



TIPS FORUM 2024

A SKILLS ECOSYSTEM MAPPING OF TOWNSHIP-BASED INSTALLATION, REPAIR, AND MAINTENANCE SMMES

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Abstract

Since 2019, the National Business Initiative (NBI) has collaborated with multiple strategic partners to create and execute a program aimed at generating scalable income opportunities for unemployed youth in Installation, Repair, and Maintenance (IRM) roles. This study, conducted by the Centre for Researching Education and Labour (REAL) at the University of Witwatersrand on behalf of NBI, explores the core assumptions underpinning NBI's interventions around IRM jobs. It posits that many IRM SMME providers, predominantly operating outside the formal economy and based in townships, hold untapped potential to create significant demand for skills and employment opportunities. Integrating these SMMEs into formal industrial value chains is essential for expanding their revenue streams and activating this latent demand, with TVET colleges playing a pivotal role by aligning their skills training programs with the needs of local SMMEs.

The research included an IRM skills ecosystem mapping within four townships: Atlantis, Western Cape; Mandeni, KwaZulu-Natal; and Mamelodi and Kathorus, Gauteng. The intention was to gather data to support and inform the development of localised strategies to grow IRM ecosystems, thereby supporting SMME growth and employment.

The mapping exercise highlighted several challenges and opportunities. While strengths exist, significant barriers include the impact of load-shedding, lack of access to finance and skilled artisans, SMMEs face competition from larger businesses, and lack support for networking and business growth. The study also reveals a mismatch between skills demand and supply, worsened by inadequate relationships between training providers and businesses, and ineffective skills anticipation systems.

The findings highlight that a comprehensive ecosystem approach is necessary, involving improved support structures, clearer pathways for integrating SMMEs into the formal economy, and enhanced collaboration between TVET colleges and local businesses.

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Abbreviations

Centre for Researching Education and Labour	REAL
Closed-Circuit Television	CCTV
employment, education or training	NEET
Installation, Repair, and Maintenance	IRM
National Business Initiative	NBI
Rural Entrepreneurship Programme	TREP
Sector Education and Training Authorities	SETA
Small and medium-sized enterprises	SMMEs
Special Economic Zone	SEZ
Technical Vocational Education and Training	TVET

Introduction

In response to the fact that millions of young South Africans are neither in employment, education or training (NEET), the National Business Initiative (NBI) initiated a programme in 2019 aimed at unlocking scalable income opportunities for unemployed youth (as well as to support SMMEs) in the Installation, Repair and Maintenance Installation, Repair and Maintenance (IRM) sector through strategic alliances and partnerships. This paper will focus on the findings from the mapping exercise conducted by the Centre for Researching Education and Labour (REAL) at the University of Witwatersrand, South Africa. Specifically, it will report on the IRM SMME providers within the social skills ecosystem in Atlantis (Western Cape), Katlehong and Mamelodi (Gauteng), and Mandeni (KwaZulu Natal). These four townships are one of the six areas around the country where plans are underway to set up IRM hubs which forms part of the NBI's plan to support and develop township enterprises to grow economic activity and unlock employment and self-employment opportunities, with a particular focus on green technology manufacturing. Technical and Vocational Education and Training (TVET) colleges have been identified as key sites for the establishment of these hubs.

The REAL mapping exercise sought to understand the challenges of getting a local ecosystem to work and support Small, Medium, and Micro Enterprises (SMME) growth and facilitating the access of youth to employment and self-employment opportunities with a particular focus on the green economy. What the exercise highlights is that there are significant challenges facing SMMEs in townships, including limited access to finance, inadequate infrastructure, and skills shortages. However, it also reveals substantial opportunities for growth through targeted support and interventions. By understanding the specific needs and circumstances of SMMEs in areas like Atlantis, Mandeni, Mamelodi, and Kathorus, policymakers and stakeholders can develop more effective strategies to support these enterprises. The exercise highlights the importance of integrating skills development with entrepreneurial ecosystems, fostering strong partnerships between TVET institutions and SMMEs, and improving access to capital and markets.

