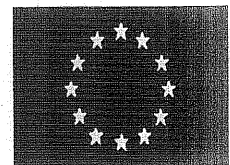
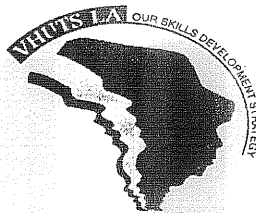
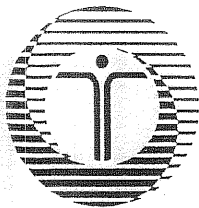


Training in the Very Small and Micro Enterprise (VSME) Sector

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CONTENTS

1. INTRODUCTION

2. METHODOLOGY

3. THE NATURE OF THE SAMPLED VSMEs

3.1. Sectoral Profile of the Sampled Enterprises

3.2. Employment Profile of the VSME Sample

3.3. Characteristics of Establishment Owners

4. THE SCALE OF TRAINING IN THE SAMPLED ENTERPRISES

4.1. Participation in Training

4.2. Training Expenditure

5. THE NATURE OF TRAINING

5.1. Types of Training

5.2. Sources of Training

6. ATTITUDES TO TRAINING AND PERCEPTIONS OF SKILLS NEEDS

6.1. Attitudes to Training

6.2. Skills Needs

7. ENGAGEMENT WITH THE NATIONAL SKILLS DEVELOPMENT SYSTEM

7.1. Utilising the Skills Levy

7.2. Workplace Skills Plans

7.3. Sector Education and Training Authority (SETA) Service

7.4. Intentions to Utilise the Learnership System

8. FUTURE TRAINING PLANNING

9. CONCLUSIONS AND POLICY IMPLICATIONS

1. INTRODUCTION

In South Africa's on-going attempts to build "skills for productive citizenship for all" (DoL 2001), meeting the skills needs of very small and micro enterprises (VSMEs) is likely to prove one of the greatest challenges. This paper reports on this challenge through an analysis of the findings from a survey administered to 505 registered and non-registered enterprises with between 1 and 10 employees as a stand-alone component of the Department of Labour's *National Skills Survey 2003*. The key findings are presented, analysed and, where appropriate, compared with previous national and international surveys. Key policy implications are then highlighted.

2. METHODOLOGY

Survey research on VSME skills can be seen as having two main methodological traditions internationally.

First, there have been approaches in developed countries that can rely on the large formal component of this segment and can use surveys, whether postal or telephonic, as the principal instrument. In such studies, sampling is not unduly problematic as the overall size of the formal VSME sector is well-known and is relatively large in comparison to the informal element. Moreover, the informal element in such circumstances is primarily to be understood in terms of non-compliance with tax and other regulations and is not unambiguously a poor sub-sector.

Second, in Africa (and other developing country contexts), there has been a tradition of conducting surveys administered by fieldworkers who visit enterprises in particular locations, often using random sampling within the location. In these contexts, there is typically either a lack of information about registered VSMEs or they are considered to be a negligible and unrepresentative element of the overall sector. The reliance on specific locations, and in generating samples within them, however, leads to a range of problems in the generalisability of analysis. In particular, there is no reliable overall population of VSMEs from which sampling is taking place and the sample is subject to any atypicalities inherent in the locational choice (e.g., they are typically large city biased).

In the context of South Africa, it is impossible at present to develop a "pure" strategy of either kind without ignoring a large part of the sector's reality. In the National Skills Survey, it was decided to combine elements of both the "Northern" and "Southern" approaches as South Africa does have a significant formal, registered VSME segment as well as an informal one.

This resulted in a sample that was half derived from registered and half from non-registered enterprises within the 22 SETAs covered in the study.¹ Registered establishments in this case refers to those establishments registered with the South

¹ DIDETA, LGWSETA and PSETA were excluded in both this survey and the larger enterprise survey as the National Skills Survey was focused on private enterprise and these SETAs were predominantly or exclusively comprised of public or parastatal entities.

African Revenue Services for the payment of the Skills Levy. Although VSMEs are not represented evenly over SETAs (see Table 2 below), it was considered important to try to reach enterprises in all sectors.

Due to cost considerations it was decided that not all areas in South Africa would be included in the study. In total, 535 establishments were to be interviewed in 13 areas (see Table 1). Inevitably, the locations selected may not necessarily give results applicable to all urban and rural areas. However, this range of locations was intended to provide a broader picture than in many earlier studies, which have tended to focus on one or more of the three major cities.

TABLE 1
NUMBER OF INTERVIEWEES BY GEOGRAPHICAL AREA

Area	Number of interviewees	Regional type
Cape Peninsula	45	Urban and semi-urban
Port Elizabeth	45	Urban and semi-urban
Durban metropolitan area	45	Urban
Klerksdorp/Potchefstroom	45	Urban, semi-urban and rural
Kimberley	45	Urban, semi-urban and rural
Bloemfontein	45	Urban and semi-urban
Nelspruit	45	Urban, semi-urban and rural
Johannesburg/Pretoria	45	Urban
Richards Bay/Empangeni	35	Urban, semi-urban and rural
Polokwane	35	Urban, semi-urban and rural
Thohoyandou/Sibasa	35	Urban, semi-urban and rural
Rustenburg	35	Urban and semi-urban
Witbank/Middelburg	35	Urban and semi-urban
Total	535	

Registered establishments were randomly selected from lists of registered establishments according to SETA within the relevant postal districts. The non-registered enterprises were selected by means of a judgemental technique.

39 local interviewers were recruited for the interviews. Locals were preferred because of their familiarity with the area, their knowledge of the language generally spoken there and their ability to re-visit a selected business if needed. Interviewers were trained by Bureau of Market Research staff, who visited the selected areas for training purposes. A field supervisor was appointed in each of the areas.

A total of 505 questionnaires were completed satisfactorily, constituting 94% of the total sample of 535. The 6% non-response rate was due to the theft of a briefcase containing completed questionnaires; rejection of some questionnaires as falsified; and some refusal to cooperate where there were insufficient available substitutions.

It is virtually impossible to eliminate reporting errors completely. Every possible precaution was taken in the construction of the questionnaire and the training and supervision of the interviewers to minimise these errors. Errors are likely also due to a tendency from respondents to misremember data or to present in a particular way. Financial data is particularly likely to be unreliable, as we note in the relevant section.

The sampling approach used inevitably produces certain effects in the aggregate results generated. The Apartheid legacy in the VSME area is such that there is still likely to be a disproportionate number of white-owned firms in the registered portion. It is also to be expected that this is reproduced for the higher status occupational codes. This clearly has impacts on the scale and types of training reported in the survey.

Post-survey weighting could not be attempted (as it was in the parallel survey of larger enterprises) as there is simply no reliable figure for the total scale of the informal component of the VSME sector. The VSME survey should be read as a deliberate, pragmatic strategy for managing political and methodological problems that provides a tool for furthering our understanding of skills processes in the sector, but not as an authoritative statistical survey.

