2020/21

Annual Report

productivity sa
Inspiring a Competitive South Africa

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General Information

PART A

General Information

REGISTERED NAME:	PRODUCTIVITY SA
PHYSICAL ADDRESS:	CNR NEW AND SIXTH ROADS INTERNATIONAL BUSINESS GATEWAY MIDRAND
POSTAL ADDRESS:	PRIVATE BAG 235 MIDRAND 1685
TELEPHONE NUMBER:	011 848 5300
FAX NUMBER:	011 848 5555
EMAIL ADDRESS:	info@productivitysa.co.za
WEBSITE ADDRESS:	www.productivitysa.co.za
EXTERNAL AUDITOR:	NEXIA SAB&T
BANK:	NEDBANK
COMPANY/BOARD SECRETARY:	BARBARA TIMOTHY

List of Abbreviations/Acronyms

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad-Based Black Economic Empowerment
BT&R	Business Turnaround and Recovery
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DEL	Department of Employment and Labour
DoL	Department of Labour
ESD	Enterprise Supplier Development
ETD	Education Training Development
EWS	Early Warning System
4IR	Fourth Industrial Revolution
ILO	International Labour Organization
IMD	Institute for Management Development
IPAP	Industrial Policy Action Plan
IT	Information Technology
JICA	Japan International Cooperation Agency
LEDET	Limpopo Department of Environment and Tourism
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
OCEO	Office of the CEO
OHS	Occupational Health Safety
PFMA	Public Finance Management Act
POS	Productivity Organisational Solutions
SADC	Southern African Development Community
SCM	Supply Chain Management
SCORE	Sustaining Competitive and Responsible Enterprises
SDF	Skills Development Facilitator
SEFA	Small Enterprise Finance Agency
SEZ	Special Economic Zones
SMME	Small Medium and Micro Enterprise
TAS	Turnaround Solutions
TCT	Total Cost to Company
TERS	Temporary Employer Employee Relief Scheme
the dtic	Department of Trade, Industry and Competition
UIF	Unemployment Insurance Fund
WPC	Workplace Challenge
WCY	World Competitiveness Yearbook

Professor Mthunzi Mdwaba

Chairman of the Board

Chairman's Foreword

I am pleased to present to you our stakeholders, Productivity SA's Annual Report 2020/21. In this Annual Report we will update you on the strides we have made in realising the vision of Productivity SA, which is to lead and inspire a productive and competitive South Africa. The foundation to enable fruition of Productivity SA's vision is the entity's strategic plan and its programme interventions, which are focused on creating an enabling environment for competitive and sustainable enterprises that preserve and create productive and decent jobs.

During the period under review, Productivity SA set out its key focus areas, targeting SMMEs in the productive sectors of the economy over the Medium-Term Strategic Framework (MTSF) 2019-2024 and towards 2030. Amid the planning and as it is now well documented, the novel coronavirus in the form of COVID-19 changed the economic environment globally and in South Africa. The outbreak of the pandemic and the subsequent lockdowns drastically impacted on the Productivity SA business model and operating environment.

Centrally, COVID-19 emerged as a public health crisis of unimaginable proportions. However, the pandemic was equally devastating as it put a spanner in the works of a South African economy that was already experiencing low economic growth and productivity growth. The challenges posed by the onset of the pandemic wreaked havoc on the ability of countries to facilitate a conducive environment in which enterprises and citizens can derive lasting value.

Strategic Overview

During the year under review, in response to the pandemic, Productivity SA refined areas of its strategic and operational interventions to contribute to the country's Economic Reconstruction and Recovery Plan during and post COVID-19 pandemic. We called on the Department of Employment and Labour (DEL) 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.

We also made a clarion call for government to support 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, SMMEs, to generate decent work, productive employment and improved living standards for all. We further advocated for addressing productivity holistically at all levels (national, sector and enterprise) if we are to unlock 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.

To this effect, during the 2020/21 financial year and over the next ten (10) years (2021 to 2030), our strategic objectives and programme interventions are focused on two MTSF priorities – **Priority 1**: A Capable, Ethical and Developmental State and **Priority 2**: Economic Transformation and Job Creation; and interventions to implement the Economic Reconstruction and Recovery Plan (ERRP). The Key ERRP focus is placed on **Priority areas 2**: Industrialisation and growing the productive economy, which include (i) Improving the efficiencies of local producers; (ii) Supporting local manufacturing as well as firms and households in distress; and (iii) An employment stimulus to create jobs and support livelihoods; and **Priority area 5**: Macro-economic interventions and enablers for economic growth, which include (i) Ending wastage including enhanced productivity; and (ii) Reviewing and integrating government support for formal and informal SMMEs, Start-ups and Cooperatives. We also reviewed our strategic focus and designed our Enterprise Development and Support Programmes as well as programme interventions to target and support SMMEs and Cooperatives in the priority productive sectors of the economy (in line with Sector Master Plans) with strong growth and employment multipliers.

During the 2020/21 financial year, Productivity SA went on a drive to harness the strengths of strategic partners and alliances from different corners of our ecosystem as one of the most strategic ways through which we can scale our innovation and deliver value to the market we serve.

We are beginning to see a positive response by strategic partners in the private sector, which is confirmed by the MOA/Us signed with organised business (BUSA, BBC and SACCI) government departments and entities in the economic cluster (AIDC, CCMA, ELSEZ, LEDET, LEDA, TIKZN), organised labour (SACTWU), academia (TUT and UWC), and international partners including the ILO. This is a huge milestone. It has been a long and slow process of placing Productivity SA at the centre of our partners' activities and realising the strength, power and strategic importance of productivity and competitiveness engagement. It is very important to the rebuilding, restructuring, re-engineering and recalibration of the economy we have been trying to enjoin everyone in, for a sustainable and resilient economy. We have also seen a greater collaboration with the Department through its visibility, at the highest level, represented by the Deputy Minister, Ms Boitumelo Moloi at numerous webinars and engagements we have had during the current year under review.

To be well positioned to lead a productivity and competitiveness driven, inclusive and sustainable growth and development agenda for the country, Productivity SA embarked on a restructuring process. The restructuring was geared towards unlocking the potential of productivity of South Africa by addressing productivity and competitiveness challenges at all levels – national, sector and enterprise levels.

The restructuring which took effect from 1 April 2020 saw the operations arm of Productivity SA comprise of the Business Turnaround and Recovery (BT&R) Programme, the Competitiveness Improvement Services (CIS) Programme, and Research, Innovation and Statistics Programme. This also resulted in the creation and establishment of Region 1 (which services Gauteng, Limpopo and North West) to provide a full suite of Productivity SA Services and Programmes (BT&R and CIS).

The tripartite leadership of the board which took office from the 1 November 2019 to 30 November 2024 has undoubtedly strengthened the entity's capability for good governance and regulatory compliance. We are proud to report that, Productivity SA has managed to sustain an unqualified audit outcome over the past five years. During the 2020/21 financial year, there was no irregular expenditure.

R104 million was allocated for the 2020/21 financial year towards the BT&R Programme to support companies facing economic distress. Since July 2020 Productivity SA 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. The work of the new programmes is covered in the performance section of the annual report.

During the period under review, Productivity SA Enterprise Development and Support Programmes focused on supporting an Integrated Enterprise Development and Support Ecosystem to create a coherent platform to enhance access and coordination of SMME support to create productive and decent employment. This was in line with Productivity SA's mandate to promote employment growth and productivity thereby contributing to South Africa's socio-economic development and competitiveness. To drive this agenda, Productivity SA reset its interventions to focus on the following pillars:

(i) **An Integrated Enterprise Development and Support Ecosystem** to improve the competitiveness and sustainability of enterprises, with a focus on SMMEs. The focus on SMMEs is informed by evidence that, small businesses are the backbone and productive drivers of innovation and inclusive economic growth and are sources of employment to an estimated 61% of the world's working population. SMMEs in South Africa represent more than 90% 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. A breakdown of SMME operations per Province reflects that South Africa has over 2,6 million small enterprises and about 43% of them operating in the more affluent provinces (Gauteng and Western Cape, hence the high levels of migration to these two provinces) and the rest in the remaining seven Provinces, which are mostly rural, and poverty stricken.

(ii) **An Integrated Training and Skills Development Ecosystem** that also encourages life-long learning, with active involvement of employers' organisations in the governance of skills systems to ensure that the supply of skills responds to labour market needs.

(iii) **An Integrated Research and 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; 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.

The Board remains confident that through Productivity SA's revised Annual Performance Plan 2021/22 which is being currently implemented, our strategic focus will continue to target those SMMEs in the township and rural economies, towards achieving a productive high-income economy over the MTSF 2019 – 2024 and up to 2030.

Strategic Relationships

As indicated in the strategic overview preceeding this section, during the year under review Productivity SA has been able to form new strategic partnerships and entrenched existing partnership with a view to garner advantages such as the pooling of resources and skills, the development of new products and technologies, and to pursue joint research and development.

The partnerships that Productivity SA embarked on have been extremely strategic to ensure as much scalability as possible, recognising our resource challenges, mindful that we must have the ability and capacity to also manage the relationships. As stated, these include Government Departments and Agencies in the Economic Cluster, Business Formations such as South African Chamber of Commerce and Industry (SACCI), Black Business Council (BBC), Business Unity South Africa (BUSA) and agencies such as AIDC, ELIDZ, TIKZIN among others. The strategic partnerships also extended to Institutions of Higher Learning such as the University of Western Cape (UWC) that provided a platform for Productivity SA to embark on joint research as well as Tshwane University of Technology. On the global front, Productivity SA continued with partnerships with the ILO (including very positive exploratory talks with the Swiss Embassy given its targeted productivity programme with the ILO on how to jointly engage and galvanise the entire South African government), JICA, JPC, APO, and the IMD.

It is also very significant that we had the most fruitful engagement to date with the Parliamentary Portfolio Committee on Employment and Labour under the leadership of the Honourable Ms Lindelwa Dunjwa. Through her Committee's request for us to present to them, we were challenged to demystify and simplify our productivity messaging and take them with us in ensuring that Productivity SA becomes the axis for the creation of employment and stemming the tide on the retrenchments that are causing a depressive state in our country. The recognition of our work that has been customarily and traditionally been known has changed. The encouraging appreciation by many quarters that employment creation must be divorced from dogma and ideology is gaining a lot of traction and this is an important "collective waking up and smelling the coffee" that we need.

Challenges faced by the Board

The Board has continued facing a challenge with the underfunding of Productivity SA. The current funding of R59 million and an organisational structure that has 79 filled posts out of 107 with a high vacancy rate (28 vacancies) particularly in the Strategic Business Units poses a major challenge and is in fact potentially disastrous for the country as a whole given our mandate. This in effect means that we are operating at 72% capacity yet are expected to service the entire country with over 2,6 million SMMEs, over 1.6 million of them operating in the informal economy.

The challenges render it impossible for the entity 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. The limited financial resources and infrastructure makes it difficult for Productivity SA to provide services and deliver on our mandate equitably in all the nine provinces and to meet the large demand for our Enterprise Development and Support Programmes.

What compounds our funding challenges is that the grants from the Unemployment Insurance Fund (UIF) and Department of Trade, Industry and Competition (**the dtic)** are not guaranteed, particularly following the challenges the country has experienced and continue to have related to the COVID-19 pandemic and some of the protests that had engulfed the country at the time of writing this foreword.

We have made numerous requests and calls for higher Parliamentary appropriation and continue to hope that this will be heeded soon.

We need to be reminded of Aristotle's utterances made in 384–322 BC, when he said, "Poverty is the parent of revolution and crime." Without urgent poverty and employment creation interventions that are innovative and creative, we are placing the whole country on the precipice of a huge cliff.

The responsibility for the creation of employment lies squarely within the purview of the Department of Employment and Labour and Productivity SA remains ready to be unleashed when everyone is ready to place the shoulder on the right wheel.

The Year Ahead

In the 2021/22 financial year we will continue to work collaboratively with the Department to find a solution to our funding challenges. In March of the current year, we were privileged as the Board to have the Minister visit us to get an annual report from the board as per the provisions of the Act. The Honourable Minister undertook to urgently structure Committees to deal with our challenges and look forward to using this opportunity to jointly look for opportunities. In the short term though, 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 CIS Programme and at Regional Operations. In the long-term, the funding model of Productivity SA should be reviewed to have a single source funding model informed by section 12 of the Employment Services Act.

Over the next 10 years, our focus will be placed on implementing an Integrated Enterprise Development and Support Ecosystem and Programmes for formal and informal SMMEs. The strategic focus must be on addressing productivity and informality, having noted South Africa's challenge of a dual economy which is characterised by high levels of informality and inequality. We also cannot going forward simply limit our efforts at thwarting informality challenges, to transitioning our people from informality to formality, we also require an array of new and urgent innovative, as well as creative tools, underpinned by social dialogue and the collaboration of those that are in informality. This is in pursuance of the NDP targets that, by 2030 SMMEs will contribute 60-80% to GDP increase, and generate 90% of the 11 million new jobs in our country.

Conclusion

Despite the challenges, the Board and Productivity SA have achieved the bulk of its APPs as outlined in the performance section. I would like to take this opportunity to thank my fellow Board of Directors who as a tripartite and independent Board give far more of themselves than could have been imagined given the COVID-19 pandemic challenges that no one globally could ever have imagined; the Chair of the Parliamentary Portfolio Committee, Honourable Ms Lindelwa Dunjwa under whose leadership the Committee has taken an active interest in the work of Productivity SA, the Honourable Minister of DEL Mr Thulas Nxesi, DEL Deputy Minister Ms Boitumelo Moloi, and DEL DG, Mr Thobile Lamati.

We have had an increased presence on social media during the COVID-19 pandemic to ensure that we remain in touch with our people and invite our stakeholders to follow us on the various social media platforms on LinkedIn and @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.

Professor Mthunzi Mdwaba
Chairman of the Board
Productivity SA
12 August 2021

Mothunye Mothiba
Chief Executive Officer

Overview by the Chief Executive Officer

We present the 2020/21 Annual Report in the middle of the COVID-19 pandemic and national lockdown restrictions (introduced in South Africa since March 2020) that has devastated the health and socio-economic systems across the world. The widespread lockdowns due to efforts to curb the spread of COVID-19, led to complete closures of economic and social activities that unfortunately resulted in loss of production hours, business closures, massive loss of employment and incomes, disruption of international tourism and global supply chains. The pandemic has stalled the growth of economies globally and has presented new and far- reaching challenges for local economies. Besides the health crisis posed by the pandemic, COVID-19 has stumped the ability of countries to facilitate and create a conducive environment for entrepreneurship and sustainable enterprises. Unfortunately, the small enterprises, which are the backbone and productive drivers of innovation and inclusive economic growth were the worst affected by the outbreak of the pandemic.

The impact of the COVID-19 pandemic has affected our operations at various levels, including limited access to clients for our Productivity Practitioners, and employees unable to access the premises resulting in remote work, therefore, poor performance in terms of our Annual Performance Plan targets. During the course of the financial year in July 2020, we had to review our Annual Performance Plan and revise the targets down due to budget cuts, as government was reprioritising and reorientating public funds from the economic imperatives to support and strengthen health and social welfare systems.

These challenges resulted in Productivity SA managing to achieve only 67% of its Annual Performance Targets in the 2020/21 financial year, which is a far cry from the commendable 100% achieved in the 2019/20 financial year. However, these challenges also created opportunities for us, and calls for innovation in the manner in which we create and deliver value to enterprises, which include products and services innovation as well as reviewing our service delivery model to digitalise and offer more of our offering online.

It should also be noted that, South Africa's productivity growth (which is a driver of sustained competitiveness and economic growth) recorded a decline in 2020, with Labour Productivity (LP) at -0.9 percent and Multifactor Productivity (MFP) at -0.4 (Productivity Statistics Report, 2019). Further to this, our competitiveness ranking dropped to 62nd out of 64 countries, dropping from 59th position in 2020, which shows a consistent regression from 37 in 2005 (IMD WCY, 2021 June). These are the more reasons why we are doing everything in our power to enhance Productivity SA's resources and capability to lead a productivity driven growth and development agenda in South Africa. The strategic role of Productivity SA in enabling the creation of productive employment and decent jobs and galvanising the country into higher levels of productivity has to increase exponentially given the current environs. Although COVID-19 affected ease of doing business, Productivity SA still managed to notch some notable achievement during the year under review:

Key strategic objectives achievements during the year under review, worth mentioning, include but not limited to:

- The lifting of the suspension on the Business Turnaround and Recovery (BT&R) Programme in July 2020, which was suspended for the past two (2) consecutive financial years (2018/19 and 2019/20) because of unavailability of funds, couldn't have come at a better time when the economy was bleeding jobs. The commitment of over R104 million and the transfer of the first tranche of R23 million in June by the Department of Employment and Labour/UIF enabled us to implement turn-around strategies and plans to restructure and improve the productivity and operational efficiency of companies facing economic distress to be sustainable, competitive and create conditions conducive for job retention and creation.

  25 companies facing economic distress were supported from July 2020 to March 2021 and the interventions assisted in the preservation of 3 030 jobs. Part of the interventions also included establishing Workplace /Future forums (committee comprising on management and workers), training and capacitating 96 of their members on productivity improvement solutions. Most of the companies supported through the programme are operating in the clothing and textile industry, flowing out of a partnership with the National Bargaining Council for the Clothing Manufacturing Industry (NBCCMI).

  An encouraging development during the year under review was that, Government, through the Provincial Economic Development Departments is taking up the responsibility to fund interventions aimed at supporting companies going through economic distress. The Department of Economic Development and Tourism, Western Cape Government, funded the Vuselela Project which enabled Productivity SA's Region 2 (which is responsible for the WC, FS and NC) to complete 6 extensive business turnaround projects during the financial year. All projects focussed on improving operational efficiencies of the primarily manufacturing business entities. The entities involved in the Vuselela Project employs 273 employees. A six-month Monitoring-and-Evaluation (M&E) process is currently in progress.

Although the 3 030 jobs saved during the 2020/21 financial year was way below the annual target of 8 700 (noting that the interventions started only in July, three months into the financial year and the interruptions due to the national lockdown restrictions), we were able to put in place an acceleration plan, which is beginning to bear fruit, with the targets in the first quarter of the 2021/22 financial year exceeded.

Furthermore, Productivity SA continued to offer technical support in partnership with Commission for Conciliation Mediation and Arbitration (CCMA), the Unemployment Insurance Fund (UIF) and the Department of Trade, Industry and Competition (**the dtic**) towards the single adjudication committee of the Temporary Employer/Employee Relief Scheme (TERS) in pursuit of Presidential Jobs Summit commitment to preserve jobs. Beneficiaries of TERS are encouraged to implement the Business Turnaround and Recovery (BT&R) Programme to enhance their long-term sustainability through development and implementation of turnaround strategies.

The decision by the DEL/UIF to make it mandatory that companies applying for and qualifying to the TERS should participate in the BT&R Programme will go a long way in creating an enabling environment for us to intervene and support the companies which are going through economic distress.

» Through the Competitiveness Improvement Services (CIS) Programme, 2 796 SMMEs and other enterprises in the productive sectors of the economy (in line with the Sector Master Plans) were supported to improve their competitiveness and sustainability to preserve and create productive employment and decent jobs.

  There were targeted interventions through the Workplace Challenge (WPC) Programme (which is funded by **the dtic** to the value of over R9 million), which resulted in 109 companies mostly in the Special Economic Zones and Industrial Parks assisted and 3 industrial clusters established in the Forestry, Footwear and Leather, and the Creative sector.

  Furthermore, 429 Productivity Champions were capacitated (against a target of 322) to build awareness and promote a stronger culture of productivity and awareness thereof.

» Productivity SA has entered into a partnership with **the dtic** to implement the Itukise Internship Programme (which is funded by the National Skills Fund) and managed to recruit, pair with suitable host companies and place a total of 385 graduates during the financial year. The composition of the graduates was 226 females and 159 males. The beneficiaries have successfully been placed with host companies nationally and will be receiving Productivity Champions training and Monitoring and Evaluation over the next financial year.

» During the period under the COVID-19 pandemic and lockdown restrictions since March 2020, Productivity SA had to review and adapt its business model and introduced the remote work model and new ways of doing business to remain relevant and financially sustainable. We initiated a project called "The Productivity SA Way of Doing Business", the objective being (i) products and services innovation to align our offering to the new environment and the economy of the future, (ii) to leverage technology and innovation (including digitisation of our products and services) to improve the quality and access to our offering, and (iii) remote work which resulted in less utilisation of office space with massive saving on rental costs. These we did with an understanding that, the new hybrid 'work from anywhere' model looks set to stay and employees now have to be accustomed to no commute times and a better work life balance. The new model has implications for our clients, in particular SMMEs operating in the informal economy which we have to take along.

Financial viability and the going-concern status of Productivity SA

The financial viability and the going-concern status of Productivity SA remain an area of concern for the period under review, despite recording a positive movement year on year. The entity's mandate remains inadequately funded, operational capacity is at 75%, the funding mechanism is still under review and intermittent operational interruptions due to COVID-19 related lockdowns.

These unfavourable conditions were somewhat cushioned by the resurrection of the BT&R, renegotiated lease contract with the landlord, recruitment-embargo, approval by the Director-General of a Waiver of Liability amounting to R36 million and, to a smaller scale, adoption of the remote working strategy.

The net effect of processing the Waiver of Liability was an improvement in both the statement of financial performance, reflecting an accounting surplus of R25.1 million for the year-ended 31 March 2021 and the statement of financial position reflecting a net accumulated surplus of R11.4 million.

The going concern status of the entity largely depends on the funders transferring funds in full and on time.

Spending trends

There was a reduction of R3.4 million in total expenditure year on year, mainly as a result of the reduction in operating costs. The main contributors in the reduction of costs were travelling costs (R2.8 million) due to less travelling as a result of the COVID-19 impact. Also support services contributed about R1.6 million savings mainly due to the majority of employees working from home and therefore reducing the need to support services.

Capacity constraints and challenges

Funding to implement the BT&R Programme was received in June 2020 after a 2-year suspension; therefore, the 2nd quarter of the financial year was spent putting systems in place and building capacity to deliver on the programme.

The greatest challenge has been the adverse effect the global pandemic has had on businesses and the various limitations the lockdown brought about to our usual operations. Our practitioners could not access businesses in need despite it being the opportune moment for a programme such as this to shine and having to resort to online platforms for interventions. Most of the entrepreneurs had limited access to technology which hampered the participation through online platforms.

As a result of operational instability directly induced by lack of adequate funding, the entity has lost a number of skilled employees. During 2020/21 financial year, the entity operated at 74% capacity i.e. 80 employees over a 107 staff-compliment, with 27 vacancies in the strategic business units unfunded. This has unfortunately come at a great expense to the struggling beneficiaries i.e. companies in distress and facing retrenchments that could not be assisted to potentially save jobs.

Discontinued activities/activities to be discontinued

There were no discontinued activities during the current financial year and the entity does not anticipate discontinuing any activities in the near future.

Requests to roll over funds

Productivity SA was given permission to roll over BT&R Programme funds.

Supply chain management

Productivity SA follows the provisions of the Preferential Procurement Policy Framework Act (PPPFA) and its own Supply Chain Management (SCM) policy to ensure a strong internal control and compliance environment. The following are true for the financial year under review:

- No unsolicited bid proposals were under review; and
- SCM processes and systems are in place and continue to be improved.

The implementation of the SCM committees, the Bid and Evaluation Committee and the Adjudication Committee continues to eliminate possible non-compliance instances.

Audit report matters in the previous year

The audit matters raised in the previous year were resolved in full and reported quarterly to the Audit and Risk Committee.

Predetermined objectives

Productivity SA has implemented a performance management tool to ensure that quarterly reporting is consistent and in line with approved predetermined objectives.

New or proposed programmes and activities into the future

With the adoption of the Economic Reconstruction and Recovery Plan in 2020, Productivity SA's focus through its Enterprise Development and Support Programmes 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) Improving the efficiencies of local producers; (iii) Supporting 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) Ending wastage including enhanced productivity, and (ii) Reviewing the integrated government support for formal and informal SMMEs, Start-ups and Cooperatives.

Productivity SA will continue working with the Japan International Cooperation Agency (JICA) in reviewing its Business Model and repositioning itself as a Centre of Excellence. This initiative will include the implementation of the Kaizen Programme in South Africa and to support such initiatives in SADC. 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.

The BT&R Programme's capacity and capability will be further enhanced in the 2021/22 financial year to enable it to support 191 companies at a cost of R115 million with the objective of saving at least 9 570 jobs. Productivity SA will continue to actively participate within TERS task team of the presidential jobs summit as well as in the TERS single adjudication committee with CCMA, **the dtic** and UIF to ensure that distressed companies are not only receiving wage subsidies but benefit from the development and implementation of turnaround strategies in order to enhance their long-term sustainability.

Collection of revenue

Productivity SA continues to send letters of demand to customers requesting that all outstanding debts be settled, and the response has been positive, resulting in long-outstanding debts being settled.

Procurement and contract management

No disciplinary actions were taken for non-compliance with SCM prescripts during the financial year.

Outlook/plans to address financial challenges

The Productivity SA Turnaround and Financial Sustainability Strategy is being developed and we believe that this will provide a framework for targeting government programmes and those in the private sector in order to generate maximum revenue and sustain the entity.

Annual Financial Statements note

The entity registered a surplus of R25.1 million during the financial year mainly as a result of a R22.2 million receivable impairment accounting entry passed in the books of BT&R as approved by the DG: Department of Employment and Labour.

> "The greatest challenge has been the adverse effect the global pandemic has had on businesses and the various limitations the lockdown brought about to our usual operations."

Economic viability

The entity's current assets of R36.9 million exceeded current liabilities of R32.6 million resulting in the entity finishing the financial year on a net current assets of R4.3 million.

Events after the reporting date

There were no events after the reporting date.

Appreciation

I would like to thank the Productivity SA Board for their continued support to the Executive and staff. I would also like to thank the Honourable Minister of Employment and Labour, Mr TW Nxesi, and the DG, Mr T Lamati, as the lead department that funds Productivity SA. Furthermore, I thank **the dtic** for entrusting us with the administrative responsibility for the WPC and Itukise Programmes. Last but not least I would like to thank Productivity SA staff for their selflessness in ensuring that we deliver on our mandate during the difficult times and embracing the remote work model.

Mothunye Mothiba
Chief Executive Officer
12 August 2021

Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by Nexia SAB&T.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the SA standards of Generally Recognised Accounting Practice (GRAP).

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully

Mothunye Mothiba
Chief Executive Officer
12 August 2021

Strategic Overview

VISION

To lead and inspire a productive and competitive South Africa.

MISSION

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

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.

Legislative and Other Mandates

Productivity SA's strategic goals and programmes, as is the case with the Department of Employment and Labour, operate 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 the Bill of Rights, with a focus on, among others, the following:

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

Productivity SA is administered under the following legislations:

The Employment Services Act (Act No. 4 of 2014)

Productivity SA is established in terms of Section 31 of the Employment Services Act (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.*

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 and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of these governments are managed efficiently and effectively; and to provide for the responsibilities of persons entrusted with financial management in these governments; and to provide for matters connected therewith.

