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PRESS RELEASE

Construction Industry Favours Greater Emphasis on Training

Namibia's construction industry wants to see an increase of training. This must be achieved through raising the awareness of the need, value and benefits of training. The industry is concerned that the proposed training levy – as a percentage of payroll – might in actual fact reduce the amount of training that companies would undertake.

In response to the public invitation to respond to the proposed training levy, The Construction Industries Federation of Namibia (CIF) conducted a survey from 25 April to 8 May 2013. Feedback was provided from 52 respondents, of which 31 were members of the CIF.

Whilst the majority are of the opinion (52.9 % “agree” and 26.5% “agree totally”) that there is shortage of vocational skills in Namibia, 25 companies (73.5% of respondents to this question) that vocational skills training should be funded through government budget allocations. Only 5.9% felt that the private sector should fund the training. Whether indeed a training levy would increase the incidence of training, just over half of respondents were in agreement. Whether in fact it would level the playing the between companies that train and those that do not train, about 47% agreed, whilst 53% disagreed. Some commented about critical importance that the education system per se will reviewed so that the educational offering is demand-led and meets the requirements of the industry.

Employers in the industry are concerned about the additional “tax burden”; and indeed that it could impact salaries and employment negatively. Bärbel Kirchner, consulting general manager of the Construction Industries Federation warns: “ We are are concerned that the proposed formula of contributions from the private sector is unlikely to increase the incidence of training. In some instances, companies already spend more on training than the levy proposes. For those companies that train, the additional costs would likely lead them to spend less on training. For those that should be encouraged to train, the additional costs related to the delivery of training, is likely to discourage them, unless clearly specified”.

Authorities seems to have agreed a formula percentage of payroll, though respondents are not in favour of the definition of payroll for the purpose of a training levy, despite it being defined in the Labour Act. The definition should not include “payments in kind”; and for the purpose of a training levy, responding companies are of the opinion that it would be far more appropriate if “payroll” was defined as “where remuneration is the total value of payments in money, excluding the payment to managers and above”. Otherwise, essentially it can be regarded as another tax.

If indeed companies are to be levied, the majority over two third of respondents felt that 1.5% was reasonable. Instead, 51% regarded a levy of *half a percent* as more acceptable. 25.8% would be prepared to pay *one percent*, whereas only 16.1% would be prepared to pay *one point five percent* of payroll.

The authorities proposed an annual payroll of N\$350,000 as entry limit for the levy. 43.3% respondents answered that the limit needed to be lower, where as 26.7% regarded the limit as appropriate. In fact, 45.8% of 24 companies that answered the question, felt that the limit needed to be N\$250,000, whereas 25% agreed with the current limit, and 25% responded that it needed to be N\$500,000 instead.

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If indeed government should decide to proceed with the implementation of the levy, then it would be critical that there is total transparency in the management of the fund and active private sector involvement in the decision-making processes.

At the same time, the proposed formula as a percentage of payroll, is not appropriate to encourage employers to train more. Instead, companies that train should receive tax credits or instead they should not be required to pay a levy if indeed they show proof of training. The latter would involve less administration and would lead to more companies providing training.

In terms of claiming back training expenditure from the fund, more than half of respondents stated that companies needed to be able to claim back more than the proposed *fifty percent*; 6.1 % proposed that *sixty percent* could be claimed back; and 51.5% want to be able to claim back *seventy percent* of what they had paid into the fund.

Almost two thirds (63.6%) think that the proposed commencement date of 1 September 2013 is too early. Instead, companies propose a start date of 1 March 2014 (48.5%) or 1 July 2014 (21.2%). Only a third of respondents would be ready for 1 September 2013. *The additional costs are substantial and cannot be accommodated under fixed price contracts. Consequently the implementation date should be deferred until 2014 to allow costs to be incorporated in future tenders.*

If indeed the training levy is introduced, for companies there is lack of clarity of what companies can claim back. If this is not addressed carefully, it could have a huge impact on the incidence of training, as companies that already train are likely to shy away. And those that do not train, would be concerned about the additional costs training *per se* would bring about. Responding companies in the construction industry answered that they should be able to claim the following:

- Costs of the trainer (83.9%)
- Travel and accommodation of the trainee (80.6%)
- Travel and accommodation of the trainer (74.2%)
- Salaries that still need to be paid to staff whilst they are attending training (67.7%)
- Hiring of facilities (61.3%)
- Provision of catering for training (61.3%)
- Training Needs Analysis (51.6%)
- Loss of productivity for when staff is attending training (48.4%)

The majority think expenses relating to the following should be reclaimable: training outside Namibia (86.7%); internships/placements (82.1%); mentoring/coaching programmes (71.4%) as well as in-house training (63.3%).

Of those surveyed, the majority desired a refund within three months; of which 37.5% need a refund within one month; 21.9% in two months; and 9.4 % in three months, respectively. Only 12.5% regarded a time lag of six months as acceptable and 6.3 % were satisfied to be refunded within a year.

Ms Bärbel Kirchner, consulting general manager of Namibia's Construction Industries Federation further elaborates: "The purpose of the training levy is that more people will be trained and get the necessary skills. Though a training levy will only then be effective, if procedures are simplified. For example, companies cannot pay the levy as well as incur the expenditure for training, if they are not refunded swiftly. For many companies a delay in refund could have a cash flow implications and thus prevent – in particular – smaller companies from seeing the returns of such a fund."

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Respondents disagree (59.4%) that initially the fund would build up resources for period of time before contributors to the fund can claim back their training costs. They (87.6%) answered that they needed to be able to claim for all expenses related to training that occurred after the commencement date of the imposition of the levy. Companies should be able to claim for expenses as from the commencement date. Once, and if indeed, the levy is imposed, the majority of respondents (75%) could wait for three months before claiming refunds.

About the formula, apparently 35% is to be allocated to the priority sectors. If indeed, government will promulgate the introduction of the levy, the construction industry as a key driver in the economy, would need to benefit appropriately from the fund; i.e. sectors must see an investment into training within their sector in relation to what they have contributed.

Bärbel Kirchner, consulting general manager of the Construction Industries Federation of Namibia summaries:” In principle, although we are very concerned about the level of vocational skills in Namibia, the construction industry is not in agreement with the proposed “payroll formula”. It is unlikely to bring the desired results and will hamper growth in the industry. Instead, the industry want to see related government budget allocations; as well as the alignment of the educational offering with that of the industry. The industry supports training, however in order to facilitate the incidence of training, awareness needs to be raised about the desirability and value training”..

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