The findings are also strongly shaped by the broad definition of training that was used (anything that respondents considered to be training was included). This inevitably produces findings suggesting that high levels of training are taking place. Whilst some may argue that this produces an overly positive view of VSME training practices, this approach does have the merit of challenging the stereotype that VSMEs do not train and allows commentary on the segmented and complex nature of training practices and needs within this oft-neglected but large portion of South African enterprises.

3. THE NATURE OF THE SAMPLED VSMEs

3.1. Sectoral Profile of the Sampled Enterprises

The sectoral profile of the sampled enterprises by size and registration is shown in Table 2. Whilst an attempt was made to get equal coverage across all SETAs, the table illustrates the particular problem of reaching non-registered enterprises in certain sectors, such as Chemicals and Secondary Agriculture. This reflects in particular the very low involvement of micro, non-registered enterprises in such sectors. Inevitably, given the size of the survey as a whole, the number of respondents by SETA is too low to make any cross-sectoral comparisons with an acceptable degree of confidence.

However, it is essential to remember that the total population of VSMEs is unlikely to be evenly spread across SETAs. Internationally, VSMEs tend to be concentrated in sectors such as wholesale and retail, construction and clothing (Mead & Liedholm 1998; Charmes 1999; King & McGrath 2002). There is no authoritative data for the distribution of VSMEs in South Africa. Nonetheless, some sense of VSME spread can be gained from two measures.

First, derivations from household and labour force statistics suggest that 50% of employment in the informal economy is in the wholesale and retail sector; 14% in construction; and 11% in manufacturing (Devey, Skinner & Valodia 2003: 148).²

² Such estimates are largely based on Labour Force Survey and October Household Survey data. However, this data is very problematic due to the radical methodological changes that have occurred in recent years, which have resulted in a major upward revision of the size of the informal economy, followed by a dramatic fall (Devey, Skinner and Valodia 2003: 146-7). Informal economy data is also subject to the problem that much informal work is actually for formal enterprises. Current estimates for

Second, from the registration data for VSMEs for levy and tax purposes, we see that 24% fall under the Services SETA, 14% under Wholesale and Retail and 11% under Manufacturing.³ Notably, only 7% of registered VSMEs fall under the Construction Education and Training Authority. Whilst our sample gives a far better sectoral spread than has been attempted before, it does so through oversampling of other sectors.

TABLE 2
NUMBER OF RESPONDENTS BY SETA AND TYPE OF ESTABLISHMENT

SETA	1-5 Employees				6-10 Employees				Total					
	Registered		Non-registered		Registered		Non-registered		Registered		Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%
FASSET	5	6,1	5	3,0	10	6,8	3	2,8	15	6,6	8	2,9	23	4,6
BANKSETA	5	6,1	6	3,6	4	2,7	5	4,6	9	3,9	11	4,0	20	4,0
CHIETA	3	3,7	2	1,2	6	4,1	2	1,8	9	3,9	4	1,4	13	2,6
TEXTILES	5	6,1	11	6,5	5	3,4	5	4,6	10	4,4	16	5,8	26	5,1
CETA	3	3,7	10	6,0	5	3,4	9	8,3	8	3,5	19	6,9	27	5,3
ETDP SETA	4	4,9	5	3,0	8	5,5	4	3,7	12	5,3	9	3,2	21	4,2
ESETA	3	3,7	6	3,6	9	6,2	1	0,9	12	5,3	7	2,5	19	3,8
FOODBEV	3	3,7	5	3,0	7	4,8	5	4,6	10	4,4	10	3,6	20	4,0
FIETA	2	2,4	7	4,2	6	4,1	3	2,8	8	3,5	10	3,6	18	3,6
HWSETA	6	7,3	13	7,7	6	4,1	2	1,8	12	5,3	15	5,4	27	5,3
ISETT	2	2,4	14	8,3	8	5,5	3	2,8	10	4,4	17	6,1	27	5,3
INSETA	6	7,3	7	4,2	3	2,1	4	3,7	9	3,9	11	4,0	20	4,0
MAPPP	4	4,9	5	3,0	10	6,8	3	2,8	14	6,1	8	2,9	22	4,4
MQA	4	4,9	3	1,8	5	3,4	5	4,6	9	3,9	8	2,9	17	3,4
MERSETA	3	3,7	9	5,4	9	6,2	9	8,3	12	5,3	18	6,5	30	5,9
POSLECSETA	2	2,4	4	2,4	6	4,1	4	3,7	8	3,5	8	2,9	16	3,2
PAETA	1	1,2	10	6,0	5	3,4	8	7,3	6	2,6	18	6,5	24	4,8
SETASA	2	2,4	1	0,6	4	2,7	3	2,8	6	2,6	4	1,4	10	2,0
SERVICES	3	3,7	14	8,3	5	3,4	8	7,3	8	3,5	22	7,9	30	5,9
THETA	3	3,7	8	4,8	7	4,8	8	7,3	10	4,4	16	5,8	26	5,1
TETA	3	3,7	6	3,6	8	5,5	3	2,8	11	4,8	9	3,2	20	4,0
W&RSETA	10	12,2	17	10,1	10	6,8	12	11,0	20	8,8	29	10,5	49	9,7
Total	82	100,0	168	100,0	146	100,0	109	100,0	228	100,0	277	100,0	505	100,0

3.2. Employment Profile of the VSME Sample

Table 3 shows the average and total number of permanent, non-permanent and disabled employees by type of establishment.

employment in informal enterprises are in the order of 2 million; those in informal work (which includes those who work for formal enterprises both without such things as contracts of employment) are double this (ILO 2002).

³ These are the three largest SETAs in terms of registration for small, medium and large firms also.

TABLE 3
NUMBER OF EMPLOYEES BY TYPE OF ESTABLISHMENT

Type of establishment		Permanent	Non-permanent	Disabled	Total
Type	No				
1-5: Registered	82	313	164	3	480
1-5: Non-registered	168	487	252	19	744
6-10: Registered	146	1 445	318	9	1 772
6-10: Non-registered	109	942	234	4	1 180
Total	505	3 187	968	35	4 176

Table 3 shows that the survey covered 505 VSMEs with 3 187 permanent, 968 non-permanent and 35 disabled people in their employ, giving a total of 4 176 employees. The average employment numbers for both permanent and non-permanent employees were higher for registered establishments than for non-registered establishments.

The use of temporary workers varied widely across the enterprises surveyed. In total, 26% of establishments indicated that they made use of a substantial number of temporary workers. One registered establishment with a permanent staff of 1 to 5 indicated that it had used 120 of these temporary workers, whilst one non-registered enterprise of size 6 to 10 had used 40 temporary workers in the past year. Such use of temporary workers is particularly likely to occur in sectors, such as construction and agriculture, where there are considerable seasonal variations in demand.

