

# PRESENTATION TO THE PORTFOLIO COMMITTEE ON EMPLOYMENT AND LABOUR ORIENTATION WORKSHOP

12 – 13 February 2021



# OUTLINE

Demystifying the concept of Productivity

History of Productivity SA

Value Proposition and service offering

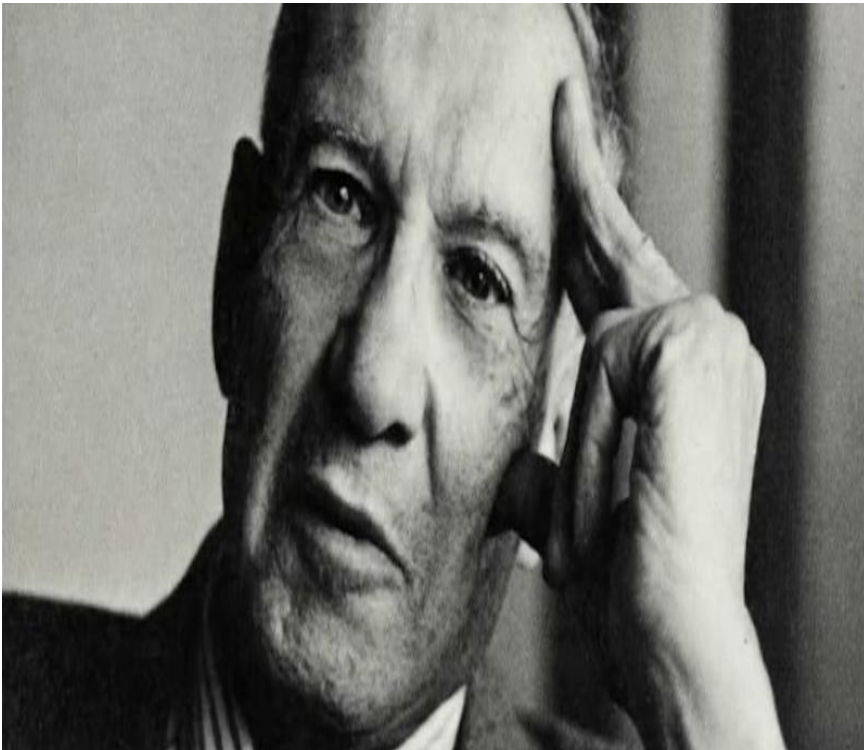
Performance and Impact

Strategic Direction

Alignment to SA's transformation Agenda

Post-Covid 19 Agenda and Support Required

# DRUCKER WARNING



‘Growth that adds volume without improving productivity is fat. Growth that diminishes productivity is cancer’

— Peter Drucker

# DEMYSTIFYING THE CONCEPT OF PRODUCTIVITY

## Productivity is:

- ✓ More than just the measure of how effectively resources are used to produce outputs.
- ✓ Using less to create more – working smarter, not harder.
- ✓ A mindset that continuously aspires to better ways of accomplishing tasks and conducting business.
- ✓ “Doing what I do today better than I did yesterday, and even better tomorrow”.
- ✓ Creating and delivering **quality** goods and services at the right **time/speed**, with the least **cost**
- ✓ Continuous improvement (KAIZEN in Japanese)

## At the heart of productivity is the individual.

- ✓ An organisation can only become more productive through continuous upgrading of knowledge, skills, discipline, effort and collaboration.

# DEMYSTIFYING THE CONCEPT OF PRODUCTIVITY (cont.)

## Key elements of productivity:

- ✓ The outcome of productivity is the continuous improvement of performance
- ✓ The improvement must be measurable.

## Key drivers of productivity are:

- ✓ Effectiveness (doing the right things)
- ✓ Efficiency (doing things the right way)
- ✓ Utilisation (optimum use of human capital and physical resources)
- ✓ Elimination of all forms of waste.

## Beneficiaries of productivity must be:

- ✓ The economy
- ✓ The enterprises
- ✓ The environment
- ✓ Society.

# BENEFITS OF PRODUCTIVITY

## For SA:

- ✓ Source of sustainable growth in living standards.
- ✓ Employment Creation.
- ✓ Offers a route out of poverty and alleviation of inequality.
- ✓ Driver of sustained competitiveness and economic growth (GDP growth).

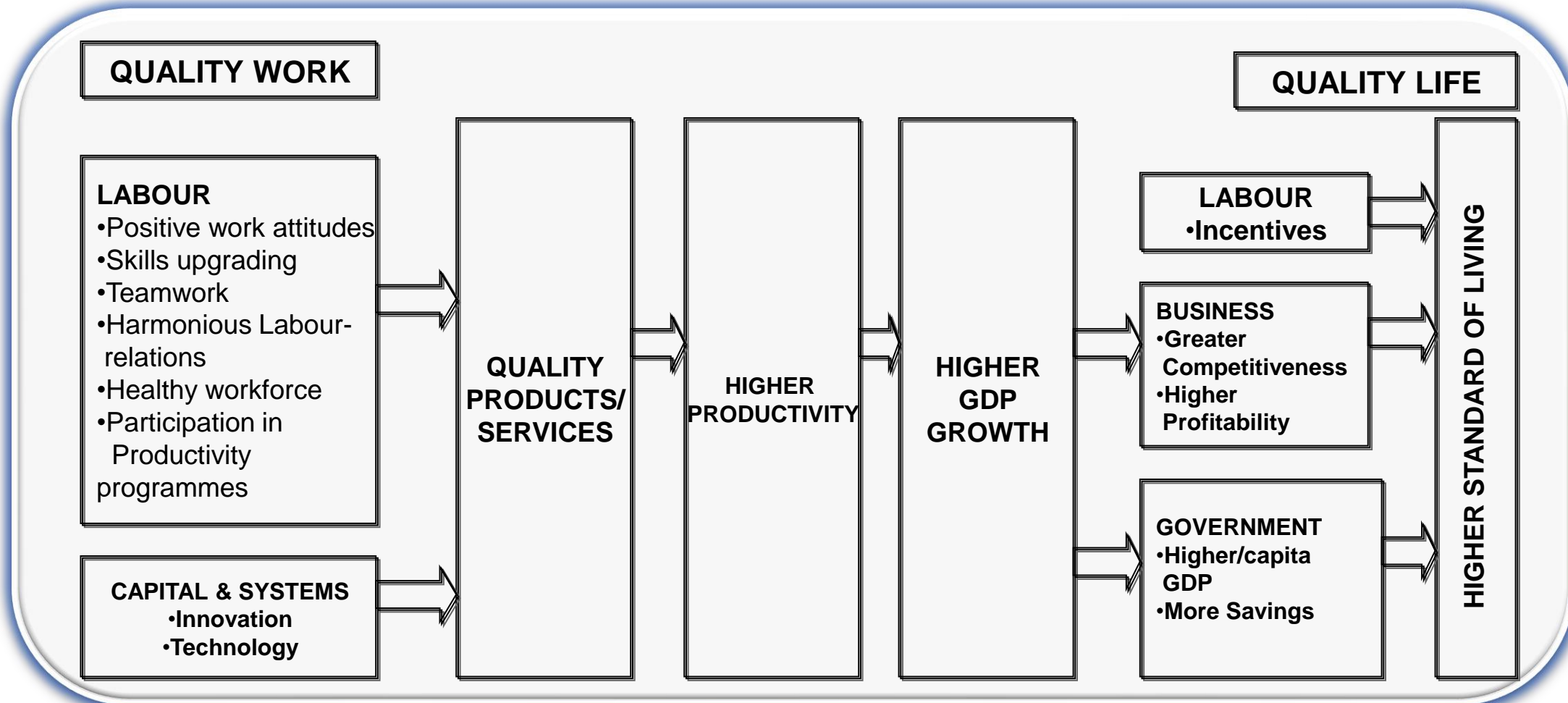
## For Organisations:

- ✓ Leads to lower unit costs of production and thus higher profits/dividends.
- ✓ Profits can be distributed to workers in the form of better pay and working conditions or to create more jobs.
- ✓ Increased contributions to society with a higher tax quantum.
- ✓ Enhanced support for social causes.

