

PRESENTATION TO THE NEDLAC TRADE AND INDUSTRY CHAMBER

Threats to Industrialisation and Economic Recovery

20 October 2021



PRESENTATION OUTLINE

1. Demystifying the concept of Productivity
2. Productivity month as driver of National Productivity Movement
3. History of Productivity SA
4. Productivity SA Mandate
5. Value Proposition
6. Alignment with other Policy Mandates
7. Our Functions and Programmes
8. The target Market
9. Industry and Business Landscape
10. Productivity SA response

DEMYSTIFYING THE CONCEPT OF PRODUCTIVITY

Productivity (which is a driver of competitiveness and sustained inclusive growth) is:

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

At the heart of productivity is the individual.

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

By productivity we refer to Total Factor Productivity and not only Labour Productivity (which is mostly construed as cost reduction and job destruction).

PRODUCTIVITY MONTH

AS DRIVER OF NATIONAL PRODUCTIVITY MOVEMENT

- Section 32 of the Employment Services Act enjoins Productivity SA to promote social dialogue and instil a productivity and competitiveness culture in the workplace and all spheres of the nation's economic and community life.
- Month of October is declared as "Productivity month" in South Africa.
- Productivity Month- an annual campaign - aims to elevate the importance of productivity and demonstrate the positive changes that can be brought about through productivity improvement.
- During Productivity month, a series of awareness campaigns, workshops, seminars, and Productivity Awards are held to promote productivity.

PRODUCTIVITY MONTH THEME



- The 2021 Productivity Month theme is: **“Resilience, Regroup and Rebuild: During and Post COVID-19.”**
- The theme highlights the need for rebuilding resilience, which requires regrouping through collaboration of multi-disciplinary partners in order to rebuild a sustainable economy and tackling inequality, unemployment and poverty.
- The 3Rs are the building blocks for supporting the government’s Reconstruction and Recovery Plan, which is premised on Reimagining Industrial Strategy to improve the productivity of the priority sectors through the Sector Master Plans, Special Economic Zones, Industrial Parks and through the District Development Model (DDM), targeting the 44 Districts and 8 metros.

HISTORY OF PRODUCTIVITY SA

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

PRODUCTIVITY SA MANDATE

Productivity SA is established in terms of section 31 of the Employment Services Act, No. 4 of 2014 as a schedule 3A Public Entity of the Department of Employment and Labour with 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**

VISION

To lead and inspire a productive and competitive South Africa

MISSION

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

VALUE PROPOSITION

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



REASON FOR BEING

To aid South Africa to:

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



ALIGNMENT TO NATIONAL POLICY MANDATES

Strategic Focus	Enterprise Competitiveness and Sustainability	Prevent job losses	Productivity and competitiveness related Value-added information, best practices and systems
Contribution to the NDP	<p>Chapter 3: Target programmes that contribute to sustainable and inclusive growth and development</p> <p>Chapter 9: Improving productivity and develop world-class system of innovation</p> <p>Chapter 13: Implement programmes that improves efficiency and effectiveness of government</p>		
Contribution to the MTSF 2019-2024	<p>Government Priority 1: A capable, Ethical and Developmental State</p> <p>Government Priority 2: Economic Transformation and Job Creation</p>		
Contribution to the ERRP	<p>Priority 1: Industrialisation of the economy and a massive increase in local production</p> <p>Priority 2: An employment stimulus to create jobs and support livelihoods.</p>		
Contribution to the SDGs, Africa Agenda 2063, and ILO Centenary Declaration for the Future of Work	<p>SDG 8: Promote inclusive and sustainable economic growth, employment, 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.</p>		

