

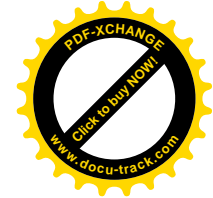


SUBMISSION OF COMMENTS ON NOTICE 151 OF 2005

**SECTOR EDUCATION AND TRAINING AUTHORITIES (SETA) GRANT
REGULATIONS REGARDING MONIES RECEIVED BY A SETA AND
RELATED MATTERS**

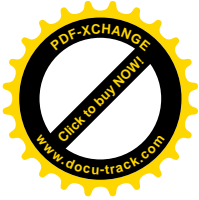
SUBMISSION BY

DAVID W. ALCOCK



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The Executive Officer
National Skills Authority
Ms. B. Bulunga
Department of Labour
Private Bag X117
Pretoria
0001

21st February 2005

Dear madam,

Re: **Notice 151 of 2005.**

Please find set out in the following pages my comments and proposals in relation to Notice 151 of 2005.

Due to the time constraints inherent in the deadline for the submission of comments, this is a personal submission and is not endorsed by any of the organisations I am associated with.

However, the observations and recommendations made are as a result of my exposure to inputs from a wide range of sources which include my involvement in the following enterprises and organisations:

Director – Alcocks Pest Control (Pty) Ltd
Director – Alcocks Electrical Services (Pty) Ltd
Employer party representative to the Pest Control SSU – SETASA
National Chairman – South African Pest Control Association
Member – Business Warriors (a community of small business owners).
Chairman – World Environmental Pest Managers Alliance

I humbly submit that elements of the national skills development strategy have already been severely criticised. I do not make this submission with the intent to add to this criticism. However, the efficacy of any legislation must be judged not by its intent, but its actual effect.

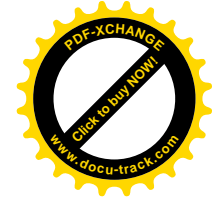
I suggest that radical changes to the current grant structure should be considered if the strategy is to effectively bring about meaningful improvement for the people of South Africa. I have little doubt that elements of my proposal may meet stern resistance, particularly from the large business enterprises and WSP consultants who are the main beneficiaries of the existing mandatory grant system.

This submission is motivated by my passion to make a meaningful contribution to the realisation of the potential of our magnificent country and its people. I hope it will enjoy your serious consideration.

Yours faithfully

D.W. Alcock

Tel: (031) 569 2996
Cell: 082 341 8944
Postal: P.O. Box 20072, Durban North, 4016.
e-mail: dave@alcocks.co.za



Proposal for the discontinuation of mandatory grants.

I propose that the system of mandatory grants is discontinued and the funds currently allocated to mandatory grants be allocated directly to the current discretionary grant system.

The current mandatory grant system has the following weaknesses:

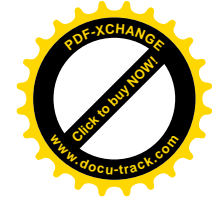
1. Inefficient use of funds due to the high administrative burden for both SETAs and business
2. Has failed to elicit participation and, perhaps, even inhibited participation in the national skills development strategy by SMMEs
3. Does not significantly influence the training budget and training priorities of larger enterprises
4. Unused funds are tied up in the mandatory grant system until they can be reallocated to discretionary grants
5. Effectively, small business is subsidising the activities of large business
6. Mandatory grants add an unnecessary layer of complication to a worthwhile objective, namely the effective improvement of South Africa's workforce.

The main product of the mandatory grant, being workplace skills plans and, from there, sector skills plans, can be generated directly from applications for discretionary grants and the existing input from representation by employer and employee parties.

The reduction of the percentage allocated to mandatory grants is likely to aggravate these weaknesses. The objectives achieved by the introduction of social quotas as a condition of mandatory grants is already being addressed through other legislation and may also reduce participation in the national skills development strategy.

Alternatively, should the mandatory grant system be continued, I propose that small business be exempt from the social quota conditions set out in Notice 151 of 2005.

My motivations for these proposals are set out in the following pages.



Guiding objectives of the National Skills Development Strategy.

My understanding is that the national skills development strategy was initiated to achieve four major goals:

1. Improve international competitiveness through the skilling of South Africa's human resources to internationally comparable standards
2. Develop and facilitate defined career paths for workers to enable individuals to achieve their true potential
3. Address the imbalances inherited from the apartheid history of our country
4. Address the high rate of unemployment in South Africa.

Whilst the success of each objective is in part reliant on the others, the achievement of objective one probably has the most significant impact on the ultimate exit level of success that the strategy will achieve in the other goals.

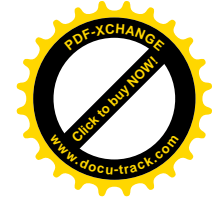
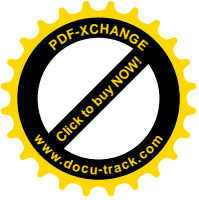
Disbursement methods and cost centres.