## For Workers/ Individuals:

- ✓ Job security.
- ✓ Better opportunities.
- ✓ Better wages.
- ✓ Greater social mobility.
- ✓ Efficient use of resources.
- ✓ Better quality of life.

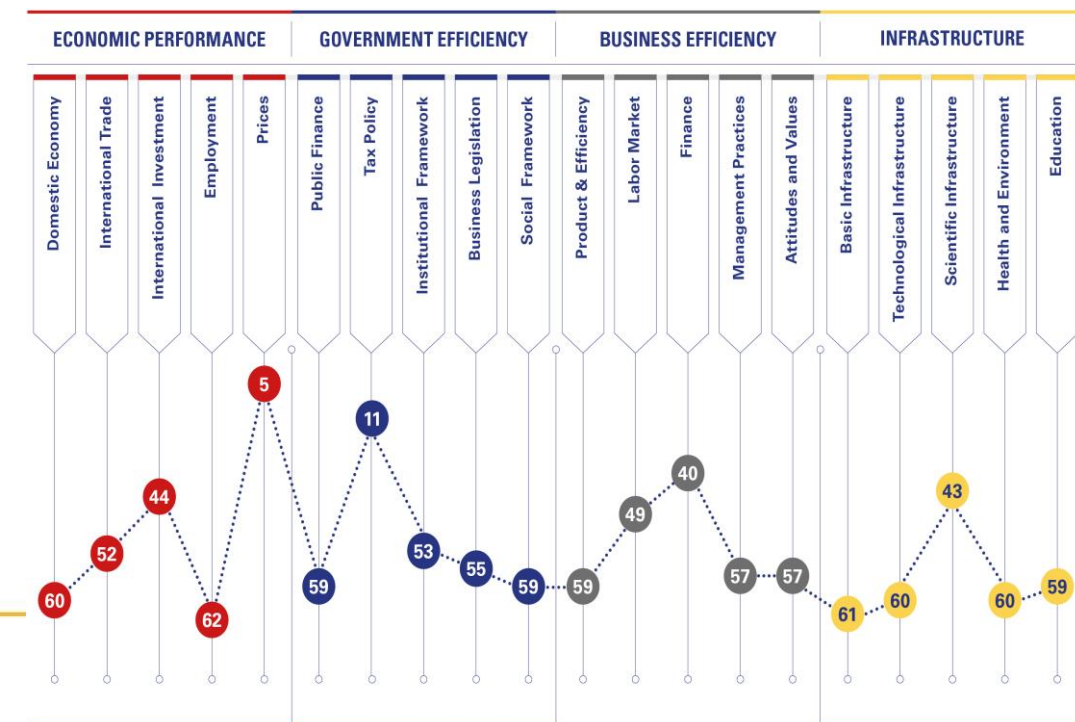
# THE POWER OF PRODUCTIVITY





# THE POWER OF PRODUCTIVITY- COMPETITIVENESS AND PRODUCTIVITY LANDSCAPE IN 2020

- South Africa's overall productivity growth, which is a key driver of long-term competitiveness and economic performance is low. With the decline in economic activity in 2020, this is expected to regress further during and beyond the COVID-19 pandemic
- According to the recently released Productivity Stats Report, October 2020, SA recorded a decline in productivity growth, with Labour productivity and Capital productivity registering mild decline in growth in 2019 while Multi-factor productivity recorded no growth in the same period.
- The competitiveness ranking is 59 out of 63 countries – regression in all the four broad factors in competitiveness since 2010 from about 40 out of 63 countries (IMD WCY, 2020).
- Our country suffers from an under-skilled population, which is evident in a high unemployment rate, despite numerous job vacancies.



## PRODUCTIVITY INDICATORS

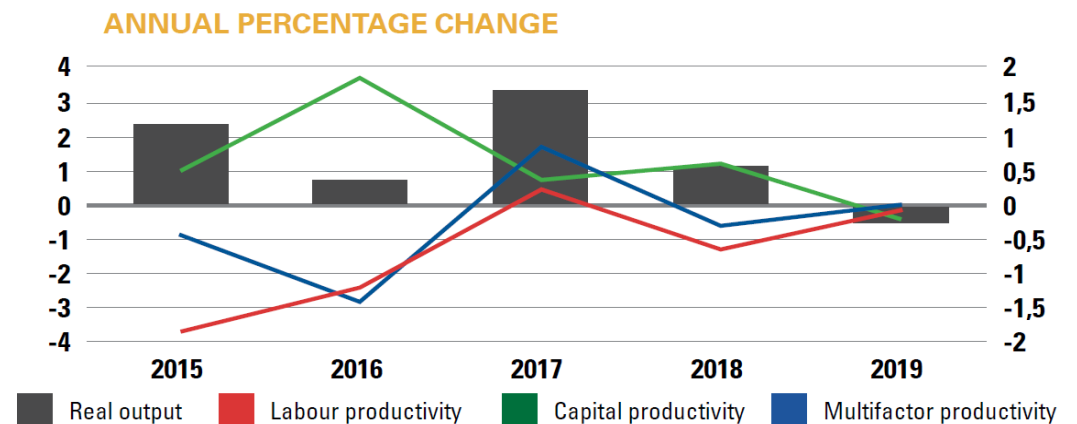


Figure 1: Trends of productivity indicators 2015-2019



## HISTORY OF PRODUCTIVITY SA.

- Formed in 1969 as a Section 21 company with the aim of promoting and enhancing productivity throughout South Africa.
- Previously known as the National Productivity Institute (NPI). Had the expert authority to advise the Presidential Economic Advisory Council prior to 1994.
- Re-branded to Productivity South Africa (Productivity SA) in 2006/2007.
- Schedule 3A Public Entity of the Department of Employment and Labour
- **Established i.t.o. section 31 of the Employment Services Act, No. 4 of 2014.**
- Responsible for fulfilling an **economic or social mandate** of government, which is to **promote employment growth and productivity** thereby **contributing to South Africa's socio-economic development and competitiveness.**

# VISION AND MISSION

## VISION

To lead and inspire a productive and competitive South Africa.

## MISSION

- To improve productivity **by diagnosing, advising, implementing, monitoring and evaluating** solutions aimed at improving South Africa's sustainable growth, development and employment through increased competitiveness.



