

# **SHELTERED EMPLOYMENT FACTORIES**

Under the Auspices of the Department of Labour



# labour

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Department:  
Labour

**REPUBLIC OF SOUTH AFRICA**

**Strategic Plan**

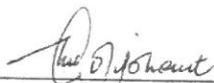
**2014 - 2018**

## FOREWORD

The Strategic Plan is guided by the Medium Term Strategic Framework delivery outcomes which reflect the priorities of government over the period 2013/14-2018/19. It contains the Sheltered Employment Factories (SEF) response to the strategic priorities that are set by the Department of Labour and Sheltered Employment Factories during the 2013/14-2018/19 periods. The strategic outcomes and objectives contained in this Strategic Plan are central to the SEF's activities and are aimed at contributing to the following priorities of government:

- **Outcome 4** - Decent employment through inclusive economic growth
- **Outcome 5:** A skilled and capable workforce to support an inclusive growth path
- **Outcome 12:** An efficient, effective and development oriented public service <sup>1</sup>

The SEF has re-aligned its objectives and resources to contribute to these priorities. Over the next five years, and prepare the internal environment to implement the Employment Services Act.



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Hon M N Oliphant  
Minister of Labour

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<sup>1</sup> Outcomes 4,5 and 12 are derived from the National Development Plan

## OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the Sheltered Employment factories in consultation with Internal Audit and Risk Management in the DoL.
- Takes into account all the relevant policies, the Employment Services Act and other mandates for which the SEF/SEE is responsible under the auspices of Department of Labour
- Accurately reflects the strategic outcomes oriented goals and objectives which the SEF/SEE will endeavour to achieve over the period 2016/17 to 2020/21.

S Ngcongo  
Chief Financial Officer

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

S Nondwangu  
Chief Executive Officer

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

S Morotoba  
Deputy Director General: PES

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

T Lamati  
Director General: Labour

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

SP Holomisa  
Deputy Minister: Labour

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## CHIEF EXECUTIVE OFFICER 'S OVERVIEW

The Sheltered Employment Factories (SEF) were established 70 years ago to provide employment opportunities for people with disabilities who were unable to hold down employment in the open labour market due to the nature of their afflictions. Currently around 97% of the workers in our factories fit this profile. The SEF now has 12 factories across South Africa operating in 7 of the 9 provinces, with only Mpumalanga and Limpopo without a facility. Factories are located in Bloemfontein, Cape Town, Durban, East London, Johannesburg, Kimberly, Pietermaritzburg, Port Elizabeth, Potchefstroom and Pretoria. Collectively they employ 904 disabled people supported by 109 administration, management and technical staff. With current premises – land, buildings and equipment - there is the potential to provide meaningful work opportunities for more than 3 000 people with disability.

KPMG was contracted by GTAC and brought in a multi-disciplinary team that examined SEF's operations and financial condition and set out their conclusions and recommendation in a Business Case. The business case was approved for implementation in 2013 and to date 75% of the turnaround solutions in the Business Case have been implemented. Challenges have been experienced in ensuring consistency in implementation due to the resignation of the Chief Financial Officer late in 2014 which contributed to a decline in financial management controls.

The Employment Services Act 4 of 2014 was promulgated by the President of the Republic of South Africa on the 7<sup>th</sup> April 2014 and subsequently the act was proclaimed on the 7<sup>th</sup> August 2015 through gazette no 39079. This marks a significant change in policy that affects the Sheltered Employment Factories (SEF) now being established as Supported Employment Enterprises (SEE). A review of the strategic direction and intent was required to ensure that the operations and plans of the entity were aligned to the implementation of the Employment Services Act in chapter 6, which outlines the legal mandate of the Supported Employment Enterprises.

A new approach to business is required to ensure that the SEE/SEF re-establishes itself as an entity with a transformed mind-set and seeks to contribute to the creation of decent employment opportunities to persons with disabilities. A number of new long-term contracts have been secured and require management to closely monitor them and ensure that they are executed well on time. New products will be developed to ensure that the SEF/SEE remains relevant in the market and has the ability to generate revenue that will lead to financial sustainability.