OUR FUNCTIONS AND PROGRAMMES

FUNCTIONS

s32 of the Employment Services Act

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

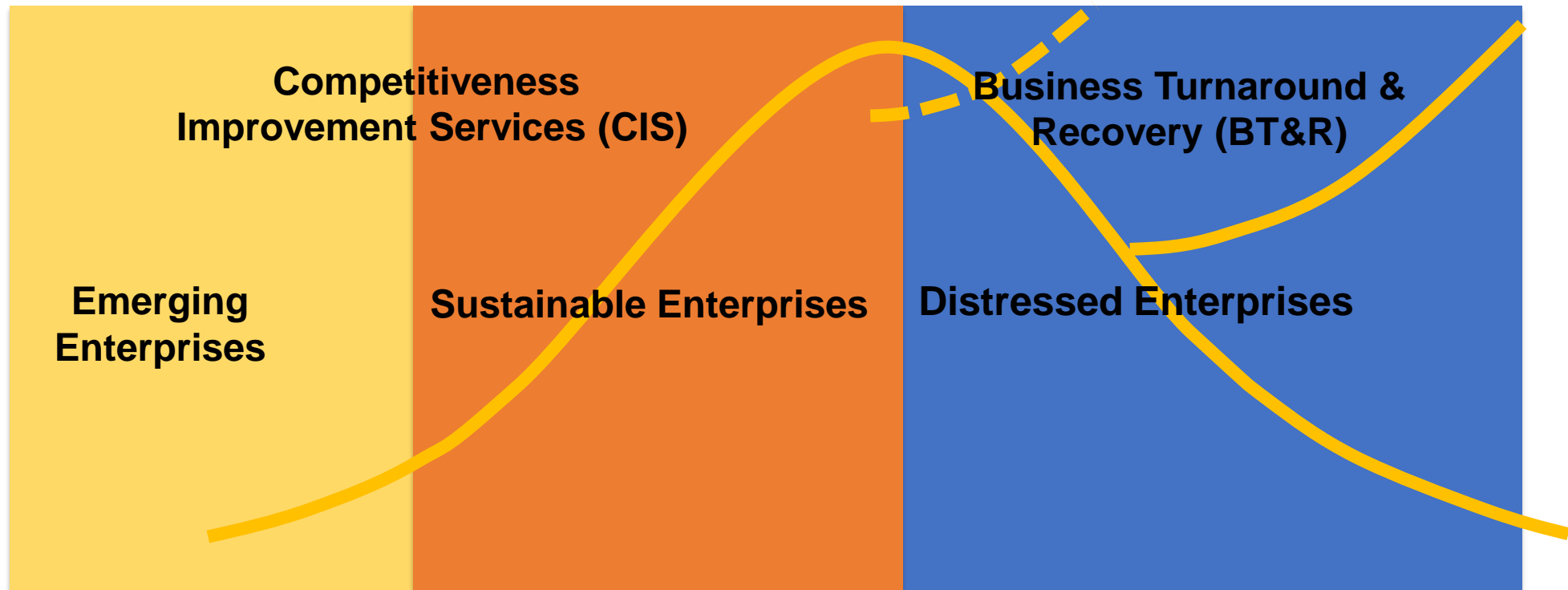
PROGRAMMES

1. Competitiveness Improvement Services (CIS)

2. Business Turnaround and Recovery (BT&R)

3. Research, Innovation and Statistics (RIS)

OUR FUNCTIONS AND PROGRAMMES (cont.)



VALUE OFFER - Enterprise Development and Support Programmes to improve the competitiveness and sustainability of enterprises throughout the business lifecycle (targeting SMMEs in the productive sectors) to generate wealth and profits, preserve jobs and create productive employment and decent work and, improve the wellbeing of workers (employment, wages and working conditions).

TARGET MARKET

- Businesses, with a focus on SMMEs in the productive sectors which are Labour Intensive.
- Prioritise the participation of historically disadvantaged people and regions- supporting meaningful BBEE
- Our Customer segments are:
 - ✓ businesses in economic distress
 - ✓ start-ups
 - ✓ Stable businesses

Linking the interventions to the Sector Master Plans (SMPs) and the District Development Model (DDM)

PRIORITY SECTORS

Sector 1: Industrial Sector:

- Automotive
- Clothing Textile Leather and Footwear
- Gas Chemicals and Plastics
- Renewables/Green Economy
- Steel and Metal Fabrication

Sector 2: Agriculture and Agro-processing

Sector 3: Mining: Minerals and Beneficiation

Sector 4: Tourism

Sector 5: High Tech Sectors/Knowledge based:

- Digital Economy, ICT and Software Production, Digital Economy, Health Economy, Defence Economy

