



Cape Peninsula
University of Technology

**THE CONSTRAINTS SMMES EXPERIENCE WHILST
ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE
W&RSETA**

by

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DECLARATION

I, Allison Hess, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed

Date

ABSTRACT

This thesis explores the barriers/constraints that the SMME may experience whilst attempting to recover their skills levies from the wholesale and retail SETA (W&RSETA).

Skills development legislation was introduced in South Africa to address the previous disparities in education and training. The Skills Development Levies Act (SDLA) of 1999 established the introduction of skills levies. The SDLA stipulated that all companies with an annual payroll in excess of R 500 000 would be required to pay skills levies to the South African Revenue Service (SARS). SARS then distributes the funds to the relevant sector education and training authority (SETA). The company would then have the option of recovering up to seventy percent of its skills levies, provided that it had implemented various skills development and training initiatives throughout the year. While larger companies may be more attuned in terms of recovering these levies, small, micro and medium enterprises (SMMEs) may experience difficulties in doing so.

The research design included a descriptive study of both qualitative and quantitative components. The investigation was conducted by interviewing twenty stakeholders within the wholesale and retail sector. The stakeholders were divided into two categories, namely SMMEs and the assistants to SMMEs.

The information was analysed within the context of the twenty stakeholders interviewed who were located in the Western Cape area and registered with the W&RSETA. The findings indicated that the main constraints that SMMEs may be experiencing whilst attempting to recover their skills levies from the W&RSETA included: a lack of understanding of the grant recovery system; lack of time; burdensome administration; a lack of finance; and a lack of *communication and support from the W&RSETA*.

This research would be a pilot study that would provide a basis for a future study which may seek to provide practical recommendations to policy makers both in government and the private sector, in terms of assisting levy paying SMMEs within the W&RSETA to recover skills levies.

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GLOSSARY

Annual Training Report (ATR)	This report reflects the education, training and development activities of the organisation that were implemented against the Workplace Skills Plan
Department of Education (DoE)	A governing body regulating education.
Department of Labour (DoL)	A governing body that publishes labour legislation and regulates labour practices and activities.
Education and Training Quality Assurance Body (ETQA)	A body accredited in terms of section 5 (1) (a)(ii) of the SAQA Act, responsible for monitoring and auditing achievements in terms of national standards or qualifications, and to which specific functions relating to monitoring and auditing of national standards or qualifications were assigned in terms of section 5 (1)(b)(i) of the Act.
Employment Equity Act (EEA)	A legislative framework prohibiting discrimination, ensuring equitable representation of black people, women and disabled persons.
Independent Skills Development Facilitator (ISDF)	An individual, who independently implements skills development strategies, on behalf of an organisation.
Levy paying enterprise	An enterprise with an annual payroll cost of more than R500000.00.
National Skills Bodies (NSB)	A body established to safeguard SAQA requirements and recommends registration of Unit Standards within each sector.
National Skills Development Strategy (NSDS)	The national skills development strategy has as its primary objective being the "prioritizing and communicating (of) critical skills for sustainable growth, development and equity". The NSDS was developed for the period 2000 to 2005.

National Skills Development Strategy II (NSDSII)	The second phase of the NSDS strategy, for the period 2005 to 2010.
National Skills Fund (NSF)	A fund established to fund national skills development initiatives that advance the development of critical and scarce skills.
National Qualifications Framework (NQF)	A framework that integrates education (theoretical learning) and training (practical application) that allows for life-long learning by means of the development of knowledge and skills as learners learn to competently apply the knowledge.
(NGO)	Non governmental organisation.
Non Levy paying enterprise	Small Medium and Micro Enterprises (SMMEs) exempt from paying levies as it has an annual payroll of less than R500000.00
Quality Councils (QCs)	Structures responsible for executive authority of standards generation and quality assurance of qualifications, provision of learning and learning achievements.
Quality Council for Trades and Occupations (QCTO)	Oversees the delivery and assessment for trades and occupational competence and is accountable to the Minister of Labour. Also coordinates and streamlines the ETQA functions of SETAs and takes over responsibility for identified shared services relating to trades, occupations and skills which cut across economic social sectors.
Sector Education and Training Authority (SETA)	A body responsible for organizing education and training programmes within a specific sector. The SETA focuses on the enhancement of skills and bringing skills to the employed or those aspiring to be employed in a sector.
Sector Skills Audit (SSA)	Research conducted to determine the current and future skills in a particular sector and highlights skills gaps.

Sector Skills Plan (SSP)	Sets out a sector's profile by detailing trends in the sector; identifying skills that are in demand; priority skills that need to be developed; as well as future needs and initiatives.
Skills Development Act (SDA)	A legislative institutional framework that implements national, sector and workplace strategies to develop and improve the skills of the South African workforce.
Skills Development Facilitator (SDF)	An individual mandated by the organisation to implement a skills development strategy, come up with the Workplace Skills Plan, an Annual Training Report and submit these to the SETA. The individual is registered with the SETA as a representative of an organisation on matters of the Skills Development Act and Skills Development Levies Act. The SDF can also serve as a resource on NQF related matters.
Skills Development Levies Act (SDLA)	A legislative institutional framework governing the payment of skills levies.
Small Medium and Micro Enterprises (SMMEs)	Companies that employs less than 200 employees, is tax-registered, may operate from business or industrial premises and meet other formal requirements.
South African Qualifications Authority (SAQA)	Ensures standards of education within its field/area/sector are of a consistent high standard that enhances the quality of learning and contributes to the full personal development of each learner.
South African Revenue Service (SARS)	Established by legislation to collect revenue and ensure compliance with tax law.
Wholesale and Retail Sector Education and Training Authority (W&RSETA)	Responsible for the facilitation of skills development within the wholesale and retail sector.

Workplace Skills
Plan (WSP)

A plan that makes provision for the training and development of the organisation for all employees by setting specific targets for training, and is to be submitted to DOL annually.

CHAPTER ONE

INTRODUCTION TO THE RESEARCH STUDY

1.1 Background to the research problem

South Africa (SA) has evolved from a history of oppression based on previous ideologies of apartheid to a young democracy. This oppression is particularly evident in the previous education system. The Congress of South African Students (1984) best summarises the previous education system as: "The education we receive is meant to keep the South African people apart from one another, to breed suspicion, hatred and violence, and to keep us backward. Education is formulated so as to reproduce this society of racism and exploitation".

Prior to 1994 there was discrimination in the allocation of resources, unequal distribution of resources, inadequate resources, unfavourable educational environment (unstable family life, inadequate living conditions, no job prospects) and a failure to supply the skills needed by the South African economy (Barker, 2007:218). The inability to enter the formal market has resulted in the development of an informal business sector.

Evidence of this discriminatory system shows an unstructured small business sector with little or no investment in human resources. The consequence is limited survival or growth of the business and the maintenance of a system of inequity (South Africa, 1995:7).

Further evidence of this discriminatory system is reflected in the inheritance of big business domination, constrained competition and the unequal distribution of income and wealth (South Africa, 1995:7; Maas & Herrington, 2007:7). The result is seen in the imbalances between larger and smaller companies.

The SA government introduced various skills development legislation in response to the unstructured small business sector and limited investment in human resources. In addition to correcting the imbalances of big business domination, constrained competition and an unstructured small business sector, the skills legislation also aimed to address the earlier disparities in education and training (Barker, 2007:218).

The development of the small business sector is thus seen as an important means to: generate employment and more equitable income distribution; to increase competition; exploit niche markets (both nationally and internationally); enhance productivity and technical change; and through all this stimulate economic development (South Africa, 1995:7; Maas & Herrington, 2007:7). Considering that the small business sector is said to generate employment, increase competition and stimulate economic development, concentrating on the sector is of grave importance. If the sector is given the appropriate support and assistance, then evidence of success will be seen in a decreased unemployment rate; a more equitable income distribution; increased globalisation; and a stimulated economy over a period of time.

The skills development legislation introduced by the SA government in response to the unstructured small business sector and limited investment in human resources included the introduction of the National Qualifications Framework Act (NQF) of 2008, the Skills Development Act (SDA) of 1998, and the Skills Development Levies Act (SDLA) of 1999, as well as various structures supporting the legislation.

The NQF Act of 2008 provided for: the National Qualifications Framework; the responsibilities of the Minister of Education and the Minister of Labour; the establishment of the South African Qualifications Authority (SAQA); Quality Councils (QC); and repealed the previous South African Qualifications Authority Act (SAQA) of 1995 (South Africa, 2008:2). The SDA of 1999 sought to enhance the skills levels of employees by providing a framework for training to take place within the workplace (South Africa, 1998:8). Where the SDLA of 1999 provided a means to fund the training. Companies with an annual payroll in excess of R 500 000 is required to pay a compulsory skills development levy of one percent of its total payroll cost to the South African Revenue Services (SARS). SARS collects the levies on behalf of the Department of Labour. Eighty percent is paid to the relevant Sector Education and Training Authority (SETA), and the remaining 20 percent to the National Skills Fund (NSF) (South Africa, 1998:30). The enterprise would then have the opportunity to reclaim up to 70 percent of its skills levies from the SETA, provided that it had implemented various skills development and training initiatives.

The success of this initiative depends firstly, on companies designated by their annual payroll paying the skills levy to the relevant SETA. Secondly, all companies complying with the legislation has to develop a workplace skills plan detailing the planned training for the year, submit this to the SETA and access the relevant funds at this point. Thirdly, the company has to complete the annual training report and

access the balance of the funds. Larger enterprises by the nature of its infrastructure may have the appropriate attitude to, knowledge of and skills to recover these skills levies. However, small, medium and micro sized enterprises (SMMEs) for a range of reasons may comply with the first two steps but often experience difficulties in recovering the skills levies.

The difficulties experienced by SMMEs whilst attempting to recover skills levies may be due to internal and external constraints. Internal constraints experienced by the SMME includes a deficit in the level of skills of management and employees in the business; the limited size of the SMME; the underdeveloped strategic objectives of the SMME; the financial status of the SMME; and the failure to make effective use of *technology*. *External constraints experienced by the SMME may refer to the SMMEs access to market opportunities in terms of globalisation, start up, competition and access to suppliers and markets; legislation; as well as socio economical factors such as HIV/AIDS and crime.*

The NQF system established within the framework of the NQF Act of 2008 sought to correct the previous imbalances in education and training. The NQF is the result of the Department of Education (DoE) and the Department of Labour (DoL) working together in an attempt to correct the previous imbalance in education and training. The NQF integrates education (theoretical learning) and training (practical application). The system was founded internationally on the principle of an integrated approach to education and training. It does not exclude any level or area of learning and encourages opportunities for life-long learning, allowing the development of knowledge and skills as learners learn to competently apply the knowledge (South Africa, 2007:3). This learning is given formal recognition in the NQF and through continued learning learners can progress on the NQF. Ultimately, this increase in knowledge and skills may produce a more competent sector and also address issues of equity within the workplace.

A number of governmental support structures were developed to ensure the successful implementation of the NQF. One such structure was the National Skills Development Strategy (NSDS). The NSDS sets national targets for sector education and training authorities (SETAs). One of the national targets set by the NSDS is to ensure that skills development takes place in at least 40 percent of levy paying SMMEs. Each sector in SA is represented by a SETA which focuses on the enhancement of skills and bringing skills to the employed or those aspiring to be employed in the sector. SETAs were required to align their targets to those targets

set in the NSDS. The NSDS also requires that the W&RSETA provides support and measures the impact of this support provided to the SMME.

The wholesale and retail sector hosts the greatest number of formal SMMEs and is the third largest sector in the South African economy. It contributes roughly 15 percent to the national GDP and accounts for 24,1 percent of total employment (including self-employment). There are over 84 000 registered enterprises and 749 500 informal businesses in the sector ranging from very large organisations to SMMEs (South Africa. Department of Labour, 2006:4).

One of the ways in which the W&RSETA provides and measures this support, is by allowing SMMEs (that has implemented various skills development initiatives) to reclaim a portion of their skills levies paid over to the SETA. However, of the 8 269 levy paying SMMEs registered with the W&RSETA in SA in 2007, 4 005 (48.43%) SMMEs attempted to recover their skills levies from the W&RSETA (South Africa. Department of Labour, 2007:19). This could present a potential problem for the W&RSETA as it may fail to meet the NSDS target of ensuring that skills development takes place in at least 40 percent of levy paying SMMEs.

In conclusion, after 1994 the democratic government of SA was faced with the consequences of an apartheid history. This included the inequalities in education and training, an inheritance of big business domination, constrained competition and the unequal distribution of income and wealth resulting in an unstructured small business sector. The SA government responded to these inequalities by introducing various skills development legislation such as the SDA of 1998 and the SDLA of 1999 along with various supporting structures.

1.2 Main research problem

Due to the previous imbalances of big business domination, constrained competition, disparities in education and training and an unstructured small business sector between larger and smaller enterprises, the South African government had introduced various skills development legislation in an attempt to correct some of these imbalances.

As a result, the SDLA of 1999 was introduced. The act specified that enterprises with an annual payroll in excess of R 500 000 would be required to pay a skills development levy of 1 percent of its total payroll cost to the SARS. SARS would then

collect the levies on behalf of the Department of Labour and pay 80 percent to the SETA where the remaining 20 percent would be paid to the National Skills Fund (NSF) (South Africa, 1998:30). The enterprise would then have the opportunity to reclaim up to 70 percent of its skills levies from the SETA, provided that it had implemented various skills development and training initiatives. While larger enterprises are more easily able to recover these skills levies, SMMEs often experience difficulties in doing so.

The main problem that this study will address is that while the SMME has the option of recovering up to 70 percent of their skills levy, many fail to recover these levies. This failure could be attributed to internal or external factors constraining the SMME from doing so.

The key question is: What barriers and/or constraints do levy paying SMMEs experience whilst attempting to recover skills levies from the W&RSETA?

Given the fact that the wholesale and retail sector hosts the greatest number of formal SMMEs and is the third largest sector in the South African economy, the research study focuses on SMMEs within the wholesale and retail sector.

1.3 Objective of the research

The main objective of the research question is to determine the barriers and/or constraints levy paying SMMEs experience whilst attempting to recover skills levies from the W&RSETA.

Ultimately, the study could be used as a pilot to alert the W&RSETA about the constraints experienced by SMMEs whilst attempting to recover skills levies, to enable it to provide the necessary support. This may contribute to the successful implementation of SMME assistance projects to allow the W&RSETA to meet the national skills development strategy (NSDS) target of ensuring that skills development takes place in at least 40 percent of levy paying SMMEs.

The provision of insight to the constraints that may impede SMMEs from recovering skills levies, would allow the W&RSETA to develop projects that takes into account the unique requirements of the SMMEs.

1.4 Research design and methodology

This is a descriptive study with both quantitative and qualitative components. Data will be collected by means of semi-structured interviews and previous literature that addresses the objective of the study. Respondents will be invited to participate and will be informed that their response is confidential.

A purposive sample of key stakeholders including 10 SMMEs, 8 SDFs and 2 employees of the W&RSETA working with SMMEs will be used. The quantitative data will be entered and analysed in a Microsoft Excel package.

The main reason for this selection of the research design is that previous literature had predominantly focused on the general constraints of SMMEs, thus neglecting to investigate the day-to-day happenings within the SMME. The selected research design would ultimately investigate the day-to-day happenings within the SMME as key stakeholders, such as SMME owners are interviewed.

Conclusively, the qualitative and quantitative data collected from the previous research and the interviews, would be analysed in terms of thematic representations to support the research problem.

1.5 Demarcation of the study

The target population of the study would be restricted to stakeholders within the W&RSETA in the Western Cape Province. There are over 84 000 registered enterprises in the wholesale and retail sector ranging from more than 50 very large organisations to tens of thousands of SMMEs. SMMEs represent 99 percent of the employers in the wholesale and retail sector (South Africa. Department of Labour, 2006:4).

For the purposes of the study, the following stakeholders within the W&RSETA have been identified:

- levy paying SMMEs as they are directly impacted by the payment and recovery of skills levies;
- employees of the W&RSETA who works specifically with SMMEs as they are in daily contact with the SMME;

- members of governmental SMME support programmes, such as the Small Enterprise Development Agency (SEDA) as they provide assistance to SMMEs; and
- skills development facilitators within the W&RSETA contracted to SMMEs, as they would implement the business's skills development strategy and serve as a resource on skills development related matters.

1.6 Limitations of the research study

The sample size and selection may be a limitation. Contact details of skills levy paying SMMEs are not readily available to the public. Governmental subsidiaries such as the W&RSETA and the South African Revenue Service (SARS) have undertaken an oath of confidentiality restricting them from releasing the SMMEs contact details.

A further limitation may be the reluctance from SMMEs and skills development facilitators to divulge information. SMMEs may not trust that the information given would remain confidential. Skills development facilitators may fear that the researcher may attempt to obtain their client base.

1.7 Significance of research

The research would be a pilot study that would provide a basis for a future study which may seek to provide practical recommendations to policy makers both in government and the private sector in terms of assisting levy paying SMMEs within the W&RSETA in recovering skills levies.

The research will illustrate the external and internal constraints that SMMEs experience whilst attempting to recover skills levies from the W&RSETA.

The W&RSETA would benefit from the study as it would be better equipped to meet the NSDS target of ensuring that skills development takes place in at least 40 percent of levy paying SMMEs as projects would be tailored to meet the specific needs of the SMME.

Considering that the W&RSETA projects would be tailored to the SMME's needs, the study would also be beneficial to SMMEs as it would assist them in enhanced implementation of skills development initiatives. Accordingly, the overall skills levels

within the SMME would improve which could lead to increased productivity of the business. The researcher may also provide a practical guideline to the small business sector in terms of recovering skills levies from the W&RSETA.

1.8 Overview of chapters

- Chapter 1: Outlines the basis of the research, which introduces and provides a background to the research problem. Chapter 1 also sets out the objectives, research design and delineation of the research study.
- Chapter 2: The literature review initially provides a background to skills levies and SMMEs *within the wholesale and retail sector*. The chapter then goes on to discuss the internal and external factors that may have an impact on the SMMEs attempt to recover skills levies from the W&RSETA.
- Chapter 3: The research design and methodology in terms of answering the research question is discussed.
- Chapter 4: Presents the results of the research.
- Chapter 5: Discusses and concludes the findings presented in Chapter 4.
- Chapter 6: Provides relevant recommendations as per the findings discussed in Chapter 5.
- Chapter 7: Provides a brief overview of all chapters.

1.9 Summary

This chapter has given a background to the research problem by showing the importance of the small business sector to the South African economy. The chapter then goes on to discuss the main research problem in terms of the barriers and/or constraints levy paying SMMEs experience whilst attempting to recover skills levies from the W&RSETA. The limitations and the demarcation of the study are briefly addressed. The research methodology highlights the method of the study, and finally, the significance of the study highlights the importance of the study to various stakeholders. Chapter 2 will discuss the literature relevant to the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter introduces skills levies by firstly providing an international and then a South African background to the system. The South African background to the system provides an overview of the operation of the system and discusses the various supporting structures developed to ensure the effective implementation thereof.

External factors impacting the SMME is examined in terms of globalisation, the constraints experienced on start up, competition, the SMME's accessibility to markets, legislation and the impact of socio economical factors.

Thereafter, the internal factors that may impact the SMME whilst attempting to recover skills levies are outlined. These internal factors include the skills levels within the SMME, the size of the SMME, the strategic objectives of the SMME, finance and technology.

Finally, the chapter is concluded by providing a summary on the literature discussed.

2.2 Skills levies

In order to comprehend the complexity of the research problem, the constraints that SMME's experience whilst attempting to recover skills levies from the W&RSETA, it is crucial to provide an overview of the international as well as the South African background to skills levies.

2.2.1 International background

In 1985 the United Kingdom reviewed the vocational qualifications in England and Wales. The main findings included that there was no national system of vocational qualifications and that qualifications that had currently existed had evolved rather than been designed. Consequently, a reliable; consistent; and well structured system that would recognise people's current skills and that would allow for the upskilling of

the workforce was required. As a result the National Council for Vocational Qualifications (NCVQ), now known as the Qualifications and Curriculum Authority (QCA) was established. Employers had agreed on common standards for all occupations within their industries where training providers developed their own training programmes with no regard for the needs of the industry. This had resulted in a disparate of qualifications of inconsistent value and not geared towards the changing needs of the individuals, industry or country. Due to the arising need of flexible, comprehensive and nationally recognised qualifications, the National Vocational Qualifications (NVQs) was subsequently created (Anon, 2005:10). Smith, Smith, Pickersgill and Rushbrook (2006) add that the number of awarding bodies complicates the system.

Conversely, New Zealand introduced the New Zealand Qualifications Authority (NZQA). The NZQA was established in 1990 and provided an overarching role in quality assured qualifications in New Zealand. The authority works in partnership with all education providers and national groups representing education and training in industry, excluding school curriculum or funding for education and training (Anon, 2005:12).

Australia's National Vocational Education and Training system (VET) system is more closely aligned to the NZQA implemented in New Zealand. The system takes into account the industry's needs by providing a high level of nationally consistent quality VET standards. The VET system ensures that Australians are equipped with the necessary skills to compete in a global environment by continuously improving the system. The Australian Quality Framework (AQTF) is a single coherent framework for qualifications from Senior Secondary Certificates through to Doctoral Degrees. The framework promotes life-long learning and all qualifications are nationally recognised (Anon, 2005:13). Companies are increasing the amount of training by utilising nationally-recognised training. There are several government incentives as well as additional funding available for equity groups that businesses may utilise to train their workers (Smith *et al.*, 2006).

Internationally, payroll levies is one of the most common techniques used to generate finance for training. However, in developing countries government budgets often amount to an unreliable source of financing training systems. As a result, the contribution of both employers and trainees should be increased in order to finance the training system (Dar, Canagarajah & Murphy, 2003:1). McGrath and Badroodien (2006:488) highlights that within many cases in South Africa, such as the levy-grant

system, the international experience was often gained through study tours by South Africans rather than through the reliance on international consultants. Furthermore, the system may be more effectively utilised in the formal sector than in the rural or informal sectors within SA (McGrath & Badroodien, 2006:488). Following, is a background to the introduction of skills levies within the South African context.

2.2.2 South African background to the introduction of skills levies

In South Africa, one of the scars of apartheid is evident in the unequal educational levels of different race groups. Van Rooyen (2005) maintains that skills shortages remain one of the biggest challenges in South Africa as it leads to a loss in foreign investment; low productivity; and an increase in unemployment levels. Nicol (2006:6) adds that in order for South Africa to compete globally, attract investment, eradicate poverty and enable individuals and communities to grow, the previous education system had to undergo a transformation process which would recognise people's knowledge and experience that had been acquired informally where access had been previously denied; make access to education available to all in a flexible and enabling manner; and establish and maintain nationally recognised standards.

The South African government, through legislation intervened in order to correct these imbalances in educational and training levels as well as skills shortages. Following is an overview of this government intervention in education and training in South Africa.

Firstly, the government introduced legislation such as the Skills Development Act of 1998 (SDA), the Skills Development Levies Act of 1999 (SDLA) and NQF Act of 2008. The NQF Act of 2008 provided for the development and implementation of a National Qualifications Framework (NQF), where the SDA provided a framework for skills development within the different economic sectors in South Africa. However, due to the lack of resources among sectors to finance training, the government had intended to finance a SETA from the skills development levies collected from businesses within its sector (South Africa, 1998:18). Given that the SDA provided a framework for training to take place in the workplace, finance was required to fund this training. Consequently, the SDLA had introduced a compulsory levy scheme to fund education and training in the workplace. The SDLA specified that enterprises with an annual payroll in excess of R500 000 would be required to pay a skills development levy of 1 percent of its total payroll cost to SARS. With the Department of Labour generating R3 billion per annum for skills development through its levy grant system, a non levy

paying SMME may still benefit from various training interventions offered by the SETA.

As specified in the SDLA, SARS would collect the levies on behalf of the Department of Labour and pay 80 percent to the relevant SETA, and the remaining 20 percent to the NSF (South Africa, 1998:30). The company would then have the opportunity to reclaim up to 70 percent of its skills levies from the SETA, provided that it had implemented various skills development and training initiatives. Figure 2.1 demonstrates the distribution of these skills levies.

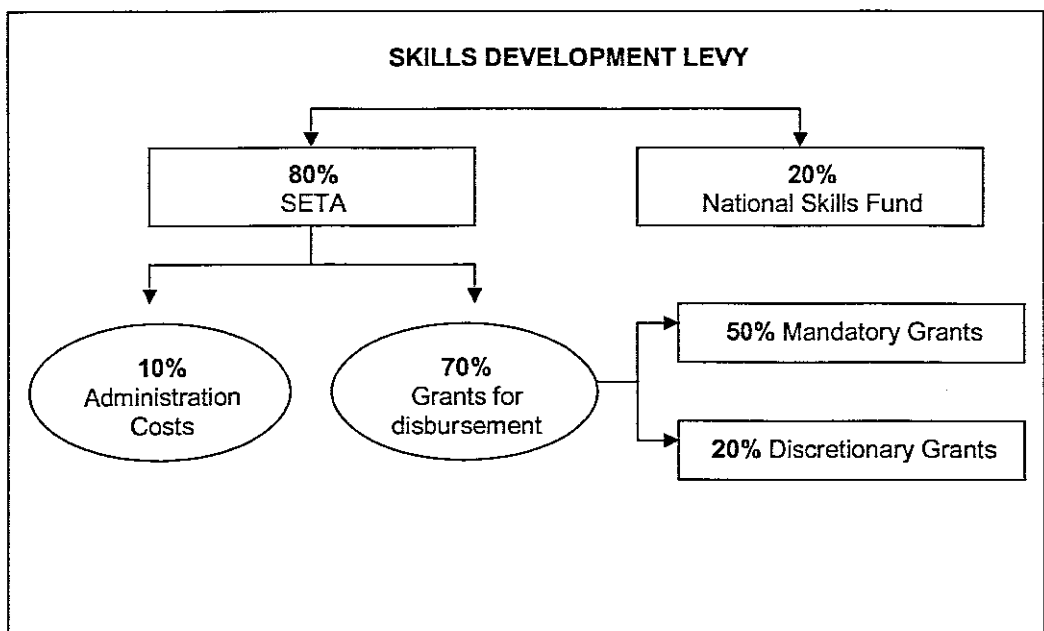


Figure 2.1: Skills levy disbursement

(Adapted from Nicol, 2006:16)

Companies are able to recover a maximum of 50 percent of its total levy payment in the form of a mandatory grant by complying with criteria in accordance with the Skills Development Act of 1998. The stipulated criteria to recover this mandatory grant includes the annual submission of a workplace skills plan (WSP) reporting on planned training interventions, as well as the submission of an annual training report (ATR) reporting on completed training interventions. A SETA may however out of the surplus monies collected by SARS, allocate funds to employers and other associations or organisations in the form of discretionary grants (Nicol, 2006:16).