The Board as an Accounting Authority must manage Productivity SA in accordance with S49–62 of the PFMA.

The Preferential Procurement Policy Framework Act (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.

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 supports 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. These include automotive; metal capital and transport equipment; green industries; clothing and textiles; agro-processing; plastics, pharmaceuticals and chemicals; and film.

The Unemployment Insurance Act (UIA) (Act No. 30 of 2001, as amended)

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 BT & R 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.

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

The NDP provides a long-term vision (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, IPAP and the National Infrastructure Plan.

Productivity SA's strategic and programme interventions focus on contributing to the NDP goals, specifically on Chapter 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 – implementing programmes that improve efficiency and effectiveness of government.

The Medium-Term Strategic Framework (MTSF) 2019–2024

In the medium term, Productivity SA will contribute mainly to the following MTSF priorities:

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

THE CORE FUNCTIONS AND VALUE PROPOSITION

The Functions i.t.o S32 of the Act

- To promote a culture of productivity in the workplace
- To facilitate and evaluate productivity improvement and competencies in workplaces
- To measure and evaluate productivity in the workplace
- To maintain a database of productivity and competitiveness systems and to publicise these systems
- To undertake productivity-related research
- To support initiatives aimed at preventing job losses

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.

The Strategic Focus is on:

- 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.
- 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.
- Providing productivity and competitiveness related value-added information and statistics, best practices and systems through research and innovation 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.

Figure 1: Productivity SA's core functions and value proposition

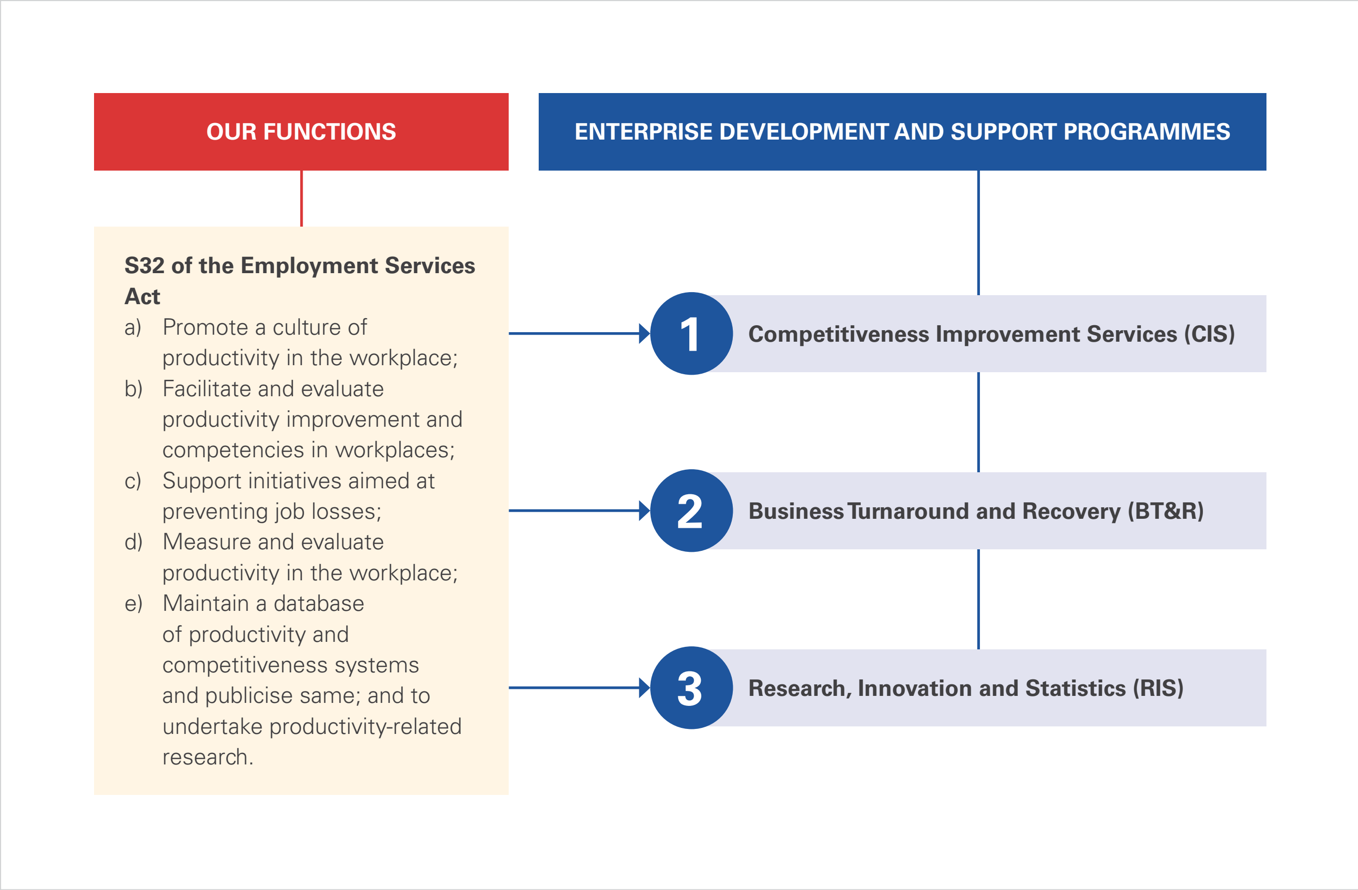

Figure 2: Functions and Enterprise Development and Support Programmes

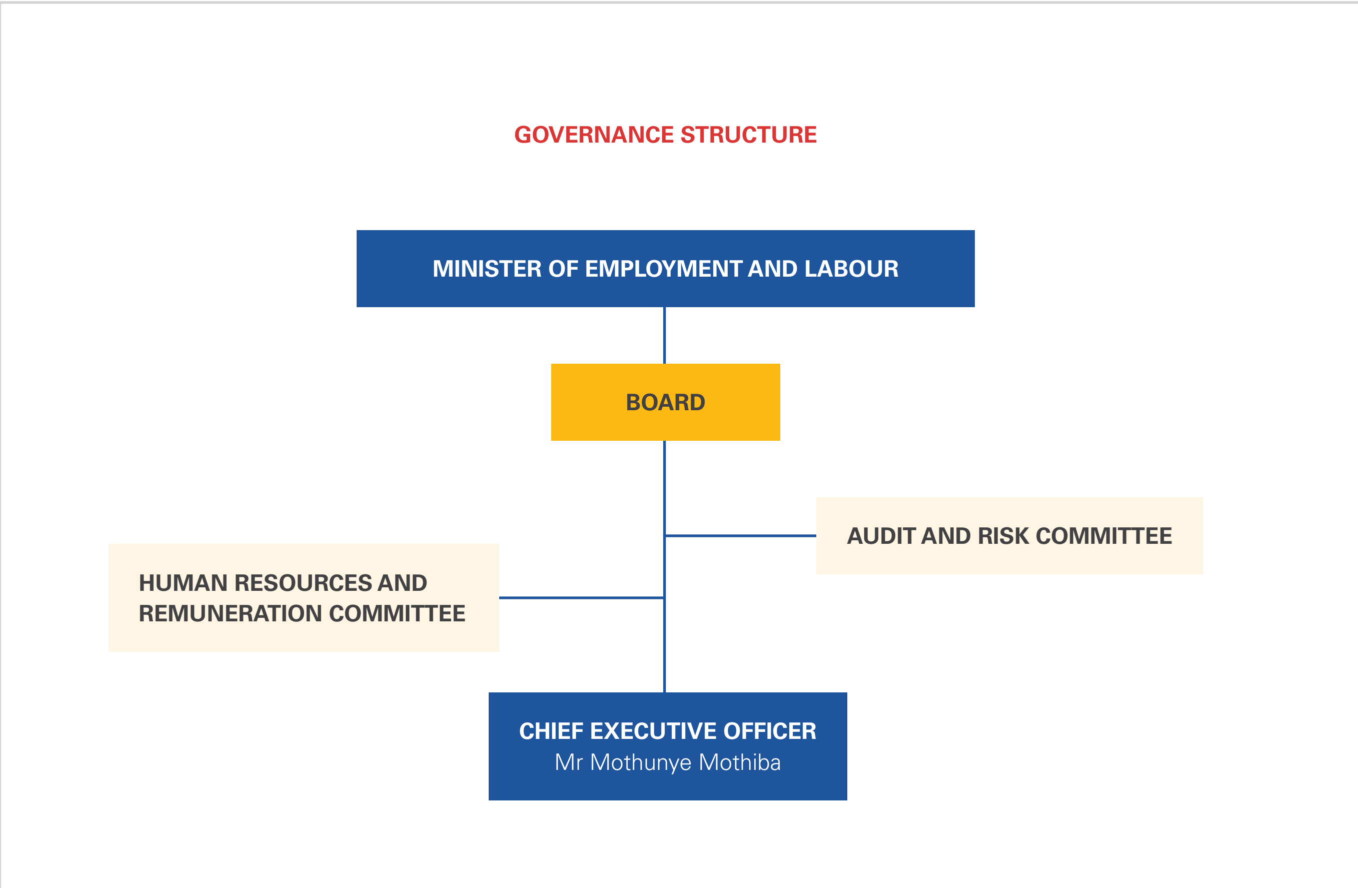

Figure 3: Organisational governance structure

EXECUTIVE MANAGEMENT

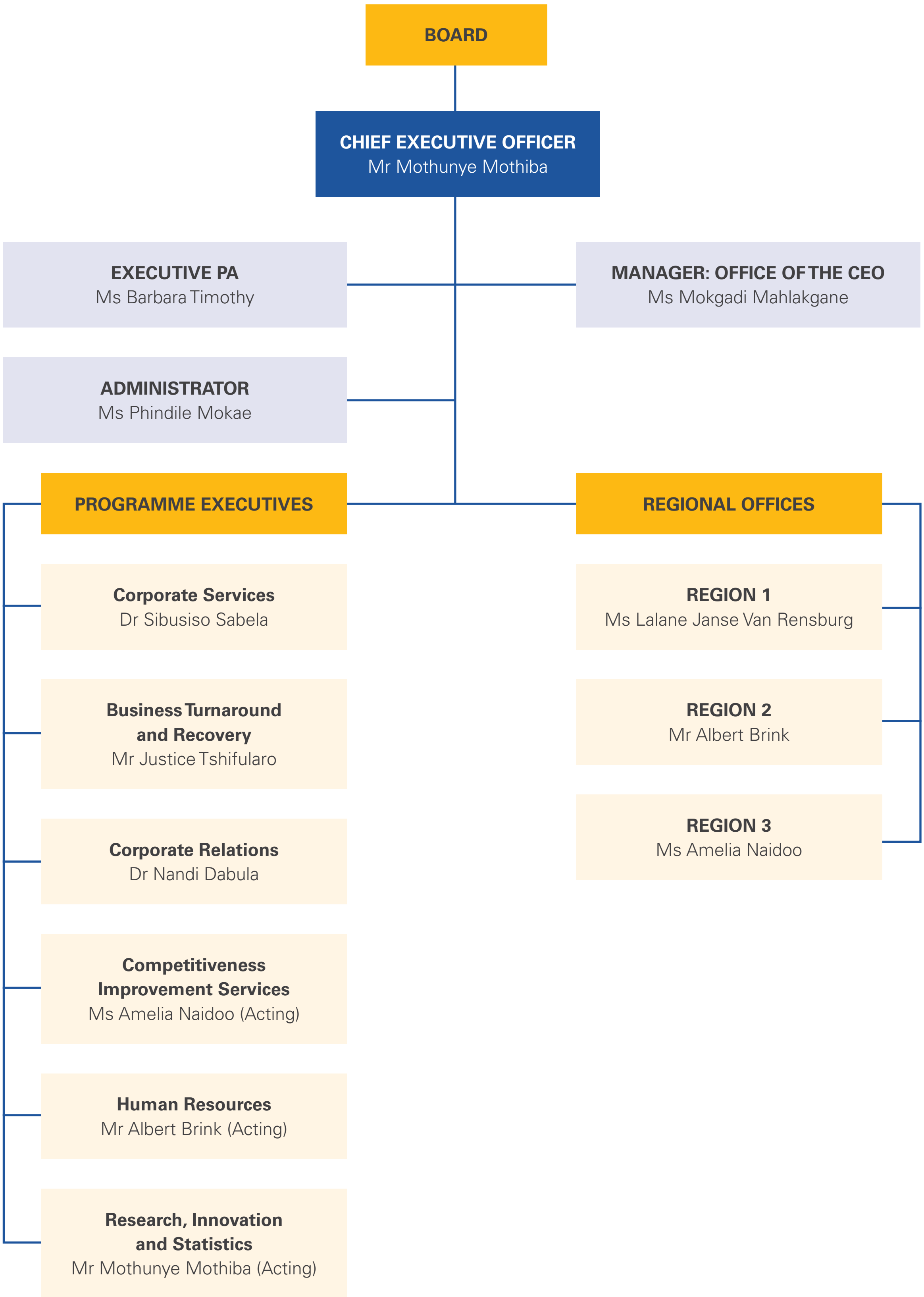

Figure 4: Organisational Executive Management Structure

Board Members

Prof. Mthunzi Mdwaba
Board Chairman

Mr Mothunye Mothiba
CEO and Executive Board Member

Ms Farida Khan
Board Member

Mr Welile Nolingo
Board Member

Ms Shivani Singh
Board Member

Ms Marsha Bronkhorst
Board Member

Dr Annaline Chetty
Board Member

Mr Godfrey Selematsela
Board Member

Executive Management

Mr Mothunye Mothiba
CEO

Dr Sibusiso Sabela
Corporate Services Executive Manager

Dr Nandi Dabula
Corporate Relations Executive Manager

Mr Albert Brink
Acting Human Resources Executive Manager and Regional Executive Manager (Region 2)

Ms Amelia Naidoo
Acting Competitiveness Improvement Services Executive Manager and Regional Executive Manager (Region 3)

Ms Lalane Janse Van Rensburg
Regional Executive Manager (Region 1)

Mr Justice Tshifularo
Business Turnaround and Recovery Executive Manager

PART B

Performance Information

1. Auditor's Report: Predetermined Objectives

Nexia SAB&T currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Report on audit of the annual performance report.

Refer to pages 56 to 59 of the Auditors Report, published as Part E: Financial Information.

2. Situational Analysis

2.1. Service delivery environment

The impact of the COVID-19 pandemic has affected our operations at various levels, including limited access to clients for our Productivity Practitioners, and employees unable to access the premises resulting in remote work and a poor performance in terms of our Annual Performance Plans targets. Our performance dropped to 67% in the 2020/21 financial year compared to 100% in 2019/20. These challenges also create opportunities for us, and call for innovation in the manner in which we create and deliver value to enterprises, which include products and services innovation as well as reviewing our service delivery model to digitalise and offer more of our offering online.

Productivity SA is strategically positioned and capable to deliver (through the CIS and BT&R Programmes) on the Economic Reconstruction and Recovery Plan, with a focus on two priority areas linked to its mandate of employment growth and productivity, namely: **Priority area two – Industrialisation and growing the productive economy**, which include (i) strategic localisation to repurpose SA's manufacturing sector, (ii) improving the efficiencies of local producers; (iii) supporting 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 five – Macro-economic interventions and enablers for economic growth**, which include (i) ending wastage, including enhanced productivity; and (ii) reviewing and integrating government support for formal and informal SMMEs, start-ups and Cooperatives.

The lifting of the suspension on the BT&R Programme (formerly known as the Turnaround Solutions Programme (TAS), which was suspended for the past two consecutive financial years (2018/19 and 2019/20) because of the unavailability of funds, could not have come at a better time when the economy suffered from severe job losses due to the COVID-19 lockdown.

The BT&R Programme supports initiatives aimed at preventing job losses and implements turnaround strategies to support companies facing operational difficulties that may result in employee retrenchment being considered based on operational requirements. Productivity SA has run the programme for almost two decades and in the process has facilitated the prevention of thousands of job losses.

The allocation of funds for the BT&R Programme will enable 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 funding to implement the BT&R Programme was received in June 2020; therefore, the second quarter of the financial year was spent putting systems in place as the programme has been inactive for over two years. The greatest challenge has been the adverse effect the global pandemic has had on businesses and the various limitations the lockdown brought about to our usual operations. Productivity SA practitioners could not access businesses in need despite it being the opportune moment for a programme such as this to excel. Practitioners have had to resort to online platforms for interventions. In addition, most of the entrepreneurs had limited access to technology, which hampered the participation through online platforms.

The high entry barriers of having a minimum of 20 employees and compliance with SARS and UIF to participate in the BT&R Programme has impacted the slow acquisition of clients. There is significant competition in the market with a range of financial incentives made available during the pandemic. Distressed businesses are prioritising financial relief as opposed to non-financial relief, leading to low intake for the BT&R Programme that is primarily non-financial.

2.2. Organisational environment

As a national public entity, Productivity SA services the entire country; however, its footprint is only limited to three provinces, which are reorganised into Regional Offices: Midrand, which is the Head Office, servicing Gauteng, North West and Limpopo; Durban, servicing KwaZulu-Natal, the Eastern Cape and Mpumalanga; and Cape Town, servicing the Western Cape, Northern Cape and Free State.

Current funding amounts to R59 million and the organisational structure has 79 posts out of 107 filled. A high vacancy rate exists, particularly in the strategic business units, to the effect of 28 posts costing about R17 million, but also in operations, which are organised into the three regional offices mentioned earlier. With this deficit in human resources, it is impossible to service the entire country adequately and equitably. As a result of operational instability, directly induced by insufficient funding, the entity has lost a number of skilled employees. During 2020/21, the entity operated at 74% capacity. While this has presented cost savings on compensation of employee's costs, it has unfortunately come at a great expense to the struggling beneficiaries, i.e. companies in distress and lacking assistance to mitigate retrenchments and save jobs.

The funding challenges faced by Productivity SA are structural in nature. The funds appropriated by parliament through the budget vote of the Department of Employment and Labour 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 make 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). 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.

Thus, we cannot emphasise enough the urgency for increased capacity and footprint to adequately respond to the growing 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.

The entity is continuously on an exploratory journey to find strategic alternative options to expand operational sources of revenue in order to sustain itself.

2.3. Key policy developments and legislative changes

Productivity SA's business model and strategic direction had to be reviewed considering the change in its business environment as well as the expansion of its mandate 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. This entails adopting frameworks that 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 are 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 capacitated to be future ready and remain relevant and sustainable. The entity should have the intellectual and technical capability as well as be empowered to tap relevant sources of knowledge to meet the expectation of the changing nature and future of work.

2.4. Progress towards achievement of institutional impacts and outcomes

In the medium-term, Productivity SA will contribute mainly to the MTSF **Priority 2:** Economic Transformation and Job Creation through its enterprise development and support programmes (CIS and the BT&R). These two programmes are designed to enhance the capabilities of SMMEs and Cooperatives to adopt world-class productivity enhancement best practices, to preserve existing jobs and create productive and decent employment. Through these programmes, Productivity SA is strategically positioned and capable to deliver on the Economic Reconstruction and Recovery Plan.

The strategic plan of the entity had to be revised during July 2020 upon the reinstatement of the BT&R, with effect from 15 June 2020.

Productivity South Africa, as part of its 2018 Presidential Jobs Summit and its contribution towards supporting the Economic Reconstruction and Recovery Plan, has reinstated the BT&R Programme to directly support distressed companies to preserve jobs. From July 2020, 25 companies were supported at a cost of R5,610,525.00, directly saving 3 030 jobs. Productivity SA's MTSF targets for the number of jobs saved will remain unchanged. What was not achieved in the 2020/21 financial year will be carried over to the new financial year. An acceleration plan has been implemented to reach the target for the number of jobs saved.

The Competitiveness Improvement Programme is designed to improve the competitiveness and sustainability of enterprises, targeting small enterprises and cooperatives in the productive sectors of the economy in line with the sector master plans. Overall, 2 796 beneficiaries were supported during the financial year. There were also targeted interventions through the Workplace Challenge Programme (WPC), with 109 companies, mostly in the SEZ and industrial parks assisted and three industrial clusters established in the Forestry, Footwear and Leather, and the Creative sector.

Productivity SA and the International Labour Organization (ILO) signed a memorandum of understanding to collaborate on the implementation of productivity and competitiveness interventions through curricula that enable the development of workers, managers, business owners, and other actors in the economy with knowledge, skills and the appreciation of productivity and competitiveness across all levels of qualifications and disciplines. The Sustaining Competitive and Responsible Enterprises (SCORE) programme is a globally recognised, tried-and-tested ILO SMME capacity development programme that aims to improve productivity and working conditions. To date, nine trainers were trained nationally with several companies within the National Textile Bargaining Council implementing the SCORE programme.

As part of the government's intervention to implement the Presidential Comprehensive Youth Employment Intervention, Productivity SA entered into a partnership with **the dtic** as its implementation agency for the Itukise Internship for Unemployed

Graduates Programme. This programme is funded by the National Skills Fund and managed to recruit, pair with suitable hosts and place a total of 385 graduates (226 female, 159 male) during the financial year. The beneficiaries have successfully been placed with hosts nationally and will receive training to be Productivity Champions and in monitoring and evaluation over the next financial year.

The entity will continue to actively participate within the TERS task team of the Presidential Working Committee on the Jobs Summit as well as in the TERS single adjudication committee with the Commission for Conciliation, Mediation and Arbitration (CCMA), **the dtic** and UIF to ensure that distressed companies are not only receiving wage subsidies, but also benefit from the development and implementation of turnaround strategies to enhance their long-term sustainability. The BT&R Programme's capacity and capability will be further enhanced in 2021/22 to enable it to support 191 companies at a cost of R115 million, with the objective of saving at least 9 570 jobs.

Productivity SA engages in a variety of strategic partnerships and alliances with a wide range of institutions, including national and global strategic business partners that share a common SMME focus and the belief that small and medium size enterprises create jobs and power economies. These partnerships create a much stronger voice for SMMEs in South Africa and provide fertile soil from which the seeds of productivity can thrive.

The 'Productivity SA Way of Doing Business' is a framework created to offer integrative solutions. A phased approach was adopted to address the 'what', 'who' and 'how' elements. The 'what' speaks to the products and service innovation with programmes identifying the service offering for revision, replacement or rejection. The 'who' relates to the target market and outcomes to achieve from an individual, company and country perspective. Finally, the 'how' relates to the delivery mechanism. Leveraging technology is part of the digitalisation strategy. The Digital Strategy focuses on using technology to improve business performance, aligned to the review of products or design of new products. The strategy looks at the delivery of current relevant offerings or the re-configuration of the processes. It specifies the direction the organisation is taking to create new competitive advantages with technology, as well as outlining how it would be done. Sub-work groups are formed to address the three-phased approach of value creation, value processes, and the value system.

3. Institutional Programme Performance Information

3.1. Programme 1: Administration/Corporate Services

Purpose of the programme

The programme aims to strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.

Sub-programmes

- **Office of the Chief Executive Officer (OCEO)** provides strategic leadership to ensure that the mandate is achieved.
- **Corporate Services** renders effective and efficient financial management, information technology (IT) and facilities administrative support for the entity.
- **Human Resources Management** renders effective and efficient human resources management-related services to the entity.
- **Corporate Relations** drives the productivity movement by promoting a culture of productivity in the workplace and in society in general.

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

- Strategic objective 1 – Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.
- Strategic objective 5 – Productivity Culture and Accountability: To promote a culture of productivity and competitiveness in the workplace and community life.

Outcomes, outputs, output indicators, targets and actual achievement

At the inception of the COVID-19 lockdown, Productivity SA staff worked remotely and were supplied with the relevant tools of trade. With the subsequent relaxation of the lockdown levels, staff were accessing the premises in accordance with the 50% limitation. Productivity SA's COVID-19 procurement complied with the National Treasury guidelines and its own Supply Chain Policy for the acquisition of personal protective equipment. Cloth masks were purchased from Supported Employment Enterprises after following the three-quotation system. The Health and Safety Representatives were also provided with COVID-19 training.

The entity closed the financial year with a positive bank balance, and we were able to pay all our debts, including SARS. Unlike previous years, the entity did not have to go to the Department of Employment and Labour for a bail out.

3.1.1 Sub-programme: Corporate Services

Table 1: Corporate Services performance overview

SUB-PROGRAMME: CORPORATE SERVICES								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**
Functional, efficient and integrated government	Payment of SMMEs within 30 days of receipt of statement	100% of SMMEs paid within 30 days of receipt of statement	100%	100%	100%	100%	0	n/a
	Elimination of fruitless and wasteful expenditure, detected per financial year, reported to the Accounting Officer	10% reduction on fruitless and wasteful expenditure	New indicator	New indicator	10%	100%	90%	The target was exceeded due to no fruitless and wasteful expenditure incurred

Strategy to overcome areas of under performance

n/a

Table 2: Corporate Services performance linked with budget

	2020/2021			2019/2020		
Programme/activity/ objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**
Finance, IT and Facilities	13 235	25 201	(11 966)	15 558	18 508	2 950
OCEO	4 745	5 583	266	5 487	5 733	246
Total	**17 980**	**29 684**	**(11 704)**	**21 045**	**24 241**	**3 196**

3.1.2 Sub-programme: Human Resources Management

Table 3: Human Resources Management performance overview: Original APP

SUB-PROGRAMME: HUMAN RESOURCES MANAGEMENT									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021 until date of re-tabling**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**	**Reasons for revisions to the Outputs/ Output indicators/ Annual Targets**
Functional, efficient and integrated government	Percentage of planned training interventions implemented to capacitate the workforce	Implement 75% of planned training interventions	49%	80%	75%	0%	Measured cumulatively at end of the year	n/a	Training interventions started in the 2nd quarter of the 2020/21 FY and will overlap into the next financial year.

Table 4: Human Resources Management performance overview: Revised APP

SUB-PROGRAMME: HUMAN RESOURCES MANAGEMENT								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**
Functional, efficient and integrated government	Commencement of planned training interventions to capacitate the workforce	Commencement of 100% of planned training interventions	49%	80%	100%	100%	0	n/a

Strategy to overcome areas of under performance

n/a

Table 5: Human Resources Management performance linked with budget

	2020/2021			2019/2020		
Programme/activity/ objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**
Training and Development	525	545	(20)	455	466	11
Total	**525**	**545**	**(20)**	**455**	**466**	**11**

3.1.3 Sub-programme: Corporate Relations

Table 6: Corporate Relations performance overview: Original APP

SUB-PROGRAMME: CORPORATE RELATIONS									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021 until date of re-tabling**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**	**Reasons for revisions to the Outputs/ Output indicators/ Annual Targets**
Enterprise competitive-ness and sustainability: To improve productivity for sustained inclusive eco-nomic growth and competi-tiveness. Promote full and productive employment and decent work	Promote the productivity and com-petitiveness mind-set and culture in the work-place	Number of productivity awards and regional milestones workshops hosted	10	10	10	0	10	The awards did not take place due to the COVID-19 pandemic lockdown	Awards were rescheduled to start in quarter 2, due to lockdown regulations.

