

A QUALITATIVE INVESTIGATION INTO CHALLENGES FACED BY TRANSPORT SECTOR SMALL MICRO AND MEDIUM ENTERPRISES IN ACCESSING SKILLS DEVELOPMENT

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ABSTRACT

This paper is based on a qualitative investigation into issues and challenges affecting the participation of transport sector small businesses in skills development and training programmes. The findings of the paper are important in terms of informing the development and implementation of skills development interventions aimed at empowering transport small businesses in becoming sustainable, profitable and productive entities that lead to job creation, poverty alleviation and economic growth. Over the last few years, a lot of effort has been put in creating a conducive policy and institutional environment that is supportive of the development and growth of Small Micro and Medium Enterprises (SMMEs) through skills development. This is largely because a significant proportion of businesses in the transportation sector are SMMEs. However, the participation of small businesses in skills development and training programmes has been poor as demonstrated by the number of companies submitting Workplace Skills Plans (WSP) and paying skills levies. This is despite a substantial proportion of the South African national budget being allocated towards skills development and training. This study is aimed at addressing problems faced by small businesses within the transport sector in relation to accessing skills training and associated support.

Keywords: Transport, Skills Development, Empowerment, Small Micro and Medium Enterprises.

1. INTRODUCTION

In order to promote economic development, reduce unemployment and alleviate poverty, it is increasingly being recognized that measures aimed at boosting the employment capacity of small businesses are required. For South Africa to meet the targets of the National Development Plan (NDP) by the year 2030 of growing the economy and creating jobs, it is critical to support small businesses in order for them to become sustainable enterprises by increasing their productive capacity (National Planning Commission, 2011). It is argued that the participation of small businesses in skills development and training has the potential to better equip them to meaningfully participate in the economy (Hammond et al., 2012; Nightingale, 2021).

The purpose of this paper was to investigate through the use of qualitative research methods problems faced by small businesses within the transport sector in relation to accessing skills training and associated support. The study found that the main challenges faced by transport small businesses related to administrative barriers and access to

information about the available support and training programmes. Other challenges that prevent the participation of small businesses in skills development include lack of incentive to encourage participation and lack of awareness and information about training programmes as well as programmes that fail to respond to the needs of small businesses within the transport sector. The study concludes that the challenges faced by small businesses have contributed to the lack of participation in skills development and training and that innovative ways of increasing participation is critical. The Transport Sector Education and Training Authority (TETA) is responsible for skills development in the transport sector.

2. BACKGROUND

Businesses in the transport sector play an important role in facilitating economic growth through the movement of goods and people. Therefore, enhancing the quality of skills in the transport is critical in meeting the objectives of a safe, reliable, efficient and effective transport system. It is estimated that the majority of business operating in the transport sector are small to medium sized businesses (TETA, 2018). The provision of skills development and training is seen as critical in transforming small businesses into sustainable and formalized entities. Guidelines have been put in place that allow small businesses to participate in skills development and apply for mandatory grants through the Skills Development Levy (SDL) that can be claimed by submitting WSPs and Annual Training Reports (ATRs) (Department of Labour, 1998).

An overview of the contribution of the different economic sectors to economic growth and employment in South Africa indicates that a significant share of the Gross Domestic Product is attributed to the transport sector (StatsSA, 2019). Based on the Statistics South Africa's "Transport and storage industry" report of 2016, out of the R505 668 million total income generated in the transport sector, R120 597 million is attributed to the freight transport by road and R64 670 million is attributed to air transport (Statistics South Africa, 2016). It is important to note that with the inclusion of other subsectors such as the minibus taxis, municipal bus services, other transport businesses that perform a supporting function, metered taxis, etc. the income generation capacity of the transport sector would be much higher. The "Transport and storage industry" report of Statistics South Africa further highlights the number of jobs created in the transport sector which stand at 0.66 jobs per million Rand of revenue (StatsSA, 2016). Revenue growth and employment creation in the transport sector should not translate into increased cost of doing businesses. Therefore, improvement of skills in the sector should help increase revenue in the sector through improved efficiencies.