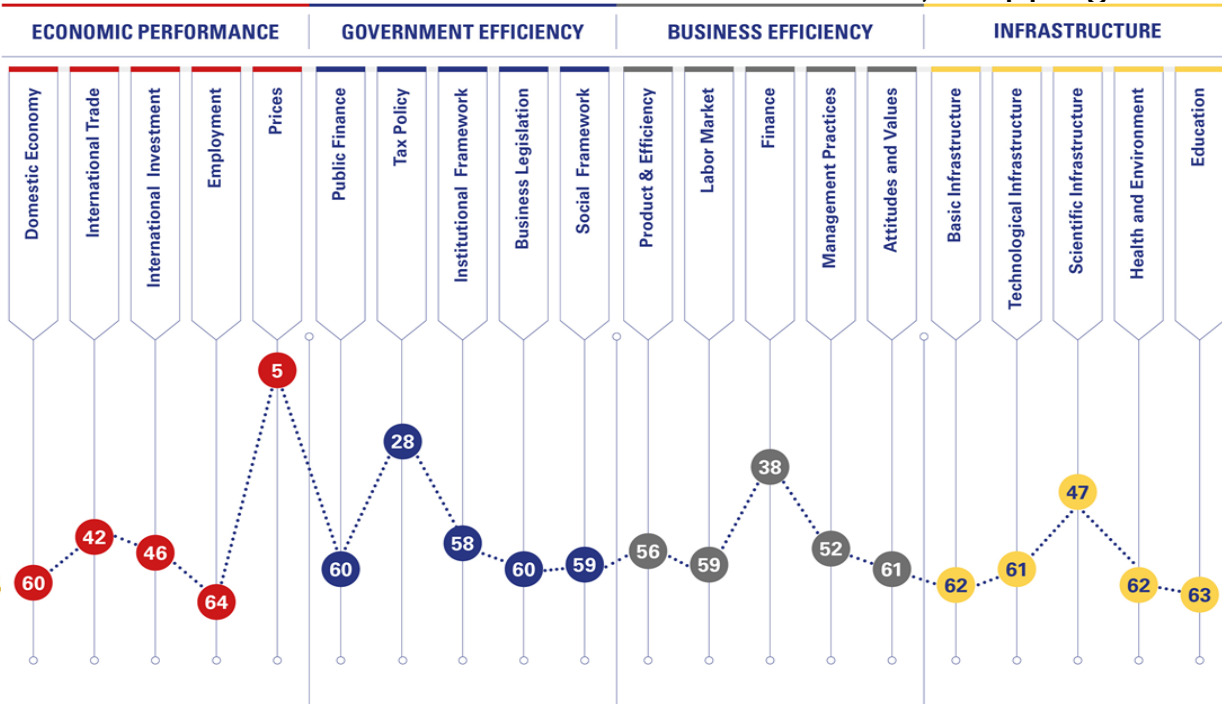
Sector 6: Oceans Economy



INDUSTRY AND BUSINESS LANDSCAPE

THE COMPETITIVENESS AND PRODUCTIVITY LANDSCAPE IN 2020 AND 2021

- South Africa's overall productivity growth, which is a key driver of long-term competitiveness and economic performance is low. With the decline in economic activity in 2020, this is expected to regress further during and beyond the COVID-19 pandemic
- According to the IMD WCY, June 2021, over a period of 3 years, SA recorded a significant drop in overall competitiveness from a ranking of 53 out of the 63 countries in 2018 surveyed by the IMD to 62 out of 64 in 2019.
- Have seen a regression in all the four broad factors in competitiveness since 2010 from about 40 out of 63 countries.
- South Africa ranked **62nd** out of **64** countries, dropping from 59th position in 2020.



