



International
Labour
Organization



Productivity Ecosystems
for Decent Work

► Productivity Ecosystems for Decent Work South Africa

Addressing Constraints to Productivity
Growth and Decent Work at National,
Sector and Enterprise Levels



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Why productivity growth matters

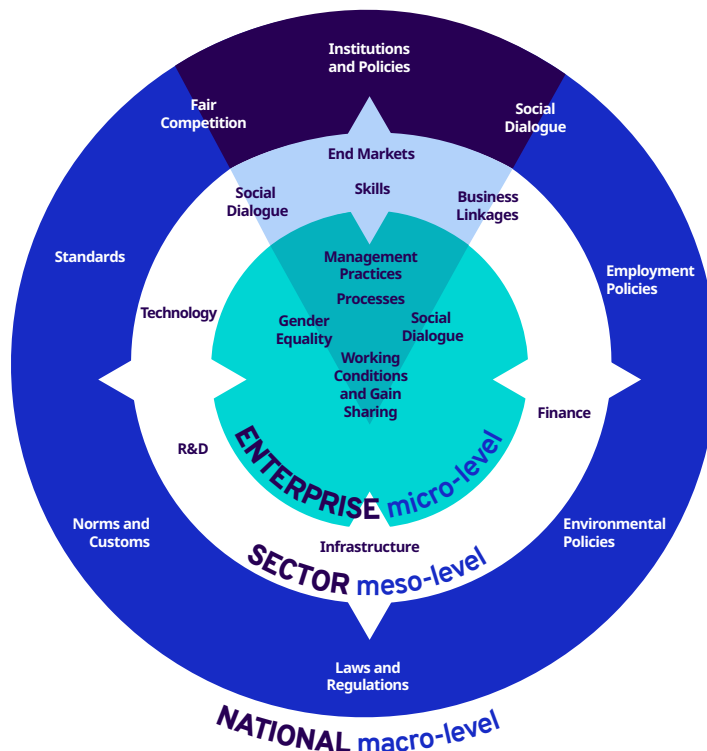
Across the world, a long-term trend of falling productivity growth rates is posing challenges for policymakers. Why does it matter to South Africa today?

Greater productivity is:

- ▶ A primary determinant of wage growth and therefore living standards;
- ▶ A key element to ensure sustainability of local businesses;
- ▶ Contributes to revenue growth of national and sub-national government;
- ▶ Both a pre-requisite for and a result of decent working conditions.

▶ Most cross-country differences in per capita incomes have been attributed to differences in productivity.

- ▶ World Bank - Global Productivity: Trends, Drivers, and Policies. 2021



- ▶ Promoting a productivity ecosystem that creates productivity and decent work at national, sectoral, and enterprise levels

What is the ILO Productivity Ecosystems for Decent Work approach?

- ▶ **Productivity growth is determined by a myriad of mutually reinforcing dynamics across enterprise, sector and national levels:** The ILO Productivity Ecosystems for Decent Work approach explores these dynamics holistically and addresses constraints to productivity growth and decent work creation at all levels, thereby facilitating greater [social justice](#).
- ▶ **A virtuous cycle between productivity growth and creation of decent jobs can be achieved:** By bringing together governments, social partners and key actors around productivity growth and social justice, the ILO Productivity Ecosystems for Decent Work promotes economically, socially and environmentally sustainable businesses, and thus more and better jobs for South Africans.
- ▶ **National priorities and decent work creation potential as a guide:** The ILO Productivity Ecosystems for Decent Work approach focuses on key national industries prioritized by our social partners and government to boost productivity growth and Decent Work, relying on social dialogue to facilitate collaboration between governments, employers' and workers' organizations during implementation.

▶ You can neither reduce unemployment nor create substantial net new employment in an economy that is stagnant or contracting.

- ▶ Dr. Miriam Altman,
South African Economist

South Africa Programme (2022-2025) selected sectors of intervention

- ▶ **Leather and footwear:** Despite having high levels of tariff protection, the sector has struggled over the years to be competitive. An estimated 300,000 jobs have been lost due to imports, with footwear imports accounting for as much as 61.1% of total retail purchases.
- ▶ **Automotive:** The automotive supply chain in South Africa is complex and interconnected. Despite the Government's interventions, the auto industry has been in decline since 2017. Overall productivity has declined as has the sector's contribution to the economy.

Programme outcomes

Outcome 1: Increased capacity of ILO constituents and key line ministries to formulate and implement national employment policies and productivity frameworks.