TABLE 4
PERMANENT EMPLOYEES BY OCCUPATIONAL AND POPULATION GROUP

Occupational group	African	Coloured	Indian	White	Total
Managers	173	54	69	378	674
Professionals	101	15	8	162	286
Technicians	83	26	21	69	199
Administrators/secretaries	120	49	30	296	495
Service and sales workers	276	68	47	168	559
Agricultural and fishery workers	17	10	0	0	27
Craft and skilled trade workers	137	41	17	31	226
Plant and machine operators	97	25	9	14	145
Elementary workers/labourers	495	50	10	20	575
Total	1 499	338	211	1 138	3 186

The total population of employees in this sample shows a disproportionate presence of whites (36%) when compared to the national population. This is largely accounted for by their major presence in the registered enterprises, where they account for 45% of the sample, as opposed to 25% amongst non-registered firms. This is not at all surprising given the history of economic development in South Africa and the ways in which black (and especially African) entrepreneurship was deliberately constrained under both colonialism and apartheid (Preston-Whyte & Rogerson 1991; King & McGrath 2002). Registered VSMEs continue to have a disproportionate level of white ownership/management. Moreover, VSMEs are likely to be far less affected by equity-driven managerial appointments than larger firms, due to their size and the widespread importance of family ownership/management.

Whites form the majority of those sampled in the managerial, professional and administrative categories. Conversely, Africans constitute 86% of elementary workers and labourers. A sense of the extent of African domination of the non-registered 1-5 category is given by the findings that Africans are in the majority in both the managerial and professional categories in such enterprises.

There are also apparent gender segmentations within the VSME workforce. Men make up 87% of technicians and 68% of managers; whilst women account for 53% of service and sales workers and 91% of administrators / secretaries. However, it should be noted more positively that women make up 47% of the total workforce in the sample.

3.3. Characteristics of Establishment Owners

In contrast to the commonly-held view that most VSMEs are characterised by short lifespans, the mean age of the surveyed establishments was 9 years. Even for non-registered enterprises, the mean age was 8 years. The average length of operation, at 9,3 years, compares with the 9,8 years reported in Martins & van Wyk (2002: 47). The average longevity of enterprises suggests a positive picture of a significant number of relatively robust enterprises within the VSME sector, thus raising the possibility of greater enterprise amenability to external interventions.

Another positive finding is that the vast majority of those owners/managers surveyed reported that they were working full time in their enterprises, another sign of viability. 84% had no other job (Martins & van Wyk found 89% [50]). The mean working hours for the owners/managers was 48 hours per week. Whilst it is clear that poor conditions are common in the informal economy, our findings for non-registered enterprises do highlight the importance of remembering that there is a segment of the informal economy where conditions are less parlous and where interventions have something from which to build, a finding that mirrors evidence from elsewhere in Africa (King & McGrath 1999 and 2002).

4. THE SCALE OF TRAINING IN THE SAMPLED ENTERPRISES

4.1. Participation in Training

Table 5 shows that 1 664 or 40% of all employees covered in the study underwent training during the 2002/3 financial year. The participation rate for permanent employees was 41%, for non-permanent employees, 34% and for disabled employees, 54%. In total, 1 315 permanent, 330 non-permanent and 19 disabled employees were trained during the 2002/3 financial year.

TABLE 5
PERCENTAGES OF EMPLOYEES TRAINED BY TYPE OF ESTABLISHMENT AND EMPLOYEE TYPE

Type of establishment/employee	Employed	Trained	% of employed trained
Permanent employees			
• 1-5: Registered	313	165	52,7
• 1-5: Non-registered	487	152	31,2
• 6-10: Registered	1 445	635	43,9
• 6-10: Non-registered	942	363	38,5
Total	3 187	1 315	41,3
Non-permanent employees			
• 1-5: Registered	164	61	37,2
• 1-5: Non-registered	252	65	25,8
• 6-10: Registered	318	102	32,1
• 6-10: Non-registered	234	102	43,6
Total	968	330	34,1
Disabled employees			
• 1-5: Registered	3	3	100,0
• 1-5: Non-registered	19	6	31,6
• 6-10: Registered	9	9	100,0
• 6-10: Non-registered	4	1	25,0
Total	35	19	54,3
Total			
• 1-5: Registered	480	229	47,7
• 1-5: Non-registered	744	223	30,0
• 6-10: Registered	1 772	747	42,2
• 6-10: Non-registered	1 180	466	39,5
Total	4 176	1 664	39,8

Registered establishments trained relatively more permanent employees than non-registered establishments, whilst non-registered establishments with 6 to 10 employees trained relatively more of their non-permanent employees than other types of establishments. Nonetheless, the figures do suggest that training is going on to a good extent in all types of establishments sampled. As will become clearer as the paper progresses, this positive finding is clearly related to the very broad definition of training that is being used in this survey.

With this important caveat in mind, it is nonetheless encouraging to note that the reported level of training compares favourably with Martins & van Wyk's figure of 21% (2002: 79). The reported training rate is not out of line with some international figures. Tan & Batra report informal training rates for micro-enterprises⁴ of 57% of employees trained in Malaysia and 68% in Colombia (1995: 7). Crucially, Tan & Batra argue that it is the rate of formal training that varies strongly with enterprise size, with there being far less variation in a number of countries with respect to informal training. Qualitative and quantitative research across the informal sectors of Africa confirms the picture of

⁴ In their case meaning those with upto 15 employees. It should be noted that they also find far lower rates in other countries. International comparisons of this kind need to be treated with great caution given the centrality of context to VSME development and performance.

considerable training volume when the emphasis is not on formal programmes (Fluitman 1989 and 1994; King & McGrath 1999 and 2002)

Registered establishments trained all their disabled employees. However, the figure for disabled employees being trained remains very low in both absolute terms and as a percentage of overall employees. Although still well short of the 4% target, disabled persons' participation rate in training of 1% is considerably higher than that of 0,3% reported in the 2000 Baseline Survey of Industrial Training for all enterprises (Kraak et al. 2000: 123); and the 2003 larger firm survey (Paterson et al. 2004), and dramatically higher than the 0,08% for all enterprises reported in the DoL's 2003 Implementation Report (DoL 2003: 49).

Table 6 shows the proportion of the sampled enterprises where training took place in the previous year.

TABLE 6
ESTABLISHMENTS WITH EMPLOYEES PARTICIPATING IN TRAINING

Training	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	58	70,7	75	44,6	114	78,1	63	57,8	310	61,4
No	24	29,3	93	55,4	32	21,9	46	42,2	195	38,6
Total	82	100,0	168	100,0	146	100,0	109	100,0	505	100,0

Table 6 shows that a higher percentage of registered VSMEs covered in the survey had employees participating in training than their non-registered counterparts. 78% of registered establishments with 6 to 10 employees said their employees participated in training during the 2002/3 financial year. This compares to 58% of the larger non-registered firms, and only 45% of the smaller non-registered enterprises. These figures are broadly comparable with recent English national training surveys (as reported by Spilsbury 2003): the 2002 English survey reported 56% participation for the micro category (Spilsbury 2003: 114) as opposed to 53% in this survey.⁵

Respondents were requested to estimate the number of permanent employees who participated in training during the 2002/3 financial year according to the occupational group in which they received the most training. The results are given by population group in Table 7.⁶

⁵ In the English surveys, the next category goes up to 25 employees and has a reported participation rate of 88% for 2002. The English comparators provided in this chapter should be treated with great caution. They reflect a very different context in which VSMEs are likely to be more sophisticated, on average, than those in South Africa. They also reflect a situation in which initial education and training may also be much higher. Thus there are factors that may both suppress and promote enterprise training in comparison to South Africa.