PRODUCTIVITY INDICATORS

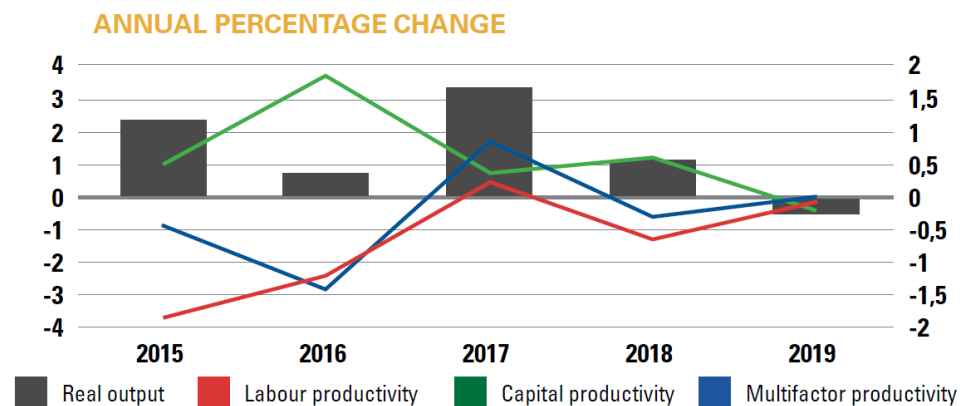


Figure 1: Trends of productivity indicators 2015-2019

PILLARS OF COMPETITIVENESS ACCORDING TO THE WEF: GCI AND IMD: GCI

WEF: GCI - assess and benchmark the competitiveness of 141 economies. The countries' competitiveness is broken into 12 distinct areas, or pillars, which are grouped into three sub-indexes.

- 1. Basic Requirements or Enabling Environment sub-index**, which comprise *institutions, infrastructure, *macroeconomic environment and health and primary education. These are called "basic" as these pillars tend to be those that countries at earlier stages of development tackle first.
- 2. "Efficiency Enhancers" sub-index**, which essentially focus on markets – whether it is the functioning of goods markets, *labour market or financial markets, *Human Capital Development - higher education and training, and *technological readiness, which measures how well economies are prepared for the transition into more advanced, knowledge-based economies.
- 3. Innovation and Sophistication Ecosystem sub-index**, which consists of two pillars: *business sophistication and *innovation capability. These are more complex areas of competitiveness that require an economy to be able to draw on world-class businesses and research establishments, as well as an innovative, supportive government.

IMD: GCI - assess and benchmark the competitiveness of 63 economies. The national environment is divided into four Competitiveness factors/components, which are broken down into five sub-factors, with hard data including 137 criteria:

- 1. Economic Performance** - (*Domestic Economy, International Trade, International Investment, *Employment and Prices).
- 2. Government Efficiency** - Public Finance, Fiscal Policy, *Institutional Framework, *Business Legislation, and *Social Framework),
- 3. Business Efficiency** - (*Productivity and Efficiency, *Labour Market, Finance, *Management Practices, and *Attitudes and Values),
- 4. Infrastructure** - Basic Infrastructure, *Technological Infra., *Scientific Infrastructure., Health and Environment, and *Education).

NB. Productivity SA is a Partner Institute to the IMD

*** Recommended as areas of focus for Productivity SA and the strategic partners involved in the promotion of productivity**

Both WEF: GCI and IMD: WCI assess and benchmark the drivers of long-term competitiveness and a full set of factors that determine productivity to achieve increased prosperity of a nation and enterprises. The reports, in other words, highlight the importance of prosperity as the ultimate outcome of competitiveness.

THE CHANGING WORLD OF WORK

- Disruptive technological advancement, increased automation, and digital transformations- constantly reshaping economic and labour market systems and business models.
- Changing Customer expectations - they demand better quality products and services, which requires business sophistication and innovation capability.
- Outbreak of the COVID-19 pandemic - largely weakened the momentum of global growth recovery, resulting in the global economy experiencing deepest recession since the 1930s.
- The pandemic led to a number of firms shutting down and some scaling down operations to stay afloat, with workers retrenched adding to the unemployment problem, widening inequality in outcomes and access to opportunities

THE CHANGING WORLD OF WORK (cont.)

- Old business models and outdated leadership and management practices do not fit the new reality, requiring adoption of world-class best practices focusing on products, processes and people
- Organisational Designs, structures and, production systems change, requiring world-class best-practices to develop and building a workforce of the future by encouraging life-long learning.
- The country is facing the triple challenges of high unemployment rates, poverty, and inequality, which are to some extent due to the absence of faster and sustained inclusive growth, low productivity growth and transformative innovation.
- In an emerging and developing country like ours, with high levels of informality (over 65% of total SMMEs) and inequality rates, we require policy and programme intervention to transition the informal SMMEs into the formal economy.

