



Strategic Plan for 2020/21 – 2024/25



employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA

STATEMENT BY THE CHAIRMAN OF THE BOARD

This five-year Strategic Plan of Productivity SA sets out the entity's key focus areas over the 2019 – 2024 Medium Term Strategic Framework. In the medium-term, Productivity SA will contribute mainly to priority 2 (two) of the sixth administration namely, **Economic Transformation and Job Creation**. An Annual Performance Plan linked to this Strategic Plan will provide details of the specific performance measures in relation to the desired outcomes.

Productivity SA's programmes are geared towards supporting the country to achieve a productive high-income economy which is globally competitive, targeted at the priority economic sectors which have a potential for labour absorption. The interventions are structured to contribute to sustainable, inclusive growth and development, as well as growth with rising decent employment creation; wealth and income growth; job preservation or minimising the retrenchment of workers; and promote workplace collaborative relations and dialogue on productivity and competitiveness issues.

The productivity and competitiveness driven agenda and initiatives will 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 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 FoW (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.

The centrality of Productivity SA in leading a productivity driven agenda is critical, therefore, the entity's adequate resourcing is both urgent and critical. Its Competitiveness Improvement Programmes should promote a productivity and entrepreneurship culture and consciousness to promote decent work. At the centre of its programmes is the recognition that social dialogue contributes to the overall cohesion of societies and is crucial for a well-functioning and productive economy. We are confident that our programmes 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 strategic 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 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 policymakers. This constrained the focus of our productivity and competitiveness interventions, which over the Medium Term Strategic Framework 2014 – 2019 was limited to enterprise level interventions and primarily government-driven initiatives; and short on a stronger culture of productivity and accountability for productivity across all levels, including national – 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 recognized 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 recognizing 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.

For this I would like to thank the Honourable Minister of Employment and Labour, Mr TW Nxesi. The year 2019 was particularly special for us at Productivity SA because other than Productivity SA turning 50 years old, the Minister took time out of his busy schedule to visit Productivity SA premises and met with the Productivity SA Board, Executive Management and staff and attended our AGM - a first, I am told. Some of the key outcomes from the engagements:

- For the first time Productivity SA will be included in NEDLAC deliberations.
- The inclusion of Productivity SA in the Presidential Task Team monitoring the implementation of the Job Summit resolutions.
- An undertaking to host a workshop with the Productivity SA Board, stakeholders and funders.

I remain confident that through the plans contained in this Strategic Plan, our strategic focus on SMMEs should over the MTSF 2019 – 2024 and up to 2030 target those in the township economies 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.

We believe that the new strategic direction 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. This would also enhance the entity's sustainability and financial viability. The role of Productivity SA in driving a productivity driven growth and development agenda for the country is more relevant than ever before.

We invite you to follow us on @productivitysa on twitter as well as follow me on @Tzoro1 without hesitating to offer suggestions and feedback that can assist us to build 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 Strategic 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 impact and outcomes which Productivity SA will endeavour to achieve over the period 2020/21 – 2024/25.

Dr S Sabela: Signature:  _____

Chief Financial Officer

Mr M Mothiba: Signature:  _____

Chief Executive Officer

Prof M Mdwaba: Signature:  _____

Chairman of the Board

Mr T Lamati: Signature:  _____

Director General

Ms BE Moloji: Signature:  _____

Deputy Minister

Approved by:

Mr TW Nxesi, MP Signature:  _____

Executive Authority

PART A: OUR MANDATE

1. CONSTITUTIONAL MANDATE

Productivity SA's strategic goals and programmes are, as is the case with the Department of Employment and Labour operates within the confines of the South African Labour Legislative framework and Active Labour Market Policies and Programmes that are informed by the South African Constitution, Chapter 2, and Bill of Rights, with a focus on amongst others the following:

- Section 9, to ensure equal access to opportunities;
- Section 10, promotion of labour standards and fundamental rights at work;
- Section 24, to ensure an environment that is not harmful to the health and wellbeing of those in the workplace;

2. LEGISLATIVE AND POLICY MANDATES

Productivity SA administers the following legislations:

2.1 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.