⁶ The information in Table 8 cannot be used to calculate the percentages of permanent staff who received training as reported in Table 3 since it is possible that a staff member in a specific occupational group (e.g., technician) could have been trained in skills of another occupational group (e.g., plant and machine operator).

TABLE 7
NUMBER OF PERMANENT EMPLOYEES WHO PARTICIPATED IN TRAINING DURING 2002/3 BY
OCCUPATIONAL GROUP AND BY POPULATION GROUP

Occupational group	African	Coloured	Indian	White	Total ⁷	% of all training
Managers	63	11	13	123	210	16
Professionals	50	6	3	89	148	11
Technicians	37	11	6	53	107	8
Administrators/secretaries	65	17	17	117	216	17
Service and sales workers	112	24	15	80	231	18
Agricultural and fishery workers	13	4	0	0	17	1
Craft and skilled trade workers	79	8	15	22	124	10
Plant and machine operators	37	0	1	5	43	3
Elementary workers/labourers	177	13	0	5	195	15
TOTAL	633	94	70	494	1 291	100⁸

Table 7 shows that most training took place for service and sales workers (18% of those trained) followed by administrative and secretarial staff (17%) and managers (16%). Training by type of establishment shows that managers topped the list for registered establishments with 1 to 5 employees (24%) as well as for their non-registered counterparts (33%). Service and sales worker training topped the list for registered establishments with 6 to 10 permanent employees (17%) while elementary work and labourer training topped the list for their non-registered counterparts (22%). These findings seem indicative of the different levels of sophistication and different market segments that the various categories of enterprise occupy.

Table 8 shows the proportions of permanent workers by occupational group who received training.

TABLE 8
PARTICIPATION RATES IN TRAINING PER OCCUPATIONAL GROUP

Occupational group	Number permanently employed	Number trained	% trained
Managers	674	210	31
Professionals	286	148	52
Technicians	199	107	54
Administrators/secretaries	495	216	44
Service and sales workers	559	231	41
Agricultural and fishery workers	27	17	63
Craft and skilled trade workers	226	124	55
Plant and machine operators	145	43	30
Elementary workers/labourers	575	195	34

The highest proportions of workers by occupational group receiving training were professionals, technicians and craft workers.⁹ This seems in keeping with the findings

⁷ The total in this question does not add up to that in the less aggregated Table 5 (where the figure is 1 315). This is due to the non-completion of this question by some respondents due to its complexity.

⁸ Rounding of percentages by occupational type means that they do not total to 100.

⁹ We exclude agricultural and fishery workers given the very small number in the sample as a whole.

in major English surveys that training is most likely amongst professional and technical workers within the small enterprise sector (Kitching & Blackburn 2002: 44) and across the economy as a whole (Campbell 2001: 15). Of policy interest here is how successfully FET and HE institutions are in meeting the specific needs of VSMEs both for initial and on-going training, and what interventions could be introduced that would enhance impact in this regard.

Black employees constituted 62% of those receiving training. This is significantly lower than both the proportion of blacks in the South African population and the Department of Labour's stated target for black access to training of 85%. Moreover, this figure is slightly less than the percentage of black employees in the sample, which stands at 64%. This can, at least in part, be ascribed to the persistence of racial segmentation within occupational groups, with white involvement still more pronounced in the categories where training is more prevalent. It may be that the overall policy of black economic empowerment will be the route through which this problem can best be addressed.

The gender breakdown of training closely reflects the overall gender profile of different occupational levels. Women received most training in administrative and secretarial skills, followed by service and sales workers' skills; whilst men received the most training in managerial skills, followed by elementary work and labourer skills. However, the most significant finding in terms of national targets is that 48% of those receiving training in the past year were female (against an employment percentage of 47%). This is relatively close to the official target of 54% and compares favourably with the Department of Labour's own figures for structured training, which stand at 41% (DoL 2003: 49).

4.2. Training Expenditure

It is crucial that the figures in this section be treated with considerable caution. A number of enterprises were unwilling to answer some or all of the questions in this section and some means are derived, therefore, from partial data that may not be generalisable to the rest of the sample, let alone the rest of the VSME population. Moreover, financial data provided by smaller enterprises in such surveys are notoriously inaccurate, both due to poor financial records and a tendency to construct figures in ways that are perceived to be most advantageous to the owner. It is probably safest to expect that the figures for non-registered firms represent something closer to an upper-end of training expenditures rather than a mean. Whilst these figures should not be seen as reliable measures of training expenditure across the whole of the VSME sector, they can usefully illustrate the point that there are both registered and non-registered VSMEs that are serious about training.

Table 9 considers the patterns of training expenditure in the surveyed enterprises and whether this is expected to increase in the following financial year.

TABLE 9
TRAINING EXPENDITURE

Training expenditure during 2002/3	Type of establishment									
	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Increase	15	19,2	8	5,3	50	35,2	15	15,0	88	18,6
Remain static	62	79,5	137	90,1	89	62,7	80	80,0	368	78,0
Decrease	1	1,3	7	4,6	3	2,1	5	5,0	16	3,4
Total	78	100,	152	100,0	142	100,0	100	100,0	472	100,0
Expected training expenditure for 2003/4	Type of establishment									
	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Increase	34	43,0	50	30,1	68	46,9	40	38,1	192	38,8
Remain static	41	51,9	110	66,3	77	53,1	62	59,0	290	58,6
Decrease	4	5,1	6	3,6	0	0	3	2,9	13	2,6
Total	79	100,	166	100,0	145	100,0	105	100,0	495	100,0

Table 9 shows that 78% of the respondents indicated that their training expenditure had remained static when compared with the previous year, while 19% said it had increased and only 3% said it had decreased. It is not clear whether there is any effect from the efforts of the Department of Labour on the 30% of registered enterprises that record an increase. However, an overall improvement in the training environment can be deduced from the 39% of enterprises that expected an increase in training expenditure in the current financial year. For registered enterprises the figure rises to 46%. These figures provide some indication of positive attitudes towards training, an interpretation that will be reinforced by findings reported later in the paper.

Table 10 gives turnover figures (as reported by 326 respondents), payroll figures (as reported by 340 respondents) and expenditure on training (as reported by 119 respondents who claimed to have spent money on training during 2002/3).