In South Africa, it is widely acknowledged that the empowerment of small and medium-sized businesses through skills development and training plays a critical role in allowing historically disadvantaged individuals (HDIs) to participate in the mainstream economy (Small Enterprise Development Agency, 2020). For example, the Preferential Procurement Policy Framework Act (PPPFA) provides for the participation of HDIs and SMMEs in the public-procurement system (National Treasury, 2000). However, previous studies and sentiments expressed indicate that SMMEs lack the necessary skills and training to enable them to meaningfully participate in prevailing commercial opportunities. In regards to small bus operators, a study conducted by Walters (2016) cited the need for training to enable them to participate in the formal bus contracting system. Within the maritime sector, a study conducted by Isaacs (2016) identified the need for skills development and training to enhance the participation of small-scale fishing communities in the formalized maritime value chain. A study by Motingwe (2016) noted the need to empower the minibus taxi

industry through skills development around issues relating to but not limited to financial management skills to ensure sustainable financial management. Amongst other issues, Jennings et al (2017: 279) stressed that minibuss taxi operators and drivers lack skills and training, noting that “lack of skills within the sector ranges from a lack of basic literacy and numeracy, to insufficient knowledge regarding traffic rules and regulations, safe driving practices, vehicle maintenance and vehicle replacement, the importance of savings, or business, customer-care and operations skills”.

The government has introduced policies and established institutions aimed at empowering SMMEs through skills training and development. For example, the National Skills Development Act of 1998 provides for the establishment of institutions aimed at assisting businesses across the different sectors of the economy with skills development and training. These include the Sector Education and Training Authorities (SETAs). The Act paved the way for the establishment of 21 SETAs across the different sectors of the economy. In order to address the skills development issues of companies operating in the transport sector the TETA was established. One of the key mandates of TETA as provided for in the National Skills Development Strategy III is the provision of skills development to SMMEs operating in the transport sector. This is because SMMEs across the different sectors including transport experience skills related problems that they must overcome to grow.

A review of previous studies conducted in developed countries reveal that SMMEs are less likely to provide skills and training to their employees than large enterprises (Dalziel, 2010; Green & Martinez-Solano, 2011; Lee, 2016). The implication is that small businesses do not have the necessary skills to be competitive in the formal economy. Lee (2006) identified challenges that contribute to the low level of SMME participation in skills development to include cumbersome administrative processes to claim back the skills levy, lack of information about skills development and associated support, lack of financial and human resources to engage in skills development, lack of skills training suited to the needs of small businesses and time constraints. The low level participation of SMMEs in skills development is viewed as a challenge that hinders the identification of skills needs and development of interventions aimed at empowering small businesses through skills development. Thus, the failure of small businesses to participate in the SDL system contributes to the development of interventions favouring larger enterprises.

3. METHODOLOGY

The methodology employed in this paper involved conducting focus group discussions and semi structured interviews with small and medium business owners operating in the transport sector. A total of 8 companies operating in the road freight, aerospace, freight forwarding, taxi, road passenger and rail transport subsectors were interviewed. Furthermore, the study also engaged in key informant interviews with industry associations representing the interests of small businesses within the transport sector. The nature of data collected was largely qualitative.

3.1 Focus Group Discussions and Key Informant Interviews with SMMEs Operating in the Transport Sector

The study made use of focus group discussions to obtain a better understanding of the skills development and training issues confronting SMMEs within the transport sector. Three focus groups were conducted with SMMEs in Gauteng, Western Cape and KwaZulu-Natal Province. The focus groups were made up of SMMEs operating in the rail,

road passenger, taxi, maritime, and road freight sectors. The list of SMMEs comprised of companies registered with the TETA as levy paying and non-levy paying companies. To complement the focus group discussions, key informant interviews were conducted with organizations comprising of a road freight association, freight forwarding association, small bus operators association, as well as SMMEs in the rail and aerospace sector. The focus group discussions were framed around the following questions:

- How do SMMEs within the transport sector access skills development and training?
- What factors contribute to the low level of transport sector SMME participation in skills development initiatives?
- In what way can transport sector SMME participation in skills development and training programmes be improved?