2.2 The Public Finance Management Act, 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 ss49 – 62 of the PFMA

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

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

2.4 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, with a focus on Priority Sectors.

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

The Act provides for financing of Employment Services, 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.

The Business Turnaround and Recovery Programme provides 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.

2.6 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.

2.7 The Industrial Policy Action Plan (IPAP)

The plan requires the country to pursue an industrial development path that is characterized by increased participation of previously marginalized citizens and regions of our country. Central to IPAP is competitiveness enhancement in productive sectors of the economy, with a focus on supporting agriculture and mining, the local procurement drive and other programmes.

Government seeks to strengthen the competitiveness, productivity and trade performance of the core productive sectors of the economy. New opportunities in the green economy, the ocean economy and exports of goods and services to growing African markets will be promoted. Research and technology development will continue to be supported through tax incentives and partnerships between our science councils and the business sector.

Obstacles to the use of our mineral products in manufacturing will be addressed and options to support beneficiation through mining licences will be explored. The Department of Mineral Resources will provide increased support for exploration, development and production in mining in ways that lay the basis for sustained growth in output going forward.

3. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

With the change in the business environment of Productivity SA and its mandate expanded 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 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.

This Business Model will be 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 impacts on the nature and future of work, 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. VISION

To lead and inspire a productive and competitive South Africa.

2. MISSION

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

3. VALUES

- Service excellence through the implementation of relevant solutions
- Market leadership through creative and innovative solutions
- Working together as a team to achieve common goals
- Partner with stakeholders pursuing solutions to South Africa's productivity challenge
- Honesty, integrity and professionalism are the cornerstone of all our relations

4. SITUATIONAL ANALYSIS

The Medium-Term Strategic Framework (MTSF) for the period 2019 -2024 has identified seven key priorities that will be the focus of government for the sixth administration. In implementing its new mandate, the Department of Employment and Labour, will focus on the following new activities:

- Coordinating and monitoring all employment activities of government, Non-Governmental Organisations and entities.
- Streamline the Public Employment Services and the establishment of Youth Employment Centres.
- Close cooperation with the Department of Higher Education and Training, the Department of Basic Education and SETA's to enhance the employability of job seekers by improving their skills levels.
- **Through Productivity SA assist SMMEs to do business and grow the enterprises.**

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

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

Amongst the Key Government interventions is to improve South Africa's ranking in Global Competitiveness Index, with a performance indicator of improving the ranking from 67th to 60th by 2024 (WEF GCI:2018). This is acknowledgement that a competitive economy is a productive one, which in turn leads to growth, which leads to income levels and hopefully, at the risk of sounding simplistic, improved well-being. Income levels are very closely linked to human welfare.

Therefore, productivity is important because it has been found to be the main determinant of sustainable and inclusive growth and development, and an essential factor in economic growth. While economic growth, as measured by GDP, is not an end in itself, it remains a precondition for enhancing human welfare. According to the WEF Competitiveness Index, economies that have been able to combine labour market flexibility with robust protection of workers' rights have been more successful at achieving higher levels of competitiveness, higher employment and lower inequality.

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.

However, our strive to achieve economic growth should not be an end in itself. It should contribute to human welfare, be rooted in political legitimacy, and be defined and measured based on a multidimensional notion of economic progress that includes values such as:

- a broad-based distribution of economic gains,
- environmental sustainability, and
- intergenerational equity for young people and future generations.

Therefore, it is important that, as a country we monitor closely the factors that determine the competitiveness of our economy, while keeping an eye on the wider societal goals and related trade-offs.

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.

