

The secret to the Skills Development Act

Pre-1994, South Africa was characterised by non-inclusion of most of the population. Thankfully, after our first democratic elections several pieces of legislation were enacted to rectify the wrongs of the past. Through the Skills Development Act and the Skills Development Levies Act the South African government legislates and incentivises organisations to do what is right for their workers at a fraction of the cost. Monies paid towards training and development is recuperated annually upon the submission of the Annual Training Report (ATR) and Workplace Skills Plans (WSP's).

What is the purpose of the SDA?

One of the problems that was identified in apartheid South Africa is the lack of skills and employment opportunities for those who were not privileged under this regime. As a result, the Skills Development Act (1998) provides a framework for the development of skills in the workplace. Amongst other things, the Act makes provision for skills development by means of a levy-grant scheme, and the establishment of sector-specific Sector Education and Training Authorities – or SETA's – to administer the scheme's funds, and manage the skills development process.

How does the SDLA fit in?

The SDLA provides more clarity on the levy-grant scheme and who must pay the Skills Development Levy (SDL) under this scheme. In essence this Act provides that all organisations in South Africa with an annual wage bill of R500 000 or more must pay 1% of this bill as a levy (not to be deducted from the employees' wages), to be collected by South African Revenue Services (SARS), on a monthly basis, together with PAYE and UIF.

How The Money The Employer Pays to SARS is Allocated

18% of the levy paid goes to the NSF (National Skills Fund) for use in national skills development priority projects. 2% of the funds are retained by SARS for the administration costs they incur to collect the money. 80% of levies are paid by SARS to the relevant SETA.

The monies allocated to the SETA are used as follows:

- 10% is retained by the SETA for the administration costs of the SETA;
- 20% is designated as Mandatory grants to fund education and training programmes contained in the WSP and ATR.
- 49.5% is designated as Discretionary grants, to be spent at the discretion of the SETA in support of the implementation of its Sector Skills Plan. Furthermore, it is critical to note that 80% of the discretionary grant fund (i.e. 40% of SDL) is allocated to PIVOTAL programmes. PIVOTAL is an acronym which means professional, vocational, technical and academic learning programmes that result in qualifications or part qualifications on the NQF.

Skills development is an integral part of the new B-BBEE Codes which came into effect a number of years ago. This is because if you don't obtain at least 40% in ownership, skills development as well as supplier and enterprise development your B-BBEE level could drop by one point.

I'm available to assist you with any skills development and employment equity queries. To contact me, please email me on menet@globalbusiness.co.za.