



Annual Performance Plan for 2021/2022



employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA

STATEMENT BY THE CHAIRMAN OF THE BOARD

This Strategic Plan and Annual Performance Plan (APP) sets out Productivity SA's key focus areas over the Medium-Term Strategic Framework (MTSF) 2019-2024 and towards 2030, as well as our strategic and operational interventions to contribute to the country's Economic Reconstruction and Recovery Plan during and post the COVID-19 pandemic. In adopting these plans, we considered South Africa's low productivity growth, which is a key driver of long-term competitiveness and economic performance (two measures that are very low by world standards and require urgent attention). We also recognise the decline in economic activity since the 2008 financial crisis, which reached unacceptable high levels in 2020 and, worsened South Africa's persistently high joblessness and inequality (including of opportunity, wealth, income, and social well-being). We are also cognisant that, this situation is worsened by the outbreak of the COVID-19 pandemic in March 2020, which necessitated a national state of disaster and a nation-wide lockdown, resulting in productivity, specifically in some formal and productive sectors of the economy coming to a halt.

The outbreak of the pandemic resulted in distressed companies/firms, mostly SMMEs shutting down, others filing for liquidation and/or retrenching workers, a situation that was already on the horizon (but particularly exacerbated now), since the country was already in recession. Some enterprises are scaling down their operations to stay afloat and are consequently unable to pay full salaries and paying workers the bare minimum in line with the UIF Act threshold or the National Minimum Wage. **It is important to reiterate that the bankruptcy the companies are experiencing was always going to happen, and was not a matter of IF, but WHEN due to the manner the economy is structured, and the COVID-19 simply completed this inevitable situation by expediting it.** A cursory look at the recent IMD Global Competitiveness Index launched on the 19th of June 2020 (the day before World Productivity Day-20th June) which shows the downward slide by South Africa (AGAIN) demonstrates how this was clear for all to see and was predictable, but no one listened and heard our call for urgent action.

In these plans we recognise that, Productivity SA's business landscape and service delivery environment continue to be impacted and drastically been changed by the above events. There is a need to URGENTLY accelerate implementation of the Employment Services Act, No. 4 of 2014; the UI Amendment Act, No. 10 of 2016, specifically section 5 (d) which provides for the financing of the retention of contributors in employment and the re-entry of contributors into the labour market; the Presidential Jobs Summit Framework Agreement, 2018, with a focus on: (i) protecting jobs, (ii) informal sector support, and (iii) inclusive growth interventions; the reconfiguration of the Department of Labour as proclaimed in 2019 to include employment as part of its mandate (Department of Employment and Labour/DEL); the ILO Centenary Declaration for the Future of Work adopted in June 2019 and the Abidjan Declaration adopted in December 2019; and the Economic Reconstruction and Recovery Plan adopted in October 2020 among others. **Over the next ten (10) years (2021 to 2030), our strategic objectives and plans will be focused on vigorously unlocking South Africa's productivity and potential for sustained competitiveness and economic growth as part of our interventions to implement the Economic Reconstruction and Recovery Plan, particularly priority areas 2: PRIORITY AREA 2: Industrialisation and growing the productive economy; and priority area 5: Macro-economic interventions and enablers for economic growth.**

During this period, our Enterprise Development and Support Programmes will be focused on supporting an Integrated Enterprise Development and Support Ecosystem (government-wide programme in collaboration and partnership with social partners) to create a coherent platform to enhance access and coordination of SMME support to create productive and decent employment. These plans will enable us to take our rightful place (giving effect to our mandate) in the economy and the labour market to promote employment growth and productivity as provided for in section 31 of the Employment Services Act. Our Enterprise Development and Support Programmes, particularly the Workplace Challenge (WPC) Programme, which improves the competitiveness and sustainability of enterprises will be scaled-up to aid South Africa to achieve a productive high-income economy which is globally competitive. We acknowledge that, Productivity SA's strategic role and centrality in contributing to the Economic Reconstruction and Recovery Plan during and post COVID-19 pandemic has become critical, more so with workers losing their jobs due to retrenchments, adding to the millions of South Africans already unemployed (unacceptably high at 32.5% (QLFS; Q4: 2020), with even higher rates at above 45% in mostly rural provinces) and some under-employed and facing extreme poverty.

The added consequence is that, this is reversing the policy and programmatic gains made since our introduction in 1998 of the Workplace Challenge Programme (administered by Productivity SA and funded by the dtic) and the Business Turnaround and Recovery Programme (administered by Productivity SA and funded by the DEL/UIF). Business continuity and business re-activation is a consistent challenge, especially given the prolonged lock down. The devastation facing employers and resultantly, workers, is exerting immense pressure on the already over-stretched social security systems, specifically the UIF. **The latter is also in urgent need of an array of innovative and creative ways of approaching informality, achieve the objective of improving the lives of those who operate in informality, have the required protections, without limiting same to the somewhat patronising and first world western model of ONLY transitioning informal business to formal business.**

One silver lining is that, as we present these plans, the Department of Employment and Labour/UIF has resumed the allocation of funding (with over R104m allocated for the 2020/21 financial year) towards the Business Turnaround and Recovery (BT&R) Programme to support companies facing economic distress. This allocation will go a long way in enabling Productivity SA to respond to the calls for providing turnaround strategies and plans to restructure and improve the productivity and operational efficiency of the companies facing economic distress to save jobs or minimise the retrenchment of employees, particularly in these difficult times during and beyond the COVID-19 pandemic. **This is a good and welcome start, and we hope that the Department (supported by the Parliamentary Portfolio Committee on Employment and Labour) will URGENTLY resolve the funding challenges of Productivity SA, which should be through a single source funding model in line with section 12 of the Employment Services Act.**

We are also encouraged by the Departmental acknowledgement that, the funds allocated towards the BT&R Programme to address job preservation due to the Covid-19 pandemic, will not even scratch the surface, and substantially more funds will be required for meaningful economic interventions. All it does is get us on the runway. The good thing is that we have since July 2020 managed to rebuild the resources and capability which we lost when the BT&R Programme was suspended (between 2017 and June 2020) due to lack of funding, and the momentum to implement and support companies has

picked up since January 2021, although the uptake was slow from July 2020 due to the lockdown and slowdown in economic activity.

It has been a battle to get to this point, and we thank our key stakeholders who consistently attend our Annual General Meetings (AGM) and have since the 2018 AGM repeatedly raised the call for adequate funding of Productivity SA as well as the NEDLAC constituencies (including the Jobs Summit TERS Task Team) for their support. We also thank the Honourable Minister Nxesi, the Honourable Deputy Minister Moloï and, the DG, Mr. Lamati as well as the Parliamentary Portfolio Committee on Employment and Labour for acknowledging the strategic role of Productivity SA in the economy and the labour market, therefore, making the funding of Productivity SA a priority. The Department has given notification that there is work underway to address the additional funding due to the expanded mandate of Productivity SA we have been lobbying for in the past PLUS added Covid-19 pandemic related needs. The funds allocated for implementing the turnaround strategies will enable Productivity SA to fulfil its mandate as outlined in section 32 (g) of the Act, and objectives of the Presidential Jobs Summit Framework Agreement to save jobs and create conditions conducive for job retention and creation. In the 2021/22 financial year we require an additional injection of R40 million to break-even and to address our going-concern challenges and deficit, and to fill at least 20 critical vacant posts in the Competitiveness Improvement Services (CIS) Programme specifically at Regional Operations. This will go a long way in improving our resources and capability to increase access to our Enterprise Development and Support Programmes, in particular to the SMMEs and Cooperatives in the productive sectors targeting those in the township and rural economy

Going forward, as we previously recommended, one key policy intervention by government should include, government taking up responsibility as a funder of first resort for enterprises (funding by SEFA, IDC and other DFAs), and that funding should be linked to productivity outcomes. This policy position by government (as is the case in other most competitive economies like Singapore, etc.) will assist in making funding available for a comprehensive suite of enterprise competitiveness and sustainability enhancement programmes as well as enabling Productivity SA and other Development Agencies providing non-financial support to access the loan book of DFAs to support funded enterprises when going through economic distress (financial and operational difficulties). Additionally, the Banking sector has to be revolutionised urgently in how it deals with funding applications from SMMEs particularly when they are BLACK OWNED. The State needs to understand and meet DEVELOPMENTAL STATE approaches with action beyond RHETORIC and inter alia, be a FUNDER of FIRST RESORT for SMMEs as part of creating an enabling environment for entrepreneurship and sustainable enterprises.

To address South Africa's productivity growth challenges requires a country-wide appreciation for the value of and accountability for productivity (which is defined as the efficiency and effectiveness with which labour, capital, materials, energy and other resources are combined and utilised in an environmentally and socially sustainable manner to produce quality goods and services for the satisfaction of human needs). Productivity as defined, refers to Total Factor Productivity, and is never to be confused with only labour productivity (which is only a part of it), and more importantly is never to be confused for the cutting of costs and destruction of jobs, which ideologically creates unnecessary jargon related stumbling blocks. The declining productivity growth and rising inequality does confirm research findings that, these are two of the biggest obstacles to improved economic performance (OECD Development Co-operation report, 2016). These two main factors are behind

slowing productivity gains and rising or persisting inequalities as well as the risk of a vicious cycle setting in, where individuals with fewer skills and poorer access to opportunities are confined to unproductive and often precarious jobs. This confirms South Africa's dire competitiveness and economic growth challenges, and urgently requires a different approach to doing things.

The outbreak of the COVID-19 pandemic coupled with the advancement in technology presents us as a country with an opportunity to place productivity at the centre of the country's long-term competitiveness and economic activity and recovery. The pandemic, which has devastating effects on our socio-economic systems and the labour market is also creating an important opportunity for leadership in government to create an enabling environment and partner with leaders in business and labour to take decisive and urgent action to turn things around. We should collectively as government, business, labour, academia and civil society collaborate in implementing the Economic Reconstruction and Recovery Plan, which if not done diligently, will expose us to a risk of at least 1.5 million more South Africans losing their jobs and many more millions facing starvation and joining the large numbers of the poor we have in abundance. **While urgently reviewing and addressing deep structural problems (some of which I have referred to above), we should design and implement productivity-enhancing policies and frameworks as we look to create new productive and decent jobs, absorb job losses from those sectors hardest hit, manage the necessary transition of those threatened with unemployment and the unemployed to sectors that can absorb them, and restructure the urban and rural economies towards prosperity and a more just and equal society that allows for broader access to opportunities and resources.** We also need to urgently focus on business continuity and recovery and ensure an enabling environment for business development and resilience.

The time is now for South Africa to utilise the capability of Productivity SA to harness with urgency and diligence the productivity potential and capability of South Africa to improve our competitiveness and sustainable growth and to address the most persistent structural economic inequities that have existed for too long in post-Apartheid South Africa. The COVID-19 crisis presents an unrivalled opportunity to re-imagine and re-design our Labour Market system, finding innovative ways and initiatives to improve the competitiveness and sustainability of our enterprises, specifically small businesses, and safeguarding our citizens' well-being. This would be the only way to re-calibrate our economy and re-invent ourselves, not only as a political miracle of the Mandela era, but also as an economic miracle, with resultant impact and the realisation of social justice. Determined collaboration between the public and the private sectors is more important than ever now, while also ensuring actions to protect and promote productive employment and incomes.

We call on the Department of Employment and Labour to urgently lead and coordinate an initiative to bring together the best minds in the country to implement a non-ideological, pragmatic, implementable and action-oriented economic recovery and revitalisation plan, premised on unlocking South Africa's productivity and potential for sustained competitiveness and economic growth, targeting SMMEs as a catalyst for full and productivity employment and consequent decent work for all. These call for leadership, accompanied by radical and bold measures to review policies and institutional arrangements aimed at transforming and restructuring the economy and the labour market, as well as significant investment in productivity enhancing programmes, if we want to improve our prospects for improved competitiveness and future economic growth.

To drive this agenda, we recommend that our interventions should focus on the following pillars: -

(i) An Integrated Training and Skills Development Eco-system that also encourages life-long learning, with active involvement of employers' organizations in the governance of skills systems order to ensure that the supply of skills responds to labour market needs.