The control environment remains a major challenge in the entity and requires management to be proactive in their approach to enforcing controls and policies. The key catalyst in enabling SEF to achieve its core mandate and strategic imperatives is the approval of a strategy-supportive organisational structure. Nonetheless, the some of the critical posts of the Chief Financial Officer, Director: Operations, Deputy Directors Human Resources Management and Supply Chain Management have been filled and this will help with the control environment in relation to Supply Chain Management and the provision of human resources.

The Employment Services Act confers a legal status to the SEF/SEE and the following two final steps remain to ensure that the entity fully operates as a section 7A National Government Components;

- The Transfer of assets, rights, liabilities and obligations of the Service Product Factories established by Cabinet in 1948 to Supported Employment Enterprises

established in terms of section 42 of the Employment Services Act 4 of 2014, with effect from the date determined by the Minister by notice in a Gazette.

- Listing in Part A (1) of the Public Service Act, 1994 as a section 7A National Government Component.

The following are key focus areas in support of the turnaround strategy;

Focus Area	Description
Organisational Governance	<ul style="list-style-type: none"><li>• Governance Structures</li><li>• Improved compliance with all applicable legislations.</li><li>• Risk Management</li><li>• Audit Findings</li></ul>
Financial Sustainability	<ul style="list-style-type: none"><li>• Improved revenue and profitability</li><li>• Product innovation and development</li><li>• Increase market share</li></ul>
Increase Productivity	<ul style="list-style-type: none"><li>• Operate factories at full capacity and improve efficiencies</li></ul>

The Sheltered Employment Factories have appreciated the tenable successes such as the signed MoAs with;

- Department of Basic Education,
- Coega Development Corporation,
- Road Traffic Management Corporation,
- The Department of Environmental Affairs and
- The Western Cape Departments of Health and Education.

Issues raised by Internal Audit and Auditor General are being corrected and improvements in the control environment will soon be a reality. We continue in our strides with renewed energy brought on by the promulgated Employment Services Act 4 of 2014.

## **PART A: STRATEGIC OVERVIEW**

### **1. VISION**

An inclusive South African labour market for persons with disabilities that support their access to work and work opportunities leading to their active participation in the economy of the country.

### **2. MISSION**

To provide employment and training opportunities to people with disabilities who have been excluded from work as a result of their disability through the development of programmes that promote their employability and to support their transition into the mainstream employment.

### **3. CORPORATE VALUES**

- We treat employees with care, dignity and respect
- We respect and promote:
  - Client centred services
  - Accountability
  - Integrity and ethical behaviour
  - Learning and development
- We live the Batho Pele Principles
- We live the principles of the Department of Labour's Service Charter

We inculcate these values through our performance management system.

### **4. LEGISLATIVE AND OTHER POLICY MANDATES**

The SEF management is planning on the basis of the Employment Services Act 4 of 2014. The understanding is that:

The Employment Services Act provides a clear legal framework to the SEF and establishes the entity as a National Government Component as per section 7A of the Public Service Act 1994. The Employment Services Act 4 of 2014 was promulgated on the 7<sup>th</sup> April 2014 and provides for the Sheltered Employment Factories (SEF) to be established as Supported Employment Enterprises (SEE) to;

- (a) facilitate supported employment;
- (b) provide work opportunities for persons with disabilities;
- (c) develop and implement programmes that promote the employability of persons with disabilities, including persons with permanent disablement as defined in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993), in the light of their evolving needs in a changing economy; and



- (d) perform any other function as may be prescribed

## 5. SITUATIONAL ANALYSIS

### 5.1 Performance Environment

SEF revenue target for the year ending 31 March 2016 is R70million. Year to date, 31<sup>st</sup> December 2015, the revenue is at R41million. The year-end projection is currently at R63million; however management is still working on ensuring that the target is met.

Debt collection has improved significantly by 37% which has resulted in healthy cash flows.

