Skills levy: discretionary grants require a rethink

In President Cyril Ramaphosa's 2019 State of the Nation Address (SONA), he stated; one of his "five most urgent tasks at this moment in our history" is improving the education system and developing the skills for the future.

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The 1% skills development levy has been established as a funding mechanism to help South African industry achieve this goal.

Sean Jones, from the Artisan Training Institute (ATI) has voiced concerns about the advantages the levy holds for industry. According to him, the financial and administrative deployment of the levy, as it currently stands, offers little direct benefit to industry and job creation.

Through the levy, employers make a 1% tax contribution to Sars which they can then claim back via the SETA's through mandatory and discretionary grants, acting as an incentive for industry to invest in training.

The Consulting Engineers South Africa (CESA) has been involved in one discretionary grant programme through the Construction SETA (CETA), geared at developing engineering candidates towards professional registration.

“We have found the system to be somewhat onerous especially when there is loss of continuity at the CETA or when a candidate changes jobs mid-programme and does not inform us of such movements, as this makes payment of the levy due to the mentoring company difficult to effect,” says Chris Campbell, CEO of CESA.

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Similarly, CESA’s member firms have applied for discretionary funding for bursary and candidacy programmes in the past. Again, Campbell points out that although there is a benefit, companies must comply with strenuous administration, and unless an adequate relationship with the respective SETA is in place, the repayment of claims is slow.

In a stagnant economy, a decrease in companies’ tax contributions has also resulted in a loss of leviable income. Thus, there is now less money in the pool, but an increasing need to upskill.

“Obtaining funding for education and training continues to be a challenge,” says Campbell.

The Construction SETA has been providing funding to CESA member firms, who have applied for bursaries and candidacy programmes for several years. Unfortunately, as he notes, only a few companies apply as they’re unwilling to deal with the administrative burdens.

“We support the need for the development of the artisan family that would be needed for the various infrastructure projects designed by our consulting engineering member firms. From CESA’s perspective, it remains crucial that the SETA systems be made less onerous so that companies are able to claim levy grants back,” says Campbell.

For all South Africans to benefit from the 1% skills levy, industry has to participate directly to establish their training and development needs. “In centralised models that are not transparent, we will see innovation constrained by skills development priorities that do not meet the future requirements for companies to remain competitive. The global business landscape is changing quickly. We need more participation and much more flexibility in our training and development ecosystems,” Jones concludes.