In order to access these discretionary grants, the employer, association or organisation may have to complete and submit a funding application in the prescribed form within the predetermined cut-off period for consideration and approval by the SETA (South Africa. Department of Labour, 2007:61).

Consequently, skills levies obtained by means of Skills Development Levies Act of 1999 benefits the industry by contributing towards a skilled labour pool for future employment, which in turn triggers economic growth.

Furthermore, the NQF Act of 2008 had introduced the NQF system which had integrated education (theoretical learning) and training (practical application). This meant that the department of education and the department of labour had to work together to develop an integrated approach to education and training within the workplace. Figure 2.2 demonstrates this integration in terms of education and training between the department of education and the department of labour.

Further evidence of the DoE and the DoL working together to provide an integrated approach to education and training is seen in the introduction of the South African Qualifications Authority (SAQA), introduced by the department of education and various legislation introduced by the department of labour.

The NQF system supports integration by recognition of all levels and areas of learning whilst providing opportunities for life-long learning and promoting the development of knowledge and skills as learners apply the knowledge in a work environment (South Africa, 2007:3). Whilst the NQF had initially been introduced to deal with the legacies of job reservation and discriminatory training practice by implementing a fully integrated learning system in both institutional and workplace contexts, the system was found to be complex and difficult to understand (South Africa, 2007:4).

Consequently, a process of assessing the effectiveness of the implementation of the NQF was initiated in 2001. The purpose of the assessment included: the simplification of the NQF apparatus making it more efficient and responsive to the needs of the country; addressing the allocation of responsibility; and resolving tensions among important role players whilst upholding the objectives of the NQF.

The revised NQF was based on ten levels. The ten levels allows for the proper scope of the full range of qualification types in the education, training and the skills development system, whilst taking into account international comparability. In order to ensure that all learners receive the same standard and quality of learning, it was necessary to introduce various supporting structures within the framework of the NQF system.

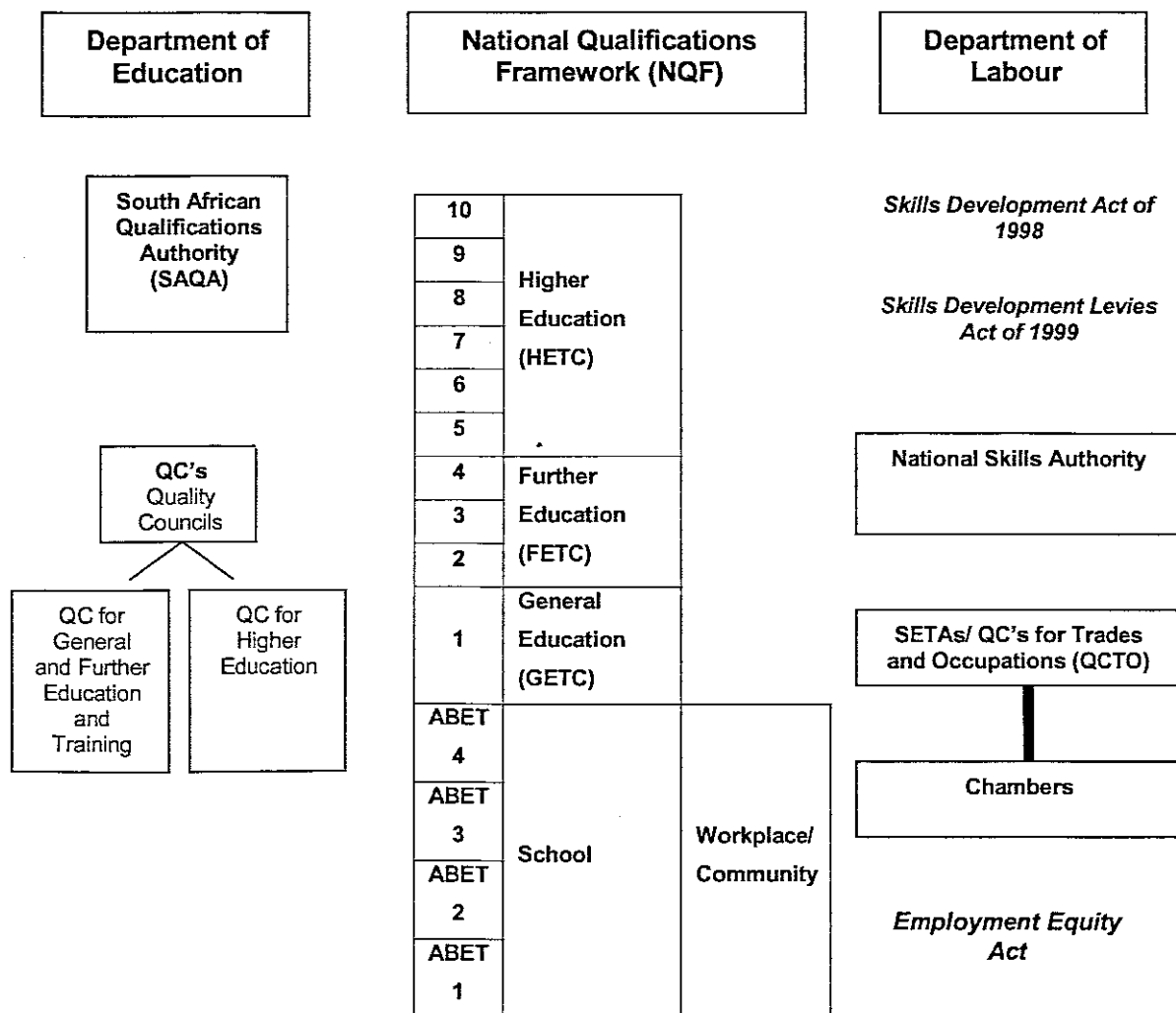


Figure 2.2: Skills Development Structure

(Adapted from Nicol, 2006:16)

These supporting structures saw the development of the SAQA, Quality Councils (QCs); the National Skills Authority; and SETAs.

SAQA ensures that the standards of education registered on the NQF within its field/area/sector are of a consistently high standard which enhances the quality of learning and contributes to the full personal development of each learner (Nicol, 2006:7).

SAQA, 2000d:3 claims that *“survival in the global marketplace demands that South Africa has a national education and training system that provides quality learning, is responsive to the ever-changing influences of the external environment and promotes the development of a nation that is committed to lifelong learning.”*

Consequently, if South Africa wants to compete globally, then quality education and training has to be provided to the economy.

SAQA oversees the development and the implementation of the NQF by assigning QCs responsible for monitoring and auditing achievements in terms of national standards developed within its sector.

The QCs are responsible for executive authority for standards generation and Quality Assurance of qualifications, provision of learning and learning achievements. There are three QCs, namely: General and Further Education and Training; Higher Education; and Trades, Occupations and Professions (South Africa, 2008:6).

The Quality Council for Trades and Occupations (QCTO) spans all levels of the NQF whilst overseeing the approaches to delivery and assessment for trades and occupational competence and is accountable to the Minister of Labour. The QCTO is also responsible for coordinating and streamlining the functions of SETAs and taking over the responsibility for identified shared services relating to trades, occupations and skills which may cut across economic social sectors (Mdladlana, 2007).

Additionally, the department of labour had placed pressure on industry to train and up-skill the workforce by introducing and enforcing legislation such as, the Employment Equity Act (EEA) the SDA of 1998 and the SDLA of 1999. Companies were required to provide evidence showing that they are training their employees and that the trained employees are being assessed against registered unit standards for national qualifications. The QC for trades and occupations monitors this training within the field of each SETA.

The NSDS developed within the scope of the SDA sets national targets for the SETAs with the main objective being to ensure that critical skills are prioritised and communicated, thereby ensuring sustainable growth, development and equity. With the NSDS having commenced in 2000, in March 2005 the NSDS II entered its second phase with targets having been set for March 2010 (Nicol, 2006: 13).

A SETA may be established at the discretion of the Minister of Labour. The SETA would include a constitution for any national economic sector, whilst taking the following into account: the scope of any national strategies for economic growth and development; and the financial and organisational ability of the proposed sector to support the SETA (South Africa, 1998:14).

The SETA would focus on the enhancement of skills and bringing skills to the employed or those aspiring to be employed in the sector. South Africa (1998:14) summarises the SETAs duties as:

- developing and implementing a sector skills plan (SSP) aligned to the NSDS. The implementation of the SSP may include establishing learnerships, approving WSPs, and allocating grants to employers, employees and education and training providers;
- collecting and disbursing the skills development levies in its sector;
- liaising with the National Skills Authority (NSA) on the skills development policy, strategy and SSP; and
- reporting to the Director General on – its income and expenditure as well as on the implementation of its SSP.

Conclusively, the SA government had introduced various legislation in an attempt to address the past imbalances in education and training within the workplace. The legislation included the NQF Act of 2008, the SDA of 1998 and the SDLA of 1999. As a result, companies with an annual payroll cost in excess of R 500 000 were required to pay skills levies. These skills levies were used to fund training interventions within a particular sector. Subsequently, various structures supporting the legislation were instituted to ensure that quality training and education was provided and that skills levies were being correctly disbursed. The introduction of this legislation provided SMMEs with the opportunity and means for training to take place within the company.

2.2.3 Summary

The background to skills levies in South Africa highlighted the importance of the introduction of a new educational system in an attempt to correct past discrimination in education and training, allowing the small business sector to access education and training opportunities. This required the departments of education and labour to develop an integrated approach to education and training in South Africa. The NQF system emerged which had allowed this integration of learning and workplace skills application to take place.

The next section introduces small, medium and micro sized enterprises (SMMEs) within the wholesale and retail sector.

2.3 Background to small, medium or micro sized enterprises (SMMEs) within the wholesale and retail sector

In order to place the literature within the context of the research problem, a background to SMMEs within the wholesale and retail sector is required. Firstly, the SMME's role within the economy is discussed, thereafter the importance of levy paying SMMEs within the W&RSETA is discussed. Finally, the rapport between the SMME and W&RSETA is examined.

A SMME may be defined as a business employing less than 200 employees, is registered with SARS and meets other formal requirements. Small businesses within the wholesale and retail sector are subdivided into the following four categories:

- Medium sized businesses employ less than 200 full-time employees with annual sales totalling less than R 50.00m.
- Small sized businesses employ less than 50 full-time employees with annual sales totalling less than R 25.00m.
- Very small sized businesses employ less than 10 full-time employees with annual sales totalling less than R 5.00m.
- Micro sized businesses employ less than 5 full-time employees with annual sales totalling less than R 0.15m.

Small businesses play a crucial part in terms of employment generation, increased competition and the enhancement of productivity in any economy. This is particularly evident in the wholesale and retail sector. The wholesale and retail sector hosts the largest number of SMMEs, contributes roughly 15 percent to the national GDP, and accounts for 24,1 percent of the total employment within the economy (South Africa. Department of Labour, 2006:4). Consequently, small businesses within the wholesale and retail sector may create employment and simultaneously stimulate competition and productivity in the economy.

2.3.1 The role of SMMEs within the economy

Internationally, SMMEs play a critical role in absorbing labour, penetrating new markets and expanding economies in creative and innovative ways (Basson, 2003:2).

The critical role which SMMEs play internationally in absorbing labour, penetrating new markets and expanding economies is also crucial within the South African context. This is in view of the fact that it has inherited an economy of big business

domination, constrained competition and the unequal distribution of income and wealth. This inheritance was the result of the discrimination in the allocation of resources, inadequate resources, unfavourable educational environment (unstable family life, inadequate living conditions, no job prospects) and a failure to supply the skills needed by the South African economy prior to 1994 (Barker, 2007:218).

Mears and Theron (2006:25) supports the viewpoint of the critical role which SMMEs play within the economy by explaining that the promotion of SMMEs remains important given the fact that South Africa's economy is largely driven by SMMEs. Conversely, Strydom- (2005:18) is of the opinion that despite voluminous research, the extent to which South African SMMEs contribute to poverty alleviation, economic growth or international competitiveness is still largely unclear. These conflicting views are an indication of the current state of misapprehension of SMMEs within SA. Therefore, in order to fully comprehend the extent of the impact of SMMEs on the South African economy, extensive research on the small business sector is of grave importance.

The small business sector is seen as an important means to: generate employment; ensure more equitable income distribution; increase competition; exploit niche markets (both nationally and internationally); enhance productivity and technical change; advance black economic empowerment and through all this stimulate economic development (South Africa, 1995:7; Maas & Herrington, 2007:7). Consequently, if greater focus is made on the small business sector, then there may be a reduction in unemployment, increased competition and productivity.

Currently, the small business sector contributes significantly to employment generation. The sector absorbs about a quarter of the labour force of 15 million people in addition to about 3.5 million people in some type of survivalist enterprise activities with formal SMMEs employing an average of 7.2 people compared with 0.8 people employed by informal or unregistered SMMEs (Strydom, 2005:18).

The small business sector composes of various types of businesses. Von Blottnitz (2007:45) found that 58 percent of the small business sector is made up of those pursuing a business opportunity, where 42 percent are survivalist entrepreneurs. A survivalist entrepreneur started his/her business with the intention of financing their basic needs in terms of food, clothing and housing. The sector plays a crucial role to these survivalists in terms of meeting basic needs and assisting marginalized groups (female heads of households, disabled people and rural families) to survive, where

the current formal economy is unable to absorb the increasing labour supply and social support systems are grossly inadequate (South Africa, 1995:5). Accordingly, it may be more beneficial to generate employment within the SA economy by giving more attention and support to the informal survivalist enterprises.

Mears and Theron (2006:21) introduces a further view in terms of the composition of the small business sector by describing it as a continuum. Small innovative entrepreneurs responding to the pull of economic opportunities to expand their business, increase their income and escape from poverty are at the top of the continuum, where people engaged in push economic activities helping them to survive are at the bottom of the continuum (survivalist SMMEs). These survivalist SMMEs refers to owners who started SMMEs as they could not keep or acquire employment in the wage economy.

Consequently, the number of survivalist SMMEs may be directly linked to the unemployment rate. If an economy has a high unemployment rate, then it is likely that there would also be a large number of survivalist enterprises, however on the other hand if there is economic growth then this would stimulate the non-survivalist SMMEs (Balkenhol & Evans-Klock, 1998:6; von Blottnitz, 2007:122). Noticeably, these differing views of survivalist and non-survivalist enterprises both agree that SMMEs are a source of employment creation and equity income distribution.

Conclusively, if SMMEs within SA are in the appropriate environment, they could make a permanent mark on the economy. The stimulation of SMMEs must be seen as part of an integrated strategy to where the economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes (South Africa, 1995:2; Robertson, 2003:462). McGrath (2005:1) supports the latter by stating that the importance of SMME development intersects with other national priorities with respect to skills development. This section discussed the SMME's role within the economy.

The following section will provide an overview of SMMEs within the wholesale and retail sector.

2.3.2 SMMEs within the wholesale and retail sector

The wholesale and retail sector is the third largest sector in the South African economy, hosts the greatest number of formal SMMEs and accounts for 24,1 percent of total employment, including self-employment (von Blottnitz, 2007:9). As many as 43 percent of South African SMMEs (including informal) are wholesale and retail businesses. SMMEs represent 99 percent of the employers in the sector and contribute to 88 percent of employment in the sector (South Africa. Department of Labour, 2006:4; Maina, 2009; von Blottnitz, 2007:10). Thus indicating the importance of small businesses within the wholesale and retail sector.

Informal retailers represent the majority of the retailers within the sector (von Blottnitz, 2007:9). There are over 84 000 registered enterprises and 749 500 informal businesses in the sector, ranging from very large organisations to SMMEs (South Africa. Department of Labour, 2006:4; Maina, 2009; von Blottnitz, 2007:10). Showing the abundant existence of informal SMME businesses, or as previously discussed in section 2.3.1, survivalist enterprises within SA.

The informal retail businesses were found to be higher in poorer provinces, where SMMEs found in Gauteng and Western Cape have the highest density of formal retail businesses in relation to their populations (Von Blottnitz, 2007:122). Nevertheless, Strydom (2005:18) is of the view that SMMEs contribute more to job creation in developing countries than in industrialised countries, thus indicating that while more informal businesses may exist within poorer provinces or countries, they may actually be contributing more to job creation than SMMEs situated in developed countries. The contribution of the SMME sector to job creation is of particular importance to the SA developing economy, given the current high unemployment rate.

In terms of competition, the retail sector is characterized by intense rivalry and low margins and contributes roughly 15 percent to the national gross domestic profit, with sales revenue totalling over R1 052 209 million in 2005 (von Blottnitz, 2007:9).

In 2002 the share of informal trade in the sector was estimated at R32 billion, representing approximately 10 percent of retail trade sales in South Africa. This shows that while informal retailers represent the majority of retailers, they contribute very little to retail trade sales (Ligthelm, 2004:1). Recent statistics shows that sales in the retail sector are slowing down, this slowdown should have been anticipated given high consumer debt levels, high interest rates, high inflation and subdued employment growth. A slow growth rate of 0.6 percent in retail sales is anticipated for

2009, positively though, the retail trade sector is expected to exit its recessionary period that has prevailed since the end of 2007 (Tustin, 2009:1).

Conclusively, the wholesale and retail sector is the third largest sector in the SA economy and hosts the largest number of SMMEs. The majority of the SMMEs within the sector are informal, however Strydom (2005:18) pointed out that informal SMMEs were found to contribute more to job creation in developing countries than in industrialised countries. Given the fact that the wholesale and retail sector hosts the largest number of SMMEs, one may assume that the W&RSETA collects and disburses the highest amounts of skills levies from SMMEs within the economy.

In the subsequent section, skills levy paying SMMEs within the wholesale and retail sector will be discussed.

2.3.3 W&RSETA skills levy paying SMMEs

The W&RSETA ensures that quality training and development takes place within the wholesale and retail sector.

As previously mentioned, the Minister may decide to establish a SETA with a constitution for any national economic sector. In order to provide a context for the research, the study focuses on the W&RSETA. The SETA focuses on the enhancement of skills and bringing skills to the employed or those aspiring to be employed in the sector whilst collecting and disbursing skills development levies within its sector. Only SMMEs with an annual payroll cost of more than R 500 000 and employing less than 200 employees are required to pay skills levies to its SETA via SARS (Macheke, Adams, Antobam, Crosby & Mooki, 2007:6).

The SMME may recover up to 70 percent of its levies in the form of grants. Companies choosing to fully participate in the system would ultimately reap more benefits from the system than those who choose partial participation as they would ultimately benefit from having a more skilled workforce.

Lee (2002:4) argues that policy-makers may have understood the need behind the introduction of the skills levy. However, they misunderstood the implications it has on the efficiency of the labour market where the employee may ultimately bear the cost of the skills levy. Generally, employees in SA cannot afford to bear the cost of the skills levy. They may also be constrained from doing so due to: the poor provision of

loans; the fear that the returns from training will not be worthy; or that they may not be able to maintain financial survival during periods of low wages. The current high unemployment situation in SA exacerbates this perception. Nonetheless, current labour market trends such as minimum wages, strong unions and retrenchment intolerant legislation reduces the ability of companies to pass on costs to workers (Lee, 2002:13).

Given the fact that companies paying skills levies are able to directly benefit by claiming the grant to compensate them for the training costs incurred. Additionally, the company may also reap the benefits of a higher productive workforce due to the increased skills levels. Given that the company has more to benefit from the skills levies, it is clear that the intention is that companies bear the cost of the skills levy, not the employee (Lee, 2002:11).

In 2007 there were 9 540 wholesale and retail companies that bought into the principle of paying skills levies and then reclaiming these levies as shown in Table 2.1. Of the 9 540 companies paying skills levies, 8 269 have been identified as levy paying SMMEs in the sector with 4 005 of these levy paying SMMEs putting the levy grant system to use and benefiting from W&RSETA interventions and support (South Africa. Department of Labour, 2007:19). For the period 2006/07, there has been a 1 percent decrease in the number of companies participating in skills development process, the decrease is largely attributed to the SMME companies. This low participation rate of SMMEs utilising the SETA grant system is in line with Tustin's (2003:4) findings that only one in every five SMMEs has a future skills development plan in place, while only 10 percent maintains training records.

Table 2.1: Number of Levy Paying Companies per Province for 2006/07

LEVY-PAYING COMPANIES IN THE WHOLESALE AND RETAIL SECTOR				
Region	Small (0-49)	Medium (50-149)	Large (150+)	Regional Total
Eastern Cape	374	57	12	443
Free State	197	34	7	238
Gauteng	3 838	387	182	4 407
KwaZulu-Natal	1 435	146	65	1 646
Limpopo	120	27	8	155
Mpumalanga	238	49	7	294
North West	212	18	4	234
Northern Cape	76	11	1	88
Western Cape	1 779	179	77	2 035
Total	8 269	908	363	9 540

(Adapted from South Africa. Department of Labour, 2007:19)

The skills levy paying SMMEs represents the majority of registered enterprises within the W&RSETA. Yet by not effectively utilising the W&RSETA grant system, the W&RSETA may be failing to meet NSDS II targets. NSDS II targets specifies that 60 percent of medium firm's employment equity targets are to be supported by skills development and that at least 40 percent of small levy paying firms are to be supported and the impact thereof measured (South Africa. Department of Labour, 2007:15).

Probable reasons for levy paying SMMEs not fully utilising the grant system, may be due to the heterogeneity of SMMEs which cannot be solved through normal market forces and private sector action (South Africa, 1995:10). The SMME may also be exposed to more constraints compared to its larger counterparts whilst attempting to recover skills levies. Due to the heterogeneity of SMMEs, in terms of population group, level of business sophistication, kind of economic activity and geographical location, it has made it impossible to establish specific restrictions, in terms of importance that would apply in general to all SMMEs (South Africa, 1995:96).

Lee (2004:250) highlights a bottleneck in the system as a probable reason why levy paying SMMEs are not partaking in the SETA grant system. The bottleneck emerges where a loss may be made initially whilst planning the training implementation activities (workplace skills plan) but later gained when receiving the implementation (annual training report) grant. This may present risk elements for SMMEs and

possibly prevent others from participating in the grant system. The extent to which the bottleneck will affect the company's decision to participate in the system, depends on the size of the company and the uncertainty as to whether the company will receive the full grant amount. Bottlenecks in the participation rate from SMMEs should be carefully considered as this could result in SMMEs either not participating at all, or implementing some training. While implementing some training may be desirable, it will reduce the number of companies that participate at all (Lee, 2004:250).

Other than the heterogeneity of SMMEs and the bottleneck within the SETA grant system, Lee (2004:11) adds that the SMME may choose not to participate in the system as they may treat the levy as pure tax and as a result fail to provide any training within the company. The research aims to establish whether the above and additional constraints are experienced by SMMEs registered with the W&RSETA whilst attempting to recover skills levies.

2.3.4 Communication between the W&RSETA and SMMEs

Often there is a deficiency in terms of communication between the W&RSETA and SMMEs. This defect in the communication could possibly result in a lack of understanding of the SETA grant system.

Notwithstanding that the W&RSETA makes available a wide range of free training programmes to small businesses, there seems to be a general lack of awareness among SMMEs about the existing facilities available to them or those interested in pursuing a business career within the sector (South Africa, 1995:26; Strydom, 2005:21; Mears & Theron, 2006:76). Further evidence of this lack of awareness is shown in studies conducted by Mears and Theron (2006:76), indicating that 57 percent of emerging SMMEs in Gauteng and 70 percent in the Western Cape are unaware of the support available to them. This constitutes one of the shortcomings of the entirety of the training process.

In a study conducted by South Africa (1995:21), it was noted that the lack of access to appropriate, relevant and understandable information and advice is one of the most important problems of SMMEs, particularly among black entrepreneurs located in rural outlying areas. The number of enterprises being effectively reached remains small considering the vast number of people involved in self-employment in both rural and urban areas.

Mears and Theron (2006:23) recommend that the SETA should promote the assistance that is available to SMMEs more widely, so that service delivery is extended to outlying rural areas. This responsibility for the preparation and distribution of relevant material falls on all agencies that provide support to SMMEs, *the passive availability of information and advice is not enough for the effective transfer of experiences (South Africa, 1995:21).*

2.3.5 Summary

This section firstly defined a levy paying SMME. Thereafter the importance of the SMME's role within the economy was discussed. The importance of this role included the absorption of labour, the penetration of new markets and the expansion of economies in creative and innovative ways. Following, the importance of levy paying SMMEs within the W&RSETA was examined, indicating that the wholesale and retail sector hosts the largest number of SMMEs within the economy. Finally, the rapport between the SMME and W&RSETA is examined.

Considering that a background to skills levy paying SMMEs within the wholesale and retail sector has been provided, the subsequent section will address the external constraints that levy paying SMMEs within the W&RSETA may experience whilst attempting to recover skills levies.

2.4 External factors impacting the SMME

2.4.1 Introduction

There may be numerous external factors impacting the SMME whilst attempting to recover their skills levies.