Effectively, disbursement of the skills development levy is broken down into three major delivery components:

1. Mandatory grants with the primary objective of encouraging and shaping participation at all levels
2. Discretionary grants with the primary objective of encouraging and facilitating specific areas of skills development and education
3. The National Skills Development Fund with the primary objective of addressing past imbalances.

The two other defined portions of levies collected are costs of collection and administration.

I suggest that mandatory grants, which make up the largest allocation of the skills development levy, make the smallest contribution towards the guiding objectives of the national skills development strategy. Participation can be achieved far more effectively and equitably through other mechanisms.



Failure of mandatory grants.

I suggest that mandatory grants have done little to help achieve the goals of the national skills development strategy and could be more effectively used if allocated directly towards what is currently classified as discretionary grants.

Most SETAs have measured their success in the disbursement of the mandatory grant by the Rand value disbursed against the total potential disbursement value. This, however, is misleading. For example, SETASA's 2004 Annual Report claims success in having disbursed approximately 80% of the total potential value of mandatory grants. However, this disbursement was to a total of 300 companies out of approximately 2200 levy paying companies, reflecting a participation rate of less than 15%.

This is due to the active participation of larger enterprises only, primarily for two reasons:

1. Economies of scale make the administrative burden associated with the mandatory grant process more viable for larger enterprises, both for the enterprise and the SETA
2. SETASA actively pursued participation of larger enterprises at the expense of smaller enterprises.

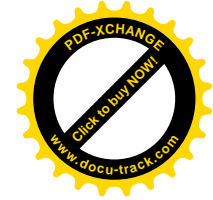
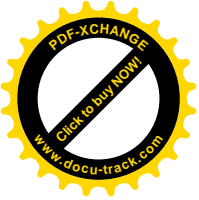
SETASA is far from alone in this situation. The exceptionally poor service levels I, as a small company owner, have experienced from ESETA has severely prejudiced my company's ability to participate in the process and could possibly be interpreted as active discouragement.

An exceptionally small portion of the mandatory grant paid to larger enterprises can be considered as being spent on training that otherwise would not have been done had the grant not existed.

I suggest that the mandatory grant has not significantly influenced the training provided by larger enterprises. Larger enterprises have always provided well structured training. Effectively, the mandatory grant is reduced to a financial reward for registering an SDF and submitting WSP's. The administrative burden associated with this process is obviously not considered viable in relation to the return by smaller enterprises. More disappointing, this has then led to reduced participation by small business in other elements of the national skills development strategy.

One of the nett consequences is that small business is effectively subsidising the training of larger enterprises which really don't need the help; most certainly not at the expense of smaller business. The large enterprise has enough of an advantage already.

The proposed introduction of social quotas in the achievement of the mandatory grant will only reduce participation even further. The objectives that may be achieved by the introduction of social quotas are already being addressed in other elements of legislation.



Why SMME's do not participate.

There are substantial differences between small organisations and larger ones and these differences impact critically on how they respond to legislated initiatives such as the national skills development strategy.

The general perception appears to be that small business may be considered a smaller version of big business. The reality is that small business is a stripped down version of big business to the point that the two are totally incomparable. This means that using models of big business to develop strategies results in plans that are often totally inappropriate when applied to small business.

The success of any enterprise comprises of many factors. However, the main driving force is the emotional enthusiasm of the enterprise's leaders. This is the essential ingredient that breathes life into any organisation and is critical to its very existence, let alone its success.

Large organisations are totally reliant on well developed systems integrated into the organisation to produce their results. Successful, efficient systems produce predictably successful results. The very presence of systems is critical to the larger organisation's ability to function. Here, the energy generated by the leadership is directed towards the development of successful, efficient systems. These systems are then applied by the workforce to produce the organisation's result.

In smaller businesses many of these systems are absent. Even when present, the systems are far from formalised. The three major factors contributing to this is a lack of need, a lack of resources, and a lack of knowledge.

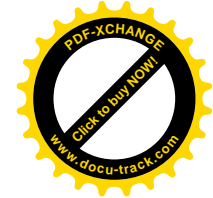
Nonetheless, small business has to add value in competition to larger organisations and therefore has to at least match the delivery of large business in areas critical to its success. Small business does this without formalised success systems by stripping out less critical activities and posts.

The small enterprise can compete successfully against larger organisations and survive despite its lack of formalised systems and resources primarily because the emotional enthusiasm of the leadership is a lot closer to the delivery point of the organisation. This drives the owner and perhaps those in the immediate sphere of influence to work longer hours and try harder than their big organisation counterparts.

Time and energy are limited resources. The small business owner, faced with a wider demand on these resources than the large business counterpart, must give priority to activities critical to the survival and success of the enterprise. Accordingly, less critical activities must be ignored in the face of more critical demands. Of particular relevance here, the small organisation has to take the shortest available path to successful activities if it is to survive and thrive. This means that the smallest obstacle in a non-critical activity will result in it not being done.

In a large business tedious, time consuming, enthusiasm sapping paperwork such as that required for the mandatory grant is delegated to personnel allocated to the activity. In small business, this task commonly falls to the business owner. Even if the small business owner allocated a member of staff to perform the function, this would represent the allocation of a large percentage of the total staff compliment towards a non-critical function. The slightest obstacle, such as the lack of assistance commonly experienced by small business when communicating with SETAs, and the activity is instantly categorised as counter productive and is shed.