# LEGISLATIVE MANDATE - ALIGNMENT TO THE DEL MANDATE

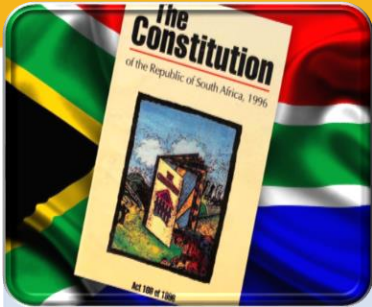
**The mandate of DEL is:** To regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at:

- **Improved economic efficiency and productivity.**
- **Creation of decent employment.**
- Promoting labour standards and fundamental rights at work.
- Providing adequate social safety nets to protect vulnerable workers
- Sound labour relations.
- Eliminating inequality and discrimination in the workplace.
- Enhancing occupational health.
- **Give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises which is balanced with the promotion of decent employment**

# LEGISLATIVE MANDATE – THE EMPLOYMENT SERVICES ACT

- Improve the employment and re-employment prospects of employees facing retrenchments (The Employment Services Act, s2 (1) (e) read with s7 and s32 (g))
- Promote employment, growth and workplace productivity (s2 (1) (g) read with s32 (a - c) )
- Foster productivity awareness
- Creating an environment conducive for entrepreneurship and sustainable enterprises (giving effect to the SDG, in particular Goal 8- decent work and economic growth)

# THE LEGISLATIVE AND OTHER POLICY MANDATES



## Constitution

Ensure equal access to opportunities (s9)

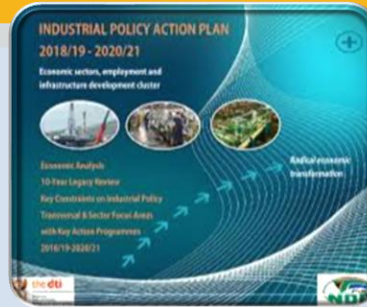
# Promotion of labour standards and fundamental rights at work (s10)

# Promote an environment that is not harmful to the health and well being of those in the workplace (s24)



## Employment Services Act

Productivity SA is established in terms of section 31 of the Employment Services Act, No.4 of 2014, with the mandate to promote employment growth and productivity.



## Sector Master Plans

Sector Master Plans seeks to strengthen the competitiveness, productivity and trade performance of the core productive sectors of the economy in pursuit of an industrial development path that is characterized by increased participation of previously marginalized citizens and regions of our country



## The Public Finance Management Act

The objective of this Act is to regulate financial management in the National Government and Provincial Government; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently & effectively and to provide for the responsibilities of persons entrusted with financial management



## B-BBEE & Codes of Good Practice

The Act encourages increases in the participation of black people (defined broadly to include Africans, Indians and Coloureds) across all levels in business, as well as the empowerment of suppliers



# THE LEGISLATIVE AND OTHER POLICY MANDATES – GLOBAL ALIGNMENT (cont.)





# SOUTH AFRICA PRIORITIES FOR 2020 - 2025

- **Priority 1: Economic Transformation and Job Creation**
- **Priority 2:** Education, Skills and Health
- **Priority 3:** Consolidating the Social Wage through Reliable and Quality Basic Services
- **Priority 4:** Spatial Integration, Human Settlements and Local Government
- **Priority 5:** Social Cohesion and Safe Communities
- **Priority 6: A Capable, Ethical and Developmental State**
- **Priority 7:** A better Africa and World

# CONTRIBUTION TO SONA (2020) COMMITMENTS

## **Social Compacting:**

- ✓ Participation through Presidential Jobs Summit TERS Task team at NEDLAC
- ✓ Extensive strategic partnership drive with Government, Organised Business & Labour and Community Constituencies
- ✓ Successful virtual AGM constituted by the above mentioned constituencies

## **District Development Model (DDM):**

- ✓ Adopted DDM model into our Service Delivery Model – resulted in official agreements in Limpopo, WC and NW Provinces

## **Sector Master Plans:**

- ✓ Prioritisation of our interventions is guided by Sector Master Plans
- ✓ Entered into an Agreement with the Clothing bargaining council with active participation of SACTWU and Productivity Training Institute.

## **Youth Employment:**

- ✓ Management of **the dtic** youth employment programme (Itukise) through sourcing opportunities with employers (preference for those on our Enterprise Development and Support Programmes) and facilitate their absorption.

## **Economic Recovery Plan:**

- ✓ Contributed a paper which has been tabled at the DG Economic Cluster.

# FOOTPRINT

## REGION 1

Gauteng, North West,  
Limpopo

### Office: Midrand

- International Business Gateway  
Cnr. New Road and Sixth Roads, Midrand,  
Tel: (011) 848 5300

### **Executive Manager**

Ms Lalane Janse van Rensburg



## REGION 2

Western Cape, Free State,  
Northern Cape

### Office: Cape Town

- Suite 202, 2<sup>nd</sup> Floor
- Edward III Building, 70 Edward Street
- Bellville
- Tel: (021) 910 1591

**Executive Manager:** Mr Albert Brink



## REGION 3

Kwa-Zulu Natal, Eastern  
Cape, Mpumalanga

### Office: eThekweni/Durban

- Suite 201, Cowey Park
- 91-123 Cowey Road
- Essenwood
- Tel: (031) 268 9770

**Executive Manager:** Ms Amelia Naidoo



# REASON FOR BEING

To aid South Africa to:

- ✓ achieve a productive high-income economy
- ✓ which is globally competitive
- ✓ with sustainable growth
- ✓ full and productive employment
- ✓ decent work for all.



# VALUE PROPOSITION

- Providing Productivity and Competitiveness Improvement Solutions to enhance the productive capacity and operational efficiency of enterprises throughout the business lifecycle to accelerate wealth and decent employment creation.
- The entity unlocks SA's productivity by addressing productivity and competitiveness at three levels:

## COUNTRY

- Constitution, NDP, MTSF, Competitiveness Indices (e.g. IMD and WEF), PJS etc.

## INDUSTRY

Sector Master Plans,  
Productivity Statistics  
Sector Studies

## ENTERPRISE

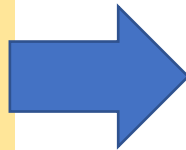
Competitiveness Improvement  
Solutions ( CIS) and Business  
Turnaround and Recovery  
(BT and R)

## OUR FUNCTIONS

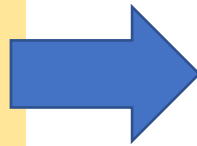
## ENTERPRISE DEVELOPMENT AND SUPPORT PROGRAMMES

### *s32 of the Employment Services Act*

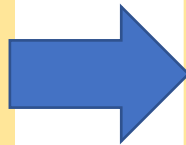
- a) Promote a culture of productivity in the workplace;
- b) Facilitate and evaluate productivity improvement and competencies in workplaces;
- c) Support initiatives aimed at preventing job losses;
- d) Measure and evaluate productivity in the workplace;
- e) Maintain a database of productivity & competitiveness systems & publicise same; and to undertake productivity-related research.