TABLE 10
ANNUAL TURNOVER, PAYROLL AND SPENDING ON TRAINING

Turnover	Number of respondents	Average turnover per enterprise (Rand)
1-5: Registered	55	2 253 220
1-5: Non-registered	113	689 350
6-10: Registered	95	3 693 770
6-10: Non-registered	63	2 438 020
Total	326	2 166 650
Payroll	Number of respondents	Average payroll per enterprise (Rand)
1-5: Registered	60	291 050
1-5: Non-registered	113	127 610
6-10: Registered	101	465 100
6-10: Non-registered	66	234 080
Total	340	277 370
Spending on Training	Number of respondents	Average spending per enterprise (Rand)
1-5: Registered	29	20 520
1-5: Non-registered	18	9 170
6-10: Registered	51	20 860
6-10: Non-registered	21	18 620
Total	119	18 610

The estimated mean turnover for the 326 respondents was R2 166 650 per annum. It varied considerably from a mean of R689 350 for non-registered establishments with 1 to 5 employees to R3 693 770 for registered establishments with 6 to 10 employees. The mean payroll varied from R127 610 for non-registered micro-establishments to R465 100 for registered enterprises with 6 to 10 employees, while spending on training amounted to R9 170 and R20 860 respectively for the above-mentioned types of establishment. These figures suggest that even our sample of non-registered firms is relatively far from the grinding poverty of the survivalist bulk of the informal economy. Indeed, it may represent that cohort of enterprises who most conceivably could make the transition from informality to formality.

The information in Table 10 cannot be used to calculate the ratio of payroll to turnover or the ratio of spending on training to payroll since some respondents did not give all three figures. Table 11 shows these ratios by using only responses from the 296 respondents who supplied all three figures, even where one of these was a zero.

TABLE 11
RATIO OF PAYROLL TO TURNOVER AND SPENDING ON TRAINING TO PAYROLL

Type of establishment	Payroll as % of turnover	Training cost as % of payroll
1-5 Registered	16,6	3,6
1-5 Non-registered	23,3	1,2
6-10 Registered	12,8	2,2
6-10 Non-registered	9,1	2,8
Total	13,5	2,4

The disaggregated figures by size and registration show little pattern, except that payroll is a higher proportion of turnover in smaller firms. Moreover, the mean figure of 2,4% is quite high (higher than that reported for larger firms in the parallel survey) and should be treated with caution given both the sampling effects noted earlier and the 41% of the sample for which no rate could be derived. These figures serve to highlight the problems of asking such questions. More positively, they can be taken as a tentative further indicator that some VSMEs are serious trainers.

5. THE NATURE OF TRAINING

5.1. Types of Training

Respondents were requested to indicate to what extent their permanent employees participated in different types of training (Table 12).

TABLE 12
EXTENT TO WHICH PERMANENT EMPLOYEES PARTICIPATED IN TYPES OF TRAINING

Training type	1	2	3	4	5*
	%	%	%	%	%
Registered apprenticeships	82,6	5,5	3,2	4,3	4,3
Learnerships	87,7	2,5	4,2	3,2	2,5
Skills programmes	54,0	5,7	14,6	13,8	11,9
On the job training	13,1	2,8	14,1	30,7	39,8
Mentoring	49,6	12,0	10,2	13,5	14,6
In-house courses	59,8	6,3	8,6	10,5	14,8
Courses presented by an external agency <u>on</u> your premises	68,5	5,4	7,7	8,5	10,0
Courses presented by an external agency <u>off</u> your premises	54,8	4,6	13,7	12,9	14,1

*Scale of 1-5 with 1 = not at all and 5 = to a large extent

It appears that on-the-job training was by far the most prevalent form of training in these enterprises (71% of enterprises rating it at 4 or 5 on the above scale), whilst the most formalised types of training (learnerships and apprenticeships) were by far the least common (6% and 9% respectively with ratings 4 or 5). The preponderance of on-the-job training reflects the picture painted in the Baseline Survey (Kraak et al. 2000: 117), and internationally (Fluitman 1994; Tan & Batra 1995: 7; Campbell 2001: 16; Kitching & Blackburn 2002: ix). It reinforces the earlier point that the high overall training figures are reflective of the broad definition used in the survey.

The limits to formal training are also illustrated by the extent to which training is linked to recognised programmes and awards, as shown in Table 13.

TABLE 13
NUMBER OF PERMANENT EMPLOYEES WHO RECEIVED TRAINING IN TERMS OF THE ISO 9000 SERIES, OTHER INTERNATIONAL STANDARDS AND NQF STANDARDS

Type of establishment	ISO 9000 series		Other international standards		NQF	
	Enterprises	Employees	Enterprise	Employee	Enterprise	Employee
1-5: Registered	3	4	8	14	4	12
1-5: Non-registered	1	1	6	6	4	5
6-10: Registered	7	33	17	41	9	38
6-10: Non-registered	0	0	3	8	1	3
Total	11	38	34	69	18	58

Table 13 shows that only 161 permanent employees (5% of all permanent staff) had experienced recognised training in the past year, out of a total of 1 315 permanent employees trained. Only 58 employees (less than 2%) were reported as having received NQF-aligned training. The likelihood of having received recognised training is much higher for the larger and registered enterprises. However, even amongst registered enterprises of size 6-10, only 7% had participated in recognised training. Given the growing international emphasis on ISO 9000 series standards as important for accessing developed economy markets, it appears that there is little focus amongst the sample on high quality production for such markets.

These rather negative figures should not be seen as surprising. Training in smaller enterprises internationally is typically informal and is likely to be relatively impervious to major government initiatives focused on formal training. A useful international comparator here is the Kitching & Blackburn SME survey of 2002 in England, which found that less than 5% of staff were taking part in the state's high profile modern apprenticeship programme (68). Moreover, even in the larger firm survey of 2003, only 4% of employees had been engaged in NQF-aligned training in the previous year (Paterson et al. 2004).

Tables 12 and 13 could be read as reiterating the concern of the Baseline Survey regarding training quality (Kraak et al. 2000). However, there is a need to avoid conflating formality and quality in the area of training, especially in the light of recent work on workplace learning (e.g. Fuller et al. 2003). Moreover, it is important to balance any concern about the quality of training within VSMEs with a realistic view of the scope that exists for major external interventions in their training habits.

5.2. Sources of Training

Respondents were asked to indicate who provided training in their establishments (Table 14).

TABLE 14
TRAINING PROVIDERS BY ESTABLISHMENT

Training provider	Type of establishment									
	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Owner/manager	63	80,8	125	82,8	98	68,1	81	78,6	367	77,1
Independent Consultant/trainer	8	10,3	10	6,6	25	17,4	10	9,7	53	11,1
Trainer from another company	14	17,9	16	10,6	32	22,2	9	8,7	71	14,9
Training institution	12	15,4	23	15,2	34	23,6	16	15,5	85	17,9
Employees	22	28,2	30	19,9	71	49,3	43	41,7	166	34,9
Other	7	9,0	4	2,6	14	9,7	8	7,8	33	6,9
Total	78	100,0	151	100,0	144	100,0	103	100,0	476	100,0

77% of the respondents indicated that the owner / manager was also a trainer. This was especially the case for the micro-establishments (81% registered and 83% non-registered), although even in the larger registered enterprises the figure was still 68%. It is this latter class of enterprise that showed the most diversified portfolio of training providers. In 49% of such enterprises other employees also played a role in training, whilst 24% of such enterprises also used training institutions.