SMMEs exist in an uncertain economy with stagnant growth, fluctuating exchange and interest rates, crime, corporate tax rates and labour legislation, where management have no control over economic, socio-demographic, political, physical, international and technological factors (van Eeden, Viviers & Venter, 2003:14).

Subsequently, a discussion regarding these external uncertainties in terms of globalisation, constraints on start up, competition, access to markets, legislation and socio economic factors will be addressed.

Furthermore, Mears and Theron (2006:23) adds that the “majority of the problems are the result from misguided leadership, systematic corruption, economic mismanagement, senseless civil wars, political tyranny, flagrant violation of human rights, military vandalism and bad policies”. The extent to which each of these constraints have an effect on SMMEs differs widely between various sectors.

2.4.2 Globalisation

Globalisation, termed as an external factor influencing the business, may have a direct impact on all businesses within SA. Currently, SA SMMEs are becoming outsiders in a world of rapid technological change, new skills needs and integrated production systems (Mears & Theron, 2006:23).

Thus, if SA SMMEs want to compete in international markets, then they would need to come up with innovative and differentiating strategies (van Eeden *et al.*, 2003:21) as they are expected to compete with established multi-national giants in the same sector (Balkenhol & Evans-Klock, 1998:6). SMME owners within SA may not have the capital available to make reliable partners to these international entrepreneurs, thus posing a major growth obstacle to the enterprise (South Africa, 1995:7).

In an attempt to overcome this growth obstacle, von Blottnitz (2007:37-149) suggests that the SMME takes full advantage of opportunities such as exporting, e-commerce, joint ventures, franchise models and wholesaling agreements. SMMEs organised in a network through franchises or distance retail through e-commerce could claim national market coverage, while SMMEs who exports via contacts or informal cross-border trade may claim to have international market coverage.

2.4.3 Constraints for start up SMMEs

Whilst globalisation may present a potential growth obstacle to the SMME, often new SMMEs are exposed to start up constraints. The degree to which the start up of the SMME poses as an obstacle, depends on the degree of sophistication of the business.

When starting up, basic businesses struggle due to the lack of knowledge and skill. More sophisticated SMMEs may require support with financing, access to suppliers, advertising, finding premises and competent staff (von Blottnitz, 2007:14). Mears and Theron (2006:22) adds that the difficulties in registering businesses and unnecessary

red tape often pose problems for both large and small business by increasing the cost of doing business.

In an attempt to minimise the cost of starting up and doing business, the following documents should be simplified (South Africa, 1995:20):

- business registrations and licensing;
- financial loan applications;
- tender documents;
- export documentation and other commercial documents;
- registration of contracts at fair-trading documents;
- tax return forms for SMMEs; and
- the collection of industrial data and other statistics.

Even though the SMME may experience various constraints on start up, the retail sector was found to be one of the sectors with the fewest barriers to entry for new businesses. As a result, there is an ongoing increase in the number of new retail businesses. As many as 43 percent of South African SMMEs are wholesale and retail businesses (von Blottnitz, 2007:10).

Consequently, the extent to which start up poses as a constraint to the business depends on the degree of sophistication. Unnecessary red tape when registering a new business, often poses a constraint to both large and small companies. The retail sector was found to be one of the sectors with the fewest barriers to entry.

2.4.4 Competition

Once the SMME has been established, competition is possibly the most serious challenge facing the business. It is usually the highest in sectors such as the wholesale and retail sector where barriers to entry are the lowest, as it forces SMMEs to lower their prices, thus having a direct impact on their profits (Brink, Cant & Ligthelm, 2003:11; van Eeden *et al.*, 2003:15; Keevy, 2005:1; von Blottnitz, 2007:13).

Ligthelm (2008:92) identified two types of competition for SMMEs, namely competition from peers and competition from larger retailers. While the SMME may be more equipped to compete with their peers, the competition from larger retailers may pose a greater challenge. Robertson (2003:462) expands on Ligthelm's (2008:92) viewpoint by stating that competition from larger companies was found to

be most severe in wholesale markets where SMMEs market share is hardly more than 15 percent. Ligthelm (2008:65) goes on to add that larger wholesalers are now found to be distributing goods to smaller retailers, where before, they would mainly distribute goods to larger retailers. This could be an indication of an increase in competitiveness levels among larger wholesalers.

When compared with SMMEs, larger retailers are able to keep higher quantities of stock; secure payment structures with regard to procurement and logistics; and have the ability to source stock at competitive prices. The imbalances between SMMEs and larger companies in terms of market opportunities, regulations and competitive structures could possibly be due to past discrepancies which distinctly favoured larger enterprises (von Blottnitz, 2007:14; South Africa, 1995:12).

Past discrepancies can be corrected through government intervention, where policies and support strategies such as SETA projects create an even playing field for SMMEs by regulating competition, integrating supply chains, improving logistics and access to services thus avoiding unfair practices by larger market leaders (Robertson, 2003:462; von Blottnitz, 2007:177; Ligthelm, 2008:17).

Benton (2007) discusses one such governmental intervention, where 85 percent of government spending on goods and services will be directed to SMMEs. However, the timely payment to SMMEs is essential, as often they do not have cash reserves to survive for long periods. Consequently, government has established various interventions to ensure that the payment for goods and services received by SMMEs are made within 30 days (von Blottnitz, 2007:177). Even though these governmental interventions have been introduced, Layman (2008:9) noted that the late payment and the conventional procurement system were not conducive for SMMEs.

Other than the competition from larger wholesalers and retailers, von Blottnitz (2007:68) found that the excessive prices of rural SMMEs had caused people to travel out of the rural area to supermarkets in commercial areas. This resulted in a strategy of "buying groups" among rural consumers, where consumers would pool their basic purchases and send one person to buy these items in bulk, this would then be distributed across the group. This strategy of "buying groups" may result in the disintegration of the market power of SMMEs located in rural areas (von Blottnitz, 2007:68).

In an attempt to avoid the crumbling of the SMMEs market power in rural areas, von Blottnitz (2007:146) suggests that the SMMEs located in townships take advantage of:

- the large number of consumers leaving the township to shop in commercial areas or other suburbs, this mirrors a largely untapped market potential;
- the increase in the income levels of the township population, as well as the upgrade of township infrastructure;
- the increased engagement of financial services and property developers in under-developed regions;
- the growing tourism potential of townships; and
- the trend towards BBEEE.

Consequently, if SMMEs located in rural areas were to take advantage of the above, then they would be unravelling a largely untapped market which may lead to increased profits for the business. This is supported by von Blottnitz's (2007:61) finding that the failure rate among new SMMEs are higher in urban settings than in lower-income markets which tend to be more flexible in terms of market distribution. Although, this failure rate could perhaps also be attributed to market constraints and the inability to sell products and services (South Africa, 1995:22; Brink *et al.*, 2003:3).

An additional reason for the poor competitive strategies of SMMEs is often a result from poor market knowledge and the inability to capitalise on potential advantages, such as more effective customer service, credit to customers, product offering and marketing or failing to move away from larger competitors (von Blottnitz, 2007:14).

Competition is the most serious challenge facing the SMME. Competition from larger companies was found to be the biggest challenge to the SMME. However, government has attempted to alleviate this challenge as 85 percent of government spending on goods and services will be directed to SMMEs. The section also showed that SMMEs located in rural areas are not taking full advantage of the largely untapped market opportunities that exists. Often, the SMME has poor competitive strategies as a result of their poor market knowledge. Ultimately, the success of the SMME depends on how quickly management can respond to changing circumstances (van Eeden *et al.*, 2003:14).

2.4.5 SMMEs access to markets

In SA an internationally market access is seen as a critical success factor in business growth (South Africa, 1995:22; Mears & Theron, 2006:22; Brink *et al.*, 2003:3). Von Blottnitz (2003:15) adds that other marketing issues that may influence the success of the SMME include poor location, ineffective marketing, inability to conduct market research and poor products and services.

Other than marketing issues posing as a constraint to the business growth of the SMME, the access to raw materials and suppliers are additional constraints experienced by many individual entrepreneurs or groups of SMMEs (South Africa, 1995:23). Compared with its larger counterparts, SMMEs often experience difficulties in accessing raw materials, markets and suppliers. This had resulted in the South African government having introduced a number of strategies to create a more enabling environment for the SMME.

In an attempt to overcome the constraint of access to suppliers, von Blottnitz, (2007:162) as well as van Eeden *et al.* (2003:15) suggests that information should be provided at supplier fairs and exhibitions or subcontracting exchange schemes, thus increasing the SMMEs awareness levels.

Additionally, legislation should look at strengthening small businesses in their access to raw materials and other inputs that are controlled by monopolistic suppliers. One such initiative could include a transaction and procurement act that sets rules and incentives for big business subcontracting to SMMEs. This could possibly accelerate progress and lead to participation among all businesses rather than a few progressive ones (South Africa, 1995:19).

Often SMMEs have the inability to source goods at competitive prices, where frequently the prices paid by SMMES to wholesalers are higher than the price paid by larger retailers. This is a result of the market buying power of these larger retailers (von Blottnitz, 2007:94).

The New Partnership for Africa's Development (NEPAD) aims to address the problem of market access and create a more enabling environment for SMMEs by (Mears & Theron, 2006:22; South Africa, 1995:22):

- informing SMMEs of relevant quality standards and assisting them in meeting them;
- concentrating on policy coherence between macro and micro policies resulting in a coordinated public-private sector dialogue;
- focussing on skills development in terms of technical, financial and management skills;
- establishing a competition board more accessible to SMMEs;
- introducing sector specific programmes to encourage/motivate larger enterprises to expand its links with small enterprises; and
- simplifying tender procedures.

2.4.6 Legislation

Brink *et al.* (2003:16) had identified compliance with government legislation as one of the most common challenges facing SMMEs.

Current legislation was put in place in an attempt to institutionalise the system and address the previous inequalities due to apartheid. Apartheid has left the SA economy with a large number of unable black owned or controlled small businesses to face business development constraints. The previous legislation introduced by the apartheid regime has for decades deprived the majority of South Africans of viable business opportunities in the following ways (South Africa, 1995:8):

- Black people were restricted in terms of the acquiring technical and professional skills.
- There was a total absence of entrepreneurial education.
- People confined to rural areas, were the poorest in terms of living conditions and business opportunities.
- It was impossible for black would-be-entrepreneurs to participate in business apprenticeships and partnerships with more established non-black-owned enterprises.
- The group areas act had forced racially segregated residential areas which led to large capital losses.
- The restriction of property ownership rights of blacks made it impossible for them to acquire assets that could serve as collateral for loan financing, thus excluding blacks from the long run process of capital accrual and growth through rising property values and share prices.

- Apartheid did not allow black women business involvement (South Africa, 1995:8).

For the purposes of the study, legislation may refer to the judicial system, labour laws and taxation.

Firstly, in terms of the judicial system presenting a constraint, SMMEs are found to experience financial difficulty when attempting to comply with the law in order to defend their interests. Thus legal assistance could help level the legal playing fields for SMMEs (South Africa, 1995:20).

Secondly, complying with numerous labour legislation, such as the Skills Development Act of 1998 (SDA), Skills Development Levies Act of 1999 (SDLA), the Basic Conditions of Employment Act of 1998 (BCEA) and the Employment Equity Act (EEA), may present an obstacle to the SMME due to its limited resources in terms of personnel, finance and time.

The SDA saw the establishment of SETAs and stipulated that companies comply with the requirements of the act. However, many SETA policies and some governmental departments are found to be threatening the continued existence of small businesses (Hammond, 2005:1). To alleviate this threat, von Blottnitz (2007:158) recommends that government cuts down on red tape and simplify procedures for SMMEs.

Thirdly, complying with new labour laws were found to be more problematic for SMMEs than labour relations, staff planning, employee training and labour turnover (Brink *et al.* 2003:16). However, often in survivalist and micro enterprises there is little difference between the worker and enterprise, where the employee is usually the owner. These enterprises often have no employees or employs family members. Benton (2006) expands on the views of Brink *et al.* (2003:16) by adding that the new labour laws may be more problematic for SMMEs due to the poorly designed or implemented labour regulations. Consequently, the SMME may experience difficulties in complying with labour regulations due to the poor design of the system.

The introduction of minimum wages within certain sectors, are further endangering the competitiveness of SMMEs who are unable to pay these high wages (South Africa, 1995:28).

Consequently, industrial relations systems should be developed to take into account not only the needs and interests of SMMEs but also the unique environment within which the SMME operates in. This should be accommodated through greater flexibility and simplicity by including representatives of all industries in the development of these industrial relations systems, rather than having a blanket approach for all businesses.

Lastly, taxation may also pose a constraint to the SMME (Layman, 2008:9). In South Africa, a cabinet of individuals has been established, with the sole purpose being to remove unnecessary regulatory obstacles that make the work of SMMEs either cumbersome or expensive and hampers the development of the SMME (Benton, 2006). By removing these unnecessary regulatory obstacles, SA would be avoiding Biekpe's (2006:1) finding that more tax revenue is generated from SMMEs in developed countries compared to tax from big business.

For many years in South Africa, there have been representations for a lower rate of corporate taxes. An alternative would be to exempt a minimum amount of profit from taxation in order to encourage reinvestment. With the cost of tax compliance, often high for SMMEs, there should be higher write-offs for expenses incurred which may include training, research, technology transfer and export marketing expenses. Also, there should be a different set of tax proposals for SMMEs covering VAT, income tax, import duty and other tax non-payments (South Africa, 1995:31).

Lee (2002:4) mentions that there are five broad criteria for good taxation:

- Economic efficiency, tax should only positively improve areas where there are market inefficiencies. These inefficient market areas should be the primary concern for any government intervention.
- Administrative simplicity, the tax system should be well organised and easily understandable.
- Flexibility, the tax system should be able to adapt easily to alterations in the economic climate.
- Political responsibility, there should be transparency with clear and accurate communication of who bears the real costs of the tax and who reaps the benefits.
- Fairness, the system should be fair where those in comparable situations are treated in the same way and the size of the tax burden should be based on

the ability to pay. Thus the tax should be allocated on an appropriated socio economic basis.

In order to assist the small business sector to overcome the constraints of the judicial system, labour regulations and taxation, government intervention is required. Whilst the ultimate goal of government is to make SMMEs equal partners in all economic sectors, government currently plays the role of facilitator rather than implementer. SMME support programmes are best implemented by institutions resembling the entrepreneurship and risk characteristics of the small businesses themselves. These institutions are usually localized non-governmental organisations (NGOs), private consultancies, partnerships and companies who would expand their services to offer training, mentoring, business plan preparation, marketing and subcontracting support to SMMEs (South Africa, 1995:4).

However, the government maintains that by complying with negotiated flexible standards such as labour and managerial standards, taxation, sector registration, reasonable social standards, as well as financial and costing disciplines, SMMEs can have a direct impact on SA's quest for international competitiveness (South Africa, 1995:14).

Ultimately, government has to have a balanced approach when implementing regulations and legislation for the small business sector. Strict regulations harm small and emergent businesses but it may benefit larger ones. However, less regulation may lead to more aggressive competition between market entrants and neglect the employee's interests (South Africa, 1995:19).

Conclusively, government legislation was found to be one of the most common challenges facing small businesses. The impact of the judicial system, labour legislation and taxation on the SMME was briefly discussed. The section was concluded by mentioning that government has to have a balanced approach when implementing regulations and legislation for the small business sector.

2.4.7 The impact of socio economic factors on the SMME

An additional external factor that may have a direct impact on the SMME is socio economical factors. These factors may include HIV/AIDS and crime, both of which may pose a serious challenge to the SMME (Strydom, 2005:17).

Mears and Theron (2006:23) reports that HIV/AIDS may be the most challenging factor when attempting to establish a SMME after political instability. This finding may be unique to South Africa, where HIV/AIDS has not been seen as an obstacle in other countries in terms of the survey of African elites who were asked to select the five biggest obstacles that could inhibit the development of the African continent from a list of twelve. Despite this finding, van Eeden *et al.* (2003:21) raises concern that HIV/AIDS is still not taken seriously by the small business owner. However, the rapid spread of the disease and the increased cost on productivity and attitudes are likely to change soon.

Maas and Herrington (2007:16) claims that 1 out of 8 women treated in public clinics was diagnosed as positive for HIV, with the majority of them between the age 25 and 29.

The cost of HIV/AIDS is taking up a growing share of disposable income in some householders will dampen the growth of the retail sector (von Blotnitz, 2007:134). The impact of HIV/AIDS may be more felt amongst the survivalist enterprises. Consequently, von Blotnitz (2007:21) advises that SMME owners take this into account when planning and budgeting.

Poverty adds to social problems like substance abuse, crime and violence, health and disability and teenage pregnancies. Currently, the substance abuse of drugs is a serious problem in the Western Cape. It can have a negative influence on health and behavioural patterns such as absenteeism, declining grades, truancy, academic difficulty, school dropouts and may ultimately lead to crime (Maas & Herrington, 2007:16).

High crime rates and continuing violence are obstacles to small business growth as they increase risks and may cause major stock losses, damage to buildings or reduced turnover (South Africa, 1995: 26). Furthermore, van Eeden *et al.* (2003:21) adds that these violent crimes, shoplifters, fraudsters and employee theft are major concerns for all retailers as they result in direct losses (for businesses not insured) as well as indirect losses (consumers would avoid the store if they feel insecure).

A consequence of crime on the SMME is that it may cause the insurance costs to rise or the insurance companies may refuse to insure the company. SMMEs have smaller budgets to fight crime and are thus more vulnerable to its negative consequences (von Blotnitz, 2007:15).

Violent crime is the most feared form of crime and is often a problem for retail businesses located in shopping centres and townships. Violent crime has an indirect impact on the customer as well as employees as they would feel unsafe whilst in the store.

Shopping centres are used as places to identify targets. The person is followed outside of the centre where they are hijacked or robbed. In January 2007, 32 percent of all incidents represented this type of crime. Crime currently costs retail and consumer businesses about R2,5 billion a year and at least half of this can be attributed to theft and shoplifting (von Blottnitz, 2007:114; van Eeden *et al.*, 2003:15).

A further factor generating the risk of crime to SMMEs is that presently most SMMEs are still based on cash or cheques. However increased access for SMMEs to point of sale technology and partnering with the banking sector would lead to cashless transactions thus increasing the security and the efficiency of the SMME (von Blottnitz, 2007:142).

While the South African Police Services (SAPS) seem to be relatively successful in fighting various types of crime, as far as shoplifting, they have not made significant progress. Due to the insignificant progress made by SAPS, many SMMEs have turned to private security companies. To minimise the cost of security, SMMEs turn to the cheapest security company where security personnel are poorly trained and do not understand customer service (von Blottnitz, 2007:118). This may further impact the business in terms of loss of sales and revenue as the crime rate may remain the same.

Conclusively, socio economical factors such as crime and HIV/AIDS may present a serious challenge to SMMEs. The rapid spread of HIV/AIDS has an impact on productivity and is taking up a growing share of disposable income in some householders, thus slowing down the growth of the retail sector. Furthermore, SMMEs may be more vulnerable to crime as they do not have the budget to fight crime in terms of rising insurance costs; payment of private security companies; and installation of cashless transaction systems.

2.4.8 Summary

This section had discussed the external factors impacting the operation of the SMME. These external factors included globalisation, constraints for start up SMMEs, competition, access to markets, legislation and socio economic factors.

Globalisation was discussed, mentioning that if SMMEs wants to compete internationally, then they would require innovative and differentiating strategies. The extent to which the constraint of start up affects the SMME depends on the degree of sophistication. Also, the wholesale and retail sector was found to be one of the sectors with the lowest barriers to entry. Competition, particularly from larger retailers was found to be the most serious challenge for SMME owners. SMMEs often have limited access to markets, compared with larger businesses. Also, SMMEs are often more vulnerable when complying with legislation and exposed to socio economic factors such as HIV/AIDS and crime.

2.5 Internal factors impacting the SMME

2.5.1 Introduction

There may be various internal factors that may impact the SMME whilst attempting to recover their skills levies from the W&RSETA.

Subsequently, these internal factors include skills levels, the size of the SMME, the strategic objectives of the SMME, finance and technology.

2.5.2 Skills level

The availability of skills and the skills levels within the SMME is an important factor in determining the extent to which the SMME partakes in the SETA grant system.

Due to the low level of skilled positions such as services and sales that exist within the retail sector, staff are generally less qualified thus the sector does not suffer from a shortage of skilled people. Consequently, retail businesses put little effort into finding the right staff (von Blotnitz, 2007:89; van Eeden *et al.*, 2003:15).

Robertson (2003:462) did however find that owners of informal retail businesses are generally well qualified. Thirty seven percent to 40 percent of them have a Grade 12

and over compared to 28 percent who have attained a grade 12 in the population. Only 6 percent of SA adults have a tertiary education. Rising educational levels may however lead to an increase in the number of SMMEs as it may result in more people being qualified and experienced to start their own businesses (Maas & Herrington, 2007:16).

Staff within the wholesale and retail sector generally works longer hours with salaries and wages being the third lowest, after agriculture and domestic services. This is mainly due to the low qualifications of employees. Jobs are often at risk in SMMEs due to the uncertainty of business survival as well as the low skill level of some of the SMME owners and their inability to use appropriate modern technology. While all these factors may result in a reduction in the cost of labour, it may have a negative impact on the employee's motivation and performance. The consequence of not training staff may exacerbate the above situation as it hinders the development of career paths in the sector (von Blotnitz, 2007:89; South Africa, 1995:11).

Conclusively, this section discussed the low skilled positions required within the wholesale and retail sector, stipulating that staff within the sector generally have low skills. Also, a consequence of SMMEs not training staff may impact the employee's motivation and performance. However, given that the tertiary levels within SA are rising, this may lead to an increase in the number of new businesses.

2.5.2.1 Specific skills in wholesale and retail sector

Given that the previous section outlined that the staff employed within the wholesale and retail sector are generally low skilled, this section will discuss the specific skills required within the sector.

Internationally, retail businesses put less effort into staff training when compared with businesses in other sectors. There is a view that South African SMME managers lack the following:

- general management skills;
- conflict management and problem solving skills;
- marketing skills;
- bookkeeping skills;
- financial management skills;
- numerical skills;

- technical skills;
- time management skills;
- human resource management; and
- the ability to perform general and strategic tasks (von Blottnitz, 2007:89; Balkenhol and Evans-Klock, 1998:7; Lee, 2002:9; and Strydom, 2005:16).

The SMME managers in South Africa were also found to be excessively interested in financial gains and have unrealistic self evaluation. Where the success of the SMME largely depends on the application of management skills, the skills deficiency often results in no viable management strategy with a well articulated implementation framework (Brink *et al.*, 2003:14). Consequently, if no viable management strategy exists, then there is the possibility that SMME may not be successful.

In order to remain competitive and constantly increase productivity, this requires that SMMEs acquire skills through continuous learning and mastering current technological knowledge (Robertson, 2003:461). The finding of Robertson (2003:461) is concurrent with the intention of the NQF system, stipulating that the system provided opportunities for life-long learning and allowed the development of knowledge and skills as learners learned to competently apply the knowledge (South Africa, 2007:3). Thus, if the SMME intends on remaining competitive and to increase productivity, then it would need to actively take part in the implementation of the skills development system.

Summing up, the specific skills required by the SMME owners were highlighted and the fact that SMME owners often lack a viable management strategy and are not *effectively implementing the skills development system*. The following barriers have been identified as impeding the SMME from acquiring the required skills and successfully implementing skills development initiatives (Strydom, 2005:16; von Blottnitz, 2007:167; van Eeden *et al.*, 2003:15):

- cultural barriers which refers to the negative attitudes of SMME owners towards skills development as many of them have no tertiary education or have been trained on the job;
- financial barriers referring to the direct cost of skills development;
- reluctance to seek advice;
- entrepreneurial burnout or ill health;
- age, family, ethnic background all have an influence on the owner's willingness to participate in training programmes;

- access and provision barriers referring to the problems such as having employed few staff who has to spend time away from their work to attend training; and
- awareness barriers relating to the lack of knowledge about the skills development opportunities available.

Training for SMMEs were primarily geared towards the formal sector. A number of authors recommend that training programmes have a holistic approach and be specifically developed for the informal sector (Mears & Theron, 2006:24; Maas & Herrington, 2007:36). The responsibility of providing these training programmes falls on central and provincial tiers of government, NGOs, parastatals and the private sector (South Africa, 1995:26).

2.5.2.2 SMMEs existence and grant recovery

The previous sections discussed the current skills levels within SMMEs in the wholesale and retail sector, specifying that the sector is predominantly filled with low skilled positions. Thereafter, the specific skills required within SMMEs in the sector was discussed, highlighting that in order for the SMME to remain competitive and increase productivity, it should take advantage of the NQF's principle of life long learning. Barriers that may impede learning within the SMME was emphasised, it was concluded that training programmes provided for the SMME should be demand driven, flexible, time efficient and inexpensive and support both the formal and informal sector. The existence of the SMME and its grant recovery will be examined.

In South Africa, up to 80 percent of all SMMEs fail in the first five years of existence. Strydom (2005:21) estimated that the South African economy lost more than R68 million over the period 1997 to 2000 as a result of the failure of 117 246 small businesses. Reasons found internationally in both developing and developed countries for this failure may be due to:

- lack of adequate working capital;
- rapidly changing business environment;
- poor market selection; and
- lack of essential business and management skill.

Many SMMEs fail as owners have no understanding of the business fundamentals required to run a business (Brink *et al.*, 2003:2). Therefore in order to survive in

today's competitive environment, SMMEs should attempt to acquire the fundamentals relevant to running a business by taking advantage of the skills development opportunities provided by its SETA. Thus, if the SMME was to take advantage of the SETA grant system and train their employees, this may increase the SMME's productivity as the workforce would be more skilled and flexible.

Other than the current and required skills, as well as the SMMEs existence and grant recovery, the size of the SMME may also impact the company's decision to participate in the SETA grant recovery system.

2.5.3 Size of the SMME

This section will introduce the extent to which the size of the SMME has an impact on its participation in the grant system.