(ii) An Integrated Enterprise Development Ecosystem to improve the competitiveness and sustainability of enterprises, with a focus on SMMEs. There is sufficient evidence that, small enterprises have the potential to create large numbers of jobs. Consequently, support for entrepreneurship (which has been heavily eroded over the years) and enterprise development should form an integral part of South Africa's inclusive-growth and transformation strategies. This means fostering an environment in which enterprises are able to develop in ways that are consistent with the fundamental values of respect for human dignity and the environment. Driving this, should be the simple appreciation that without enterprises, there is no employment, and without employment, there can never be any work, let alone decent work.

Helping SMMEs to restructure and move up the productivity value chain through well-coordinated assistance programmes is critical. Experience to date is that there is limited policy cohesion and programme alignment, resulting in efforts to support enterprises (SMMEs in particular) being very fragmented, which often results in duplication and/or even competition amongst public sector entities for scarce resources to provide such assistance. The recognition of the importance of the private sector as a principal role player in the creation of employment as well as the role of sustainable enterprises as generators of employment and promoters of innovation and decent work is also crucial; which reaffirms the ILO Centenary Declaration for the Future of Work (2019). Therefore, supporting the role of the private sector as a principal source of economic growth and to ultimately take the lead in creating the bulk of the jobs and opportunities that our country and its people so desperately needs is crucial.

(iii) An Integrated Research and Innovation Eco-system 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; and

(iv) A national Productivity Movement to promote a stronger culture of productivity at all levels and build awareness of the importance of and a 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.

We therefore need to turn our attention and focus to mitigating, with urgency and diligence, the capability to enhance the competitiveness and sustainability of SMMEs to prevent further job losses and create new productive and decent jobs, targeting the priority economic sectors which are identified in the Sector Master Plans. These should include finding new and innovative ways to: 1) Expand the capability of the current Public Employment Services System and Labour Activation Programmes, including TERS to buffer against the loss of jobs by reintegrating or re-absorbing / transitioning the retrenched workers into other economic sectors, 2) initiate new strategies, including the Turnaround strategies to restructure and improve the competitiveness and sustainability of industry sectors and companies facing economic distress to save jobs or minimise the retrenchment

of workers, and transitioning of workers between jobs and industries or securing alternative employment for those affected by possible job losses, and 3) to support SMMEs to create new jobs.

The productivity and competitiveness driven agenda and initiatives, which we are advocating, should focus on innovative ways to improve the competitiveness of enterprises, particularly SMMEs in the priority economic sectors. To improve the competitiveness of the SMMEs in the informal economy, deployment of more Enterprise Development Programmes and more financing would yield disproportionate dividends in terms of the Sustainable Development Goals (SDGs), particularly SDG 1: end poverty in all its forms everywhere, SDG2: Zero hunger, SDG8: promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all, while delivering healthy returns for investors.

The centrality of Productivity SA in leading a productivity driven agenda is critical. Consequently, it follows that the entity's adequate resourcing is both urgent and critical. An adequately funded Productivity SA will be enabled to enhance its Competitiveness Improvement Programmes to promote and create a conducive environment for entrepreneurship and sustainable enterprises which contribute to the creation of productive and decent work. During the 2021/22 financial year, we will be working with the Japan International Cooperation Agency to review Productivity SA Business Model and to position the entity as a Centre of Excellence. This initiative will include the implementation of the KAIZEN Programme in South Africa. The Kaizen management can help to modernise our industries, create decent workplaces, improve quality and productivity, develop skills of management and workers and expand investment thereby creating additional job opportunities.

We are confident that these interventions will contribute immensely to the enhanced industrial strategy and Master Plans targeting industries with high-growth potential, which plans are founded on partnerships between government, industry and labour.

As we implement this Annual Performance Plan, we are cognisant that, twenty-six years into our democracy South Africa remains a dual economy with one of the highest inequality rates in the world. On the one hand is an economy comparable to industrialised nations supported by a sophisticated infrastructure and financial system. It has a small highly skilled, highly productive, as well as a growing and sizeable middle class, with a huge concentration of wealth. It is reasonably diversified with key and strategic sectors, with a small number of well-developed SMMEs which are horizontally and vertically integrated among themselves, and large-scale enterprises at national and sectoral level.

On the other hand, we have an economy characterised by large low skilled and low productivity comparable to developing countries. Millions of our SMMEs are operating in this informal sector, especially in the more rural provinces' economy. The SMMEs in this economy are relatively stagnant and many of them struggle to graduate from informal operations to established businesses, capping their job creation and economic contribution potential. Further challenges faced by SMMEs in this sector include amongst others the absence of an integrated commercial and professional infrastructure (ecosystem), which is key to promoting the sustenance of existing SMMEs and the emergence of new ones. It is the enterprises in this economy that require most of our support for an array of innovative tools to address informality for integration into the main economy, including where appropriate for their transition to the formal economy. As a result, a holistic approach to improving the competitiveness of these SMMEs is essential for the long-term health of the entire

economy to achieve sustainable growth, generate employment and, ultimately, enhance the prosperity of citizens.

We have over time advised that, the National Development Plan, which is supposed to provide us with direction and be our Policy compass is glaringly short on a productivity and competitiveness chapter. This denotes a lack of vision and appreciation for productivity and competitiveness by the country's leadership and policy-makers. This constrained the focus of our productivity and competitiveness interventions, which over the MTSF 2014 – 2019 was limited to enterprise level (micro) interventions and primarily government-driven initiatives; and short on a stronger culture of productivity and accountability for productivity across all levels, including national(macro) – policy and sector levels - where industry champions are identified to role model change and ensure buy-in across stakeholders.

As we enter the next phase of the NDP, we must have the whole of South Africa rally behind our productivity awareness efforts which include Productivity Month in October to be recognised as a government programme as well as the Productivity Awards that are an annual climax of its efforts show-casing the work it does. Productivity Month is a yearly campaign and its objective is to promote the importance of productivity and inculcate a sense of competitiveness in every South African. The purpose of the month is to highlight the importance of productivity in the country and treating productivity as an enabling tool for transforming our economic growth and the creation of jobs. While our lead department is the Employment and Labour Department with our Minister being the champion for this, we need to inculcate an environment in which the Presidency takes a hugely active role in leading by example, with the President himself seen to be in the forefront. The creation of employment and jobs equates to a better life for more people.

There is a need for positive action to be taken on a sustained basis aimed at securing a constant increase in the level of productivity in the use of resources, at the individual, enterprise, organisation and national levels, including the adoption of appropriate measures for promoting productivity growth. It is time productivity is taken as seriously as it should have all along. We have a crisis and we need to urgently do different things, by recognising that repeated performance of activities backed by old thinking, failing consistently, cannot miraculously produce positive outcomes that change our people's lives. Impact and true social justice is what we need.

In conclusion, I would like to take this opportunity to thank the Honourable Minister of Employment and Labour, Mr. TW Nxesi and the Deputy Minister, Ms. Boitumelo Moloi as well as the Director General, Mr. Thobile Lamati for their continued support. The year 2021 also got off to a good start as we were invited by the Portfolio Committee on Employment and Labour to make a presentation at their Orientation Workshop on the 12th February 2021. We appreciate the fruitful comments and guidance provided as well as the commitment made by the Committee to support Productivity SA in promoting a productivity culture in the country, in particular reaching out to the most vulnerable (both in society and SMMEs in the townships and rural areas). The aspirations of the Parliamentary Portfolio Committee were taken into account in developing the strategic plan and Annual Performance Plan and will be reported on quarterly in our Performance Information Reports. We were particularly appreciative of our efforts to simplify our productivity language, so we ensure that everyone understands the cradle to grave productivity revolution we seek - it is Lao Tzu who says, "Simplicity is the ultimate sophistication."

The Board remains confident that through this revised Annual Performance Plan, our strategic focus on SMMEs should over the MTSF 2019 – 2024 and up to 2030 targeting those in the township and rural economies towards achieving a productive high-income economy. This includes supporting the role of the private sector as a principal source of economic growth and job creation by promoting an enabling environment for entrepreneurship and sustainable enterprises, in particular micro, small and medium-sized enterprises, as well as cooperatives and the social and solidarity economy, in order to generate decent work, productive employment and improved living standards for all.

The new strategic direction being undertaken by the board will bring about the desired change in Productivity SA to enable it to carry out its mandate, which is to promote employment growth and productivity thereby contributing to South Africa's socio-economic development and competitiveness.

Finally, as the industrial sociology scholar that I used to be as part of my growth, I am reminded of Karl Marx' words which are also inscribed on his grave, "The philosophers have only interpreted the world, in various ways. The point, however, is to change it." He also said, "Revolutions are the locomotives of history." We desperately urgently need a productivity and competitiveness revolution for our beloved country, and we need all hands-on deck made up of productivity champions and ambassadors.

We invite you to follow us on the various social media platforms @productivitysa on twitter as well as follow me on @Tzoro1 without hesitating to offer suggestions and feedback that can assist us in building a better sustainable South Africa. We are also building a strong presence on LinkedIn.



PROF MTHUNZI P. MDWABA
CHAIRMAN OF THE BOARD

OFFICIAL SIGN OFF

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of Productivity SA under the guidance of the Board of Productivity SA.
- Takes into account all relevant policies, legislation and other mandates for which Productivity SA is responsible.
- Accurately reflects the outcomes and outputs which Productivity SA will endeavor to achieve over the period 2021/2022.

Dr S Sabela: Signature: _____

09/03/2021

Chief Financial Officer

Mr. M Mothiba: Signature: _____

09/03/2021

Chief Executive Officer

Prof M Mdwaba: Signature: _____

09/03/2021

Chairman of the Board

Mr. T Lamati: Signature: _____

Director General

Ms. BE Moloi: Signature: _____

Deputy Minister

Approved by:

Mr. TW Nxesi, MP Signature: _____

Executive Authority

PART A: OUR MANDATE

1. UPDATES TO THE RELEVANT LEGISLATIVE AND POLICY MANDATES

Productivity SA administers the following legislations:

1.1 The Employment Services Act, No. 4 of 2014

Productivity South Africa is established in terms of section 31 of the Employment Services Act, No. 4 of 2014 as a juristic person, with the mandate to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness.

1.2 The Public Finance Management Act (PFMA), Act No.1 of 1999, as amended

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

The Board as an Accounting Authority must manage Productivity SA in accordance with sections 49 – 62 of the PFMA.

1.3 The Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000), as amended

The Act was promulgated to give effect to section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in section 217(2) of the Constitution; and to provide for matters connected therewith. In this Act, unless the context indicates otherwise-"acceptable tender" means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.

1.4 The Broad-Based Black Economic Empowerment Act, 2003 and the Codes of Good Practice

This Act establishes a legislative framework for the promotion of Broad-Based Black Economic Empowerment (B-BBEE). It furthermore empowers the Minister to issue codes of good Practice, to publish transformation charters, to establish the Black Economic Empowerment Advisory Council and to provide for matters connected therewith.

Productivity SA's Enterprise Support Programmes are designed to promote a productivity and entrepreneurship culture and consciousness to promote decent work, which involves opportunities for work that is productive and delivers fair income. The Competitiveness Improvement Services (CIS) Programme support South Africa's strategic objectives in scaling up efforts to promote long term industrialisation and transformation of the economy targeting enterprises of all sizes within the productive sectors of the economy.

1.5 The Unemployment Insurance Act, 30 of 2001, as amended (UIA)

The UIA provides for financing of Employment Services (in terms of s12), with section 5 (d) relating to financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

Financing the Business Turnaround and Recovery Programme will ensure the provision of Turnaround strategies and plans to restructure and improve the productivity and operational efficiency of companies facing economic distress to save jobs or minimise the retrenchment of employees.

1.6 The National Development Plan, South Africa's Vision 2030 (The NDP)

The NDP provides a long-term vision through to 2030 towards dealing with the challenges of unemployment, inequality and creating a more inclusive society. Central to meeting the vision enshrined in the NDP is the implementation of the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and the National Infrastructure Plan.