IT of the SEF is currently in the processes of being migrated into the DoL and this will mean better and efficient management of ICT infrastructure management.

### 5.2 Organisational Environment

#### Governance Model

The Factories are run under the leadership of the Chief Executive Officer, who reports to Public Employment Service (PES) Branch of the DoL. The SEF has a management structure which implement programmes of the entity. Other governance structures i.e. Audit Committee, National Risk Committee, Department Executive Committee etc of the DoL provides oversight responsibilities to entity.

#### Production Facility

The SEF is complemented by the factories across the landscape of the country as follows:

Province	Factory	Products Specialisation
(i) Gauteng	Pretoria Springfield Rand	Wood, Metal & Textiles (Office, Home & School furniture, hospital linen and garments)
(ii) Western Cape	Ndabeni Epping	Wood, Metal & Textiles (Office, Home & School furniture, hospital linen and garments)
(iii) KwaZulu Natal	Pietermaritzburg Durban	Wood, Metal & Textiles (Office, Home & School furniture, hospital linen and garments)
(iv) Eastern Cape	East London Port Elizabeth	Wood & Textiles
(v) Northern Cape	Kimberley	Wood, Metal
(vi) Free State	Bloemfontein	Wood
(vii) North West	Potchefstroom	Metal

## 5.3. Organisational Divisions

The SEF consist of these divisions:

### 5.3.1. Operations Management:

**Purpose:** Provides production and operational management of all Sheltered Employment Factories.

The directorate consists of the following sub-units:

**Production Management** manages and advises on production of goods in the factories.

**Factory Management** provides general factory management and controls of the Sheltered Employment Factories.

### 5.3.2. Business Development Management

**Purpose:** manages and directs marketing and business development of current and potential markets of the SEF.

**Description:** The directorate consists of the following sub-units:

**Client Services** manages the relationship of all customers of the Sheltered Employment Factories.

**Marketing** manages all publications and marketing material of the Sheltered Employment Factories

### 5.3.3. Financial Management:

**Purpose:** provides financial management, administration and control to the Sheltered Employment Factories.

The directorate consists of the following sub-units:

**Supply Chain Management** manages and directs procurement of assets and operational raw materials and the compliance to procurement policies and procedures.

**Creditors Management** manages accounts payable in line with the PFMA

**Debtors Management** manages accounts receivable in line with the PFMA

### 5.3.4. Human Resources Management

**Purpose:** provides management and control of human resources to the Sheltered Employment Factories.

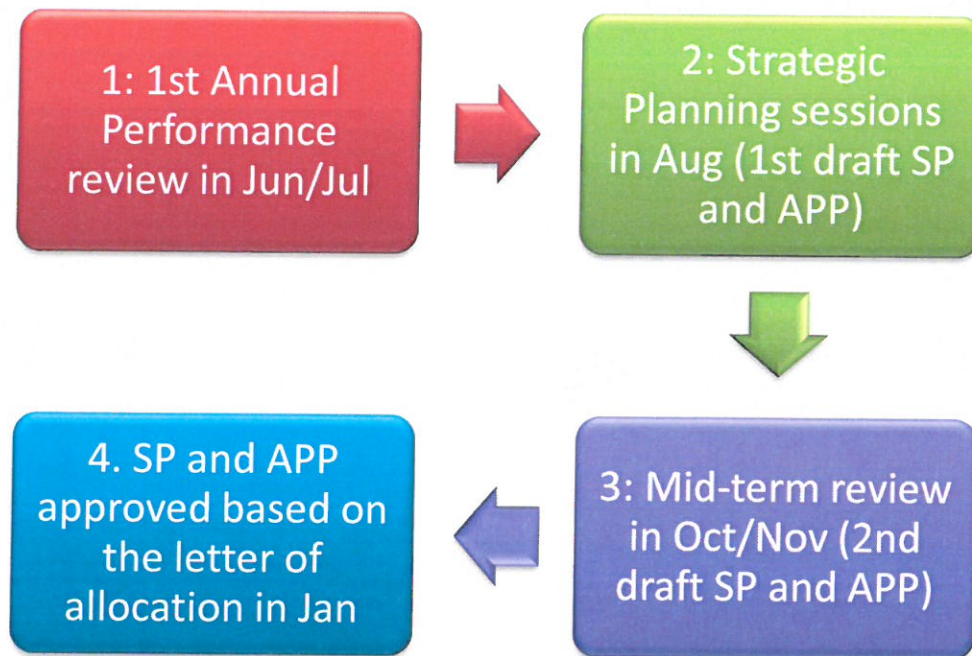
**Description:** The sub-directorate manages and directs employment relations of the Sheltered Employment Factories.