THE CHANGING WORLD OF WORK (cont.)

- The high incidence of the informal economy has a negative impact on enterprises, public revenues, government's scope of action, soundness of institutions, and for competition.
- Informal businesses also do not contribute to the tax base and tend to remain small, with low productivity and limited access to finance.
- The informal SMMEs face challenges in terms of cost, quality, delivery, flexibility, human resource development and employ mostly unskilled/semi-skilled workers, thus limiting their potential to assume a more strategic and meaningful economic contribution.
- Most are relatively stagnant, employing mostly unskilled/semi-skilled workers, struggle to transform their informal operations into established businesses, thus limiting their potential to preserve and create jobs and make a meaningful economic contribution.



PRODUCTIVITY SA RESPONSE



AN INTEGRATED ENTERPRISE DEVELOPMENT AND SUPPORT ECOSYSTEM

An Integrated Training & Skills Development Ecosystem

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

An Integrated Enterprise Development and Support Ecosystem

•To improve the competitiveness & sustainability of enterprises, with a focus on SMMEs by:

- creating an environment conducive for entrepreneurship and sustainable enterprises,
- encouraging the application of decent and productive workplace practices,
- address sector-specific challenges through value chain and cluster upgrading which is linked to training and skills development along the value chain,
- promoting technology & ways of doing business that are environmentally friendly; and
- integrating government support for formal and informal SMMEs, start-ups and cooperatives.

An Integrated Research & Innovation Ecosystem

•To ensure the provision of productivity and competitiveness related value-added information and statistics to inform evidence-based planning as well as monitoring and evaluating the impact of our interventions.

•Government should also incorporate an evaluation process that allows SMMEs to assess the productivity benefits they bring.

A national Productivity Movement

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

COOPERATION, COLLABORATION AND STRATEGIC PARTNERSHIPS

"No matter how brilliant your mind or strategy, if you're playing a solo game, you'll always lose out to a team"- Reid

Hoffman

- Harnessing the strengths of others from different corners of our Enterprise Development Ecosystem is one of the most strategic ways for Productivity SA to scale its innovation and deliver value to the markets we serve.
- Strategic partnerships are enablers towards achieving our mandate

CATEGORIES OF STRATEGIC PARTNERSHIPS

Government departments and their entities, including SEFA, LEDET and the SETAs

Organised Business Associations including BUSA, BBC, SACCI and SBI

International Partners, such as the ILO, JICA, JPC and APO

Development Finance Institutions, including IDC and Land Bank

Organised Labour, including Cosatu, Fedusa, Nactu and Saftu

Institutions of Higher Learning

PRODUCTIVITY SA BUSINESS MODEL

- **Business Model Innovation and Continuous Improvement**, to enhance the quality of our products and services and the entity's resilience to sustaining operations during a shock that severely disrupts traditional economic activities.
- **Increased utilisation of technology and innovation based services and online platforms** to enhance products and services quality and access thereto.
- Building strategic partnerships and alliances to enhance our product and services innovation and development, and delivery capability

BUSINESS TURNAROUND AND RECOVERY (BT&R) PROGRAMME INTERVENTIONS

Accelerating Business Turnaround and Recovery Programme interventions to save jobs and create conditions conducive for job retention and job creation.

- The Department of Employment and Labour (DEL) through the UIF approved R104m to fund the BT&R Programme in June 2020 - followed by a Board agreement to lift the suspension in July 2020.
- BT&R capacitates employees to be agents of change and to be equipped to identify early-warning signs. This promotes a collaborate approach to problem solving and identifying solutions through the establishment of Future Forums and training and capacitating members.
- BT&R provides non-financial assistance to different organisations across all sectors; facing financial and/or operational distress with a focus on increasing productivity, profitability, and services, as well as to save and retain existing jobs.

BUSINESS TURNAROUND AND RECOVERY (BT&R) PROGRAMME INTERVENTIONS

BT&R Vision

To save jobs and create conditions conducive for job retention and job creation.