In summary, small business cannot sustain the same administrative burden as large business and still remain competitive in the critical area of added value delivery to its client.



Desire by SMMEs to train.

The lack of participation by SMMEs does not reflect these enterprises' desire for training. Small business deeply desires relevant self and staff training, but cannot afford to sacrifice critical activities and limited resources to do so.

An example of an effective training scheme that encouraged small businesses to train is the Electrical Industries Training Scheme under the old Training Board legislation where all training costs were covered. Conversion from the old training board system to the SETA system effectively killed training amongst small business in the electrical contracting industry for many years.

Only recently has training in this industry begun to make meaningful progress under the SETA system. This has been achieved by circumventing elements of the SETA system and approximating the systems of the old training board system. It should be noted that mandatory grants are being paid out at a rate of 50% of contributions to members of the Electrical Contractors Association without completion of WSP's by the enterprise. This apparently is in terms of an agreement between ESETA and the Electrical Contractors Association. The result of this practice is that half the levies collected are being returned to the contributor without any significant added value. However, to their credit, free training is now being offered and has resulted in training being implemented once again in this small business sector.

The offer of free or heavily subsidised appropriate training for the staff of small businesses will be welcomed with open arms by small business owners. The procedures leading to this training should be simple and easily accessible.

The current complexity of the grant systems of the national skills development strategy has marginalised small business participation, to the benefit of large business which has the ability to resolve such complexities and even turn them to their advantage.

Successful SMME participation will only be achieved by active engagement with the small business sector and the development of systems that take into account the operating conditions of the small business environment.

Capacity of SMMEs to employ.

International trends clearly show that rapidly increasing employment lies in the hands of the small business sector. Globalisation means that South Africa is not immune to this trend.

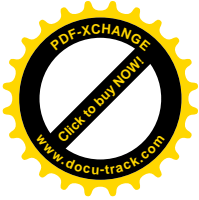
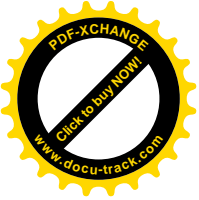
Small business has a far greater capacity for employment growth than large business. Internationally and locally, large business growth is often associated with a loss of jobs through increased efficiencies. In stark contrast small business, once successful and growing, add employment opportunities at a very rapid rate.

This makes SMME participation in the national skills development strategy a critical component to the strategy's ultimate success level. The current system strongly favours big business at the expense of small enterprises and is reducing the impact of the resources being applied to the strategy.

Limited capacity of individual SMMEs to reflect broader demographics.

Much of the above clearly indicates that the difference between big and small business is significant. This extends to the small enterprise's individual ability to consistently reflect the demographics of our country.

This is an unreasonable and often impossible burden to place on each individual enterprise in the SMME sector and may even lead to widespread business failure if enforced. Given the rapid cycle of rebirth in the small business sector it is inevitable that in short time, when considered as a whole, the small business sector will closely approximate the broader demographics of our country. I suggest that massive progress in this regard has already been achieved in the short lifetime of our new democracy.



ADDENDUM A

Set out hereunder is a series of posts by small business owners relating to the skills development initiative. This series typifies the difficulties experienced by small business when trying to cope with the current SETA systems. Although this series is taken from one source, the Business Warriors website, it is an excellent example of the views expressed to me verbally in a wide variety of interactions with fellow small business owners.

Helping the Warriors

Is this not the type of assistance Peter should be offering us instead of galavanting in Aussie land to show up our differences 🤔
Calling all business owners

By: Barrie Terblanche

Posted: 2004/12/09 Thu 15:21 | © BusinessOwner 1997-2004

THERE is a very simple but fundamental flaw in the Skills Development System that makes the Skills Development Levy an incentive for large businesses, but a tax for smaller businesses.

Millions of rands of owner-managed businesses' hard-earned money are going to waste because the designers of the system, despite their good intentions, did not understand the dynamics of owner-managed businesses.

The solution is simple, and we believe that we can convince the government to change the system, but then we need the support of as many business owners as possible.

Read the open letter to the Minister of Labour by clicking on the link below and, if you agree with it, send an email to editor@bignews.co.za with the following words in the subject field: I, (your name), owner of (your business's name) agree with the BusinessOwner's open letter to the Minister of Labour regarding the Skills Development System. -- info

THE government's skills development levy is aimed at benefiting business owners, but instead has become just another hassle of time wasted red tape. Read BusinessOwner's open letter to the Minister and email us to join the campaign to rectify the flaw in this otherwise well-intended Act.

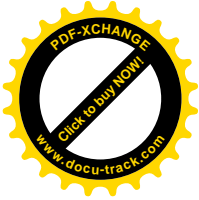
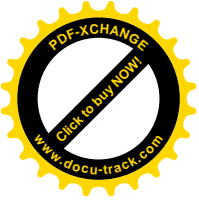
Dear Minister Mdladlana,

We, the business owners of South Africa, recognise the immense skills shortage in South Africa, and we are committed to do our utmost to eradicate it. In fact, due to the nature of our undertakings, we are probably the sector of society that does most for training unskilled people.