Literature review

SMMEs in South Africa encompass various categories based on employment size and economic activities, ranging from survivalist enterprises to medium-sized businesses (Marnewick, 2014; Wiid and Cant, 2018). This classification helps tailor support measures and policies to each category's specific needs and potential, ensuring a more effective and inclusive approach to SMME development. These definitions are critical for tailoring interventions and understanding the diverse nature of township enterprises (Bvuma, 2020). Many SMMEs are based in townships and face significant challenges that hinder their growth and sustainability compared to their urban counterparts. One of the primary obstacles is limited access to finance. Many township SMMEs struggle to secure funding from traditional financial institutions due to perceived high risks, lack of collateral, and stringent lending criteria (Bhorat *et al.*, 2018). Additionally, these enterprises often lack access to larger markets, restricting their customer base to local communities with limited purchasing power (Bushe, 2019). Poor infrastructure, including inadequate transport networks, unreliable electricity supply, and insufficient business premises, further exacerbates their operational difficulties (Mabunda, Mukonza and Mudzanani, 2023). Moreover, township SMMEs often face a shortage of skills and expertise, limiting their ability to innovate, improve productivity, and compete effectively (Sibiya, van der Westhuizen and Sibiya, 2023). This skills gap is attributed to inadequate access to education and training opportunities, compounded by socio-economic challenges prevalent in these areas (Urban

and Ndou, 2019). Addressing these multifaceted challenges requires comprehensive and targeted policy interventions to create a more enabling environment for township SMMEs to thrive.

There is a recognition in the literature that SMMEs could be a solution to South Africa's economic challenges, aiming for a 5.4% annual contribution to economic growth as per the National Development Plan (Wiid and Cant, 2018). As a result, significant policy attention has been directed towards SMMEs as pivotal engines of economic growth and job creation. Policies such as the National Small Business Act, the National Development Plan, and the Integrated Small Enterprise Development Strategy outline comprehensive frameworks aimed at fostering SMME development. Initiatives like the Township and Rural Entrepreneurship Programme (TREP) and support through Special Economic Zones (SEZs) and Industrial Parks demonstrate targeted efforts to enhance competitiveness and access to resources for SMMEs in underserved areas. In addition, public-private partnerships and sector-specific support further highlight the commitment to creating an enabling environment through mentorship, funding, and market access opportunities. These policies on paper collectively strive to empower SMMEs, particularly in townships and rural communities, by addressing challenges and leveraging their potential for sustainable economic impact. However, despite policy attention on SMMEs, driven partly by historical exclusion and current economic needs, SMMEs are under-researched as there is a lack of granular data, especially concerning township-based SMMEs (Small Business Initiative, 2021).

The effectiveness of interventions aimed at supporting SMMEs in South Africa has been a subject of considerable debate. Critics argue that many interventions suffer from inadequate implementation, lack of coordination, and insufficient monitoring and evaluation mechanisms (Mhlongo and Daya, 2023). This has led to questions about the actual benefits these programs deliver to SMMEs. For instance, some programs may provide short-term financial relief but fail to address underlying structural issues such as market access and business sustainability (Bhorat *et al.*, 2020). Additionally, the one-size-fits-all approach often employed in these interventions does not account for the diverse needs of different types of SMMEs, from survivalist enterprises to medium-sized businesses. As a result, there is a growing call for more rigorous assessment of these interventions to ensure they effectively contribute to SMME growth and job creation (Tlou, 2017). This includes the need for comprehensive impact evaluations that measure long-term outcomes and identify best practices. Furthermore, stakeholder involvement in the design and implementation of these programs is crucial to ensure they are tailored to the actual needs of SMMEs and can adapt to the evolving economic landscape (Bhorat *et al.*, 2020). Concerted efforts to enhance the strategic planning, execution, and evaluation of interventions aimed at supporting SMMEs is required to address the challenges SMMEs face.

Methodology

The IRM Initiative seeks to show how the full demand potential of the township economy could be unlocked by bringing together demand and supply within township economies. In the context of this, the initiative has sought to create an intersection between the skills ecosystems and entrepreneurial ecosystems within a local economic context. This approach seeks to bring together formal and informal institutions, resources, and relationships that can unlock market demand, support enterprises and thereby enable productive entrepreneurship. Central to this is ensuring the skills system is able to produce young people to be adaptable and then be able to match them to formal SMMEs and extend work creation opportunities.

The approach is underpinned by several fundamental assumptions that include, amongst others, the prevalence of township based SMMEs operating informally and their potential to drive substantial demand for skills and employment. Moreover, it acknowledges the pivotal role of TVET colleges in establishing IRM hubs within townships, strategically aligning skills training with local demand to foster sustainable economic growth and job creation through demand-driven, high-quality curriculum and teaching, appropriate selection, matching and preparation of students, based on the occupational demands. Ultimately, this initiative is driven by embedding the skills ecosystems in entrepreneurial ecosystems so that market opportunities emerging through the green economy can be made more accessible, and a more holistic approach to inclusive economic growth can manifest, including the development of appropriate skills.