SMMEs often face a wider range of constraints and problems compared with larger businesses and are less likely to have the ability to address these problems on their own (South Africa, 1995:7).

Given that the SETA grant amount is directly linked to the size of the company's payroll (a company with an annual payroll in excess of R 500 000 is required to pay 1 percent of the payroll to the SETA in the form of skills levies), this would affect the extent to which the SMME chooses to participate in the grant process. If the SMME does not perceive the grant amount to be valuable, then it may choose not to partake in the system. Larger companies may be in a better position to take advantage of *skills development initiatives* as:

- there are already infrastructures that may be financing training in place;
- others are able to cope with the work load whilst staff is on training;
- they are aware of the political benefits of participating in the SETA grant system;
- there are structural capabilities enabling grant reclamation; and
- the admin costs, such as having to prepare the WSP and ATR will be more easily be absorbed by larger organisations (Lee, 2002:251).

Accordingly, the above highlights probable reasons why SMMEs are often excluded from grant reclamation.

An additional reason for failing to partake in the grant system may be that the initial cost involved in implementing the WSP grant may present a loss for the SMME. However, this does not mean that no training is taking place, but rather that they choose not to participate in the grant process. While other SMMEs may decide that the gain of the ATR may make up for the initial loss of the WSP. In contrast, it is imperative to note that if a big enough loss is made on the WSP, then it may deter companies from participating in the system at all (Lee, 2002:11).

Summarily, factors such as the size of the grant amount and the initial loss in implementing the WSP may impact the SMME's decision to partake in the grant system. It was also highlighted that larger companies may be in a better position to comply with SETA requirements in terms of recovering skills grants.

In addition to the size of the SMME that may impact the SMME's decision to partake in the grant system, the strategic objectives of the SMME may also have an impact on its decision to participate in the grant process.

2.5.4 Strategic objectives of the SMME

Many SMMEs start their businesses with rudimentary strategies in mind, failing to consider essential fundamentals on start up, such as: location; the amount of bureaucracy in terms of registration and operation of the SMME; and the conduction of thorough market research. Failing to consider one of these factors could have a detrimental effect on the long term survival of the business (von Blottnitz, 2007:86; Brink *et al.*, 2003:4).

Firstly, location is a critical success factor in any retail business. After wages, property cost is the second largest cost to the business. Von Blottnitz (2007:86) found that many SMMEs do not have access to property thus forcing them to rent rather than buy properties. Consequently, if the SMME is spending a large amount of money on rent, it may have fewer funds to spend on other functions, such as training that may not be perceived as a core function to the business.

Secondly, red tape is not only a constraint on start up, but rather a problem throughout the life of the business. On average, compliance costs is as much as 8,3 percent of turnover for businesses with a turnover of less than R1 million. Due to the low profit margin of the retail sector, SMMEs cannot afford such a high cost of red tape (von Blottnitz, 2007:86). Thus, the SMME may see participation within the SETA

grant system as a cost of compliance and thus refrain from attempting to partake in the system. Additionally, SMMEs with the hope to qualify as a supplier to a multinational corporation are often constrained by the development strategy of government. This could however be overcome if managers are well trained on how to gain access into international markets (Robertson, 2003:462).

Thirdly, in order to be a successful retailer, it is essential that one understands the market in which it operates. However, the majority of SMMEs do not understand the market, this could be due to the low qualification level of retailers, the age of the SMME owners, or the number of years or hours that have been spent in the store may have caused them to have lost sight of changing customer needs. Failing to conduct thorough market research may impact competitive strategies which may result in *market distortion and unfair competition*. SMME owners were also found to be oblivious to the impact factors such as product range or choice, opening hours on weekends and parking facilities have on sales, as many of the owners believed that people shop at larger supermarkets due to lower prices (von Blottnitz, 2007:98).

These barriers of location costs, bureaucracy and market research could however be overcome if the business develops networking opportunities, competitive strategies of differentiation and entrepreneurial vision.

2.5.5 Finance

The following section will address finance in terms of the SMME's ability to access finance, the grant levy payment and the type of financial assistance required.

2.5.5.1 Access to finance

One of the major constraints and most urgently felt needs identified by SMMEs when establishing or expanding their business is the access to finance (Mears & Theron, 2006:22; Balkenhol & Evans-Klock, 1998:7). Access to finance, as pointed out by von Blottnitz (2007:104) may include physical access, provision of credit, affordability, legislation as well as appropriate features and terms. These accessibility problems are often most severe in rural areas, among start up SMMEs and those controlled by women as well as other formerly disadvantaged groups (South Africa, 1995:23).

Firstly, support in terms of access to sufficient finance is an essential service required by SMMEs and it is one of the most important factors in determining the survival and

growth of the business. Banks are often reluctant to service SMMEs because of the high risk involved, where von Blottnitz (2007:104) adds that the bank account used by SMME owners, is often their personal account (South Africa, 1995:23). The main reason for the use of their personal bank account may be to avoid excessive costs, however this may prevent the business from accessing specific business services. Special measures, incentives or packages should be developed specifically for SMMEs. These measures could include financial incentives; grants; sponsored *credits and insurance at preferential rates; tax holidays; and a reduction or exemption from taxes on profits, capital, labour, sales, value added, imports or exports* (Mears & Theron, 2006:24).

Secondly, von Blottnitz (2007:108) and Balkenhol & Evans Klock (1998:2) agree that SMMEs receive the least amount of credit from suppliers, where supplier credit often remains the key to short term financing for many SMMEs. This has stunted the growth and sustainability of the SMME.

Thirdly, legislation such as the Usury Act restricts access to finance for SMMEs. Even though the majority of SMMEs in SA are started with their own savings and loan capital, the business is more reliant on external sources of finance than larger firms. While the Johannesburg Stock Exchange (JSE) may be a possible source of *increasing capital by listing on the stock market, the minimum investment required is R2 million per business which may be outside the reach of most SMMEs* (Balkenhol & Evans Klock, 1998:7).

Conclusively, information sharing may be critical to ensuring access to finance for the SMME. The acceptance rates for granting loans to SMMEs are found to be higher when the financiers have access to information about the applicant's payment behaviour. Many financiers assume that insufficient information equals high credit risk and are thus reluctant to provide finance. The National Credit Act (NCA) has enabled this to happen with the establishment of a National Register of Credit Agreements aiming to improve the quantity and quality of information and consequently promoting information sharing of SMME data (Anon, 2008).

Summarily, the access to finance is one of the most urgently felt needs for the SMME. Access to finance may include: physical access where previously disadvantaged SMMEs located in rural areas may experience difficulties in accessing banks; provision of credit, where banks and suppliers are often reluctant to give credit to SMMEs due to the high risk involved; and legislation may obstruct the SMME from

accessing finance. However, if banks and other credit suppliers knew more about the SMME seeking credit, then they may be less reluctant to provide credit.

2.5.5.2 Skills levy recovery

The skills development levy, paid by companies with an annual payroll in excess of R500 000 may be seen as recoverable or unrecoverable. The organisation is able to recover 70 percent of the grant. The remaining 30 percent is unrecoverable regardless of any action taken.

Lee (2002:253) explains that the WSP as an indication of the company's yearly training plan. However, the submission of the WSP does not guarantee that the company will receive the full grant amount. When submitting the WSP, the company cannot be sure whether they are able to implement the planned training for the year, thus only the submission of the annual training report (ATR) in the following year would give a clear indication of whether the company will receive the full grant. This uncertainty causes a bottleneck in the process and may discourage companies from participating at all. Only the assurance by the SETA of getting 70 percent of the grant back may encourage the company to take action (Lee, 2002:245; Balkenhol & Evans Klock, 1998:21).

In terms of who actually pays the skills levy, Lee (2002:245) found indications that the financial burden of the skills levy was passed onto employees and consumers through lower wages, as well as the possible increase in product prices. In such instances, the skills levy payment may be irrelevant as the company does not pay for it.

At worst, the company may choose not to partake in the grant system thus having nothing to show for the levy that was passed onto workers. However, depending on the grant amount and whether there is the possibility of increased net profits, it may lead to a decision to participate. While the grant amount and possibility of increased net profits may increase participation, it does however not guarantee participation but rather the transaction costs of accessing the grant would play a more pivotal role (Lee, 2002:245). The transaction cost may refer to the administration cost involved in developing the workplace skills plan, the training cost in terms of paying training providers to conduct training and the time the employee spends away from work whilst attending training.

In the case where the company may have already appointed a facilitator and conducted the training, it may not find it necessary to reclaim the grant. Thus the grant system will not encourage the training activity as it is already being done (Lee, 2002:247). Again, in order to encourage companies to reclaim the skills levy grant, the grant amount should outweigh the transaction costs of the grant.

Summarily, any organisation participating in the recovery of the skills grant will incur indirect transaction costs from the administration and other costs involved. Participating in grant system includes (Lee, 2002:246):

- SETA registration and membership which incurs participation and opportunity costs, such as admin costs involved;
- registration and activities of the skills development facilitator (SDF) and compilation of the WSP. While these activities do not result in a grant return, it does incur large costs. The employee registered as the SDF will lose productive time doing skills development work if this is not their main job function or it may be an outsourced SDF which must be paid;
- drawing up the WSP requires resources and time;
- the cost associated with the recording and submitting training activities for the ATR; and
- miscellaneous transaction costs such as the calculation and payment of tax on grants.

Conclusively, companies paying skills levies may be passing on the payment to its employees through lower wages or to its consumers through higher prices. However, before the SMME decides to participate in the grant system it may first consider the perceived direct and indirect transactional costs associated with compliance, in addition to the uncertainty that the company will receive the full grant.

2.5.5.3 Financial assistance required

SMMEs in South Africa may require the following financial assistance (South Africa, 1995:42; Maas & Herrington, 2007:42; Brink *et al.*, 2003:5; South Africa, 1998:20):

- funding sources which includes: self-help activities by groups of SMMEs, community programmes facilitating self-employment or start-up enterprises, private-sector-funded services to SMMEs' credit guarantee through banks,

joint ventures, franchises, partnerships and corporate social responsibility programmes;

- Balkenhol & Evans Klock (1998:2) and von Blottnitz (2007:160) identified credit as the missing element in the finance of SMMEs, stunting their growth and sustainability as working capital management is often a challenge as credit is less available to SMMEs than to larger retailers;
- business link-ups where SMMEs in SA are linked to larger companies as part of a black empowerment drive, for example, where the larger company assists with technical and capacity building support;
- financial assistance programmes should concentrate on providing expansion funds for SMMEs, rather than start-up funds;
- packages (excessive costs, remoteness from bank infrastructure, inappropriate products and services) provided by banks should be tailored to meet the SMMEs needs (von Blottnitz, 2007:160);
- wholesale funding for SMME by providing loans or other programmes;
- SMMEs to be linked to financial institutions so that funds are channelled to areas where they are most urgently needed (South Africa, 1995:23);
- lower interest on loan capital for SMMEs to be provided by local or international finance agencies;
- foreign technical or financial assistance;
- central government funding of SMME support programmes;
- other than financial assistance, SMMEs also encounter problems in the management of capital, maintenance of financial records and have insufficient knowledge or cannot afford professional services such as bookkeeping (Strydom, 2005:17; van Eeden *et al.*, 2003:14; von Blottnitz, 2007:112);
- financial institutions should provide general information as well as information on which investment decisions to make as often SMMEs are so integrated

with household consumption and income patterns that they find it difficult to separate the two; (Balkenhol & Evans Klock, 1998:20);

- von Blottnitz (2007:156) recommends that SA introduce legislation to ensure that larger companies makes prompt payments to smaller suppliers; and
- insurance companies were also found to refuse to cover SMMEs as they are regarded as high-risk segments (von Blottnitz, 2007:14). Thus government should intervene in order to ensure that SMMEs may also be covered by insurance.

Van Eeden *et al.* (2003:22) point out that while there is great deal of funds available for financing viable SMMEs, many are not accessing these funds. However, a well researched business plan with the necessary skills would assist the SMME in accessing these funds. To curb financial problems, debt should be avoided at all costs and stricter credit policies should be implemented. The provision of financial assistance may increase the ability or readiness of the SMME to partake in the SETA grant process.

2.5.6 Technology

Technology in the retail sector not only leads to efficiency gains but is also seen as an important factor influencing the success of the SMME. However, many SMMEs do not have access to the appropriate technology (van Eeden *et al.*, 2003:15; von Blottnitz, 2007:16).

Internationally, electronic retailing is one of the fastest growing segments however it does come with challenges for SMMEs (von Blottnitz, 2007:128). These challenges include:

- the high cost involved in web design;
- failing to determine customer market needs prior to start up;
- failure to consider the complexity of delivery of products and logistics;
- managing product returns;
- the security of transactions and privacy of shoppers;
- provision of customer support; and
- price pressure.

Von Blottnitz (2007:165) highlights that current Department of Trade and Industry (DTI) programmes places too much emphasis on the development of technology rather than its effective use and does not provide any incentives to the poor and illiterate to improve their IT skills. Benton (2006) advises that electronic business administration will enable cheaper and more efficient practices. Thus, the investment in technology may cause savings in administration costs.

Thus, government should provide more support to SMMEs in terms of technology assistance, paying special attention to the economic structure for the sector, where, for example the concentration for support for rural areas would fall on product development and the introduction of low cost state-of-the-art technology as well as provide assistance in terms of website design and encouragement of Point of Sales for SMMEs (South Africa, 1995:29; van Eeden *et al.*, 2003:15; von Blottnitz, 2007:16-194).

In summary, technology is an important factor influencing the success of the SMME. In SA, often too much emphasis is placed on the development, rather than the effective use of technology. If SMMEs were to effectively implement the use of technology, they may be more prone to participating in the grant recovery system as information required for the WSP and ATR may be readily available.

2.5.7 Summary

This section had discussed the impact of internal factors within the SMME on grant recovery. These internal factors included skills levels; the size of the SMME; the strategic objectives of the SMME; finance; and technology.

Skills levels firstly discussed the low skilled positions available within the wholesale and retail sector, showing that staff employed in the sector are generally low skilled. Secondly, it recommended that training programmes should be demand driven, flexible, time efficient and inexpensive to the SMME and should support both the formal and informal sector. Lastly it was highlighted that many SMMEs fail as some owners have no understanding of the business fundamentals required to run a business and that if SMME owners were to take advantage of the SETA grant system and train their employees, this may increase the SMME's productivity as the workforce would be more skilled and flexible.

The size of the company may have an impact on the SMME's decision to recover skills levies from the SETA as the grant amount is directly linked to the company's annual payroll.

Location costs, bureaucracy and market research were factors identified as part of the SMME's strategic objectives. After wages, location costs were found to be the most expensive cost to the SMME. Thus if property costs were high, the SMME may have less money to spend on other functions, such as training. In SA many SMMEs cannot afford the high costs involved in red tape and complying with bureaucratic systems. Additionally, on start up, many SMME owners had failed to conduct proper market research.

Access to finance in terms of physical access and credit was identified as one of the most urgently felt needs of the SMMEs, where banks and credit suppliers are often reluctant to finance SMMEs due to the high risk involved.

The section then went on to mention, that before the SMME decides to partake in the grant system, they will consider the perceived direct and indirect transactional costs associated with compliance. Thereafter, the type of financial assistance required was discussed.

Lastly, technology was found to be an important factor influencing the success of the SMME. If used effectively, the company may save on administration costs.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

In this chapter a research methodology that would answer the research question, what barriers and/or constraints do levy paying SMMEs experience whilst attempting to recover skills levies from the W&RSETA will be discussed.

The chosen research design is a descriptive study with a predominance of qualitative components, containing certain quantitative aspects. The research process started with a broad ranging literature review. The literature review included a review of legislative documents, scholarly journals, newsletters, theses, research papers and text books.

Thereafter, semi structured interviews were conducted with 20 stakeholders involved with SMMEs registered with the W&RSETA. These stakeholders were divided into groups, namely 10 SMMEs and 10 assistants to SMMEs.

In terms of determining the number of interviewees, Bennet (2003:5) recommends between 10 and 20 cases, where Flick, Kvale, Angrosino, Barbour, Banks, Gibbs and Rapley (2007:43) found 10 to 15 interviewees to be sufficient for a qualitative study.

Evidence of the chosen research design and methodology was found in previous work, such as Maas and Herrington (2007:29) and Von Blottnitz (2007:24).

3.2 Research design and approach

In answering the research question, namely, the constraints that levy paying SMMEs experience whilst attempting to recover their skills levies from the W&RSETA, an inclusion of qualitative aspects was chosen as it would allow for one to understand the particular context within which the SMME operates (Willis, 2007:189).

Data was collected by means of a semi structured interview that included both open ended (for the qualitative component) and closed (for the quantitative component)

questions. Two interview schedules were developed for various stakeholders within the wholesale and retail sector. These stakeholders were grouped in terms of skills levy paying SMMEs and assistants to skills levy paying SMMEs. Interviews for skills levy paying SMMEs were conducted with the relevant person who was responsible for administering the skills levies, where interviews conducted with assistants to SMMEs included the manager of the W&RSETA in the Western Cape, skills levy paying SMMEs within the wholesale and retail sector, the manager of the national W&RSETA SMME department and skills development facilitators. The interview schedule was then piloted on both groups by means of self administration. Thereafter, the suggested amendments were made.

Interviews with 20 stakeholders were conducted. The stakeholders were selected by means of the purposive sampling technique. Stakeholders involved with SMMEs within the wholesale and retail sector were deliberately selected for the purpose of the research study.

The quantitative data gathered was analysed by means of an Excel package. In terms of the analysis of the collected qualitative data, both Barbour (2008:39) and Willis (2007:135) agree that data should be systematically coded and then analysed to reveal broader categories of meaning. The quantitative components of the research design arose as the data was analysed in terms of the number of responses related to the various categories. These broader categories will be discussed in Chapter 4 and concluded in Chapter 5.

Willis (2007:166) suggests that qualitative data be evaluated in terms of coherence, consensus and instrumental utility. However he does not propose that the criteria must be achieved in all of the above circumstances.

Firstly, Willis (2007:166) refers to "coherence" in terms of whether the conclusions and comments of the researcher is supported by a number of sources, stating that a matter of judgement is what counts in the end.

Secondly, "consensus" refers to the extent of which other researchers, the experiences of other scholars and readers agree with the findings (Willis, 2007:166).

Lastly, "instrumental utility" refers to the usefulness of the study. A study may assist in understanding a confusing situation, anticipate the way future situations will develop or assist in understanding past experiences (Willis, 2007:167).

Ultimately, as suggested by Willis (2007:167), qualitative research aims to provide a general guide in terms of a particular situation. Within the context of this research problem, the study aims to provide a guide detailing the constraints that SMMEs may experience whilst attempting to recover their skills levies from the W&RSETA.

3.3 Pilot study

A pilot study of the interview schedule was conducted. The interview schedule was forwarded to one levy paying SMME owner within the W&RSETA, as well as one W&RSETA skills development facilitator responsible for assisting levy paying SMMEs with grant recovery.

The reasons for piloting the interview schedule was:

- To ensure that the main focus areas for the research study was covered.
- To ensure that the questions asked were not ambiguous.
- To ensure that questions formulated would be easily understandable by all respondents, irrespective of their literacy level.
- To ensure questions were not offensive.
- To ensure that questions were neutral and non-leading.
- To ensure the correct sequencing of questions.

The demographics of the two respondents are indicated in Table 3.1:

Table 3.1: Demographics of pilot group

Criteria	SMME Owner	Skills Development Facilitator
Age	46	38
Gender	Male	Female
Job Title	SMME owner	Independent skills development facilitator
Number of SMMEs involved with	1	40
Years experience in the W&RSETA	10	8

The interview schedule was tested by each member. The SMME owner completed the draft interview schedule for the SMMEs and the Skills Development Facilitator completed the draft interview schedule for the assistants to SMMEs. Each member made comments on the proposed questions to ensure that the questions were non-ambiguous, easily understandable and neutral to both the SMMEs and the assistants to SMMEs. Thereafter both instruments were amended and made ready for conduction.

3.4 Target population

3.4.1 SMMEs

A purposive sample of SMME interviewees was selected for the purpose of the study by means of:

- A list of SMME franchises from the Internet was obtained.
- Each SMME was then telephonically contacted to ascertain which of the SMMEs were skills levy paying SMMEs that were registered with the W&RSETA.
- The researcher also visited retail outlets, such as shopping malls in order to obtain face-to-face contact with SMME owners. Skills levy paying SMMEs were invited to participate in the study.
- The target interviewees were limited to SMMEs within the wholesale and retail sector who had heard about the W&RSETA grant system.

All participants willing to partake in the interviews were informed of the confidentiality of the research either telephonically, in writing or via face-to-face interaction.

The main reason for the above selection of sampling techniques was due to the fact that the researcher was unable to obtain a list of levy paying SMMEs registered with the W&RSETA due to an oath of confidentiality undertaken by the SETA. Also, the specific SMMEs would be able to provide a more detailed analysis on the constraints which they may experience whilst attempting to recover skills levies.

3.4.2 Assistants to SMMEs

A purposive sample of assistants to SMME interviewees was selected for the purpose of the study by means of:

- A list of independent skills development facilitators was obtained from the W&RSETA.
- Each independent skills development facilitator was then telephonically and electronically contacted for an interview.
- Non-governmental SMME support agencies were visited, such as the Small Enterprise Development Agency (SEDA). Where interviews were conducted with the agents providing assistance to the SMMEs.
- The Western Cape division of the W&RSETA was contacted to determine a list of the skills development facilitators who attends the W&RSETAs monthly meetings. Potential candidates were then telephonically contacted requesting that an interview takes place at the next W&RSETA meeting. Thereafter, face-to-face interviews were conducted.

The target population selected for the conduction of the interviews included, the manager of the W&RSETA in the Western Cape, skills levy paying SMMEs within the wholesale and retail sector, the manager of the national W&RSETA SMME department, and skills development facilitators who are directly involved with SMMEs within the retail and wholesale sector. Given the fact that the assistants to SMMEs deal with a vast number of SMMEs, they would ultimately be able to provide a broader perspective on the constraints that the SMME may face whilst attempting to recover skills levies.

Table 2.1 showed there are 9 177 levy paying SMMEs registered with the W&RSETA within South Africa. This indicates the vastness of SMMEs within the wholesale and retail sector, showing that by just simply including skills levy paying SMMEs registered with the W&RSETA in the target population, would fail to represent the sector. Thus it was imperative that other stakeholders such as independent skills development facilitators and employees of the W&RSETA also be included in the target population.

3.5 Structure of the interview schedule

The structure of the interview schedule was established after the researcher had discussed the objective of the study with the manager of the W&RSETA in the Western Cape, as well as the manager of the national W&RSETA SMME department. The feedback was beneficial and resulted in the development of the interview schedule.

The researcher opted for the use of semi-structured interviews as interviewees came from divergent backgrounds and some of the topics discussed were of a sensitive nature. These divergent backgrounds may include different social upbringing and differing educational and qualification levels. An interview schedule would be used to ask all interviewees the same questions however these questions may have to be adapted to match the interviewee's educational level. The semi-structured interview approach would also allow the researcher to probe certain answers to provide clarification on vague responses.

The research data would be collected by means of personal and telephonic interviews, where interviewees would be given the option of remaining anonymous. Two separate interview schedules were developed as per the target population groups, namely:

- Skills levy paying SMMEs registered with the W&RSETA. Specific SMMEs would be able to provide a more detailed analysis on the constraints which they may experience whilst attempting to access skills levies.
- Assistants to SMMEs within the W&RSETA (this included the manager of the national W&RSETA SMME department, the manager of the W&RSETA in the Western Cape and independent skills development facilitators). Given the fact that the assistants to SMMEs deals with a vast number of SMMEs, they would ultimately be able to provide a broader perspective on the constraints that SMMEs may face whilst attempting to recover skills levies.

Accordingly, the interview schedule for skills levy paying SMMEs registered with the W&RSETA included of the following sections:

- Section A contains questions relating to the company's details, such as registration with the W&RSETA, number of people employed, as well as payroll details.
- Section B contains questions relating to skills levy and grant recovery details.

The interview schedule for the assistants to SMMEs included the following sections:

- Section A contains questions pertaining to the interviewee's personal details, such as their position, experience and responsibilities.
- Section B contains questions relating to the extent to which the interviewee deals with SMMEs within the W&RSETA.
- Section C contains questions relating to the extent to which the interviewee understands the grant recovery process.
- Section D included questions relating to the interviewee's understanding of the constraints SMMEs experience whilst attempting to recover skills levies.
- Section E evaluates current W&RSETA SMME support programme inefficiencies and asks for suggestions in terms of assisting SMMEs to recover skills levies.

The interview schedule for the assistants to SMMEs included a mixture of both close-ended and open-ended questions, where the interview schedule for skills levy paying SMMEs registered with the W&RSETA comprised of mainly close-ended questions.

3.6 Sources of information for the interview schedule

The main sources of information for the interview schedule originated from a range of legislative documents. These legislative documents included the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, Notice 213 of 1995, the Skills Development Levies Act, No. 9 of 1999 and the W&RSETA annual report on accessibility sustainability for economic growth: 1 April 2006 to 31 March 2007.

3.7 Data collection method and recruitment

The researcher had opted for the use of personal and telephonic interviews as the primary method of data collection. A personal interview allows for clarification on certain points, ensures all questions are answered, clears up any misunderstandings

that the interviewee may have and guarantees a higher response rate (Welman and Kruger, 2003:158).

Initially the researcher had intended to obtain a list of skills levy paying SMMEs from the W&RSETA or from the South African Revenue Services. However, due to an oath of confidentiality that both the W&RSETA as well as the South African Revenue Services had undertaken, they were unable to release the information.

As a result, the researcher had considered additional methods of recruitment by means of:

- obtaining a list of SMME franchises from the Internet, then telephonically contacting each of the SMMEs to ascertain which of the SMMEs were skills levy paying;
- visiting various retail outlets, such as shopping malls to obtain face-to-face contact with SMME owners;
- obtaining a list of independent skills development facilitators from the W&RSETA, then telephonically and electronically contacting them for interviews; and
- visiting non-governmental SMME support agencies such as the Small Enterprise Development Agency (SEDA).