Table 7: Corporate Relations performance overview: Revised APP

SUB-PROGRAMME: CORPORATE RELATIONS								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**
Enterprise competitive-ness and sustainability: To improve productivity for sustained inclusive eco-nomic growth and compet-itiveness. Promote full and productive employment and decent work	Promote the productivity and com-petitiveness mind-set and culture in the workplace	Number of productivity awards and regional milestones workshops hosted	10	10	10	10	0	n/a

Strategy to overcome areas of under performance

n/a

Table 8: Corporate Relations performance linked with budget

	2020/2021			2019/2020		
Programme/activity/ objective	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Corporate Relations	9 779	6 559	3 220	10 331	8 460	1 871
Total	**9 779**	**6 559**	**3 220**	**10 331**	**8 460**	**1 871**

3.2. Programme 2: Competitiveness Improvement Services

Purpose of the programme

The programme provides support to SMMEs in both the formal and informal economy by focusing on productivity and operational efficiency enhancement interventions, 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. Furthermore, the programme prioritises the participation of historically disadvantaged people and regions in the economy and thereby support meaningful B-BBEE using instruments such as Special Economic Zones, Industrial Parks and Black Industrialists Scheme interventions.

Sub-programmes

n/a

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

- Strategic objective 2 – Enterprise Competitiveness and Sustainability: To improve productivity for sustained inclusive economic growth and competitiveness.
- Strategic objective 5 – Productivity Culture and Accountability: To promote a culture of productivity and competitiveness in the workplace and community life.

Outcomes, outputs, output indicators, targets and actual achievement

The CIS is designed to improve the competitiveness and sustainability of enterprises, targeting small enterprises and cooperatives in the productive sectors of the economy in line with the Sector Master Plans. Overall, 2 796 beneficiaries were supported during the financial year. There were also targeted interventions through the WPC, with 109 companies, mostly in the SEZ and industrial parks, assisted and three industrial clusters established in the Forestry, Footwear and Leather, and the Creative sector. The programme contributed to the *"Outcome: Increased economic participation, ownership, access to resources, opportunities and wage equality for women, youth and persons with disabilities"*, by capacitating 398 women and 211 youth through our productivity and competitiveness improvement interventions.

As part of the government's intervention to implement the *Presidential Comprehensive Youth Employment Intervention*, Productivity SA entered into a partnership with **the dtic** as its implementation agency for the Itukise Internship for Unemployed Graduates Programme. The programme is funded by the National Skills Fund and managed to recruit, pair with suitable hosts and place a total of 385 graduates (226 female, 159 male) during the financial year. The beneficiaries have successfully been placed with hosts nationally and will receive training to be Productivity Champions and in monitoring and evaluation over the next financial year.

Due to the lockdown regulations, there was limited access to clients to implement our interventions. The targeted beneficiaries had limited access to technology for capacity building sessions due to network/data constraints, which hampered the participation through online platforms.

Going into the new financial year, the programme will maximise its national stakeholder partnerships, incorporating digital platforms. More effort will be focused on getting access to and partnering with local government in provinces.

Productivity SA will be working with JICA to review its 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 and to support such initiatives in SADC. 'Kaizen', a Japanese business philosophy, refers to 'continuous improvement'. The Kaizen business elements 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.

Table 9: Competitiveness Improvement Services performance overview: Original APP

PROGRAMME: COMPETITIVENESS IMPROVEMENT SERVICES									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021 until date of re-tabling**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**	**Reasons for revisions to the Outputs/ Output indicators/ Annual Targets**
Enterprise competitiveness and sustainability improvement	SMMEs and other enterprises supported through competitiveness improvement services	Number of SMMEs and other enterprises supported through competitiveness improvement services	5 588	3 686	3 130	534	92	Due to the COVID-19 pandemic, majority of clients were closed and could only be supported through virtual platforms	The indicator was split into two with the same annual target.

Table 10: Competitiveness Improvement Services performance overview: Revised APP

PROGRAMME: COMPETITIVENESS IMPROVEMENT SERVICES								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**
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	Number of SMME and other enterprises supported through productivity interventions to improve their competitiveness and sustainability.	5 588	3 686	1 252	1 440	188	Through the review of our digital strategy and focus on strategic partners, more SMMEs could be supported through virtual platforms.
		Number of entrepreneurs capacitated to promote the culture of productivity and entrepreneurship	New indicator	New indicator	1 878	927	(951)	Target market, i.e. entrepreneurs have limited accessibility to technology, which hampered the participation through online platforms.
	Promote the productivity and competitiveness mind-set and culture in the workplace	Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity in South Africa	217	345	323	429	106	The strategic partnerships materialised with more interest and relevance of the offering to enterprises.

Strategy to overcome areas of under performance

Our target market, i.e. entrepreneurs have limited access to technology, which hampered the participation through online platforms. The quarter one achievement of 514 entrepreneurs could not be recognised during the internal audit due to it being a new indicator as of quarter two. In the new financial year, we will maximise on national stakeholder partnerships, incorporating digital platforms. More effort will be focused on getting access to and partnering with local government in provinces.

Table 11: Competitiveness Improvement Services performance linked to budget

	2020/2021			2019/2020		
Programme/activity/ objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**
CIS	25 028	9 084	15 944	13 166	11 704	1 462
WPC	12 372	9 280	3 092	20 341	10 462	9 879
Total	**37 400**	**18 364**	**19 036**	**33 507**	**22 166**	**11 341**

3.3. Programme 3: Business Turnaround and Recovery

Purpose of the programme

The programme focuses on supporting initiatives aimed at preventing job losses as well as providing for turnaround 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.

Sub-programmes

n/a

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

» Strategic objective 3 – Jobs preservation: To support enterprises facing economic distress and initiatives aimed at preventing job losses.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Productivity SA, as part of its 2018 Presidential Jobs Summit commitments and its contribution towards supporting the Economic Reconstruction and Recovery Plan, has reinstated the BT&R Programme to directly support distressed companies to preserve jobs.
As part of its contribution towards government's MTSF Priority 2 intervention to create jobs through Jobs Summit commitments, Operation Phakisa and other public sector employment programmes, the BT&R Programme supported 25 companies at a cost of R5 610 525.00, directly saving 3 030 jobs. Although this was below the target of 8 700 in the reporting period, the balance from the 2020/21 targets will be carried over to the new financial year, and an acceleration plan is being implemented to reach the target over the MTSF period.

The BT&R Programme's capacity and capability will be further enhanced in 2021/22 to enable it to support 191 companies at a cost of R115 million with the objective of saving at least 9 570 jobs. Productivity SA will continue to actively participate in the TERS task team of the Presidential Jobs Summit as well as in the TERS single adjudication committee with the CCMA, **the dtic** and the UIF to ensure that distressed companies are not only receiving wage subsidies, but also benefit from the development and implementation of turnaround strategies to enhance their long-term sustainability.

Table 12: Business Turnaround and Recovery performance overview: Revised APP

Note: *The BT&R Programme included targets in the Revised APP upon the lifting of its suspension in June.*

PROGRAMME: COMPETITIVENESS IMPROVEMENT SERVICES								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**
Business Turnaround and Recovery processes	Support enterprises facing economic distress and initiatives aimed at preventing job losses	Number of jobs saved in companies facing economic distress	*0	*0	8 700	3 030	(5 670)	An acceleration plan has been drafted to gain traction with the different stakeholders and leads we receive. We will also be running an advertising campaign to market BT&R.
		Number of companies facing economic distress supported through turnaround strategies to retain jobs (nurturing)	*0	*0	174	25	(149)	
		Number of workplace/ future forum members trained and capacitated on productivity improvement solutions	*0	*0	522	96	(426)	

**0 Programme was placed on hold.*

Strategy to overcome areas of under performance

Our achievements were affected by the continued lockdown, entry barrier of a minimum of 20 UIF contributors, and potential clients not being in good standing with SARS and UIF due to recessionary economic conditions. There is also significant competition in the market with a range of financial incentives made available during the pandemic.

An acceleration plan has been drafted to gain traction with the different stakeholders and leads we receive. We will also be running an advertising campaign to market the BT&R Programme.

Table 13: Business Turnaround and Recovery performance linked to budget

	2020/2021			**2019/2020**		
Programme/activity/ objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**
Business Turnaround and Recovery	75 091	7 746	67 345	20 000	9	19 991
Total	**75 091**	**7 746**	**67 345**	**20 000**	**9**	**19 991**

3.4. 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, publicising the same.

Sub-programmes

n/a

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

» Strategic objective 4 – Evidence-based planning, monitoring and evaluation: Generation and dissemination of productivity-related research and statistics.

Outcomes, outputs, output indicators, targets and actual achievement

The Research, Innovation and Statistics Programme supports the mandate of the entity by providing productivity- and competitiveness-related value-added information and statistics, best practices and systems through research and innovative activities and databases. The programme is guided by the Research Agenda that sets out priority areas that guide the research activities during the MTSF period. Activities are undertaken in line with the Annual Performance Plan. For the 2020/21 financial year the following two research reports were published:

Impact of COVID-19 on SMMEs' productivity and competitiveness, and the role of the Fourth Industrial Revolution (4IR)

The nationwide lockdown presented an opportunity for SMMEs that are in the production and distribution of essential goods. Unfortunately, businesses in other sectors of the economy, such as tourism, were the hardest hit. With the travel ban, the tourism industry and the associated food industries were in distress. Since the pandemic started, several ex-ante studies have been undertaken to evaluate the expected impact of the pandemic on different sectors of the economy using economic simulation methods as well as statistical and econometric forecasting methods. Ex-post studies are still scant, and this study seeks to fill that gap by evaluating the impact of COVID-19 on SMMEs' productivity and competitiveness.

Review of the metal fabrication industry

The metal fabrication industry is one of the key sectors identified in the sector master plans for growth. South Africa's metal fabrication sector is the most advanced and diverse metal fabrication sector in Africa. It has major spill-over effects (value chain) as top steel consuming industries, including mining, construction, automotive, cables and structural steel. The South African automotive industry is a key consumer of metal products, including sheet metals and stainless steel.

Productivity SA is the partner of the Institute for Management Development (IMD) in Switzerland, which produces the **IMD World Competitiveness Yearbook (WCY)**, an annual publication that compares the competitiveness of 63 countries since 1989. The key objective of the WCY publication is to assess countries' global competitiveness. Our role is to collect data statistics and distribute the survey questionnaire as set out in the Executive Opinion Survey.

Productivity SA published the annual **Productivity Statistics Report** for the year under review. South Africa's overall productivity growth, which is a key driver of long-term competitiveness and economic performance, is low. According to the recently released Productivity Statistics Report, October 2020, South Africa recorded a decline in productivity growth, with labour productivity and capital productivity registering mild decline in growth in 2019, while multi-factor productivity recorded no growth in the same period. South Africa's competitiveness ranking is low at 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). With the decline in economic activity in 2020, this is expected to regress further during and beyond the COVID-19 pandemic.

Table 14: Research, Innovation and Statistics performance overview: Original APP

PROGRAMME: RESEARCH, INNOVATION AND STATISTICS									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021 until date of re-tabling**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**	**Reasons for revisions to the Outputs/ Output indicators/ Annual Targets**
Provision of productivity- and competitive-ness-related value-added information	Undertake productivity related research on priority sectors	Number of research reports and publications on priority sectors published and disseminated	2	4	4	0	Measured cumulatively at end of the year	n/a	Reviewed the research focus areas to align with the Impact of COVID-19 on SMMEs and role of 4IR, and reduced the target from four to two reports.

Table 15: Research, Innovation and Statistics performance overview: Revised APP

PROGRAMME: RESEARCH, INNOVATION AND STATISTICS								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**
Provision of productivity- and competitiveness-related value-added information	Undertake productivity-related research on priority sectors	Number of research reports and publications on priority sectors published and disseminated	2	4	2	2	0	n/a
	Collate productivity related statistics	Number of statistical reports on productivity and com-petitiveness published	1	4	2	2	0	n/a

Strategy to overcome areas of under performance

n/a

Table 16: Research, Innovation and Statistics performance linked with budget

	2020/2021			2019/2020		
Programme/activity/ objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**
Research development	12 593	8 580	4 013	11 266	9 499	1 787
Total	**12 593**	**8 580**	**4 013**	**11 266**	**9 499**	**1 787**

4. Revenue Collection

Table 17: Revenue collection overview

Sources of Revenue	2020/2021 Estimate R'000	2020/2021 Actual Amount Collected R'000	2020/2021 (Over)/Under Collection R'000	2019/2020 Estimate R'000	2019/2020 Actual Amount Collected R'000	2019/2020 (Over)/Under Collection R'000
Transfers and subsidies						
DEL	56 309	63 154	6 845	54 610	66 794	12 184
UIF	75 091	7 746	(67 345)	20 000	9	(19 991)
The dtic	8 971	8 971	-	9 748	9 748	-
Donations	1 550	-	(1 550)	1 118	450	(668)
Other Income						
Sale of goods and servies, interest and other income	10 771	29 274	18 503	18 178	11 370	(6 808)
Total	**152 692**	**109 145**	**(43 547)**	**103 654**	**88 371**	**(15 283)**

The bulk of revenue collection activities relate to transfers by way of grants from two main sources, namely DEL, and **the dtic**. The main and guaranteed source of funds is DEL and amounted to R63 154 million, which includes a R6 845 million additional revenue received for IT refresh.

Transfers/grants have, to a great extent, been received on time via the service level agreements and memoranda of understanding agreed with the funders. There were no transfers from UIF to fund the Turnaround Solution Programme during the financial year, therefore the programme remained suspended.

4.1 Capital investment

Two tenders were issued during the current year namely:

» Supply and Delivery of Laptops (R0.6 million); and
» Media Advertising for the BT&R Programme (R1.7 million).

As at the end of the year, no expenditure had been incurred on the supply and delivery of laptops due to the unavailability of laptops in the country due to procurement challenges brought by the COVID-19 pandemic. An amount of R0.9 million was spent on the media advertising campaign for the BT&R as at 31 March 2021.

To comply with the requirements of the PFMA and GRAP, measures were taken to ensure that the public entity's asset register remained up to date during the period under review. These included maintaining an up-to-date asset register with asset descriptions, identification codes and a record of all acquisitions, movements and disposals. Further, a physical asset count is performed every quarter. The decisions as to which assets to dispose of and scrap lie with the Asset Disposal Committee. All movements in assets are authorised by a responsible official of Productivity SA.

Assets comprise mainly computers, furniture and motor vehicles, 95% of which are in good condition. Should certain assets be identified as not fit and proper for the entity's use, they are disposed of via donations or outright sale and replaced.

No major maintenance projects were undertaken during the period under review.

PART C

Governance

1. Introduction

Corporate governance embodies processes and systems through which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regards to public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King's Report King Code of Governance Principles and the King Report on Corporate Governance (King IV).

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2. Portfolio Committees

Productivity SA, along with its sister entities that report to the Department of Employment and Labour, is part of the Portfolio Committee of Employment and Labour.

Productivity SA attended the following portfolio committee meetings:

- 14th May 2020 – Strategic Plan and Annual Performance Plan 2020/21
- 19th August 2020 – Briefing on quarter two and three Performance Reports of 2019/20
- 4th September 2020 – Engagement with the Department of Employment and Labour on COVID-19-related matters
- 3rd November 2020 – Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour
- 18th November 2020 – Tabling of the Annual Report for the 2019/20 financial year
- 12th February 2021 – Portfolio Committee on Employment and Labour Workshop focusing on the core operations and functions
- 5th March 2021 – Briefing on the State of the Nation and 2021 budget speech.

The committee had not identified any risk areas. However, it noted that the entity operates on limited resources for the marketing, funding and implementation of Productivity SA programmes as well as increasing the entity's footprint.

3. Executive Authority

Productivity SA regular reports include the Annual Performance Plan and the Strategic Business Plan for the respective financial years. The first draft of the Annual Performance Plan 2020/21 and Strategic Business Plan 2020/21 were submitted on 7 October 2019 and the final draft on 2 March 2020. In response to the COVID-19 pandemic and special adjustment budget, the revised Annual Performance Plan 2020/21 and Strategic Business Plan 2020/21 were submitted on 6 July 2020 and approved by the Minister of Employment and Labour. No significant issues relating to the Annual Performance Plan and the Strategic Plan were raised by the department.

4. The Accounting Authority/Board

The importance and purpose of the Board:

The Board members serve as the Accounting Authority of Productivity SA. The duties of the Board are captured in the Productivity SA Constitution and outlined in the requirements of the PFMA (Act No. 1 of 1999 as amended by Act 29 of 1999).

The Board sets the vision and mission of Productivity SA and is responsible for the overall strategic direction, performance, and control of the entity in executing its mandate as per the Employment Services Act (Act No. 4 of 2014).

The Board, as the Accounting Authority of Productivity SA, meets at least four times a year.

The Board role and responsibilities is to:

- Determine the strategic direction of Productivity SA and oversee the performance of the entity in executing its mandate.
- Formulate the general policy.
- Appoint the CEO on terms stipulated in the Board Constitution and subject to the Labour Relations Act and other relevant legislation.
- Determine the remuneration terms and conditions of the employment of the CEO and other employees.
- Approve annual budgets, business plans and financial strategy of Productivity SA.
- Appoint committees and sub-committees as it may deem necessary to perform its duties.

Constitution

Provide commentary on the Board Constitution and comment on the compliance progress made.

Composition of the Board

Table 18: Productivity SA Board for the period: 1 December 2019–31 November 2024

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ Term ended	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit and risk committee/ Ministerial task team)	No. of Board and sub-committee meetings attended
Mthunzi Mdwaba	Non-Executive Chairman	1 Dec 2019	Current	Bachelor of Arts and Bachelor of Laws	Business	Productivity SA	Board	12
Shivani Singh	Non-Executive	1 Dec 2019	Current	Master of Commerce (Economics)	Business	Productivity SA	Board/Audit and Risk Committee	18
Farida Khan	Non-Executive	1 Dec 2019	Current	Master's in Business Administration	Business	Productivity SA	Board/HR and R Committee	14
Marsha Bronkhorst	Non-Executive	1 Dec 2019	Current	Master of Arts	Government	Productivity SA	Board/HR and R Committee	14
Anneline Chetty	Non-Executive	1 Dec 2019	Current	PhD in Geography and Environmental Science	Government	Productivity SA	Board/Audit and Risk Committee	18
Welile Nolingo	Non-Executive	1 Dec 2019	Current	Diploma in Management (Labour Relations)	Labour	Productivity SA	Board/Audit and Risk Committee	18
Godfrey Selematsela	Non-Executive	23 Sept 2020	Current		Labour	Productivity SA	Board/HR and R Committee	9
Astrid Al-Anani	Non-Executive	1 Dec 2019	Resigned 11 May 2020	Junior Certificate	Labour	Productivity SA	Board/HR and R Committee	0

Table 19: Board Committees for the period: 1 December 2019–31 November 2024

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk Committee	6	4	Yaswant Gordhan Shivani Singh Welile Nolingo Anneline Chetty
Human Resource and Remuneration Committee	4	3	Marsha Bronkhorst Farida Khan Godfrey Selematsela

Remuneration of Board members

- The Board members' rates are paid irrespective of the length of meetings.
- No fees will be payable should (a) a Board member not attend a scheduled meeting or (b) fail to submit a completed document and signed claim form.
- These fees will also apply in cases where a Board member is asked by Productivity SA to officiate at a meeting or function on behalf of the entity.

Regarding members who are not remunerated:

- Government representatives are not entitled to any fees or refunds for travel and accommodation costs.
- The rates will be reviewed annually with Productivity SA as guided by National Treasury.

Other expenses, e.g. Travel, reimbursed by the public entity:

- Travel and accommodation for functions or meetings on behalf of Productivity SA is incurred by Productivity SA.

The remuneration rates for the Board of Productivity SA are:

Non-Executive Chairman of the Board	R4 317.00 per meeting
Independent Chairperson of the Audit and Risk Committee	R4 317.00 per meeting
Non-Executive Board/Alternate/Co-opted members	R2 619.00 per meeting

Table 20: Board remuneration for the period: 1 April 2020–31 March 2021

Name	Remuneration for Attendance	Total
Mthunzi Mdwaba	R4 317.00	R341 043.00
Farida Khan	R2 619.00	R44 523.00
Welile Nolingo	R2 619.00	R49 761.00
Shivani Singh	R2 619.00	R49 761.00
Godfrey Selematsela	R2 619.00	R28 809.00
Astrid Al-Anani	-	Resigned 11 May 2020
Yaswant Gordhan	R4 317.00	R47 488.00

5. Risk Management

Due to its size and its quest for value and independence, Productivity SA outsources the risk management to internal auditors, Rakoma. Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an ongoing basis, the major operational, business and fraud-related risks that Productivity SA faces. Internal audit plans are drawn up and progress is monitored against these plans continually. A risk management workshop was facilitated by Rakoma where senior management revisited the risks facing Productivity SA.

The Audit and Risk Committee evaluates reports prepared by Rakoma to identify areas where further management attention may be required.

6. Internal Control Unit

Internal control is evaluated in a combined effort by management, internal and external audit. The findings on internal controls by internal and external audit are reported to the Audit and Risk Committee and actions to clear these are monitored.

For the year under review, Rakoma carried out the annual internal audit plan as approved by the Audit and Risk Committee, which included the following internal audit work:

» Performance Information Review;

» Human Resources Management Review;

» Information and Communication Technology Review;

» Financial Management Review; and

» Supply Chain Management Review.

Rakoma's findings have been reported to the Audit and Risk Committee and communicated to management, who has adequately addressed the findings.

While periodic evaluations by management and independent reviews by internal and external auditors identified areas of further improvement, management is satisfied that internal controls implemented and relied on continued to provide reasonable assurance regarding financial and performance management and compliance with Productivity SA policies and procures as well as legislation.

7. Internal Audit and Audit and Risk Committee

Rakoma provides an independent appraisal function that is designed to examine and evaluate Productivity SA's internal controls. In particular, Rakoma is charged with the responsibility of examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls.

Any major weaknesses detected are brought to the attention of the Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action. Rakoma meets with external auditors on a regular basis and discusses plans and results in respect of the audits carried out during the year. The committee meets periodically with management, external and internal auditors, and it also meets separately with external and internal auditors when necessary.

The Audit and Risk Committee has a written charter approved by the Board. The committee does not have any operational or executive responsibilities. Its objectives are to:

» Establish a channel of communication between the Board, management, external and internal auditors.

» Evaluate whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure.

» Review the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensures that sufficient emphasis is placed on issues which, in the opinion of the committee, management or the auditors, deserve special attention. It ensures that the Board makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure.

» Safeguard the Directors' liability by informing the Board about issues that impact on the business and the status of financial reporting.

The following table discloses relevant information on the Audit and Risk Committee members.

Table 21: Audit and Risk Committee for the period: 31 March 2020–28 February 2021

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
Yaswant Gordhan	CA(SA) and Master of Science (Bus Admin)	External	n/a	1 July 2016	16 October 2020	3
Shivani Singh	Master of Commerce (Economics)	External	n/a	1 Dec 2019	Current	6
Welile Nolingo	Diploma in Management (Labour Relations)	External	n/a	1 Dec 2019	Current	6
Anneline Chetty	PhD in Geography and Environmental Science	External	n/a	1 Dec 2019	Current	6

8. Compliance with Laws and Regulations

Productivity SA regularly evaluates its compliance with all relevant legislation that it is required to abide by.

9. Fraud and Corruption

Management has developed a multi-pronged plan towards addressing fraud and corruption. Firstly, the possible risks and aggravating scenarios that could prevent the entity from achieving its objectives were identified. From this exercise a fraud and risk checklist was developed to ensure that all bases are covered.

Awareness was created via presentations to staff on a quarterly basis. Staff members are aware of the processes and procedures to be followed should they suspect or have evidence that fraud and corruption are taking place. A fraud hotline was sought from the Department of Employment and Labour (DEL) as Productivity SA is too small an entity to warrant having its own dedicated hotline.

The emerging risks are reported on a quarterly basis to the Audit and Risk Committee and monthly at the Executive Committee meeting. The combination of management efforts, internal audit as well as external audit in creating awareness as well as devising steps to detect and prevent fraud and corruption, is believed to be sufficient to adequately address this subject.

In light of the above, management regularly investigates allegations and, where warranted, employs forensic analyses.

10. Minimising Conflict of Interest

Productivity SA's management views conflicts of interest in supply chain management in a serious light. To this end, the standard contract signed with service providers contains an unassailable clause on conflict of interest, and provides for possible prosecution should it be found that an employee or a service provider violated the provisions of this clause.

Furthermore, Productivity SA strives to comply with the PFMA on the sourcing of goods and services. It adheres to the stipulations regarding quotations, a signed contract, and open tender should the prescribed limits be reached.

All employees of the entity have signed a Declaration of Interest at the time of joining the organisation. It is also a standard item on the agenda of all committee meetings that members declare their interest.

11. Code of Conduct

Productivity SA subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders. Should this code be breached, the Productivity SA Constitution prescribes that the relevant breach be addressed according to the policy that covers it.

12. Health, Safety and Environmental Issues

The entity has always observed health and safety standards; however, in October 2012, Productivity SA engaged the services of an expert in the establishment of Occupational Health Safety (OHS) practices to formalise its process. The aim was to ensure compliance of Productivity SA, its staff and contractors to the principles of OHS.

The OHS process entails the following:

1) Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues.
2) Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases Acts.
3) Establish an OHS Committee.
4) Appoint and coach Health and Safety Representatives.
5) Establish an effective evacuation instruction.

The basis of OHS and the relevant audits in Productivity SA revolve around five main areas: the premises, regulation of the facilities, stacking and storage, fire protection, and electrical machinery. In addition, Productivity SA is audited on the administrative function whereby compliance is measured on reporting and appointment of OHS representatives.

During the financial year, an initial audit indicated a number of low to medium risk items, which were immediately addressed. Based on the initial audit findings, the compliance rating was very low due to the administrative structures not being implemented as yet.

13. Audit and Risk Committee Report

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2021.

13.1. Audit and Risk Committee members and members' attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet at least four times per annum, as per the approved terms of reference.

During the reporting year, five meetings were scheduled and held. The Audit and Risk Committee confirms that it has discharged its responsibility in terms of Productivity SA's Audit and Risk Committee Charter.

Table 22: Audit and Risk Committee meetings for the period: 1 April 2020–31 March 2021

AUDIT AND RISK COMMITTEE						
Name	**14/5/2020**	**15/7/2020**	**23/9/2020**	**17/11/2020**	**22/1/2021**	**25/2/2021**
Yaswant Gordhan	√	√	√	Resigned	Resigned	Resigned
Shivani Singh	√	√	√	√	√	√
Welile Nolingo	√	√	√	√	√	√
Anneline Chetty	√	√	√	√	√	√

√ = Present A = Apology S = Sabbatical leave

13.2. The Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 5(1)(a)(ii) of the PFMA of 1999 and Treasury Regulations 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

13.3. Effectiveness of internal control

The Audit and Risk Committee reviewed the findings by the internal auditors, which were based on the risk assessment conducted and which revealed certain weaknesses. These were raised with management. We are satisfied with the additional controls that management has implemented in addressing these internal audit findings.