The role of Productivity SA in leading a productivity and competitiveness driven agenda should lie at the heart of our policy discussions and direction, as we plan and implement our growth and development programmes. Productivity SA has two strategic flagship programmes, namely: (i) Value Chain Competitiveness – The interventions 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. Enterprises, particularly small businesses in the manufacturing /productive sectors with strong growth and employment multipliers are targeted. Enterprises supported through the programme are capacitated to adopt world-class productivity enhancement best practices focusing on products, processes and people; and (ii) The Business Turnaround and Recovery Programme (BTRP) which focuses on restructuring and improving the productivity and operational efficiency of enterprises facing economic distress and initiatives aimed at preventing job losses or minimising the retrenchment of employees. There compelling grounds to upscale these flagship programmes going forward.

The country should also accelerate efforts to promote and instil 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.

5. 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, and 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 country is facing socio-economic challenges of poverty, inequality and unemployment which for the first time in over ten years has spiked to a gut-wrenching 29% compared to 27% in 2018 (Stats SA Labour Force Survey; Q2). These are compounded by a sluggish economy with a Gross Domestic Product (GDP) growth way below the NDP targets of 6% (best case scenario) or 3.9% (worst case scenario) that we consistently require over the next 10 years towards 2030. The rate of poverty including poverty in employment, unemployment and underemployment, inequality including income inequality as well as the working-age population (most of which is young people) has been increasing over time.

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.

Therefore, as policy-makers 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 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.

- 3. The Global Competitiveness of South Africa.** As a country, we are experiencing low productivity growth and overall competitiveness ranking. South Africa’s productivity growth and overall competitiveness rating is low at an average of 61 (WEF, GCI: 2018), way below the competitiveness “frontier” of 100 —the aggregate ideal across all factors of the Competitiveness Index Report. Our ranking is also low – according to the WEF Global Competitiveness Index: 2018, we ranked from 47th in 2016 to 67th in 2018 out of 140 countries; and according to the IMD-Competitiveness Yearbook our ranking plummeted three places from 53 in 2018 to 56 out of 63 countries in 2019.

Both reports which measure a set of institutions, policies and factors that determine the level of productivity, show an average competitiveness rating /score of 61 for South Africa, which is way below the global competitiveness “frontier” of 100 (the aggregate ideal across all factors of competitiveness). This is clearly 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 jobs.

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.

4. 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.

Our SMMEs constitute over 90% of formal businesses and are expected to be a key driver of industrialisation and economic growth, innovation, job creation, wages and income growth and a backbone of a thriving society are underperforming. Empirical evidence suggests that across the world SMMEs make up 90% of formal businesses, provide employment to over 60% of the labour force and contribute over 35% to the GDP, as well as seen as great sources of innovation.

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 2014/15- 2018/19 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 IPAP to promote long term industrialisation and transformation of the economy and to ensure that South Africa achieve a high-income economy.

6. 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.

To this end our 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.

The Functions i.t.o s32 of the Act	Value Proposition: 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.
To promote a culture of productivity in the workplace	The Strategic Focus is on:
To facilitate and evaluate productivity improvement and competencies in workplaces	<ul style="list-style-type: none"> • Enterprise Competitiveness and Sustainability. 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. We target enterprises, particularly small business in the productive sectors with strong growth and employment multipliers within the priority sectors. Enterprises supported through the programme are capacitated to adopt world-class productivity enhancement best practices focusing on products, processes and people.
To measure and evaluate productivity in the workplace	
To maintain a database of productivity and competitiveness systems and to publicise these systems	<ul style="list-style-type: none"> • Preventing job losses. The Business Turnaround and Recovery Programme provides 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
To undertake productivity-related research	
To support initiatives aimed at preventing job losses	<ul style="list-style-type: none"> • Providing productivity and competitiveness related value-added information and statistics, best practices and systems through research and innovative activities and databases • 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 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).

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).

