage employers to take the first step - indeed to act in their own best interest! It was introduced to change the culture of limited training in our country.

Even employers who choose not to train benefit

As a result of the training efforts of others, there are more skills on the labour market to recruit. This increase will be a direct result of the training efforts of those firms that do train. So, if you think about it, it is only fair that they contribute through the levy system. The problem for these employers is that the skills they poach may not be precisely the ones they need - a price they pay for not making the effort in the first place.

Small firms can benefit too

Some small firms believe that they are paying such a small levy that the grant that they can get back is too small to worry about. This was perhaps true in the year 2000. But things have changed with the 2001 regulations. These regulations introduce new kinds of grants – discretionary grants. These grants enable you to get back more than you paid in levies – and are for learnerships, apprenticeships, skills programmes and strategic projects of the SETA. SETAs will also be putting in place programmes to specifically support small business.

How does the grant system work?

An employer needs to consult with the worker representatives in his or her workplace, appoint one or more persons to coordinate efforts and identify what skills are needed to underpin the implementation of business strategies. These then need to be captured in a plan, called a Workplace Skills Plan, and forwarded to the SETA to which the employer's levy is paid. More detail is available from the SETAs.

It is frankly just good business sense. A Workplace Skills Plan is simply a statement of what skills are needed in the firm to achieve growth and describes how the training will be delivered and what learning will be achieved. Grants – for the submission of a workplace skills plan, and for the subsequent implementation report on the training – will be paid to the employer as long as she/he is up-to-date with the levy payments and submits the applications correctly and on time.

The workplace skills planning grant is 15 % of the total of the levies paid by the employer. Similarly, the workplace skills implementation report will be 50% of the total levies paid in 2001/02, and 45 % of the total levies paid in 2002/03. There are now other grants – discretionary grants – available as well, so that employers who really embrace the strategy might be able to get back more than they pay in levies.

National Skills Fund

20% of all the levies paid in by employers are paid into the National Skills Fund. This Fund will be used to train unemployed people and other vulnerable people in areas where there is strong potential for growth and employment. These include training people for jobs created by new investment or the expansion of existing firms, as well as jobs in the construction of new infrastructure. These benefit employers too. Reduced unemployment will make our society more stable and better for business. It will also open up new opportunities. New infrastructure opens up access to new markets! So too will local markets expand for South African products and services if poor people are able to accumulate more income for spending. There are also grants to encourage new training programmes and to assist employers with new technologies.

We all benefit if employers train

If employers train their workforce they are not the only ones to benefit. Individual workers will also benefit, but so will society – because increased output will contribute to the overall tax base of the country – and more funds will become available to build the infrastructure of our country. This in turn will fuel more growth.

Let's get to work

NATIONAL SKILLS DEVELOPMENT STRATEGY

Objectives		Success indicators
1. Developing a culture of high quality life-long learning.	1.1	By March 2005, 70% of workers have at least a Level One qualification on the National Qualifications Framework
	1.2	By March 2005, a minimum of 15% of workers to have embarked on a structured learning programme, of which 50% have completed their programme satisfactorily
	1.3	By March 2005, an average of 20 enterprises per sector (to include large, medium and small enterprises), and at least five national government departments, to be committed to, or have achieved, an agreed national standard for enterprise-based people development.
2. Fostering skills development in a formal economy for productivity and employment growth.	2.1	By March 2005, at least 75% of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and worker benefits are measured
	2.2	By March 2005, at least 40% of enterprises employing between 50 and 150 workers are receiving skill development grants and the contributions towards productivity and employer and worker benefits are measured
	2.3	By March 2005, learnerships are available to workers in every sector. Precise targets will be agreed with each SETA.
	2.4	By March 2005, all government departments assess and report on budgeted expenditure for skills development relevant to Public Service, Sector and Departmental priorities,
3. Stimulationg and supporting skills development in small businesses.	3.1	By March 2003, at least 20% of new and existing registered small businesses to be supported in skills development initiatives and the impact of such support to be measured
4. Promoting skills development for employability and sustainable livelihoods through social development initiatives.	4.1	By March 2003, 100% of National Skills Fund appointment to social development is spent on viable development projects
	4.2	By March 2005, the impact of the National Skills Fund is measured by project type and duration, including details of placement rates, which shall be at least 70%.
5. Assisting new entrants into employment.	5.1	By March 2005, a minimum of 80 000 people under the age of 30 have entered learnerships
	5.2	By March 2005, a minimum of 50% of those who have completed learnerships are, within six months of completion, employed (e.g. have a job or are self-employed); in full-time study or further training or are in a social development programme.

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