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**Financing of productivity enhancement in industrial
development: Lessons from the Workplace
Challenge Initiative**

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“A TALE OF TWO [CITIES*] FACTORIES”



* Thanks to Charles Dickens

WHAT ABOUT THESE FACTORIES?



From the horse's mouth: what do SA factories need? (Manufacturing Circle, 2017: 40)

There is a need for business to “...improve the fundamental skills of running a factory, planning production and maintenance, optimizing inventory and run lengths while meeting customer requirements”

“Productivity is the driver of future global growth” (OECD, 2015)

- Productivity is the “diffusion machine” that allows for the diffusion of knowledge between “global leaders and the REST”
- Diffusion allows economies to “.....absorb, adapt and reap...” the benefits flowing from “ new technologies”
- Are South African firms illustrative of that ‘diffusion machine’, as we attempt to go up that value added trajectory?

Impact of 12i on investment patterns and job creation

Incentives and investment trajectory

- Projected investment
 - Chemicals :non-chemical (18bn:21bn)

Tax benefit to capital-vs labor intensive sectors

- Favourable to chemicals (low job creation)
- Less favourable to non-chemical sectors: more jobs
- Impact on productivity changes not reported

Sector	2015/16		2016/17	
	Investment allowance	Projected jobs	Investment allowance	Projected jobs
Agro-processing	1.7bn	1 075	1.2bn	253
Metals	0.309bn	73	0.683bn	304
Chemicals	1bn	109	1.5bn	398
Non-metals	0.093bn	121	0.034bn	10
Transport	1bn	699	0.080bn	153

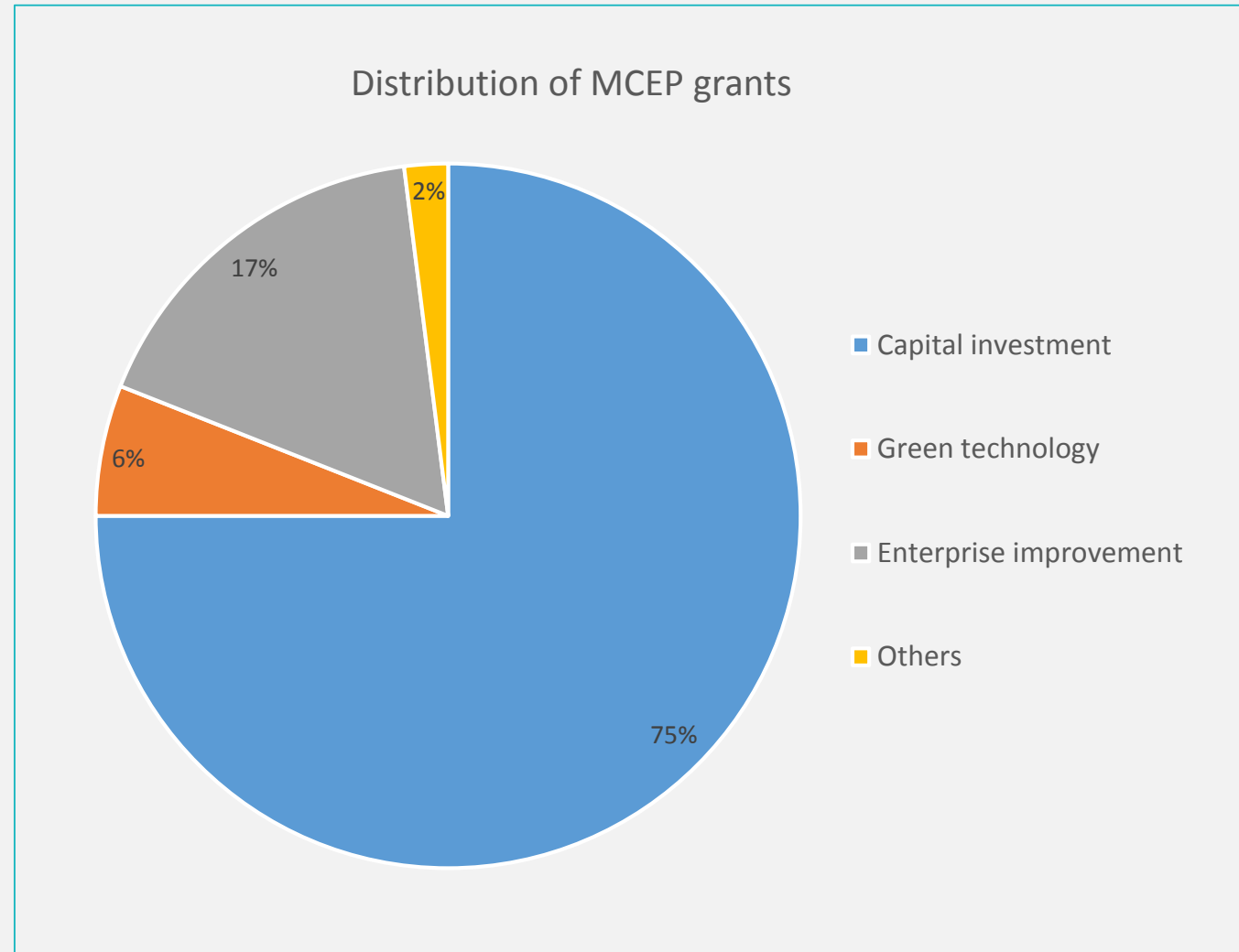
Review of dti incentive: Manufacturing Competitiveness Enhancement Programme (MCEP)