Productivity SA's business environment changed since 2015 with the promulgation of the Employment Services Act, No. 4 of 2014, with its mandate expanded to include promoting employment growth and supporting initiatives aimed at preventing job losses. However, there was no additional money appropriated by Parliament for this purpose, except grants from the UIF towards the Turnaround Solutions (TAS) Programme and **the dti** towards the Workplace Challenge (WPC) Programme. Additional responsibilities were conferred on the Entity as per the Presidential Jobs Summit Framework Agreement, 2018.

To respond to the expanded mandate, we developed a comprehensive Business Model which was approved by the Board in the 2017/18 financial year. The main purpose of the Business Model is to effectively respond to the national development agenda in an integrated and comprehensive way as well as ensuring a balance between delivery on the mandate which has been expanded and to ensure sustainability of the Entity. However, no additional funding was appropriated for the entity to meet the expanded mandate and implement the Business Model.

Furthermore, with 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.

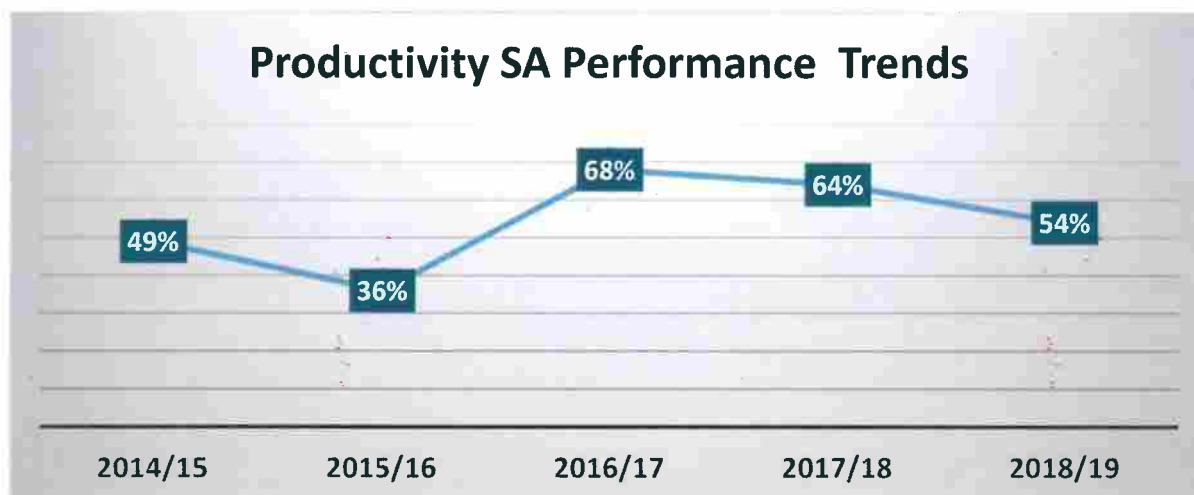
The funding challenges faced by Productivity SA are structural in nature and the funds appropriated by Parliament through the budget vote of the Department barely cover the operational costs. What compounds this challenge is that the grants from the UIF and **the dti** are not guaranteed. The limited 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:



- Staff Establishment as at October 2019

SUB - PROGRAMMES	APPROVED ESTABLISHMENT	POSTS FILLED	NUMBER OF VACANCIES	VACANCY RATE
Office of the CEO	4	4	0	0%
Marketing & Communications	8	7	1	13%
Human Resources Management	5	3	2	40%
Corporate Services	18	16	2	11%
Turnaround Solutions	8	4	4	50%
Productivity Organisational Solutions	14	12	2	14%
Research & KM	11	9	2	18%
Workplace Challenge	22	9	13	59%
Kwa-Zulu Natal Regional Office	8	7	1	13%
Cape Town Regional Office	9	8	1	11%
TOTAL:	107	79	28	26%

PART C: MEASURING OUR PERFORMANCE

1. INSTITUTIONAL PERFORMANCE INFORMATION

The Medium-Term Strategic Framework (MTSF) for the period 2019 -2024 has identified the following seven key priorities that will be the focus of government for the sixth administration.