Productivity SA's strategic and programme interventions focus on contributing to the NDP Goals, specifically on chapters 3 - targeting programmes that contribute to sustainable and inclusive growth and development; Chapter 9 - developing world-class centres and programmes in the national system of innovation, training and development; and Chapter 13 - implement programmes that improves efficiency and effectiveness of government.

2. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

With the change in the business environment of Productivity SA and its mandate expanded in the Employment Services Act of 2014 to include promoting employment growth and supporting initiatives aimed at preventing job losses, and additional responsibilities conferred to the Entity as per the Presidential Jobs Summit Framework Agreement, 2018, the Entity's Business Model and strategic direction had to be reviewed. This entails adopting frameworks which will improve economic performance, labour market efficiency and management practices to promote full and productive employment and decent work for all. Our Enterprise Development and Support Programmes should into the future be underpinned by the provisions of Article 23 of the Universal Declaration of Human Rights on the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.

The Business Model is being implemented in a challenging environment where the world of work is undergoing transformative change driven by technological innovations, demographic shifts, environmental and climate change, and globalisation, as well as persistent inequalities, which have profound impact on the nature and Future of Work (FoW), and on the place and dignity of people in it. Therefore, Productivity SA should be resourced and capable to be future ready and remain relevant and sustainable. The Entity should have the intellectual and technical capacity and to tap relevant sources of knowledge to meet the expectation of the changing nature and future of work.

PART B: OUR STRATEGIC FOCUS

1. UPDATED SITUATIONAL ANALYSIS

The Medium-Term Strategic Framework (MTSF) 2019 -2024 has identified seven key priorities that will be the focus of government for the sixth administration. However, Productivity SA will focus on and contribute mainly to the following MTSF) Priorities:

- **Priority 1:** A Capable, Ethical and Developmental State
- **Priority 2:** Economic Transformation and Job Creation

Further to the above, with the adoption of the Economic Reconstruction and Recovery Plan in 2020, Productivity SA's focus will be on supporting implementation of the following Priorities, which are specific to our mandate:

Priority Area 2: Industrialisation and Growing the productive economy- which include: (i) Strategic localisation to repurpose SA's manufacturing sector, (ii) Improve the efficiencies of local producers; (iii) Support local manufacturing as well as firms and households in distress; and (iv) Strengthening SMMEs and cooperatives on the back of localisation and support for badly affected labour intensive industries; and

Priority area 5: Macro-economic interventions and enablers, which include: (i) End wastage including enhanced productivity, and (ii) Reviewing the Integrated government support for formal and informal SMMEs, Start-ups and Cooperatives.

The outbreak of the COVID-19 pandemic coupled with the advancement in technology presents us as a country with an opportunity to place productivity at the centre of the country's long-term competitiveness and economic activity and recovery. The pandemic, which has devastating effects on our socio-economic systems and the labour market, as well as Business Models is also creating an important opportunity for South Africa to develop and implement policies and government-wide programmes to promote the macro-economic effects of productivity (i.e. its contribution to overall growth and poverty reduction) through interventions at the sectoral level, which is where economic transformation takes place.

More than ever before, if South Africa is to address the economic devastation caused by the pandemic, there is urgency for appreciating that, it is only through increases in productivity (which is more than just the measure of how effectively resources are used to produce outputs, but also a mindset that continuously aspires to better ways of accomplishing tasks and conducting business, and "Doing what I do today better than I did yesterday, and even better tomorrow") that economies are able to sustain the levels of economic growth needed to increase opportunities for decent and productive work. There is empirical evidence that small enterprises that operate at low levels of productivity are not able to bear the compliance costs, access benefits of operating in the formal economy and provide decent, formal jobs to their employees. In turn, low productivity growth along with income inequality eventually tends to block access to capital, skills and markets, particularly for SMMEs, which are the engines of future growth and job creation.

We appreciate current efforts by government to address some of these challenges by "making South Africa a more competitive destination for investment, having set an ambition of being in the top 50 countries in the World Bank's Ease of Doing Business index within the next three years." However, addressing our productivity growth (which is a driver of competitiveness and economic growth) challenges more broadly will require South Africa as a country to focus on improving the global competitiveness of the economy (as espoused by the Institute of Management Development Global Competitiveness Yearbook (our partner) and/or the World Economic Forum Global Competitiveness

Index), which holistically evaluate and measure four competitiveness factors, namely: 1) economic performance, 2) Government efficiency, 3) Business efficiency and 4) Infrastructure. These we do monitor as Productivity SA in collaboration with the Institute of Management Development, which we are a partner with. Our focus should be on improving our global competitiveness ranking from 59 to at least 40 over the next five years.

Over the next ten (10) years, our focus as a country (particularly the economic cluster department) should focus on implementing an Integrated Government Enterprise Development and Support Ecosystem and Programmes for formal and informal SSMs, Start-ups and Cooperatives if we want to achieve the NDP objectives, including that, by 2030 SSMs will contribute 60-80% to GDP increase, and generate 90% of the 11-million new jobs in our country. This ambition is backed by evidence that, across the world, SSMs are considered the backbone for economic growth (accounting for over 80% of global economic growth), and on whose activity and performance depend large segments of the population (employing 60 – 70% of the working population), yet the most at risk. In South Africa small enterprises represent more than 98% of businesses, employ between 50 and 60 percent of the country's workforce across all sectors, and are responsible for a quarter of job growth in the private sector. However, many SSMs are struggling to break free from a restrictive owner mindset and assume a more strategic role largely because they often lack sufficient performance management systems, clear day-to-day operating models, and management structures with well-defined roles and responsibilities, key performance indicators (KPIs), and designated decision-making, which support lies in Productivity SA Enterprise Development and Support Programmes.

While the GDP contributions from South Africa's SSMs lag other regions—39 percent compared to 57 percent in the EU—there is no doubt that this sector is a critical engine of the economy. However, South Africa's SSMs are facing a contracting economy and, additional shocks from COVID-19 are putting further pressure on their operations. The Lockdown measures have caused revenues in many SSMs to fall and the majority report that they are cutting back on business spending and scaling down operations to survive. Because of the SSMs' critical role in job creation and growth, creating a conducive environment for their competitiveness and sustainability during and beyond this period of economic turbulence is important for economic recovery.

It is no coincidence that, we are recommending that funds be re-allocated and channeled towards a government-wide Integrated Enterprise Development and Support Programme targeting SSMs. This is on the backdrop of our further recommendation that, 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. This will release funds, including those from the Development Funding Agencies to support SSMs. This will release funds, including those from the Development Funding Agencies to support SSMs. The country should utilise the capability of Productivity SA as a labour market institution, to harness with urgency and diligence the productivity capability of South Africa to improve our competitiveness and sustainable growth to address the most persistent structural economic inequities that have existed for too long in post-Apartheid South Africa.

In the wake of COVID-19 crisis, South Africa has experienced the sharpest contraction of GDP since the Great Depression, and as many as 2 million jobs could have been lost in the aftermath of the national lockdown because of COVID-19. The Presidency has requested proposals in response = Post-COVID Employment Agenda as part of a broader Economic Reconstruction and Recovery Plan. The Programme Management Office (PMO) in the Presidency has been tasked to coordinate these proposals with input from key social partners and assist with supporting their implementation. Proposals for the Post-COVID-19 Employment Agenda will comprise (i) a set of Public and Private Activators of Employment – developed and supported in the main by government, and (ii) a set of Jobs Summit Activators of Employment to be developed and supported by the social partners to the

Jobs Summit. In this regard, the Jobs Summit (business, community, government and labour) have agreed that the existing Jobs Summit Commitments need to be prioritised and augmented in support of the broader Post-COVID Employment Agenda in a manner that retains the social compact that was created through the signing of the Framework Agreement.

We therefore have an opportunity as a country, as we are planning for the MTSF 2019 – 2024 and towards 2030, to track the competitiveness and performance of our country in the Global Competitiveness Index and, together with social partners, identify the main challenges and barriers to growth facing our economy. This will afford us an opportunity to identify areas of improvement and areas where our economy is lagging. Furthermore, this will afford us an opportunity for benchmarking and identifying priorities, thereby allowing for the design and implementation of more forward-looking policies that balance market, state, and community to make economies more competitive, productive, and prosperous.

Alongside the policy and strategic interventions to improve performance of the core productive sectors of our economy and other programmes, training and educating the workforce of the future, it is also critical that Productivity SA is developed to become a world-class centre in the national system of productivity and innovation, including establishing better links between industry and higher education.

Productivity SA's interventions will include implementing a Productivity and Competitiveness Framework (developed in 2019 and to be reviewed), which is aimed at supporting economic policy and boosting growth in productivity. The Framework highlights the need for productivity to be addressed holistically across all levels (national, sector and enterprise). The framework further provides for the development of a comprehensive and cohesive productivity-enhancing national policy, which anchors productivity initiatives in a targeted and focused manner with clear outcomes at national, sectoral and enterprise level. Furthermore, the Framework provides for the establishment of a National Productivity and Competitiveness Expert Committee (along the lines of the current Workplace Challenge (WPC) Expert Committee), comprising of Sector Subject Experts on Productivity to support the Sector Master Plans and Strategies is critical.

The main thrust of the productivity framework is to recognize the vital role of productivity in promoting economic growth, employment creation, global competitiveness, improvement in standards of living and overall national development and prosperity. In order to meet aspirations of the Productivity and Competitiveness framework, strategic partnership and collaboration among all stakeholders are essential. Effective collaboration between government, industry players and associations, as well as academia is a critical component in improving productivity and competitiveness of South Africa. Strong coordination and governance are key to ensure successful implementation of productivity-enhancing national strategies and initiatives to improve productivity and the competitiveness (both competitiveness score and global competitiveness) of our economy.

The country should also accelerate efforts to promote and instill an equally missing urgency of appreciating the importance of productivity in every sector of the economy in South Africa. We should focus more energy on promoting a productivity culture and mind-set as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society. These should be with the express understanding that long-term productivity and growth generates the resources for wider societal goals. We should be clear that, the productivity and competitiveness agenda, as part of the wider economic progress agenda, has intrinsic as well as instrumental value for human development and well-being.

Therefore, the interventions to unlock productivity and deliver broad-based prosperity by simultaneously solving for economic growth and social inclusion should be at the heart of our economic policy debate. As a country, we should develop and implement effective policies and programmes that are aimed at building full, productive and freely chosen employment as well as decent work opportunities for all. This should include facilitating the transition from foundational education and training programmes into employment, accelerating the implementation of a country-wide retention or re-integration programmes, including the Temporary Employer/Employee Relief Schemes (TERS) for displaced or retrenched workers.

A productivity-driven growth and development agenda must be actively pursued if the demands of the future economy are to be met at sectoral level, and these must be complemented by stronger collaboration between government, business, labour and academia.

2. EXTERNAL ENVIRONMENT ANALYSIS

The Macro Environment: The socio-economic and industry landscape:

1. **The socio-economic environment** - South Africa has become increasingly globally integrated over the past twenty-five years, therefore, exposed to rapid and complex globalisation. These forces are reshaping the economic and political order that has underpinned international relations and economic policy for the past 25 years or so.

The outbreak of the COVID-19 pandemic which necessitated the national state of disaster and the nation-wide lockdown, hit South Africa at a point when most of the macroeconomic and labour market issues which matter most, including our productivity and competitiveness levels were at an all-time low. Signs are already there that, the outbreak of the COVID-19 pandemic is worsening existing conditions, with the challenges of poverty, unemployment and inequality reaching unprecedented levels and the highest by world standards.