Appointments were made with the stakeholders for the conduction of telephonic or personal interviews. Telephonic interviews allowed for cost efficiency and a more speedily response. Also, due to the greater impression of anonymity, the interviewee may feel more at ease to be more honest in his/her responses. The semi structured interview guide as discussed in the following section would be used to conduct the interviews. Each interview with various stakeholders would be between 30 to 45 minutes in duration.

3.8 Structure of interview schedule for the SMMEs

- Table 3.2 shows section A containing questions relating to the company's details, such as registration with the W&RSETA, number of people employed, annual payroll details and registration with SARS.

Table 3.2: Section A of the SMME interview schedule

SECTION A: COMPANY DETAILS	
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?
2	Please indicate the number of people currently employed by your organisation.
3	Is your annual payroll cost more than R500 000.00?
4	Have you registered with SARS as a levy paying SMME?

- Rationale for this section:

This information was the determining factor as to whether the SMME could partake in the study.

Given the research question this section determined whether the SMME was paying skills levies to the W&RSETA.

- Table 3.3 shows section B containing questions relating to skills levies and grant recovery details.

Table 3.3: Section B of the SMME interview schedule

SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS	
5	Is your company currently paying skills levies to the W&RSETA?
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not attempting to recover skills levies?
9	What would you identify as constraints/barriers whilst attempting to reclaim levies?
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?
13	Suggest ways in which the W&RSETA may assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?

- Rationale for this section:

This information was required in order to ascertain whether the SMME was attempting to recover skills, the barriers or constraints the SMME was experiencing whilst attempting to recover these levies and the extent to which the SMME understood the W&RSETA's grant recovery system. The section had also included suggestions for the W&RSETA to assist SMMEs to overcome constraints whilst attempting to recover skills levies.

3.9 Structure of interview schedule for the assistants to SMMEs

- Table 3.4 shows section A containing questions pertaining to the interviewee's personal details.

Table 3.4: Section A of the assistants to SMMEs interview schedule

SECTION A: INTERVIEWEE DETAILS
1 What is your position?
2 What are your main responsibilities?
3 How long have you been involved with SMMEs in the W&RSETA?

- Rationale for this section:

This section highlighted the assistant's number of years of experience in terms of assisting SMMEs within the W&RSETA.

- Section B contains questions relating to the extent to which the interviewee deals with SMMEs within the W&RSETA.

Table 3.5: Section B of the assistants to SMMEs interview schedule

SECTION B: EXTENT TO WHICH INTERVIEWEE DEALS WITH SMMEs IN THE W&RSETA
4 Are you directly involved with SMMEs within the W&RSETA?
5 If yes, on average how many SMMEs do you deal with?
6 How many of these SMMEs are levy paying?

- Rationale for this section

This section was included to show the number of SMMEs in relation to the number of levy paying SMMEs that each of the assistants had dealt with.

- Rationale for this section:

This information was required in order to ascertain whether the SMME was attempting to recover skills, the barriers or constraints the SMME was experiencing whilst attempting to recover these levies and the extent to which the SMME understood the W&RSETA's grant recovery system. The section had also included suggestions for the W&RSETA to assist SMMEs to overcome constraints whilst attempting to recover skills levies.

3.9 Structure of interview schedule for the assistants to SMMEs

- Table 3.4 shows section A containing questions pertaining to the interviewee's personal details.

Table 3.4: Section A of the assistants to SMMEs interview schedule

SECTION A: INTERVIEWEE DETAILS
1 What is your position?
2 What are your main responsibilities?
3 How long have you been involved with SMMEs in the W&RSETA?

- Rationale for this section:

This section highlighted the assistant's number of years of experience in terms of assisting SMMEs within the W&RSETA.

- Section B contains questions relating to the extent to which the interviewee deals with SMMEs within the W&RSETA.

Table 3.5: Section B of the assistants to SMMEs interview schedule

SECTION B: EXTENT TO WHICH INTERVIEWEE DEALS WITH SMMEs IN THE W&RSETA
4 Are you directly involved with SMMEs within the W&RSETA?
5 If yes, on average how many SMMEs do you deal with?
6 How many of these SMMEs are levy paying?

- Rationale for this section

This section was included to show the number of SMMEs in relation to the number of levy paying SMMEs that each of the assistants had dealt with.

- Section C contains questions relating to the extent to which the interviewee understands the grant recovery process.

Table 3.6: Section C of the assistants to SMMEs interview schedule

SECTION C: EXTENT TO WHICH INTERVIEWEE UNDERSTANDS THE GRANT RECOVERY PROCESS	
7	Is the SETA meeting NSDS targets in terms of SMME assistance?
8	Are the SMMEs you are currently dealing with recovering their skills levies?
9	If yes, what percentage of these SMMEs are recovering their skills levies?
10	Do you receive queries from SMMEs regarding grant recovery?
11	Can you please elaborate on the previously mentioned queries.

- Rationale for this section

Questions in this section showed the number of skills levy paying SMMEs recovering skills levies from the W&RSETA as well as the SMMEs understanding of the grant recovery system.

- Section D included questions relating to the interviewee's understanding of the constraints SMMEs experience whilst attempting to recover skills levies.

Table 3.7: Section D of the assistants to SMMEs interview schedule

SECTION D: EXTENT TO WHICH INTERVIEWEE UNDERSTANDS SMME CONSTRAINTS	
12	Are SMMEs aware of the process involved in recovering skills levies?
13	If yes, how would you rate the SMMEs understanding of the grant recovery system?
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?

- Section C contains questions relating to the extent to which the interviewee understands the grant recovery process.

Table 3.6: Section C of the assistants to SMMEs interview schedule

SECTION C: EXTENT TO WHICH INTERVIEWEE UNDERSTANDS THE GRANT RECOVERY PROCESS	
7	Is the SETA meeting NSDS targets in terms of SMME assistance?
8	Are the SMMEs you are currently dealing with recovering their skills levies?
9	If yes, what percentage of these SMMEs are recovering their skills levies?
10	Do you receive queries from SMMEs regarding grant recovery?
11	Can you please elaborate on the previously mentioned queries.

- Rationale for this section

Questions in this section showed the number of skills levy paying SMMEs recovering skills levies from the W&RSETA as well as the SMMEs understanding of the grant recovery system.

- Section D included questions relating to the interviewee's understanding of the constraints SMMEs experience whilst attempting to recover skills levies.

Table 3.7: Section D of the assistants to SMMEs interview schedule

SECTION D: EXTENT TO WHICH INTERVIEWEE UNDERSTANDS SMME CONSTRAINTS	
12	Are SMMEs aware of the process involved in recovering skills levies?
13	If yes, how would you rate the SMMEs understanding of the grant recovery system?
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?

- Rationale for this section
This section highlighted the SMMEs understanding of the grant recovery system in addition to the constraints that SMMEs may experience whilst attempting to recover their skills levies from the W&RSETA.
- Section E evaluates current W&RSETA SMME support programmes inefficiencies and asks for suggestions in terms of assisting SMMEs to recover skills levies.

Table 3.8: Section E of the assistants to SMMEs interview schedule

SECTION E: RECOMMENDATIONS	
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?

- Rationale for this section
The section was included to obtain suggestions for the W&RSETA to assist SMMEs in overcoming constraints whilst attempting to recover skills levies. This section formed part of the qualitative component of the research study.

3.10 Conclusion

This chapter explored the research design and methodology. The research design comprised of a qualitative study with certain quantitative components.

Two interview schedules were developed for SMMEs and the assistants to SMMEs. Thereafter, a pilot study was conducted of the interview schedule to ensure that the questions asked were relevant and non ambiguous. The interview schedules were consequently amended as per the suggestions made in the pilot study. Ten SMMEs and 10 assistants to SMMEs were interviewed for the study. These interviewees were selected by means of purposive sampling.

CHAPTER FOUR

RESULTS

4.1 Introduction

As stated in Chapter 1, the main research problem is that while SMMEs do have the option of recovering their skills levies, many fail to recover these levies. This failure could be attributed to internal or external barriers that may constrain the SMME from doing so. Consequently, the main aim of the study is to determine the barriers that may be constraining the SMME from recovering their skills levies.

This chapter will firstly present the results of the interviews conducted with the skills levy paying SMMEs registered with the W&RSETA, secondly, present the results of the assistants to SMMEs and thirdly, cross tabulate the two responses in order to provide a comparative view of the data presented.

The SMMEs responses will be presented in terms of: the company's details; their practices regarding skills levies and grant recovery; their knowledge and practices regarding skills levies and grant recovery; their views regarding skills levies and grant recovery; and the responses of the individual SMMEs.

The assistants to SMMEs responses will be presented in terms of: their personal details; their interaction with the SMMEs in terms of grant recovery; the assistant's perception of the constraints that the SMME may be experiencing whilst attempting to recover their skills levies; the SMME's understanding of the grant recovery process; suggestions made by the interviewees to assist SMMEs in recovering their skills levies; and the responses of individual interviewees.

4.2 Response of SMMEs

The findings of the interviews conducted with the SMMEs have been subdivided into the following sections:

- 4.2.1 Company details of the SMMEs
- 4.2.2 Practices regarding skills levies and grant recovery
- 4.2.3 Knowledge and practices regarding skills levies and grant recovery

4.2.4 Suggestions by SMMEs in terms of providing assistance

4.2.5 Individual SMME responses

4.2.1 Company details of the SMME

The company details of the SMME describe the number of people employed by each of the SMMEs interviewed and whether they are registered with the W&RSETA and SARS. The following questions from the SMMEs interview schedule have been included in the section:

- Section A, question 1: are you currently registered with the Wholesale and Retail SETA (W&RSETA)?
- Section B, question 2: please indicate the number of people currently employed by your organisation.
- Section B, question 4: have you registered with SARS as a levy paying SMME?

Table 4.1 refers to question 1, question 2 and question 4.

Table 4.1: Number of people employed by SMME participants

Company	Number of people employed	Registered with W&RSETA	Registered with SARS
Company 1	10	Yes	Yes
Company 2	10	Yes	Yes
Company 3	35	Yes	Yes
Company 4	149	Yes	Yes
Company 5	36	Yes	Yes
Company 6	15	Yes	Yes
Company 7	120	Yes	Yes
Company 8	32	Yes	Yes
Company 9	45	Yes	Yes
Company 10	23	Yes	Yes

Table 4.1 shows the number of people employed by each of the SMMEs interviewed. The number of people employed within each of the 10 SMMEs interviewed ranged from 10 to 149. The average number of people employed by the SMMEs interviewed was 48, where all of the 10 respondents interviewed were registered with the W&RSETA and SARS.

4.2.2 Practices regarding skills levies and grant recovery

Practices regarding skills levies shows the number of skills levy paying SMMEs interviewed for the purposes of the study. The number of SMMEs recovering skills levies in relation to the number of skills levy paying SMMEs have also been included. The section includes the following questions from the SMME interview schedule:

- Section A, question 1: are you currently registered with the Wholesale and Retail SETA (W&RSETA)?
- Section A, question 3: is your annual payroll cost more than R500 000?
- Section B, question 5: is your company currently paying skills levies to the W&RSETA?
- Section B, question 6: if you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?

Table 4.2 relates to question 1 and question 5.

Table 4.2: Number of skills levy paying SMMEs

Company	Registered with W&RSETA	Skills levy paying
Company 1	Yes	Yes
Company 2	Yes	Yes
Company 3	Yes	Yes
Company 4	Yes	Yes
Company 5	Yes	Yes
Company 6	Yes	Yes
Company 7	Yes	Yes
Company 8	Yes	Yes
Company 9	Yes	Yes
Company 10	Yes	Yes

Table 4.2 shows that all of the SMMEs interviewed are skills levy paying SMMEs and registered with the W&RSETA.

Table 4.3 relates to question 5 and question 6.

Table 4.3: Number of skills levy paying SMMEs recovering levies

Company	Skills levy paying	Recovering skills levies
Company 1	Yes	No
Company 2	Yes	No
Company 3	Yes	No
Company 4	Yes	No
Company 5	Yes	Yes
Company 6	Yes	No
Company 7	Yes	No
Company 8	Yes	Yes
Company 9	Yes	No
Company 10	Yes	No

Table 4.3 shows that 2 out of the 10 SMMEs interviewed are recovering skills levies from the W&RSETA. Twenty percent of levy paying SMMEs are recovering their skills levies.

4.2.3 Knowledge and practices regarding grant recovery

The SMME's knowledge of the grant recovery system is evident in its practices. The section refers to the extent to which the SMME understands the process involved in terms of the W&RSETAs grant recovery system and includes the following questions:

- Section B, question 10: do you understand the process involved in reclaiming skills levies back from the W&RSETA?
- Section B, question 11: have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?
- Section B, question 12: have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?

Table 4.4 reflects question 10.

Table 4.4: SMME's understanding of the process involved in recovering skills levies

Process involved in reclaiming skills levies	Percentage of SMME responses (number)
Does not understand anything about the process	70% (N=7)
Understands a few steps about the process	20% (N=2)
Understands most steps of the process	0
Understands everything about the process	10% (N=1)

Table 4.4 shows the SMME's understanding of the process involved in recovering skills levies. Seventy percent of the respondents mentioned that they did not understand anything about the process, 20 percent mentioned that they had understood a few steps about the process, where 10 percent of the SMMEs said they had understood everything about the process.

Table 4.5 reflects question 11 and question 12.

Table 4.5: Submission of the workplace skills plan and annual training report

	Percentage of SMMEs submitted workplace skills plan in last 5 years (number)	Percentage of SMMEs submitted an annual training report in last 5 years (number)
YES	20% (N=2)	20% (N=2)
NO	80% (N=8)	80% (N=8)

Table 4.5 indicates the percentage and number of SMMEs that has submitted a workplace skills plan in addition to an annual training report in the past 5 years. Twenty percent of the SMMEs interviewed said that they have submitted a workplace skills plan as well as an annual training report in the last 5 years, where the remaining 80 percent had indicated that they had failed to submit any of the reports in the last 5 years.

The views of the SMME respondents regarding skills levies and grant recovery details include the following questions from the SMME interview schedule:

- Section B, question 8: what would you identify as the main reasons for not attempting to recover skills levies?
- Section B, question 9: what would you identify as constraints/barriers whilst attempting to reclaim levies?
- Section B, question 13: suggest ways in which the W&RSETA may assist you in overcoming the constraints which you are experiencing whilst attempting to recover skills levies.

4.2.3.1 The main reasons for SMMEs not attempting to recover skills levies

As indicated in question 8, the following factors have been identified by the SMME respondents as reasons for not attempting to recover skills levies.

The person interviewed at company 1 mentioned that the administrative work was burdensome; the company had a small staff compliment, thus they could not afford to send their people on training; the company did not have much time to comply with the W&RSETA requirements; the business only had limited finance available and viewed compliance as a costly exercise; and lastly, they had no idea of the paperwork required to be completed or the process involved in terms of grant recovery.

The person interviewed at company 2 highlighted that they had a lack of knowledge of the system and did not know how to reclaim the levies; they did not have the time to comply with the requirements; and while they did have a look at perhaps attempting to recover their skills levies, it did not seem viable to attempt to recover the levies as the amount that would have been received was not worth the effort.

The person interviewed at company 3 stated that there was too much administration work involved; they were aware that the system exists, however they did not understand the process and also mentioned that there was too much red tape involved in the system. In 2006 however the company did attempt to find out more about the process involved in recovering the skills levies by calling the W&RSETA, however they found the W&RSETA to be very unhelpful as they got passed around from person to person. Consequently they had left it and never bothered to contact the W&RSETA again.

The person interviewed at company 4 mentioned that he does not have the time to recover the skills levies as he is the Financial Director, in addition to performing the human resource function within the company. He was aware that he needed to submit a workplace skills plan, however he just did not have the time to get to it; lastly, he mentioned that there were no clear guidelines from the W&RSETA on what training companies can and cannot claim for.

The person interviewed at company 5 was recovering their skills levies, thus could not mention any reasons for not attempting to recover the levies.

The person interviewed at company 6 mentioned that he did not understand the process; has never bothered to reclaim the levies; and while he has heard about the system, he did not see the point in attempting to recover the levies as it was just another tax.

The person interviewed at company 7 highlighted that they had attempted to recover the skills levies at one stage but later realised that there was too much paperwork involved, thus they had recently appointed an external company to recover the skills levies for them.

The person interviewed at company 8 had been recovering their skills levies, thus could not mention any reasons for not attempting to recover the levies.

The person interviewed at company 9 mentioned that they did not know that they could recover their skills levies.

The person interviewed at company 10 highlighted that they did not understand the process of recovering grants.

Summing up, the majority of the SMME respondents said that they did not know how to recover their skills levies. Whereas, not having the time, burdensome administration and the grant amount received not being worth the effort financially were the succeeding reasons for not partaking in the grant system.

4.2.3.2 Constraints or barriers identified by SMME respondents in terms of recovering skills levies

As indicated by question 9, the following constraints or barriers preventing SMMEs from recovering skills levies have been identified by the respondents.

The person interviewed from company 1 identified a lack of understanding of how the system works; finance and too much administration as constraints.

The interviewees from company 2 and company 3 had both mentioned too much administration and a lack of understanding as constraints to grant recovery.

The person interviewed from company 4 stated that there were no clear guidelines from the W&RSETA on what training companies can and cannot claim for. An example given by the interviewee was that it is easier to prove that the training has taken place when external training has been provided as you have the invoices to prove it. The problem lies in trying to claim for internal training, in the instance where the company may have provided a large number of internal training programmes, the SETA makes it difficult for the SMME to recover the levy as the company does not have the invoices to prove that the training has taken place.

The person interviewed from company 5 identified compliance with labour legislation as a constraint to grant recovery.

The person interviewed from company 6 highlighted that they were not familiar with the grant recovery process.

The person interviewed from company 7 stated that they also dealt with the accounts in the company, thus did not have the time to complete the documentation; an additional point highlighted was that there was too much paperwork.

The person interviewed from company 8 identified too much paperwork as a constraint.

The person interviewed from company 9 identified a lack of understanding of the system as a constraint.

The person interviewed from company 10 stated that they did not know how the system worked and did not have the finance available to comply with the system.

Summing up, the predominant constraints or barriers identified by SMMEs preventing them from recovering skills levies included burdensome administration and a lack of knowledge of the system. Where finance and a lack of time to comply were also identified as further constraints preventing the SMME from accessing their grant.

4.2.4 Suggestions by SMMEs in providing assistance to grant recovery

As stipulated by question 13, the following suggestions were made by the SMME interviewees in a bid to assist them in overcoming constraints whilst attempting to recover skills levies from the W&RSETA:

- six of the 10 SMMEs interviewed suggested that the W&RSETA improve communication and marketing strategies;
- three of the SMMEs did not have any suggestions;
- three of the SMMEs recommended that the paperwork and processes should be streamlined;
- one of the SMMEs suggested that the W&RSETA show companies the benefit of recovering their skills levies in terms of the actual rand value they could potentially gain; and
- one of the SMMEs highlighted that the job of a skills development facilitator should not be outsourced, instead the W&RSETA should focus on training the SMME owner on how to recover their skills levies.

Following are the individual responses from the SMMEs interviewed.

4.2.5 Individual SMME responses

Following are the individual SMME responses from the interviews conducted.

Table 4.6: Company 1 interview schedule

Interview response from SMMEs on:	
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA	
SECTION A: COMPANY DETAILS	Company 1
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)? Yes
2	Please indicate the number of people currently employed by your organisation. 10
3	Is your annual payroll cost more than R500 000.00? Yes
4	Have you registered with SARS as a levy paying SMME? Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS	
5	Is your company currently paying skills levies to the W&RSETA? Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies? No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?
	The administrative work is burdensome.
	I only have a small staff compliment, thus I cannot afford to send people on training.
	I do not have much time to comply with the requirements.
	The business only has limited finance available and it's a costly exercise to comply with the requirements.
9	What would you identify as constraints/barriers whilst attempting to reclaim levies
	I have no idea of the paperwork that has to be completed or the process involved.
9	A lack of understanding of how the system works.
	Finance and also there is too much administration.
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA? No

11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA may assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	A while ago someone came to the company to assist in recovering skills levies. I am unsure about whether the person had worked for the SETA, however the company didn't need to pay her anything. Also, the company did receive some of its money back from the SETA at the time.
		SETA should be offering training to SMME owners and not outsource this job to external skills development facilitators.
		I do not feel that the SETA system has been beneficial at all and think that the whole thing is a waste of time.

Table 4.7: Company 2 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 2
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	10
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes

SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	Lack of knowledge, I don't know how to reclaim the levies.
		I don't have the time.
		Did have a look at perhaps attempting to recover these skills levies, however it didn't seem viable to attempt to recover the levies as the amount was not worth the effort.
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	Too much administration. Also, I do not understand the system.
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	No, not at all.
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	I think I remember an email coming through about once a year regarding the skills levies.
		Lack of knowledge.
		About 8 years ago a lady from the SETA came around to explain the SETA process in recovering skills levies. This was a good initiative.
Comments		
How are we as SMMEs supposed to know that we can recover our skills levies if no one tells us that we can.		

Table 4.8: Company 3 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMMES EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS	Company 3	
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	35 (3 stores)
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	Too much administration involved.
		I know that the system exists, however I do not understand the process.
		In 2006 I did attempt to find out more about the process involved in recovering the skills levies by calling the W&RSETA, however they were very unhelpful as I got passed around from person to person. Consequently I had left it and never bothered to contact them again.
		Too much red tape involved in the system.
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	Too much administration. I don't really understand the process.
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	No idea.
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	A Public Relations person should be appointed by the SETA. This person should actively contact the SMMEs in an attempt to assist and guide them in recovering skills levies.

Table 4.9: Company 4 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMME'S EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS	Company 4	
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	149 (13 stores across the country)
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	<p>I don't have the time to recover the skills levies as I am also the Financial Director and Human Resource person.</p> <p>I am aware that I need to submit a Workplace Skills Plan, however to be honest, I just do not have the time to get to it.</p> <p>There are no clear guidelines from the SETA on what training companies can and cannot claim for.</p>
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	<p>There are no clear guidelines from the SETA on what companies can and cannot claim for. Example: it is easier to prove or recover the levies when you have provided external training as you have the invoices to prove this. The problem lies in trying to claim for internal training.</p> <p>An additional barrier would be that the company has provided a lot of internal training. Thus the SETA makes it difficult for the SMME to recover the levy as the SMME does not have the invoices to prove that the training has indeed taken place.</p>
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	Yes
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No

12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	More communication from the W&RSETA is needed. In the last 18 months I have not received any communication from the SETA.
		The W&RSETAs processes needs to be streamlined and made easier to understand as many SMMEs do not have a full fledged person to perform this function.
		The SETA should show SMMEs the actual rand value that they could potentially receive if they attempted to recover skills levies.
Comments		
In principle the SETA system was a good concept, however in reality the administration is too burdensome.		
The system is not having the effect that is supposed to be having in terms of skills development. The company is not seeing the intended benefit.		
I have a lot of friends who own their own businesses, none of which are recovering their skills levies as it is too burdensome.		
There was a time that the SETA had implemented a system where SMMEs need to capture details on line. This was not a user friendly system.		
Well I am familiar with the process, many SMMEs are not.		

Table 4.10: Company 5 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 5
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	36
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes

SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	Yes
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	I submitted a workplace skills plan and an annual training report.
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	Legislation
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	I understand everything about the process
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	Yes
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	Yes
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	The SETA should communicate more to SMMEs.

Table 4.11: Company 6 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMMES EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 6
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	15
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	I don't understand the process
		I have never bothered to reclaim the levies.
		I've heard about the system, however do not see the point in attempting to recover the levies as it is just another tax.
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	Not familiar with the process.
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	No not at all
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	None

Table 4.12: Company 7 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMME EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 7
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	120
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	No
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	I had attempted to at one stage, but then I realised that it is too much paperwork. Thus have recently appointed an external company to recover the levies on my behalf.
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	I also deal with the accounts, thus do not have the time to complete.
		There is way too much paperwork.
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	No not really
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	Nothing

Table 4.13: Company 8 interview schedule

Interview guide for SMMEs on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 8
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	32
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	Yes
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	I have a SDF who assists in reclaiming the grants.
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	Too much paperwork
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	Yes
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	Yes
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	Yes
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	The W&RSETA should try to streamline the amount of paperwork.

Table 4.14: Company 9 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMMES EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 9
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	45
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	Didn't know I could reclaim the levies
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	Lack of understanding
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	No
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	They should improve their marketing strategies.

Table 4.15: Company 10 interview schedule

Interview response from SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: COMPANY DETAILS		Company 10
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?	Yes
2	Please indicate the number of people currently employed by your organisation.	23
3	Is your annual payroll cost more than R500 000.00?	Yes
4	Have you registered with SARS as a levy paying SMME?	Yes
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS		
5	Is your company currently paying skills levies to the W&RSETA?	Yes
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?	No
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?	
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?	I don't understand the process
9	What would you identify as constraints/barriers whilst attempting to reclaim levies	I don't know how the system works. I do not have the finance available to comply with the system.
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?	No
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?	No
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?	No
13	Suggest ways in which the W&RSETA can assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?	The W&RSETA should have more workshops available for SMME owners.

4.3 Assistants to SMMEs responses

Section 4.2 demonstrated the findings of the interviews conducted with the SMMEs, where section 4.3 will show the findings of the interviews conducted with the assistants to the SMMEs.