To test and explore the above core assumptions, as noted REAL mapped the IRM skills ecosystem of the four identified townships: Atlantis in the Western Cape; Mandeni in KwaZulu-Natal; and Mamelodi and Kathorus in Gauteng. The intention was to gather data to support and inform the development of localised enabling strategies to grow the Skills and Entrepreneurial IRM ecosystems that will support growth in SMMEs and employment.

The study drew on Spours' (2019) work on ecosystems which looks at three core elements which are the dimensions of verticalities, horizontalities, and mediation (as represented in Figure 1) which assisted in understanding, guiding, and analysing the skills ecosystem within Atlantis, Katlehong, Mamelodi and Mandeni.

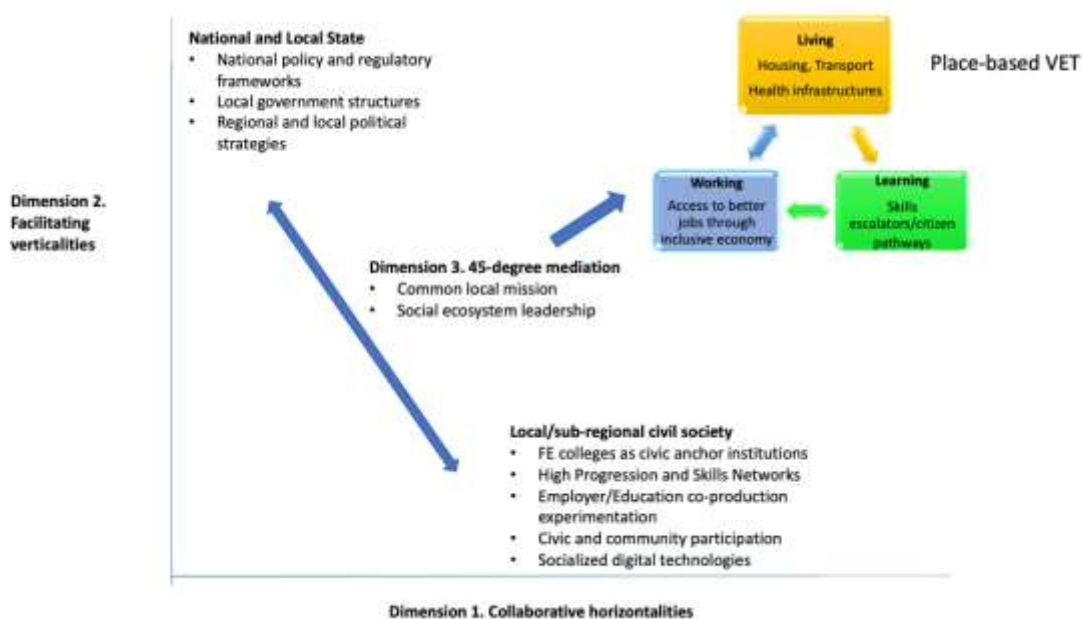


Figure 1 Social Skills Ecosystem (Spours, 2019)

Various stakeholders were interviewed for this study, with regards to SMME's, a total of 93 were interviewed. These SMMEs offer a wide range of services, including construction; production of chemicals for cleaning and pest control; building maintenance; and installation, maintenance, and repair of various appliances and systems. These services cover fridges, freezers, air-conditioning units, electrical work, prepaid meter boxes, power failures, fault finding, plugs, geysers, garage and gate motors, electrical appliances, wind turbines, roof leakages, wiring, CCTV services, molds, turnstiles,

vehicle barriers, security booths, electronic gates, speed tiles, pedestrian barriers, access control accessories, electric gates, and burglar alarms.

The study was trying to understand how local IRM SMME providers perceive themselves within the local IRM economic system and their ability to access work in local public and private sector institutions. The study also sought to explore the kind of support they receive or would like to receive to grow and compete, identify the qualifications and skills they have, the sources and methods through which they have acquired these qualifications and skills, to understand how SMMEs source their workforce and to understand how SMMEs train their workforce and what challenges they face.