13.4. Internal audit

Rakoma and Associates Inc. were appointed in September 2018 for the provision of Internal Audit services for the financial year 2020/21. The following reviews were conducted:

- Performance Information Review;
- Human Resource Management Review;
- Information and Communication Technology Review;
- Financial Management Review; and
- Supply Chain Management Review.

From these internal audit reports and those from the external auditor, the Audit and Risk Committee has recommended improvements in the internal control environment. Management has committed to address these, and the Audit and Risk Committee will continue to monitor such remedial action in the ensuing year.

13.5. In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

13.6. Evaluation of audited Annual Financial Statements

We have reviewed the audited Annual Financial Statements and we are satisfied that these conform to the applicable and appropriate accounting standards. The Audit and Risk Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the Auditor and the Accounting Authority.
- Reviewed the Auditor's management report and management's response thereto.
- Reviewed the accounting policies and practices as reported in the entity's Annual Financial Statements.
- Reviewed the entity's compliance with legal and regulatory provisions.
- Reviewed the information in predetermined objectives included in the Annual Report.
- Reviewed material adjustments resulting from the audit.
- Reviewed the effectiveness and adequacy of the internal audit function and adequacy of its annual work plan.
- Reviewed the results of the work performed by the internal audit function and any significant investigation and management responses thereto.
- Reviewed the external auditor's findings and reports submitted to management.
- Reviewed the independence and objectivity of the external auditors.

The Audit and Risk Committee recommended the audited Annual Financial Statements to the Board for approval and adoption.

13.7. Auditor's Report

We have reviewed Productivity SA's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved. The Audit and Risk Committee concurs and accepts the conclusions of the auditors on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the auditors.

Dr Anneline Chetty
Interim Chairperson of the Audit and Risk Committee
Productivity SA
12 August 2021

PART D

Human Resources Management

1. Introduction

1.1. Overview of human resources matters

During the 2020/21 financial year, the Human Resources Department focused on enabling the workforce to continue working productively amid the COVID-19 pandemic. This involved the implementation of occupational health and safety measures to reduce and eliminate the escalation of COVID-19 infections in the workplace and the development of policies to allow employees to work remotely where possible.

Despite financial constraints, 100% of planned training interventions commenced in line with the Annual Performance Plan target. Critical training interventions conducted included employee relations training for management ('Initiating disciplinary action' and 'Chairing disciplinary enquiries'), as well as 'Lean Six Sigma' training for service delivery employees.

The entity has been able to finalise certain legal matters during this period. However, certain matters are still pending, including CCMA referrals and a High Court matter regarding pensioners' medical aid. The employee relations training that took place during 2020/21 is expected to reduce future legal costs due to the capacitation of internal resources to chair disciplinary enquiries.

The finalisation of BT&R funding agreement has resulted in the need for additional staff to meet the performance requirements of the agreement. There were 13 appointments during this period, consisting of one permanent appointment and 12 fixed-term contract appointments. This included nine fixed-term contract appointments for BT&R, i.e. Senior Manager BT&R (Region 1), BT&R Specialist (Head Office) and Senior Productivity Practitioners within Region 1, 2 and 3. Acting appointments continued to take place within key positions to capacitate the respective programmes/departments.

Due to financial challenges, the entity has not been able to provide annual salary increases to employees during 2020/21. This has led to the potential risk of losing skilled employees. An introductory meeting between management and the National Education, Health and Allied Workers' Union (NEHAWU) took place during March 2020. To date, there are 41 NEHAWU members within the entity. The Recognition Agreement between Productivity SA and NEHAWU has not yet been finalised. Management submitted a draft agreement to NEHAWU and awaits feedback.

2. Human Resources Priorities

The following key priorities were identified for the year under review:

» Human resources policies;
» Organisational review and design;
» Employee relations;
» Employee wellness;
» Performance management; and
» Learning and growth.

3. Human Resources Planning Framework and Strategies

The partial implementation of the revised organisational structure came into effect on 1 April 2020 to strengthen the entity's ability to deliver on its mandate and to optimise the utilisation of human resources. This involved the reconfiguration of regional operations to perform all functions related to the BT&R and CIS programmes.

4. Employee Performance Management Framework

Performance contracting for 2020/21 had to be finalised by 31st May 2020. 96% of employees submitted performance contracts.

Performance Review 1 for the period April to September 2020 had to be finalised by 31st October 2020. Employees submitting Performance Review 1 amounted to 96%.

Performance Review 2 for the period October 2020 to March 2021 had to be finalised by 30th April 2021. Employees submitting Performance Review 2 amounted to 89%.

Outstanding performance contracts and reviews must be submitted by 30th June 2021.

5. Employee Wellness Programme

The engagement rate for 2020/21 was 32.4%, compared to 45.7% the previous year. Annualised individual usage of the core counselling and advisory services of 14.6% was recorded during the most recent period, which compares to 33.2% during the previous period and 6.9% across all ICAS client companies during the most recent review period. ICAS provides people-focused solutions in support of employee well-being.

During the period under review and the preceding period, the most commonly utilised service was professional counselling, which constitutes 72.7% of total engagement in the most recent period and 57.1% during the previous period.

6. Human Resources Policy Development

The following policy was approved by the Board during December 2020:
- COVID-19 Policy.

The revised Basic Conditions of Employment Policy has been split into three separate policies and were approved by the Board during March 2021:
- Leave Policy;
- Appointment, Termination and Transfer Policy; and
- Working Hours and Remote Work Policy.

These policies have been uploaded onto SharePoint for easy access and referencing.

7. Human Resources Highlights and Challenges

The Human Resources Department's highlights and challenges over this period were as follows:

Table 23: Human Resources highlights and challenges

Highlights	Details
Achievement of 2020/21 Annual Performance Plan (APP) Target	The APP Target was fully achieved (commencement of 100% of Training Plan for 2020/21).
Regulatory Reports submitted timeously	The Human Resources Department has timeously submitted the relevant regulatory reports during this period.
Employment Equity Plan	The revised Employment Equity Plan was approved by the Department of Employment & Labour during March 2021.

Challenges	Details
Legal matters	Employee relations matters resulted in CCMA/Labour Court referrals and has contributed to high legal costs being incurred.
Resource constraints	A moratorium on recruitment due to financial constraints resulted in the organisation being unable to fill certain vacancies. This has placed strain on the existing resources due to the additional workload.

8. Future Human Resources Plans and Goals

The Human Resources Department's future plans and goals are as follows:

» Finalise the review of Human Resources policies;

» Review job profiles;

» Finalise the implementation of the revised organisational structure; and

» Finalise the Resource and Capability Framework.

9. Human Resources Oversight Statistics

9.1 Human Resources cost by programme/activity/objective

Table 24: Permanent employees cost overview

Programme/activity/objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Productivity SA (all except BT&R and CIS)	67 045	48 826	73%	62	788
Business Turnaround and Recovery	7 746	3 399	44%	5	680
Competitiveness Improvement Services	9 280	7 200	78%	7	1 029
Total	**84 071**	**59 425**	**71%**	**74**	**803**

Table 25: Fixed-term contract employees cost overview

Programme/activity/objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Productivity SA (all except BT&R and CIS)	67 045	1 072	2%	5	214
Business Turnaround and Recovery	7 746	1 791	23%	9	199
Competitiveness Improvement Services	9 280	457	5%	1	457
Total	**84 071**	**3 320**	**4%**	**15**	**221**

9.2 Human resources cost by salary band

The following amounts reflected in the tables exclude leave provisions.

Table 26: Permanent employees by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Top management	12 360	21%	7	1 766
Senior management	14 947	25%	14	1 068
Professional qualified	22 745	38%	30	758
Skilled	8 644	15%	20	432
Semi-skilled	729	1%	3	243
Unskilled	0	0%	0	0
Total	**59 425**	**100%**	**74**	**803**

Table 27: Fixed-term contract employees by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Top management	0	0%	0	0
Senior management	377	11%	3	126
Professional qualified	1 862	56%	8	233
Skilled	993	30%	3	331
Semi-skilled	88	3%	1	88
Unskilled	0	0%	0	0
Total	**3 320**	**100%**	**15**	**221**

9.3 Performance Rewards

Table 28: Performance rewards by employee level

Level	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top management	0	0	0%
Senior management	0	0	0%
Professional qualified	0	0	0%
Skilled	0	0	0%
Semi-skilled	0	0	0%
Unskilled	0	0	0%
Total	**0**	**0**	**0%**

10. Training and Development

The purpose of the Training and Development Plan is to have competent and skilled employees who will support and implement the organisational strategy, the mandate in terms of the Employment Services Act (Act No. 4 of 2014), and the revised business model. This section highlights the efforts of the organisation regarding skills development and uplifting employees through the organisation's financial assistance and training programmes.

10.1 Training initiatives

The training expenditure for 2020/21 was R556 290 against a budget of R620 000. All training interventions were conducted virtually due to COVID-19 precautionary measures. This resulted in cost savings in terms of travel, accommodation and catering expenses.

Table 29: A tabular illustration of employees who attended training interventions

	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
Level	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**				**F**	**HDI**
1	1	0	0	0	0	0	0	0	0	1	1	0%	100%
2	2	1	0	0	0	1	1	1	3	3	6	50%	33%
3	3	1	0	0	0	0	0	0	1	3	4	25%	75%
4	5	2	0	0	0	1	0	0	3	5	8	38%	63%
5	6	9	1	1	2	1	0	1	12	9	21	57%	43%
6	3	3	1	0	0	2	0	2	7	4	11	64%	36%
7	0	6	0	0	0	1	0	0	7	0	7	100%	0%
8	0	0	0	0	0	0	0	0	0	0	0	0%	0%
9	3	0	0	0	0	0	0	0	0	3	3	0%	100%
Grand Total	**23**	**22**	**2**	**1**	**2**	**6**	**1**	**4**	**33**	**28**	**61**	**54%**	**44%**

10.2 Training costs

Table 30: Training costs across programmes

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost per Employee
Productivity SA (all except BT&R and CIS)	49 898	492	1%	56	8 786
Business Turnaround and Recovery	5 190	28	0.5%	3	9 333
Competitiveness Improvement Services	7 657	17	0.2%	2	8 500
Total	**62 745**	**537**	**0.9%**	**61**	**8 803**

10.3 Financial assistance

Productivity SA offers financial assistance towards the costs of tertiary level studies to assist employees to obtain formal qualifications that are in line with organisational objectives. This will ensure that employees are equipped to achieve the organisational mandate as espoused in the business model and the Employment Services Act (Act No. 4 of 2014). After the employees have acquired the qualification, they are required to demonstrate a return on investment by fulfilling a service obligation agreement with the organisation.

Financial assistance amounting to R228 228.45 was given to 14 employees towards costs for academic qualifications.

Applications submitted were for the following qualifications:

- BCom Business Management;
- Diploma in Management Accounting Strategic Level;
- Postgraduate Diploma in CTA 98230;
- ICB Financial Accounting – Intermediate Level 2019;
- Postgraduate: Human Resource Management;
- Bachelor of Arts Honours in Industrial and Organisational Psychology;
- Bachelor of Commerce in Industrial and Organisational Psychology (98308-IOP);
- Bachelor of Commerce in Industrial and Organisational Psychology (98308-IOP);
- Bachelor of Commerce Honours in Business Management;
- Postgraduate Diploma in Business Management;
- Bachelor of Arts Honours in Integrated Organisational Communication; and
- Masters in Engineering Management.

11. Recruitment and Selection

11.1 Employment and vacancies

Table 31: Permanent and fixed-term contract employees by business component

Programme/activity/objective	2019/20 Number of Employees April 2020	2020/21 Approved Posts	2020/21 Number of Employees March 2021	2020/21 Vacancies	% of Vacancies
Productivity SA (all except BT&R and CIS)	70	77	67	10	56%
Business Turnaround and Recovery	4	22	14	8	44%
Competitiveness Improvement Services	8	8	8	0	0%
Total	**82**	**107**	**89**	**18**	**100%**

Table 32: Permanent and fixed-term contract employees by level

Level	2019/20 Number of Employees April 2020	2020/21 Approved Posts	2020/21 Number of Employees March 2021	2020/21 Vacancies	% of Vacancies
Top management	6	7	7	0	0%
Senior management	15	22	17	5	28%
Professional qualified	33	53	38	15	83%
Skilled	21	18	23	-5	-28%
Semi-skilled	7	7	4	3	17%
Unskilled	0	0	0	0	0%
Total	**82**	**107**	**89**	**18**	**100%**

11.2 Employment changes

Table 33: Permanent employees by level

Level	Employment at Beginning of Period April 2020	Appointments	Terminations	Employment at End of the Period March 2021
Top management	6	2	1	7
Senior management	15	0	2	13
Professional qualified	32	0	3	29
Skilled	20	1	0	21
Semi-skilled	4	0	0	4
Unskilled	0	0	0	0
Total	**77**	**3**	**6**	**74**

Table 34: Fixed-term contract employees by level

Level	Employment at Beginning of Period April 2020	Appointments	Terminations	Employment at End of the Period March 2021
Top management	0	0	0	0
Senior management	0	3	0	3
Professional qualified	1	7	0	8
Skilled	1	2	0	3
Semi-skilled	3	0	2	1
Unskilled	0	0	0	0
Total	**5**	**12**	**2**	**15**

11.3 Reasons for staff leaving

The labour turnover (permanent and temporary) represents 4.5% of the overall workforce against the target of 5%.

Table 35: Permanent and temporary terminations during the reporting year

Reason	Number	% of Total Number of Staff Leaving
Death	1	25%
Resignation	1	25%
Dismissal	1	25%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Mutual termination agreement	1	25%
Total	**4**	**100%**

12. Labour Relations: Misconduct and Disciplinary Action

Table 36: Disciplinary actions during the reporting year

Nature of Disciplinary Action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	1
Total	**1**

13. Workforce Profile

Table 37: Productivity SA's permanent workforce profile

	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
Level	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**				**F**	**HDI**
1	0	1	0	0	0	0	0	0	0	1	1	0	100
2	1	2	0	0	1	0	1	1	3	3	6	50	67
3	2	4	0	0	0	0	0	0	2	4	6	33	100
4	2	4	0	0	1	0	0	0	3	4	7	43	100
5	15	9	1	2	1	1	1	0	18	12	30	60	97
6	6	2	0	1	3	0	2	0	11	3	14	79	86
7	4	0	1	0	1	0	0	0	6	0	6	100	100
8	0	2	0	0	0	0	0	0	0	2	2	0	100
9	1	0	1	0	0	0	0	0	2	0	2	100	100
Grand Total	**31**	**24**	**3**	**3**	**7**	**1**	**4**	**1**	**45**	**29**	**74**	**61**	**93**

Table 38: Productivity SA's temporary workforce profile, including fixed-term employees and graduates

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	0	0	0	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	1	1	0	1	1	2	50	50
4	1	0	0	0	0	0	0	0	1	0	1	100	100
5	0	5	0	1	0	0	2	0	2	6	8	25	75
6	0	3	0	0	0	0	0	0	0	3	3	0	100
7	0	0	0	0	0	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0	0	0	0	0	0	0
9	1	0	0	0	0	0	0	0	1	0	1	100	100
Grand Total	**2**	**8**	**0**	**1**	**0**	**1**	**3**	**0**	**5**	**10**	**15**	**33**	**80**

Table 38 is broken down as follows:
Fixed-term employees: 14
Productivity SA graduates: 1
Total: 15

14. Equity Target and Employment Equity Status

The table reflects the current workforce profile including permanent and fixed-term contract employees appointed into staff establishment vacancies as at 31 March 2021. The equity targets are for the period ending 31 January 2024.

Table 39: Workforce profile according to employment equity status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	0	1	0	1	1	1
Senior management	8	10	0	1	1	1	0	1
Professional qualified	14	18	3	2	1	1	0	3
Skilled	5	8	1	1	0	1	0	1
Semi-skilled	2	1	0	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	32	40	4	6	2	5	1	7
Temporary	0	0	0	0	0	0	0	0
Grand Total	**32**	**40**	**4**	**6**	**2**	**5**	**1**	**7**

Table 40: Female workforce profile according to employment equity status

	FEMALE							
	African		Coloured		Indian		White	
Levels	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top management	1	1	0	1	1	1	1	1
Senior management	4	7	0	1	1	1	1	1
Professional qualified	15	16	1	1	1	1	3	2
Skilled	10	8	1	1	4	2	2	1
Semi-skilled	2	1	1	1	0	0	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	32	33	3	5	7	5	7	6
Temporary	1	1	0	0	0	0	1	1
Grand Total	**33**	**34**	**3**	**5**	**7**	**5**	**8**	**7**

Table 41: Disability workforce profile

	DISABLED STAFF			
	Male		Female	
Levels	**Current**	**Target**	**Current**	**Target**
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**0**	**0**	**0**	**1**

PART E

Financial Information

Index

as at 31 March 2021

The reports and statements set out below comprise the Annual Financial Statements presented to the parliament:

The Annual Financial Statements set out on pages 60 to 84, which have been prepared on the going concern basis, were approved by the member on 12 August 2021 and were signed on its behalf by:

Mothunye Mothiba
Chief Executive Officer

Independent Auditor's Report to Parliament on Productivity SA

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of Productivity SA set out on pages 60 to 84, which comprise the Statement of Financial Position as at 31 March 2021, the Statement of Financial Performance, Statement of Changes in Net Liabilities/Assets, Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of Productivity SA as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Standards (GRAP) and the requirements of the the Public Finance Management Act of South Africa 1999 (Act 1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.
4. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards*).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Accounting Authority for the financial statements

6. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the Accounting Authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Accounting Authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act (Act 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.
11. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the entity enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

12. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected Programme presented in the annual performance report of the entity for the year ended 31 March 2021:

Programme	Pages in the annual performance plan
Programme 3: Business Turnaround and Recovery Processes	29 – 30

13. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. We did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

Other matter

15. We draw attention to the matter below:

Achievement of planned targets

16. Refer to the annual performance report on pages 23 to 32 for information on the achievement of planned targets for the year and management's explanations provided for the under/ over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
18. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

19. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by Section 55(1)(b) of the PFMA.
20. Material misstatements of other income, payables from exchange transactions, commitments and contingent liabilities identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

21. We were unable to obtain sufficient appropriate audit evidence that invitations for competitive bidding were advertised for a required minimum period, as required by Treasury Regulation 16A6.3(c).
22. All invitations for competitive bidding were not advertised in at least the government tender bulletin, as required by Treasury Regulation 16A6.3(c).

Other information

23. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
24. My opinion on the financial statements and my findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

25. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

27. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
28. Management did not implement effective controls to ensure accurate financial reporting which resulted in material adjustments made to the financial statements.
29. Management did not monitor compliance with applicable legislation adequately resulting in the lack of adequate procurement and contract management processes.

Auditor tenure

30. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditors of Productivity SA for 8 years.

Nexia SAB&T

Nexia SAB&T

C Chigora
Director
Registered Auditor
12 August 2021

Annexure – Auditor's responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on the reported performance information for selected programme and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of Productivity SA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. We communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
4. We also provide the Accounting Authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Statement of Financial Position

as at 31 March 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current assets			
Inventories	3	211 038	223 967
Receivables from exchange transactions	4	1 795 863	2 299 371
Cash and cash equivalents	5	34 871 755	20 914 124
		36 878 656	**23 437 462**
Non-current assets			
Property, plant and equipment	6	5 466 509	1 220 594
Intangible assets	7	762 592	1 524 724
Other receivables – deposit	8	894 987	894 987
		7 124 088	**3 640 305**
Total assets		**44 002 744**	**27 077 767**
Liabilities			
Current liabilities			
Finance lease obligation	9	-	80 980
Operating lease liability		287 400	1 187 593
Payables from exchange transactions	10	10 091 984	4 095 001
Unspent conditional transfers and receipts	11	21 511 282	34 798 252
Provisions	12	727 548	605 568
Total liabilities		**32 618 214**	**40 767 394**
Net assets/(liabilities)		**11 384 530**	**(13 689 627)**
Accumulated surplus/(deficit)		**11 384 530**	**(13 689 627)**

Statement of Financial Performance

for the year ended 31 March 2021

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Rendering of services		2 914 486	1 792 043
Other income	13	25 669 528	8 173 678
Interest received		689 477	1 404 481
Total revenue from exchange transactions		**29 273 491**	**11 370 202**
Revenue from non-exchange transactions			
Transfer revenue			
Transfers received	14	79 871 418	76 550 997
Donations		-	450 000
Total revenue from non-exchange transactions		**79 871 418**	**77 000 997**
Total revenue		**109 144 909**	**88 371 199**
Expenditure			
Employee related costs	15	(62 744 766)	(62 484 534)
Depreciation and amortisation		(1 852 664)	(913 272)
Finance costs		(963)	(36 558)
Lease rentals on operating lease		(5 398 278)	(5 660 974)
Debt impairment	16	-	(77 765)
Legal fees		(1 829 216)	(1 928 495)
Loss on disposal of assets		(8 580)	(25 459)
Operating expenses	17	(12 236 285)	(16 408 448)
Total expenditure		**(84 070 752)**	**(87 535 505)**
Surplus for the year		**25 074 157**	**835 694**

Statement of Changes in Net (Liabilities)/Assets

for the year ended 31 March 2021

Figures in Rand	Net (liabilities)/ assets	Total net (liabilities)/ assets
Balance at 01 April 2019	**(14 525 321)**	**(14 525 321)**
Surplus for the year	835 694	835 694
Balance at 01 April 2020	**(13 689 627)**	**(13 689 627)**
Surplus for the year	25 074 157	25 074 157
Balance at 31 March 2021	**11 384 530**	**11 384 530**

Cash Flow Statement

for the year ended 31 March 2021

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Sale of goods and services		29 087 522	10 788 373
Transfers received		79 871 419	76 550 997
Interest received		689 477	1 404 481
Donations		-	450 000
		109 648 418	89 193 851
Payments			
Employee costs		(62 744 764)	(62 484 534)
Suppliers		(27 519 053)	(28 025 633)
Finance costs		(963)	(36 558)
		(90 264 780)	(90 546 725)
Net cash flows from operating activities	18	**19 383 638**	**(1 352 874)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(5 354 288)	(31 512)
Proceeds from sale of property, plant and equipment	6	9 261	-
Purchase of other intangible assets	7	-	(1 524 724)
Net cash flows from investing activities		**(5 345 027)**	**(1 556 236)**
Cash flows from financing activities			
Finance lease payments		(80 980)	(459 955)
Net increase/(decrease) in cash and cash equivalents		**13 957 631**	**(3 369 065)**
Cash and cash equivalents at the beginning of the year		20 914 124	24 283 189
Cash and cash equivalents at the end of the year	5	**34 871 755**	**20 914 124**

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2021

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	4 839 000	-	**4 839 000**	2 914 486	**(1 924 514)**	22.1
Other income	5 283 000	(340 000)	**4 943 000**	25 669 528	**20 726 528**	22.2
Interest received	649 000	-	**649 000**	689 477	**40 477**	
Total revenue from exchange transactions	**10 771 000**	**(340 000)**	**10 431 000**	**29 273 491**	**18 842 491**	
Revenue from non-exchange transactions						
Transfer revenue						
Transfers received	141 921 000	340 000	**142 261 000**	79 871 418	**(62 389 582)**	22.3
Total revenue	**152 692 000**	**-**	**152 692 000**	**109 144 909**	**(43 547 091)**	
Expenditure						
Employee related costs	(84 445 000)	-	**(84 445 000)**	(62 744 766)	**21 700 234**	22.4
Depreciation and amortisation	(649 000)	-	**(649 000)**	(1 852 664)	**(1 203 664)**	22.5
Finance costs	(32 000)	-	**(32 000)**	(963)	**31 037**	
Lease rentals on operating lease	(7 244 000)	-	**(7 244 000)**	(5 398 278)	**1 845 722**	22.6
Legal fees	(465 000)	-	**(465 000)**	(1 829 216)	**(1 364 216)**	22.7
Operating expenses	(59 857 000)	-	**(59 857 000)**	(12 236 285)	**47 620 715**	22.8
Total expenditure	**(152 692 000)**	**-**	**(152 692 000)**	**(84 062 172)**	**68 629 828**	
Operating surplus	**-**	**-**	**-**	**25 082 737**	**25 082 737**	
Loss on disposal of assets	-	-	**-**	(8 580)	**(8 580)**	
Surplus for the year	**-**	**-**	**-**	**25 074 157**	**25 074 157**	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**25 074 157**	**25 074 157**	

Accounting Policies

for the year ended 31 March 2021

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No.1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12.

Allowance for doubtful debts

An impairment loss on receivables is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Management considers all external receivables exceeding 90 days to be impaired.

Assessment of useful lives

The residual value and useful life of an asset are regarded as accounting estimates and intrinsically have an element of uncertainty associated with them. As such, they are based on information available at the time that they are estimated.

It is therefore expected that these estimates will differ at various stages of an asset's life depending on economic times and management's intentions. Useful lives and residual amounts are reviewed and assessed at each reporting date.

Such review and assessment takes into consideration the nature of the assets, their intended use and technical obsolescence. The residual value and useful life of an asset is reviewed and revised if necessary at each reporting date.

1.3 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern in the next foreseeable future.

1.4 Inventories

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity. The entity's inventories consist of only consumables.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- » it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- » the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Library	Straight-line	3–5 years
Furniture and fixtures	Straight-line	6–10 years
Motor vehicles	Straight-line	5–8 years
Computer equipment	Straight-line	3–5 years
Finance lease assets	Straight-line	5 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	2–3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its amortised cost plus transaction costs that are directly attributable to the acquisition.

Subsequent measurement of financial assets and financial liabilities

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

If an entity determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment.

Derecognition

Financial assets
On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

Financial liabilities
The entity removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

The entity provides post-retirement healthcare benefits upon retirement to some retirees.

1.10 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are made in respect of unrecognised contractual commitments which include future capital commitments as well as future commitments relating to operating leases. Commitments are disclosed in note 25.

1.12 Revenue from exchange transactions

Revenue from exchange transactions relates to revenue earned through consulting services rendered to companies in line with the entity's mandate.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method.

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions takes the form of grants from the Department of Employment and Labour, Unemployment Insurance Fund and Department of Trade, Industry and Competition.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Annual Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the Annual Financial Statements.

Irregular expenditure that was incurred and identified during the current reporting date and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the Annual Financial Statements.

Where irregular expenditure was incurred in the previous reporting date and is only condoned in the following reporting date, the register and the disclosure note to the Annual Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current reporting date and which was not condoned by National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.16 Related parties

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its Annual Financial Statements.