### **1. Competitiveness Improvement Services (CIS)**



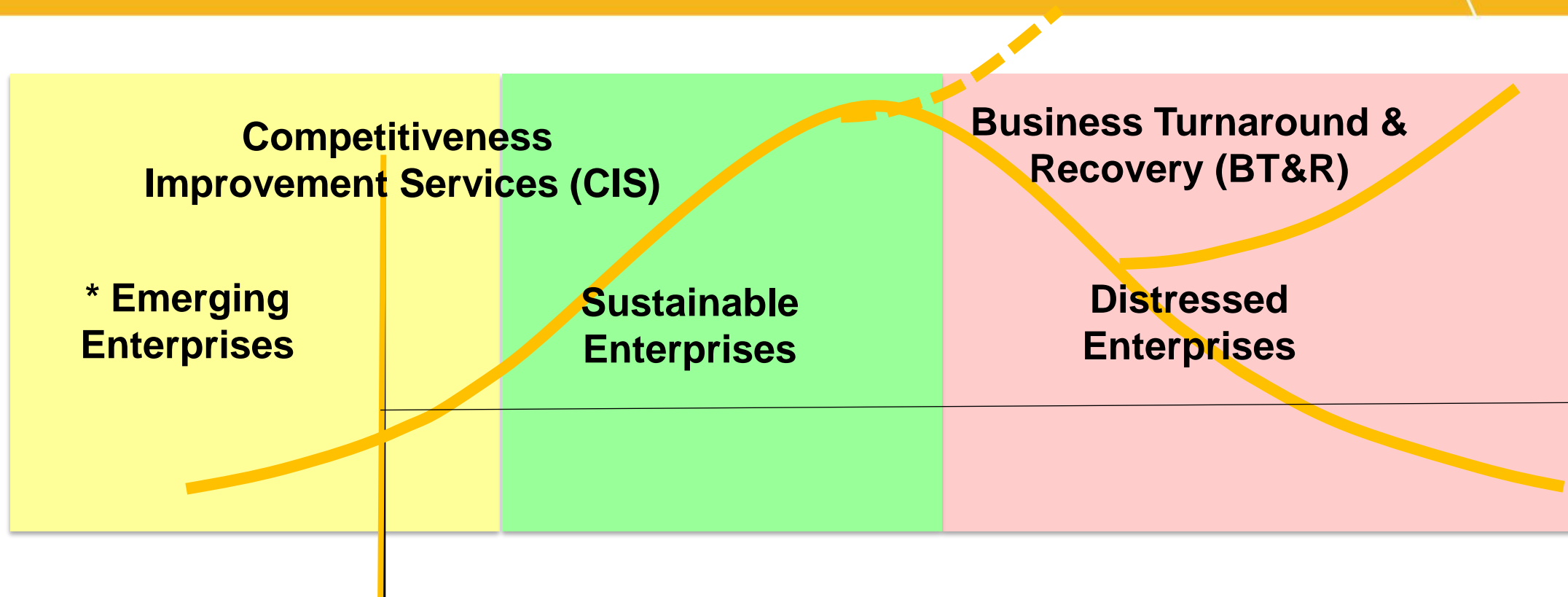
### **2. Business Turnaround and Recovery (BT&R)**



### **3. Research, Innovation and Statistics (RIS)**



# ENTERPRISE DEVELOPMENT AND SUPPORT PROGRAMMES



**\* Businesses to be assisted should meet the following criteria:**

- Operational (Proof of transactions such as invoices & orders)
- Regulatory compliance (UIA, COIDA, Income Tax Act)
- Financials
- Operating premises

# ENTERPRISE DEVELOPMENT AND SUPPORT PROGRAMMES

## 1. COMPETITIVENESS IMPROVEMENT SERVICES (CIS)

### AIMS TO:

- **Enhance the capacities of SMMEs** and Co-operatives to adopt world-class productivity enhancement best practices, focusing on products, processes and people. Targeting priority productive sectors with strong growth and **employment multipliers, with a focus on the township and rural economies.**
- **Contribute to the creation of productive employment and decent work** by improving the competitiveness and sustainability of enterprises.
- **Enhance Productivity and Operational Efficiency through Clustering.** The Workplace Challenge (WPC) programme aims to **support industrial clusters including in SEZ's/IDZ's** and encourage **workplace collaboration** between management and workers.
- Prioritise the participation of **historically disadvantaged people** and regions in the economy and thereby support meaningful BBBEE

EMERGING SECTOR: SMALL AND MICRO ENTERPRISES	STABLE BUSINESSES: SMALL, MEDIUM /LARGE
<b>CAPACITY BUILDING/TRAINING PROGRAMMES AND SOLUTIONS (1 DAY WORKSHOP – 6 MTHS PROGRAMME)</b> <ul style="list-style-type: none"> <li>• Business Performance Improvement (BPI)</li> <li>• Early Warning Systems (EWS)</li> <li>• Productivity Champion Training</li> <li>• Promoting a productivity culture and mind-set and driving accountability for productivity performance across sectors (national, sector and enterprise level)</li> </ul>	<b>KAIZEN/ WORKPLACE TRANSFORMATION – WPC/ COMPETITIVENESS ENHANCEMENT PROGRAMME (4 MTHS TO 12MTHS)</b> <ul style="list-style-type: none"> <li>• Focus is on Continuous improvement; Improving workplace collaboration and Implement strategies for best practice</li> <li>• Clustering of enterprises-facilitates networking and knowledge sharing</li> <li>• Focuses on operational efficiency within exporting or potential export clients.</li> <li>• Focus on productivity and innovation, Value Chain Efficiency and Export Market Access</li> </ul>

## 2. BUSINESS TURNAROUND AND RECOVERY PROGRAMME (BT&R)

The Business Turnaround and Recovery programme (formerly known as Turnaround Solutions (TAS) is a tried and tested Enterprise Development Programme which was conceived as a response to the economic meltdown during the 1998 Jobs Summit. It was further endorsed in the Job Summit Framework Agreement in 2018.

### **Aims to:**

- Preserve jobs and create conditions conducive for job retention and new job creation.
- Provides support to enterprises facing economic distress
- Offers initiatives aimed at minimising the retrenchment of employees or preventing job losses
- The initiatives may provide for turnaround strategies, lay-offs, re-training or alternative employment opportunities.
- Applicable to all sectors

### **Criteria**

- Registered entity, 2 year operation, minimum 20 employees
- Have physical premises where business processes take place
- Be compliant with UIF regulations
- Have a valid tax clearance certificate
- Have 2 years' audited financials or independently reviewed management accounts proving the decline/distress of the business and its potential to turn-around.

# BT&R vs BUSINESS RESCUE

## Turnaround

Internal process not governed by ESA and UIA s5(d)

Driven by Change/  
Business Development  
Consultant

Company. Identifies  
problem areas

Company develops  
turnaround strategy

Company implements  
turnaround strategy

**Business  
Turnaround  
and  
Recovery**

## Business Rescue

Governed by  
Company &  
regulations, Act no. 71  
of 2008 as amended

Co. file for business  
rescue through CIPS

Driven by Business  
rescue practitioner

Business rescue plan  
developed &  
Implemented  
(creditors vote on  
plan)

Temporary moratorium  
on rights of creditors

### 3. RESEARCH, INNOVATION AND STATISTICS (RIS)

## Aims to:

- Measure and evaluate productivity in the workplace and competitiveness of the economy
- Develop and maintain databases and best practice productivity and competitiveness systems, Business Model Innovation and Products and Services Innovation to improve quality and access to services
- Undertake and publicises Productivity related Research and Statistics