Snapshot of the key findings

As highlighted in the literature, SMMEs are seen to be critical for economic growth and job creation but they face significant challenges. The skills ecosystem mapping study identified several obstacles impeding IRM SMMEs' expansion and viability. These issues are also highlighted in the literature and were also emphasized by SMMEs in the interviews. SMMEs stated that they face a multitude of challenges including limited capital capacity and operational efficiency, inadequate financial access, and difficulty securing investments or loans from traditional financial institutions. They often depend on loan sharks or personal funds, face high costs and unfavorable repayment conditions for financing options, and lack investment in essential resources such as technology, skilled labor, and inventory. This results in inefficiencies and reduced competitiveness. Additionally, there is a lack of government assistance, particularly in procurement opportunities, and many SMMEs struggle with non-compliance with business regulations, making it difficult to secure financial support and access government tenders. SMMEs also face unfair competition from larger firms with better resources and networks, limited access to markets, and poor collaboration with larger firms. Larger businesses have the expertise and high skills to provide quality services as well as networks. Instead of assisting SMMEs with networking and skills development, large businesses often ignore or work against SMMEs. In addition, inadequate infrastructure, transportation, and tools, coupled with disruptions from load shedding and power outages, and poor advertising and marketing strategies, all contribute to their struggles. The additional costs associated with effective advertising further burden start-up companies with irregular energy supply impacting their reliability and productivity.

Other issues to emerge is that despite the potential role of TVET, the mismatches between skills demand and skills supply continues to exist for a range of reasons. Part of the problem is the nature of relationships which exist between providers and businesses (as well as the role of the SETAs), the skills anticipation systems in place to identify where demand is, and how providers respond. The study takes a deeper dive into the network of training institutions and the challenges in relation to the quality of programmes and the challenges facing IRM-related SMMEs. A significant skills shortage, inadequate training programs, and a lack of qualifications among SMME providers pose a big challenge for their expansion and viability, with many receiving informal business training that leads to practical but not theoretical knowledge.

In addressing the challenges faced by SMMEs in Atlantis, Mandeni, Katlehong, and Mamelodi, various support structures and initiatives have been highlighted as essential. SMMEs have emphasised the importance of capital capacity intensification to leverage existing business opportunities and foster growth. SMMEs agree that robust capital capacity is essential for financing IRM operations, including the acquisition of physical infrastructure, equipment, and tools. Assistance and subsidies for physical

infrastructure improvements are crucial for enhancing their ability to deliver IRM services promptly and compete effectively.

SMMEs in Mandeni, Katlehong, and Mamelodi stressed the need for government connections to access procurement opportunities, advocating for tender projects specifically designated for small businesses. SMMEs in Mandeni emphasized the need for support in gaining comprehensive knowledge to respond to procurements. They acknowledge their disadvantage in the competitive procurement space due to a lack of formal understanding of the requirements for securing lucrative opportunities. Acquiring formal knowledge about tendering is an urgent need, and support should come from both the government and big businesses. This support should cover procedural knowledge and an understanding of what is required and why when pursuing procurement opportunities.

SMMEs also acknowledge the necessity of adapting to the energy crisis by relying on alternative energy sources to maintain operations and capitalise on IRM opportunities. Additionally, market visibility is identified as a critical enabler for SMMEs across the four townships as they struggle to reach a broader client base. To meet the existing demand for IRM services, SMMEs recognise the need to modernise and improve their marketing strategies.

SMMEs across all four townships have highlighted the importance of upskilling and reskilling to access more economic opportunities and adapt to market changes. Despite difficulties in obtaining assistance from big businesses or other large organisations that view them as potential threats or competition, SMMEs do not empower each other within their ecosystem. For example, trust is crucial when they lend or borrow money to finance their operations and expand.

Improving business visibility and market presence in the IRM sector through revised marketing strategies is another critical form of support needed across all four sites. Most SMMEs agree that guidance and assistance are essential to devise and develop improved marketing strategies that will enable them to capitalize on lucrative markets. They recognise the importance of using social media platforms like Facebook, WhatsApp, and TikTok, especially since these are budget-friendly. Discussions with SMMEs revealed their eagerness to foster and build better relationships and networks within the IRM business space. Interconnected clusters could enhance collaboration among SMMEs and with big businesses, defining their complementary roles and facilitating knowledge exchange to leverage their mutual and diverse expertise and strengths. In Kwazulu-Natal, the Mandeni IRM Association was highlighted by some SMMEs as a valuable collaborative network that fosters cooperation and knowledge and resource-sharing within the local business community. This association serves as a platform for exchanging insights, discussing industry trends, and exploring work opportunities for growth. It helps SMMEs collectively navigate their challenges and capitalize on shared opportunities in the local IRM space. However, not all interviewed SMMEs are aware of this association, indicating a need to promote the concept of associations among IRM-related SMMEs.