Notes to the Annual Financial Statements

for the year ended 31 March 2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods:

Figures in Rand	Effective date: Years beginning on or after	Expected impact
Standard/ Interpretation:		
GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact

3. Inventories

Figures in Rand	2021	2020
Inventories	211 038	223 967
Inventories recognised as an expense during the year	12 390	67 416

4. Receivables from exchange transactions

Accrued income	349 312	122 519
Other receivables	5 774	300 186
Prepaid expenses	336 411	-
Provision for doubtful debts	-	(379 274)
Trade receivables	1 104 366	2 255 940
	1 795 863	**2 299 371**

Receivables aging is as follows:

0–30 days	1 655 356	1 106 072
31–60 days	12 000	90 608
61–90 days	-	451 848
Over 90 days	128 507	1 030 117
less allowance for impairment	-	(379 274)
	1 795 863	**2 299 371**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2021, R1 667 356 (2020: R1 648 528) were past due but not impaired. The entity considers receivables owing for more than 90 days for impairment.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(379 274)	(613 434)
Provision for impairment	-	(74 091)
Amounts written off as uncollectible	-	140 241
Unused amounts reversed	379 274	168 010
	-	**(379 274)**

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2021	2020
Bank balances	3 600 754	748 441
Short-term deposits	31 271 001	20 165 683
	34 871 755	**20 914 124**

6. Property, plant and equipment

	2021			2020		
Figures in Rand	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Library	178 088	(178 087)	1	178 088	(118 480)	59 608
Furniture and fixtures	1 986 417	(1 897 017)	89 400	2 000 390	(1 772 228)	228 162
Motor vehicles	157 601	(157 600)	1	157 601	(154 663)	2 938
Computer equipment	7 560 757	(2 237 113)	5 323 644	2 493 117	(1 627 387)	865 730
Finance lease assets	1 949 159	(1 895 696)	53 463	1 949 159	(1 885 003)	64 156
Total	**11 832 022**	**(6 365 513)**	**5 466 509**	**6 778 355**	**(5 557 761)**	**1 220 594**

Reconciliation of property, plant and equipment – 2021

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Library	59 608	-	-	(59 607)	1
Furniture and fixtures	228 162	50 229	(218)	(188 773)	89 400
Motor vehicles	2 938	-	-	(2 937)	1
Computer equipment	865 730	5 304 059	(17 623)	(828 522)	5 323 644
Finance lease assets	64 156	-	-	(10 693)	53 463
	1 220 594	**5 354 288**	**(17 841)**	**(1 090 532)**	**5 466 509**

Reconciliation of property, plant and equipment – 2020

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Library	23 991	-	-	35 617	59 608
Furniture and fixtures	472 277	5 994	(530)	(249 579)	228 162
Motor vehicles	34 544	-	-	(31 606)	2 938
Computer equipment	1 129 992	25 518	(24 921)	(264 859)	865 730
Finance lease assets	455 489	-	-	(391 333)	64 156
	2 116 293	**31 512**	**(25 451)**	**(901 760)**	**1 220 594**

Figures in Rand	2021	2020
Assets subject to finance lease		
Finance leased assets	53 463	64 156

7. Intangible assets

	2021			2020		
Figures in Rand	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Computer software	1 524 724	(762 132)	762 592	1 524 724	-	1 524 724

Reconciliation of intangible assets – 2021

Figures in Rand	**Opening balance**	**Amortisation**	**Total**
Computer software	1 524 724	(762 132)	762 592

Reconciliation of intangible assets – 2020

Figures in Rand	**Opening balance**	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software	11 520	1 524 724	(7)	(11 513)	1 524 724

8. Other receivables – deposit

Figures in Rand	**2021**	**2020**
Rental office deposits		
Head office	727 000	727 000
KZN regional office	46 000	46 000
WC regional office	109 000	109 000
PE satellite office	12 987	12 987
	894 987	**894 987**

9. Finance lease obligation

Minimum lease payments due		
– within one year	-	81 943
– later than five years	-	(963)
Present value of minimum lease payments	**-**	**80 980**
Present value of minimum lease payments due		
– within one year	-	80 980
Non-current liabilities	-	-
Current liabilities	-	80 980
	-	**80 980**

Productivity SA had a lease agreement in respect of office equipment. The lease agreements are not renewable at the end of the lease term and Productivity SA does not have any option to acquire the equipment at the end of the lease term.

The average lease term was five years and the average effective borrowing rate was 10% (2020: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The lease agreement does not impose any restrictions on the entity.

10. Payables from exchange transactions

Figures in Rand	2021	2020
Accrued bonus	286 562	389 117
Accrued expenses	6 470 989	1 962 524
Accrued leave pay	2 297 651	1 742 999
Other payables	83 304	361
Trade payables	953 478	-
	10 091 984	**4 095 001**

11. Unspent conditional transfers and receipts

These are government grants received that will be recognised in future accounting periods.This conditional revenue will be recognised upon completion of IT refresh, Itukise, Business Turnaround Recovery and Transnet projects in the at the 2021/22 year-end.

Figures in Rand	Business Turnaround Recovery	Productivity SA	Competitive Improvement Services	Transnet	Total
2021					
Opening balance	22 108 342	10 877 915	-	1 811 995	34 798 252
Amount received	23 429 980	-	12 762 453	-	36 192 433
Interest capitalised	394 525	-	-	41 276	435 801
Amount written off *	(22 108 342)	-	-	-	(22 108 342)
Income recognised	(7 746 085)	(8 383 847)	(10 404 778)	(1 272 152)	(27 806 862)
	16 078 420	**2 494 068**	**2 357 675**	**581 119**	**21 511 282**

Figures in Rand	Turnaround Solutions	Productivity SA	Transnet	Total
2020				
Opening balance	18 971 139	12 323 000	7 168 981	38 463 120
Amount received	3 145 750	1 639 200	-	4 784 950
Interest capitalised	165	-	267 561	267 726
Income recognised	(8 712)	(3 084 285)	(5 624 547)	(8 717 544)
	22 108 342	**10 877 915**	**1 811 995**	**34 798 252**

* Amount written off represents impairment of the BT&R deferred income which was not supported by cash.

12. Provisions

Reconciliation of provisions – 2021

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
Audit fees	605 568	727 548	(605 568)	727 548

Reconciliation of provisions – 2020

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
Audit fees	651 011	605 568	(651 011)	605 568

The provision for external audit fees relates to the audit strategy based on the assumption of future audit fees according to the audit engagement.

13. Other income

Figures in Rand	2021	2020
Bad debts recovered	328 552	216 344
Commitment fee	-	11 798
Management fee – Itukise	1 770 030	1 643 357
Staff development	44 361	91 010
Sundry income	-	586 622
Transnet income	1 272 152	5 624 547
Other income	22 254 433	-
	25 669 528	**8 173 678**

Other income relates to the write off of payable that was owed to the funder and the funder approved that Productivity SA does not have to pay back the monies due.

14. Transfers received

Operating transfers		
Department of Employment and Labour	63 154 333	66 794 285
Conditional transfers		
Unemployment Insurance Fund	7 746 085	8 712
Department of Trade, Industry and Competition	8 971 000	9 748 000
	16 717 085	**9 756 712**
	79 871 418	**76 550 997**

15. Employee related costs

Figures in Rand	2021	2020
Basic	61 412 937	60 771 348
UIF	279 808	301 981
SDL	384 523	547 783
Leave pay provision charge	667 498	863 422
	62 744 766	**62 484 534**

16. Debt impairment

Debt impairment	-	74 091
Bad debts written off	-	3 674
	-	**77 765**

17. Operating expenses

Auditor's remuneration	1 499 991	1 352 066
Bank charges	43 022	67 879
Board fees	561 385	399 988
Communications	1 721 045	1 417 708
Computer expenses	836 262	1 504 367
Consumables	24 691	123 526
Insurance	401 514	203 842
Magazines, books and periodicals	-	2 255
Motor vehicle expenses	3 412	35 019
Office maintenance	328 091	409 259
Other expenses	13 446	128 078
Penalties	-	116 085
Placement fees	276	1 813
Printing and stationery	693 382	609 702
Project implementation costs	64 511	-
Promotions	164 445	37 489
Seminars	1 620	92 255
Staff welfare	463 095	63 367
Subscriptions and membership fees	114 930	213 208
Support/consulting services	2 508 752	4 095 262
Training	563 790	454 625
Travel – local	1 012 386	3 409 052
Travel – overseas	-	404 890
Utilities	1 216 239	1 266 713
	12 236 285	**16 408 448**

18. Cash generated from/(used in) operations

Figures in Rand	2021	2020
Surplus	25 074 157	835 694
Adjustments for:		
Depreciation and amortisation	1 852 664	913 272
Loss on sale of assets	8 580	25 459
Debt impairment	-	77 765
Movements in operating lease assets and accruals	(900 193)	(129 549)
Movements in provisions	121 980	(45 443)
Changes in working capital:		
Inventories	12 929	(2 135)
Receivables from exchange transactions	503 508	(822 652)
Debt impairment	-	(77 765)
Payables from exchange transactions	5 996 983	1 537 348
Unspent conditional transfers and receipts	(13 286 970)	(3 664 868)
	19 383 638	**(1 352 874)**

19. Taxation and VAT exemption

The entity is exempted from income tax in term of Section 10(1)(cN) of the Income Tax Act, 1962 (Act No. 58 of 1962).

The entity was granted exemption for VAT from July 2005 as its activities no longer comply with the definition of "enterprise" in Section 1 of VAT Act and the requirement of VAT registration in terms of Section 23 of the same Act. The entity is now included in the amended definition of "public authority" in terms of Section 1 of the VAT Act.

20. Related parties

Relationships	
Board members	Refer to member's report note 21
Controlling entity	Department of Employment and Labour
Entities with common control	Unemployment Insurance Fund
Controlled entities	Business Turnaround Recovery and Competitiveness Improvement Services
Other government departments	Department of Trade, Industry and Competition
Local departments	Limpopo Department of Economic Development, Environment and Tourism (LEDET), Western Cape Government and the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

Related party balances

Figures in Rand	2021	2020
Department of Employment and Labour	2 396 068	9 238 715
Unemployment Insurance Fund	16 078 420	22 108 342
Transnet	581 119	1 811 995
Department of Trade, Industry and Competition	2 357 675	-
Western Cape Government: Vuselela Project Fund	98 000	1 639 200
	21 511 282	**34 798 252**

The nature and extent of government grants recognised in the Annual Financial Statements is an indication of other forms of government assistance from which the entity has directly benefited.

Related party transactions

Figures in Rand	2021	2020
Department of Employment and Labour	63 154 333	66 056 285
Unemployment Insurance Fund	7 746 085	8 712
Department of Trade, Industry and Competition	8 971 000	9 748 000
LEDET	-	450 000
Transnet	1 272 152	5 624 547
Western Cape Government: Vuselela Project Fund	1 951 000	-
The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs	-	738 000
	83 094 570	**82 625 544**

Productivity SA received a transfer payment of R88 709 980 (2020: R73 458 000) for funding its administrative activities from The National Revenue Fund through Department of Employment and Labour and Department of Trade, Industry and Competition.

Members and Executives' emoluments (executives and non-executives) are disclosed in note 21.

21. Member's emoluments

Productivity SA does not pay salaries to non-executive Board members. However, expenses incurred are compensated as an allowance.

Executive 2021

Figures in Rand	Designation	Emoluments	Other benefits*	Total
Mothiba M	Chief Executive Officer	1 544 773	178 755	1 723 528
Sabela S	Chief Financial Officer	1 386 735	115 143	1 501 878
Janse van Rensburg L	Executive Manager: Regional Operations (Region 1)	1 390 071	115 008	1 505 079
Wereley T – resigned 01/02/2021	Executive – HR	1 449 070	193 133	1 642 203
Dabula N	Executive – CR	1 192 770	128 817	1 321 587
Tshifularo J	Executive – BT&R	1 194 544	99 039	1 293 583
Brink A	Executive Manager: Regional Operations (Region 2)	1 351 682	180 133	1 531 815
Naidoo A	Executive Manager: Regional Operations (Region 3)	1 399 292	157 915	1 557 207
		10 908 937	**1 167 943**	**12 076 880**

Executive 2020

Figures in Rand	Designation	Emoluments	Other benefits*	Total
Mothiba M	Chief Executive Officer	1 515 859	320 750	1 836 609
Sabela S	Chief Financial Officer	1 340 264	181 135	1 521 399
Janse van Rensburg L	Executive Manager: Regional Operations (Region 1)	1 146 004	247 964	1 393 968
Wereley T	Executive – HR	1 298 723	292 654	1 591 377
Dabula N	Executive – CR	1 160 200	165 766	1 325 966
Tshifularo J	Executive – BT&R	1 148 699	164 991	1 313 690
Brink A	Executive Manager: Regional Operations (Region 2)	943 575	517 620	1 461 195
Naidoo A	Executive Manager: Regional Operations (Region 3)	839 563	449 609	1 289 172
		9 392 887	**2 340 489**	**11 733 376**

* Other benefits comprise travel allowance and medical benefits.

Non-executive 2021

Figures in Rand	Designation	Member's fees	Other benefits*	Total
Mdwaba M	Chairman – Board	341 043	3 410	344 453
Khan F	Member	44 523	445	44 968
Nolingo C	Member	49 761	498	50 259
Singh S	Member	49 761	498	50 259
Selematsela M	Member	28 809	288	29 097
Gordhan Y – resigned 31/10/2020	Chairperson – Audit and Risk Committee	47 488	-	47 488
		561 385	**5 139**	**566 524**

Non-executive 2020

Figures in Rand	Designation	Member's fees	Other benefits*	Total
Mdwaba M	Chairman – Board	128 033	4 982	133 015
Phaladi M	Member	36 976	4 098	41 074
Reddy L	Member	45 715	457	46 172
Mbongwe N	Member	46 005	5 034	51 039
Vermeulen	Member	44 548	3 800	48 348
Khan F	Member	10 476	695	11 171
Nolingo N	Member	7 857	1 471	9 328
Al-Anani A	Member	2 619	308	2 927
Singh S	Member	7 857	583	8 440
Gordhan Y	Chairperson – Audit and Risk Committee	50 045	-	50 045
		380 131	**21 428**	**401 559**

* Other benefits comprise travel allowance and medical benefits.

22. Budget differences

Material differences between budget and actual amounts

Budget narrations are included for variations above R100 000.

22.1 Rendering of services

Rendering of services was below budget mainly due the inability of the entity to provide services to clients because of the COVID-19 pandemic which resulted in a country-wide lockdown for most of the financial year.

22.2 Other income

The other income from ordinary operating activities was below budget for the period under review. The under performance was mainly owing to business interuptions resulting from the COVID-19 pandemic. However, the positive movement (R22 million) was an accounting adjustment that was processed giving effect to the waiver of liability request that was approved by the Director General: Department of Employment and Labour, of the Waiver of Liability request.

22.3 Transfers received

Transfers received were below budget mainly due to the BT&R Programme whose MoA was only signed during the current financial year after it had been suspended for more than a year. Only R23 million of the R104 million funding was received during the current financial year.

22.4 Employee related costs

Employee related costs were below budget mainly due to unfilled vacancies as a result of funding constraints.

22.5 Depreciation

Depreciation was above budget mainly as a result of additional assets acquired during the year due to the IT refresh project as well as additions to IT related assets to assist the entity during the new environment of working remotely as a result of COVID-19.

22.6 Lease rentals

Lease rentals on operating lease are 5% below previous year rentals due to the lease term coming to an end, however our budget was based on incremental budget.

22.8 Legal fees

Legal fees are above budget because management could not estimate the time it would take to finalise the case of the suspended executive. The case has finally been concluded and settlement reached.

22.9 Operating expenses

Operating expenses were below budget mainly due to less than expected activity on the BT&R Programme whose suspension was lifted during the current financial year. The presence of the COVID-19 pandemic and the country-wide lockdown resulted in a delayed traction when the programme was brought back to life. Budgeted costs for the year were R44 million but only around R7 million were actually incurred during the current financial year. Other savings were as a result of working remotely and therefore savings on travelling costs, support services costs and project implementation costs.

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of reduction in grant allocation by National Treasury and offset by additional revenue from donations.

23. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

Below is the analysis of the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amount disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures in Rand	Less than one year
At 31 March 2021	
Payables from exchange transactions	10 091 984
At 31 March 2020	
Finance lease obligation	80 980
Payables from exchange transactions	4 095 001

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The entity is committed to deposits funds in terms of PFMA.

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand	2021	2020
Financial instrument		
Cash and cash equivalents	34 871 755	20 914 124
Receivables from exchange transactions	1 795 863	2 299 371
Other receivables – deposit	894 987	894 987

24. Fruitless and wasteful expenditure

Opening balance	120 940	687 324
Opening balance as restated	**120 940**	**687 324**
Add: Fruitless and wasteful expenditure – current	-	120 940
Less: Amount written off – current	(120 940)	(687 324)
Closing balance	**-**	**120 940**

Fruitless and wasteful expenditure includes interest and penalties on late payment of accounts.

25. Commitments

Figures in Rand	2021	2020
Total commitments		
Authorised capital expenditure	641 471	5 788 424
Authorised operational expenditure*	3 628 239	2 121 306
	4 269 710	**7 909 730**

* 2020 figures have been restated due to VAT inclusion on IT refresh costs.

Operating leases – as lessee		
Minimum lease payments due		
– within one year	3 964 905	6 230 215
– in second to fifth year inclusive	568 119	4 815 596
	4 533 024	**11 045 811**

Operating lease payments represent rentals payable by the entity for its office properties. Leases are negotiated for an average term of five years and rentals are smoothed over the term of the lease. No contingent rent is payable.

Rental expenses relating to operating leases		
Minimum lease payments	5 398 278	5 660 983

26. Contingencies

As at 31 March 2021, Productivity SA had a pending case with pensioners relating to payment of pensioners' medical aid benefit amounting to about R1 656 000 per annum.

27. Change in estimate

Property, plant and equipment

In terms of the requirement of GRAP 17 property, plant and equipment, management revised the estimated useful life of computer equipment, furniture and library and the effect of the change does not affect future periods. The condition of the asset is considered in revising the estimated useful lives of the assets.

The impact on the Statement of Financial Performance is R280 492 (2020: R356 960).

28. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As the entity had an accumulated surplus of R11 348 530 and the entity's total assets exceed its liabilities by R11 348 530 as at 31 March 2021. The ability of the entity to continue as a going concern is dependent on a number of factors, these include the following significant factors:

The agreed funding will be received as per the signed memoranda of agreement with DEL, UIF and **the dtic**. The non exchange funding is increased to fully cover the operations of the entity.

Management have made an assessment of the entity's ability to continue as a going concern in line with GRAP 1 paragraph 27. In determining the going concern assumption, management considered the signed MoA with DEL for the 2021/22 reporting date and there has been no indication that the DEL will not continue to fund the entity. Management has also considered the impact of COVID-19 on the companies that are being assisted and the possibility of them not honouring their obligations towards the entity. In considering all these factors, management have a reasonable expectation that the entity has adequate resources to continue operations for the foreseeable future.

29. Events after the reporting date

Management has assessed the financial impact to the entity of COVID-19, the assessment included the testing of assets for impairment, recoverability of receivables as well as the impact on revenue. Management is convinced that the impact of COVID-19 will not result in an adjusting subsequent event for the period ending 31 March 2021 as revenue generated through external sources amounts to less than 9% of the entity's revenue generated.

The COVID-19 pandemic has created an opportunity for the entity to generate additional revenue as a result of the Business Turnaround and Recovery Programme which is gaining traction as the impact of the pandemic is felt by most companies. This additional revenue will offset any potential future grant revenue reduction should the fiscus experience further constraints.

30. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major functional areas: Productivity SA, Business Turnaround Recovery and Competitiveness Improvement Services. The segments were organised around the type of service delivered and the target market namely those entities in enterprise development stage, enterprises who are matured as well as enterprises facing economic distress. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Productivity SA is established in terms of section 31 (1) of the Employment services Act, No. 4 of 2014 as a juristic person with a mandate to promote employment growth and productivity thereby contributing to South Africa's socio economic development and competitiveness.

Business Turnaround Recovery provides turnaround solutions to companies facing economic distress and its funding comes from the Unemployment Insurance Fund.

The Competitiveness Improvement Services Programme focuses on creating an enabling environment conducive to entrepreneurship and sustainable enterprises that are capable of creating productive employment and decent work. 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.

Segment surplus or deficit, assets and liabilities 2021

Figures in Rand	Productivity SA	BT&R	CIS	Eliminations	Total
Revenue					
Revenue from non-exchange transactions	63 154 333	7 746 085	8 971 000	-	79 871 418
Revenue from exchange transactions	6 234 497	22 254 433	95 084	-	28 584 014
Interest received	505 607	-	183 870	-	689 477
Inter-segment transfers	3 495 465	2 233 319	8 290 414	(14 019 198)	-
Total segment revenue	**73 389 902**	**32 233 837**	**17 540 368**	**(14 019 198)**	**109 144 909**
Entity's revenue					**109 144 909**
Expenditure					
Employee related costs	49 898 601	5 189 964	7 656 199	-	62 744 764
Goods and services	17 508 261	740 989	1 214 532	-	19 463 782
Loss on sale of assets	8 580	-	-	-	8 580
Finance costs	963	-	-	-	963
Depreciation and armotisation	1 852 663	-	-	-	1 852 663
Inter-segment transfers	11 795 165	1 815 132	408 901	(14 019 198)	-
Total segment expenditure	**81 064 233**	**7 746 085**	**9 279 632**	**(14 019 198)**	**84 070 752**
Total segmental surplus/(deficit)					**25 074 157**
Assets					
Segment assets	27 899 885	18 644 187	4 208 407	(6 749 735)	44 002 744
Total assets as per Statement of Financial Position					**44 002 744**
Liabilities					
Segment liabilities	12 645 596	18 644 187	8 078 166	(6 749 735)	32 618 214
Accumulated reserves	15 254 289	-	(3 869 759)	-	11 384 530
Total segment liabilities	**27 899 885**	**18 644 187**	**4 208 407**	**(6 749 735)**	**44 002 744**
Total liabilities as per Statement of Financial Position					**44 002 744**

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2021

Segment surplus or deficit, assets and liabilities 2020

Figures in Rand	Productivity SA	TAS	WPC	Segment 4	Eliminations	Total
Revenue						
Revenue from non-exchange transactions	66 056 285	8 712	10 198 000	-	-	76 262 997
Revenue from exchange transactions	9 643 378	-	1 060 343	-	-	10 703 721
Interest received	1 246 581	-	157 900	-	-	1 404 481
Inter-segment transfers	41 344 032	-	654 000	-	(41 998 032)	-
Total segment revenue	**118 290 276**	**8 712**	**12 070 243**	**-**	**(41 998 032)**	**88 371 199**
Entity's revenue						**88 371 199**
Expenditure						
Employee related costs	54 661 013	-	7 823 524	-	-	62 484 537
Goods and services	21 447 348	8 712	2 619 618	-	-	24 075 678
Loss on sale of assets	25 459	-	-	-	-	25 459
Finance costs	36 558	-	-	-	-	36 558
Depreciation and amortisation	913 273	-	-	-	-	913 273
Inter-segment transfers	5 623 863	36 374 169	-	-	(41 998 032)	-
Total segment expenditure	**82 707 514**	**36 382 881**	**10 443 142**	**-**	**(41 998 032)**	**87 535 505**
Total surplus for the year						**835 694**
Assets						
Segment assets	40 480 092	5 175	1 689 340	(15 096 840)	-	27 077 767
Total assets as per Statement of Financial Position						**27 077 767**
Liabilities						
Segment liabilities	17 551 470	24 492 927	13 819 837	(15 096 840)	-	40 767 394
Accumulated (deficit)/ surplus	22 928 622	(24 487 752)	(12 130 497)	-	-	(13 689 627)
Total segment liabilities	**40 480 092**	**5 175**	**1 689 340**	**(15 096 840)**	**-**	**27 077 767**
Total liabilities as per Statement of Financial Position						**27 077 767**

Case Studies

PART F

1. Gauteng, Limpopo and North West Case Studies

1.1 Transnet Enterprise Development

MTHOMBOWOLWAZI (PTY) LTD
A CLASS ON IT'S OWN

Introduction

From humble beginnings, as a small recycling company with limited resources in a business unit in Soweto, Gauteng, Mthombowolwazi has been in recycling for almost seven years, although the business was registered in 2016, after getting its Wastehub permit operating licence. Mthombowolwazi is a level 1 B-BBEE contributor. It is 100% Black male owned with 36 permanent employees (28 Black males, 9 Black females).

Vision

To grow the company through sustainable business and investment.

Mission

To mobilise partnerships (private and public) in managing strategic business and programmes aimed at a sustainable business.

Current clients

Mpact, Collect-a-Can, Neopact, Gayatri Paper Mills.

Executive summary

The Transnet Enterprise Development Project implementation at Mthombowolwazi included:

- Financial analysis: To determine, via basic ratio analysis, the financial soundness of the business;
- Analysis of cost drivers;
- Analysis of core business processes; and
- Establish a visual performance monitoring system.

At the start of implementation, it was recognised that it would be beneficial to conduct a problem analysis session as well as a Productivity Awareness Workshop for the management team. It was deemed to be important for the management team and the implementing consultants to have a common understanding of intent of the project as well as a common understanding of productivity concepts. The financial assessment was discussed at this workshop.

The following interventions were recommended and where time permitted, assistance given with implementation:

- Data collection and interview session;
- Strategic planning session to deliver a SWOT (strengths, weaknesses, opportunities, and threats) analysis;
- Operational analysis to deliver an improved process flow; and
- Kaizen and Early Warning System Workshop to understand the importance of setting goals/targets and dealing with factors that influence their achievements.

Highlights

The following resulted from the data collection, interviews with various key personnel, and the training on continuous performance improvement and early warning system.