The findings of the interviews conducted with the assistants to SMMEs have been subdivided into the following sections:

- 4.3.1 Assistant to SMME details
- 4.3.2 Assistant's interaction with SMME in terms of grant recovery
- 4.3.3 Constraints identified by assistants to SMMEs
- 4.3.4 Understanding of the grant recovery process by the assistants to SMMEs
- 4.3.5 Assistant's suggestions to grant recovery
- 4.3.6 Individual assistants to SMMEs responses

4.3.1 Assistant to SMMEs details

The demographical details of the assistants to SMMEs refer to the number of years of experience of each of the assistants interviewed, as well as their main responsibilities. The section includes the following questions from the assistants to SMMEs interview schedule:

- Section A, question 1: what is your position?
- Section A, question 2: what are your main responsibilities?
- Section A, question 3: how long have you been involved with SMMEs in the W&RSETA?

Table 4.16 reflects question 1, question 2 and question 3.

Table 4.16: Assistants to SMMEs main responsibilities and number of years experience in dealing with SMMEs in the W&RSETA

Assistants to SMMEs	Years experience assisting SMMEs within the W&RSETA	Main responsibilities
Skills Development Facilitator 1	3	Assists SMMEs in recovering skills levies and facilitate training
Skills Development Facilitator 2	7	Assists SMMEs by providing a consultancy role
Skills Development Facilitator 3	4	Assists SMMEs in recovering skills levies and facilitate training
Skills Development Facilitator 4	6	Assists SMMEs in recovering skills levies and facilitate training
Skills Development Facilitator 5	10	Assists SMMEs in recovering skills levies and facilitate training
Skills Development Facilitator 6	3	Assists SMMEs in recovering skills levies and facilitate training
Skills Development Facilitator 7	6	Assists SMMEs by providing a consultancy role
Skills Development Facilitator 8	5	Assists SMMEs in recovering skills levies and facilitate training
Western Cape Regional Manager of W&RSETA	10	Oversees implementation of various W&RSETA project plans within Western Cape Region
National Manager of SMME department of W&RSETA	10	Oversees the SMME department from a national perspective within the W&RSETA

Table 4.16 shows the main responsibilities in addition to the number years of experience of each interviewee in terms of assisting SMMEs within the W&RSETA. Years of experience in assisting SMMEs within the W&RSETA ranged from 3 to 10 years. The average number of years experience by stakeholders in assisting SMMEs within the W&RSETA was 6 years. Table 4.16 also indicates that the main responsibilities of the skills development facilitator is to assist SMMEs in recovering skills levies and to facilitate training within the SMME, where the main responsibilities of the Western Cape Regional Manager of the W&RSETA is to oversee the implementation of various W&RSETA project plans within the Western Cape Region. The main responsibility of the National Manager of the SMME department of W&RSETA is to oversee the SMME department from a national perspective within the W&RSETA.

4.3.2 Assistants interaction with SMME in terms of grant recovery

The section refers to the total number of skills levy paying SMMEs assisted by the interviewees. The data gathered from the following questions from the assistants to SMMEs interview schedule have been included:

- Section B, question 4: are you directly involved with SMMEs within the W&RSETA?
- Section B, question 5: on average how many SMMEs do you deal with?
- Section B, question 6: from the number of SMMEs you deal with, how many of the SMMEs are levy paying?
- Section C, question 8: are the SMMEs you are currently dealing with recovering their skills levies?
- Section C, question 9: what percentage of these SMMEs is recovering their skills levies?

As specified by question 4, all of the assistants to SMMEs interviewed had indicated that they were directly involved with SMMEs registered with the W&RSETA.

Table 4.17 reflects question 5 and question 6.

Table 4.17: Stakeholder and number of SMMEs assisted that are levy paying

Assistants to SMMEs	Average SMMEs assisted	Levy paying SMMEs (number)
Skills Development Facilitator 1	33	100% (N=33)
Skills Development Facilitator 2	160	10% (N=16)
Skills Development Facilitator 3	30	50% (N=15)
Skills Development Facilitator 4	60	88% (N=52)
Skills Development Facilitator 5	50	100% (N=50)
Skills Development Facilitator 6	55	100% (N=55)
Skills Development Facilitator 7	75	100% (N=75)
Skills Development Facilitator 8	35	100% (N=35)
Cape Regional Manager of W&RSETA	50 000	12% (N=6 000)
National Manager of SMME department of W&RSETA	50 000	18% (N=9 000)

4.3.2 Assistants interaction with SMME in terms of grant recovery

The section refers to the total number of skills levy paying SMMEs assisted by the interviewees. The data gathered from the following questions from the assistants to SMMEs interview schedule have been included:

- Section B, question 4: are you directly involved with SMMEs within the W&RSETA?
- Section B, question 5: on average how many SMMEs do you deal with?
- Section B, question 6: from the number of SMMEs you deal with, how many of the SMMEs are levy paying?
- Section C, question 8: are the SMMEs you are currently dealing with recovering their skills levies?
- Section C, question 9: what percentage of these SMMEs is recovering their skills levies?

As specified by question 4, all of the assistants to SMMEs interviewed had indicated that they were directly involved with SMMEs registered with the W&RSETA.

Table 4.17 reflects question 5 and question 6.

Table 4.17: Stakeholder and number of SMMEs assisted that are levy paying

Assistants to SMMEs	Average SMMEs assisted	Levy paying SMMEs (number)
Skills Development Facilitator 1	33	100% (N=33)
Skills Development Facilitator 2	160	10% (N=16)
Skills Development Facilitator 3	30	50% (N=15)
Skills Development Facilitator 4	60	88% (N=52)
Skills Development Facilitator 5	50	100% (N=50)
Skills Development Facilitator 6	55	100% (N=55)
Skills Development Facilitator 7	75	100% (N=75)
Skills Development Facilitator 8	35	100% (N=35)
Cape Regional Manager of W&RSETA	50 000	12% (N=6 000)
National Manager of SMME department of W&RSETA	50 000	18% (N=9 000)

Table 4.17 shows the number of levy paying SMMEs that each of the stakeholder's interviewed provides assistance to. The number of SMMEs assisted by the 8 skills development facilitators interviewed ranged from 33 to 160. The average number of SMMEs assisted by the 8 skills development facilitators interviewed was 62. From these 62 SMMEs assisted, 66,5 percent were levy paying SMMEs. The Cape Regional Manager in addition to the National Manager of SMME department of W&RSETA highlighted that there were 50 000 registered SMMEs within the wholesale and retail sector of which 15 percent on average were levy paying SMMEs.

All SMMEs were found to be recovering their skills levies to some degree (section C, question 8).

Table 4.18 reflects question 6 and question 9.

Table 4.18: Number of levy paying SMMEs recovering skills levies

Assistants to SMMEs	Levy paying SMMEs (number)	Levy paying SMMEs recovering skills levies (number)
Skills Development Facilitator 1	100% (N=33)	100% (N=33)
Skills Development Facilitator 2	10% (N=16)	3.5% (N=1)
Skills Development Facilitator 3	50% (N=15)	15% (N=2)
Skills Development Facilitator 4	88% (N=52)	88% (N=46)
Skills Development Facilitator 5	100% (N=50)	100% (N=50)
Skills Development Facilitator 6	100% (N=55)	100% (N=55)
Skills Development Facilitator 7	100% (N=75)	100% (N=75)
Skills Development Facilitator 8	100% (N=35)	100% (N=35)
Cape Regional Manager of W&RSETA	12% (N=6 000)	85% (N=5 100)
National Manager of SMME department of W&RSETA	18% (N=9 000)	55% (N=4 950)

Table 4.18 shows the percentage and number of levy paying SMMEs assisted by the various stakeholders interviewed. The table also shows the percentage of SMMEs attempting to recover their skills levies. The number of SMMEs recovering skills levies ranged from 1 to 5 100. An average of 67,5 percent of skills levy paying SMMEs are recovering skills levies.

4.3.3 Constraints identified by the assistants to SMMEs

Constraints refer to the factors identified by the assistants to SMMEs that may be constraining the SMME from recovering their skills levies from the W&RSETA. The section includes the following questions from the assistants to SMMEs interview schedule:

- Section E, question 19: are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?
- Section E, question 20: please elaborate on the efficiencies of the current W&RSETA SMME support programmes.
- Section D, question 14: are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?
- Section D, question 15: can you perhaps mention some of the internal constraints that the SMME may be experiencing whilst attempting to recover the skills levies.
- Section D, question 16: are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?
- Section D, question 17: can you perhaps mention some of the external constraints that the SMME may be experiencing whilst attempting to recover the skills levies.
- Section D, 18: are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?

As stipulated by question 19, the majority of the respondents mentioned that the current W&RSETA programmes were providing the necessary support to assist the SMMEs with grant recovery. Where one of the respondents had highlighted that the W&RSETA appoints skills development facilitators (SDFs) to assist the SMME with grant recovery, currently the SDFs are getting 50 to 60 percent of the SMMEs registered with the W&RSETA.

The remaining respondents who had felt that the current W&RSETA programmes were not providing the necessary support to assist the SMMEs, highlighted the following inefficiencies as per question 20 in terms of the W&RSETA support programmes: people assisting the SMMEs were uneducated did not understand the grant recovery process; there was miscommunication from the W&RSETA as the

process was not properly explained to the SMMEs; and the W&RSETA should appoint SDFs permanently, not just to assist with the WSP and ATR.

The constraints as indicated by the responses to question 14 to question 18, included the following.

SDF 1 could not identify any constraints that the SMME may experience when attempting to recover skills levies if the company had appointed an independent SDF. The SDF had also mentioned that the SMMEs were uneducated on the process and do not understand the grant system, for example, the SMMEs' understanding of the concept of training to be reported on is that it has to be external training, thus they are not reporting on internal training as they are not aware that they may report on this. If no SDF was appointed by the W&RSETA, then the SMME is not likely to be recovering their skills levies; and SMME do not have the money or the time to send people on training, thus they are failing to report on the ATR.

SDF 2 highlighted: many SMMEs do not realise that they can recover their skills levies, however if more SMMEs knew about it, then the number of SMMEs recovering their skills levies would increase; SMMEs have a lack of skills and knowledge and thus are afraid to attempt to recover their skills levies; many SMME owners are uneducated and do not understand basic bookkeeping, marketing and budgeting; and the grant recovery process is over complicated.

SDF 3 mentioned: SMMEs do not believe that they need the training and ultimately they do not understand the concept of training or see the value of submission of the WSP and ATR as an audit on their current skills availability; some of the smaller SMMEs would look at the amount that they could claim from the SETA, however do not see this amount as worthwhile; and SMMEs do not have the time to attempt to recover the skills levies.

SDF 4 stated that the companies he has been dealing with for a couple of years understood the grant recovery process, he also mentioned that there are SMMEs that do not submit the WSP as the grant they receive it is not worth the hassle. However, in the WRSETA SMMEs should not have any problems, as the SETA appoints SDFs to assist the companies in compiling their WSP and ATR.

SDF 5 could not identify any constraints that may prevent the SMME from recovering their skills levies.

SDF 6 mentioned that the SMME may not understand the W&RSETAs jargon; new SMMEs may not have the time to recover skills levies; the SMME may choose not to participate as they think it is linked to SARS; and the SMME may be afraid that their employment equity status will be revealed.

SDF 7 highlighted that: the SMME may have limited finance available to pay a SDF to recover skills levies; SMMEs are not doing training; most training providers will not run a training course for one or two employees; there is too much work involved in attempting to recover skills levies; the SMME has a limited capacity to recover levies; and most SMMEs are not aware that they can recover the levies.

SDF 8 stated that the SMME does not have the time to recover the levies or to train its employees.

The Western Cape Regional Manager of the W&RSETA found that the SMMEs: were not interested in attempting to recover their skills levies; were not interested in doing training as they did not see the value of training; did not have the time to send people on training; are often set on the bottom line and do not see the point of training; do not see the value in recovering the skills levies; and sees the skills levy as a tax.

The Manager of the National W&RSETA SMME department mentioned: that the SMMEs do not have the resources to partake in the system; the people working within the SMME are not equipped with the necessary skills to recover skills levies; the SMMEs choose not to participate in the system as they feel that is just a tax that they are paying; the amount may be seen as too little, thus they do not bother to attempt to recover the levies; there is too much red tape; and the SMMEs do not want to partake in government interventions.

4.3.4 Understanding of the grant recovery process by the assistants to SMMEs

The grant recovery process reflects the responses of the assistants to SMMEs in terms of the extent to which the SMME understands the process involved in the W&RSETA grant recovery system. The section also includes the findings as to whether the W&RSETA is meeting national skills development strategic targets and the extent to which W&RSETA programmes provides support to SMMEs. Findings of the following questions from the SMME interview schedule have been included:

- Section C, question 10: do you receive queries from SMMEs regarding grant recovery?
- Section C, question 11: can you elaborate on the queries regarding grant recovery.
- Section D, question 12: are SMMEs aware of the process involved in recovering skills levies?
- Section D, question 13: how would you rate the SMME's understanding of the grant recovery system?
- Section C, question 7: Are the SETA meeting NSDS targets in terms of SMME assistance?

The findings of question 10 and question 11 reflected that the majority of the 10 interviewees did not receive any queries from the SMMEs whilst they were attempting to recover skills levies. However, the respondents highlighted that if no SDF was appointed, then it is likely that the SMME will not be recovering their skills levies and that many SMMEs choose not to get involved as they do not know enough about the system.

In terms of whether SMMEs are aware of the process involved in recovering skills levies as per question 12, the majority of the respondents mentioned that the SMMEs are aware of the process to some extent. The respondents highlighted some of the following factors: the SMME would not be aware of the process if a SDF has been appointed and many SMMEs do not realise that they can recover their skills levies, however if more knew that they could, then this amount would increase.

The findings of question 13 in terms of the SMME's understanding of the grant recovery system reflected that the majority (90%) of the respondents felt that the SMME understood the process to some degree. Where 1 of the respondents mentioned that the SMME understood everything about the process, 3 of the respondents felt that the SMMEs understood most of the steps of the grant recovery process and 2 of the respondents indicated that the SMMEs understood a few steps of the process.

As to whether the W&RSETA is meeting national skills development targets in terms of providing assistance to SMMEs as stipulated in question 7, seven of the 10 interviewees indicated that the W&RSETA are meeting these targets, where the remaining 3 did not think that the W&RSETA was meeting these targets. One of the

interviewees mentioned that the W&RSETA was currently exceeding the national skills development targets of 40 percent by 50 percent to 60 percent.

4.3.5 Assistants suggestions to grant recovery

The following suggestions were made by the assistants to SMMEs in a bid to assist the SMMEs in overcoming the constraints they may be experiencing whilst attempting to recover skills levies from the W&RSETA:

- four of the assistants mentioned that the W&RSETA should improve marketing strategies so that SMMEs are made more aware of the processes involved in recovering skills levies;
- two of the 7 assistants interviewed suggested that the W&RSETA promote the benefits of recovering skills levies to SMME owners;
- two of the assistants interviewed did not have any suggestions;
- one suggested that the W&RSETA forms a partnership with external SMME consultants;
- one assistant highlighted that W&RSETA support programmes be tailored to meet the specific needs of SMMEs;
- one mentioned that the W&RSETA should take into consideration the various cultures and educational levels of SMME owners when developing SMME assistance programmes; and
- one assistant suggested that the W&RSETA appoint skills development facilitators in the beginning of the year.

Following are the individual responses from each of the assistants to SMMEs interviewed.

4.3.6 Individual assistants to SMMEs responses

Table 4.19: Assistant 1 Interview response

Interview response from assistant to SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 1- Chris
1	What is your position?	Independent SDF
2	What are your main responsibilities?	I assist companies in recovering their skills levies
3	How long have you been involved with SMMEs in the W&RSETA?	I have 27 years experience in the Industry and 3 years experience as an SDF
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	33
6	How many of these SMMEs are levy paying?	All 33
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Are the SETA meeting NSDS targets in terms of SMME assistance?	No
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	All
10	Do you receive queries from SMMEs regarding grant recovery?	No as I am currently recovering these levies on behalf of the SMME
11	Can you please elaborate on the previously mentioned queries.	If no SDF has been appointed, then it is likely that the SMME will not be recovering their skills levies.

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	No, not if an ISDF has not been appointed
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	SMMEs are uneducated on the process
		If no SDF has been appointed by the SETA, then the SMME is not likely to be recovering their skills levies.
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	SMMEs do not understand the SETA system, for example: the understanding of the concept of training to be reported on is that it has to be external, thus they are not reporting on this training as they are not aware that they can.
		Do not have the money to send people on training thus not reporting on the ATR
		Do not have the time to send people on training, thus not reporting on the ATR
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	A dedicated person should be appointed to work with the SETA as the CEO does not understand the process or have the time to comply.
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	No
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	There is miscommunication from the W&RSETA. The process should be properly explained to the SMMEs.
		Currently, the W&RSETA has allocated 40 SMMEs to 30 skills development facilitators. Thus the SETA issues the SDF with a list of companies to contact.
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	The SETA should cold call SMME owners to explain the benefit of recovering skills levies.

Table 4.20: Assistant 2 Interview response

Interview response from assistant to SMME on: CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 2 - SMME consultant- Arnold
1	What is your position?	Assists SMMEs by providing a consultancy role
2	What are your main responsibilities?	Assists SMMEs by providing a consultancy role
3	How long have you been involved with SMMEs in the W&RSETA?	7 years
SECTION B: Extent to which Interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	160
6	How many of these SMMEs are levy paying?	10% of the 160 are levy paying (16)
SECTION C: Extent to which Interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	No
8	Are the SMMEs you are currently dealing with recovering their skills levies?	
9	If yes, what percentage of these SMMEs are recovering their skills levies?	3.5 %
10	Do you receive queries from SMMEs regarding grant recovery?	Not really, however this is due to their lack of education/understanding of the process.
11	Can you please elaborate on the previously mentioned queries.	
12	Are SMMEs aware of the process involved in recovering skills levies?	Many SMMEs do not realise that they can recover their skills levies. However if more knew about it, then this amount would increase.
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	

14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	Lack of skills and knowledge thus they are afraid to attempt to recover these skills levies
		Many SMME owners are uneducated (they do not understand basic bookkeeping; marketing, budgeting)
		SMMEs are not providing basic training to their staff (customer service)
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	The process is over complicated
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	No, as the people working with the SMMEs are uneducated and do not understand the process.
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	No
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	No, as the people working with the SMMEs are uneducated and do not understand the process.
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	W&RSETA should market themselves (TV/newspaper/radio/research on entrepreneurs)
		The SETA is not doing enough to reach their target market.
		The SETA should go into partnership with external SMME consultants as they understand the SMMEs better.
		The SETA should consider different cultures as while.
		People who work at the SETA should be able to relate to the SMME owners.
		The benefits of receiving the skills levies back should be promoted.

Table 4.21: Assistant 3 interview response

Interview response from assistant to SMME on: CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 3
1	What is your position?	ISDF
2	What are your main responsibilities?	Assists SMMEs in recovering skills levies
3	How long have you been involved with SMMEs in the W&RSETA?	4
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	30
6	How many of these SMMEs are levy paying?	50%(15)
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	No
8	Are the SMMEs you are currently dealing with recovering their skills levies?	A few of them are recovering the skills levies
9	If yes, what percentage of these SMMEs are recovering their skills levies?	15% (2)
10	Do you receive queries from SMMEs regarding grant recovery?	No
11	Can you please elaborate on the previously mentioned queries.	Many SMMEs choose not to get involved as they do not know enough the system (lack of knowledge)

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	No
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Yes
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	SMMEs do not believe that they need the training. Ultimately they do not understand the concept of training or see the value of submission of the WSP//ATR as an audit on their current skills availability
		Some of the smaller SMMEs would look at the amount that they could claim from the SETA, however do not see this amount as worthwhile.
		Do not have the time
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	No
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	None

Table 4.22: Assistant 4 Interview response

Interview response from assistant to SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 4 + Juana
1	What is your position?	Independent Consultant
2	What are your main responsibilities?	assist companies in completing their WSP/ATR
3	How long have you been involved with SMMEs in the W&RSETA?	6 years
SECTION B: Extent to which Interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	60 SMMEs
6	How many of these SMMEs are levy paying?	88% (52)
SECTION C: Extent to which Interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	Yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	88% (46)
10	Do you receive queries from SMMEs regarding grant recovery?	No
11	Can you please elaborate on the previously mentioned queries.	I do not know if they meet the target, but they must be close to meeting the target

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Yes
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	SMMEs understands everything about the process
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	No
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	The companies I have been dealing with for a couple of years understands the process, but there are SMMEs that do not submit WSP because they say it is not worth the hassle; or the levies they are getting back it so small that it is not worth the trouble.
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	Yes
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	The WRSETA support as far as recovery of the levies are in my opinion sufficient and no SMME that is doing any form of training should have a problem in claiming their levies. In my experience the companies that are not claiming their levies is due to the attitude or ignorance on the part of the owner/member/CEO.
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	WRSETA should appoint the ISDF earlier in the year, so that they have more time to see more SMMEs before the deadline in June.

Table 4.23: Assistant 5 Interview response

Interview response from assistant to SMME on: CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 5
1	What is your position?	Ex SDF and Training Provider
2	What are your main responsibilities?	Training
3	How long have you been involved with SMMEs in the W&RSETA?	10 years
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	50
6	How many of these SMMEs are levy paying?	All 50
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	Yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	100%
10	Do you receive queries from SMMEs regarding grant recovery?	No
11	Can you please elaborate on the previously mentioned queries.	

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Yes
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	SMMEs understands most steps of the process
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	No
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	No
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	Yes, As far as my SMMEs were concerned - everything was on track and going well
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	

Table 4.24: Assistant 6 interview response

Interview response from assistant to SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 6 - Laura
1	What is your position?	SDF and trainer
2	What are your main responsibilities?	Assist with WSP and training in SMME
3	How long have you been involved with SMMEs in the W&RSETA?	3 years
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	55
6	How many of these SMMEs are levy paying?	All 55
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	I think so, yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	100%
10	Do you receive queries from SMMEs regarding grant recovery?	No, SDF resolves all the queries
11	Can you please elaborate on the previously mentioned queries.	

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Yes
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	SMMEs understands most steps of the process
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Yes
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	Understanding the SETAs jargon
		No time, particularly for the newer SMMEs
		SMME may choose not to participate as they think it is linked to SARS
		Also, SMME afraid that the employment equity status may be reflected.
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	Yes
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	Nothing
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	Perhaps more training

Table 4.25: Assistant 7 Interview response

Interview response from assistant to SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 7 - Lisa
1	What is your position?	SDF, consultancy and trainer
2	What are your main responsibilities?	Provides a full consultancy role to SMMEs in terms of training/HR/IR
3	How long have you been involved with SMMEs in the W&RSETA?	6 years
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	75
6	How many of these SMMEs are levy paying?	All 75
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	Yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	100%
10	Do you receive queries from SMMEs regarding grant recovery?	No
11	Can you please elaborate on the previously mentioned queries.	
SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Yes
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	SMMEs understands a few steps about the process

14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Yes
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	Limited finance available, may not want to pay a SDF to recover skills levies
		SMMEs are not doing training, also most training providers will not run a training course for one or two employees.
		Too much work in terms of attempting to recover skills levies.
		Limited capacity with the SMME to recover levies
		Most are not aware that they can recover the levies
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	No
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	No
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	The W&RSETA should permanently appoint SDFs, not just for WSP and ATR
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	SDFs are not seen as an important function to the business
		W&RSETA to increase marketing strategies for grant recovery.

Table 4.26: Assistant 8 Interview response

Interview response from assistant to SMME on: CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		SDF 8
1	What is your position?	SDF and trainer
2	What are your main responsibilities?	Assist with WSP and training in SMME
3	How long have you been involved with SMMEs in the W&RSETA?	5 years
SECTION B: Extent to which Interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	35
6	How many of these SMMEs are levy paying?	All 35
SECTION C: Extent to which Interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	Yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	100%
10	Do you receive queries from SMMEs regarding grant recovery?	No
11	Can you please elaborate on the previously mentioned queries.	

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Not really as I recover the levies
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	SMMEs understands a few steps about the process
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Yes
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	No time to recover the levies
		Don't have the time to train
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	No
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	Yes
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	Increase the number of workshops to assist the SMME in grant recovery

Table 4.27: Assistant 9 Interview response

Interview response from assistant to SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		Cape Regional W&RSETA manager
1	What is your position?	In charge of the W&RSETA office in Cape Town
2	What are your main responsibilities?	Oversees implementation of various W&RSETA project plans within Western Cape Region
3	How long have you been involved with SMMEs in the W&RSETA?	10 years
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	50 000 SMME in the sector,
6	How many of these SMMEs are levy paying?	6 000 are levy paying
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	Yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	85%
10	Do you receive queries from SMMEs regarding grant recovery?	Yes
11	Can you please elaborate on the previously mentioned queries.	

SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Some are
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	SMMEs understands most steps of the process
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Yes
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	Not interested in attempting to recover skills levies.
		Not interested in doing training as they do not see the value in training.
		Do not have the time to send people on training.
		Set on the bottom line and don't see the point of training.
		Don't see the value in recovering the skills levies.
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Yes
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	SMME sees it as a tax
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	

SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	Yes SETA does the admin work for the SMME by appointing and paying a SDF to do the admin work on behalf of the SMME
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	The W&RSETA is paying external SDFs to assist SMMEs in recovering skills levies
Comments/Suggestions		
People who buy into the concept of the training can see the value of this		
W&RSETA is advertising in newspapers, on TV. SMMEs are familiar with the process as all the information is readily available and the system has been around for 10 years.		