According to the Stats SA Quarterly Labour Force Survey (QLFS), Quarter 4: 2020, the unemployment rate rose to 32.5%, reaching the highest jobless rate on record since 2008, as the number of unemployed people increased to an all-time high of 7.2 million. The unemployment rate according to the expanded definition of unemployment decreased by 0,5 of a percentage point to 42,6% in quarter 4 2020 compared to quarter 3 2020. The results show that the number of employed persons increased by 333 000 to 15,0 million in the fourth quarter of 2020, and the number of unemployed persons also increased by 701 000 to 7,2 million compared to the third quarter of 2020, resulting in an increase of 1,0 million (up by 4,9%) in the number of people in the labour force.. Employment increased in all sectors in quarter 4 2020. Formal sector employment increased by 189 000 (1,8%); Informal sector employment by 65 000 (2,6%); Private households by 76 000 (6,8%), and employment in Agriculture increased by 2 000 (0,3%). Employment increased in all industries, except Finance and Mining. The industries which gained the most jobs were Community and social services (170 000) and Construction (86 000). Compared to quarter 4 2019, employment contracted in all industries. Most job losses were observed in Finance (256 000), Community and social services (241 000) and Manufacturing (230 000).

The COVID-19 pandemic resulted in productivity, specifically in some formal and productive sectors of the economy coming to a halt, some SMMEs shutting down and retrenching workers, and some scaling down their operations to stay afloat. Some distressed firms are filing for liquidation, which situation was in the horizon (but exacerbated now), particularly since the country was already in recession. This resulted in some firms unable to pay full salaries and paying

workers the bare minimum in line with the UIF Act threshold or the National Minimum Wage, therefore, adding to our poverty challenges.

The millions of workers facing retrenchments adds to the millions of South Africans already unemployed (unacceptably high at 32.5%, with even higher rates at above 45% in certain rural provinces) and some under-employed and facing extreme poverty. The added consequence is that, this is reversing the policy gains made since 1994 to address poverty (including in employment through sectoral determinations and the National Minimum Wage) inequality (including opportunity, income and wealth and through the EEA and the B-BBEEA). Business continuity and business re-activation is a challenge, especially given the prolonged lock down. The devastation facing employers and workers is exerting immense pressure on the already overstretched social security systems, specifically the UIF.

The educational and skills attainment of South Africa's population, particularly young people, has not risen markedly over recent decades, therefore has created a mismatch between demand and supply for labour.

At best, our policy interventions should be about protecting the rights of all, including workers, while also driving fair competition and enabling opportunity. It is about making the future work for everyone. If we as a country want to achieve sustainable growth, we must cater for diverse forms of work and consider the rights of all workers.

OUTCOME ORIENTED GOALS

- To improve productivity for **sustained inclusive economic growth and competitiveness**;
- To promote **full and productive employment** and decent work;
- Contribute to **wealth creation and income growth** and;
- Improve **workplace collaboration** and dialogue.



OUTCOME ORIENTED GOAL TO OUTPUT ORIENTED GOALS



Therefore, as policymakers we need productivity and social innovations to fully embrace the idea of competitiveness, flexibility and social protection – “flexicurity” – by giving all workers the same rights and benefits, regardless of what contract they have.

Further to the above, we are as a country experiencing a low GDP growth but an increasing number of entrants into the labour market as well as large-scale retrenchment of workers due to financial and operational difficulties (inadequate business sophistication and efficiency) facing enterprises, particularly small enterprises and those in the productivity sectors of the economy.

Over the past years, productivity improvements appear to remain sluggish, particularly in the productive sectors of the economy which have a potential for labour absorption, and this situation is not expected to change if we do not do something drastic. Labour Productivity and Total Factor Productivity has declined on average in both small and large enterprises following the financial crisis, and these compounds our unemployment challenges. Recent evidence also shows a large productivity dispersion across firms within industries, including between frontier technologies and older technologies; policies and institutions that help firms transition towards higher-productivity areas will also generate growth.

Therefore, there is considerable scope for productivity in these sectors to improve, particularly if we introduce productivity-enhancing reforms and ensure that modern Productivity Improvement Techniques become more widely accessible and adopted.

2. **The impact of changes in technology and 4IR** - Rapid technological change and 4IR affects the movement of people and capital, the need for greater economic inclusiveness, as well as changing economic and labour market trends, including the changing nature and future of work.

As a country we should be alive to the reality that the Fourth Industrial Revolution (4IR) is fundamentally altering the way we live, work, and relate to one another, and have a disruptive effect on almost every industry in every country. Its impact on the global economic competitiveness landscape as well as on the labour markets including the nature and future of work is a reality that we cannot ignore anymore. The breadth and depth of these changes herald the transformation of entire systems of production, management and governance.

The reality we face is that more job losses are expected as technology transforms manufacturing and services in the coming years, raising questions about how quickly new jobs will be created and about the future of economic development models based on exporting labour-intensive manufacturing products.

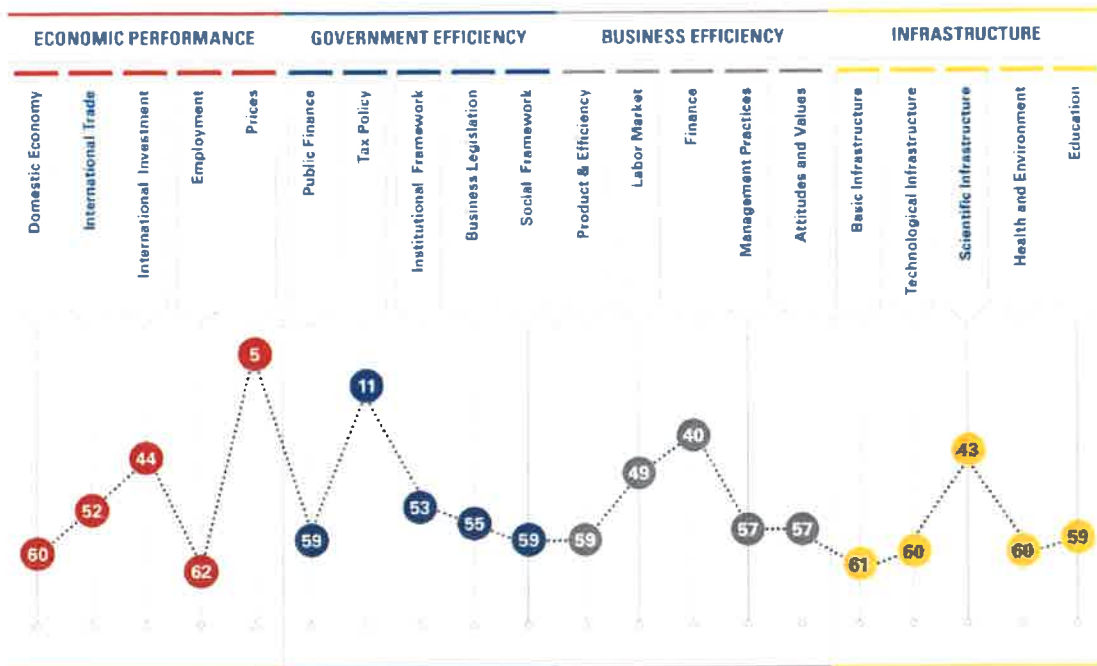
A further downside to this, as economists Erik Brynjolfsson and Andrew McAfee have pointed out, the 4IR could yield greater inequality, particularly in its potential to disrupt labour markets. As automation and digitalisation substitutes for labour across the entire economy, the net displacement of workers by machines might exacerbate the gap between returns to capital and returns to labour.

Overall, there are four main effects that the 4IR on business—on customer expectations, on product enhancement, on collaborative innovation, and on organizational forms. One critical scenario emerging out of this is that in the future, talent, more than capital, will represent the critical factor of production. Physical products and services, moreover, can now be enhanced with digital capabilities that increase their value. These advances will exacerbate the gap between available and needed skills. There will be key disruptions on employment levels, skills set and recruitment patterns. Therefore, every organisation should invest in human capital and empower the workforce and innovative ways of doing business.

However, for nations and societies, the “good” or benefit of the 4IR is that it can be expressed in economic terms, in measures such as workplace productivity and business growth. Like the revolutions that preceded it, the 4IR has the potential to raise global income levels and improve the quality of life for populations around the world. In the future, technological innovation will also lead to long-term gains in efficiency and productivity. On the other hand, it is also possible that the displacement of workers by technology will, in aggregate, result in a net increase in safe and rewarding jobs.

The 4IR readiness of South Africa will be tested in due course, noting the challenges that we are facing as a country. The reality is that, it has the potential to drive South Africa forward like never before, enabling innovation, spurring new business models and improving the delivery of public services. What gives hope is the pronouncement by President Cyril Ramaphosa, in his State of the Nation Address (SONA) and his subsequent establishment of the Presidential Commission on the 4IR in June 2019. This is reflective of visionary and forward-looking leadership intent at repositioning the country to take advantage of the opportunities presented by the 4IR, including identification of relevant policies, strategies and action plans to position South Africa as a competitive global player.

The Global Competitiveness of South Africa/Productivity and competitiveness indicators 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. According to the Productivity Stats Report released in October 2020, SA recorded a decline in productivity growth, with Labour productivity and Capital productivity recorded registering mild decline in growth in 2019 while Multifactor productivity recorded no growth in the same period.” South Africa’s 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)



PRODUCTIVITY INDICATORS

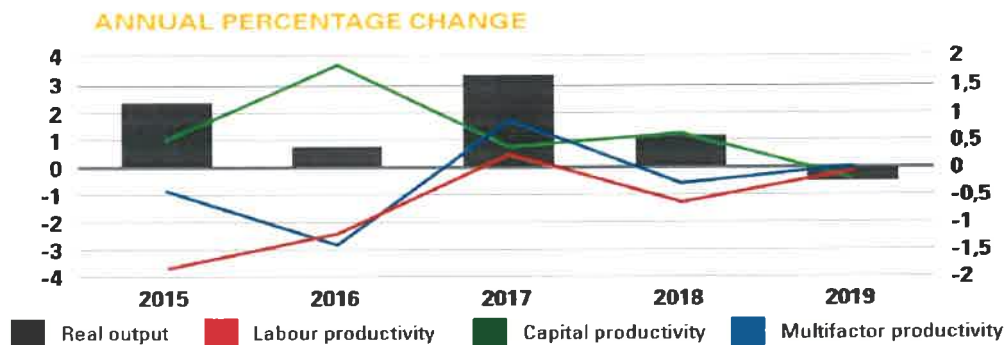


Figure 1: Trends of productivity indicators 2015-2019

The overall global competitiveness (both in terms of ranking and Competitiveness Score / Index Value) was low in 2019 according to both the Institute of Management Development World Competitiveness Yearbook (IMD WCY) and the World Economic Forum Global Competitiveness Index (WEF GCI). **Low competitiveness of the economy.** South Africa's Global Competitiveness Ranking and Competitiveness Score / Index Value as measured by the IMD and WEF are extremely low and have been getting progressively worse year on year. The IMD WCY 2020 confirms this state of affairs, with our ranking having dropped from 56 in 2019 to 59 out of 63 countries in 2020.

COMPETITIVENESS RANKING

Competitiveness Ranking

SOUTH AFRICA



Rank 2020
59th of 63

Overall Performance



Referenced: IMD World Competitiveness Ranking
<https://worldcompetitiveness.imd.org/countryprofile/ZA/wcy>

	2019	2020
Overall Rank	56	59
Economic Performance	59	61
Government Efficiency	50	34
Business Efficiency	44	56
Infrastructure	60	61



The competitiveness scores or Index Values are about 45.163 (IMD WCY, 2020) and about 62 (WEF: GCI, 2019). The competitiveness Score / Index Value is way below the competitiveness “Frontier” (the aggregate ideal across all factors of competitiveness), and is way below what is necessary to have an economy that can respond to the challenges we have of full and productive employment and the creation of decent work for all, while delivering healthy returns for investors, in our pursuit to meet the SDG, specifically Goal 8. The low levels of productivity growth impact our competitiveness and economic performance. These make it very difficult to stimulate economic activity and absorb the millions of people who are either unemployed or are operating informally on the economic fringes, unable to make a decent living or realise their personal potential.