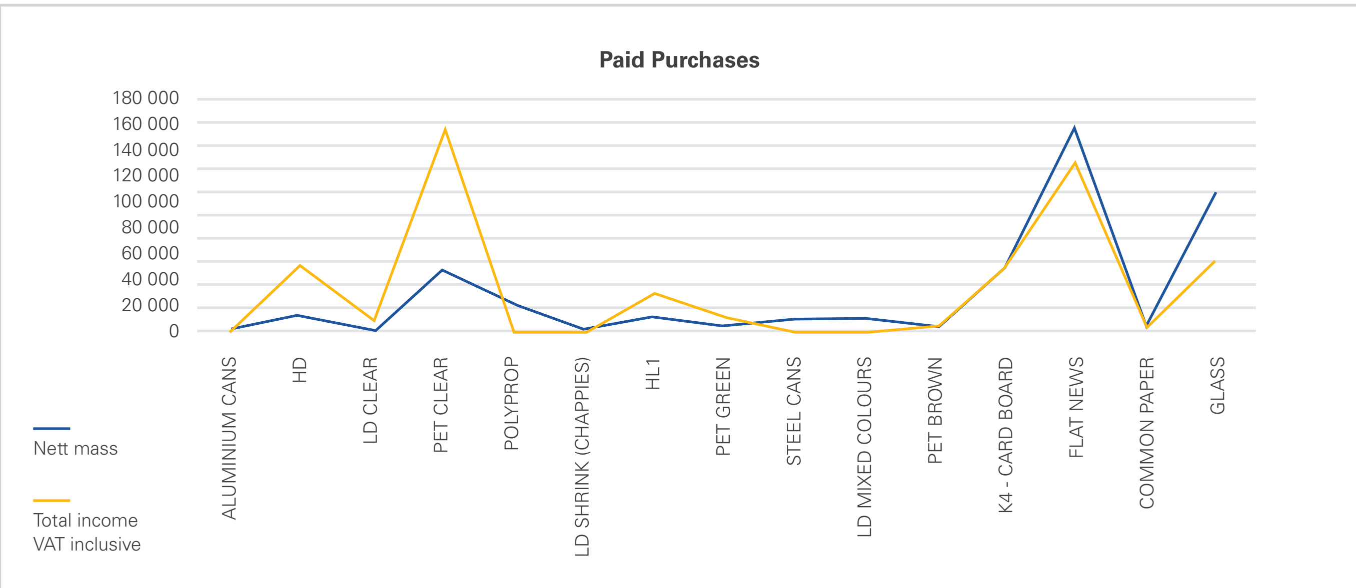

Figure 5: Product collection analysis

STRENGTHS	WEAKNESSES
» Business has 36 permanent labour force » 5 trucks to collect recyclable waste for project » Recycling buy-back facility to sort, store and process material » Business experience since 2021 » Geographics area for our business facility » City of Johannesburg monthly operational financial support	» Poor infrastructure at buy-back centre » Lack of electricity connection » Production equipment » Adequate training to all employees » Lack marketing for the business » Lack of capital funding or grants
OPPORTUNITIES	**THREATS**
» Our business facility is located in the strategic place which is surrounded by four municipalities » The company is in partnership with big role players in the industry » The company is in partnership with different government agencies or department to scale up operation » The recycling market is growing fast in South Africa » Recycling can create more jobs for unemployed citizens » Building infrastructure redesign to suit the production services » Bank interest reduction from the statements received	» Funds/grant withdrawal by City of Johannesburg » Delayed electricity connection » Minimum wage implementation » Theft

Figure 6: SWOT analysis

Table 42: Operations analysis – January to June 2019

Income per month/products	Price incl.	Net mass	Total income VAT inclusive
ALUMINIUM CANS	14.68	1 440.00	R21 473.85
HD	4.14	12 267.00	R50 793.43
LD CLEAR	3.50	2 640.00	R9 099.70
PET CLEAR	3.50	45 314.50	R158 637.55
POLYPROP	3.23	20 904.50	R68 763.60
LD SHRINK (CHAPPIES)	3.13	182.00	R582.20
HL1	2.80	10 836.00	R28 752.30
PET GREEN	1.90	6 017.00	R11 112.70
STEEL CANS	1.61	7 750.00	R12 450.00
LD MIXED COLOURS	1.44	8 945.00	R12 656.40
PET BROWN	1.18	3 757.00	R4 488.00
K4 - CARDBOARD	1.06	49 691.50	R49 947.75
FLAT NEWS	0.81	157 637.00	R129 273.00
COMMON PAPER	0.59	6 928.00	R4 039.80
GLASS	0.50	108 824.00	R54 412.00
6 Months			**R501 412.00**
Per Month			**R83 523.08**

Mthombowolwazi was capacitated through Kaizen projects, which empowered a team of champions during a Leadership Capacity Building session, including:

- Continuous improvement tools and techniques (Kaizen projects);
- Problem solving techniques;
- Creating productivity champions;
- Enhancement of teamwork; and
- Finding and eliminating waste.

The champions were also taken through the recommended process flow and early warning system as depicted by the following figure and table.

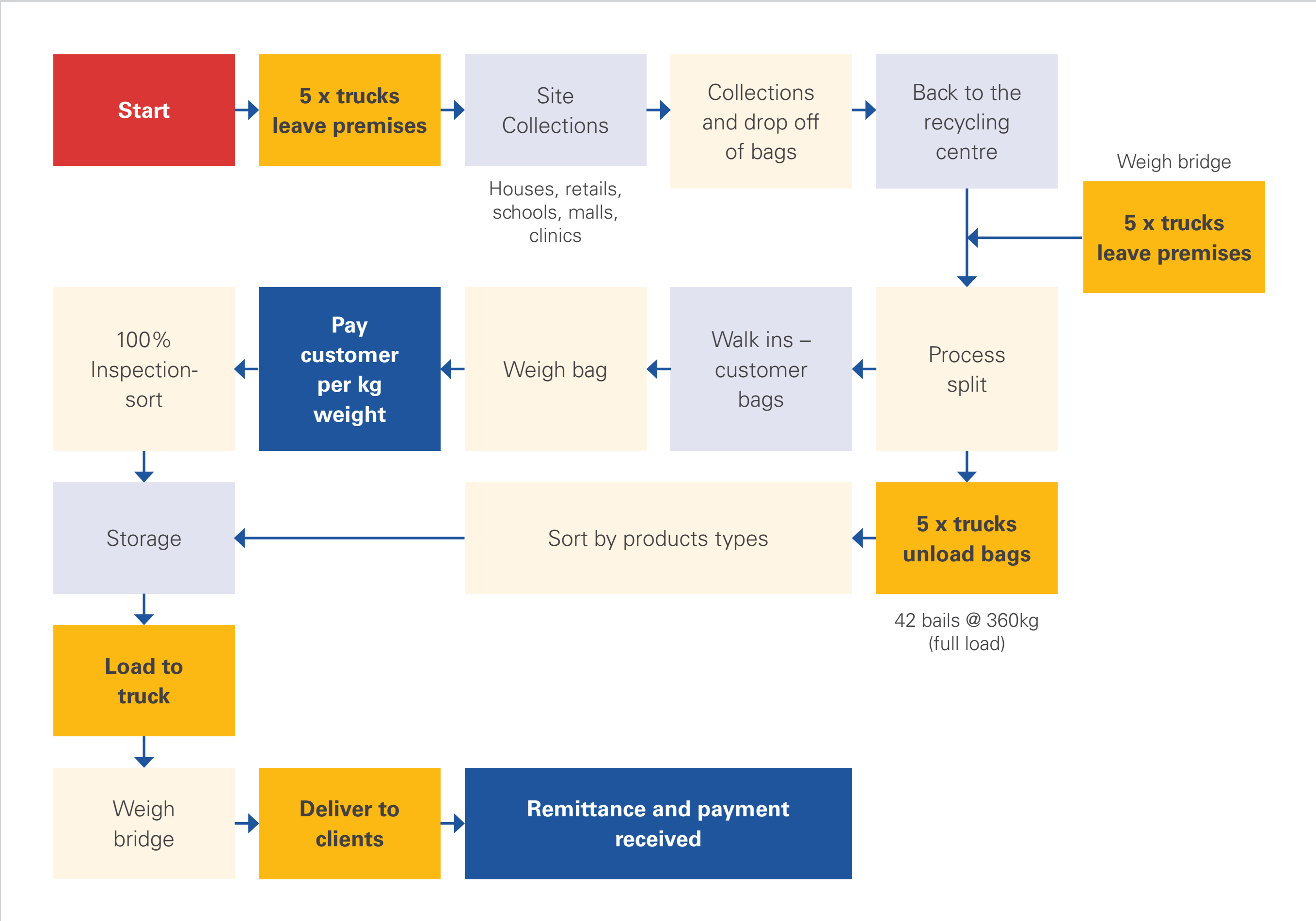

Figure 7: Recommended process flow

Table 43: Early warning system

Contributor/Cost Pool	Cost Driver Activity	Measure	Actual	Goal	Impact
Delivery	Tonnage	Processes job card per month	443 134 tons	886 267 tons	» Sales » Break even
Cost	Sales	Income per month	R83 523.08	R193 195	» Overall company performance
Quality	Weight/ truck	Utilisation – first time right	No measurement	95%	» Correct tonnage per truck » Correct summary report from the customers

Early Warning Systems are a few generic factors that can be applied to any organisation to alert them to signs of stress within the company. The factors includes:

- Cash flow/Liquidity is tight
- Order books are not full
- Profitability is decreasing
- Decrease in production runs
- "Short time" for workers
- Borrowing facilities have been exceeded
- Inability to finance resources

The above factors are the most obvious among many of other factors that can highlight that an enterprise is in distress.

Challenges

- Lack of funding for capital assets such as the following: H41 and H25 bailing machine with chain conveyor log, polypropylene granulator, PET granulator machine, pelletising machine, forklift truck, grabber forklift heavy duty, 8-ton-flatbed truck, and bottle crusher machine.
- No electricity infrastructure.
- Currently the business cannot produce its own products from recycled material.
- No key performance indicators, targets, and measurements and monitoring.
- Cost of operations is high, even though the City of Johannesburg is assisting with paying for the driver's salary, diesel, overheads, and vehicle maintenance.

Recommendations

The following actions are recommended:

- Recommended process flow to be implemented; this can only be implemented once the electricity infrastructure has been connected.
- Continued follow-up with the City of Johannesburg, with regards to electricity connections.
- Performance management system to be implemented by management with immediate effect.
- Members should establish respect and discipline among themselves.
- Production targets should be established and measures relating to throughput vs demand.

1.2 Steelman

Project background

Steelman is wholly owned by Staalbeer, a steel merchant with three branches in Potchefstroom, Vereeniging and Bothaville. Staalbeer is the sole supplier of raw material to Steelman and its sole customer absorbing all its produce. Steelman's core business is to perform value-adding activities to steel and bring it to the specifications that the customer requires.

These value-adding activities are performed on steel products that are used in the construction and built environment industry. Three main value-adding departments are housed at the Potchefstroom branch, namely roof sheeting, palisades, and cut and bend for reinforcing. From Potchefstroom, value-added products are supplied to the two other branches in Vereeniging and Bothaville.

The product contributing most to the bottom line is the roof sheeting line, where different types of steel roof sections are rolled from galvanised coil. The next is the palisade line where palisade sections for perimeter walls are welded. Lastly, the cut and bend section cuts and bends steel reinforcing to customer requirements for load bearing concrete columns and foundations.

Eventually, the business shut down the cut and bend department as it was accumulating losses and introduced a light steel manufacturing business.

Productivity SA initially implemented its Business Turnaround and Recovery (BT&R) solution in 2016. Five years later, we revisited the company to understand the impact of our interventions and identify areas that may require further support and intervention.

Macro-economic environment

The global shortage of steel due to a sharper than expected recovery in nearly all markets has pushed international steel prices back to their highest since 2008. The impact on domestic markets and the downstream industry has been devastating, especially for small businesses such as Steelman, who have no choice but to bear the brunt of increasing prices. Steel prices remain highly regulated.

These industry players face a number of serious challenges, such as rising operational expenses while global competition is putting downward pressure on selling prices. Therefore, manufacturers must increasingly find ways of being innovative in the way they manage their businesses. Increases in labour costs, electricity and transportation all have detrimental impacts on margins, investment in new capacity and job retention. For end users such as Steelman, challenges include price, product quality, volume and payment terms. Most of these variables are fixed, with little or no room for negotiation.

COVID-19

At the onset of the COVID-19 pandemic, and the initial shutdown in April 2020, Steelman applied for relief through government's COVID-19 Temporary Employee/Employer Relief Scheme. This application was successful, and employees enjoyed the subsidised wage benefit for a period of three months. All protocols were adhered to, including social distancing, sanitising and compulsory mask wearing. Steelman has thankfully not had a single case of COVID-19 among its employees.

Load shedding and its effects on businesses

Eskom's mandate is to ensure security of supply to service the South African economy and society. At all times there must be sufficient supply to meet demand, however, electricity demand is not constant because of peak periods when demand is higher and continuous growth in the number of customers requiring electricity services. This means that the power system requires constant and prudent management of supply to meet demand but, today, Eskom faces the challenge of a constrained power system that will affect us until substantial new power capacity is available. Load shedding is a controlled process that responds to unplanned events in order to protect the electricity power system from a total blackout. Therefore, load shedding is used to manage our power system and protect it from such an event.

As South Africa strives to manage the country's electricity, load shedding has a serious impact on industries that rely on continuous electricity production and Steelman is no different. While electricity is not the highest cost driver, production decreases, and some employees cease work. Steelman resorts to the utilisation of generators, however, it is not enough. Prioritisation of which machines need to stay on becomes critical. The available electricity is therefore used to supply the most critical production elements.

Challenges

At the time of the first assessment, the business was not providing quality service to its customers. Products were not delivered on time, the production throughput was not streamlined and there was too much waste in the production process.

Each business unit (cut and bend, palisade line and roof sheeting) had their own matrixes of floor space utilisation, conversion cost, labour costs, and overheads. The cut and bend area had the largest and most expensive machinery in the whole company, however, sales of products from this area yielded the least profit as prices throughout the industry were fixed on weight. Based on this and in consultation with the Managing Director, Johan Roos, the cut and bent area was identified as the largest loss-making department and was earmarked as the initial improvement area.

A number of production inefficiencies were identified and the general workforce needed to be equipped to understand their role in improving efficiency and waste reduction.

Some of the challenges included:

- The flow of materials from the cropper to the manual benders was not optimal as a lot of time was spent waiting for the crane to transport the materials, at the same time reducing productivity as machine idle time was as high as 15%.
- Transportation waste of long lengths was identified where goods were delivered to one place as incoming material; however these are moved again with no processing to an area where they would be displaced from, a total distance of 45m. This created idle time for many of the products being produced as the crane waiting time was sometimes longer that 10 minutes.
- Production coming from the resource sheet metal machine was being placed on the floor, requiring the operator to then spend additional time to package the product from the floor. The operator motion took up an additional 13 minutes.

Productivity SA approach

In 2016, training and financial analysis were conducted. Furthermore, the Future Forum was established and capacitated, an in-depth analysis outlining problematic areas was conducted and relevant interventions were identified. Champions were identified and capacitated to implement the turnaround strategies.

It was then decided that the production planning system be modified to allow for confirmed orders from branches to be placed directly on the production schedule.

Secondly, orders from the Bothaville and Vereeniging branches would be prioritised to consider delays of receiving products.

All nine members of the cut and bend area, including the supervisor and management, embarked on waste training to assist them in being able to identify the different types of waste. This then allowed them to understand the effect of these wastes on productivity. Ideas of how productivity could be improved were initiated and refined. This was of great importance as we believe that ideas to improve the work area should come from the people most affected by the current state. Based on our many years of experience, it is more likely for an idea to be rejected by the shop floor employees if they feel that it was imposed on them, than them being an active part of the process.

Results and impact

The Future Forum and Champions Training enabled constructive dialogue between management and labour and assisted in deliberating issues affecting business performance.

The BT&R solutions implemented in 2016 were hailed successful, with material improvements in waste management, business operations and worker morale. Key to the success of the intervention was the co-creation of solutions between the workers of Steelman and its management team.

Productivity SA engaged with Steelman as a follow-up to unpack the impact of the BT&R and to identify whether room for further interventions existed. The initial impact of BT&R included a significant reduction in absenteeism, increase in positive worker morale and collective accountability. Mr Roos, in the follow-up discussion, described his workers as a "thinking workforce" post the Turnaround Solutions Programme, where workers were now giving input and adding value to problem solving and co-creating solutions. These interventions are worth celebrating as this investigation shows that even five years post the deployment of BT&R, workers remained equipped and capacitated to continuously improve aspects related to machine reliability, management of redundant material and continuous improvements in factory layout.

The general expression conveyed was that the BT&R had equipped the company and its employees to be flexible and adaptable to change, increasing staff morale and the ability to engage in and co-create solutions. Mr Roos unequivocally attested that the success of the staff's ability to work together during the uncertain times of the pandemic, was a direct consequence of the capacity building and training knowledge imparted during the Turnaround Solutions Programme.

Going forward, Productivity SA has identified opportunity for further intervention, especially with a focus on collaborative problem solving and re-igniting the Future Forum as a platform for staff to increase and promote a collaborative relationship between management and the workers in the workplace. These forums serve as a basis for the identification of challenges and outlining the turnaround strategies and required interventions.

1.3 Enterprise Development and Support Ecosystem

Introduction

Productivity SA in partnership with its stakeholders in the Limpopo province, Limpopo Department of Economic Development, Environment and Tourism (LEDET), the Small Enterprise Development Agency, and the Limpopo Economic Development Agency signed three-year agreements. The integrative approach is the first of its kind for Productivity SA in a province. The concept of an integrative approach aligns to the Enterprise Development and Support Ecosystem. Provincial role players support the enterprises from a business, financial, and government perspective, while providing support through productivity and sustainability interventions.

The agreement includes SMME training interventions, provincial champions training interventions, Kaizen projects, cluster interventions and BT&R interventions. LEDET plays the lead role in the collaborative efforts, aligning the targets with the provincial targets, including the district development model.

In 2020/21, Productivity SA signed up 18 new Kaizen projects within the province. The Kaizen project is a non-financial support programme for the companies in the Vhembe region of Musina, Thulamela and Makhado municipalities with the aim of improving companies' performance and competitiveness, which ultimately is expected to improve profitability of the companies involved. The Kaizen project is based on continuous improvement principles.

Two clusters were identified with the total of 18 companies. The companies are in the following sectors: Agriculture: Crop and animal farming; Woodwork and carpentry; Recycling; Clothing and textile; Chemicals; Beauty and cosmetics; and Catering and baking.

The companies were trained in the Best Operating Practice (BOP) and Leadership Capacity Building (LCB). The first cluster was identified in Musina with the total of five companies, the second cluster was identified in Thohoyandou with a total of 13 companies.

Table 44: The list of participating companies

Business Name	Products	Number of employees	Ownership
THOHOYANDOU CLUSTER			
Mastermade	BBQ Sauce	3	Black, female and youth
ZZY GT E Design	Clothing	5	Black and female
Theo S Chilli	Chili Sauce	3	Black and male
Vhutshilo T Fashion Design	Clothing	4	Black and male
Munarini Carpentry and Joinery	Furniture	4	Black, male and youth
Riakona Cleaning	Cleaning Chemicals	3	Black, female and youth
Vhatshidzi	Farming	3	Black, male and youth
Arehone Sweetcake	Baking	1	Black, female and youth
Made in Venda	Clothing	12	Black, male and youth
Tshibalo Bricks and Aggregates	Bricks	15	Black, male and youth
DRRM Services and Supply		4	Black, male and youth
M and S Clothing	Clothing	5	Black, male and female
Precise Cosmetics	Beauty and Cosmetics	5	Black and female
MUSINA CLUSTER			
Chalehwa Catering primary Coop	Catering	8	Black and female
Ifa La Sialala	Clothing	3	Black and female
The absolute pizza and fast food	Food supply, pizza	8	Black, male and youth
Rehoboth Recycling	Recycling	10	Black and male
Seisa farming	Farming	4	Black and male

Kaizen overview

Kaizen workshops are run over two days whereby delegates from different companies are exposed to best operating practice in leadership and productivity management.

The content of the programme includes:

- Value vs waste;
- Kaizen toolkits;
- The basic tools: 5S and visual management;
- How does a production operation work?
- The levels of improvement in a company;
- Finding and eliminating waste;
- The 10 steps for making improvements; and
- Company-wide Kaizen.

Kaizen objective

Kaizen is more than just a methodology for continuous improvement. It is not a specific tool or set of tools to improve quality. Kaizen is a journey and not a destination. The objective of Kaizen is to improve productivity, reduce waste, eliminate unnecessary hard work and humanise the workplace. Kaizen is effective at identifying the three basic types of waste: Muda (wastefulness), Mura (unevenness), and Muri (overburden). Kaizen philosophy empowers everyone to assume responsibility for their processes and improve them. With Kaizen, workers at all levels of the organisation are engaged in constantly watching for and identifying opportunities for change and improvement. Kaizen is not just a one-time event; more precisely, it is a process that occurs every day.

Completed work

The following work has been completed with the Kaizen clusters:

Musina and Thohoyandou Clusters:

- Two-day training on BOP and LCB for Musina and full-day training on the same for Thohoyandou;
- Report indicating AS-IS;
- Development of action plan template to help with implementation;
- Implementation of the Kaizen project;
- Daily, weekly, monthly and yearly performance planning and targets;
- Business performance assessment; and
- Baseline performance and performance indicators.

The approach to the implementation was to determine the baseline performance, performance, gap analyses with all the companies involved to determine the current level of performance and develop an action plan to achieve a targeted level of performance.

Performance indicators are determined per company, but the goal is to improve on quality, speed/delivery, reduce cost, and improve morale and safety within each company by the end of July 2021. These key strategic partnerships are set to enhance productivity and sustainability of the SMMEs within the Limpopo province.

2. KwaZulu-Natal, Eastern Cape and Mpumalanga Case Studies

2.1 Ultimo Shoes

Introduction

Company background

Ultimo Shoes is operational in the Footwear and Leather industry and specialises in the manufacturing of school shoes for some of the prominent South African brands. The business is located in Durban in KwaZulu-Natal, within the Chatsworth area and employs more than 125 people. The company was founded in 1989 as a family run footwear manufacturer, providing quality footwear to customers across Africa.

A proudly South African brand, Ultimo Shoes procures raw materials from both local and international suppliers and through world-class manufacturing processes, produces high-quality, affordable footwear. The foundation of the success of Ultimo Shoes has been the perseverance, commitment and expertise of the entire staff, from concept to delivery.

Project background

Productivity SA, in partnership with the South African Footwear and Leather Export Council and the eThekwini Municipality, rolled out a Cluster Kaizen Programme. The aim of the programme was to bring an understanding and application of continuous improvement concepts that will enable more effective and efficiency-driven operations management activities. The implementation of improvement projects within each organisation aimed to ensure that the concepts are grasped and applied properly.

The implementation of the Cluster Kaizen Programme entailed conducting a Kaizen Tools and Capacity Building Workshop and the implementation of identified projects. Coaching and review of the programme followed implementation, to ensure that the interventions are sustainable.

The objectives of the project were to reduce waste, improve resource use, improve efficiency, and enable improvements in the quality of products.

Activities included:

- Capacity Building Workshops with the Kaizen Champions;
- Training on Lean Principles of 5S and 7 Types of Waste; and
- Implementing a Stock Management Project within the stores'.

The capacity building workshops

The Capacity Building Workshop for Kaizen champions incorporated the Leadership Capacity Building and Best Operating Practices Modules rolled out as shown in Figure 8.

As part of the outcomes from these workshops, a need was identified to focus efforts on improving efficiencies within the stores' area at Ultimo Shoes. This was identified as an area of improvement as it is a critical supply operation to production. From there, a Stock Management Project was initiated where the process of receiving, storing and issuing of stock to production was analysed to determine improvement opportunities that will ensure efficiencies and improve stock management.

- Value vs Waste
- Kaizen Toolkits
- The basic tools: 5S and visual management
- How does a production operation work?
- The levels of improvement in a company
- Finding and eliminating waste
- The 10 steps for making improvements
- Company-wide Kaizen

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- Investigating the situation
- Finding solutions
- Recommendations for improvements
- Presentation of improvement suggestions
- Implementation of improvement suggestions

Figure 8: Capacity building workshop outline

Stock Management Project overview

Background

Stock was managed ineffectively during 2019/20. This resulted in cost variances associated with stock at hand and what the internal stock management system registers. Ultimo Shoes holds stock for its operations and other sister companies. Ineffective record management allowed gaps and opportunities for loss of material through theft or other means.

Objectives

To reduce the costs associated with stock management by reducing the number of stock-taking days from 3 days to 1 day over the next six months, and by eliminating inefficiencies and risks associated with material being lost in the system or processes.

Scope

The area and the products that the project/initiative covered, included:

- Stock management processes; and
- The stores' areas at Ultimo Shoes.

Deliverables

The key deliverables for this project were to:

- Understand the current flow of all major processes;
- Analyse the gaps in processes causing inefficiencies;
- Develop solutions for efficient stock movement and storage; and
- Create an efficient and effective performance measurement plan to track stock management.

Methodology

To execute the project mandate, the following methodology was followed:

- Assess and map the current stock management process flows;
- Gather historic data related to the type of inefficiencies in stock management;
- Analyse the process map and the gathered data;
- Draft analysis results in quantitative and graphical form; and
- Brainstorm solutions and implement corrective actions.

Stock Management Project approach

The stock management project was based on the stock-take exercises from October 2020 to February 2021.

The project process evaluation was structured as follows:

- Observations of the types of challenges and risks encountered during a stock-take exercise;
- The evaluation of stock counts after completion, compared to the records downloaded from the Shoepac system; and
- The data collected was collated at the end of the stock-take for variance-reporting purposes.

The types of stock management issues

- In the past, stock-taking exercises had issues and gaps in the process that caused variances, inconsistent material records and a lot of time taken to complete the exercise. The following are some of the major issues experienced during stock-take and stock management exercises:
- **Returns from production:** Returned items to stores from over supply to production were not reloaded on the Shoepac system. The items were re-issued to production with the next work ticket. This caused discrepancies in stock management.
- **Transfers from intercompany:** Unit 10 receives stock for all branches of the business. Returns of oversupply to other branches are not counted properly, which caused discrepancies in stock management.
- **Incorrect store used:** Because of inter-store transfers of material, incorrect loggings of the destination store on the system for material caused shortages of material to production.
- **Use of incorrect codes:** The incorrect stocking of material under wrong labels on the shelves caused discrepancies during stocktakes.
- **Issues from stock required without a sales order:** There is no process for issuing of sub-assemblies that have been joined in-house for production. Current issue of items to production is based on sales orders. One example is in-sole boards that have been laminated to EVA (ethylene vinyl acetate).

Remedial/corrective actions

From the observations pertaining to the causes of the identified defects, a cause-and-effect exercise was conducted to find the root causes. Feasible solutions and remedial actions for each cause were put together.

Table 45: Remedial/corrective actions for stock management

Main Causes	Remedial/Corrective Actions
Returns from production	Reconciliation of material movement between stores and production, and also between the different factories to be done daily.
Transfers from intercompany	Reconciliation of material movement between stores and production, and also between the different factories to be done daily.
Incorrect store used	A document has been drafted that will track and rectify the inter-store issues. The trigger for rectifying stock movement is a daily assessment of goods per store. The report is downloaded from the Shoepac system.
Use of incorrect codes	Each stocked item needs its own designated place in the stores' racking area. A stock catalogue needs to be developed, which will have a full description of each item and where in the stores it is located.
Issues from stock required without a sales order	Create a new process for issuing of sub-assemblies from stores to production outside of a sales order. New codes will need to be defined for each sub-assembly.