Table 4.28: Assistant 10 Interview response

Interview response from assistant to SMME on:		
CONSTRAINTS SMMEs EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA		
SECTION A: Interviewee details		Manager of National W&RSETA SMME department
1	What is your position?	National Manager of W&RSETA SMME department
2	What are your main responsibilities?	Oversees the SMME department from a national perspective within the W&RSETA
3	How long have you been involved with SMMEs in the W&RSETA?	10 years

SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA		
4	Are you directly involved with SMMEs within the W&RSETA?	Yes
5	If yes, on average how many SMMEs do you deal with?	50 000 SMME in the sector,
6	How many of these SMMEs are levy paying?	9 000 are levy paying
SECTION C: Extent to which interviewee understands the grant recovery process		
7	Is the SETA meeting NSDS targets in terms of SMME assistance?	Yes
8	Are the SMMEs you are currently dealing with recovering their skills levies?	Yes
9	If yes, what percentage of these SMMEs are recovering their skills levies?	50-60%
10	Do you receive queries from SMMEs regarding grant recovery?	No
11	Can you please elaborate on the previously mentioned queries.	Not completing the WSP and ATR
SECTION D: Extent to which interviewee understands SMME constraints		
12	Are SMMEs aware of the process involved in recovering skills levies?	Some are
13	If yes, how would you rate the SMME's understanding of the grant recovery system?	
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?	SMMEs do not have the resources to partake
		People working within the SMME is not equipped with the necessary skills to recover skills levies.

15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)	SMMEs choose not to participate as they feel that is just a tax that they are paying
		See's the amount as to little, thus does not bother to attempt to recover the levies.
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?	Too much red tape, SMMEs don't want to partake in government interventions
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)	
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?	
SECTION E: Suggestions		
19	Are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?	Yes, W&RSETA is currently sending SDFs to assist SMMEs in grant recovery. The SDFs are getting to 50-60% of the SMMEs.
		The voucher system has been implemented by the W&RSETA, offering free training to SMMEs. The system had a high success rate
20	Please elaborate on the inefficiencies of the current W&RSETA SMME support programmes.	
21	What suggestions do you for the W&RSETA in terms of assisting the SMME to recover these levies?	The W&RSETA plans to intensify the current programmes with SDFs
		W&RSETA is also planning to go on a marketing drive to improve communication
Comments/Suggestions		
Currently exceeding NSDS target of 40%, by 50-60%		
Majority of the SMMEs are not in existence for a long period of time.		
SMMEs need to give the SETA feedback in terms of how the SETA is doing		
Training programmes should be tailored to meet specific training needs of SMMEs, also the duration of these training course needs to be taken into account		

4.4 SMMEs experiences compared to the assistants perception of SMME's practice

4.4.1 Skills levy paying SMMEs

Table 4.29: Number of SMMEs recovering skills levies

Stakeholder interviewed	Number of skills levy paying SMMEs	Number of skills levy paying SMMEs recovering skills levies
SMMEs interviewed	10	2 (20%)
Assistants to SMMEs interviewed	15 331	10 347 (67%)

Table 4.29 shows the total number of skills levy paying SMMEs in relation to the number of SMMEs recovering their skills levies. Twenty percent of the levy paying SMMEs interviewed are recovering skills levies (2/100), where an average of 67 percent (10347/15331) of the SMMEs which are receiving assistance are recovering these skills levies. The number of skills levy paying SMMEs ranged from 10 to 1566, where the number of SMMEs recovering skills levies ranged from 2 to 10182.

4.4.2 Constraints

Table 4.30: Constraints identified by SMMEs and assistants to SMMEs whilst attempting to recover skills levies

Constraints to reclaim levies	Number of SMME respondents	Assistants to SMMEs responses
Legislation	10% (N=1)	0
Financial barriers	20% (N=2)	20% (N=2)
No barriers	10% (N=1)	10% (N=1)
Time constraints	30% (N=3)	40% (N=4)
Not worth the effort financially	40% (N=4)	30% (N=3)
Administration burdensome	60% (N=6)	20% (N=2)
Lack of knowledge of the system	80% (N=8)	60% (N=6)

Table 4.30 shows the constraints identified by the stakeholders interviewed that may be preventing the SMME from recovering its skills levies. An average of 70 percent of stakeholders mentioned a lack of knowledge of the system as a constraint, 40 percent found the administration of the system to burdensome, 35 percent said that it

was not worth the effort financially, 35 percent said that they did not have the time to partake in the grant recovery system, 20 percent mentioned finance as a constraint, 10 percent did not identify any constraints and 5 percent identified legislation as a constraint.

4.4.3 Understanding of the grant recovery process by stakeholders

Table 4.4 had shown that an average of 70 percent of the SMME respondents mentioned that they did not understand anything about the process, where 60 percent of the assistants to SMMEs indicated that the SMMEs understood the grant recovery process to some extent.

The extent to which the SMME interviewees understood the grant recovery process was evident in it's participation in the system. Table 4.32 indicates the extent of this participation.

Table 4.32: Submission of the workplace skills plan and annual training report

	Number of SMMEs submitted workplace skills plan in last 5 years	Number of SMMEs submitted an annual training report in last 5 years
YES	20% (N=2)	20% (N=2)
NO	80% (N=8)	80% (N=8)

Table 4.32 had showed that 20 percent of the SMME respondents said that they have submitted a workplace skills plan and annual training report in the last 5 years. Where none of the 8 assistants to SMMEs interviewed could mention any queries received from the SMMEs whilst attempting to recover skills levies.

4.5 Conclusion

The emphasis on this chapter has been on presenting and interpreting the results of the data gathered to determine the constraints that skills levy paying SMMEs may experience whilst attempting to recover skills levies from the W&RSETA.

This chapter has also presented the demographics of the stakeholders interviewed, showed the interviewee's understanding of the W&RSETA grant system and

discussed the suggestions made by these various stakeholders. Ultimately, a comparative analysis was made of the two groups of interviewees.

The data was presented in three sections. Firstly, the results of the interviews conducted with the skills levy paying SMMEs registered with the W&RSETA, secondly, the results of the assistants to SMMEs and thirdly, a cross tabulation of the two responses.

The SMMEs responses were presented in terms of: the company's details; their practices regarding skills levies and grant recovery; their knowledge and practices regarding skills levies and grant recovery; their views regarding skills levies and grant recovery; and the responses of each interviewee.

The assistants to SMMEs responses was presented in terms of: their personal details; their interaction with the SMMEs in terms of grant recovery; the assistant's perception of the constraints that the SMME may be experiencing whilst attempting to recover their skills levies; the SMMEs' understanding of the grant recovery process; suggestions made by the interviewees to assist SMMEs in recovering their skills levies; and the responses of individual interviewees.

CHAPTER FIVE

CONCLUSIONS

5.1 Introduction

The results of the research given in the previous chapter will be discussed in this chapter. The various stakeholders relevant to the study, were divided into two groups, namely the SMME respondents and the assistants to SMMEs.

After the conduction of the interviews with the two groups of stakeholders, it was evident that certain categories from the questions asked for each of the two groups had emerged.

From the responses of the SMMEs, these categories included: the company's details; their practices regarding skills levies and grant recovery; their knowledge and practices regarding skills levies and grant recovery; their views regarding skills levies and grant recovery; and the responses of the individual SMMEs.

From the responses of the assistants to SMMEs, these categories included: personal details; their interaction with the SMMEs in terms of grant recovery; the assistant's perception of the constraints that the SMME may be experiencing whilst attempting to recover their skills levies; the SMMEs' understanding of the grant recovery process; suggestions made by the interviewees to assist SMMEs in recovering their skills levies; and the responses of individual interviewees.

Consequently, the data will be discussed in terms of the above mentioned categories for each of the groups. Thereafter, a comparison of the two groups will be discussed.

5.2 Importance of the study reviewed

The significance of the research would be to provide a basis for a future study which may seek to provide practical recommendations to policy makers both in government and the private sector in terms of assisting levy paying SMMEs within the W&RSETA in recovering skills levies. The study aims to fulfil this by illustrating the external and internal constraints that SMMEs within the wholesale and retail sector may be exposed to.

The study also aimed to assist SMMEs by, providing them with a better understanding of the SETA grant system and an increased awareness of the constraints that the SMME may experience whilst attempting to recover their skills levies. Due to the improved understanding of the grant system, the SMME may be prone to take full advantage of the skills development initiatives offered by the W&RSETA and ultimately improve its current skills levels which could possibly lead to an increase in the productivity of the business.

5.3 Research problem revisited

The interviews conducted with the 20 stakeholders within the scope of this research study was carried out against the background of the research problem, the constraints that levy paying SMMEs experience whilst attempting to recover skills levies from the W&RSETA. Stakeholders were divided into two groups, where interviews were conducted with 10 skills levy paying SMMEs and 10 assistants to SMMEs.

The literature reviewed in Chapter 2 provided a background to skills levies and SMMEs within the wholesale and retail sector and also illustrated the internal and external constraints that may prevent the SMME from recovering their skills levies. Consequently, the research findings further demonstrated the constraints that SMMEs within the wholesale and retail sector experience whilst attempting to recover skills levies and the SMMEs' understanding of the SETA grant system.

5.4 The objective of the research revisited

The main objective of the research was to determine the barriers and/or constraints that levy paying SMMEs may experience whilst attempting to recover skills levies from the W&RSETA.

A comprehensive literature study discussed the constraints that the SMMEs may experience whilst attempting to recover their skills levies, thereafter interviews were conducted with the stakeholders relevant to the objectives of the study.

5.5 The research design and methodology

A predominantly qualitative approach with quantitative components as discussed in Chapter 3 was used within the scope of the study.

Twenty stakeholders relevant to the study were interviewed utilising a semi structured interview schedule. Stakeholders were divided into 2 groups, namely, skills levy paying SMMEs and assistants to SMMEs. Ten interviews were conducted with skills levy paying SMMEs where the remaining 10 interviews were conducted with the assistants to SMMEs. Interview schedules were developed for each of the groups, the schedule was tested with a pilot study and thereafter interviews with the stakeholders were conducted.

5.6 Research findings of SMME respondents

The findings of the interviews conducted with the SMMEs have been subdivided into the following sections:

- 5.6.1 Company details of the SMMEs
- 5.6.2 Practices regarding skills levies and grant recovery
- 5.6.3 Knowledge and practices regarding skills levies and grant recovery
- 5.6.4 Views of respondents regarding skills levies and grant recovery

5.6.1 Company details of the SMME

Questions asked within the SMME interview schedule relating to the company details of the SMME included:

- Section A, question 1: are you currently registered with the Wholesale and Retail SETA (W&RSETA)?
- Section B, question 2: please indicate the number of people currently employed by your organisation.
- Section B, question 4: have you registered with SARS as a levy paying SMME?

These questions were the determining factor in indicating whether the company was in fact a SMME paying skills levies over to the W&RSETA as stipulated by the main research problem.

Table 4.1 had shown that the number of people employed within each of the SMMEs ranged from 10 to 149. The average number of people employed by the SMMEs interviewed was 48. All of the interviewees were registered with the W&RSETA and SARS.

Often SMMEs may be paying skills levies to SARS, however at the same time, the SMME may not be registered with the correct SETA. This would result in SARS ending up with a surplus of unallocated funds. Consequently, the relevant SETA would not receive their funds from SARS and may not be able to perform its full functions as stipulated in the Skills Development Act of 1998.

5.6.2 Practices regarding skills levies and grant recovery

The questions asked within the SMME interview schedule relating to skills levies included:

- Section A, question 1: are you currently registered with the Wholesale and Retail SETA (W&RSETA)?
- Section A, question 3: is your annual payroll cost more than R500 000?
- Section B, question 5: is your company currently paying skills levies to the W&RSETA?
- Section B, question 6: if you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?

These questions showed the number of skills levy paying SMMEs interviewed in relation to the number of SMMEs recovering skills levies.

Table 4.2 and Table 4.3 showed that all of the 10 respondents were skills levy paying SMMEs registered with the W&RSETA, where 2 out of the 10 respondents were recovering their skills levies from the W&RSETA.

The indication of the 20 percent grant recovery rate, from the 10 SMMEs interviewed shows the low participation rate in the grant recovery system. This participation rate from the SMMEs interviewed could possibly signify that the W&RSETA may not be

meeting NSDS II targets in terms of assisting SMMEs in recovering skills levies. The NSDS II targets specifies that 60 percent of medium firm's employment equity targets to be supported by skills development and that at least 40 percent of small levy paying firms are to be supported and the impact thereof measured (South Africa. Department of Labour, 2007:15). The 20 percent participation rate may be attributed to various external or internal constraints that the SMME may be experiencing whilst attempting to recover their skills levies.

5.6.3 Knowledge and practices regarding skills levies and grant recovery

Questions asked within the SMME interview schedule relating to the SMMEs' understanding of the grant recovery process included:

- Section B, question 10: do you understand the process involved in reclaiming skills levies back from the W&RSETA?
- Section B, question 11: have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?
- Section B, question 12: have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?

These questions were asked to determine the extent to which the SMME understood the grant recovery system.

Table 4.4 demonstrated that 7 of the 10 respondents mentioned that they did not understand anything about the process, 2 mentioned that they had understood a few steps about the process and 1 of the SMMEs said they had understood everything about the process. Where Table 4.5 had indicated that 20 percent of the respondents had submitted a workplace skills plan and annual training report in the past 5 years.

The lack of the SMME's understanding of the process is evident from the 7 of the 10 respondents who had indicated that they did not understand anything about the process, as well as the low participation rate (20 percent) in the submission of the workplace skills plan and the annual training report. These findings in the study closely reflects Tustin's (2003:4) finding which showed the participation among SMMEs in the SETA grant system to be relatively low where only 1 in every 5 SMMEs had a future skills development plan in place.

Further evidence of the lack of understanding of the grant system and the potential benefits of the system was made known by one of the respondents who had stated that they have heard about the system, however did not see the point in attempting to recover the levies as it was just another tax. Thus indicating that the SMME may not fully understand the reasons why they are paying skills levies to the relevant SETA.

In order to ensure that the SMME fully understands the background to paying skills levies and the process involved in grant recovery, proposed W&RSETA assistance projects should take into account the specific needs of the SMME.

Conclusively, a high degree of the 10 SMMEs interviewed had indicated that they did not understand the process involved in recovering skills levies, this had resulted in a 20 percent participation rate in the grant system.

5.6.4 Views of respondents regarding skills levies and grant recovery

The questions asked within the SMME interview schedule relating to the constraints that SMMEs may experience whilst attempting to recover skills levies included:

- Section B, question 8: what would you identify as the main reasons for not attempting to recover skills levies?
- Section B, question 9: What would you identify as constraints/barriers whilst attempting to reclaim levies?
- Section B, question 13: suggest ways in which the W&RSETA may assist you in overcoming the constraints which you are experiencing whilst attempting to recover skills levies.

5.6.4.1 The main reasons for SMMEs not attempting to recover skills levies

This section discusses the findings of question 8, the main reasons why SMMEs are not attempting to recover skills levies.

Section 4.2.3.1 had shown the main reasons why SMMEs had not attempted to recover skills levies from the W&RSETA. The majority of the respondents indicated that they did not understand the process, whereas not having the time, burdensome administration, no assistance received from the W&RSETA, limited finance available,

Further evidence of the lack of understanding of the grant system and the potential benefits of the system was made known by one of the respondents who had stated that they have heard about the system, however did not see the point in attempting to recover the levies as it was just another tax. Thus indicating that the SMME may not fully understand the reasons why they are paying skills levies to the relevant SETA.

In order to ensure that the SMME fully understands the background to paying skills levies and the process involved in grant recovery, proposed W&RSETA assistance projects should take into account the specific needs of the SMME.

Conclusively, a high degree of the 10 SMMEs interviewed had indicated that they did not understand the process involved in recovering skills levies, this had resulted in a 20 percent participation rate in the grant system.

5.6.4 Views of respondents regarding skills levies and grant recovery

The questions asked within the SMME interview schedule relating to the constraints that SMMEs may experience whilst attempting to recover skills levies included:

- Section B, question 8: what would you identify as the main reasons for not attempting to recover skills levies?
- Section B, question 9: What would you identify as constraints/barriers whilst attempting to reclaim levies?
- Section B, question 13: suggest ways in which the W&RSETA may assist you in overcoming the constraints which you are experiencing whilst attempting to recover skills levies.

5.6.4.1 The main reasons for SMMEs not attempting to recover skills levies

This section discusses the findings of question 8, the main reasons why SMMEs are not attempting to recover skills levies.

Section 4.2.3.1 had shown the main reasons why SMMEs had not attempted to recover skills levies from the W&RSETA. The majority of the respondents indicated that they did not understand the process, whereas not having the time, burdensome administration, no assistance received from the W&RSETA, limited finance available,

the skills levy seen as a tax and the grant amount received not being worth the effort financially were the succeeding reasons for not partaking in the grant system.

Firstly, the majority of the respondents who had indicated that they did not know how to recover the levies adding to this, the respondents who said that they did not know that they could recover these levies may be an indication of the lack of knowledge of the W&RSETA grant system or possibly the reluctance of the SMME to seek advice (Strydom, 2003:16; von Blottnitz, 2007:167; van Eeden, Viviers & Venter, 2003:15).

Secondly, the respondents who mentioned that they did not have the time to attempt to recover skills levies and burdensome administration could possibly indicate that often the SMME may not employ a specific person designated to implement training interventions or recover skills levies. This finding was supported by the person interviewed at company 4 who performed the role of both financial director and human resource officer as well as the person interviewed at company 6 who had mentioned that they also dealt with the accounts in the company. Thus, the staff employed by the SMME is often multi-skilled, meaning that one employee may be performing more than one job, thus often resulting in less staff being employed.

Thirdly, the respondent interviewed at company 3 who mentioned that they did attempt to find out more about the process involved in recovering the skills levies by calling the W&RSETA, however they found the W&RSETA to be very unhelpful as they got passed around from person to person. Consequently they had left it and never bothered to contact the W&RSETA again. This finding could be an indication of the competency level of the staff employed by the W&RSETA.

Lastly, the respondents who said that they only had limited finance available, that the skills levy was just another tax and that attempting to recover skills levies was not worth the effort financially may not only be an additional indication of the SMME's lack of knowledge of the grant system, but also indicate that the SMME may not be aware of the potential benefits from fully partaking in the system in terms of gaining a highly skilled workforce. Consequently, in order to encourage companies to reclaim their levies, the grant amount received should outweigh cost of implementing training interventions (Lee, 2002:247).

5.6.4.2 Constraints or barriers identified by SMME respondents in terms of recovering skills levies

Section 4.2.3.2 had demonstrated the factors that SMMEs identified as constraints whilst attempting to recover skills levies. Six out of the 10 respondents (60%) mentioned burdensome administration as a constraint, 3 respondents mentioned time as a constraint, 2 respondents identified finance as a barrier, 1 respondent identified legislation as a constraint and 1 SMME could not identify any barriers constraining it from recovering skills levies.

The amount of administration work involved in recovering skills levies may be directly linked to the amount of time it takes to comply with W&RSETA requirements. As previously stated, the SMME may not have the time to comply with burdensome administration as there may not be a specific person employed within the company to perform the role of a skills development facilitator.

Two of the respondents identified finance as a barrier, stating "I do not have the money to send people on training thus I am not attempting to recover skills levies." Lee (2002:246) adds that any organisation participating in the recovery of the skills grant will initially incur indirect transaction costs from the administration and other costs involved, also there is no certainty that the company will recover the full grant amount. The level of uncertainty may prevent the SMME from even attempting to partake in the grant recovery system. As a result, the SMME will most likely not participate in any training interventions.

Conclusively, constraints identified by the SMME included a lack of understanding of the W&RSETA grant recovery process, the SMME did not have time to partake in the process, the SMME did not think that it worth the effort financially, administration of the process was burdensome, the SMME did not have the finance to partake in the system and legislation was identified as a constraint.

5.6.4.3 Suggestions by SMMEs in providing assistance to grant recovery

Section 4.2.4 showed the following suggestions made by SMME interviewees in a bid to assist them in overcoming the constraints that they may be experiencing whilst attempting to recover their skills levies from the W&RSETA:

- Six of the 10 SMMEs interviewed suggested that the W&RSETA improve communication and marketing strategies. While the W&RSETA may be under the impression that communication and marketing strategies are reaching the targeted market, the findings indicates otherwise. Poor communication from the W&RSETA could also possibly be the reason for the low participation rate of 20 percent of SMMEs partaking in the grant system.
- Three of the SMMEs recommended that the paperwork and processes be streamlined. Burdensome administration, such as having to prepare the workplace skills plan and the annual training report could be costly to a SMME, where a larger company may more easily be able to absorb this cost (Lee, 2002:251).
- One of the SMMEs suggested that the W&RSETA show companies the *benefit of recovering their skills levies in terms of the actual rand value they could potentially gain*. More SMMEs may partake in the grant system if they were able to associate a rand value to the grant.

In summary, the responses of the SMMEs interviewed were discussed in terms of: their company details (these details were used to determine whether the company was a skills levy paying SMME); the number of skills levy paying SMMEs in relation to the number of SMMEs recovering skills levies; the practices regarding skills levies and grant recovery; the knowledge and practices regarding skills levies and grant recovery and the views of the respondents regarding skills levies in terms of the main reasons for not attempting to and the constraints preventing the SMME from recovering skills levies, as well as the suggestions made by the SMME to assist them with grant recovery.

Subsequently, the assistants to SMMEs responses will be discussed.

5.7 Research findings of the assistants to SMMEs respondents

The findings of the interviews conducted with the assistants to SMMEs have been subdivided into the following sections:

- 5.7.1 Assistant to SMME details
- 5.7.2 Assistants' interaction with SMME in terms of grant recovery
- 5.7.3 Constraints identified by assistants to SMMEs
- 5.7.4 Understanding of the grant recovery process by the assistant

5.7.5 Assistants' suggestions to recover skills levies

5.7.1 Assistant to SMMEs details

Questions asked within the assistants to SMMEs interview schedule which had related to their demographic profile included:

- Section A, question 1: what is your position?
- Section A, question 2: what are your main responsibilities?
- Section A, question 3: how long have you been involved with SMMEs in the W&RSETA?

These questions were asked to determine the extent of the assistants to SMMEs experience.

In order to ascertain the assistants understanding of the operation of the SMMEs and the constraints that the SMME may experience whilst attempting to recover skills levies, it was imperative that they had had a number of years of working experience with SMMEs in the wholesale and retail sector.

Table 4.16 demonstrated that the average number of years experience in assisting SMMEs within the W&RSETA was 6 years. The table had also shown that the main responsibilities of the skills development facilitator included assisting SMMEs in recovering skills levies and facilitating training, where the main responsibilities of the Western Cape Regional Manager of the W&RSETA was to oversee the implementation of various W&RSETA project plans within Western Cape Region and the main responsibility of the National Manager of SMME department of W&RSETA was to oversee the SMME department from a national perspective.

Skills development facilitators play an integral role in assisting SMMEs in grant recovery as this is one of their key functions as indicated in Table 4.16. The integral role of the skills development facilitator is also evident in the degree of participation in the grant system of the SMMEs who have appointed a skills development facilitator to assist with grant recovery.

To assist the SMMEs with grant recovery and ensure that the W&RSETA meets NSDS II targets, the W&RSETA currently allocates a skills development facilitator to a number of skills levy paying SMMEs within its sector.

Following, the number of skills levy paying SMMEs assisted by the respondents interviewed will be discussed.

5.7.2 Assistants' interaction with SMME in terms of grant recovery

Questions relating to skills levies asked in the assistants to SMMEs interview schedule included:

- Section B, question 4: are you directly involved with SMMEs within the W&RSETA?
- Section B, question 5: on average how many SMMEs do you deal with?
- Section B, question 6: from the number of SMMEs you deal with, how many of the SMMEs are levy paying?
- Section C, question 8: are the SMMEs you are currently dealing with recovering their skills levies?
- Section C, question 9: what percentage of these SMMEs are recovering their skills levies?

The questions relating to skills levies was the determining factor in establishing the assistants' experience in terms of assisting SMMEs to recover their skills levies.

Table 4.17 showed that the average percentage of levy paying SMMEs assisted by the 8 skills development facilitators interviewed was 66,5 percent. The Cape Regional Manager in addition to the National Manager of SMME department of W&RSETA highlighted that there were 50 000 registered SMMEs within the wholesale and retail sector of which 15 percent were levy paying.

A skills development facilitator may assist levy paying as well as non levy paying SMMEs by facilitating training programmes or providing a consultancy role to the SMME. As indicated in Table 4.17, a large proportion of skills development facilitators provide assistance to levy, rather than to non levy paying SMMEs. This may be due to the fact that one of their key functions is to assist SMMEs in accessing skills levies.

Given that only 15 percent of the 50 000 registered SMMEs within the wholesale and retail sector in South Africa are levy paying, indicates the heterogeneity of the sector.

Table 4.18 indicated that an average of 67,5 percent of the skills levy paying SMMEs the respondents were assisting, were in fact recovering their skills levies. This percentage of participation is higher than the NSDS II target specifying that at least 40 percent of small levy paying firms are to be supported and the impact thereof measured (South Africa. Department of Labour, 2007:15).

However, given the fact that only 67,5 percent of levy paying SMMEs assisted by skills development facilitators and consultants are recovering their skill levies may be attributed to various constraints preventing the SMME from doing so. These constraints will be discussed in the following section.

5.7.3 Constraints identified by assistants to SMMEs

Questions relating to the constraints that may be preventing the SMME from recovering their skills levies from the W&RSETA include:

- Section E, question 19: are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?
- Section E, question 20: please elaborate on the efficiencies of the current W&RSETA SMME support programmes.
- Section D, question 14: are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?
- Section D, question 15: can you perhaps mention some of the internal constraints that the SMME may be experiencing whilst attempting to recover the skills levies.
- Section D, question 16: are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?
- Section D, question 17: can you perhaps mention some of the external constraints that the SMME may be experiencing whilst attempting to recover the skills levies.
- Section D, 18: are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?

The majority of the respondents mentioned that the current W&RSETA programmes were providing the necessary support to assist the SMMEs with grant recovery by

appointing skills development facilitators (SDFs) to assist the SMME with grant recovery. Currently the SDFs are getting to 50 to 60 percent of the SMMEs registered with the W&RSETA.

The remaining respondents who had felt that the current W&RSETA programmes were not providing the necessary support to assist the SMMEs, highlighted inefficiencies of the W&RSETA support programmes in terms of: people assisting the SMMEs were uneducated do not understand the grant recovery process; there was miscommunication from the W&RSETA as the process was not properly explained to the SMMEs; and the W&RSETA should appoint SDFs permanently, not just to assist with the WSP and ATR.