Intent

To provide non-financial assistance to different organisations and companies to increase productivity, profitability, and service, as well as to save and retain existing jobs.

The Declaration of the Presidential Jobs Summit (October 1998) outlined a Turnaround Solutions Programme (now called Business Turnaround and Recovery) that aims to prevent job losses or a decline in employment. Supported by recent 2018 Job Summit and are aligned to the economic reconstructing and recovery plan and UIA s5(d) as amended

Assist

The programme seeks to assist:

- The potential applicant in financial and/or operational distress and/or decline.
- There must be a reasonable prospect to turn the company around

Inspire

Seeks 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.

BT&R PROGRAMME INTERVENTIONS

- There was a significant uptake of the programme from September 2020 as most interventions were impacted by the COVID-19 Lockdown regulations.
- The success of the programme relies largely on developing strategic partnerships with various stakeholders and entities.
- In particular, linking the programmes interventions with other job retention schemes and income support measures, in particular TERS. This link was declared mandatory by the DEL/UIF for the companies supported through TERS to participate in the BT&R Programme.
- Further opportunities are currently being explored with Cosatu, Nactu and Fedusa to engage with their organisers and shop stewards at future planned training and workshop sessions so that we share our service offering and empower them to refer companies to our programme when they detect signals of distress.

IMPACT OF BT& R STRATEGIC PARTNERSHIPS

Over the last **2 quarters**, we intensified engagements with all stakeholders and constituencies. This has yielded significant results in extended coverage and reaching more companies. Some highlights of these interactions include:

- MOU with the IDC to work collaboratively with Productivity SA so that we complement their financial support packages with our turnaround solutions and maximise impact of service offering to distressed companies.
- Partnered with the CCMA to contact S189A applicants both before and after they have processed their applications. This increases the effectiveness of our solutions in assisting companies that are contemplating retrenchments.
- Partnered with the NBC PTI to ensure a strategic and tailored approach for clients in the Clothing and Textiles sector.
- Partnership Agreements with the Land Bank to collaborate with the information sharing of distressed Clients that need Technical Services for productivity and competitiveness enhancement assistance.

COMPETITIVENESS IMPROVEMENT SERVICES (CIS) PROGRAMME INTERVENTIONS

- Re-igniting productivity growth and competitiveness of the economy and enterprises through the Enterprise Development and Support Programme interventions.
 - ✓ The CIS Programme prioritises the participation of historically disadvantaged people and regions in the economy and thereby support meaningful BBEE using instruments such as SEZs, Industrial Parks and Black Industrialists interventions.
 - ✓ SMMEs in the productive sectors are targeted to improve their competitiveness and sustainability, linking the interventions to the Sector Master Plans (SMPs) and the District Development Model (DDM)
 - ✓ The Workplace Challenge Programme (WPC) which is funded by **the dtic** was reviewed and refocused to ensure more clustering of companies (with a view to creating linkages between enterprises participating in the programme to share lessons).

CIS PROGRAMME INTERVENTIONS

- **Re-igniting productivity growth and competitiveness of the economy and enterprises through the Enterprise Development and Support Programme (cont.).**
 - ✓ WPC Programme interventions are targeted at improving the competitiveness of companies in the SEZs and Industrial Parks
 - ✓ Workplace collaboration and democratisation forms an integral component of our programme interventions.
 - ✓ Plans were put in place to ensure Vertical and Horizontal Integration of enterprises (SMMEs and big companies) value chains and supply chains in support of the private sector big companies and SOEs Enterprise Development and Support Programmes (ESDs)
 - ✓ The training of Productivity Champions to increase the pool of cadres with productivity enhancement capability in the districts and within the workplaces was accelerated. The objective is to have at least one champion in the 44 Districts and 8 metros.