Action plan

Action	Description	Due date
Stock Adjustment Process	Download transfer report and conduct reconciliation of material movement between stores and production, and also between the different factories.	26/02/2021
Material issuing process of sub-assemblies within stores	Process stating how sub-assemblies are given codes and supplied accordingly.	15/03/2021
Implement Two-Count System to be done quarterly	Stock-take done in teams of two, with one performing the first count and the second team performing the second count. First count is matched to second count and the variances are checked immediately. First count set for August 2021.	31/03/2021
Stock shelves labelling	Labelling of stock shelves with detailed material descriptions and allocated shelf positions.	31/03/2021
Stock catalogue	Stock catalogue citing the location of material within stores.	31/03/2021

Implementation benefits

The comparison for stock variances month-on-month for February 2020 and February 2021 was 163 units and 27 units, respectively. This equates to an 83% improvement on stock accuracy, which also improves the efficiencies within the stores' area.

The gains from the improvement can be summarised as:

- Improvement of the purchasing accuracy of the business;
- Reduction in risk of purchasing items that are available in stock, which affects cash flow and utilisation of floor space;
- Improving the working capital of the business because money tied up in stock is limited;
- Improvement in space constraints due to over-purchasing stocked items; and
- Reduction in material damage and stock loss.

These gains have been realised because of the following internal activities:

- Introduction of cycle counting (weekly counting of a few stock lines);
- A trial was done with the tracking of transactions that affected stock and a stock adjustment document was introduced to process and control the processing of these transactions;
- All receipts and issues for the day are processed before close of business on the same day;
- Communication and discussions of new processes and checks with relevant staff at stores; and
- Daily reconciliation of stock movement between stores and production, and also between stores of the different business branches.

Future proposed improvements include:

- Introduction of the Two-Count System, to be done quarterly.

Ultimo Shoes has continued to follow the new processes, ensuring ongoing project benefits in improving the cash flow and procurement efficiencies. The organisation intends to further apply the lessons learnt to its other departments and sister companies.

The Cluster Kaizen Programme was a success, and the business owner and senior leadership have requested other similar interventions to help grow the business.

2.2 SBS Tanks

Project background

SBS Tanks was established in 1998. The company designs, manufactures and installs high-quality zincalume steel panel water storage tanks and reservoirs for the South African market, the African continent and overseas markets. Over time, SBS Tanks developed into a manufacturing business so that it could reduce its reliance on suppliers and ensure on-time delivery. SBS Tanks has established itself as a market leader in the manufacturing of a range of liquid storage tanks and intends to maintain this position. Zincalume is a blend of aluminium and zinc in an alloy coating. Research has shown that this is a way to greatly enhance corrosion resistance. SBS Tank's products range from a 12 Kl capacity tank to a 3.3 Ml storage tank. Its markets include government at local municipality level, the commercial sector where fire is considered a major risk by insurance companies, the mining industry, food and beverage sector and water conservation stakeholders. Export markets in the United Arab Emirates have been secured and other countries are being explored.

The primary aim of the BT&R project in 2016 was to grow the existing business revenue streams that would make the business sustainable in the long-term, thus the focus was on:

- Accessing new markets;
- Meeting health and safety standards;
- Improving performance of key staff;
- Developing new products; and
- Reducing the volume of work outsourced.

The biometric security system implemented to improve efficiency of wage computations for employees is still being used and maintained. SBS Tanks has also implemented the Performance Management System and uses it to review staff performance and the corporate activities. The corporate integrity of SBS Tanks and credibility among stakeholders, customers, prospective clients and the public is well maintained by adopting the international safety standard OHSAS 18001. Over and above the BT&R interventions, SBS Tanks has moved from just being a water industry roleplayer working with water and tanks, to adding another pillar of food storage and security. With these successes, SBS Tanks was a finalist in the Regional Productivity Awards and a winner of a National Productivity Award in October 2018.

COVID-19

SBS Tanks currently has a staff complement of 218. Through the work done in collaboration with the BT&R, SBS Tanks continues to maintain the staff morale, and this has assisted the company through the harsh days of the COVID-19 pandemic since April 2020. SBS Tanks' main focus was to keep employees employed during the various lockdowns levels. The company's aim was to not retrench or lose staff. The strategy was to maintain productivity and leverage the added food security pillar to bring in more income. SBS Tanks also managed to provide employees with salary increases during this time.

Challenges

As an emerging company, SBS Tanks faced many challenges in acquiring new business to ensure continuous growth. The key areas of concern, challenges that were identified during the review of SBS Tanks, follow:

- The availability of skilled and trained labour;
- Budget constraints associated with the recruitment of highly skilled labour;
- Steel tanks' fabrication cost as a result of outsourcing;
- Raw material costs as a percentage of sales is high;
- Liquidity ratios showed movement to a less liquid position that, if not managed, could result in cash flow constraints in the near future;
- Limited use of technology-based systems for inventory management, outsourcing and stock control; and
- Assessment of existing processes revealed levels of inefficiency and ineffective controls within the manufacturing and assembly process.

Productivity SA approach

The primary aim of this turnaround project was to grow the existing business revenue streams that would make the business sustainable in the long-term.

As mentioned before, the proposed turnaround strategy was to ultimately result in an improved operational process, efficient and timeous delivery service to customers' world-wide, consistent quality of service, compliance with health and safety standards, improved communication at all levels in the organisation, improved staff morale and motivation, improved sales and bottom-line profit for the business.

The Future Forum, a collaborative structure representing management and employees with the purpose of actively involving management and labour in the programme during all its phases, was established. The forum formed the basis for the development of a work plan outlining the turnaround strategies and required interventions.

The proposed actions were approved by the Future Forum and Productivity SA and consisted of several deliverables. The following interventions were conducted to date:

- Establishment of the Future Forum committee;
- Development of an Export Market Growth and Diversification Strategy;
- Implementation of OHSAS 18000: Safety Management System;
- Implementation of a biometric access control system;
- Develop a Performance Management and Development System;
- Business process assessment; and
- Future Forum and Productivity Champions Training.

Results and impact

Lessons learnt

The collaborative work done by the BT&R and SBS Tanks from inception to close-out has led to not only implementing interventions identified to support effective turnaround solutions, but has also left the BT&R Programme with tremendous lessons learnt to be carried over as best practices. These include:

- **Instrumental and revolutionary interventions:** Corporates face increasing pressure to become more sustainable, develop innovative products and ideas, and keep up with the changing technological landscape. In this context, corporates are looking for solutions that not only make them respond better to the current economic challenges, but also to be adaptable and flexible while striving to become more sustainable. The SBS Tanks assessment showed the need for the BT&R Programme to think further than just addressing the identified problems, and to prioritise interventions that are instrumental and revolutionary in bringing something new to the company. Not all corporates are at the same level, thus interventions will need to be carefully selected to suit the company and keep it motivated and enthusiastic towards a productive change.
- **Leadership and change management:** Every company needs a leader to set the vision for the organisation and ensure that outputs are achieved, that cost drivers are kept low and that expenditure targets are realised. However, every leader faces challenging tasks and increasing demands. The assessment showed that SBS Tanks has embraced the facets that come with efficient leadership, which steered the company through the uncertain terrain of the economic downturn and COVID-19, while maintaining staff morale. In this context, the follow-up discussion highlighted the need for the BT&R Programme to expand its scope to include a focus on leadership training and change management. Too often our interventions are focused on the company's operations, while neglecting the importance of ensuring that leadership is equipped and capacitated to successfully steer the ship.
- **Utilisation of free and available resources:** Previously, much focus was placed on outsourcing all requirements and interventions. The SBS Tanks assessment showed that this served to detach the core objectives of the BT&R Programme from the client. In this regard, internal capacity must be enhanced and upskilled to ensure that our practitioners are better resourced in delivering the solutions. This would ensure that solutions are focused and tailored and would further instil a sense of ownership for the Productivity SA team, which makes for effective follow-ups. It also motivates good relations between the internal teams and the companies. Thus, it becomes easy to follow-up on lessons learnt and monitoring the impact and future sustainability of the programme.

2.3 Umzungulu Windows

Introduction

Umzungulu Windows (Pty) Ltd was established in 2008 as a primary cooperative. The business specialises in the manufacturing of steel leaf doors, windows, and door frames of various sizes. Umzungulu Windows is located in Pietermaritzburg in KwaZulu-Natal.

The business has experienced significant growth in the past 10 years with the staff complement growing from 10 employees to 60 employees. Umzungulu Windows has also injected capital to ensure that the business has the capacity to compete in terms of the latest technology and to meet customers' expectations.

Products

Steel door frames

Steel door frames are manufactured as standard door frames for all customers. The standard specification used is 2070 X 863 X 1mm. Provision is also made for customers who request different gauges, with the maximum so far being 1.2mm for housing units. Other types of door frames used in schools or shopping malls are also manufactured as per customer specifications. The door frames are coated with red oxide primer unless otherwise stated. The door frames are used with almost any type of door including wooden and steel door leaf types.

Steel window frames

Umzungulu Windows manufactures windows in an extensive range of sizes, patterns and grades and supplies mainly to low-cost housing projects. Most of the window frames are manufactured as per SANS 723. Windows manufactured include, but are not limited to, the following:

- NE1 Cliscoes: Outer frame 535 X660 X 1mm and inner frame of 480 X 600mm;
- NC2 Cliscoes: Outer frame 1010 X 1040 X 1mm with inner frame of 480 X 980mm;
- NC2 Cliscoes type 2: Outer frame 1010 X 960 X 1mm and inner frame of 480 X 900 X 1mm; and
- ND2: Outer frame of 980 X 1220 X 1mm and inner frames of 480 X 1200 X 1mm.

Window frames outside these specifications are also manufactured.

Special equipment

- Aluminium pull handle (one-sided) incl. attachment equipment;
- Drive lock for profile cylinder retainer; and
- Barrel bolts.

Project information

Umzungulu Windows joined the Transnet Enterprise Development Programme to improve operational performance.

The company aims to be a world-class manufacturer. Transnet's Enterprise Development interventions were implemented as a first step to support Umzungulu Windows to work towards its goal. The following illustrates Transnet's Enterprise Development implementation process.

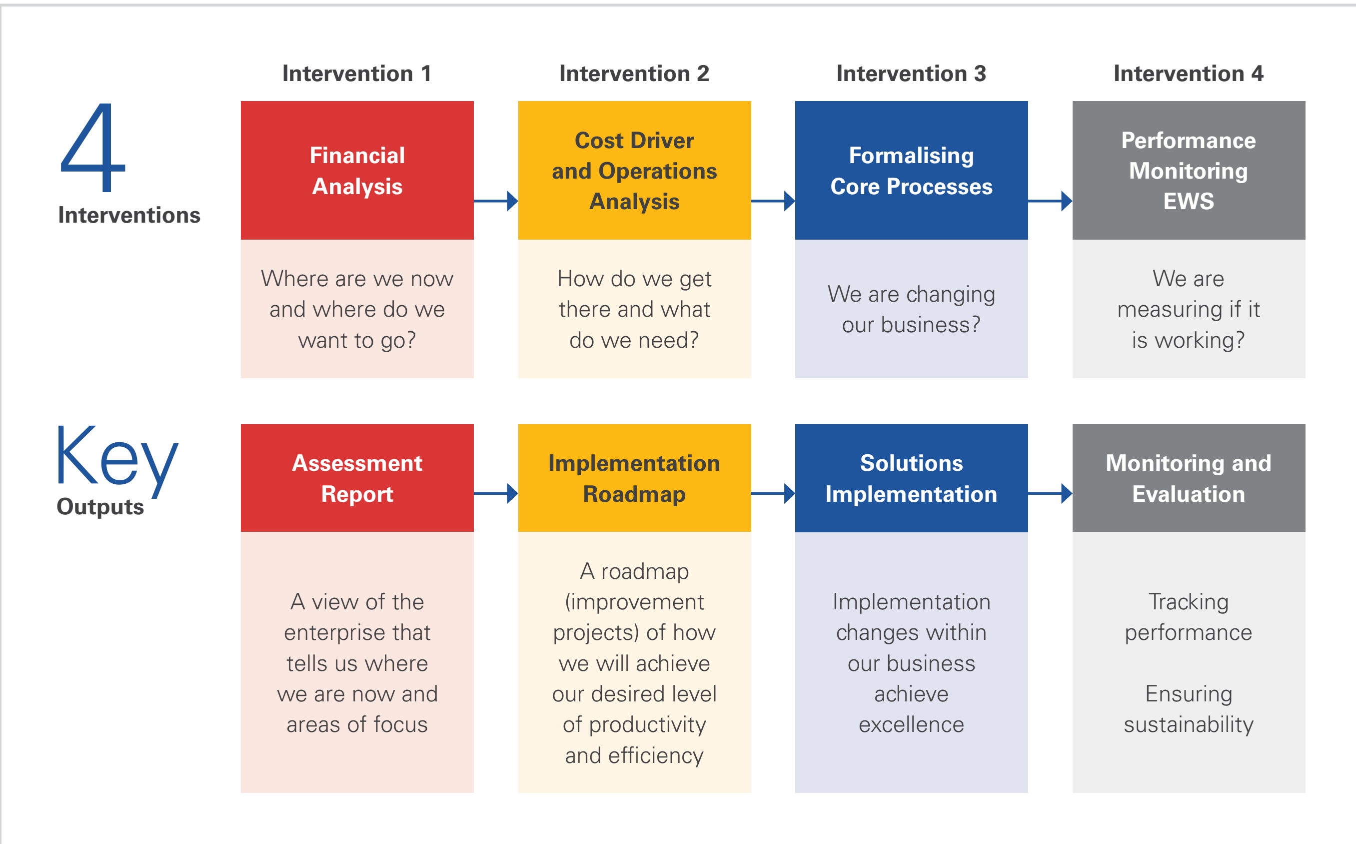


Figure 9: Transnet Enterprise Development Programme outline

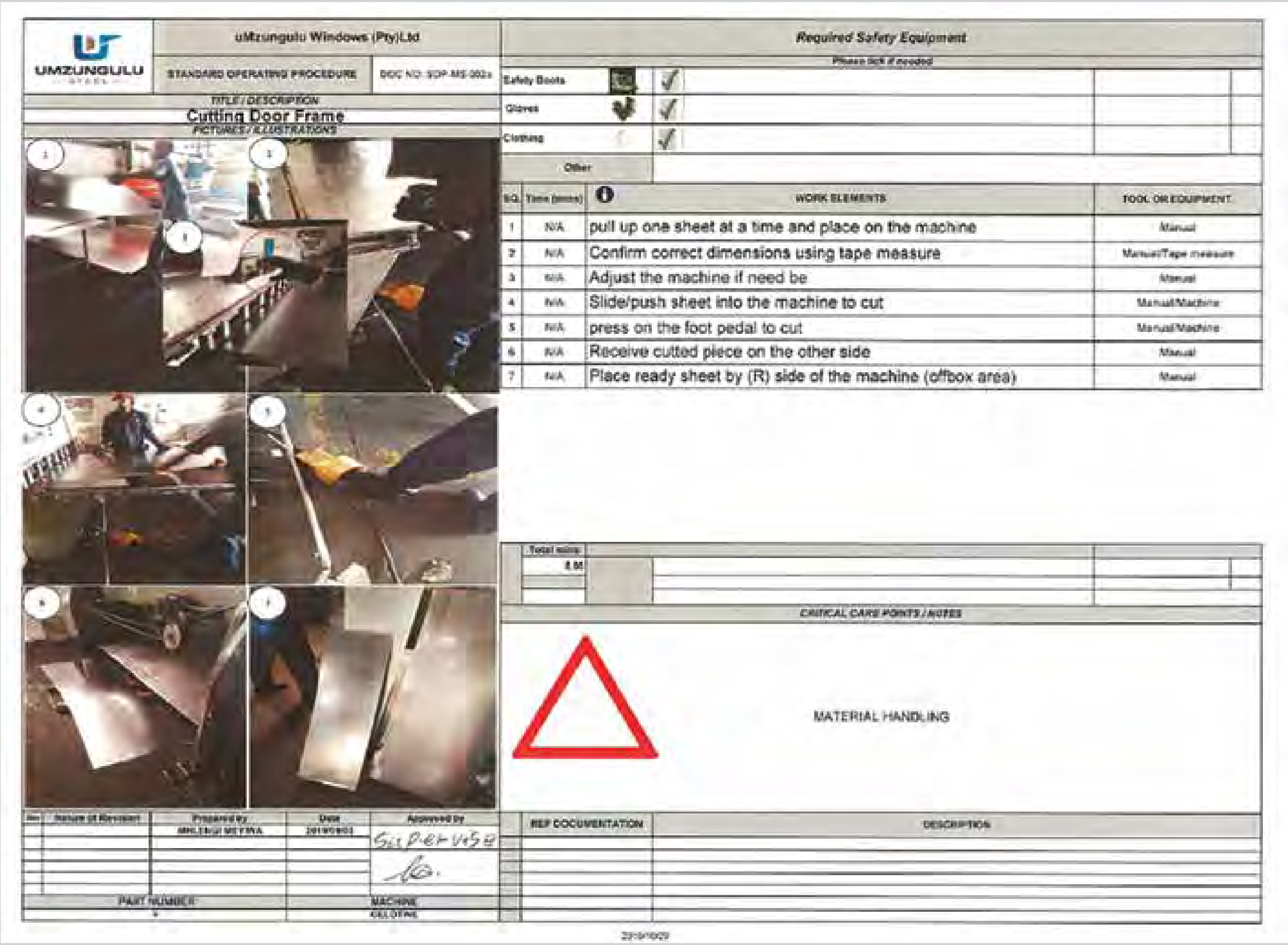
Implemented interventions

Morning meeting (green area meeting)

The morning meeting was introduced in the factory, and 10–15 minutes were allocated daily for the meeting. It was made clear that the meeting should focus on issues that will improve business performance and profitability.

Standard operating procedures

A work instruction – standard operating procedure – is a tool to help workers do the job correctly; it describes the specific tasks and activities within an organisation. A work instruction in a business will generally outline all the different jobs needed for the operation of the organisation in detail as well as the key elements to running a business smoothly. The implementation plan for standard operating procedures was rolled out in the form of on-the-job training.



uMzungulu Windows (Pty)Ltd

STANDARD OPERATING PROCEDURE

TITLE / DESCRIPTION: Cutting Door Frame

PICTURES / ILLUSTRATIONS

Required Safety Equipment

Please tick if needed

Safety Boots	✓
Gloves	✓
Clothing	✓
Other	

SQ.	Time (mins)	WORK ELEMENTS	TOOL OR EQUIPMENT
1	N/A	pull up one sheet at a time and place on the machine	Manual
2	N/A	Confirm correct dimensions using tape measure	Manual/Tape measure
3	N/A	Adjust the machine if need be	Manual
4	N/A	Slide/push sheet into the machine to cut	Manual/Machine
5	N/A	press on the foot pedal to cut	Manual/Machine
6	N/A	Receive cutted piece on the other side	Manual
7	N/A	Place ready sheet by (R) side of the machine (offbox area)	Manual

Total mins

CRITICAL CARE POINTS / NOTES

MATERIAL HANDLING

Nature of Revision	Prepared by	Date	Approved by
			Supervisor

PART NUMBER | MACHINE

REF DOCUMENTATION | DESCRIPTION

Figure 10: Example of one standard operating procedure for Umzungulu Windows

5S implementation

The 5S process is a very simple methodical team-based approach to organising one's work space to ensure that it is tidy, arranged ergonomically, efficient and capable of repeatable, quality output. It does this through a simple five-stage process, each step starting with the letter 'S' – sort, store, shine, standardise, and sustain.

An audit was conducted before the rollout of 5S as well as during implementation. The results of the audit follow.

STORES

BEFORE	AFTER
	

5S STORES

BEFORE | **AFTER**

Figure 11: Results of 5S audits

Production schedule sheet

The implemented production schedule sheet resulted in the below benefits:

- Inventory reduction, levelling;
- Reduced scheduling effort;
- Increased production efficiency;
- Labour load levelling and workload balance;
- Accurate delivery date quotes; and
- Real-time information.

PRODUCTION DAILY PLAN -2019 UMZUNGULU WINDOWS

Department:
Date:
Supervisor:
Day:

HOURS	PLAN	ACTUAL	COMMENTS
7 - 8			
8 - 8			
9 - 8			
10 - 8			
11 - 8			
12 - 8			
13 - 8			
14 - 8			
15 - 8			
16 - 8			
17 - 8			

	Monday	Tuesday	Wednesday	Thursday	Friday
Plan					
Actual					

Figure 12: Production planning added to the company's operating procedures

Highlights

During implementation of the Transnet Enterprise Development Programme, Umzungulu Windows made remarkable changes that resulted in the measurable results shown in Table 46.

Challenges

When Productivity SA commenced with the implementation of the Transnet Enterprise Development Programme, one of the constraints at Umzungulu Windows was on-time delivery. An analysis showed the key reasons to be poor planning, poor inventory control, poor manufacturing estimates, insufficient incorporation of 5S, and insufficient cash flow.

Attention was needed to instil a culture and mindset of prioritising on-time delivery, while also maintaining accurate raw material inventories; creating and maintaining realistic production schedules, and monitoring efficiency levels. Challenges were not sufficiently addressed, analysed and solved. Training was required for the joint problem-solving team which included management and staff.

Recommendation

It is therefore recommended that Productivity SA continues with the after-care activities, to ensure that all activities implemented during the Transnet Enterprise Development Programme are sustained and further improvements are pursued.

Table 46: Overview of enterprise development results

Measure	Goal	Before	After	Impact
Material inventory	Decrease by 42%	R111 443.00	R64 631.00	Decreased by 42%
Customer complaints	Decrease by 8%	25	23	Decreased by 8%
On-time deliveries	Increase by 15%	60%	75%	Increased by 15%

3. Western Cape, Northern Cape and Free State Case Studies

3.1 Orange River Cellars

Company background

Orange River Cellars was started in 1965 and has established itself as one of the largest wine cooperatives in the southern hemisphere. The production of wine and grape concentrate takes place at five production sites (cellars) scattered along the Orange River, over 210km. Its head office and primary cellar is in Upington.

A range of white and red wines are produced for the local as well as a growing international market. The company produces three packaging types (glass, PET and bag-in-box) and employs about 400 full-time staff who are supplemented by contract workers during harvest season – the busiest time for this industry.

Orange River Cellars subscribes to WIETA (Wine and Agricultural Ethical Trade Association) guidelines and is also regularly audited to ensure compliance with ISO and Hazard Analysis Critical Control Point standards.

Implementation of the Workplace Challenge Programme

The company signed up for the two-year Workplace Challenge Programme after a group of its employees participated in the Productivity SA-hosted two-day Kaizen workshop. The team had achieved impressive cost-saving impact through implementing the project methodology gained from attending the facilitator-led sessions.

The Workplace Challenge Programme is a **dtic**-funded programme that aims to improve productivity by:

- Introducing continuous improvement practices;
- Promoting constructive workplace relations; and
- Skills development.

The programme is implemented by systematically guiding (training and coaching) the client through five toolkits over a period of 24 months. The toolkits cover:

- Goal alignment;
- Cleaning and organising;
- Teamwork;
- Leadership; and
- Green productivity.

A Productivity SA facilitator started the programme with a focus on management systems. The session was attended by a diverse group of delegates (managerial and supervisory staff) and oriented the participants to the requirements for successful implementation. It also recorded the perceived shortcomings and needs of the company.

One of challenges that had to be contended with was the spread of the organisation over a wide geographical area, with individual cellars located in different towns/villages, each with its unique culture. These extended travel times for the facilitator restricted contact time with the staff of the client over the contracted period.

In recent years, climatic changes have negatively influenced the supply of grapes in the region.

Impact of the Workplace Challenge Programme

Two years after the implementation of the programme, management of Orange River Cellars reported the following progress:

- Clarified business goals for everyone, specifically mini business units;
- Improved communication at all levels of the business;
- Teamwork with all levels involved to address issues such as waste management and problem solving;
- Growth in turnover of packaged products of 51%;
- Growth in exports of packaged products of 460%;
- Gross profit improvement from 15 to 17%; and
- Significant improvements were reported in quality-, morale- and safety measures.

The management of Orange River Cellars Cape is keen to continue its journey of improvement and has signed up for extended after-care services from Productivity SA during 2021.

3.2 Saldanha Clothing

Introduction

Megan Newman, the owner of Saldanha Clothing, and her father, Clyde Newman (since diseased), decided to open a clothing manufacturing business in Saldanha Bay, as they realised that there were many unemployed women in the community. Clyde Newman had been in the clothing industry for over 20 years. From a young age, Megan got involved in the business by helping in the dispatch department during school holidays. After completing school, Megan decided to join the business and attended short courses at the University of Cape Town. These courses included managing a business, supply chain management, as well as operations management. After completing these courses, Megan took over management of the family business, with her father acting as the Operational Executive. Five years later, Megan received a bursary through SETA via The Foschini Group to study a management course at the University of Stellenbosch's Business School. When Saldanha Clothing was established, the family succeeded with their mission to uplift those in need by providing jobs in a community with a high unemployment figure. The women employed all had to be trained, as the skills to operate a sewing machine were lacking. The family trained 20 women, and thereafter started with operations. Without financial assistance, the family has grown the business to what it is today. Saldanha Clothing currently employs approximately 30 ladies. The business's slogan speaks of clothing people not only physically, but also with dignity, self-worth, skills development, future ambitions, values and morals.

Saldanha Clothing's Vision

To become a globally recognised garment manufacturer and be ranked among the top garment manufacturers in the world in terms of quality, service standards and ultimately, customer satisfaction.

Mission

To manufacture clothing to the highest standards, to be customer-focused with the latest technology and continuous innovation.

Saldanha Clothing's commitment

- Source exclusively from vendors who maintain the same high-quality standards as Saldanha Clothing;
- Ensure every piece of clothing manufactured passes its high-quality standards;
- Deliver on time and in full; and
- Train, develop and employ the local Saldanha Bay community.

The current customer base includes the likes of The Foschini Group, TCI Apparel, Ackermans, and Woolworths.

Executive summary

The Transnet Enterprise Development Programme that was implemented at Saldanha Clothing consisted of the following four interventions:

- A financial analysis to determine the financial soundness of the business.
- An analysis of the cost drivers to determine which items drive the highest cost, and what can be done to reduce these.
- An analysis of the core business processes to identify inefficiencies and propose ways of improving these processes.
- Identify key performance indicators (KPIs) to be measured and develop a Visual Management System to capture and measure these KPIs.

The business area requiring the most improvement was the flow of material through the factory, as well as management of raw materials. Recommendations for improvements were suggested and the development of proposed systems/processes were facilitated during the implementation phase of the project.