In Katlehong, the large number of IRM-related SMMEs competing among themselves and with big businesses highlights the importance of inclusivity. To pursue inclusivity, government and other institutions must build their institutional capacity to develop better, working relationships and collaborations with IRM-related businesses and SMMEs. Additionally, SMMEs in Katlehong emphasized the need for an expanded client base, as they serve a diverse range of clients depending on the services they offer. Currently, their clients mainly include local households, government, and big businesses. Services requested by local households and private individuals range from electrical services to home appliance and vehicle repairs. The SMMEs acknowledged the need to find new

opportunities to expand their client base. In Atlantis, innovation hubs and entrepreneurship programs were frequently mentioned by SMMEs. The government should reach out with funded training programs and networking opportunities to assist small businesses, including both young and older experienced individuals (aged 45 to 60), to compete on a level playing field with larger businesses. Innovation hubs and business incubators should establish programs and practical capacity-building workshops for the youth, featuring successful local examples or role models to attract talent and entrepreneurs in the construction and building sectors.

What would it take for SMMEs to grow?

Considering the challenges that SMMEs have raised and the support they need for growth, we must evaluate the implications for skills development and training for SMME's. SMMEs should be integrated into the overall skills ecosystem, but they cannot grow in a system that is dysfunctional. The structural issues within South Africa's skills system pose significant challenges for SMME's crucial contribution to economic growth. SMME's often face hurdles in accessing skilled labor due to fragmented skills development efforts and a mismatch between available skills and their specific needs. Poor skills planning exacerbates this issue, making it difficult for SMMEs to find workers equipped with the necessary competencies, particularly in technical and vocational fields essential for their operations. Moreover, inadequate access to quality training limits SMMEs' ability to innovate and adapt to evolving market demands, hindering their competitiveness against larger enterprises with more resources for training and development.

As noted, SMME's comprise various categories therefore, support mechanisms must be customized to meet their distinct needs and integrate them seamlessly into the economic value chain. Strengthening the partnership between TVET institutions and SMMEs is crucial, as SMMEs can valuable learning sites. To achieve this, SMMEs require streamlined access to tailored training programs, mentorship opportunities, access to markets, and financial support mechanisms that cater to their specific stages of growth and operational requirements. This holistic approach not only enhances their capacity to contribute effectively to economic growth but also fosters a resilient and inclusive business environment.

Alignment exists among national, provincial, and local policies and initiatives, particularly in promoting SMMEs and local development. However, close monitoring of financial aid and program implementation is necessary to evaluate inclusion, exclusion, and opportunities for enhancing the effectiveness and inclusivity of these initiatives.

Stakeholder relationships are pivotal in shaping the dynamics of the skills ecosystem. Depending on these relationships and how stakeholders collaborate in service and skill provision, they can either enable or hinder SMME growth. Currently, there is a loose partnership between businesses/government and skill development providers. This, coupled with uncertain economic future impedes future skill identification and supply planning. The least effective partnerships in promoting SMME development and local employment are between large businesses/provincial and regional governments and SMMEs, and between education/training institutions/agencies and SMMEs. Enhancing these relationships requires incentivizing the public and private sectors to engage more with local SMMEs, provide effective assistance and mentorship, and encourage their formalization. Additionally, post-secondary education and training institutions should focus more on the realities of SMMEs to develop innovative capacity-building programs.

A bottom-up approach to training, engaging with SMMEs to understand their unique needs, is crucial. This collaborative effort can empower SMMEs to innovate and ascend the supply chain effectively. Adopting a top-down one-size-fits-all approach to training will not work, training institutions should engage with different SMMEs to discuss their various concern/needs and develop different forms of innovative upskilling and training programmes which will empower SMMEs to move up the supply chain.

Conclusion

The literature highlights the need for tailored interventions that consider the unique circumstances of SMMEs in order for these enterprises to make a significant contribution to the economy. Effective support for SMMEs requires a comprehensive approach that integrates skills development and training into the broader skills ecosystem. This includes fostering stronger partnerships between TVET institutions and SMMEs, ensuring that training programs are aligned with the actual needs of these enterprises. Additionally, improving access to capital, enhancing market visibility, and facilitating better relationships and networks within the IRM business space are crucial steps for SMME development.

The skills ecosystems mapping in townships like Atlantis, Mandeni, Mamelodi, and Kathorus provides valuable insights into the specific needs and challenges faced by local SMMEs. The study's findings reveal the necessity for robust support structures, including capital capacity intensification, government connections for procurement opportunities, and improved marketing strategies. Furthermore, addressing the skills mismatch and enhancing training quality through targeted programs are essential for the sustainability and growth of SMMEs.

Ultimately, a concerted effort involving multiple stakeholders such as government, private sector, and educational institutions is needed to create an enabling environment for SMMEs. This should include rigorous impact evaluations of interventions, stakeholder involvement in program design and implementation, and a bottom-up approach to training that considers the diverse needs of SMMEs.

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