### **Statistics**

Productivity Statistics

IMD Competitiveness  
Report

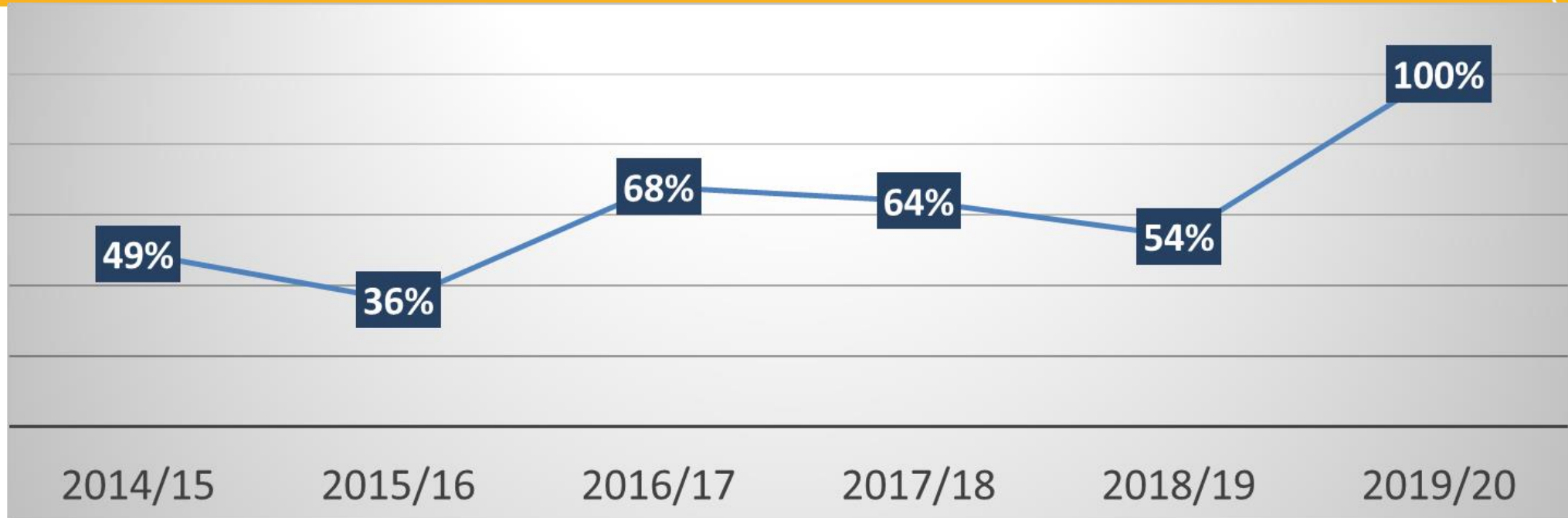


### **Research**

Sector Studies

Economic Research

# PERFORMANCE TRENDS OVER THE MTSF 2014 – 2019 AND 1<sup>ST</sup> YEAR OF MTSF 2019 - 2024



- The 2019/20 Annual performance is at 100%. Of the 7 Indicators reported on, all were achieved.
- It should be noted that, since 2018 the Entity experienced funding challenges which resulted in the Board deciding to suspend the TAS programme (renamed BT&R), which decision is regrettable given the scale of retrenchments and job losses.
- The funding challenges for the BT&R Programme have been resolved with the allocation of R104m in the 2020/21 financial year (Human Resources procurement, capacity building and implementation commenced in July 2021).



# HIGHLIGHTS AND KEY ACHIEVEMENTS

Achieved 100% overall annual performance in the 2019/20 FY,

Generated over **R11m** in additional revenue during the 2019/20 FY compared to over **R10m** in the 2018/19 FY = **9%** increase.

Employee costs contained within **4%** which is made up of the **5.1%** annual salary increase plus savings from the moratorium currently in place.

Goods and services below budget due savings initiatives implemented by the entity.

**4031** beneficiaries - including emerging entrepreneurs/cooperatives, education, training and developments (ETDs), and skills development facilitators (SDFs) - were capacitated in 2019/2020 to improve productivity and business efficiency.

Achieved an unqualified audit opinion, no irregular expenditure incurred.

Inclusion in the NEDLAC deliberations and participation in the Jobs Summit TERS Task Team monitoring the implementation of the Job Summit resolutions, particularly on job preservation.

# HIGHLIGHTS AND KEY ACHIEVEMENTS



Continue participating in the Presidential Jobs Summit initiatives to implement interventions to preserve jobs and mitigate the retrenchment of workers despite the suspension of the TAS Programme.

Signed an MOU with the ILO to advance inclusive growth and create an environment for entrepreneurship and sustainable enterprises.

Developed a draft productivity module in collaboration with BUSA and CCMA as part of the BUSA/CCMA Web Tool to assist small businesses.

Implementation of the ILO's global Sustaining Competitive and Responsible Enterprises (SCORE) programme in the Clothing and Textile Sector

Single Adjudication Committee for Temporary Employer Employee Relief Scheme (TERS) Scheme is in operation - recommended 22 enterprises with 4101 employees, with value of R 145 211 225.41 for accessing benefits through the scheme

# OUTCOMES & IMPACT OF INTERVENTIONS

- Interventions target and support SMMEs and Co-operatives, in the priority productive sectors of the economy (in line with Sector Master Plans) with strong growth and employment multipliers.
- Over the past five years from 2015/16, the following impact has been made:

PROGRAMME		NUMBER OF COMPANIES ASSISTED	NUMBER OF JOBS SAVED/ RETAINED
BUSINESS TURNAROUND AND RECOVERY		187	20 240
COMPETITIVENESS IMPROVEMENT SOLUTIONS	WORKPLACE CHALLENGE	968	21 451
	SMME TRAINING	25 417 (people trained)	
	TRANSNET ED	228	3045
	ITUKISE students placed	266	

\* These against the backdrop of over 1,7 million SMMEs operating in the informal economy

	BUSINESS TURNAROUND AND RECOVERY				COMPETITIVENESS IMPROVEMENT SERVICES				
	Jobs saved in companies facing economic distress		Companies facing economic distress supported (nurturing)		Number of SMMEs and Entrepreneurs Trained		Workplace Challenge / Kaizen Enterprises		Number of jobs preserved
Years	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Actual
2015/16	7500	6976	150	39	5000	4872	200	273	7574
2016/17	10000	4760	200	49	5500	5527	200	240	3586
2017/18	7500	8504	150	99	5500	5866	200	204	4361
2018/19	10000	No Funding	200	No Funding	5500	5566	100	150	1655
2019/20		No Funding		No Funding	3300	3586	100	101	4275
Total	35 000	20 240	700	187	24 800	25 417	800	968	21 451

