

SKILLS DEVELOPMENT STRATEGY:

NEW FUNDING REGULATIONS AND HOW IT WILL IMPACT ON EMPLOYERS IN THE AGRICULTURAL SECTOR.

Employers with an annual payroll exceeding R500 000 is required by law to pay a 1% of payroll as a Skills Development Levy (SDL) to the South African Revenue Service (SARS). This is done on a monthly basis. Eighty percent of levies paid in this manner by employers in the agricultural sector are then transferred to the Agricultural Sector Education and Training Authority (AgriSETA).

Since the inception of the National Skills Development Strategy (NSDS) in 2010, employers were always able to claim 50% of the levy paid back as a mandatory grant provided they submitted acceptable Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs). However, on 3 December 2012 new funding regulations were promulgated for implementation as from 1 April 2013. The single biggest change in these regulations from earlier regulations is that the mandatory grant percentage drop from 50% to 20%. The additional 30% generated in this manner will now form part of the AgriSETA's discretionary fund taking this fund from 20% to 50%. (This is the fund from which approved training initiatives of our stakeholders are paid). In essence what this means is less is paid out for complying with the WSP/ATR and the pool of funds available to directly fund training initiatives in the sector grows drastically.

In monetary terms it means that where AgriSETA last year had approximately R90 million available in its discretionary fund, AgriSETA will in the new financial year have an estimated R150 million in this fund. We will now be in a position to approve much more applications from our stakeholders over a much wider spectrum of training interventions.

However, since the release of the new funding regulations, the following comments are common:

“If I can only get 20% back of the levy paid, it is not worth my while any more to complete the WSP/ATR!”

“My payroll is only R1 million a year. Therefore my levy is R10 000. In the past I could claim back R5 000 as a mandatory grant, now I will only be able to claim back R2 000. I'm just not interested anymore.”

“All that effort for so little? – forget it, I will just write it off!”

We have heard many such statements and many other similar statements. We believe that these are wrong. Over the years the AgriSETA has simplified the WSP/ATR process as much

as we can whilst still operating within the boundaries of the act. For employers with less than 50 employees, the WSP/ATR is even more simplified. AgriSETA's WSP/ATR is known amongst skills development facilitators to be the easiest to complete and submit.

A second reason why we believe statements like those above are wrong is that the new funding regulations makes it *compulsory* to submit the WSP/ATR if an employer wants to access the discretionary fund.

The third reason why it is wrong is that AgriSETA is now able to fund many more training initiatives because it now has a much bigger discretionary fund – and this should be good news to employers, agribusinesses, commodity organisations and our small scale farmers.

Finally, those statements are wrong because we simply need that information. Knowledge gained from WSP/ATR submissions enables us to understand our sector's skills development needs. It enables us to understand the different needs amongst various categories of employers, large vs small, primary agriculture vs secondary agriculture, provincial differences, differences between types of businesses, etc. It is through the WSP/ATR that we are able to prioritise our available funding and learning programmes.

What are the other important aspects of the new funding regulations?

Firstly, **80% of discretionary funds must be directed at PIVOTAL programmes.** The concept of PIVOTAL programmes needs to be addressed as it will be part and parcel of our skills development life. PIVOTAL is an acronym for Professional, Vocational, Technical and Academic Learning. Without discussing each of these concepts individually, it clearly refers to high level occupationally directed learning – not just some small short course but something that really contributes to the learner's full development. Whilst this is a requirement of the regulations, it is nothing new to the AgriSETA – you, the employer has always applied for training at AgriSETA within the definition of PIVOTAL, even before the acronym was coined. The following are most popular PIVOTAL learning programme types;

- Bursaries,
- Apprenticeships
- Internships
- Graduate placements
- Learnerships
- Selected skills programmes