The competitiveness score/ Index Value is at 45.163 is way below the competitiveness “Frontier” of 100 (the aggregate ideal across all factors of competitiveness), and way below what is necessary to have an economy that can respond to the challenges we have of full and productive employment and the creation of decent work for all, while delivering healthy returns for investors, in our pursuit to meet the SDGs, specifically Goal 8. **These three elements (productivity growth, competitiveness and economic growth) have been getting progressively worse year on year and are surely getting worsened by the outbreak of the COVID-19 epidemic.**

To change and improve our competitiveness as a country, it is worth taking lessons from the countries in Asia (Singapore, Hong Kong, Taiwan, Malaysia, Japan, Korea and China), the USA, Germany, the Netherlands, the UK, and those in the Nordic countries (Denmark, Norway, Sweden, Finland and Iceland) show that improving the levels of national productivity and innovation are the most efficient ways to realise inclusive and sustainable economic growth. These countries show strong performance in the overall productivity of both the government and the private sector, which include strong features of a high-income economy, institutional and policy environment. Their policies promote growth and labour market efficiency, enabling infrastructure including education and training systems. Concomitantly, the result is the promotion of

innovation, entrepreneurship and business sophistication, as well as reduced costs of doing business.

Therefore, there is considerable scope for investment in productivity and innovation to boost the competitiveness (economic performance and business efficiency) of our economy and to create decent work.

The country will experience strong productivity gains from investment in its human capital, technological readiness which measures how well economies are prepared for the transition into more advanced, knowledge-based economies. These advancements will also allow more workers to be employed in efficient enterprises/industries as economies shift to (relatively) higher value, higher-skilled work.

3. The Competitiveness outlook of South Africa's SMMEs. Our country's low productivity growth and competitiveness is clearly negatively impacting the overall performance of our SMMEs.

The outbreak of the COVID-19 pandemic, which resulted in almost all businesses scaling down operations since the lockdown period, is significantly affecting the economy and the labour market, resulting in millions of them unable to meet their financial obligations including payment of salaries, therefore, seeking relief either in the form of the COVID-19 Temporary Employer/Employee Relief Scheme (TERS). Some businesses, specifically SMMEs have closed down and retrenched millions of workers, thereby exerting more pressure on our social security systems, including the UIF.

The economic consequence of the outbreak of COVID-19 hit the country when facing the energy crisis. Severely affected seven of the ten industries, with devastating effect on the economy and the capacity of business to create new jobs and absorb the unemployed and reintegrate retrenched workers into the labour market. Low productivity growth and competitiveness is also negatively impacting the competitiveness and performance of SMMEs.

SA's SMMEs, which constitute over 90% of formal businesses, are expected to be a key driver of industrialisation and economic growth, innovation, job creation, wages and income growth are underperforming. SA has an informal economy characterised by an almost over 1.5 million of the over 2.5 million SMMEs in the country- operating mainly in rural areas and about 34% Black-owned. The SMMEs in the informal economy are relatively stagnant, struggle to transform their informal operations into established businesses, thus limiting their potential to create jobs and make a meaningful economic contribution (Bureau of Economic Research, University of Stellenbosch, 2016).

Economic Activity: There was a slow increase in economic activity during Q3: 2020, with the majority of the businesses reporting that they are still trying to recover and some recognise that they won't fully recover from the impact of the pandemic. According to the QLFS, Q3:2020 employment gains were observed across all industries with the exception of Transport and Utilities. It is reported that, of the 14,7 million persons who were employed in Q3: 2020, 7 in ten (73,2%) were expected to work during the national lockdown by the companies/organisations they work for.

The outbreak of the COVID-19 pandemic coupled with the advancement in technology, are disrupting, with devastating effect our already fragile socio-economic systems and infrastructure. The macroeconomic environment, health, primary education and skills development, and social security which are classified as "Basic Requirements" or "Enabling Environment" Pillars, which

should be prioritised and tackled first by a country at its earlier stages of development, have been hit hard by the outbreak of the COVID-19 pandemic.

However, in South Africa, as much as the SMMEs constitute over 90% of formal businesses, they employ less than 60% percent of the country's work force and contribute around 34% of GDP, which is below the norm. Furthermore, the SMME sector has been relatively stagnant over the last decade and many SMMEs struggle to graduate from informal operations to established businesses, capping their job creation and economic contribution potential. (World Bank Report: 2019).

Further empirical evidence reflects that of the estimated 2,2 million SMMEs in South Africa, over 1,5 million of these operate in the informal sector, especially in the more rural provinces with over 34% of them Black owned (Bureau of Economic Research, University of Stellenbosch: 2016). Other reports, including the Finscope Small Business Survey (2010) and the GEM South Africa (2014) reflect that challenges faced by SMMEs in South Africa include amongst others the absence of an integrated commercial and professional infrastructure (ecosystem) for SMMEs, which is key to promoting the sustenance of existing SMMEs and the emergence of new ones.

IMPACT STATEMENT: To promote full and productive employment and decent work for all.

Much of our focus during the MTSF 2014-2019 was on putting in place measures and programmes to improve the productivity and competitiveness levels of our country, motivated by our understanding that, it is through enhanced productivity that sustainable and inclusive economic growth is generated.

In the MTSF 2019 – 2024 we will accelerate our enterprise competitiveness enhancement and job retentions programmes and interventions with a focus on improving the productivity and competitiveness of SMMEs in the economic sectors that have the greatest potential to grow and create jobs, with a bias towards township and rural economies. Our Enterprise Support Programmes will support implementation of the NDP and the Reimagined Industrial Strategy to promote long term industrialisation and transformation of the economy and to ensure that South Africa achieve a high-income economy.

3. INTERNAL ENVIRONMENT ANALYSIS

Productivity SA is a schedule 3A Public Entity of the Department of Employment and Labour established in terms of section 31 of the Employment Services Act, No. 4 of 2014. The Entity carries the responsibility to fulfil 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.

The reconfiguration of the Department of Labour to include **employment** as part of its mandate (Dept. of Employment and Labour) puts Productivity SA in a strategic position to lead a productivity and competitiveness driven inclusive and sustainable growth and development agenda for the country. 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 levels.

The promulgation of the Employment Services Act, together with the promulgation of the UI Amendment Act, No. 10 of 2016, specifically section 5 (d) which provides for the financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers gives credence to section 7 of the Act which provides for the creation of employment schemes such as the Temporary Employer / Employee Scheme (TERS), Turnaround Strategies (TAS), Training of the Unemployed (TOU) and Enterprise Development (ED) with a focus on SMMEs. These developments were enhanced by the adoption of the Presidential Jobs Summit Framework Agreement in 2018 (with a focus on: (i) protecting jobs, (ii) informal sector support, and (iii) inclusive growth interventions).

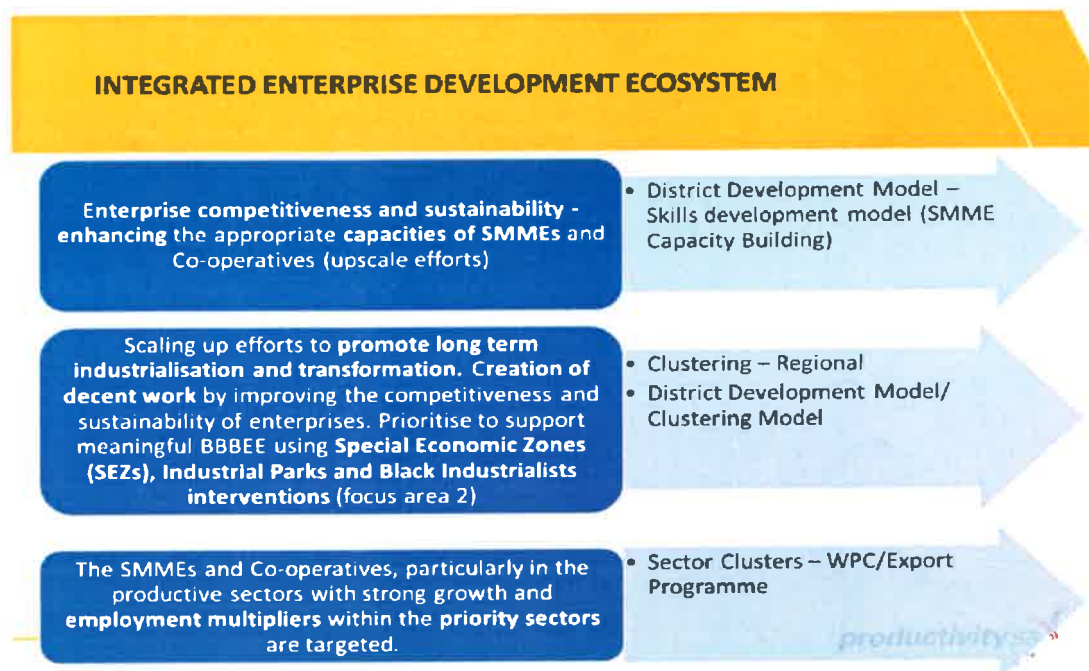
The allocation of funds for implementation of turnaround strategies by the Department will go a long way to enabling Productivity SA to deliver on its mandate as outlined in section 32 of the Employment Services Act, and objectives of the Presidential Jobs Summit Framework Agreement to save jobs and create conditions conducive for job retention and creation. These interventions seek to inspire enterprises to be more vigilant about issues relating to job retention to mitigate on-time performance/productivity decline that increases the likelihood of job losses. The programme is intended to provide non-financial assistance to different organizations and companies to increase productivity, profitability and service as well as save and retain jobs.

Productivity SA is well positioned to provide productivity and competitiveness improvement solutions to enhance the productivity and operational efficiency of enterprises throughout the business lifecycle to accelerate the creation of wealth and decent work for all. The strategic focus of Productivity SA into the future will be:

- (i) Contributing to the creation of decent work by improving the competitiveness and sustainability of enterprises. The Competitiveness Improvement Services (CIS) programme support South Africa's strategic objectives in scaling up efforts to promote long term industrialisation and transformation of the economy and to achieve a productive high-income economy which is globally competitive.

Our obligation to support enterprises, particularly Small and Medium-sized Enterprises (SMEs) should be informed by the understanding that, ***enterprises have the capacity to generate sustainable wealth and decent employment***, consequently, support for enterprise development needs to be an integral part of strategies for inclusive growth and transformation. An environment that supports investment, growth and entrepreneurship is essential to the creation of job opportunities and this support should be premised on the centrality of decent work to sustainable development. This means fostering a favourable environment guided by the application of a human-centred approach, which permits enterprises to develop in a manner consistent with the fundamental values and principles that respect human dignity and environmental sustainability.

The SMMEs and Co-operatives, particularly in the productive sectors with strong growth and employment multipliers within the priority sectors are targeted. Enterprises supported through the programme are capacitated to adopt world-class productivity enhancement best practices focusing on products, processes and people. The Workplace Challenge Programme, ILO's SCORE (Sustaining Competitive and Responsible Enterprises) Programme, which is geared to SMEs, and the KAIZEN Programme are examples of world-class productivity and competitiveness improvement programmes recommended for adoption by the country.



- (ii) To save jobs or minimise the retrenchment of workers by implementing sustainable growth path models / frameworks and Turnaround Strategies and programmes to restructure and improve the competitiveness and sustainability of industry sectors and companies facing economic distress to save jobs or minimise the retrenchment of workers, and to manage the transitioning of workers between jobs and industries or securing alternative employment for those affected by possible job losses.
- (iii) Provide productivity and competitiveness related value-added information and statistics, best practices and systems through research and innovative activities and databases; and (iv) Promoting a productivity culture and mind-set as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society.

The 'Productivity SA Way of Doing Business 'is a framework which has been created to offer integrative solutions. The framework answers the question: 'How do we go about when we provide productivity and competitiveness improvement solutions to enhance the productive capacity and operational efficiency of enterprises throughout the lifecycle of such enterprises. 'The standardised approach describes the way in which our Practitioners work within the productivity and operational efficiency environment, in order to carry out tasks. Best practice is the description of the best way of working based on the situation in hand.

The method is a systematic approach to achieve our goals and offers a description in a cohesive and consistent way of the approach that leads to the desired goal. A method consists of a way of thinking and a way of working using common framework. The foundation of the framework is built on a 'body of knowledge'. A body of knowledge is the complete set of concepts, terms and activities that make up our professional domain. An accepted set of standard terminology (ontology). Our body of knowledge is more than simply a collection of terms. It is the skills, expertise, and tools that are used by our professionals, our Productivity Practitioners.