- ▶ Public-private platforms are strengthened to support productivity enhancement and decent work through evidence-based policies
- ▶ Technical support provided to address gaps in employment and sectoral policies, with a focus on productivity growth, decent work, and formalization
- ▶ Institutional capacity is developed to produce more detailed and equitable labour and productivity statistics to support policy formulation and advocacy

Outcome 2: Sectoral and enterprise constraints that prevent productivity growth, decent work, and formalization are addressed and relaxed.

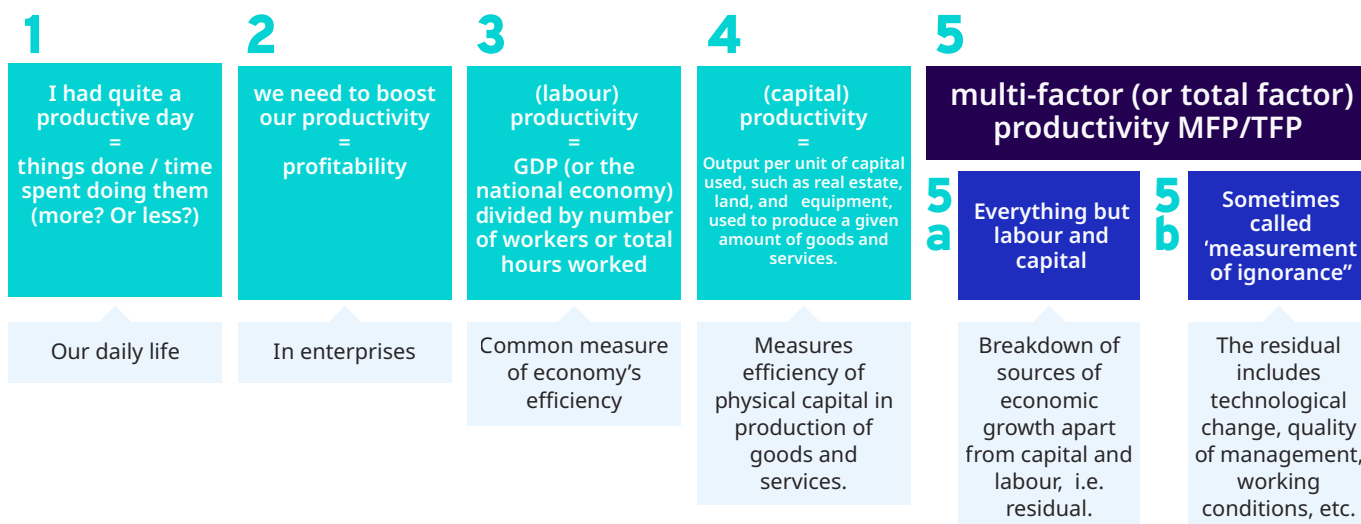
- ▶ Constraints to productivity growth, formal employment, and decent work in selected sub-sectors are identified
- ▶ Interventions for productivity and decent work in the leather and footwear sector are implemented
- ▶ Interventions for productivity and decent work in the automotive sector are implemented



▶ The virtuous cycle of productivity growth



► Productivity Demystified



Implications of productivity for job growth

Direct impact:

- Enterprises may retain employees (as a result of increased output/profit per worker), possibly hire more workers, if the improved productivity (e.g., lower production cost) also leads to increased output demand, greater market share, and increased demand for labour.
- Likely losses in specific enterprises or sectors (e.g., if a firm can produce the same amount of goods with fewer workers, or productivity results from increased use of technology and innovation that form part of the broader sectoral/structural change and therefore it need less workers).

Indirect impact: Likely net increase in economy-wide employment as productivity in the long term leads to increased spending by households and firms respond by hiring more workers. For example, the “collapse” of the land line telephony sector led to job losses in the sector, but over time mobile telephony has created far more jobs, directly and indirectly, than land-line technology could allow.

Adjustment costs and remedies: Workers who directly lose their jobs as a result of productivity gains and structural transformation may be retrained for jobs in other/new sectors during an adjustment period. To ensure income stability, a Productivity and Jobs Adjustment Facility (PJAF) may be set up by government to fund retraining schemes.

The International Labour Organization is the United Nations Agency for the world of work, bringing together its tripartite constituents - employers, workers, and government - from 187 Member States to set labour standards, develop policies and devise programmes that promote decent work for all women and men. It has an extensive experience in implementing technical cooperation projects across the globe, aimed at supporting a transition towards decent work and social justice.

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