Intention:

Intersection of financing ,enterprise improvements and competitiveness

Outcomes:

- Capital intensive investment(R30bn)
- 7.1 bn approved
- 230 000 baseline jobs sustained



Lessons from Workplace Challenge

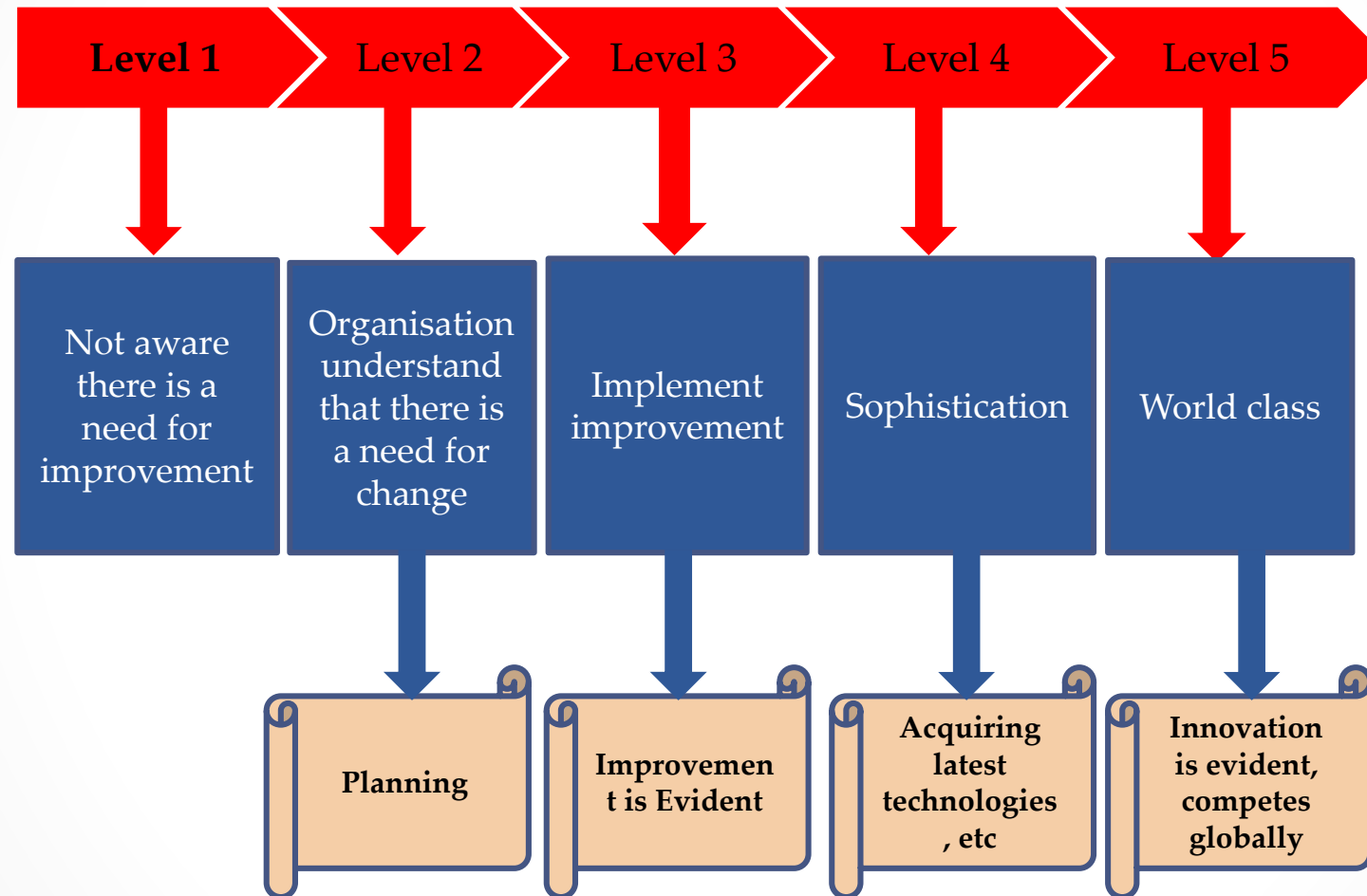
Productivity support programme:

- Part of Industrial policy and policy package at NEDLAC (1998) (Black et al, 2016:5)