We cannot afford to appoint graduates like large companies do. We appoint unskilled people and train them on the job.

We support the innovative Skills Development System according to which business owners who have at least one employee registered for Pay As You Earn, must pay 1% of our payroll (from our own pockets) over to the skills development system.

We applaud the fact that the government gives each business the chance to claim



back the levy if the business can show that training was undertaken. We understand that the system must involve a certain amount of paperwork, so as to ensure standards.

Why the Skills Development System in its present form does not work for us
There is a very simple but fundamental flaw in the system that has to do with economy of scale.

For a large company, 1% of its payroll amounts to millions of rands. Therefore, a large company is very clearly incentivised to start training, to adapt its training to government priorities and to process the paperwork to claim the levies back.

However, an owner-managed business's total skills development levy can amount to as little as R600 a year.

Firstly, the amount of time and paperwork involved in claiming back a levy of even R3 000, for example, is dangerous.

It is much wiser for a business owner to rather spend that time chasing new business of R30 000, for example, even though the new business is not guaranteed.

It is of no use if the business owner has made sure that the few hundred rands of skills development levy comes back, but he or she has missed a large contract that could have paid the bills and the salaries.

Secondly, the kind of formal, NQF training that we all want to see take place, is always way more expensive than the total Skills Development Levy of the average owner-managed business.

The system currently dictates that, if a business does not claim back its levies within a year, it forfeits the money.

For owner-managed businesses, this means that the amount they can claim back perpetually stays below the level at which it becomes worth while.

Our request

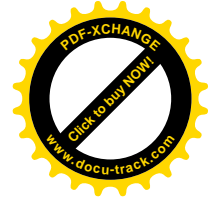
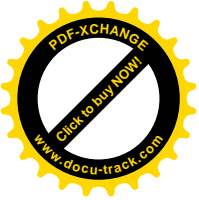
We recommend that the government change the rule that says we forfeit our levies if we don't claim them back within a year. Let the Setas keep the levies for a few years, until each business's unclaimed levy builds up to a worth-while amount.

Our common sense tells us that with an amount of R2 000, for example, we can't do much by way of formal training.

But with an amount of, say, R10 000 or R20 000, we know that we can put an employee on a proper, formal and professionally managed learnership or training course.

Changing this one aspect of the system will lead to a dramatic increase in the number of owner-managed businesses participating in the skills development system in as little as three years' time.

All the Setas will have to do is to send us each a reminder, once a year, that our collected levies have grown to so much, and that we can have it back if we use it to put one or more of our workers on a formal training course or learnership.



And sooner or later we will start noticing that claiming the amount back makes business sense.

the BusinessOwner, on behalf of SA business owners

*Email the BusinessOwner

People don't understand SDL grants

To receive back 50% of your payments on SDL is ridiculously simple. All you have to do is fill in the paperwork. It has nothing to do with formal training. You can list that unstructured training on the floor - it's enough and is being recognised as an acceptable form of training for low level skills. Even if you report that you simply did not have a training need in the period under review and fill out the paperwork they have to pay you the mandatory grant. However, the big money is in discretionary grants.

Small businesses are notoriously bad at paperwork, hence the massive total of funds rolling over into discretionary grant funds. However, at the end of the day, a large portion of the blame lies at the business owner's door.

Seta's don't help as they have been bad at communicating to SME owners. They have targeted larger businesses in their portfolio for buy in because of the economy of scale.

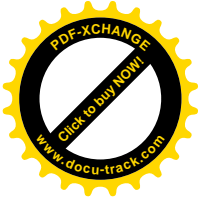
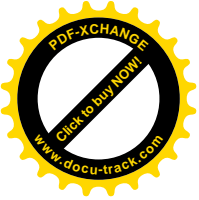
Big business has capitalised on the situation, and is far from eager to see the SME problem being solved. The unclaimed funds get rolled over into discretionary grants. The discretionary grants are available to participants in the system who know how to access them. Hence the big companies plugged into the system get not only their own money back, but the rolled over funds from non-claimants, mostly the small guys & gals. I have addressed this issue before in previous posts. We end up subsidising big company training.

SDL is an incentive for training, it isn't meant to cover total cost. At 1% it can't do that. Large companies spend on average 5% of their payroll. My group of companies spent about 4% of payroll on training this year to date.

The mandatory grant (that's right, they have to pay it if you fill in the forms) from SETA's doesn't cover training. However, if you plug into the discretionary grant system from rollover funds, with some insider knowledge you can get a lot of free training.

At SETASA where I have had most of my involvement on this issue, the Seta proudly announces it has paid out 80% of what is claimable in mandatory grants at this year's AGM. Sounds like a success story. The fact that only 300 of the 2200 fee paying businesses claimed is only revealed after some questioning from yours truly. Roughly 15% of the companies are participating and reaping the reward. The remaining 85% are subsidising the efforts of that 15% and frankly, it is their own fault.