The information emanating from the focus group discussions and key informant interviews was audio recorded and subsequently transcribed for analysis. The analysis was conducted making use of the qualitative analysis software.

4. FINDINGS

This section of the paper provides findings from the focus groups and key informant interviews conducted with SMMEs within the transport sector. The findings are based on three focus group discussions that took place in the Gauteng, Western Cape and KwaZulu-Natal province. The purpose of these focus groups and key informant interviews was to understand issues confronting transport sector SMME participation in skills development programmes.

4.1 Participation in Skills Development

This question sought to understand the reasons behind the low participation of small businesses in skills development. From the focus group session conducted with transport SMMEs operating in the rail, taxi and road passenger sectors in the Gauteng province, participants indicated that they were registered with the transport SETA as levy and non-levy paying companies which enabled them to access funding from the transport SETA for addressing the training needs of their employees. However, it emerged that none of the focus group participants submitted workplace skills plans. Both focus groups and key informant interview proceedings revealed that transport SMMEs were reluctant to participate in skills development by citing that the current skills development framework which required the submission of a workplace skills plan placed an administrative burden on them. In order for them to claim back a portion of the skills development levy, they need to prove that they had trained their workforce by submitting an annual training report. This process was cited as onerous.

4.2 Challenges Experienced by Transport Sector SMMEs

4.2.1 Submission of WSPs/ATRs

Previous studies (for example Lee, 2016: 6) highlighted that small businesses find it difficult to fulfil the regulatory requirements for them to claim training funding and grants earmarked for skills development. All business entities registered with the transport training authority are required to compile and submit workplace skills plans that identify the skills needs of employees of the entity. In the focus group discussions conducted with small business owners, participants cited the difficulty in submitting information on their workforce and skills needs to enable the transport training authority to establish skills

needs in the transport sector. These barriers emerged in all the three focus groups sessions in Gauteng, Western Cape and KwaZulu-Natal.

Another barrier which was been confirmed by the focus group is the lack of financial resources often required to gather information on skills needs of the business entity contributing to the low uptake of skills development by small businesses. Small business owners located in all three of the focus group discussion locations reported the desire to be provided with support to help them identify the training needs of their employees. The lack of time, financial resources and other company obligations prevented them from planning the skills development needs of their workforce. It further emerged that the inability to establish a training department dedicated to addressing the skills needs of the business also contributed to the low-uptake of skills development in the transport sector. Small businesses do not have the resources to employ a dedicated person to oversee the planning and execution of a skills plan. Other companies reported that they submit skills plans just to comply with legal requirements.

4.2.2 Administrative Burden

Several studies conducted by the Organisation for Economic Co-operation and Development (OECD) identified the burden imposed on small businesses in completing reports required for claiming the skills development levy (OECD, 2013; OECD, 2019; OECD, 2020). Companies reported this as a barrier that discourage them from pursuing workforce skills development and training. To confirm this assertion, the focus group participants viewed the submission templates as highly complex, time consuming and administratively burdensome. For instances in order to recoup their skills levy funds, companies are required to submit their workplace skills plans and annual training reports. Completion of these reports was considered to be a substantial cumbersome and complex process that often requires the filling up of huge amounts of paperwork that is difficult to comprehend for SMMEs with low literacy levels.

“Training is way down below the chain because it is just too cumbersome to contend with the administrative burden and large volume of paperwork. The amount of paperwork and information in order to comply with processes required to qualify for finance for training is discouraging”. Western Cape Focus Group.

4.2.3 Lack of Clarity Around Procedures for Accessing Skills Development

Participants of the focus groups in the Western Cape comprising of small fishing operators pointed out that they find it difficult to participate in skills development because of a lack of clarity in terms procedures required for them to be able to qualify for the different grants available from the transport SETA. Some participants of the Western Cape focus group pointed out that through their experience, information was fairly accessible online and through the maritime office located in the City of Cape Town.