- Internationally benchmarked
- Productivity toolkits(Japan, Germany etc
- 24 months implementation
- Best operating practices
 - (enterprise level; knowledge & best practice diffusion in geographic clusters
- Facilitate constructive workplace relations
- Impact study results: (2004-2009): positive results on all indicators (macro & micro)

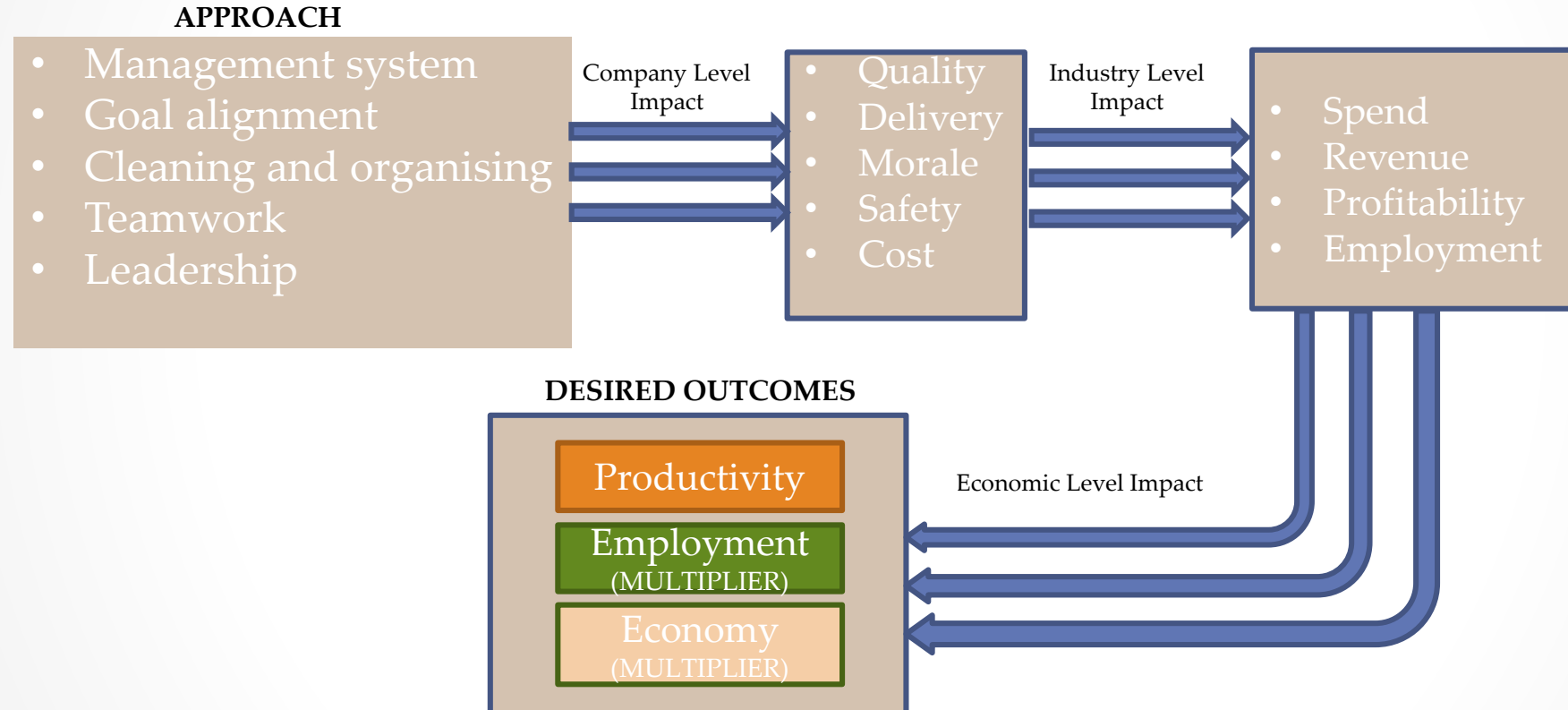
Micro productivity indicators (QCSDM)		
Quality	Cost	Safety
Delivery time	Morale	Sustainability

Roadmap to a World Class Organization



- The measures are developed directly from the outcomes of the toolkits

Web-based M&E of WPC Workplace



Allocation of funding and relative impact

- Capital deepening
- Capital source of MVA growth
(Black et al, 2016)
- Poor or no labour intensive
employment growth
- Inefficient/unproductive factories

Macro indicators		
Incentive	Dti grants/tax allowance	Jobs retained/supported
12I(2013-2016)	11.7billion	10 380(direct jobs)
MCEP (2012-2015)	R7.7 billion	230 000 (baseline jobs)
WPC (2014-2016)	R26m	153 397

“DOING THE HEAVY LIFTING”



- An eco-system of financial and non-financial support is needed (investment choices/employment effects/
- Capital deepening and de-industrialization relationship???
- Engage govt, business & labour on a more holistic and inclusive trajectory that includes both capital and non-capital related elements
- It is much more complex;
- it requires longer term planning, investment & implementation horizons

What is the way forward?

Are we going into OR climbing out of the economic pothole??



THANK YOU!!!