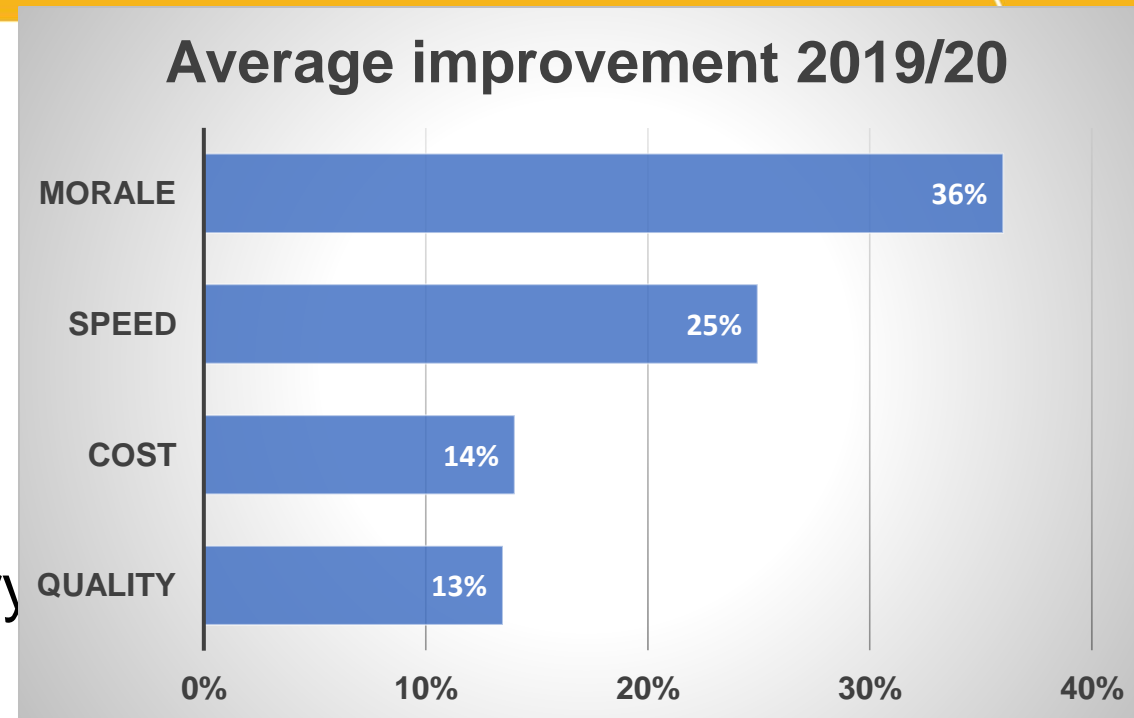
# HIGHLIGHTS AND ACHIEVEMENTS OVER THE MTSF 2014 - 2019 – WORKPLACE CHALLENGE PROGRAMME

Key Performance Indicator	Actuals
No. of Industrial Clusters	14
No. of New Enterprises	849
No. of Enterprises supported in the SEZ's (2016-19)	36
No. of Capacity building sessions	168
% of Black Owned enterprises supported (Average 2016-19)	75%

# WPC IMPACT MEASURES

The enterprise level objectives :

- Increase Productivity
- Increase in Volumes/ Output
- Reduction in Waste/Cost
- Improvement in Quality
- Improvement in Efficiency/ Delivery
- Improve Morale



Impacting the bottom line means clients decrease cost, improve profitability which results in business growth including increase in employment and improved sustainability.



# PRODUCTIVITY AWARDS

- Launched in 1979- 42 years in 2021
- Aimed at heightening awareness of the importance of productivity
- Recognise enterprises that have shown productivity growth, employment growth, wealth and income growth as well as social responsibility.
- Bringing Productivity SA slogan of **“Inspiring a competitive South Africa”** to life
- Conferred in the categories of Emerging Sector, Co-operatives Sector, Public Sector and Corporate Sector.
- The Provincial winners vie for the top honours at the National Productivity Awards Gala Dinner- held in October annually as part of Productivity Month.







# EXPANDING INFLUENCE THROUGH STRATEGIC PARTNERSHIPS



- Harnessing the strengths of others from different corners of our ecosystem is one of the most strategic ways for Productivity SA to scale its innovation and deliver value to the market we serve.
- Formed partnerships with Organised Business, Organised Labour and Government

# EXAMPLES OF SOME OF OUR KEY PROJECTS

## RANDWATER IMPROVEMENT PROJECT

- Successfully completed a 3-year Productivity Improvement Project implementation with Rand Water.
- 3000+ employees participated
- Income Generation Project in collaboration with KPMG, where Productivity SA took over all KPMG responsibilities in third year of implementation.
- Successful close-out report – Project considered a Productivity Improvement success.

## EKURHULENI AEROTROPOLIS PROJECT

- Successfully completed a 3-year Productivity Improvement Project implementation with the Ekurhuleni Metropolitan Municipality
- 1000+ SMMEs/Cooperatives participated
- Cost sharing initiative to which the City of Ekurhuleni pledged R3,6 million, Productivity SA contribution was in services.
- Project considered a Productivity Improvement success.

# TRANSNET ENTERPRISE DEVELOPMENT PROJECT

- Successfully completed a 7- year Productivity Improvement Project implementation for Transnet to the value of R18,5 million and benefiting 225 beneficiaries
- 11-Week Productivity Improvement Journey
- 9 beneficiaries participated in the Productivity SA Awards
- Successful close-out report – Project considered a Productivity Improvement success and is to be showcased by both Productivity SA and Transnet.



# PRODUCTIVITY SA FUTURE STRATEGIC DIRECTION

Productivity SA will contribute mainly to the following Medium-Term Strategic Framework (MTSF) Priorities:

- Priority 1: Economic Transformation and Job Creation
- Priority 6: A Capable, Ethical and Developmental State
- Amongst the Key Government interventions is to improve South Africa's ranking in Global Competitiveness Index, with a performance indicator of improving the ranking from 67th to 60th by 2024 (WEF GCI:2018).
- Contribute to the implementation of the Reconstruction and Recovery Plan with a focus on Industrialisation and Localisation

# PRODUCTIVITY SA FUTURE STRATEGIC DIRECTION

- The Employment Services Act, particularly section 2 (1) read together with sections 7, 31 and 32 presents a holistic approach towards unlocking the potential of productivity of the country by addressing productivity and competitiveness challenges at all levels – national, sector and enterprise.
- To this end our Business Model (approved by the board in 2018) and Enterprise Support Programmes were re-designed and structured to ensure sustained productivity growth and long-term competitiveness of our economy, focusing on strategic sectors of the economy - higher value add segments of the value chain towards achieving a productive high-income economy.
- Further work to be done with the AU/JAICA/NEPAD through the Africa Kaizen Initiative to enhance the capability of Productivity SA – Leading to a Centre of Excellence and high level accredited Kaizen Practitioners



# **ECONOMIC RESTRUCTURING AND RECOVERY PLAN ISSUES ALIGNED TO PRODUCTIVITY SA MANDATE**

## **1. SKILLS DEVELOPMENT**

- Ensure that the population and workforce is skilled and equipped to be more productive in the economy.
- This should include skills development and transformation with a particular focus on black industrialists, women, youth and persons with disability; re-skilling and upskilling to embrace digitalisation and mitigate retrenchments;

## **2. JOB PRESERVATION**

- Support for local manufacturing as well as firms and households in distress, including increased private-sector manufacturing investment level and diversion of firms in distress from closure/retrenchments