#### Key Stakeholders

Stakeholder	Reason
Department of Labour	Governance and policy directive
Other Government departments	Intergovernmental relations, partnership and legislative
Organised Labour	Labour matters
Suppliers	Business interactions



### 5.3 Description of the Strategic Planning Process



## 6. Strategic Outcomes Oriented Goals

Based on the National Department of Labour's revised outcomes tabled in November 2014, the SEF has also adopted the same outcomes in respect of MTSF 2014-19. These strategic outcomes oriented goals are strategic priorities which form the basis of the SEF's strategic objectives. The following strategic outcomes have been identified:

Strategic Outcome Oriented Goal 1 (Outcome 4)	Decent employment through inclusive economic growth for persons with disabilities
Goal Statement 1.1	Increase sales of goods and services and maintain a healthy gross profit margin on all products manufactured in the SEF.

Strategic Outcome Oriented Goal 2 (Outcome 5)	A skilled and capable workforce to support an inclusive growth path
Goal Statement 2.1	Strengthen institutional capacity of SEF.

Strategic Outcome Oriented Goal 3 (Outcome 12)	An efficient, effective and development oriented public service
Goal Statement 3.1	Effective and efficient financial management and governance.

## **PART B: STRATEGIC OBJECTIVES**

### **7 Strategic Framework**

## 7.1. Business Unit 1: Operations Management

### STRATEGIC OBJECTIVES

Strategic outcome oriented goal 1: (outcome 4)	
Strategic Objective 1.1	Decent employment through inclusive economic growth for persons with disabilities
Objective statement	Increase sales of goods and services and maintain a healthy gross profit margin on all products manufactured in the SEF.
Baseline	To improve production efficiency in all the factories and reduce production wastage and lead-times to 4 to 6 weeks from receipt of customer purchase order.
Justification	Number of weeks from receipt of customer purchase order to deliver (lead-times) : 15 to 25 Cost of sales exceeding sales Improved efficient in production will lead to increased sales revenue generation through high production turnover and increased job opportunities through direct and indirect employment for persons with disabilities in the factories.
Links	This objective will contributing to decent employment creation through inclusive growth as per the National Development Plan (Chapter 3)

### STRATEGIC RISKS

Risk	Risk Description	Mitigation strategy
Long Production lead-times	Long production lead-times as compared to competitors.	<ul style="list-style-type: none"> <li>Develop and implement production norms and standards.</li> <li>Timeous procurement and sourcing of raw materials</li> </ul>



## 7.2. Business Unit 2: Business Development Management

### STRATEGIC OBJECTIVES

<b>Strategic outcome oriented goal 3: (outcome 4)</b>	
<b>Strategic Objective 2.1</b>	<b>Decent employment through inclusive economic growth for persons with disabilities</b>
<b>Objective statement</b>	Increase sales of goods and services and maintain a healthy gross profit margin on all products manufactured in the SEF.
<b>Baseline</b>	To increase sales of goods and ensure a gross profit margin of 41% of total revenue through marketing and increased brand visibility in all factories Low sales revenue generation and low visibility due to lack of branding of the SEF.
<b>Justification</b>	This objective will contribute towards the financial sustainability of the SEF and lead to an increase in work and work opportunities created in the SEF.
<b>Links</b>	This objective will contribute to decent employment creation through inclusive growth as per the National Development Plan (Chapter 3).