When compared with the Baseline Survey (Kraak et al. 2000: 116), there is a continuation of the central role of owners / managers in training. However, there does appear to be some diversification into utilisation of external providers, as Table 15 illustrates:

TABLE 15
EXTERNAL TRAINING PROVIDERS COMPARED WITH THE BASELINE SURVEY

Training provider	Year of Survey	
	2000	2003
Independent Consultant/trainer	2%	11%
Trainer from another company	2%	15%
Training institution	9%	18%

6. ATTITUDES TO TRAINING AND PERCEPTIONS OF SKILLS NEEDS

6.1. Attitudes to Training

Table 16 shows the perceived impact of training on the performance of the establishments where employees had been trained.

TABLE 16
IMPACT OF TRAINING

Improves establishment's performance	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	58	100,0	73	98,6	112	99,1	62	100,0	305	99,3
No	0	0,0	1	1,4	1	0,9	0	0,0	2	0,7
Total	58	100,0	74	100,0	113	100,0	62	100,0	307	100,0
Improves productivity	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	55	94,8	71	97,3	109	96,5	61	98,4	296	96,7
No	3	5,2	2	2,7	4	3,5	1	1,6	10	3,3
Total	58	100,0	73	100,0	113	100,0	62	100,0	306	100,0
Improves sales	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	50	86,2	64	90,1	93	86,1	56	93,3	263	88,6
No	8	13,8	7	9,9	15	13,9	4	6,7	34	11,4
Total	58	100,0	71	100,0	108	100,0	60	100,0	297	100,0

Table 16 indicates that almost all of the respondents (99%) were of the opinion that training of their employees improved their establishment's performance. The vast majority of the respondents reported that training of their employees improved their productivity (97%); profitability (95%); and sales (89%). When compared to Kitching & Blackburn's finding that 77% of owners / managers perceived that training led to better business performance, it appears that there is a powerful positive attitude towards training within South African VSMES. This appears to be something that the Second National Skills Development Strategy (NSDS 2) can build upon.

6.2. Skills Needs

Respondents were asked to what extent the skills listed in Table 17 below were underdeveloped or lacking in their establishments during the 2002/3 financial year.

TABLE 17
EXTENT TO WHICH SKILLS WERE UNDERDEVELOPED OR LACKING DURING 2002/3

Skills	1	2	3	4	5*
	%	%	%	%	%
General IT user skills (only if applicable)	43,6	12,2	26,4	7,0	10,8
IT professional skills (only if applicable)	48,3	10,9	13,3	8,8	18,7
Communication skills	54,9	16,8	15,8	8,5	4,0
Customer handling skills	55,6	16,6	15,0	8,3	4,4
Team working skills	57,0	16,8	12,1	8,5	5,5
Problem solving skills	53,6	15,5	16,5	9,5	8,0
Management skills	56,3	15,3	15,1	9,3	4,0
Numeracy skills	66,5	13,5	10,9	6,5	2,6
Literacy skills	65,2	12,5	12,1	6,4	3,8
Technical and practical skills	54,3	17,9	13,1	9,1	5,6
Other (please specify)	10 respondents mentioned other skills				

*Scale of 1-5 with 1 = not at all and 5 = to a large extent

Table 17 shows that IT professional skills (19%) as well as general IT user skills (11%) were perceived to be the most underdeveloped or entirely lacking for establishments who made use of these skills. This agrees with Martins & van Wyk, who found a single category of IT skills as the highest need (2002: 114 and 119) and is reflected in English evidence from Campbell (2001: 19) and Kitching & Blackburn (2002: 12). These skills were followed by problem solving skills and technical and practical skills. However, the table generally shows that the respondents perceived skills needs as not being particularly pressing. This is in keeping with arguments that skills gap problems are not acute in South Africa at the current moment (Kraak 2004).

The finding that larger, registered enterprises perceived the largest needs might indicate that the limited needs reported may be because of the small size and relative lack of sophistication of most of the enterprises under examination. Campbell (2001: 19) confirms such findings in the case of England.

The question about underdeveloped or a lack of skills by type of skill was followed by a question enquiring on the extent to which employees in the different occupational groups needed their skills to be upgraded during the 2002/3 financial year. The results of this question are shown in Table 18.

TABLE 18
EXTENT TO WHICH OCCUPATIONAL SKILLS NEEDED UPGRADING DURING 2002/3

Occupation	1	2	3	4	5*
	%	%	%	%	%
Managers	41,5	14,7	19,9	8,4	15,5
Professionals	56,3	8,7	12,9	9,2	12,9
Technicians	64,7	9,4	12,5	6,7	6,7
Administrators/secretaries	47,5	14,7	19,9	11,4	6,5
Service and sales workers	53,3	10,5	17,0	11,0	8,2
Agricultural and fishery workers	92,2	2,5	3,2	1,1	1,0
Craft and skilled trade workers	81,0	4,2	7,1	3,6	4,1
Plant and machine operators	79,7	3,2	8,6	3,8	4,7
Elementary workers/labourers	57,6	15,4	12,2	8,6	6,2

*Scale of 1-5 with 1 = not at all and 5 = to a large extent

Managers were the occupational group that were seen as most in need of upgrading of their skills followed by professionals. However, administrators and secretaries, and service and sales workers also received frequent mention.

When the results are disaggregated by size and registration status, it is apparent that the smaller, non-registered enterprises perceived the greatest needs and that these were concentrated in the managerial (36% rating of 4 or 5) and professional categories (35%).

A loss of employees does not appear to be a major factor in generating skills needs within the sampled enterprises. Almost half (49%) of the respondents interviewed said that their enterprise had experienced no loss of employees during the 2002/3 financial year. Given national concerns about the high HIV/AIDS prevalence rate and its likely impact upon enterprises, it is striking that only 4% of all enterprises reported that illness was a major cause of staff losses.

7. ENGAGEMENT WITH THE NATIONAL SKILLS DEVELOPMENT SYSTEM

7.1. Utilising the Skills Levy

Table 19 shows how many of the surveyed VSMEs were accessing the skills levy.

TABLE 19
CLAIMING GRANTS FROM THE LEVY SYSTEM

Claiming grants	Type of establishment					
	1-5: Registered		6-10: Registered		Total	
	No	%	No	%	No	%
Yes	6	9,0	26	19,8	32	16,0
No	61	91,0	105	80,2	166	84,0
Total	67	100,0	131	100,0	198	100,0

Whilst 51% of those surveyed indicated that they were eligible to pay the levy, only 16% of these reported having claimed grants from the system (Table 20). Whilst 20% of registered enterprises with 6 to 10 employees reported having claimed grants, this fell to only 9% of the smaller sized registered firms. This suggests particular challenges for the smallest enterprises in accessing the system at present. This closely mirrors the size effects found in the larger enterprise survey in 2003 (Paterson et al. 2004). However, it is important to note that the 16% aggregate figure for claims by registered enterprises is close to the DoL's target of 20% for *small enterprises*. As such, the findings can be seen as suggesting that the new system is near to meeting its targets.