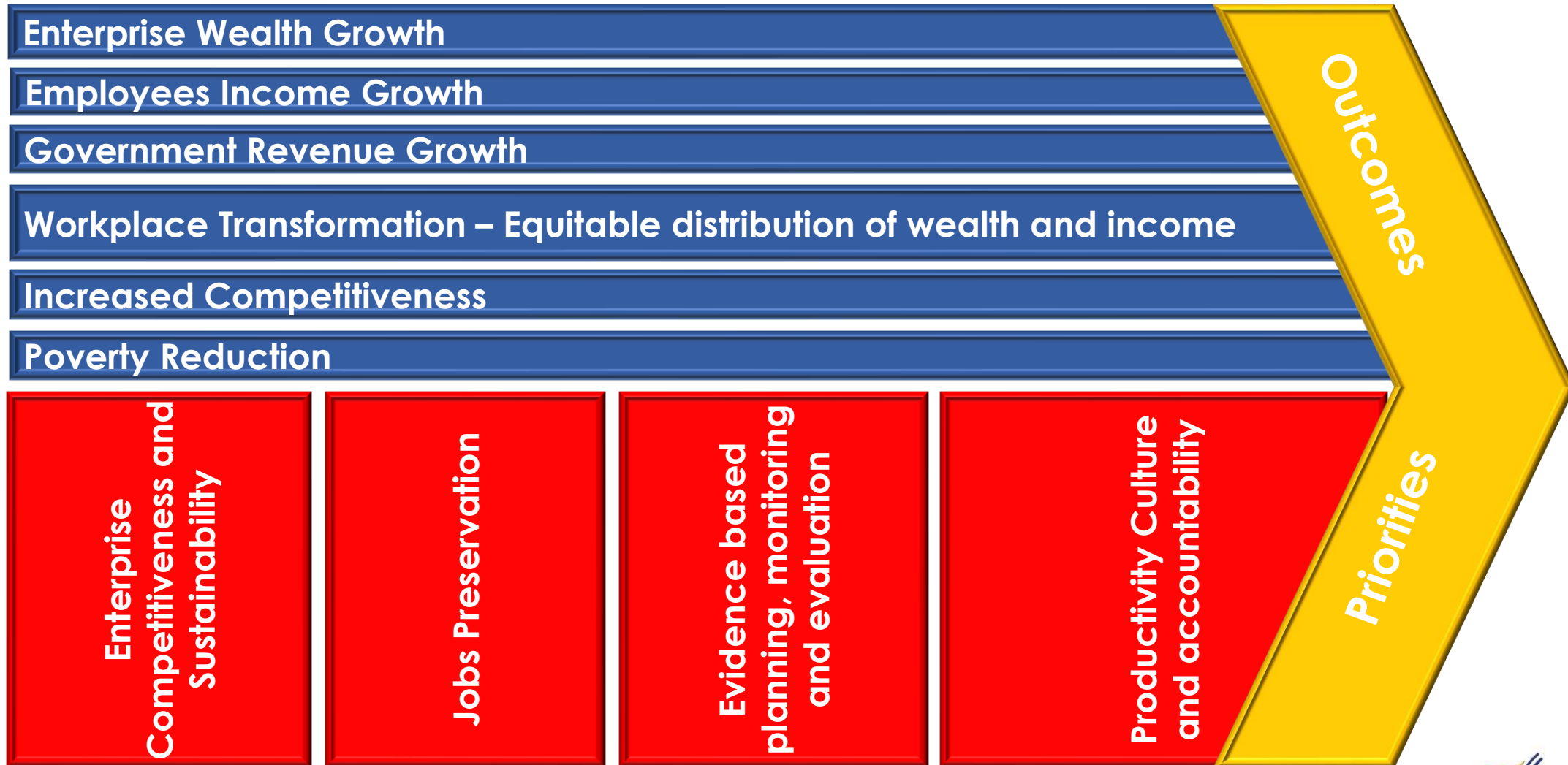
## **3. INDUSTRIALISATION AND LOCALISATION**

- Strengthen SMMEs and cooperatives on the back of localisation and support for badly affected labour intensive industries.
- This should include enhanced productivity (i) to gain better value for money in the public sector and SOEs which will promote fiscal sustainability and support the efficiency of the public service, (ii) improving the competitiveness and sustainability of SMMEs that contribute to inclusive economic growth and job creation, and (iii) Export promotion and regional integration, including support for township and rural enterprises to enhance their participation in the mainstream economy resulting in the growth of marginalized areas

## **4. JOINED-UP GOVERNMENT**

- Review and integrate government support for formal and informal SMMEs, start-ups and cooperatives to improve the accessibility and reduced overheads for SMME support facilities

# PRIORITIES/OUTCOME ORIENTED GOALS



# REPOSITIONING PRODUCTIVITY SA POST COVID-19 TOWARDS 2030

We have learned from the most competitive countries that, economies that bring everyone along together, investing in reskilling the workforce and boosting infrastructure, will be best able to withstand global economic crises and/or recover quickly from the consequence of the COVID-19 crisis.

These countries integrate into their economic recovery policies and plans productivity growth and competitiveness. The plans focus on boosting productivity in a focused and targeted manner, with clear and measurable productivity and competitiveness targets and outcomes, and ensure that the set outcomes are closely monitored, and the impact evaluated.

For South Africa to address the low productivity growth, competitiveness and economic performance, we should develop a national productivity-enhancing policy and strategy, and foster policy cohesion to expand the productive assets in our economy.

The main thrust of our productivity and competitiveness framework should be the recognition of the vital role of productivity in promoting economic growth, employment creation, global competitiveness, improvement in standards of living and overall national development and prosperity.

Government should be committed to creating an environment conducive for entrepreneurship and sustainable enterprises, by assisting them to improve their innovation capacity and expertise through sector-specific productivity improvement master plans and stronger cross-sector support capacity.

Our interventions and Plans should highlight the need for productivity to be addressed holistically at all levels (national, sector and enterprise) to ensure a systemic change across the economy, which is a departure from previous fragmented efforts to raise productivity.

South Africa should promote a productivity culture and accountability thereof across all sectors and levels (national, sector and at enterprise level).

We should also invest in the skills of our people and in an environment where all firms (particularly SMMEs) across priority economic sectors have a chance to succeed.

The interventions should support the Sector Master Plans developed by **the dtic**. We require Subject Experts on Productivity to support the Sector Master Plans and Strategies. This approach has proven to be successful in countries like Singapore which introduced Industry Transformation Roadmaps.

**The one element that would buoy us into enhanced economic recovery based on strategic and structured interventions is productivity growth, the outcome of which is sustained competitiveness and economic growth.**

# REPOSITIONING PRODUCTIVITY SA POST COVID-19 TOWARDS 2030 (cont.)

## An Integrated Training & Skills Development Ecosystem

•To Build a Workforce of the Future by encouraging life-long learning. Given the fast pace of technological advances, which are disrupting many industry sectors and Business Models, it is common cause that sustained productivity growth and long-term competitiveness will require a more skilled workforce. It is critical for the country and individual enterprises to anticipate and prepare continuously for the FoW.

## An Integrated Enterprise Development Ecosystem

•To improve the competitiveness & sustainability of enterprises, with a focus on SMMEs. (a) creating an environment conducive for entrepreneurship and sustainable enterprises, (b) encouraging the application of decent and productive workplace practices, (c) addressing sector-specific challenges through value chain and cluster upgrading which is linked to training and skills development along the value chain, and (d) promoting technology & ways of doing business that are environmentally friendly.

## An Integrated Research & Innovation Ecosystem

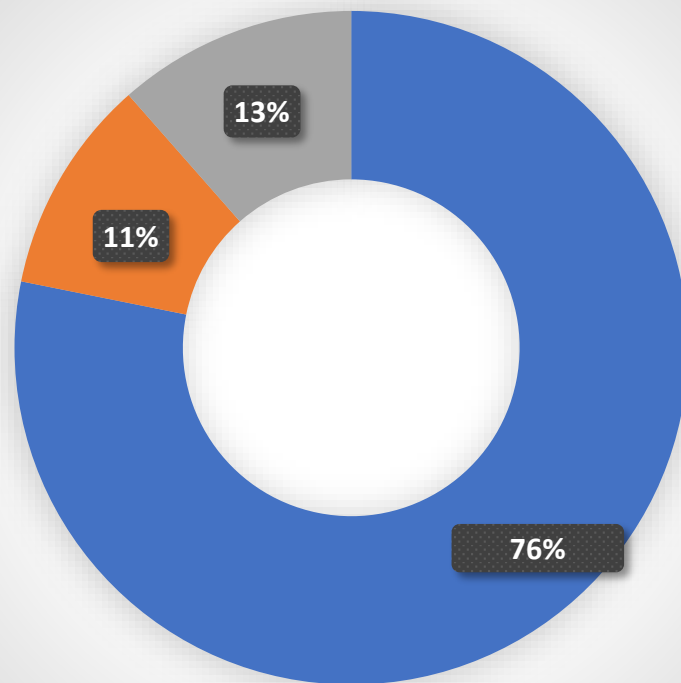
•To ensure the provision of productivity and competitiveness related value-added information and statistics to inform evidence-based planning as well as monitoring and evaluating the impact of our interventions. Government should also incorporate an evaluation process that allows SMMEs to assess the productivity benefits they bring.