The big companies making up the board also managed to drop the re-appointment of the SME committee with some clever slight of hand. I have objected, but frankly it won't be missed; it was full of big business anyway and was totally ineffective in dealing with the lack of SME participation. Instead it was



focused on taking people off the street and putting them into business for themselves. More formal business training than most of us have ever had!

Dave Alcock
Electrical Services
Entomological Services
Hygiene Services
031-5692996

Dave, I am not taking a swipe at you , but must compliment you on your time management and your overall management skills that you can find the time to know who and where to find "However, if you plug into the discretionary grant system from rollover funds, with some insider knowledge you can get a lot of free training" this insider knowledge. Most of us I think are so busy in doing our daily business and sometimes trying to keep the wolf from the door, that obtaining meaningful answers from the SETA that is supposed to assist one is a waste of precious business time. Again is the adage "It's not what you know but who you know." Maybe you can share some of your "insider secrets" so that we can all plug in.
Regards

Alex, you're absolutely right.

Seta's seem to put very little effort in communicating meaningfully with their fee paying companies. It's normally members of the board and the various committees that get the inside track. When you start to see the vested interest, it's hard to think it's a coincidence.

I have tripped over the opportunities whilst stirring it up for small business interests and yes, you're also right, time management is one of the keys. When I was a one man show it was a sacrifice. The moment I could work on the business instead of in the business, it all fell into place. Still takes some time management, though.

Find out as much as you can about your seta and then bug them to do a better job. If enough of us start doing it, they may actually change the way they communicate with us.

I still think the solution is to flood the boardrooms with SME members. Start making some noise, people!

Each seta has an AGM. Find out when and where it is and make sure that someone is there stirring it up for you. Normally one of the earlier items on the agenda is motions. Table a motion of no confidence in the board. That normally starts the ball rolling.

Dave Alcock
Electrical Services
Entomological Services
Hygiene Services
031-5692996



Statement By Mark Lowe Mp

STATEMENT BY MARK LOWE MP

DA SPOKESPERSON ON LABOUR

18TH JANUARY 2005

Release: Immediate

Well done ANC for finally recognizing the problem: Now for the solution

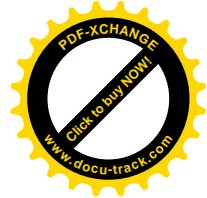
The DA welcomes the fact that, for the first time, the ANC has publicly expressed concern about the effectiveness of their Sector Education and Training Authority (Seta) system. However it is simply unacceptable that it has taken them more than 18 months to acknowledge what the DA has been pointing out all along. The Seta system fails to address South Africa's current skills crisis, which is the main supply-side cause of our 42 percent unemployment rate. We hope the government does not waste another 18 months before it comes up with a real solution.

The DA has consistently pointed out that even the target of 80 000 learnerships is a mere 0.9% drop in the ocean in a country where 8,4 million are jobless and more than 500 000 skilled posts cannot be filled. Instead of engaging with us on the matter and implementing or at least discussing our alternative proposals, Labour Minister Membathisi Mdladlana resorted to bluster and insult to avoid the inevitable reality. But he now appears to concede, the overwhelming majority of Setas are merely financial sinks into which the taxpayers are pouring millions of rands for little or no return.

A major problem in the current Seta system is that it uses a "stick" rather than a "carrot" approach, particularly with already overburdened small businesses - the only employment sector that will create net new job opportunities over the next decade. They see the skills levy and accompanying paperwork as yet another form of taxation and more red tape and, combined with our current inflexible labour legislation, there is simply no incentive for them to offer learnerships and create new jobs. In particular, the administrative rigmarole required is too onerous for small businesses who stand to claim back a measly R325 per month on a reasonable payroll of R50 000. It is simply not worthwhile for small businesses to fill out all the paperwork and employ a skills development facilitator to implement the required formal training when the business owner knows that on-the-job training (not recognised in the current scheme) is a far better answer.

The DA's solution is to turn this around and make it far easier for businesses to take on new hands and to train people. We would allow businesses to decide which skills will be required in the future. If the entire Setas budget (currently R3,187bn) was channeled into an initiative to reimburse employers for approved training, including schemes administered by employer associations, the amount left over would easily fund a nationwide tax rebate equivalent to one-third of tertiary institution fees for four years of successful study.

Minister Mdladlana should scrap the Seta system. In its place, a tax deduction of 150% of the first R2000/month of every employee's salary along with the entire Seta budget should be channeled into an initiative to reimburse employers directly for approved training, including schemes administered by employer



associations.

The combined, decentralised actions of thousands of South African businesses will result in an economy-wide, responsive and effective training environment that will quickly attract skills to where they are most needed and make a real dent in our unemployment queues.

Frank Coetzee
083 408 8477 (SMS Only)
Compuzone Internet Technologies cc
www.domain-hosting.co.za (International)
and www.cyberage.co.za (Hi-speed Local)

Seta Accreditation

Hi

I know this goes off the topic slightly, but.....

Peter is correct in saying that the SETA accreditation process seems lengthy and cumbersome.