### STRATEGIC RISKS

Risk	Risk Description	Mitigation strategy
Loss of income	Inadequate revenue generation	Determine and set annual sales targets across all factories.
Low visibility of the SEF (Branding)	Low brand visibility of the Sheltered Employment Factories.	Increase brand visibility in all SEF factories and market effectively.

### 7.3. Business Unit 3: Financial Management

#### STRATEGIC OBJECTIVES

<b>Strategic outcome oriented goal 3:(outcome 12)</b>		<b>An efficient, effective and development oriented public service</b>
<b>Strategic Objective 3.1.</b>		<b>Effective and efficient financial management and governance.</b>
<b>Objective statement</b>	To implement sound financial management practices and policies.	
<b>Baseline</b>	Number of audit findings from the 2015/16 financial year and lack of a costing model.	
<b>Justification</b>	This objective will ensure effective accountability, transparency and adherence to best practices.	
<b>Links</b>	This objective will contribute to the financial sustainability of the SEF leading to the creation of decent employment through inclusive economic growth (Outcome 4)	

Risk		Risk Description	Mitigation strategy
None compliance with PFMA and other related legislation		Inadequate financial management controls and systems	Develop finance management policies and procedures, get approval and enforce compliance.



## 7.3. Business Unit 4: Human Resources Management

### STRATEGIC OBJECTIVES

Strategic outcome oriented goal 3: (outcome 5)	
Strategic Objective 4.1.	
A skilled and capable workforce to support an inclusive growth path Strengthen institutional capacity of SEF.	
<b>Objective statement</b>	To ensure access to work and work opportunities and develop and implement programmes that promote the employability of persons with disabilities
<b>Baseline</b>	Number of persons with disabilities provided with work and work opportunities through the SEF: 889
<b>Justification</b>	This objective will contribute to providing skills to persons with disabilities and support their participation in the economic activities of South Africa.
<b>Links</b>	This objective will contribute skilled and capable workforce to support an inclusive growth path (Outcome 5)

### STRATEGIC RISKS

Risk	Risk Description	Mitigation strategy
Inadequate Skills	Lack of readily available skills (especially persons with disabilities) to support the organisational objectives.	<ul style="list-style-type: none"> <li>• Training and development of existing and potential factory workers with disabilities.</li> <li>• Partnerships with the Department of Basic Education, SETA's to provide recruitment database of persons with disabilities.</li> </ul>

## **PART C: Links to other plans**

## 8 Reconciling performance targets with the Budget and MTEF

### Expenditure estimates

8.1. Table 1: Sheltered Employment Factories

Programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expenditure/ Total: Average (%)	Medium-term expenditure estimate		
	2011/12	2012/13	2013/14				2015/16	2016/17	2017/18
R million									
Supported Employment Enterprises	72 407	76 229	115 610	139 164	24.3%	25.8%	135 050	155 649	165 545
<b>Total</b>	<b>72 407</b>	<b>76 229</b>	<b>115 610</b>	<b>139 164</b>	<b>24.3%</b>	<b>25.8%</b>	<b>135 050</b>	<b>155 649</b>	<b>165 545</b>

### Income Statement

<b>Revenue</b>	(70 000)	(75 000)	(80 000)
Cost of Sales	43 400	44 268	47 367
Gross Profit	(26 600)	(30 732)	(32 633)
<b>Gross Profit %</b>	<b>38%</b>	<b>41%</b>	<b>41%</b>
Other Income	(1 577)	(1 687)	(1 805)
Operating Costs	26 884	28 497	29 067
Net (Profit)/Loss	(1 293)	(3 922)	(5 371)