There was a feeling amongst some participants of the focus group that information dissemination can improved by exploring options that are relevant to the conditions of small businesses. These include the introduction of a toll-free number that small businesses can use to enquire about available opportunities and support and the establishment of satellite offices in remote and rural areas.

Semi-structured interviews conducted with an association representing small bus operators highlighted the lack of awareness of suitable information about the availability of training initiatives.

4.2.4 Customised Training Offerings

Given the low literacy levels amongst transport small business operators many of them with limited formal education, participants in the Gauteng and Western Cape focus group expressed the desire to be provided training programmes customized to the needs of small businesses. For example, it was mentioned that the majority of small fishing operators in the Western Cape had minimal reading and numeracy abilities. Educational material such as pictures and illustrations could make it easier for them to understand.

4.2.5 Lack of Incentive

The lack of incentive was identified one of the main reason small businesses do not support skills development in their companies. For instance, it was pointed out that the cost of providing training to their employees exceeded the levy recovery they received. Therefore, it did not make businesses sense to incur costs they are not able to recover from the mandatory grants received.

4.2.6 Access to Training Providers

Small businesses indicated difficulties accessing locally based training providers. Most of the training providers were not locally based and often did not provide training that meets their needs. Some participants of the focus group mentioned that the unavailability of locally based training imposed a cost on businesses that discouraged them from enthusiastically pursuing skills development.

5. DISCUSSION

The use of focus groups and key informant interviews with SMMEs within the transport sector provided an opportunity to deep dive and robustly explore issues experienced by small businesses in participating in skills development and accessing associated support. From the outcomes of both focus groups and key informant interviews it is clear that mechanisms exist through the provision of policy and institutions for the empowerment of SMMEs through skills development and training initiatives. However, a review of the level of participation in skills development indicated that small businesses face a number of challenges that prevent them from participating in these opportunities. It appears that small businesses in the transport sector lack the incentive to comply with regulations required for them to access training opportunities available from the transport sector training authority. This is attributed to the fact that the current framework for accessing skills places an administrative burden on SMMEs and does not take into account the realities of small businesses. It can be observed from the sentiments expressed that small businesses lack the financial resources and human capacity to engage with the transport sector training authority. The current skills framework requires businesses entities whether small or large to prepare WSPs and ATR as a requisite to claim back a portion of the skills development levy. A number of participants expressed the lack of clarity and frustration in terms of the processes involved in applying for the different grants and funding for skills development. Furthermore, a number of SMMEs simply give up citing the financial return as not worth the effort of investing in employee skills development. Through engagement with an association representing small bus operators, it became apparent that although there is an appetite for skills development for the industry, most operators were not informed about the process of engaging the transport sector training authority such as the sourcing of an SDF.

6. CONCLUSION

This paper investigated the challenges confronting the empowerment of development of small businesses operating in the transport sector. The paper employed focus group discussions and key informant interviews with transport sector SMMEs to collect information. Observations emanating from the investigation point to the need to introduce a framework that will improve the participation and ensure seamless access to skills development for SMMEs operating in the transport sector which can play a role in improving their productivity and competitiveness. Critical, is skills participation models designed to take into account the peculiarity and diversity of small businesses.

7. RECOMMENDATIONS

Based on the results of the paper it is recommended that more effort should be directed towards investigating the extent to which the current skills participation framework including such things as the lack of financial resources, administrative barriers, cumbersome and complex regulatory requirements, lack of time impede small businesses from accessing skills and associated support critical towards ensuring productive, competitive and sustainable businesses entities in the transport sector. This should assist the transport sector training authority to design appropriate and specific SMME interventions aimed at encouraging improved level of participation in skills development.

It is recommended that the accessibility of skills development services for SMMEs be seamless by reducing the administrative burden imposed on small companies. Procedures such as easing the complexity of the application process for training grants and funds should be simplified in order to encourage more small companies to participate.

There is a greater need to include companies that are not registered with the transport sector training authorities. This can be done by improving awareness and information to companies not registered.

In order to take into account the time constraints experienced by SMMEs, the training provision should be sufficiently flexible to the needs of small businesses. Training programmes should consider time constraints of small businesses.

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