I am sitting with this very problem right now! Three weeks to go, to hand in the accreditation docs and enough workshops booked to keep me busy for six.

Essentially every single bit of my business needs to be documented. Every single bit! My marketing strategies, my business plan, my training material, my advertising and books, my operating procedures, my aids policy, my employment and training policy, my set of financials, each staff members CV, my IT plan, and so I continue.

In my wisdom, I took on the project and even considered it to be a valuable exercise . After all, once completed it would make managing the business easier and ensure that I can retain corporate SA's business.

So whilst silencing my common sense, that tells me it is madness to give away your intellectual property to an organisation - even (or is it especially) if they are the "watchdog", I embarked on step number two!

Only to be faced with another problem.....

I have personally approached and looked for training with some of the SETA accredited providers.....after all, I am just a one (wo)man show and the guys with the accreditation should know something I do not! A workshop called train the trainer!

I can honestly say that I stand appalled! Compared to the three providers I approached, I irrevocably state that my level of service, my training, my course material and my general knowledge of the difficulties staff are experiencing in the workplace , outclasses these guys by 1000%!

Hence my moral issue.

Do I insult my own intelligence and continue with the accreditation process or do I walk away?



If I walk, I wave goodbye to all corporate (and government) business in the future - **based only on the fact that I am not SETA accredited and/or BEE compliant!** Neither which have anything to do with my ability.

It is times like these, that I feel we have missed the boat!

For me as a trainer, accreditation is time consuming and pricey. For the employer, the entire claims process is time consuming and often elusive simply due to lack of information.

There are no guarantees on the quality of service for those being taxed nor monitored.

There are rumours of insolvency and money squandering in one of our biggest SETA's.

Once again it is mostly the corporates that benefit.

As Dave points out, the focus is shifting from what was originally a noble objective to a new political agenda.

Help me. I am truly battling to find the point to all of this.

Government must slacken the regulatory requirements on business!

Debbie

cell: 082 687 85 83

debbie@phonebooth.co.za

<http://www.phonebooth.co.za>

excellence is doing ordinary things extraordinarily well!

Wasted skill!

Debbie's post has just proven what I have long been battling with in myself. The government on the one hand is asking skilled whites not to leave the country but to share their skills - but on the other hand they are making it incredibly difficult and unappealing to do so.

I describe the following as an illustration. For various reasons I extricated myself from city life. I have considerable knowledge and skills which I could share (especially in the fields of nursing, education and social science research). About two or three years ago I started thinking that maybe I should get involved somewhere - especially in my province of Mpumalanga where there is really a dearth of qualified people (statistically proven).

A friend sent me some info on the SETA's - I took one look at all this gumph, and at all the things I would have to study to become an accreditor and whatever (after having spent 10 years of my life studying and writing guides and books on educational theory and practice) and the cost involved in time and money. The result? It went to the very bottom of my agenda!

Frieda Paton

 Multitasker:

Business Owner - The Iron Store

(and hopefully soon an Internet business)

Papermaker (and other crafts)

Occupational Health Nurse

In PILGRIM'S REST

The historical village on the Panorama Route in Mpumalanga



SETA Efficiency?

Despite all the wonderful postings from people who seem to have got this right, I still don't understand why the government feels they can spend my money better than me. Following find a comment from one of the readers of Petes Weekly: You really struck a nerve this time! I have had SETA's up to here!!!! If you would like another tale of woe, here it is...

I work for a small independent Christian school which has limited funds and resources. Nonetheless we commit a sizable portion of our budget to training, because if you want teachers who are trained in Christian education you have to train them yourself - especially since Kader Asmal closed down the only Christian teacher training college in SA (in 2003).

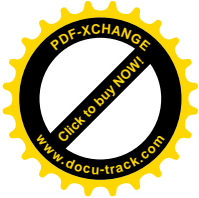
When the SETA's first appeared on the scene we realised we had no choice but to play along. The SDL costs us R20 000 per annum, and there is no way we can kiss 60% of that goodbye by not claiming it back. We waited for the forms to arrive so that we could apply. Nothing came. It took some detective work to track down the ETDP SETA office, and when I eventually found them the due date for submission of WSP's was past. Millions of rands were not claimed because no-one else knew where to apply either. Many other SETA's accommodated late submissions in the first year, but the ETDP SETA would not.

The following year I got all the paperwork off on time, and sat back to wait for the 60% refund. It took 16 months for them to pay out the final tranche - but don't forget that we paid the first SDL contribution a whole year before completing the claim process. So we were out of pocket for up to 28 months.

We also embarked on a learnership program. This works like an apprenticeship - we take on a student teacher as an apprentice, she spends 10 hours a week at school doing on-the-job training. The SETA should pay us R20 400 to cover her college fees, books, a small salary and the cost of mentoring her. The SETA promised to pay the first portion up front to cover her fees, but no money was forthcoming. With time running out for her to register with UNISA, we had to sponsor her fees because she couldn't afford to pay them (if she could, she wouldn't be doing a learnership!) We paid for her books too, and supported her for more than a year - finally getting our money some time after the following year's college fees were due. In the meantime we heard of hundreds of other students who dropped out of the program because they couldn't keep going without funding. We are currently owed R34 190 by the SETA in unpaid learnership grants - dating back to January 2004 - and have again had to pay her UNISA fees for the current year.