The framework will provide clear process guidelines for improving productivity and competitiveness at enterprise level. The framework reflects J Edwards Deming's well know continuous improvement cycle, called the P-D-C-A cycle (Plan-Do-Check-Act cycle), and also includes a core methodology i.e.

DMAIC (Define, Measure, Analyse, Improve and Control). This framework is to enhance productivity and competitiveness of the SMMEs, growing business from small to medium or large businesses whilst creating decent work and workplace productivity.

As a national public entity, Productivity SA services the entire country, however, its footprint is only limited to three (3) Provinces, which are reorganised into Regional Offices (Midrand which is the head office and also servicing Gauteng, North West and Limpopo; Durban servicing Kwa-Zulu Natal, the Eastern Cape and Mpumalanga; and Cape Town servicing the Western Cape, Northern Cape and Free State). The Entity is Governed by a Tripartite Board appointed in terms of section 33 of the Act, consisting of 7 Members - Chairperson and six members (4 drawn from NEDLAC - 2 representing Organised Labour and 2 Organised Business, and 2 members representing the Government).

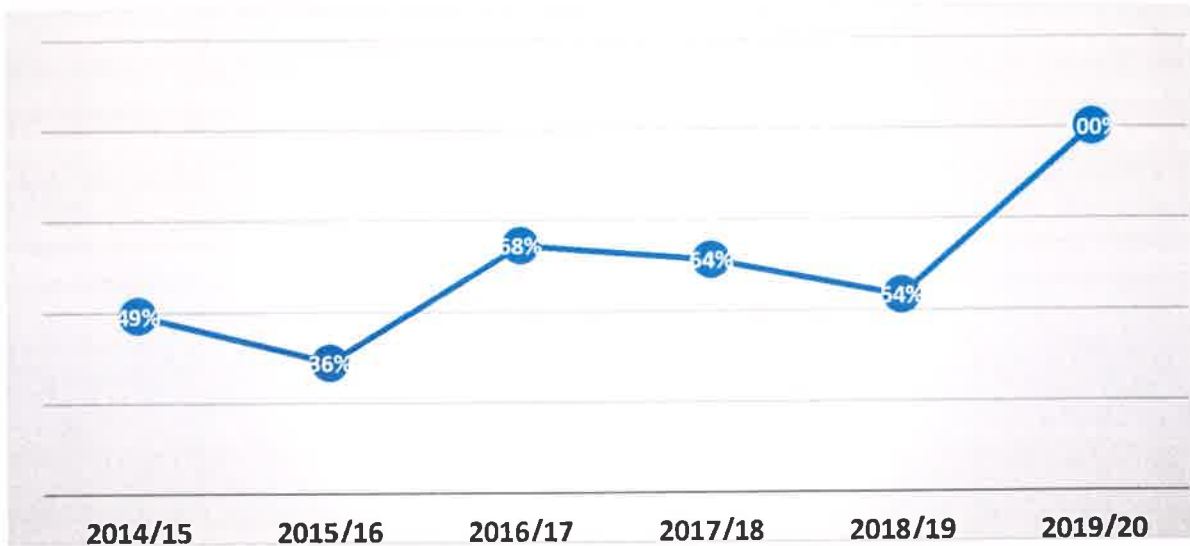
The current funding at R59m and organisational structure (79 filled posts out of 107) with high vacancy rate particularly in the Strategic Business Units (28 posts costing about **R17m**) as well as operations which are organised into three (3) Regional Offices, it is impossible to service the entire country adequately and equitably.

The funding challenges faced by Productivity SA are structural in nature and the funds appropriated by Parliament through the budget vote of the Department barely cover the operational costs. What compounds this challenge is that the grants from the UIF and **the dtic** are not guaranteed. The limited financial resources and infrastructure makes it difficult for us to provide services and deliver on our mandate equitably in all the provinces and to meet the large demand for our Enterprise Support Programmes.

These challenges are further compounded by the increasing demand for our services (Enterprise Competitiveness and Sustainability and Job Preservation) which we are not able to meet due to funding challenges. We further lack the resources and capability to provide productivity and competitiveness related value-added information and statistics, best practices and systems through research activities and databases. Therefore, there is urgency for increased capacity and footprint to adequately respond to the increased demand for our services and to equitably service the entire country.

The funding structure of the entity which is meant to guarantee its future sustainability from 2020 onwards should be mainly through money defrayed from the budget vote of the Department in terms of section 12 (1) of the Employment Services Act. Section 12 (1)(a) and (b) also refer to monies allocated from the UIF and Compensation Fund.

Performance trend during the MTSF 2014 – 2019 and 1st Year of 2019-2024:



Staff Establishment as at December 2020:

SUB - PROGRAMMES	APPROVED ESTABLISHMENT	POSTS FILLED	NUMBER OF VACANCIES	VACANCY RATE
Office of the CEO	4	4	0	0%
Corporate Relations	8	6	2	25%
Human Resources Management	5	4	1	20%
Office of the CFO	19	16	3	16%
Business Turnaround & Recovery Head Office	7	4	3	43%
Competitiveness Improvement Services Head Office	4	2	2	50%
Research, Innovation & Statistics	11	9	2	18%
Region 1	19	13	6	32%
Region 2	15	9	6	40%
Region 3	15	10	5	33%
TOTAL:	107	77	30	28%

PART C: MEASURING OUR PERFORMANCE

1. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

Productivity SA will align itself with the Department of Employment and Labour by contributing mainly to the following Medium-Term Strategic Framework (MTSF) Priorities:

MTSF 2019 -2024: PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION			
DEL INTERVENTION	PRODUCTIVITY SA CONTRIBUTION TO THE MTSF PRIORITIES	KEY PERFORMANCE INDICATORS PLANNED TO ACHIEVE MTSF	PRODUCTIVITY SA MTSF TARGET
Support the creation of jobs through Job Summit Commitments and the Economic Reconstruction and Recovery Plan, in particular the Mass Employment Stimulus	Jobs created (and retained) per year through Job Summit initiatives.	Number of jobs saved in companies facing economic distress	40300
		Number of companies facing economic distress supported through Turn-around Strategies to retain jobs (nurturing)	806
		Number of workplace /Future forums members trained and capacitated on productivity improvement solutions	2418
	Companies supported to improve their competitiveness and sustainability to preserve and create decent jobs	Number of SMMEs and other enterprises supported through Competitiveness Improvement Services	8108
		Number of entrepreneurs, workers and managers capacitated to promote the culture of productivity	7878
		Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity	1615
	Advocacy and public awareness to promote a culture of productivity and competitiveness	Number of productivity awards and regional milestone workshops hosted	50

1.1 The Strategic Objectives of Productivity SA

To deliver on its mandate Productivity SA revised its strategic objectives in line the Employment Services Act, No. 4 of 2014 and developed the following programmes and strategic objectives:

GOVERNMENT PRIORITY	STRATEGIC OBJECTIVES	PROGRAMMES
Priority 1: A Capable, Ethical and Developmental State	Strategic objective 1 - Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable	Programme 1: Administration / Corporate Services
Priority 2: Economic Transformation and Job Creation	Strategic objective 2 – Enterprise Competitiveness and Sustainability: To improve productivity for sustained inclusive economic growth and competitiveness.	Programme 2: Competitiveness Improvement Services
	Strategic objective 3 – Jobs preservation: To support enterprises facing economic distress and initiatives aimed at preventing job losses	Programme 3: Business Turnaround and Recovery
	Strategic objective 4 – Evidence-based planning, monitoring and evaluation: Generation and dissemination of productivity related research and statistics	Programme 4: Research, Innovation and Statistics
	Strategic objective 5 – Productivity Culture and Accountability: To promote a culture of productivity and competitiveness in the workplace and community life	Programme 1 & 2

1.2 The Programmes of Productivity SA

- **Programme 1:** Administration/Corporate Services: (Office of CEO, Office of CFO, Human Resources Management, Corporate Relations)
Purpose of the programme – Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.
Sub-Programme and purpose: The programme consist of the following sub-programmes:
 - **Office of the CEO** provides strategic leadership to ensure that the mandate is achieved.
 - **Office of the CFO** renders effective and efficient financial management, IT, and facilities administrative support for the Entity.
 - **Human Resource Management:** Render effective and efficient human resources management related services to the entity.
 - **Corporate Relations:** drive the productivity movement by promoting a culture of productivity in the workplace and in society in general.

- Programme 2: Competitiveness Improvement Services**

Purpose of the Programme – (i)The programme focusses on **enterprise competitiveness and sustainability**, including **enhancing** the appropriate **capacities of SMMEs** and Co-operatives to adopt world-class productivity enhancement best practices, focusing on products, processes and people; (ii) **contributing to the creation of decent work** by improving the competitiveness and sustainability of enterprises. (iii) Furthermore, CIS supports South Africa’s strategic objectives in scaling up efforts to **promote long term industrialisation and transformation** of the economy and to achieve a productive high-income economy which is globally competitive; (iv) The SMMEs and Co-operatives, particularly in the productive sectors with strong growth and **employment multipliers** within the **priority sectors** are targeted; (v) prioritises the participation of **historically disadvantaged people** and regions in the economy and thereby support meaningful BBBEE using instruments such as **Special Economic Zones (SEZs), Industrial Parks and Black Industrialists interventions**.
- Programme 3: Business Turnaround and Recovery**

Purpose of the Programme: The programme focusses on supporting initiatives aimed at preventing job losses as well as providing for turn-around strategies to companies facing economic distress (financial or operational difficulties) which may result in an employer contemplating the dismissal of employees based on its operational requirements. The outcome of these interventions is to lessen the social and economic impact on individuals, companies, regions and the national economy.
- Programme 4: Research, Innovation and Statistics**

Purpose of the Programme: The programme aims to measure and evaluate productivity in the workplace and overall competitiveness of the economy; develop and maintain databases and best practice productivity and competitiveness system, and Business Model Innovation including Products and Services Innovation to improve quality and access to services; and undertake Productivity related Research and Statistics and publicise same.

2. OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

OUTCOME	OUTPUT	OUTPUT INDICATORS	ANNUAL TARGETS							
			AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF PERIOD			
			2017/18	2018/19	2019/20		2021/22	2022/23	2023/24	
Functional, Efficient and Integrated Government	Payment of SMMEs within 30 days of receipt of statement	1) Percentage of SMMEs paid within 30 days of receipt of statement per annum	84%	100%	100%	100%	100%	100%	100%	100%
	Elimination of Fruitless and Wasteful expenditure, detected per financial year, reported to the Accounting Officer	2) Percentage reduction on Fruitless and Wasteful expenditure per annum	New indicator	New indicator	New indicator	10%	10%	10%	10%	10%
	Commencement of planned training interventions to capacitate the workforce	3) Percentage of planned training interventions commenced per annum	88%	49%	82%	100%	100%	100%	100%	100%

OUTCOME	OUTPUTS	OUTPUT INDICATORS	ANNUAL TARGETS						
			AUDITED PERFORMANCE			ESTIMATED PERFORMANCE		MTEF PERIOD	
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Enterprise Competitiveness and Sustainability: To improve productivity for sustained inclusive economic growth and competitiveness. Promote full and productive employment and decent work.	SMME and other enterprises supported through Productivity interventions to improve their competitiveness and sustainability	4) Number of SMMEs and other enterprises supported through Competitiveness Improvement Services by 31st March each year	5738	5588	3686	1252	1252	1252	1252
	Promote the productivity and competitiveness mind-set and culture in the workplace	5) Number of entrepreneurs, workers and managers capacitated to promote the culture of productivity by 31st March each year	New indicator	new indicator	New indicator	1878	2000	2000	2000
		6) Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity in South Africa by 31st March each year	327	217	345	323	323	323	323
		7) Number of productivity awards and regional milestone workshops hosted by 31st March each year	9	10	10	10	10	10	10