## A national Productivity Movement

•To promote a stronger culture of productivity and accountability thereof at all levels - national, sector and enterprise levels, and build awareness of the importance of and new mind-set about productivity in South Africa, which could pave the way for many more – and more highly paid – jobs and ultimately a more inclusive society.

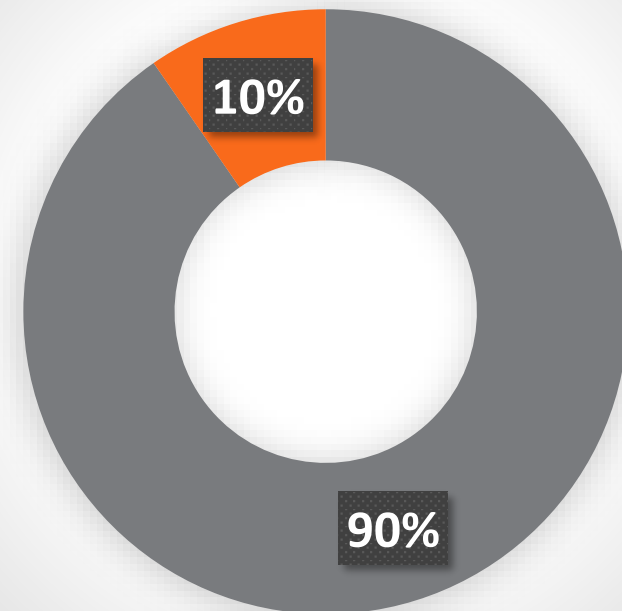
# THE FUNDING STRUCTURE AND SOURCES OF FUNDS

CURRENT FUNDING STRUCTURE



■ DeL ■ the dtic ■ Other Income

PROPOSED FUNDING STRUCTURE



■ Del ■ Other Income

# FUNDING CHALLENGES AND REQUIREMENTS

- Productivity SA's business environment has since 2015 changed as a consequence of the promulgation of the Employment Services Act, with its mandate expanded to include
  - promoting employment growth;
  - supporting initiatives aimed at preventing job losses.
  - the demand for Productivity SA services, particularly Workplace Challenge has over time increased beyond our capacity

## However:

- a) No additional funding was appropriated by Parliament for this purpose which is at the heart of the Entity's financial woes
- b) The funding for the core programmes (WPC and BT&R) is not guaranteed.
- c) The BT&R funding has over the past three years never been transferred in full and/or on time by the DEL/UIF;
- d) Funding for the WPC from **the dtic** covers only 45% of the total operational costs of the programme with 55% of the expenditure unfunded.



# FUNDING CHALLENGES AND REQUIREMENTS (cont.)

## Consequence

- a) Unable to deliver on the mandate, with BT&R Programme (formerly known as TAS) suspended since 2017 (with the human resources to implement the programme lost) and only reinstated in June 2020.
- b) The Entity is experiencing persistent financial deficit (currently at R14mil), threatening its going concern status; and
- c) Persistent applications for additional funds to the DEL (at an average of R10mil since 2016), and if not granted and/or baseline increased, risk of liquidation or restructuring and retrenchment of staff.
- d) Inability to expand footprint across the country and to deliver services equitably in all the Provinces
- e) Inability to attract expertise and people with skills are resigning due to job insecurity and/or limited opportunities for growth.
- f) Carrying high vacancy rate (19 vacancies costing R23mil) in the Service Delivery Programmes (BT&R and WPC), which if not filled, entity is unable to deliver on mandate equitably across the country.
- g) Inability for Business Model Innovation particularly Services and Products Innovation, thereby unable to attract new business due to outdated tools.



# KEY RECOMMENDATIONS AND AREAS FOR SUPPORT BY THE COMMITTEE

To unlock South Africa's productivity growth and potential for sustained competitiveness and economic growth post COVID-19 and, to give effect to the Economic Restructuring and Recovery Plan, we recommend:

- That the DEL should lead and coordinate, through Productivity SA the activities of economic cluster departments and Entities across all spheres of government, and creation of partnerships, including in the provision of employment services, to promote employment (give effect to s2.2 of the Act).
- This will include collaboration between the DEL (Productivity SA, PES, UIF, CF and CCMA), the dtic, the DSBD/SEDA and the Dept. of Higher Education, science and Technology/CSIR/TIA in the development of a country Enterprise Development and Support Ecosystem to create a Whole-of-Government provision of a One-Stop Enterprise Support Programme targeting SMMEs.
- That in collaboration with the DEL, the dtic, and the DSBD and strategic partners establish Sector Productivity Expert Committees to support interventions in the productive sectors as outlined in the Sector Master Plans. These will also assist at promoting a productivity culture and accountability thereof to unlock the productivity potential of the country at all levels (national, sector and at enterprise level).

# KEY RECOMMENDATIONS AND AREAS FOR SUPPORT BY THE COMMITTEE (cont.)

- DEL should develop a policy to make it mandatory for employers contemplating to dismiss employees for operational requirements (based on economic, technological, structural or similar needs of the employers) to inform the CCMA and Productivity SA as a first port of call.
- Government should be a funder of first resort for enterprises (funding by SEFA, IDC and other DFAs), and that funding should be linked to productivity outcomes. Productivity SA should be supported SA in this endeavour, which will assist in making funding available for a comprehensive suite of enterprise competitiveness and sustainability enhancement programmes as well as access to their loan book to support funded enterprises when going through economic distress.
- Government should declare October as Productivity month in South Africa. Productivity Month is an annual campaign, which aims to elevate the significance of productivity and inculcate a culture of competitiveness in every South African. During Productivity month in October, everyone is urged to recognise that productivity and competitiveness are a priority and fundamental bedrock for sustainable growth and competitiveness. Throughout Productivity Month, the value of productivity in enhancing economic growth and job creation is brought to the fore through a series of awareness campaigns, workshops, seminars and the National Productivity Awards.

# KEY RECOMMENDATIONS AND AREAS FOR SUPPORT (cont.)

- The Workplace Challenge Programme to be scaled-up to provide a comprehensive Enterprise Development and Support to cover at least 600 000 enterprises over a period of ten years, particularly SMMEs in the productive sectors by 2030 if we are to meet the NDP Goals. This will require increased funding (over R22m per annum) from all sources within government.
- Productivity SA should be adequately resourced and capacitated as a Centre of Excellence to promote competitiveness, employment growth and support industrialisation (This include effective support and participation in the AU/JAICA Africa Kaizen Initiative. The objective is to push in collaboration with AIDC that South Africa should be nominated as a Centre of Excellence in SADC.
- Single source funding - Funding for the Entity should be in the form of money appropriated by Parliament through the budget vote of the Department of Employment and Labour in terms of section 12 of the Employment Services Act..

# THANK YOU

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