Project information

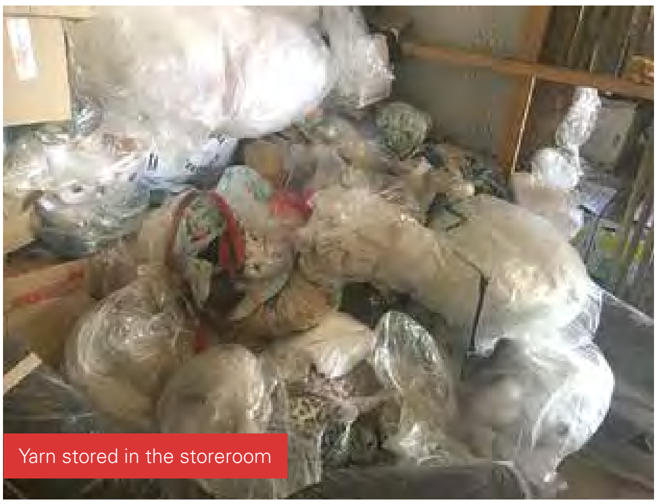
Project purpose

The project was initiated in response to an application from Saldanha Clothing to improve the company's productivity. Saldanha Clothing is a beneficiary of the West Coast Business Development Centre and was introduced to Productivity SA through the centre. An exploratory discussion was held with the owner of Saldanha Clothing during which it became clear that although the business was technically competent, it lacked some business systems and controls. Especially as the business was in the process of applying to become a preferred service provider to Woolworths, who would want some basic systems to be in place before approval.

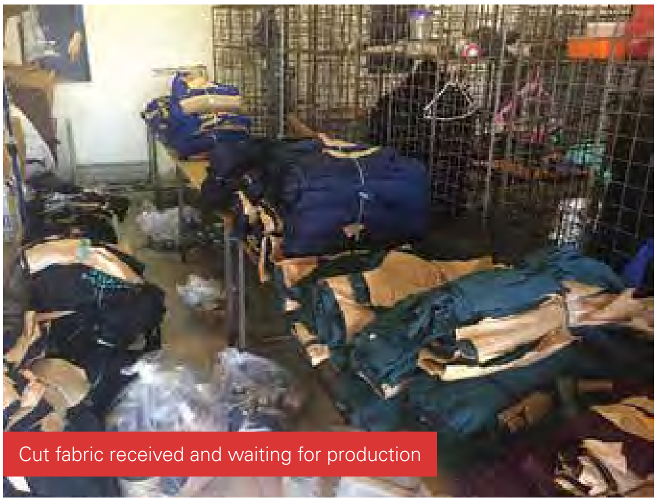
Areas of inefficiency identified

Firstly, a detailed assessment of the company's operations was conducted to get a better understanding of operations, and to identify existing areas of inefficiency.

From the financial analysis it was clear that labour cost and raw material cost are the two biggest cost drivers. When it came to raw material, the company did not have a proper stock keeping system in place to ensure that stock levels are managed properly. There was no process in place to manage raw material, i.e. store raw material, determine raw material stock levels, or determine when to buy new raw material stock. This contributed to higher raw material cost when stock (especially cotton and trimmings) are bought unnecessary, as the amount of stock available is unknown.



Yarn stored in the storeroom



Cut fabric received and waiting for production

Together with this, housekeeping was also problematic, as bags of fabric, trimmings and cotton were lying around without the owner really knowing what these contained.

Inadequate housekeeping

Furthermore, it was identified that the owner was not confident in the way she was costing her products, and it was not clear if all costs were considered during the costing and pricing process. Incorrect costing could skew the cost of raw material in relation to sales, and also lead to loss in profit as often products are sold for less that the manufacturing cost, or when a profit is still generated, it is often less than intended.

As Saldanha Clothing is largely a cut, make and trim operation, it is to be expected that labour cost would be the highest cost driver. It was therefore important to look at reducing labour cost per product if the aim was to reduce the highest cost driver. To reduce labour cost per product, labour efficiency must be improved, and this should be done by reducing waste that leads to employees taking longer to produce a product. In the case of Saldanha Clothing, the layout of the factory did not allow for efficient material flow, which contributed to unnecessary movement and waiting time.

Initial layout

The initial layout did not allow for material to flow from one end of the process to another, and there were several areas where there was unnecessary handling of the material and unnecessary transport of the work-in-process. Inefficient material flow is a form of waste that reduces productivity. Furthermore, the fact that there was only one line reduced the manufacturing capacity of the factory. Housekeeping was also problematic, as valuable workspace was cluttered with bags of left-over fabric, or unused furniture and/or equipment. Proper housekeeping will improve better management of stock, and it will also improve efficiency of staff as the working environment is more organised. Woolworths also requires proper housekeeping from their suppliers, and this was thus a critical factor to get right if the business was serious about adhering to Woolworths' standards.

Inadequate housekeeping

Lastly, during the analysis of the company's operations other weaknesses identified included that the business had not identified and did not measure any key performance indicators. Measuring performance is a vital part of monitoring the growth and progress of any business. It entails measuring the actual performance of a business against intended goals. Regularly checking the business performance, protects the business against any financial or organisational problems, as it acts as an early warning system.

Solutions implemented

The inefficiencies were addressed by developing the following processes/systems for the client:

Stock Management System

A stock keeping process was developed (Figure 13), together with templates for the business to capture stock received, stock issued, and a stock list for stock-taking purposes.

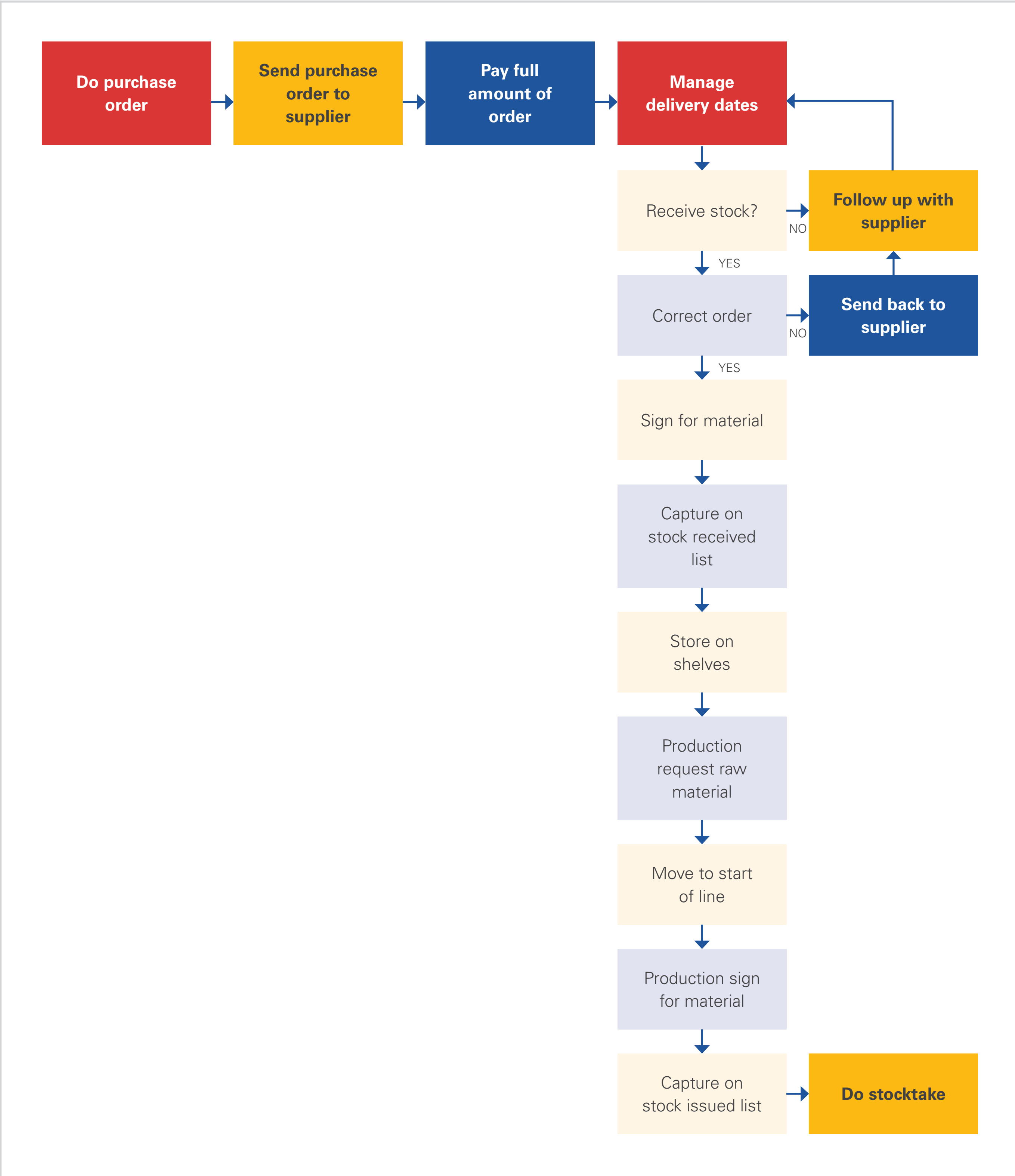
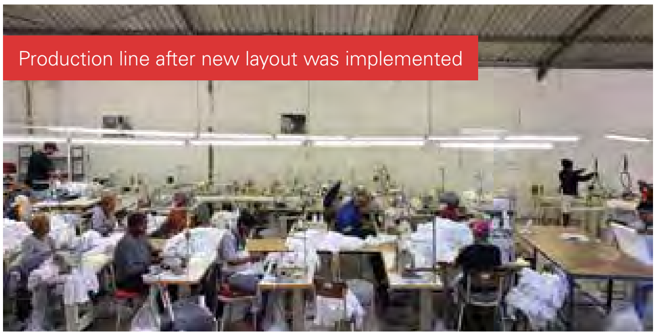


Figure 13: Stock Management System for Saldanha Clothing

Factory layout

Two possible factory layouts were developed. Megan discussed the two options with her father and with the buyers from Woolworths (who also required Saldanha Clothing to improve its factory layout). Finally, they decided on Option 1 (Figure 14), which was implemented in December 2019.

The business was also made aware of the importance of proper housekeeping, how it affects stockkeeping and flow of material throughout the factory. The owner committed to clean up the factory and has indeed started the process.


Production line after new layout was implemented

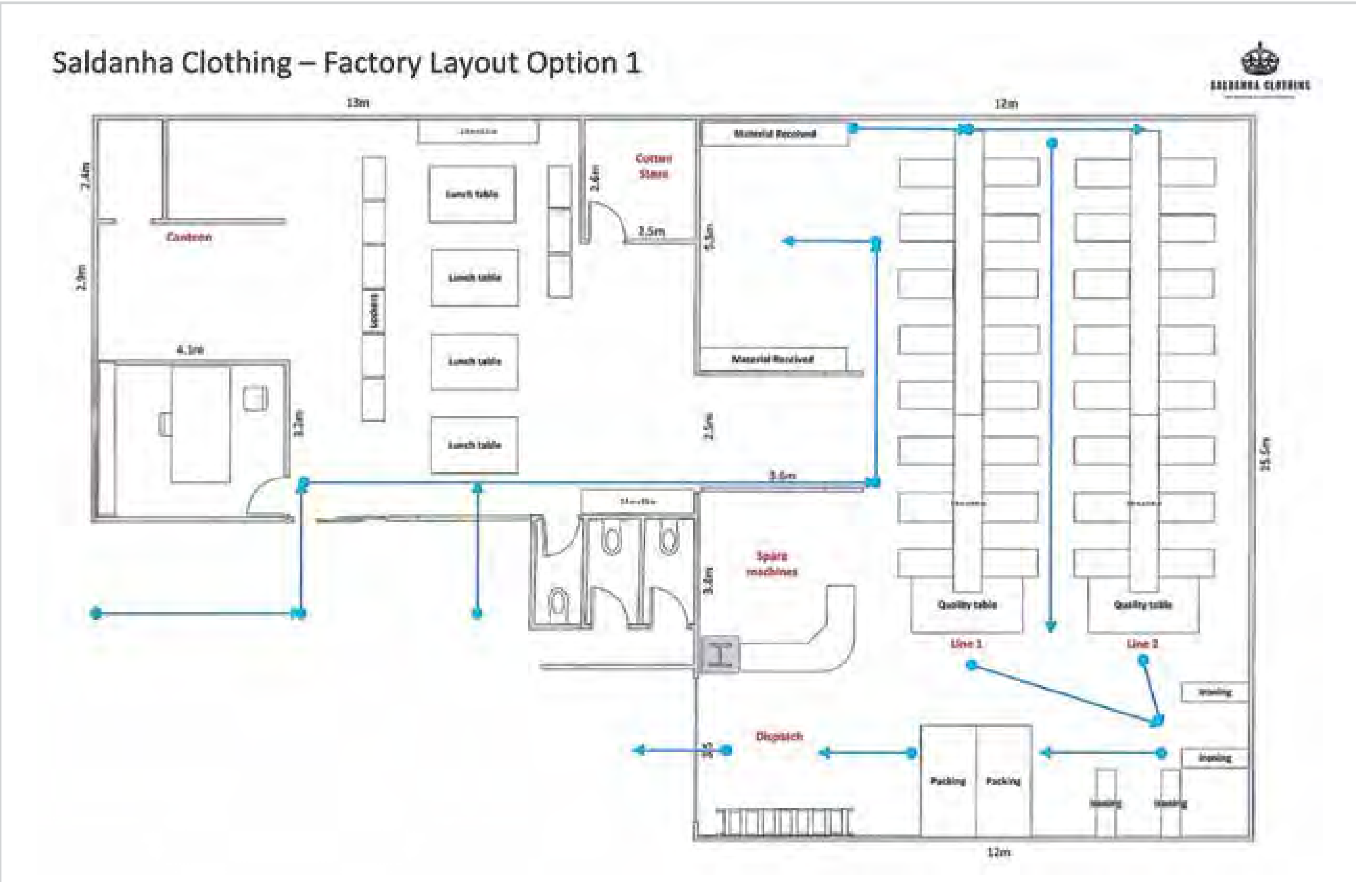


Figure 14: Improved factory layout option

Costing model

To ensure that the owner costs products correctly by covering all costs (material, labour and overheads), the following costing template was developed. A test was also done on an existing product costing to compare the accuracy of costing methods, and training was done on using the costing template in future.

Visual Management System

During the final intervention, a session was held with the business owner to determine what information is important to start measuring the company's performance.

The following KPIs were identified:

» Income;
» Expenses;
» Profit/loss;
» Units produced;
» Production efficiency; and
» Rejects/reworks.

For each KPI a template was developed where the owner would capture daily/weekly/monthly information. All the templates were combined in Excel to form a total measurement system, and a visual management 'dashboard' was developed where all the information would automatically generate graphs to visually track and display the performance of the business. These graphs are printed and displayed for management to remain up to date with the company's performance.

Some of the templates developed are as follows:

COSTING

SALDANHA CLOTHING

CUSTOMER
PRODUCT
QUANTITY

RAW MATERIAL COST			
RATE	DESCRIPTION	COST	TOTAL
Fabric			
			R0.00
			R0.00
			R0.00
Fabric Sub-Total			*R0.00*
Thread			
			R0.00
			R0.00
Thread Sub-Total			*R0.00*
Trims			
			R0.00
			R0.00
			R0.00
			R0.00
Trims Sub-Total			*R0.00*
Cutting			
			R0.00
Cutting Sub-Total			*R0.00*
Printing			
			R0.00
			R0.00
Printing Sub-Total			*R0.00*
Packaging			
			R0.00
Packaging Sub-Total			*R0.00*
TOTAL RAW MATERIAL COST			*R0.00*
Freight			
			R0.00
LABOUR COS' LABOUR RATE		SMV	TOTAL
Normal Hours	R0.47		R0.00
Overtime	R0.71		R0.00
TOTAL LABOUR COST			*R0.00*
OVERHEAD C OVERHEAD RATE		SMV	TOTAL
	R0.41	0	*R0.00*

TOTAL COST	R0.00
MARK-UP	35%
SELLING PRICE	R0.00
NUMBER OF UNITS	0
TOTAL ORDER VALUE	R0.00

Figure 15: New costing template

SALDANHA CLOTHING

TOTAL INCOME AND EXPENSES

SALDANHA CLOTHING

MONTH:	MAR 2020	APR 2020	MAY 2020	JUN 2020	JUL 2020	AUG 2020	SEP 2020	OCT 2020	NOV 2020	DEC 2020	JAN 2021	FEB 2021	TOTAL
	R	R	R	R	R	R	R	R	R	R	R	R	R
SALES	170 000.00	160 000.00	165 000.00	180 000.00	155 000.00	165 000.00	160 000.00	180 000.00	185 000.00	175 000.00	170 000.00	155 000.00	2 020 000.00
COST OF SALES													
Raw material	25 000.00	27 000.00	29 000.00	26 000.00	26 000.00	24 000.00	25 000.00	23 000.00	23 000.00	28 000.00	25 000.00	24 500.00	307 500.00
Packaging	5 000.00	6 000.00	7 000.00	6 500.00	6 500.00	5 000.00	5 500.00	5 500.00	4 500.00	7 000.00	5 000.00	4 000.00	67 500.00
Printing	4 000.00	3 500.00	4 000.00	4 000.00	4 500.00	5 000.00	4 000.00	4 500.00	3 500.00	4 000.00	5 000.00	3 500.00	49 500.00
Cutting	10 000.00	10 000.00	11 000.00	10 000.00	9 500.00	11 000.00	10 000.00	10 500.00	10 000.00	11 000.00	10 000.00	9 500.00	122 500.00
Logistics	5 000.00	4 000.00	3 000.00	3 000.00	4 000.00	4 500.00	5 500.00	6 000.00	6 000.00	3 000.00	5 000.00	6 000.00	55 000.00
TOTAL COST OF SALES	49 000.00	50 500.00	54 000.00	49 500.00	50 500.00	49 500.00	50 000.00	51 500.00	47 000.00	53 000.00	50 000.00	47 500.00	602 000.00
GROSS PROFIT	121 000.00	109 500.00	111 000.00	130 500.00	104 500.00	115 500.00	110 000.00	128 500.00	138 000.00	122 000.00	120 000.00	107 500.00	1 418 000.00
OPERATING EXPENSES:													
Wages	82 000.00	80 000.00	81 000.00	81 000.00	83 000.00	80 000.00	82 000.00	81 000.00	82 000.00	85 000.00	85 000.00	82 000.00	984 000.00
Alarm	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	1 000.00	12 000.00
Municipality	3 800.00	3 900.00	4 000.00	4 100.00	4 000.00	4 100.00	3 500.00	4 300.00	4 200.00	4 200.00	4 100.00	4 000.00	48 200.00
Insurance	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00	36 000.00
Loans	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	10 000.00	120 000.00
Rent - factory	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	25 000.00	300 000.00
Rent - house	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	8 000.00	96 000.00
Telephone	3 000.00	3 200.00	3 100.00	2 900.00	3 200.00	3 000.00	3 000.00	2 900.00	3 100.00	3 200.00	3 000.00	3 000.00	36 600.00
Motor vehicles	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	7 000.00	84 000.00
Fuel	5 000.00	5 500.00	5 300.00	4 900.00	4 700.00	4 500.00	4 800.00	5 000.00	5 100.00	5 100.00	5 000.00	5 500.00	60 400.00
Other	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00	60 000.00
Other													
Other													
TOTAL OP EXPENSES:	152 800.00	151 600.00	152 400.00	151 900.00	153 900.00	150 600.00	152 300.00	152 200.00	153 400.00	156 500.00	156 100.00	153 500.00	1 837 200.00
TOTAL COSTS	201 800.00	202 100.00	206 400.00	201 400.00	204 400.00	200 100.00	202 300.00	203 700.00	200 400.00	209 500.00	206 100.00	201 000.00	2 439 200.00
NETT PROFIT/LOSS:	-31 800.00	-42 100.00	-41 400.00	-21 400.00	-49 400.00	-35 100.00	-42 300.00	-23 700.00	-15 400.00	-34 500.00	-36 100.00	-46 000.00	-419 200.00

Figure 16: Templates developed to capture performance information

MONTHLY PRODUCTION: *MARCH 2020*

DATE	ORDER NUMBER	HOURLY TARGET	30 MIN TARGET	NU OF OPS	SMV	EXPECTED 8000	08h00	08h30	09h00	09h30	10h00	10h45	11h15	11h45	12h15	13h00	14h00	14h30	15h00	15h30	16h00	16h30	17h00	17h30	ACTUAL PROD	DIFFERENCE	EFFICIENCY
Monday 2	1	134	67	20	9.00	1206	56 / [illegible]	58 / [illegible]	61 / [illegible]	51 / [illegible]	60 / [illegible]	66 / [illegible]	65 / [illegible]	61 / [illegible]	63 / [illegible]	64 / [illegible]	66 / [illegible]	61 / [illegible]	62 / [illegible]	61 / [illegible]	61 / [illegible]	58 / [illegible]	59 / [illegible]	59 / [illegible]	1150	-65	93%
Tuesday 3	2	127	64	15	9.00	1143	61 / [illegible]	61 / [illegible]	63 / [illegible]	60 / [illegible]	64 / [illegible]	65 / [illegible]	65 / [illegible]	65 / [illegible]	63 / [illegible]	60 / [illegible]	67 / [illegible]	57 / [illegible]	54 / [illegible]	64 / [illegible]	62 / [illegible]	61 / [illegible]	60 / [illegible]	60 / [illegible]	1148	5	100%
Wednesday 4	3	120	60	15	9.50	1080	58 / [illegible]	58 / [illegible]	59 / [illegible]	58 / [illegible]	62 / [illegible]	62 / [illegible]	63 / [illegible]	63 / [illegible]	64 / [illegible]	61 / [illegible]	62 / [illegible]	61 / [illegible]	57 / [illegible]	60 / [illegible]	60 / [illegible]	59 / [illegible]	59 / [illegible]	58 / [illegible]	1085	5	101%
Thursday 5	4	133	67	21	9.50	1197	54 / [illegible]	54 / [illegible]	60 / [illegible]	61 / [illegible]	65 / [illegible]	64 / [illegible]	68 / [illegible]	62 / [illegible]	63 / [illegible]	62 / [illegible]	62 / [illegible]	61 / [illegible]	59 / [illegible]	59 / [illegible]	60 / [illegible]	58 / [illegible]	53 / [illegible]	58 / [illegible]	1120	-77	94%
Friday 6		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Saturday 7		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Monday 9		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Tuesday 10		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Wednesday 11		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Thursday 12		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Friday 13		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Saturday 14		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Monday 16		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Tuesday 17		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Wednesday 18		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Thursday 19		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Friday 20		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Saturday 21		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Monday 23		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Tuesday 24		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Wednesday 25		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Thursday 26		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Friday 27		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Saturday 28		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Monday 30		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
Tuesday 31		0	0			0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0%
					ECTED PRODUCT	4626																		UAL UNITS PRODU	4474		97%

REJECTS: *MARCH 2020*

DAY	DATE	NECK	SHOULDER	BACK NECK BINDING	SLEEVES	TACKING	SIDES	COVER SEAM SLEEVES	COVER SEEM HEM	TRANSFER	FABRIC FLAWS	TOP STITCHING	NU OF REJECTS	NU OF GARM CHECKED	% REJECTS	COMMENTS
Monday	2	1	5		2	6		5	1				20	900	2.2%	
Tuesday	3		1		3		14				1		19	950	2.0%	
Wednesday	4			5		3		4	1			1	14	1000	1.4%	
Thursday	5		2			3		2					7	1100	0.6%	
Friday	6	1			3		1		2	3			10	850	1.2%	
Saturday	7	5		1	8		1	7					22	1100	2.0%	
Monday	9	3		2		4		1			2		12	1050	1.1%	
Tuesday	10		1	1			5						7	950	0.7%	
Wednesday	11				1		3					5	9	990	0.9%	
Thursday	12		8				1						9	990	0.9%	
Friday	13	6	5	8									19	1000	1.9%	
Saturday	14												0		0.0%	
Monday	16												0		0.0%	
Tuesday	17												0		0.0%	
Wednesday	18												0		0.0%	
Thursday	19												0		0.0%	
Friday	20												0		0.0%	
Saturday	21												0		0.0%	
Monday	23												0		0.0%	
Tuesday	24												0		0.0%	
Wednesday	25												0		0.0%	
Thursday	26												0		0.0%	
Friday	27												0		0.0%	
Saturday	28												0		0.0%	
Monday	30												0		0.0%	
Tuesday	31												0		0.0%	
TOTAL		16	22	17	17	16	25	19	4	3	3	6	148	10850	1.4%	

Figure 16: Templates developed to capture performance information (continued)

Figure 17: The Visual Management Dashboard to monitor overall performance

Highlights

A highlight during the implementation of this project was that it coincided with Saldanha Clothing's process of applying to become a preferred service provider for Woolworths. This meant that some of the interventions supported the company's efforts to adhere to Woolworth's stringent criteria.

Challenges

No challenges were experienced during the implementation of the project itself. The main challenge experienced by the business is the outbreak of the COVID-19 pandemic and the compulsory national lockdown that followed. Due to the lockdown, production was immediately stopped and the proposed improvements could not be implemented. Fortunately, Saldanha Clothing has since started manufacturing face masks and could register as an essential service provider (see newspaper article).

Recommendations

It is recommended that Saldanha Clothing implement the systems not yet implemented, especially the Visual Management System, and the Inventory Management System. Once these systems and improvements have been implemented fully and are being used daily, the business should see an improvement in productivity.

Saldanha Clothing's workers laying stitches for the 1 800-2 000 masks they produce daily.

Textile workers innovate

Keenan Harmse

SALDANHA – Innovation has become par for the course for some businesses under the crippling financial impact of Covid-19.

Saldanha Clothing shows that adapting operations, from manufacturing clothes to masks, can provide great benefits to communities where unemployment is high, including providing new skills. Owner Megan Newman said the company, founded in 2015, services customers such as Woolworths, TCI Apparel and The Foschini Group.

"Before we came to Saldanha Bay, employment in the clothing industry did not exist," she pointed out. "Due to the lockdown, our business shifted from manufacturing clothing to making face masks." The company currently manufactures between 1 800 and 2 000 washable and eco-friendly masks a day, using half of its staff complement. "We are hoping to increase these units when more orders are received, so we can bring back more of our staff," Newman said. It employs 28 women – machinists, ironers, packers and general workers.

"All our employees are from the Saldanha Bay area, and all started as unskilled workers who had to be trained to operate a sewing machine." Newman adds her goal is to be sustainable.

"Our factory closed during the initial lockdown period, and I had to re-train staff to manufacture face masks, which had never been done before." It's an innovation that has provided much-needed employment.

Notes

Notes

Contact us

Midrand
International Business Gateway
Cnr New and Sixth Roads
Midrand
Tel: +27 (0) 11 848 5300
Fax: +27 (0) 11 848 5555

Cape Town
Office 202, Edward III Building
70 Edward Street (cnr Bloemhof and Mispel Road)
Tyger Valley
Tel: +27 (0) 21 910 1591
Fax: +27 (0) 21 910 1574

Durban
Suite 201, Cowey Park
91-123 Problem Mkhize Road
Essenwood, 4000
Tel: +27 (0) 31 268 9770
Fax: +27 (0) 31 268 9777

Port Elizabeth
34 Mangold Street
Newton Park
Port Elizabeth/Gqeberha, 6000
Tel: +27 (0) 41 452 2926
Fax: +27 (0) 41 452 3948

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