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

In implementing its new mandate of Employment and Labour the Department will focus on the following new activities:

- Coordinating and monitoring all employment activities of government, Non-Governmental Organisations and entities.
- Streamline the Public Employment Services and the establishment of Youth Employment Centres.
- Close cooperation with the Department of Higher Education and Training, the Department of Basic Education and SETA’s to enhance the employability of job seekers by improving their skills levels.
- **Through Productivity SA assist SMME’s to do business and grow the enterprises.**

In the Medium-term, Productivity SA will contribute mainly to the following two priorities of the sixth Medium-Term Strategic Framework (MTSF) Priorities:

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

GOVERNMENT PRIORITY	LINKING WITH THE DEPARTMENT OF EMPLOYMENT AND LABOUR GOAL STATEMENT	PRODUCTIVITY SA INTERVENTIONS TOWARDS THE NATIONAL AGENDA
Priority 1: A Capable, Ethical and Developmental State	<ul style="list-style-type: none"> • Strengthen the institutional capacity of the Department 	<ul style="list-style-type: none"> • Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable
PRIORITY 2: Economic Transformation and Job Creation	<ul style="list-style-type: none"> • Improving economic efficiency and productivity • Creation of decent employment • Give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for 	<ul style="list-style-type: none"> • Build a Workforce of the Future - Given that innovation and the fast-paced technology advancements are disrupting operations across many sectors, it is critical for the country and enterprises to prepare continuously for the opportunities accompanying these disruptions as well as the future of work. • Create an Integrated SME Ecosystem - provide Business Development Services (BDS) to accelerate and sustain productivity

GOVERNMENT PRIORITY	LINKING WITH THE DEPARTMENT OF EMPLOYMENT AND LABOUR GOAL STATEMENT	PRODUCTIVITY SA INTERVENTIONS TOWARDS THE NATIONAL AGENDA
	competitiveness of enterprises which is balanced with the promotion of decent employment	<p>growth and long-term competitiveness through a country-specific mix of policies aimed at amongst others (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 upgrading which is linked to training and skills development along the value chain, and (d) promoting technology and ways of doing business that are environmentally friendly.</p> <ul style="list-style-type: none"> • Improve the Business Environment - reducing regulatory and entry barriers for SMMEs to improve ease and reduce cost of doing business for enterprises • Create a nationwide productivity and competitiveness movement - to promote and inculcate a stronger culture of productivity and accountability for productivity at national, sector and enterprise levels as well as across all segments of society.

2. IMPACT STATEMENT

Impact statement	A Labour Market conducive to full and Productive Employment and Decent Work.
-------------------------	--

Priority 1: Capable, Ethical and Developmental State

3. MEASURING OUTCOMES

3.1 Outcome 1

Outcome 1	FUNCTIONAL, EFFICIENT AND INTEGRATED GOVERNMENT		
Intervention	Indicators	Baseline	Five-year target
Measures taken to eliminate wasteful, fruitless and irregular expenditure	Payment of SMMEs within 30 days of receipt of statement	100%	100%
	Elimination of Fruitless and Wasteful expenditure, detected per financial year, reported to the Accounting Officer	R518,000.00	10%