The teacher shortage in SA is critical and the SETA is supposed to fund the training of thousands of teachers - especially in Maths, Science, Accounting and Technology. As explained above, many trainees who make it through the selection process drop out because their sponsoring schools don't receive the learnership grants in time and cannot afford to carry them. On top of that, race quotas ensure that only 100's instead of 1000's are approved. Only 10 - 15% of trainees can be white, but the SETA receives very few applications from black students. So if only 80 black students apply, then only 10 white applicants are accepted and money earmarked for training another 910 students remains unspent. When we first got involved in the learnership program we applied for 2 students - one white, one coloured. The white student was rejected and for three consecutive years we have re-applied on her behalf. She desperately wants to become a technology teacher, she has volunteered countless hours in the classroom, she is a born teacher, she has a genuinely disadvantaged background, she is clearly not a potential drop out (and the dropout rate on SETA learnerships averages 90%) - but racial profiling requires that we do without a technology teacher rather than have one who is the wrong colour.

Finally our most recent "gift" from the SETA was a grant of R6000 to our school for training an assessor. (Most teachers are already experienced in assessing students, but what the heck.) Guess what - there is not a single accredited training provider in our area who offers assessor



training. So we can't use the grant. What we really need, and what we asked for, is training for the mentor who oversees the learnership at our school - but that's not on offer.

With all these billions unspent, the ETDP SETA has at least found one way to dispose of funds. They hold lots of workshops. Their preferred method of communication is to hire a venue, fly a speaker down from Joburg, provide accommodation, a car and a powerpoint projector, lay on tea and lunch, and invite all 'stakeholders' to the party. But school administrators can't afford to spend time in workshops, so they don't go. So another workshop is held for those who didn't make the first one. At one workshop I asked why they don't just post us the information. Answer: The post is too unreliable. Next question: Why did you use the post to invite us to the workshop? Answer: I can't say, I'm only the workshop facilitator....

So where are we now? Where we once spent R20 000 a year on training, and got exactly what we wanted, we now spend another R20 000 on the SDL, wreaking havoc on our cashflow, increasing the cost of staff development by 40% and wasting countless manhours on red tape, phone calls and workshops.

Just another reason why government should butt out of business - and education!

Kind regards
Susan Keegan

Peter Carruthers
Servile Lackey

Seta apps for Small business

I have been in the training arena since 1981.

Our very successful small company is a Services Seta registered organisation, Proudly S African and is registered as an approved supplier to Eskom Ltd.

The only application that was relatively simple and easy was becoming a Proudly South African company (www.proudlysa.co.za).

It took months of work just trying to understand the process and the terminology, never mind completing the SETA Application. It then took the SETA over 12 months to decide to give us a provisional recognition!

The application is not a once off. It is an ongoing process of responses to request for more information and it does constitute an invasion of your intellectual property rights.

It is high time that the SETAs created simple easy to understand applications for small businesses and set down basic and simple guidelines for control of records.

Perhaps small business need to prepare an acceptable application form and submit it to the various SETAs as the acceptable norm.

(Luckily the SETA app prepared us for the Eskom Leadership Centre proposal.)

www.africa-dreams.com
trainers@africa-dreams.com



ADDENDUM B

An alternative interpretation of the current SETA system extracted from Petes Weekly. See Case # 2 below.

Entrepreneurship in Africa

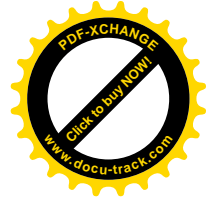
Two thoughts to share this week. Both humorous in their own way, and not designed to distress you, but rather to look at 2 opposing ends of the entrepreneurial spectrum in this fine country.

Case #1

On the one hand we have a new twist on taking your money away from you. It goes like this:

- An urgent client contacts you requesting a faxed quote on a product you sell.
- You request payment with order.
- This 'client' arranges a cash deposits into your bank account.
- Then faxes you the deposit slip - clearly indicating that it was a cash deposit.
- He chases you to confirm that you have received the fax.
- Then calls you to advise that he [and I cannot give you his name but if he has the initials J.J. then beware] has, in fact, found a 2nd hand version cheaper elsewhere, and would you be so kind as to refund his cash.
- Being the polite, honourable person that you are - you do this. Hey, it was cash!
- A few days later his cheque bounces, and your account is debited.
- His cheque? Indeed, because it appears that he may have an accomplice within the bank - or a clever way of altering the deposit slip.
- You head straight for the police who advise that they cannot help you get your money back because you need:
 - a name - and the one you have might not be the correct one
 - an address - and would you believe that the delivery address turns out not to exist, or is the local chapter of the South Africans for Llamas Association.
 - and the fax number is one of the myriad public faxing locations.
- So you add this non-tax deductible loss to the price of your PhD[SOHK] [I love acronyms, and so does the government, and if you haven't yet had your daily ration of red wine this one is *Doctor of Philosophy [School of Hard Knocks]*].