Respondents were asked for the most important reason why they did not claim grants against levy payments, as Table 20 shows.

TABLE 20
REASON FOR NOT CLAIMING GRANTS AGAINST LEVY PAYMENTS

Reasons for not claiming grants	1-5: Registered		6-10: Registered		Total	
	No	%	No	%	No	%
	No	%	No	%	No	%
Application too complicated	6	10,3	11	10,9	17	10,7
Do not have time	5	8,6	5	5,0	10	6,3
Do not know about them	20	34,5	50	49,5	70	44,3
Not worth the effort financially	7	12,1	11	10,9	18	11,4
Do not train	11	19,0	11	10,9	22	13,9
Other	9	15,5	13	12,9	22	13,9
Total	58	100,0	101	100,0	159	100,0

Table 20 shows that a lack of awareness of this process (44%) was the most common reason for non-claiming amongst registered enterprises. Strikingly, this rose to 50% for the 6 to 10 employment group. A further 11% of the respondents indicated that it is not worth the effort financially while the same percentage said that applications were too complicated. Whilst there is cause for concern here, it is worth again using a comparison with English SMEs' interaction with the state. Kitching & Blackburn found that 37% of such enterprises expressed a similar lack of information about government training schemes (2002: 74).

Clearly there has been almost as much take up of grants by VSMEs in this sample as was envisaged for small enterprises in the first NSDS. Nonetheless, the finding that only 1 in 6 of what is a relatively sophisticated sample were engaged in the grant system, taken with the evidence on reasons for non-participation, highlights the need to re-examine VSMEs articulation with the grant system as NSDS 2 is finalised and then implemented.

7.2. Workplace Skills Plans

24% of enterprises reported having Workplace Skills Plans (WSPs) and this rose to 34% for registered enterprises. There are signs of improvement when these figures are compared with other recent studies. The 24% figure for WSPs is slightly higher than the 22% reported by Martins & van Wyk (2002: 77) and is consistent with the findings of the larger enterprise survey where the next category of enterprises (size 11-50) reported 34% use of WSPs (Paterson et al. 2004).

There appears to be a positive relationship between WSP use and training volumes. Enterprises that make use of WSPs trained 53% of their employees, whilst this fell to 35% for those without WSPs. Strikingly, the differential was most pronounced for non-registered firms: those with WSPs reported a 67% training rate; those without reported only a 29% rate. However, as with participation in grants, these figures point to a situation where only a minority of VSMEs are using a major mechanism of the current national skills development toolkit.

7.3. Sector Education and Training Authority (SETA) Service

The first thing to note here is that there is still a degree of uncertainty about SETA registration. 11% of registered enterprises said they did not know whether they were registered with a SETA even though their names appeared on SETA lists. This worrying figure agrees with the findings of the larger scale survey, where 37% claimed either not to be registered or not to know their registration status (Paterson et al. 2004).

Registered enterprises were asked to rate the services of the SETA to which they belonged (Table 21).

TABLE 21
SATISFACTION WITH THE SERVICES OF SETAs RENDERED DURING 2002/3

Services	1	2	3	4	5*	Could not comment
	%	%	%	%	%	%
Advice & support (Learnerships)	34,5	9,8	18,0	8,2	4,1	25,3
Easy submission procedures	30,9	7,2	21,6	7,7	3,6	28,9
Internet site and web pages	35,1	8,8	15,5	4,1	4,6	32,0
Promptness in paying grants	33,0	7,7	15,5	3,1	3,1	37,6
Providing information about courses,	32,5	8,8	21,6	6,7	5,2	25,3
Providing information about grants	35,1	9,8	20,6	4,6	2,6	27,3
Providing Sector Skills Plans	40,2	9,8	14,4	3,6	2,6	29,4
Provision of free training not funded by employers	40,2	8,8	12,4	5,2	3,1	30,4
Response to queries	32,5	6,2	17,0	5,2	3,6	32,5
Other (please specify) 4 respondents mentioned other services						

Scale of 1-5 with 1 = not at all and 5 = to a large extent

Table 21 shows that a relatively large percentage of respondents could not comment on the services offered because they had no experience of them (more than 25% in every case). Those who could comment tended to be largely negative in their opinions. For every item, a rating of 1 was the most prevalent. 50% rated the SETAs' role in developing Sector Skills Plans negatively (1 or 2 on a 5 point scale); with 49% commented unfavourably on the provision of free training; 44% on information about grants; internet sites; and advice and support. It appears that VSMES expect far more from SETAs, although the survey cannot comment on whether these expectations are reasonable.

On the positive side, slightly more than 10% of respondents rated SETAs highly (4 or 5) on their advice and support (12%); information provision about training (12%); and the ease of their submission procedures (11%). There is no apparent size differential for these findings.

The ratings supplied by respondents on the service delivery were used to calculate an overall satisfaction index of all above services. Only information from respondents who rated all services was used. The index was calculated out of a total score of 45 (nine services with an option of five possible ratings). If all respondents were wholly satisfied with all services (rating them at 5) the index value would be 100. This gave an overall satisfaction index of 41. Whilst it can be argued that this is not unexpected given the newness of SETAs and the challenges of developing strategies for reaching VSMES, it suggests that there is much room for improvement in this area.

Given the small numbers of respondents per SETA, a table of SETAs according to this index would be problematic. However, it can be noted that only two out of the 22 SETAs covered had index figures above 50.

Respondents who were not registered or did not know if they were registered with a SETA were asked if they had received any support from the Department of Labour (DoL), the National Skills Fund (NSF) or a SETA. The response to this question is shown in Table 23. Only 1,5 % of the 275 respondents who answered this question

answered in the affirmative. Again, such a figure needs to be seen in the light of the newness of many such interventions.

TABLE 22
SUPPORT FROM THE DEPARTMENT OF LABOUR, NATIONAL SKILLS FUND AND/OR SETA
RECEIVED BY NON-REGISTERED ESTABLISHMENTS

Support received	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	0	0,0	1	0,7	0	0,03	3	2,9	4	1,5
No	13	100,0	150	99,3	7	100,0	101	97,1	271	98,5
Total	13	100,0	151	100,0	7	100,0	104	100,0	275	100,0

7.4. Intentions to Utilise the Learnership System

Respondents were asked whether they expected their establishments to initiate any learnerships for current employees and for new employees during the 2003/4 financial year, as shown in Table 23.

TABLE 23
PLANNED INITIATION OF LEARNERSHIP BY ESTABLISHMENTS

Initiate learnership for current employees (18.1 learnerships)	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	43	52,4	60	37,0	90	62,1	50	46,3	243	48,9
No	39	47,6	102	63,0	54	37,2	58	53,7	253	50,9
Total	82	100,0	162	100,0	145	100,0	108	100,0	497	100,0

Initiate learnership for new employees (18.2 learnerships)	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	27	33,3	49	32,2	74	53,2	36	36,7	186	39,6
No	54	66,7	103	67,8	64	46,0	62	63,3	286	60,2
Total	81	100,0	152	100,0	139	100,0	98	100,0	470	100,0

Table 23 shows that just under half (49%) of the respondents said they were considering learnerships for their current employees, whilst 40% said they planned to initiate learnerships for new employees. A comparison by type of establishment shows that registered establishments reported themselves as more inclined to introduce learnerships than non-registered establishments. If these figures were reliable then this would be a very positive sign for the future of learnerships.