CIS PROGRAMME INTERVENTIONS

- **Re-igniting productivity growth and competitiveness of the economy and enterprises through the Enterprise Development and Support Programme (cont.).**
 - ✓ MOU signed with the KZN Department of Economic Development and TIKZN to initiate an Export Competitiveness Improvement Programme and, with TRANSNET on the ESD.
 - ✓ The partnership with **the dtic** to implement the ITUKISE Internship Programme (which is funded by the National Skills Fund) was extended. The objective is to recruit, pair with suitable host companies, particularly those participating in our Enterprise Development and Support Program to place graduates.
 - ✓ Various MOU/As were entered into with other government department in the economic cluster and the SOEs (both at national and provincial level) to implement the Economic Reconstruction and Recovery Plan, with a focus on industrialisation and localisation.

CONTRIBUTION TO THE ECONOMIC RECONSTRUCTION AND RECOVERY PLAN

Over the MTSF 2019 – 2024 and towards 2030, more focus will be on priority two of government, including those in the ERRP which are specific to Productivity SA's mandate of promoting employment growth and productivity, specifically relating to:

- 1) Industrialisation of the economy and a massive increase in local production, and**
- 2) An employment stimulus to create jobs and support livelihoods.**

Productivity SA is well positioned to support the two priorities through its Enterprise Development and Support Programmes, namely:

- 1) The Competitiveness Improvement Services Programme** whose Workplace Challenge (WPC) Programme support efforts to promote long term industrialisation and transformation to achieve a productive high-income economy which is globally competitive and improve the competitiveness and sustainability of enterprises within the priority productive sectors of the economy (in support of the Sector Master Plans) to preserve current jobs and to create productive and decent employment; and
- 2) the Business Turnaround and Recovery (BT&R) Programme**, which provides Turnaround Strategies and Plans to restructure and improve the productivity and operational efficiency of companies facing economic distress to prevent job losses or minimise the retrenchment of employees.

INDUSTRIALISATION AND GROWING THE PRODUCTIVE ECONOMY-(APRIL 2020 TO DATE)

NO	KEY INDICATORS	INTENDED OUTCOME	PROGRESS TO DATE (PRODUCTIVITY SA LINKED)
2.4	Improve efficiencies of local producers	Increased productivity across sectors (prioritisation of the manufacturing sector)	Productivity SA Competitiveness Improvement Services Programmes incl. the DTIC funded Workplace Challenge (WPC) Programme aims at improving the competitiveness and sustainability of enterprises to achieve a productive high-income economy which is also globally competitive. To date, 161 companies have been supported.
2.8	Support for local manufacturing as well as firms and households in distress	Increased support for distressed companies	<p>To date, 99 companies have been supported which resulted in 10 084 jobs saved. In addition, 554 members have been trained and capacitated on productivity improvement solutions.</p> <p>The Temporary Employer/Employee Relief Scheme (TERS) is in operation. To date in the current financial year, 19 companies have been recommended for support, translating into 1 811 jobs saved at a total cost of R64 946 797,15</p>
2.9	Strengthen SMMEs and cooperatives on the back of localisation and support for badly affected labour-intensive industries	Competitive SMMEs that contribute to inclusive economic growth and job creation	2 429 entrepreneurs, managers and workers and 624 Champions training has been capacitated through productivity awareness, business start-up workshops, business improvement workshops and quality management.

MACRO-ECONOMIC INTERVENTIONS AND ENABLERS OF GROWTH (APRIL 2020 TO DATE)

NO	KEY INTERVENTION	INTENDED OUTCOME	PROGRESS TO DATE (PRODUCTIVITY SA LINKED)
5.8	Review and integrate government support for formal and informal SMMEs, start-ups and cooperatives	Reduce regulatory burdens that face SMMEs and informal economic units	<p>Productivity SA's CIS programme focusses on enterprise competitiveness and sustainability, including enhancing the appropriate capacities of SMMEs and Co-operatives.</p> <p>922 entrepreneurs capacitated to promote the culture of productivity and entrepreneurship;</p> <p>2 307 SMMEs and other enterprises (both formal and informal) supported through Productivity interventions to improve their competitiveness and sustainability.</p> <p>624 Champions have been trained and capacitated across the provinces.</p> <p>Productivity SA is represented at the ERRP SMME workstream, to support the creation of an enabling ecosystem for SMMES, start-ups and co-operatives in the formal and informal economy through collaboration with Social Partners.</p>

THANK YOU

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