OK, so we know that the above is illegal, and if our villain was stealing bread from the local Spar he would probably already be in jail - or dead. But via this somewhat more entrepreneurial method, our villain is simply using the rules of the SA business game to get away with some unusual moves.



In future, may I suggest that you wait 10 days before doing the refund? If the banks can, so can you.

Case #2

And on the other hand we have an old twist on taking your money - but on a much grander scale.

Imagine that you were forced to enter into a contract to invest money each month. And in terms of that contract, you get 50% back to help you in your business - with the remaining 50% being used for the administration of the collecting firm, as well as to help all the other folk in SA who needed help.

And imagine that it would cost you about R5,000 to claim your money back because:

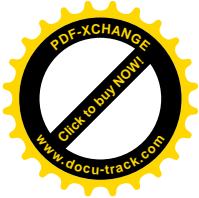
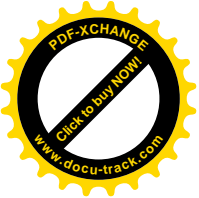
- You didn't know you could,
- And when you found out you could, you had to find out where to go to find out how to, because the rules are so complex , and are written in language that only an accountant or attorney could understand,
- And when you found out *where* to find out, you had to actually go there to get the information,
- Which you then needed to study to allow you to formulate the plan that you needed to submit,
- So that you could get 50% of your own money back

Still with me? Good, lets continue.

- Of course, you could pay somebody else to do this for you - but we're now talking about spending even more money.
- And since this is a pretty large firm, it often takes months to get an answer - let alone your money back.
- But the company tasked with disbursing all this money then finds it has a problem, because very, very few of its clients are actually claiming any money back, so it is sitting on a few billion rand that it doesn't quite know what to do with.
- So it assembles another committee tasked with finding out how best to spend this money.
- And that committee consults with all the experts in the field
- And finds ever more innovative and expensive solutions
- But doesn't consult with any of it's clients, like you.

And then, one day, some poor fellow trying to understand all of this - and battling because he isn't very bright - sees an answer that is so obvious that he cannot believe it, and holds back on sharing it because it is inconceivable that all the wonderful minds who created this amazing scheme haven't thought about it yet.

It's called SDL - Skills Development Levy. One Act to collect 1% of your payroll, and another Act to spend it. Only it's not going so well because not a single SME that I know of is actually claiming. Why?



Let's look at a simple example. My payroll is R100,000 per month [I wish] - which is R1.2million each year. the 1% SDL is R12,000. I can claim back R6,000 if:

- I submit - just once a year - a WSP [Workplace Skills Plan] detailing what I will be doing to train my staff - on the prescribed forms and in the prescribed manner to the prescribed office by the prescribed date.
 - Unfortunately, I barely know of the existence of this scheme because I am too busy keeping the Arctic wolves from my straw door
 - And the only place the prescribed dates appear is in one line on one page in a Government Gazette - which has more than 5000 pages each month
 - Which I don't have time to analyse.
- And I then train my staff in accordance with this plan
- But it's going to cost me a lot more in time and effort than this return justifies - and that's on a payroll of R1.2 million.
- Which means that it will only become worthwhile claiming if my payroll is above R2.4 million. I don't know too many businesses like that.
- Because most of us little guys - and that's about 80% of all businesses in this country - are way under the R1.2million figure. Which means we will never claim. Ever!
- Which means that Government is never going to get away from this terrible problem of collecting far more money from us than they are disbursing back to us.

The SETAs [Sectoral Education and Training Ass.] are sitting on more than R2billion, and SARS is collecting about R350million each month for them. And none of us can claim. Another way of playing the game with some unusual moves?

Although, now that I think about it, a wonderful form of protest would be for every single one of us to claim back the R143-50 per month that we are entitled to. That would sure help with the national job creation effort, because the SETAs would have to employ thousands more people to administer our 750,000 applications each year. Maybe I am stupid. *Maybe that's the plan?*

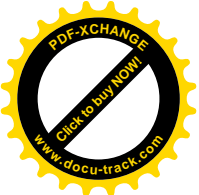
I looked at the figures last night, the SETA's have apparently succeeded in getting about 33,000 previously unemployable persons placed. That's about R600,000 per person. Or am I missing something?

February 8th, 2005 - Cape Town Airport, wondering why there isn't a hire car available this side of the Limpopo...

PS I am trying to make a difference by bringing all of this to the attention of some folk that might be able to change things, but I really need your support. Please consider joining the [Business Warriors](#). We need you.

So who is [Peter Carruthers](#)?

In 1992 I was forced to close my firm. In the process I lost everything that I had worked for until then - my home, my cars, my furniture, and a whole bunch of things we don't talk about much any more! In seeing how my banks and my business creditors behaved over the next 5 years as they tried to wring money out of places I didn't have, I developed an insane drive to share as many ideas as



I could, with as many business owners as I could. So that they wouldn't have these experiences in their futures. That's why this weekly ezine exists. There are more than 180 articles at the [Petes Weekly](#) web site, so please check it out.