Whilst it seems highly unlikely that all such intentions will be manifested in actual delivered learnerships, this finding suggests that the "brand name" of learnerships has positive connotations for VSMEs. Moreover, when compared to the 2% participation

rate in apprenticeships by VSMEs in the Baseline Survey (Kraak et al. 2000: 115) or the 5% in modern apprenticeships in England (Kitching & Blackburn 2002: 68), the stated interest in learnerships is even more remarkable.

Given the very low levels of NQF-alignment of VSME training, it may also be that learnerships are the most promising vehicle for bringing together the NQF and VSME skills development.

8. FUTURE TRAINING PLANNING

64% of the respondents said that they planned to offer training in 2003/4 (Table 24). This rose to 86% of the registered establishments with 6 to 10 employees.

TABLE 24
PLANS TO TRAIN IN 2003/4

Plan to train in 2003/4	1-5: Registered		1-5: Non-registered		6-10: Registered		6-10: Non-registered		Total	
	No	%	No	%	No	%	No	%	No	%
Yes	56	69,1	75	45,2	124	85,5	62	57,4	317	63,4
No	25	30,9	91	54,8	21	14,5	46	42,6	183	36,6
Total	81	100,0	166	100,0	145	100,0	108	100,0	500	100,0

This appears to be further confirmation of the basically positive attitude towards training within the sampled enterprises.

Table 25 shows the extent to which particular factors were reported as likely to cause establishments to increase training during the 2003/4 financial year.

TABLE 25
EXTENT TO WHICH PARTICULAR FACTORS WILL CAUSE ESTABLISHMENTS TO INCREASE TRAINING DURING 2003/4 (PERCENTAGE)

Factors	1	2	3	4	5*
Delay in developing new products/services	45,1	12,6	20,5	14,9	7,0
Employee expectations	21,0	8,9	35,3	23,7	11,2
Employee turnover	38,1	17,0	22,9	12,4	9,6
Increase in demand for products/services	13,3	7,6	26,2	30,7	22,2
Increased competition	19,6	8,4	20,4	22,7	28,9
Levels of employee illness	55,7	20,1	16,4	4,1	3,7
New labour legislation	31,8	15,0	26,6	12,6	14,0
Organisational restructuring	40,9	14,1	21,4	16,4	7,3
Productivity targets	15,5	8,0	27,4	22,6	26,5
Quality standards and customer service objectives	9,5	2,6	19,8	28,4	39,7
Technology change	19,8	12,3	18,9	18,5	30,4
Trade Union initiatives	67,9	14,9	7,9	4,7	4,7
Waste reduction	53,2	14,2	13,3	9,2	10,1

*Scale of 1-5 with 1 = not at all and 5 = to a large extent

This table suggests that there are a number of positive factors that enterprises see as closely linked to training decisions. The most important reason for increasing training (rating of 4 or 5 on a 5 point scale) was "quality standards and customer service objectives"; followed by increased demand (53%); increased competition (52%); productivity targets (49%) and technological change (49%). Importantly, these figures suggest that many enterprises perceive training as a key instrument for quality improvement. Moreover, they suggest that many also believe in a quality-led route to performance improvement. Strikingly, 75% of micro non-registered firms saw a commitment to quality and service as a reason for increasing training. It is important also to note that 27% of respondents saw changes in labour legislation as an important reason for increasing training.

9. CONCLUSIONS AND POLICY IMPLICATIONS

As was noted at the outset of this paper, strict comparisons with other studies are not possible due to differences in sampling and methodology. Moreover, as the size of the total VSME population in South Africa is subject to serious contestation and its sectoral breakdown is unclear, the statistics presented above are not an authoritative reflection of the whole population of VSMEs. Indeed, the data is clearly skewed towards the registered portion of the sector. Nonetheless, several useful findings do emerge.

The VSME survey paints a picture of a sizeable number of enterprises that had a generally positive engagement in and attitude to training. Participation rates and levels of expenditure bore comparison with previous studies across enterprise sizes in South Africa and internationally. Moreover, the vast majority of owners / managers saw important benefits as accruing from training and expect training to increase over time. Whilst the sample has a deliberate oversampling of registered VSMEs, the disaggregated findings for non-registered enterprises suggest that the generally positive picture largely held for this population too.

The issue of training quality within the VSME sector is more vexed. The bulk of training was reported to be on-the-job and unlinked to either the NQF or other formal recognition systems. However, there is a need for a delicate balance to be struck in interpreting these findings. Informality may not imply poor quality or relevance. As Kitching & Blackburn caution:

That small business owners provide little or no *formal* training does not necessarily mean their workforces, or themselves, are poorly trained or lack appropriate skills. (2002: 2)

Equally, whilst there may well be benefits in improving the quality of training, this is not necessarily a matter of improved formality, particularly where VSMEs are concerned. The low level of participation in NQF-aligned training may be of concern to policymakers but is not at all surprising, either in the South African or international context. Indeed, it is important to balance policy imperatives towards formalisation of all training with an acceptance of the realities of skills development within VSMEs. Whilst it may be easier to access registered VSMEs, the data does not suggest that there are radical

differences between them and the non-registered in terms of quality and formality of training. The broader issue of formalisation of non-registered enterprises is part of the government's vision, but also needs to be treated with considerable caution.

Unsurprisingly, the impact on VSMEs of the broader transformation of the national skills development architecture has been relatively limited in its early stages. At the time of the survey, SETAs were still struggling to reach down their sectors. Uptake of grants by registered VSMEs remained low, although in line with DoL targets. Participation in learnerships was minimal. Inevitably, outreach to the non-registered was very poor.

However, this is not the full picture. Within the short lifespan of the new system, there is evidence that contact with VSMEs has increased in a number of important ways. Most SETAs now have specific SMME projects, supported by the National Skills Fund. Although this study cannot pick up the impact of these projects, they may already be having an effect upon some of the high results presented here.

Moreover, this survey suggests that learnerships are an attractive "brand" in the eyes of VSMEs, even if we are too cautious to believe that the high levels of stated intentions to become involved in learnership delivery are realistic.

Finally, the extent of training, and the growing formalisation of mechanisms such as WSPs, suggest that there has been a positive impact on VSME training practices and attitudes as a result of the efforts of the recent past in developing and publicising the National Skills Development Strategy.

Nonetheless, it is apparent that far more effort is required in facilitation of VSME participation in the second phase of the NSDS, which runs from April 2005. There may well be merits in a disaggregated indicator for such enterprises, as the current indicator also covers small and medium enterprises and is likely to be met most easily by a focus on those enterprises. Getting the right balance between intervention and facilitation; between informal and formal training; and between attention to registered and non-registered enterprises will be key issues for the Department of Labour to address in the second NSDS.

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