OUTCOME	OUTPUTS	OUTPUT INDICATORS	ANNUAL TARGETS							
			AUDITED PERFORMANCE				ESTIMATED PERFORMANCE	MTEF PERIOD		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
Business Turnaround and Recovery processes	Support enterprises facing economic distress and initiatives aimed at preventing job losses	<p>8) Number of jobs saved in companies facing economic distress every year</p> <p>9) Number of companies facing economic distress supported through Turn-around Strategies to retain jobs (nurturing) per annum</p> <p>10) Number of workplace /Future forums members trained and capacitated on productivity improvement solutions per annum</p>	8504	0	0	8700	9550	10500	11550	
			99	0	0	174	191	210	231	
			71	0	0	522	573	630	693	
Provision of productivity and competitiveness related value-added information	Undertake productivity-related research on priority sectors	11) Number of research reports and publications on priority sectors published and disseminated by 31st March each year	2	2	4	2	2	4	4	
	Collate productivity related statistics	12) Number of statistical reports on productivity and competitiveness published by 31 st March each year	3	1	4	2	2	2	2	

3. OUTPUT INDICATORS, ANNUAL AND QUARTERLY TARGETS

	Output Indicator	Annual Target	Q1	Q2	Q3	Q4
1.	Percentage of SMMEs paid within 30 days of receipt of statement per annum	100%	100%	100%	100%	100%
2.	Percentage reduction on Fruitless and Wasteful expenditure per annum	10% reduction from base line of R518,000 .00	-	-	-	10%
3.	Percentage of planned training interventions commenced per annum	100%	-	-	-	100%
4.	Number of SMMEs and other enterprises supported through Competitiveness Improvement Services by 31 st March each year	1252	250	500	939	1252
5.	Number of entrepreneurs, workers and managers capacitated to promote the culture of productivity by 31 st March each year	2000	400	800	1500	2000
6.	Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity in South Africa by 31 st March each year	323	65	129	243	323

	Output Indicator	Annual Target	Q1	Q2	Q3	Q4
7.	Number of productivity awards and regional milestone workshops hosted by 31st March each year	10		5	2	3
8.	Number of jobs saved in companies facing economic distress every year	9550	1050	4100	7900	9550
9.	Number of companies facing economic distress supported through Turn-around Strategies to retain jobs (nurturing) per annum	191	21	82	158	191
10.	Number of workplace /Future forums members trained and capacitated on productivity improvement solutions per annum	573	63	246	474	573
11.	Number of research reports and publications on priority sectors published and disseminated by 31st March each year	2	-	-	-	2
12.	Number of statistical reports on productivity and competitiveness published by 31st March each year	2	1	-	-	1

4. EXPLANATION OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD

- a) *The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the Institution's mandate including, where applicable, priorities in relation to women, youth and people with disabilities:*

Productivity SA Business Model 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. Therefore, our strategic and programme interventions should focus on contributing to the NDP Goals, specifically on chapters 3 - targeting programmes that contribute to sustainable and inclusive growth and development; Chapter 9 - developing world-class centres and programmes in the national system of innovation, training and development; and Chapter 13 - implement programmes that improves efficiency and effectiveness of government.

The SMMEs supported through our Enterprise Support Programmes will be capacitated to adopt world-class productivity enhancement best practices focusing on products, processes and people. SMMEs are targeted because they have tremendous potential to make an impact on the SDGs through the employment they generate, the business practices they choose to adopt, the sectors in which they operate and their impact on innovation and diversification in the economy.

- b) *A description of planned performance in reaction to the programme outputs:*

Output: To Enhance the Competitiveness and Sustainability of Enterprises.

This function required of review and integration of the Value Chain Competitiveness (WPC component) and Productivity Organisational Solutions to create the **Competitiveness Improvement Services (CIS) Programme** which gives effect to s32 read together with s2 (1) (g) of the Act, to: (a) promote a culture of productivity in the workplace; (b) develop relevant productivity competencies; (c) facilitate and evaluate productivity and competitiveness in the workplace, at sector level and national level; and (d) to measure and evaluate productivity in the workplace.

The CIS Programme focus on enterprise competitiveness and sustainability, including enhancing the appropriate capacities of SMMEs and Co-operatives to adopt world-class productivity enhancement best practices, focusing on products, processes and people. The programme focusses on contributing to the creation of decent work by improving the competitiveness and sustainability of enterprises. Furthermore, CIS supports South Africa's strategic objectives in scaling up efforts to promote long term industrialisation and transformation of the economy and to achieve a productive high-income economy which is globally competitive.

The SMMEs and Co-operatives, particularly in the productive sectors with strong growth and employment multipliers within the priority sectors are targeted. Enterprises supported through the programme are capacitated to adopt world-class productivity enhancement best practices focusing on products, processes and people. CIS prioritises the participation of historically disadvantaged people and regions in the economy and thereby support meaningful BBBEE using instruments such as Special Economic Zones (SEZs), Industrial Parks and Black Industrialists interventions.

The main focus should on: (a) creating an environment conducive to sustainable enterprises; (b) encouraging the application of decent and productive workplace practices; (c) addressing sector-specific challenges through value-chain and cluster interventions, which is linked to training and skills development along the value chain; and (d) using technology and conduct business in ways that are environmentally friendly. Further to the above, the programme provides enterprise productivity and operational efficiency enhancement and training programmes and solutions, including Business Performance Improvement (BPI), Early Warning Systems (EWS) and Business Start-ups, and also promote a productivity culture and mind-set as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society.

During 2021/2022 financial year 3130 SMMEs, Cooperatives and entrepreneurs from both the formal and informal sectors should be capacitated to improve productivity and business efficiency; 323 Productivity Champions will be capacitated to build awareness and promote a stronger culture of productivity in South Africa, and 10 productivity awards and regional milestone workshops have been planned to achieve in reaction to the programme output.

Output: Job Preservation

The Turnaround Solutions (TAS) Programme was reviewed to create the **Business Turnaround and Recovery Programme** to give effect to s32 read together with ss 2 (1) (e), and 7 of the Act. The programme focusses on supporting initiatives aimed at preventing job losses as well as providing for turn-around strategies to companies facing economic distress (financial or operational difficulties) which may result in an employer contemplating the dismissal of employees based on its operational requirements. The outcome of these interventions is to lessen the social and economic impact on individuals, companies, regions and the national economy.

The interventions focus on (a) Implementing turn-around strategies and plans to restructure and improve the productivity and operational efficiency of the organization; and (b) Facilitating the establishment of Enterprise-Based Productivity Forums (Future Forums) to promote dialogue on Productivity Improvement Strategies as well as (c) training of members thereof. During 2021/2021 financial year 3700 jobs to be saved, 74 companies facing economic distress supported through Turn-around Strategies and 222 workplace /Future forums trained and capacitated.

Output: Provision of productivity and competitiveness related value-added information

The Research and Knowledge Management Programme was renamed Research and Innovation Management to give effect to s32 (d) to measure and evaluate productivity in the workplace and overall competitiveness of the economy; (e) to develop and maintain databases and best practice productivity and competitiveness system, and Business Model Innovation including Products and Services Innovation to improve quality and access to services; and (f) undertake Productivity related Research and Statistics and publicise same.

The programme is responsible for developing and monitoring implementation of the Productivity and Competitiveness Policy and Framework to promoting a productivity culture and mind-set as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society. During 2021/2022 financial year 2 research reports and publications on priority sectors will be published and disseminated and 2 statistical reports on productivity and competitiveness published.

5. PROGRAMME RESOURCE CONSIDERATIONS

Table: Budget Allocation for programme and sub programmes.

Table A.2 PE No

	Audited outcome			Approved budget	Medium-term estimate		
	2017/18	2018/19	2019/20		2021/22	2022/23	2023/24
R thousand				2020/21			
Administration	45,021	53,914	55,861	58,699	59,042	61,090	62,877
Productivity Organisational Solution	11,401	11,193	-	-	-	-	-
Research, Innovation and Statistics	10,775	8,683	9,499	12,593	9,769	10,073	10,234
Workplace Challenge	16,475	12,878	-	-	-	-	-
Business Turnaround and Recovery	19,069	1,099	9	44,000	110,845	117,496	122,783
Competitiveness Improvement Services	-	-	22,166	37,400	18,642	19,560	20,070
	-	-	-	-	-	-	-
Total expense	102,741	87,767	87,535	152,692	198,298	208,218	215,964

Table A.3 PE No

Statement of financial performance		2017/18		2018/19		2019/20		2020/21		Medium-term estimate		
		Budget	Audited outcome	Budget	Audited outcome	Budget	Audited outcome	Budget estimate	Approved budget	2021/22	2022/23	2023/24
R thousand												
Non-tax revenue		21,767	6,019	20,715	10,477	11,139	11,370	10,771	10,431	15,200	16,104	16,829
Sale of goods and services other than capital assets		21,101	5,463	20,129	10,002	10,522	9,965	10,122	9,782	14,519	15,390	16,083
<i>of which:</i>												
Sales by market establishment		21,101	5,463	20,129	10,002	10,522	9,965	10,122	9,782	14,519	15,390	16,083
Other non-tax revenue		666	556	586	475	617	1,405	649	649	681	714	746
Interest, dividends and rent on land		666	554	586	475	617	1,405	649	649	681	714	746
Transfers received		138,360	102,985	124,168	77,506	92,515	77,001	141,921	142,261	183,098	192,114	199,137
Total revenue		160,127	109,004	144,883	87,983	103,654	88,371	152,692	152,692	198,298	208,218	215,966
Expenses												
Current expenses		160,127	102,741	140,755	87,767	103,654	87,535	152,692	152,692	198,298	208,218	215,964
Compensation of employees		67,415	64,900	60,392	64,595	63,064	62,484	84,445	84,445	95,034	95,034	95,034
Goods and services		91,920	37,058	79,547	22,433	39,909	24,370	67,565	67,532	101,948	111,863	119,543
Depreciation		681	402	425	617	649	649	682	682	1,241	1,241	1,303
Interest, dividends and rent on land		111	381	391	122	32	32	-	33	75	80	84
Transfers and subsidies		-	-	4,128	-	-	-	-	-	-	-	-
Total expenses		160,127	102,741	144,883	87,767	103,654	87,535	152,692	152,692	198,298	208,218	215,964
Surplus/(Deficit)		-	6,263	-	216	-	836	-	-	-	-	2

6. UPDATED KEY RISKS AND MITIGATED UPDATED

Strategic Objective	Risk name	Mitigating Action Plans
Objectives 1-5	1. COVID-19 RISK: Cyber Security	1. Assessment to be conducted for cyber security 2. Upgrades to be done for IT infrastructure (IT Refresh)
Objectives 1-5	2. COVID-19 RISK: Inadequate digitisation/E-Commerce capabilities	1. Digitisation strategy to be developed. 2. Finalisation of the ICT Refresh 3. Assessment to be conducted
Objectives 1-5	3. COVID-19 RISK: Inability to respond to increased demand for services	1. Increase capacity to respond to increased demand for service.
Objectives 1-5	4. COVID-19 RISK: Performance management under the new dispensation (Organisational & Employee)	1. Review/update management performance policies 2. Review the potential for using Kanban tools in performance management 3. Conduct training and change management for managers
Objectives 1-5	5. COVID-19 RISK: Compromised Health & Safety in the workplace	1. Conduct training and awareness sessions on to improve health and safety measures 2. Improve compliance measures
Objectives 1-5	6. Inadequate Revenue	1. Momentum has picked up on the revenue generating projects 2. Commitment from Executive Manager to generate additional Revenue. 3. Re-negotiate office building lease agreement. 4. The Chairman of the Board together with the Director General of the Department of Employment and Labour are working on plans to fully fund the entity.
Objectives 1-5	7. Reputation risk	1. Conduct training and awareness sessions on governance prescripts 2. Upgrading & integrating the finance system with the HR system to provide for regular audit trails 3. Strengthen the governance structures to improve monitoring and evaluation.
Objectives 1-5	8. Fraud and Corruption	1. Upgrading & integrating the finance system with the HR system to provide for regular audit trails 2. Upgrading & integrating the finance system with the HR system to provide for regular audit trails reports. 3. Strengthen and expand the role of the Bid and Adjudication committee. 4. Host quarterly awareness workshops on Ethical behaviour, PFMA and Treasury Guidelines. 5. Promote a "no-tolerance" attitude on fraud related matter by means of internal communication and website.