Section 4.3.3 had showed that the constraints experienced by SMMEs whilst attempting to recover skills levies ranged from burdensome administration in complying with the grant system to a lack of knowledge of the system. These findings will be discussed in this section.

A lack of knowledge of the grant recovery system was found to be the predominant constraint, with 6 of the 10 interviewees highlighting this as a barrier to grant recovery. The lack of knowledge of the system indicates that SMMEs are unfamiliar with the process involved in recovering grants. An additional reason for the lack of knowledge of the system may be due to the fact that the size of the SMME may result in the business having a limited amount of skilled people who are able to assist with the recovery of the skills levies. Even though von Blottnitz (2007:89) pointed out that companies within the wholesale and retail sector does not suffer from a shortage of skilled people as the entry level requirements in the sector is quite low, the SMME may not employ someone specifically dealing with grant recovery.

Three of the respondents mentioned that the SMME felt that it was not beneficial in terms of rand value to attempt to recover skills levies. This finding could be linked to the previous finding of the low participation in the grant system due to their lack of knowledge. The SMME may not perceive the grant recovery amount to be beneficial as they do not understand the actual process involved in recovering the grants. Perhaps if the SMME was familiar with the process, they would realise that the rand value of recovering the grant is in fact beneficial.

Four of the respondents identified time as a constraint. Time may pose a factor in constraining the SMME from grant recovery as there may not be a designated person

employed by the SMME focussing on the recovery of grants. However, the constraint of time may be alleviated when an independent skills development facilitator has been employed by the SMME. In addition to not having an independent skills development facilitator employed, the SMME may not be in a position to send staff on training as those left behind may not be able to cope with the additional work load (Lee, 2002:251).

Two of the respondents found the burdensome administration and lack of finance as a constraint. Given that the skills development facilitator claims the grant on behalf of the SMME, the assistants to the SMMEs interviewed may not identify burdensome administration as a constraint that may be preventing the SMME from recovering their skill levies. Finance may be seen as a constraint as one of the interviewees mentioned that the SMME does not have the money to send people.

One of the interviewees could not identify any barriers constraining the SMME from recovering skills levies. This may be due to the fact that the skills development facilitator *overcomes any barriers on behalf of the SMME whilst attempting to recover the SMME's skills levies.*

The SMMEs' understanding of the grant recovery system in terms of the assistants' observation is discussed in the following section.

5.7.4 Understanding of the grant recovery process by assistants to SMMEs

Questions relating to the understanding of the grant system included:

- Section C, question 10: do you receive queries from SMMEs regarding grant recovery?
- Section C, question 11: can you elaborate on the queries regarding grant recovery.
- Section D, question 12: are SMMEs aware of the process involved in recovering skills levies?
- Section D, question 13: how would you rate the SMME's understanding of the grant recovery system?
- Section C, question 7: is the SETA meeting NSDS targets in terms of SMME assistance?
- Section E, question 19: are current W&RSETA programmes providing the necessary support to assist SMMEs with grant recovery?

These questions reflected the responses of the assistants to SMMEs in terms of the extent to which the SMME understands the process involved in the W&RSETA grant recovery system.

None of the 7 interviewees could mention any queries received from the SMMEs whilst they were attempting to recover skills levies. This may be due to the skills development facilitator recovering the skills levies on behalf of the SMME. As a result, the SMME may not be exposed to the grant recovery system and thus would not have any queries relating to the system.

Section 4.3.4 had demonstrated that the level of awareness of the grant system increased when a skills development facilitator had been appointed to the SMME. The majority (90%) of the respondents mentioned that the SMMEs are aware of the process to some extent.

Considering that 7 of the 10 interviewees indicated that they felt that the W&RSETA was meeting national skills development targets in terms of providing assistance to SMMEs where the remaining 3 did not think that the W&RSETA was meeting these targets shows the assistants to SMMEs unfamiliarity with the national skills development strategy.

Following are suggestions to support SMMEs in overcoming constraints whilst attempting to recover skills levies.

5.7.5 Suggestions by the assistants to SMMEs in terms of providing assistance to SMMEs when recovering grants

The following suggestions were made by the assistants to SMMEs in a bid to assist the SMMEs in overcoming the constraints they may be experiencing whilst attempting to recover skills levies from the W&RSETA:

- Four respondents mentioned that the W&RSETA should improve marketing strategies so that SMMEs are made more aware of the processes involved in recovering skills levies. Increased marketing strategies may result in more SMMEs recovering their skills levies, meaning that the W&RSETA could possibly exceed the current national skills development strategic targets. This

finding is similar to that of Mears & Theron (2006:76) pointing out that there is a general lack of awareness from SMMEs regarding the various services offered to them. Studies indicate that 57 percent of emerging SMMEs in Gauteng and 70 percent in the Western Cape are unaware of the support available to them. Often the support services are costly to entrepreneurs and the provision of services is problematic as far as location and content are concerned as most providers are located in the bigger magisterial districts where the rural outlying areas are somewhat neglected.

- Two of the 10 assistants interviewed suggested that the W&RSETA promote the benefits of recovering skills levies to SMME owners. Thus showing the lack of understanding of the system and that the W&RSETA is not doing enough to promote the benefits of grant recovery.
- One assistant highlighted that W&RSETA support programmes should be tailored to meet the specific needs of the SMME. This suggestion is an important aspect in terms of providing assistance to SMMEs. SMMEs are often more susceptible to external market influences than larger companies.
- One respondent mentioned that the W&RSETA should take into consideration the various cultures and educational levels of SMME owners when developing SMME assistance programmes. This is a crucial factor to consider and also correlates to Von Blottnitz's (2007:45) finding that 58 percent of the entrepreneurial pool is made up of those pursuing a business opportunity where 42 percent are survivalist entrepreneurs indicating that educational levels and social backgrounds vary between SMME owners.

In summary, the responses of the assistants to the SMMEs were discussed in terms of: their demographic profile (these details were used to determine the extent of experience in dealing with SMMEs in the wholesale and retail sector); the factors constraining the SMME from recovering their levies; the SMMEs' understanding of the grant recovery system and finally suggestions were made by the assistants to SMMEs that may assist the SMME in overcoming the constraints experienced whilst attempting to recover skills levies.

Subsequently, the findings of the SMMEs and the assistants to SMMEs responses will be compared and discussed in the following section.

5.8 Correlation of the SMMEs and the assistants to SMMEs findings

5.8.1 Practices of SMMEs and assistants' interaction regarding grant recovery

This section provides a discussion on the findings between the practices of the SMMEs and the assistant's interaction with the SMME in terms of grant recovery.

Table 4.3 had indicated that 20 percent of the levy paying SMMEs interviewed were recovering skills levies, where an average of 67 percent (Table 4.18) of the SMMEs receiving assistance are recovering these skills levies.

This shows that the percentage of SMMEs recovering skills levies is 47 percent higher when a skills development facilitator has been appointed. Consequently, the appointment of a skills development facilitator may be an integral part in ensuring that levy paying SMMEs are fully participating in the W&RSETA grant system.

The low participation rate of the SMME may be attributed to various external or internal constraints that the SMME, unbeknown to the SDF, may be experiencing whilst attempting to recover their skills levies.

5.8.2 Constraints

This section will discuss the constraints and main reasons for not attempting to recover skills levies as identified by the SMME as well as the assistants to SMMEs whilst attempting to recover skills levies.

The majority (70%) of the SMME and assistants to SMMEs respondents identified a lack of knowledge of the system as a constraint. The lack of knowledge of the system indicates that this is the predominant constraint, preventing the SMME from recovering skills levies.

Where 60 percent of the SMME respondents highlighted burdensome administration as a constraint, only 20 percent of the assistants to the SMME respondents found this to be a constraint. This may indicate that the appointment of a SDF alleviates the administration work for the SMME in terms of compliance with the grant system. Consequently, the current grant recovery system may need to be simplified for SMMEs, particularly given the fact that the SMME may only employ a few staff

members and may only have a limited skills capacity available and thus not be able to fully administer the grant process.

The 35 percent of stakeholders, who had indicated that it was not worth the effort financially, may be directly linked to the respondent's lack of knowledge of the system. If SMMEs fully understood the process involved in recovering skills levies, then they may come to realise that the monetary value of the grant is indeed worth the effort financially.

Not having the time to partake in the grant recovery system as indicated by 35 percent of the respondents may be linked to the lack of knowledge of the system. If the SMME fully understood the system, then it is possible that the time spent on partaking in the grant recovery may be reduced. Also, if an independent skills development facilitator was appointed by the SMME to recover the grant, then time would not be a constraint, preventing the SMME from recovering skills levies.

The 20 percent of respondents who identified finance as a constraint may also be linked to the SMME's lack of understanding of the system. If the SMME fully understood the system, they would realise that one does not require finance to participate in the system, unless they have opted to pay an independent skills development facilitator to assist them in recovering their skills levies.

The 5 percent of respondents who identified legislation as a constraint shows that a minimal number of stakeholders feel that they are unable to partake in the grant recovery system due to having to comply with other legislative requirements.

Conclusively, common constraints preventing the SMMEs from recovering skills levies as identified by stakeholders included a lack of knowledge of the system, burdensome administration, the rand value of the grant amount was not found to be worth the effort financially and a lack of finance.

The following section will discuss the SMMEs' understanding of the grant system.

5.8.3 Understanding of the grant recovery process by stakeholders

The understanding the SMME has of the grant recovery system is discussed from the perspective of both the SMME and the assistants to SMMEs in this section. The

general understanding of the system and the degree of which the SMME understands the actual process involved in recovering skills levies is discussed.

Table 4.4 showed that 70 percent of the SMMEs interviewed did not understand anything about the grant recovery process. This finding was also reflective in the 20 percent participation rate of SMMEs in the grant system.

In terms of whether SMMEs are aware of the process involved in recovering skills levies as per question 12 in the assistants to SMME interview schedule, the majority of the respondents mentioned that the SMMEs are aware of the process to some extent. This finding contradicts the finding from the SMME respondents as majority of them mentioned that they do not understand anything about the process, where the majority of the assistants highlighted that the SMMEs are aware of the process to some extent.

Consequently, the W&RSETA should carefully consider these differing viewpoints when developing SMME grant recovery support programmes.

Table 4.32 demonstrated the extent to which the SMME understood the grant recovery system. Twenty percent of the SMME respondents said that they have submitted a workplace skills plan and annual training report in the last 5 years, where none of the 10 assistants to SMMEs interviewed could mention any queries received from the SMMEs whilst attempting to their recover skills levies. A possible explanation for the absence of queries received from SMMEs may be due to the skills development facilitator compiling and submitting the workplace skills plan and annual training report on behalf of the SMME. As previously highlighted, it is evident that where a skills development facilitator has been appointed, then the extent to which the SMME partakes in the grant system is increased.

Conclusively, the bulk of the SMME respondents had indicated that they lack a general understanding of the process involved in the grant recovery system. Contrary to this, the assistants to the SMMEs were of the view that the SMME had understood most of the steps involved in recovering their skills levies.

5.9 Conclusion

This chapter discussed the results presented in the previous chapter. Firstly, the results from the SMMEs interviews were discussed, secondly the results from the assistants to SMMEs were discussed and lastly a comparison of the two groups was made.

The SMMEs responses were discussed in terms of: the company's details; their practices regarding skills levies and grant recovery; their knowledge and practices regarding skills levies and grant recovery; their views regarding skills levies and grant recovery; and the responses of the individual SMMEs.

The assistants to SMMEs responses were discussed in terms of: their personal details; their interaction with the SMMEs in terms of grant recovery; the assistant's perception of the constraints that the SMME may be experiencing whilst attempting to recover their skills levies; the SMMEs' understanding of the grant recovery process; suggestions made by the interviewees to assist SMMEs in recovering their skills levies; and the responses of individual interviewees.

In summary, the comparison of the two group's responses showed that the bulk of the SMME respondents had indicated that they lack a general understanding of the process involved in the grant recovery system. Contrary to this, the assistants to the SMMEs were of the view that the SMME had understood most of the steps involved in recovering their skills levies, where the SMME respondents had indicated otherwise.

CHAPTER SIX

RECOMMENDATIONS

6.1 Introduction

This chapter will make recommendations based on the data gathered from the research conducted with the 20 stakeholders interviewed for the purposes of the study.

6.2 Recommendations relating to interviewee details:

- Often SMMEs are not aware that they are required to register with a SETA, irrespective of the turnover of the business. The specific SETA that the business would register with is dependent on the nature of the business and which sector the business falls within. When a SMME paying skills levies over to SARS fails to register with the correct SETA it results in SARS ending up with a surplus of unallocated funds. Consequently, the relevant SETA would not receive their funds from SARS and may not be able to perform its full functions as stipulated in the Skills Development Act of 1998.

Consequently, the SMME should ensure that it is in fact registered with the correct SETA.

- The NSDS II targets specifies that 60 percent of medium firm's employment equity targets to be supported by skills development and that at least 40 percent of small levy paying firms are to be supported and the impact thereof measured (South Africa. Department of Labour, 2007:15). The finding that 20 percent of the SMMEs interviewed are participating in the grant recovery system indicates the low participation rate of SMMEs in the grant recovery system. This low participation rate from the SMMEs interviewed could possibly signify that the W&RSETA may not be meeting NSDS II targets in terms of assisting SMMEs in recovering skills levies.

However, this finding was contradicted by the findings of the interviews conducted with the assistants to SMMEs who stipulated that 67,5 percent of the skills levy paying SMMEs they were assisting, were in fact recovering their skills levies. In addition, the Manager of the National W&RSETA SMME department stated that the

W&RSETA was currently exceeding the national skills development targets of 40 percent by 50 percent to 60 percent.

The fact that none of the assistants to SMMEs could mention any queries received from the SMMEs whilst they were attempting to recover skills levies points to further evidence that when a skills development facilitator has been appointed to recover the skills levies on behalf of the SMME, the SMME may not be exposed to the grant recovery system and thus would not have any queries relating to the system. The appointment of a SDF may also alleviate the constraints of: a lack of understanding of the system; time constraints within the SMME; and burdensome administration in terms of compliance for the SMME.

Consequently, the appointment of a skills development facilitator results in an increase in the number of SMMEs recovering their skills levies. If the W&RSETA was to increase the number of SDF appointments, the SETA would far exceed the current NSDS targets. A further recommendation made by one of the interviewees was that the W&RSETA should appoint skills development facilitators on a permanent basis, and not just to assist with the compilation of the WSP and ATR. This permanent appointment may also result in ongoing training within the company and ultimately enhance the skills levels of the workforce.

- During the course of the study, respondents found the staff employed by the W&RSETA to be unhelpful.

Thus in order to avoid the perception of incompetent staff, the W&RSETA should ensure that its staff are well trained within their designated areas.

- Whilst developing and implementing SMME initiatives, the W&RSETA has to take into account the following: not all SMMEs may have appointed a SDF to assist with the function of grant recovery; and whilst attempting to recover its skills levies, the SMME may be exposed to constraints that larger companies may not experience.

Consequently, W&RSETA interventions should be tailored and simplified to meet the specific needs of the SMME. Additionally, the W&RSETA should bear in mind the differing educational levels and cultural backgrounds of SMME owners.

- Given the finding that the majority of the SMMEs had indicated that they were not aware and did not understand the grant system, shows the inefficiencies in the current W&RSETA communication and marketing programmes.

Consequently, the W&RSETA should embark on an active marketing campaign, targeting all types of SMMEs within the sector, with special focus given to the SMMEs in rural outlying areas which are often neglected.

- The finding that the respondents did not see the point in attempting to recover the levies as it was just another tax is a further indication of the SMMEs lack of knowledge of the system.

Accordingly, the W&RSETA should focus on educating the SMME on the potential benefits of partaking in the grant system. These benefits may include an upskilled workforce which may lead to enhanced productivity and efficiency of the SMME.

- In terms of the respondents who had identified finance as a barrier to grant recovery, indicating that they do not have the money to send people on training showed that the level of uncertainty of not receiving the full grant may prevent the SMME from even attempting to partake in the grant recovery system. Resulting in the SMME failing to participate in any training interventions.

Again, W&RSETA marketing programmes should concentrate on promoting the benefits of participating in the grant system.

6.3 Conclusion

This chapter provided recommendations for the findings discussed in Chapter 5.

The main recommendations included the following: levy paying SMMEs should ensure that they are registered with the correct SETA; the W&RSETA should consider appointing skills development facilitators to assist SMMEs on a permanent basis; the W&RSETA should ensure that staff employed are competent; SMME SETA support programmes should be tailored to meet individual SMME's needs; and the W&RSETA should embark on an active communication and marketing campaign that includes educating stakeholders on the grant recovery system and promoting the benefits of participating in the system.

CHAPTER SEVEN

SUMMARY

This thesis explored the barriers/constraints that SMMEs registered with the W&RSETA may experience whilst attempting to recover their skills levies from the wholesale and retail SETA (W&RSETA).

Chapter 1 provided a background to the research problem by stressing that the South African government had attempted to address the previous disparities in education and training by introducing various skills development legislation. This legislation included the Skills Development Levies Act (SDLA) of 1999 which had stipulated that all companies with an annual payroll in excess of R 500 000 would be required to pay skills levies to the South African Revenue Service (SARS). SARS would then distribute the funds to the relevant sector education and training authority (SETA). The company would then have the option of recovering up to seventy percent of its skills levies, provided that it had implemented various skills development and training initiatives throughout the year. While larger companies may be more attuned in terms of recovering these levies, small, micro and medium enterprises (SMMEs) may experience difficulties in doing so.

Chapter 2 had explored the related literature by firstly providing a background to skills levies and secondly addressing the external and internal factors impacting the SMME whilst attempting to recover their skills levies from the SETA. The external factors discussed included globalisation, the constraints which the SMME may experience on start up, competition, access to markets, legislation and socio-economical factors. The internal factors which may have an impact on grant recovery addressed the current skills levels within the SMME, the size of the SMME, the strategic objectives of the SMME, the finance within the SMME and the accessibility to technology.

Chapter 3 discussed the research design. The research design included a descriptive study of both qualitative and quantitative components. The investigation was conducted by interviewing twenty stakeholders within the wholesale and retail sector. The stakeholders were divided into two categories, namely SMMEs and the assistants to SMMEs. Ten SMMEs and ten assistants to SMMEs were interviewed. The data was subsequently analysed within the context of the twenty stakeholders, all of whom were located in the Western Cape and registered with the W&RSETA.

Chapter 4 presented the findings, indicating that the main constraints which the SMME may be experiencing whilst attempting to recover their skills levies from the W&RSETA included: a lack of understanding of the grant recovery system; a lack of time in terms of compliance; burdensome administration; a lack of finance; the potential grant amount received not being worth the effort in terms of attempted compliance; and a lack of communication and support from the W&RSETA.

Chapter 5 discussed the results. Firstly, the lack of understanding of the grant recovery system was evident by the indication of the 20 percent grant recovery rate from the 10 SMMEs interviewed. This finding of a lack of understanding however was not evident from the responses from the assistants to SMMEs as the results had shown that an average of 67 percent of the SMMEs who had received assistance were in fact recovering their skills levies. Thus indicating that the percentage of SMMEs recovering skills levies is 47 percent higher when a skills development facilitator had been appointed. Consequently, the appointment of a skills development facilitator may be an integral part in ensuring that levy paying SMMEs are fully participating in the W&RSETA grant system.

Secondly, the respondents who mentioned that they did not have the time to attempt to recover skills levies and burdensome administration as a constraint could possibly indicate that often the SMME may not employ a specific person designated to implement training interventions or recover skills levies. This finding was supported by six of the interviewees who had highlighted that a person employed within a SMME often performs dual or multiple jobs within the company. The constraint of time and burdensome administration may however be alleviated when an independent skills development facilitator has been employed to recover the skills levies on behalf of the SMME.

Thirdly, a lack of finance may be seen as a constraint as the SMME may not have the finance readily available fund training initiatives.

Fourthly, the indication of the grant amount that could be received not being worth the effort shows the SMME's lack of knowledge of the grant system in terms of the potential benefits that the SMME may gain from a highly skilled workforce. Consequently, in order to encourage companies to reclaim their levies, the grant amount received should outweigh cost of implementing training interventions (Lee, 2002:247).

Lastly, the perceived lack of communication and support from the W&RSETA could be improved if proposed W&RSETA assistance projects take into account the specific needs of the SMME.

Chapter 6 provided recommendations on the main findings highlighted in Chapter 5. This included that: levy paying SMMEs should ensure that they are registered with the correct SETA; the W&RSETA should consider appointing skills development facilitators to assist SMMEs on a permanent basis; the W&RSETA should ensure that staff employed are competent; SMME SETA support programmes should be tailored to meet individual SMME's needs; and the W&RSETA should embark on an active communication and marketing campaign that includes educating stakeholders on the grant recovery system and promoting the benefits of participating in the system.

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APPENDICES

APPENDIX A: LETTER OF REQUEST FOR PARTICIPATION IN RESEARCH STUDY

29 May 2008

To whom it may concern

REQUEST FOR PARTICIPATION IN RESEARCH SURVEY

This letter hereby requests that you assist me, Allison Hess, a part time student at CPUT completing my Masters degree in Human resource management (student number: 201058944), in conducting my research study on "the constraints SMMEs within the wholesale and retail sector (W&RSETA) currently experience whilst attempting to recover skills levies".

The research requires questionnaires be completed by SMME owners, managers or skills development facilitators.

The aim of the research is to acquire crucial information from the key role players within the Western Cape area concerning the constraints skills levy paying SMMEs within the W&RSETA currently experience whilst attempting to recover skills levies. Data collected will be analysed in terms of the research aim. The findings of the study would add to the current body of research by focusing on some of the factors in terms of barriers or opportunities that may have an impact on skills levy paying SMMEs when attempting to recover skills levies from the W&R SETA.

Your participation in the study would be highly valued. All information gathered will remain strictly confidential and will be solely used for the purpose of the study.

Should you require any further information, please contact Allison Hess on 072 391 8862 or email me at hess.allison@gmail.com.

Thanking you in advance for your participation.

Yours sincerely,
Allison Hess

APPENDIX B: INTRODUCTION OF INTERVIEW SCHEDULE FOR SMMES AND ASSISTANTS TO SMMES

Introduction

The main purpose of this interview is to acquire crucial information from the key stakeholders within the wholesale and retail sector concerning the constraints skills levy paying SMMES may experience whilst attempting to recover skills levies from the W&RSETA.

The data collected will be analysed to provide a useful practical guide that will aid the W&RSETA in the development of projects to assist SMMES in recovering skills levies.

Your participation in the study would be highly valued. All information gathered will remain strictly confidential and will be solely used for the purpose of the study.

The duration of the interview should be a maximum of 20 minutes.

Please feel free to stop me at anytime should you not understand the question.

APPENDIX C: INTERVIEW SCHEDULE FOR SMMES

<p>Interview schedule for SMMEs on:</p> <p>CONSTRAINTS SMMES EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA</p>	
SECTION A: COMPANY DETAILS	
1	Are you currently registered with the Wholesale and Retail SETA (W&RSETA)?
2	Please indicate the number of people currently employed by your organisation.
3	Is your annual payroll cost more than R500 000.00?
4	Have you registered with SARS as a levy paying SMME?
SECTION B: SKILLS LEVY AND GRANT RECOVERY DETAILS	
5	Is your company currently paying skills levies to the W&RSETA?
6	If you are currently paying skills levies to the W&RSETA, are you reclaiming those levies?
7	If you answered "yes" to accessing skills levies, what have you done to reclaim those levies?
8	If you answered "no" to accessing skills levies, what would you identify as the main reasons for not accessing levies?
9	What would you identify as constraints/barriers whilst attempting to reclaim levies?
10	Do you understand the process involved in reclaiming skills levies back from the W&RSETA?
11	Have you submitted a Workplace Skills Plan (WSP) in the last 5 years to the W&RSETA?
12	Have you submitted an Annual Training Report (ATR) in the last 5 years to the W&RSETA?
13	Suggest ways in which the W&RSETA may assist you in overcoming the constraints which you are currently experiencing whilst attempting to recover skills levies?

APPENDIX D: INTERVIEW SCHEDULE FOR ASSISTANTS TO SMMES

Interview schedule for assistants to SMME on: CONSTRAINTS SMMES EXPERIENCE WHILST ATTEMPTING TO RECOVER SKILLS LEVIES FROM THE W&RSETA	
SECTION A: Interviewee details	
1	What is your position?
2	What are your main responsibilities?
3	How long have you been involved with SMMEs in the W&RSETA?
SECTION B: Extent to which interviewee deals with SMMEs in the W&RSETA	
4	Are you directly involved with SMMEs within the W&RSETA?
5	If yes, on average how many SMMEs do you deal with?
6	How many of these SMMEs are levy paying?
SECTION C: Extent to which interviewee understands the grant recovery process	
7	Are the SETA meeting NSDS targets in terms of SMME assistance?
8	Are the SMMEs you are currently dealing with recovering their skills levies?
9	If yes, what percentage of these SMMEs is recovering their skills levies?

10	Do you receive queries from SMMEs regarding grant recovery?
11	Can you please elaborate on the previously mentioned queries.
SECTION D: Extent to which interviewee understands SMME constraints	
12	Are SMMEs aware of the process involved in recovering skills levies?
13	If yes, how would you rate the SMME's understanding of the grant recovery system?
14	Are you aware of any internal constraints the SMME may be experiencing whilst attempting to recover the skills levies?
15	Can you perhaps mention/highlight some of these internal constraints (Probe: How? Why?)
16	Are you aware of any external constraints the SMME may be experiencing whilst attempting to recover the skills levies?
17	Can you perhaps mention/highlight some of these external constraints (Probe: How? Why?)
18	Are there any other reasons as to why you think that the SMMEs are not recovering their skills levies?