# Reconciliation

<p>National Treasury Allocation (Vote 28)  Less: Dept. of labour (Salaries &amp; Wages; Goods &amp; Services)  <b>Vote 28 Allocation to SEF</b></p>		<p>(135 050) (155 649) (165 545)  (50 121) (68 074) (73 592)  <b>(84 929) (87 575) (91 953)</b></p>
<p>Compensation of employees  Payments for Capital Assets  <b>Vote 28 Allocation to SEF</b></p>		<p>70 462 75 394 80 672  (14 467) (12 181) (11 281)  <b>(84 929) (87 575) (91 953)</b></p>
		<p>- - -</p>

## Performance and expenditure trends

- The Sheltered Employment Factories' budget allocation is being utilised for the implementation of recommendations of the turnaround solutions in the approved SEF Business Case.
- A portion of the allocation is utilised for operating expenses and compensation of employees
- Revenue generated from sales is utilised for capital expenditure and to increase work opportunities for more persons with disabilities
- Targets have been aligned to the recommendations in the business case to enable the entity to maximise the utilisation of resources and improve financial sustainability.

## 9. Links to the Business Case

The Sheltered Employment Business Case is a strategic document that has been developed with the aim of implementing turnaround solutions in the entity that will help the entity transform into viable sustainable enterprises. The Business Case was approved for implementation in February 2013 and the strategic recommendations identified in the business case have been incorporated into the SEF Strategic Plan.

### 9.1. Recommended Options

The phased approach to SEF's transformation has been adopted (see table below) starting with Option 2 (to stabilise the SEF), followed by Option 3 (then expand into Limpopo and Mpumalanga) and then Blue Sky option in the long term, once the proposed Employment Services Bill has been fully implemented.

Phase 1	Description
<b>Phase 1 (MTEF): As is – transformed and optimised with sales growth</b>	<ul style="list-style-type: none"><li>Optimising SEF's current operations to be achieved by improving sales levels and production capability<sup>2</sup>. This is achieved by introducing the business development team that will grow sales through marketing, deal making and influencing policy change. On the production side it involves reviewing each factory and ensuring that capacity is in place to meet the additional demand. It also involves transformation, vis: employee /factory worker employment equity (disability profile, race and gender); increased representation of people with disability in administration and management; accredited on-the-job training</li></ul>
<b>Phase 2: Expanded with sales growth</b>	<ul style="list-style-type: none"><li>Assuming the factories can successfully expand sales and become economically sustainable there will be a commitment to opening two additional factories in Mpumalanga and Limpopo</li><li>The plan for these factories is important in relation to expanding sales in these provinces</li><li>A high-level feasibility study needs to be conducted before expanding to Limpopo and Mpumalanga.</li><li>It is envisaged that this option will be implemented in the medium term (from year 4 onwards) but could be speeded up if phase 1 is achieved at a faster pace</li></ul>

<sup>2</sup> Where capacity or efficiency is an issue, appropriate improvement techniques will be utilised to achieve the demand. This could be business process improvements or even acquiring more capacity.



Phase 1	Description
<p><b>Phase 3: Long term vision – SEF as a catalyst for access and inclusion (dependent on success of phases 1 and 2)</b></p>	<ul style="list-style-type: none"> <li>• Establishing SEF as an accredited workplace training provider up-skilling people with disabilities to enable placement in the open labour market. In establishing accredited on the job training as part of phase 1 the potential for SEF to take on an expanded training role can be assessed, and reviewed on the basis of experience. This function may overlap with the Department of Higher Education.</li> <li>• Placement function enabling SEF to place people with disabilities in the open labour market, whilst providing ongoing support and the fall back of a return to SEF. This function overlaps with the placement functions of the Public Employment Services function within DoL and with private placement agencies and will need to be considered in that context .</li> <li>• Consultancy service enabling SEF to provide advisory and advocacy services to external parties on managing people with disabilities and creating conducive and supportive environments</li> <li>• This option needs to be re-evaluated in the long term once the Employment Services Bill in its entirety has been implemented, and the transformation of SEF has been achieved. Realistically SEF is a long way from being able to play such a role in the short to medium term.</li> </ul>

## 10. Annexure A: Technical Indicators Definitions

## 11. Annexure B: Annual Performance Plan