PART D: TECHNICAL INDICATOR DESCRIPTION (TID)

1. Indicator Title	Percentage of SMMEs paid within 30 days of receipt of statement (Excl. TAS and WPC service providers)
Definition	Small Medium Enterprises must be paid within a period of 30 days from receipt of statement. SMMEs are defined as enterprises whose annual turnover is less than R10m.
Source of data	Creditors age analysis print out
Method of Calculation /Assessment	Compare invoice date to payment date
Means of verification	Analysis of Creditors age analysis
Assumptions	The entity has available funding to settle liabilities as they become due and payable.
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly
Desired performance	100% within 30 days
Indicator Responsibility	CFO and Financial Manager

2. Indicator Title	Percentage elimination of Fruitless and Wasteful Expenditure
Definition	Expenditure incurred in vain and that could have been avoided had reasonable care be taken must be avoided by the entity.
Source of data	Fruitless and Wasteful expenditure register for the year
Method of Calculation /Assessment	Compare current financial year register with previous year register
Means of verification	Analysis of the Fruitless and wasteful expenditure register
Assumptions	The entity has available funding to settle liabilities as they become due and payable.
Disaggregation of Beneficiaries (where applicable)	Not applicable

Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative
Reporting Cycle	Annually
Desired performance	10% reduction from base line of R518,000 .00
Indicator Responsibility	CFO and Financial Manager

3. Indicator Title	Percentage of planned training interventions commenced to capacitate the workforce
Definition	To commence with 100% of planned interventions
Source of data	Training Plan and training documentation
Method of Calculation /Assessment	Quantitative - Number of training interventions commenced as a percentage of the total number of planned training interventions
Means of verification	Workplace Skills Plan, plus any combination of the following: Individual Development Plans, Attendance Registers, Invoices/Quotes, Proof of payment (Remittance Advice), On-the-job training form, EFT Requisition form, Training evaluation form, Proof of registration for course/qualification/workshop, E-learning progress reports, Acceptance letter, Financial Assistance Application form/Agreement,
Assumptions	<ul style="list-style-type: none"> • Planned training interventions may be replaced by other interventions due to changes of the business requirements. • Training planned for terminated employees will be removed from the training plan, however if they have already been completed, they will count towards the implementation of the training plan. • Additional training will also be considered depending on the business requirements. • Internal training and on-the-job training may replace external courses • Planned training for an employee may be replaced by scheduled training for another employee for a different course based on the business requirements
Disaggregation of Beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for Women (55% of Training Plan) • Target for Youth (n/a) • Target for People with Disabilities (n/a/)
Spatial Transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on contribution to spatial transformation priorities (n/a) • Reflect on the spatial impact area (n/a)
Calculation Type	Cumulative (Year- End)

Reporting Cycle	Annual
Desired performance	To have competent and skilled employees to support and implement organisational strategy
Indicator Responsibility	Executive Manager: HRM

4. Indicator Title	No. of SMMEs and other enterprises supported through Competitiveness Improvement interventions to improve their competitiveness and sustainability.
Definition	Number of Enterprises (Companies, SMMEs and Cooperatives) assisted through CIS productivity interventions including Training or, Productivity awareness, or WPC, or Export Programme or Enterprise development projects, or Kaizen Projects or any other productivity improvement projects.
Source of data	Signed Contracts or Proposals or Agreements or Project reports or training/workshop attendance registers or webinar/electronic source documents including screenshots or online registration forms/attendance registers or course evaluation forms, or ID numbers for entrepreneurs in the informal sector.
Method of Calculation /Assessment	Accumulative Quantitative data – reported Year to date Count the number of enterprises supported through any CIS intervention.
Means of verification	Quantitative calculations - Number of Enterprises (Companies, SMMEs and Cooperatives) assisted through CIS productivity interventions including Training or, Productivity awareness, or WPC, or Export Programme or Enterprise development projects, or Kaizen Projects or any other productivity improvement projects. ID numbers may be used for entrepreneurs without registered companies
Assumptions	Be flexible with the application of the solutions in order to adapt to the unique needs of SMME's encountered. Ensure that productivity aspects are covered in each programme. Accommodate Covid-19 impact on contact sessions as information will be sourced manually and electronically
Disaggregation of Beneficiaries (where applicable)	Report on women, youth and people with disabilities
Spatial Transformation (where applicable)	Productivity SA is willing to be a strategic partner in delivering productivity solutions and developing the capability for spatial transformation and envisaging a desired future for all its beneficiaries. Special focus will be given towards assistance to Black Industrialists in Special Economic Zones
Calculation Type	Quantitative calculations - Number of Contracts/agreements; SMMEs; Cooperatives and other businesses counted using enterprise name or participants ID number on registers.

Reporting Cycle	Annual target progression against a five-year target
Desired performance	100% of the targeted performance is desirable
Indicator Responsibility	CIS Executive/Regional Executives

5. Indicator Title	Number of entrepreneurs, workers and managers capacitated to promote the culture of productivity
Definition	Number of people trained i.e. Entrepreneurs and Intrapreneurs that includes workers, and managers trained on productivity concepts.
Source of data	Attendance registers or other electronic source documents such as screenshots, or online registration forms/attendance registers or course evaluation forms, or Training reports.
Method of Calculation /Assessment	Accumulative Quantitative data – Year to date reporting. Number of people attending the training/workshops i.e. Entrepreneurs or workers or Managers counted using name and Surname in both formal (registered businesses) or informal sector (not registered businesses).
Means of verification	Quantitative calculations: Attendance Registers; attendance reports
Assumptions	Be flexible with delivery mechanisms in order to adapt to the unique needs of entrepreneurs or, workers or Managers encountered. Accommodate Covid-19 impact on contact sessions as information will be sourced manually and electronically
Disaggregation of Beneficiaries (where applicable)	Report on women, youth and people with disabilities
Spatial Transformation (where applicable)	Productivity SA is willing to be a strategic partner in delivering productivity solutions and developing the capability for spatial transformation and envisaging a desired future for all its beneficiaries. Special focus will be given towards assistance to Black Industrialists in Special Economic Zones
Calculation Type	Quantitative calculation – number of entrepreneurs trained
Reporting Cycle	Annual target progression against a five-year target
Desired performance	The actual performance is desirable
Indicator Responsibility	CIS Executive/Regional Executives

6. Indicator Title	Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity in South Africa
Definition	Number of Productivity champions trained on productivity tools
Source of data	Training reports; attendance register; electronic source documents: screenshots; online registration forms/attendance registers, and course evaluation forms Training reports, attendance reports for online sessions
Method of Calculation /Assessment	Accumulative Quantitative data i.e. year to date reporting on the number of people trained as Productivity Champions.
Means of verification	Attendance Registers; electronic Attendance reports; 1 pager verification coaching/training reports
Assumptions	Be flexible with the application of the solutions in order to adapt to the unique needs of entrepreneurs encountered. Accommodate Covid-19 impact on contact sessions as information will be sourced manually and electronically
Disaggregation of Beneficiaries (where applicable)	Intentionally target women, youth and people with disabilities; and differentiate between entity champions (workers within client organisations) and stakeholder/district champions (public sector, and other stakeholder champions)
Spatial Transformation (where applicable)	Productivity SA is willing to be a strategic partner in delivering productivity solutions and developing the capability for spatial transformation and envisaging a desired future for all its beneficiaries. Special focus will be given towards assistance to Black Industrialists in Special Economic Zones
Calculation Type	Quantitative calculation – number of champions trained
Reporting Cycle	Annual target progression against a five-year target
Desired performance	The actual performance is desirable
Indicator Responsibility	CIS/Regional Executives

7. Indicator Title	Number of productivity awards and regional milestone workshops hosted
Definition	Events that will be held to promote social dialogue and a culture of productivity and competitiveness in the workplace and community as well as recognising enterprises that have made significant progress in improving productivity in their respective environments
Source of data	The source of data is an environmental scan to source companies to participate in the awards

Method of Calculation /Assessment	Quantitative - The number of productivity awards and regional milestone events is simply a numerical record of number of productivity awards and regional milestone workshops held
Means of verification	Attendance Register, Awards Invitations
Assumptions	SMMEs that have benefitted from all our programmes will be entered
Disaggregation of Beneficiaries (where applicable)	N/a
Spatial Transformation (where applicable)	Award entries are drawn from metropolitan, urban and rural areas
Calculation Type	Cumulative (Year-to-Date)
Reporting Cycle	Quarterly
Desired performance	The actual performance is desirable
Indicator Responsibility	Executive Manager: Marketing and Communication

8. Indicator Title	Number of jobs saved in companies facing economic distress
Definition	Number of jobs saved would be the number of jobs retained within the company as well as the additional jobs created through intervention of the Turnaround Solutions programme.
Source of data	Nurturing Application form
Method of Calculation /Assessment	No. of employees at nurturing phase
Means of verification	No of employees verified by the UIF
Assumptions	No of jobs per project
Disaggregation of Beneficiaries (where applicable)	n/a
Spatial Transformation (where applicable)	
Calculation Type	cumulative
Reporting Cycle	Quarterly
Desired performance	100% of jobs saved
Indicator Responsibility	Business Turnaround and Recovery Executive Manager

9. Indicator Title	Number of companies facing economic distress supported through Turn-around Strategies to retain jobs (nurturing)
Definition	The acquisition of companies that are in financial/performance distress with the objective of turning them around
Source of data	Application forms with company details (agreement signed)
Method of Calculation /Assessment	2-year financial statements or management accounts
Means of verification	Nurturing report and assessment
Assumptions	Quantitative – number of applicants to Turnaround Programme
Disaggregation of Beneficiaries (where applicable)	n/a
Spatial Transformation (where applicable)	None
Calculation Type	Cumulative
Reporting Cycle	Quarterly
Desired performance	100% of the targeted performance
Indicator Responsibility	Business Turnaround and Recovery Executive Manager

10. Indicator Title	Number of workplace /Future forums members trained and capacitated on productivity improvement solutions
Definition	Between 3 - 5 days intensive training covering productivity concepts and organisational performance to equip the Champion to take ownership, facilitate and ensure sustainability of the interventions recommended and implemented.
Source of data	Training registers and evaluation reports
Method of Calculation /Assessment	Number of champions trained
Means of verification	Attendance register
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	n/a
Spatial Transformation (where applicable)	n/a
Calculation Type	Cumulative
Reporting Cycle	Quarterly

Desired performance	100% of the targeted performance
Indicator Responsibility	Business Turnaround and Recovery Executive Manager

11. Indicator Title	Number of research reports and publications on priority sectors published and disseminated
Definition	Four research reports produced and disseminated in the selected sectors
Source of data	Statistical reports (Productivity statics report, STATSA, Reserve Bank) and Publications
Method of Calculation /Assessment	Quantitative - Number of Reports
Means of verification	Published report confirming the ISBN
Assumptions	Adequate resource allocation and access to relevant publication databases
Disaggregation of Beneficiaries (where applicable)	According to Research Agenda priorities
Spatial Transformation (where applicable)	According to Research Agenda priorities
Calculation Type	Cumulative (Year- End)
Reporting Cycle	Annual
Desired performance	The actual targeted achievement of 100% is desirable
Indicator Responsibility	Executive Manager: Research and Innovation management

12. Indicator Title	Number of statistical reports on productivity and competitiveness
Definition	Produce annual productivity statistics report and Institute for Management Development (IMD) Competitiveness Yearbook
Source of data	Statistics SA and SA Reserve Bank, IMD Survey, World Bank, IMS
Method of Calculation /Assessment	Number of Reports
Means of verification	Hardcopy Report
Assumptions	Data available (incl IMD Survey completed), Resources available

Disaggregation of Beneficiaries (where applicable)	• Not applicable
Spatial Transformation (where applicable)	• Not applicable
Calculation Type	Accumulative (Year- End)
Reporting Cycle	Annual
Desired performance	The actual targeted achievement of 100% is desirable
Indicator Responsibility	Executive Manager: Research and Innovation management