Another very important requirement of the regulations is that **95% of the AgriSETA's discretionary fund must annually be contracted**. This is not only important but it is here where the incorrect perception is created that SETAs have huge accumulated funds. AgriSETA, annually, before the start of the new financial year will allocate **ALL** of its

estimated discretionary funds for the next year against approved applications. Once applications are evaluated, recommendations are made to the standing committee and ratified by the SETA's Accounting Authority; all projected funds have been allocated. If all approved projects are implemented, the SETA will theoretically remain with no excess funds at the end of a financial year. This sounds simple, but in practice it is not. Changes may have occurred in the period between application and approval which means the employer is for whatever reason not any more in the position to implement the training initiative applied for. The AgriSETA is not aware of such changes and the employer does not inform the SETA. The result is that at the end of the financial year some funds are committed (approved) but not contracted (implemented).

According to the funding regulations if the above results in less than 95% funds being contracted, the difference will simply have to be transferred to the National Skills Fund (NSF). If this happens, it will be a sad day for agriculture as AgriSETA is one of the smallest SETAs, our sector is in dire need of training interventions but still we transfer funds to the NSF! Surely this will be unacceptable! Therefore, as from the 2013/14 financial year we *urge* employers and training providers alike to work with us and to ensure that approved applications are immediately implemented. Alternatively if an approval cannot be implemented for whatever reason, let the SETA know so that it has time to reallocate it to another needs project.

Finally, **SETAs must focus its funds exclusively on public training providers**. This means that all funds must flow to state owned universities, universities of technology, further education and training colleges and (in our case) colleges of agriculture. This is not achievable as much of the training in the sector happens on the farm or at the premise of the business. Public providers are traditionally slow to respond and not mobile. AgriSETA is in discussions with DHET with regards to this requirement. We are however appealing to employers to source interns and graduates from the above mentioned institutions where possible – it will go a long way in assisting AgriSETA to meet this requirement. Remember as said in a previous article: *“let us make every workplace a training space”*.

In summary: how best can employers benefit from these new funding regulations?

- Even with the reduction in mandatory payment, still do it – it provides valuable research information to your SETA. It is in any case now a requirement to access the discretionary fund.

- Although AgriSETA is every year oversubscribed with applications, be aware that the discretionary fund increased drastically and provide employers with additional opportunities for participation in the grant funding system.
- Focus on those critical and scarce skills in your enterprise and don't engage in piecemeal training but attempt to fully develop employees (PIVOTAL).
- When receiving an approval, implement actively.
- Give young persons an opportunity to gain workplace skills – take on interns and graduates for a year. The AgriSETA will within its means pay the learners stipend on behalf of the employer.
- Work closely with your local FET colleges and Agricultural Colleges – start sourcing staff from these institutions.
- Make every workplace a training space.

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NATIONAL SKILLS DEVELOPMENT STRATEGY III

What is a PIVOTAL grant?

The new term that is being used more frequently is “PIVOTAL grant” or “PIVOTAL skills”. Although I spent some time on it in earlier articles and I make sure we discuss this term at as many forums as possible (e.g. our annual roadshow which is attended by more than 600 stakeholders in various provinces), it seems to remain a challenge. I will therefore dedicate this article to the PIVOTAL concept. I will provide as much detail as possible.

Definition

The word PIVOTAL is an acronym for Professional, Vocational, Technical and Academic Learning.

PIVOTAL is defined as “Professional, Vocational, Technical and Academic Learning linked to fully occupationally-directed qualifications. It normally starts at a college or university and would include supervised practical learning in a workplace.

Now let us analyse each of the terms above.

Professional: A professional is normally someone whose qualification and work is governed by a professional body established by the industry he/she is working in. Such a professional body is normally recognised by government. Obvious examples are medical doctors, engineers and chartered accountants.

Vocational: Relates to education designed to provide the necessary skills for a specific job or career (vocational education). However from a job perspective, it is a term for an occupation to which a person is specially drawn or for which he or she is suited, trained, or qualified. The most obvious examples are tradesmen. They enrol as apprentices and when qualified becomes an artisan which is a formal qualification. In our industry there are many such examples: electricians, tractor and diesel mechanics, plumbers, millwrights, etc. fitter and turners, etc.