Priority 2: Economic Transformation and Job Creation

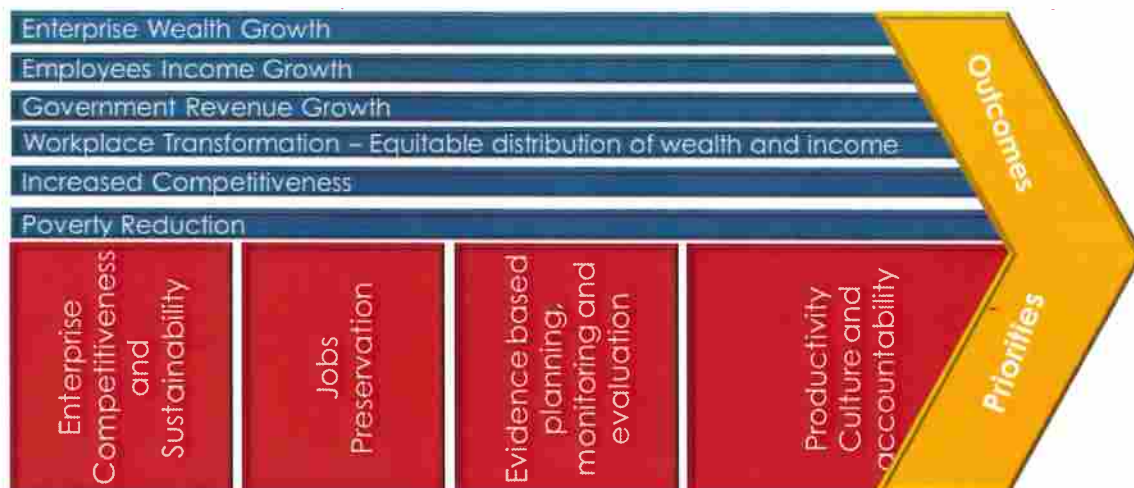
3.2. Outcome 2

Outcome 2	MORE DECENT JOBS CREATED AND SUSTAINED, WITH YOUTH, WOMEN AND PERSONS WITH DISABILITIES PRIORITISED		
Interventions	Indicators	Baseline	Five-year target
Competitive and sustainable enterprises that achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Number of SMME and other enterprises supported through Competitiveness Improvement Services	27 565	15 650
	Number of Productivity Champions capacitated to promote a culture of productivity	Revised indicator which includes labour inspectors	1615

3.3. Explanation of Planned Performance over the Five-Year Planning Period

- a) *The outcomes' contribution to achieving the aims of the Medium-Term Strategic Framework (MTSF); the mandate of the institution including, where applicable, priorities in relation to women, youth, and people with disabilities, and provincial priorities, where applicable.*

In the Medium-term, Productivity SA will contribute mainly to the priority 2 (two) of the sixth Medium-Term Strategic Framework (MTSF) Priorities: **Economic Transformation and Job Creation** through the following strategic priorities linked to these desired outcomes:



- b) *A description of the enablers intended to assist with achieving the five-year targets.*

Our strategic partners and alliances include National and Global Strategic Business Partners and Strategic Offering Partners with whom to pursue a set of agreed upon objectives and to create the business value that our mutual customers are looking for, while remaining independent of these organisations.

The approach and focus are premised on advantages broken down to four broad categories: (i) Organizational advantages for purposes of sharing and learning the necessary skills and obtain certain capabilities from the strategic partner. Strategic partners may also help you enhance your productive capacity, provide a distribution system; (ii) economic advantage for purposes of gaining advantage of economies of scale, reducing and sharing costs and risks; (iii) strategic advantages of co-competition to create a competitive advantage by the pooling of resources and skills, the development of new products and technologies, and to pursue joint research and development; and (iv) To gain political advantages. Forming strategic partnerships and alliances with politically influential partners may also help improve our own influence and position.

Below are the identified partners and their roles as enablers towards achieving our mandate:

STRATEGIC PARTNER	ROLES AND RESPONSIBILITIES
1. Government Departments in the Economic Cluster and their Agencies, incl. SEDA, CSIR and SETAs	<ul style="list-style-type: none"> Collaborate on national, sectoral and enterprise competitiveness and sustainability through targeted interventions inclusive of SMMEs and Cooperatives within SEZs, Industrial Parks, Township and Rural economies Collaborate 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.
2. Development Funding Agencies	<ul style="list-style-type: none"> Non-Financial support to increase growth of the small business sector Access loan book – Provide support to enterprises going through economic distress to retain jobs or minimise the retrenchment of employees.
3. Commission for Conciliation, Mediation and Arbitration (CCMA) and UIF	<ul style="list-style-type: none"> Collaboration to give effect to ss7 and s32 (g) of the Act, including implementation of the Presidential Jobs Summit Framework Agreement, 2018 - job retention including schemes to provide for turn-around strategies, lay-offs, re-training or alternative employment opportunities and reintegration of workers in terms of s2 (e) of the Act read together with s5 (d) of the UIF Amendment Act
4. SETAs, CSIR and Institutions of Higher Learning	<ul style="list-style-type: none"> Collaborate on Research and Innovation as well as promoting dialogue on Productivity and competitive issues, and curriculum design and implementation. Collaborate in developing a model for a Productivity and Competitiveness Council Implementation of an accredited KAIZEN qualification
5. Organised Business and Labour Federations	<ul style="list-style-type: none"> To promote the productivity movement in the country - a productivity culture and mind-set in workplaces, and accountability for productivity at industry and sector level Collaboration in job preservation including implementation of the Presidential Jobs Summit Framework Agreement, 2018 Jobs Summit Resolutions.
6. International Labour Organisation (ILO), JICA /JPC / APOs, World Economic Forum (WEF), Institute of Management Development (IMD),	<ul style="list-style-type: none"> Collaborate in developing a National Productivity and Competitiveness Framework and Productivity Index for South Africa and Africa Institutionalisation and implementation of an accredited KAIZEN qualification and programme in the country Conduct benchmarking on a Business Model for a National Productivity Centre – Reposition Productivity SA as a world-class productivity centre within the national system of innovation. Collaborate on research and benchmarking on products and services design and Innovation

c) Explanation of the outcome's contribution to the achievement of the impact

To improve productivity and sustained competitiveness depends to some extent on how successfully enterprises can integrate into national and global value chains. Enterprises need to make use of the technology, innovation and other new ideas contained in these value chains and enterprise clusters as a way of reducing costs and adding value. By upgrading their operations, they can become more productive and create a greater share of value locally – generating more jobs and income.

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, with a focus on Priority Sectors.

4. KEY RISKS AND MITIGATIONS

Outcome	Key Risk	Risk Mitigation
Sustainability of Productivity SA	Inadequate funding	Restructure and downscale the organisation in line with the available funding
		Develop a funding strategy with alternative revenue generating streams and grants/donations
<ul style="list-style-type: none"> • Improved Governance • Professional and ethical public service • Honest and capable state with professional and meritocratic public servants 	Fraud and Corruption	Upgrading & integrating the finance system with the HR system to provide for regular audit trails
		Review of the ethics policy (to include annual declaration of interest)
		Conduct internal awareness on the fraud & corruption hotline facility
		Conduct training and awareness sessions on governance prescripts
	Reputational Risk	Upgrading & integrating the finance system with the HR system to provide for regular audit trails
		Review of the ethics policy (to include annual declaration of interest)
		Conduct internal awareness on the fraud & corruption hotline facility
		Conduct internal awareness on the fraud & corruption hotline facility

PART D: TECHNICAL OUTCOME INDICATOR DESCRIPTION (TID)

Outcome Indicator Title	Enterprise Competitiveness and Sustainability Improvement Programme
Definition	The programme develops the appropriate productivity capacity and operational efficiency of stable and/or existing enterprises within the priority sectors of the economy.
Source of data	Signed Contracts, Signed Project proposals, project reports, attendance registers
Method of Calculation /Assessment	Quantitative calculations - Number of Contracts, SMMEs and Cooperatives counted using enterprise name or ID number of SMME
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
Disaggregation of Beneficiaries (where applicable)	Intentionally target women, youth and people living 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
Reporting Cycle	Annual target progression against a five-year target
Desired performance	100% of the targeted performance is desirable
Indicator Responsibility	Regional Executives