Technical: Similar to vocational but does not necessarily lead to a formalised qualification (although it could as in the case of a wide range of technicians). . Some non-formal qualified technical staff is: an irrigation specialist, a grain grader or a forklift operator. It is normally an occupation you cannot “just walk in and learn as you go along” – you will require focused training to be able to execute the job.

Academic: All formal and most informal learning will normally include a component of academic learning. For purposes of this article it can mean “theoretical” learning.

Most forms of learning include a theoretical component. Within the context of NSDS III the AgriSETA refers to academic learning as high level learning and although not always possible, we try to apply it to formalised tertiary education or learning (universities and universities of technology). It is frequently applied to post graduate studies.

The focus is on apprenticeships, internships, workplace placement, work integrated learning and professional placement, but can include learnerships and skills programmes.

There is however one common thread – the concept of PIVOTAL skills are in practice applied to scarce and critical skills. Therefore in the AgriSETA context some general post school learning for which there is no urgent need in our sector will not be *treated* as a PIVOTAL skill for the simple reason is that in future PIVOTAL initiatives of our stakeholders will attract AgriSETA funding, which is limited. Just because some learning programme meets one of the above definitions of PIVOTAL, we need to be selective in order to channel our limited funding towards eradicating scarce and critical skill shortages, not simply fund some programme because it meets a definition.

Simply said; the PIVOTAL initiative attempt to bridge the gap between the world of learning and the world of work. How frequently do we find a young person with the right qualifications but no work experience or how frequently do we have to teach a qualified person how to do the job? It is the aim of the PIVOTAL initiative to build that bridge and make young people more employable.

Why is a good understanding of PIVOTAL so important?

Last year the Department of Higher Education and Training (DHET) published draft funding regulations which, amongst others, proposed that the mandatory grant reduce from 50% of the skills levy paid to 40% and that the 10% so created be used as a PIVOTAL grant. (This is relevant to skills levy payer, i.e. those enterprises with an annual payroll of more than R500 000). If those levy payers submitted annually to us a Workplace Skills Plan [planned training for the next year] and Annual Training Report [report on training done in the previous year], they qualified for a mandatory grant to the value of 50% of skills levies paid during the year. In the proposed funding regulations this mandatory grant will now reduce to 40%).

Whilst all expected the PIVOTAL grants to “kick in” on 1 April 2012, it has been delayed to 1 April 2013. PIVOTAL grants are in the form of 10% of the skills development levy paid and treated on a mandatory basis. Obviously, as discussed

before, all of these must be within the context of scarce and critical skills in the agricultural sector.

In conclusion

You will qualify for your PIVOTAL grant (and the AgriSETA may even pending the availability of funds top such PIVOTAL grant up) if;

- You create structured workplace exposure for a young person studying towards a qualification which is regarded as scarce or critical (information on scarce and critical skills is available from our website www.agriseta.co.za under the heading “skills planning”).
- You enrolled an apprentice and ensure that he/she is exposed to workshop for practical work.
- You allow a student who must do practical work as part of his/her qualification into your workplace to do such practicals (normally a requirement for students at agricultural colleges).
- You enrol a staff member or unemployed young person in a very specific learnership or skills programme with will ensure that such a person gain very specialised knowledge and experience which is needed in the industry. As per definition above, it is however a requirement that such learnerships and skills programmes must be linked to fully occupationally directed qualifications. It is therefore not all learnerships and skills programmes which will qualify.

There may be more examples of interventions which qualify for a PIVOTAL grant. As you and I learn more about the PIVOTAL concept, so we will broaden the definition. When enterprises apply for a PIVOTAL grant with their mandatory grant application we will treat each case on merit. It will however be AgriSETA’s approach to be as inclusive as possible.

Finally, the Minister of Higher Education and Training frequently states: “we must open up workplaces as places of learning”. The PIVOTAL initiative is in support of this plea.

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