



South Africa Siyasebenza



Reflections from the Head of the Fund

About the Jobs Fund

The National Treasury established the Jobs Fund in June 2011 to support innovative initiatives and approaches to job creation. The R9 billion fund operates on challenge fund principles, and all funding allocations are made on a competitive basis in a transparent and open manner.

Once-off grants are awarded to projects that demonstrate sustainable job creation potential, and project partners are required to match the grant fund allocations at a ratio of 1:1 or higher.

The Jobs Fund is not a mass employment programme, nor is it intended to tackle long-term structural causes of low growth and unemployment. Rather, it provides a targeted programme of support for effective labour market interventions that result in sustainable employment creation.

About Siyasebenza

Siyasebenza is the Jobs Fund's quarterly newsletter. Siyasebenza is an isiZulu word meaning "we are working".

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Siyasebenza

Surrounding ourselves with people who are more competent than we are helps us gain new insights and creates opportunities for personal and professional growth. Similarly, by complementing the Jobs Fund team with talented and skilled partners, we elevate our performance and deepen the impact of our work.

Strategic partner selection has always been a core pillar of the Jobs Fund's strategy. We recognise the value in aligning ourselves with organisations from which we can learn and who ultimately support us in enhancing our performance through innovation, technical capability and access to key markets.

Our success is not only reflected in the number of jobs created through these valuable partnerships, but also in the impact and sustainability of these interventions. Key to this sustainability are local partners and fund recipients who are equipped with the necessary skills, knowledge and tools to independently manage projects long after grant funding has been fully disbursed. A sense of ownership and independence ensures the longevity of these initiatives.

Our labour market research assists us to identify economic sectors and industries that have the greatest potential to positively affect the broader economy and have the potential to contribute to the creation of new jobs. An analysis of sectoral employment multipliers, informs our focus on industries such as construction, agriculture and manufacturing that have significant potential to absorb skilled and semi-skilled jobs. This evidence-based approach informs the Fund's funding term sheets and our criteria for partner selection.

Once projects are selected, we track their performance and evaluate them at critical points in the project lifecycle to ensure that they receive the necessary support as they achieve their milestones. With ongoing reflection, we learn valuable lessons and adjust our approach; improving our response to emerging challenges throughout the project life cycle. Our commitment to continuous learning, along with our adaptability and willingness to evolve, is reflected in our tailored approach to each project.

For example, our research identified the construction industry's potential to drive long-term, sustainable job creation, particularly for unskilled and semi-skilled labour. However, all successful construction projects require careful planning, firm foundations, quality materials, compliance and regular inspection to guarantee a solid structure that can last many years. By partnering with organisations that can ensure that these crucial elements are present, we effectively support the development of necessary skills within SMMEs and the construction industry as a whole.

Let us continue to build upon this foundation and pave the way for sustainable job creation and flourishing economic growth by harnessing the immense technical expertise that exists in our country.

Najwah

Najwah Allie-Edries
Head of the Jobs Fund



Key insights on industry linkages and job creation

Interconnected industries

Industries rely on each other in the production of goods and services. They have both backward linkages (connections to suppliers) and forward linkages (connections to buyers), which influence job creation. When one industry grows, it can create jobs not just within itself but also in related industries.

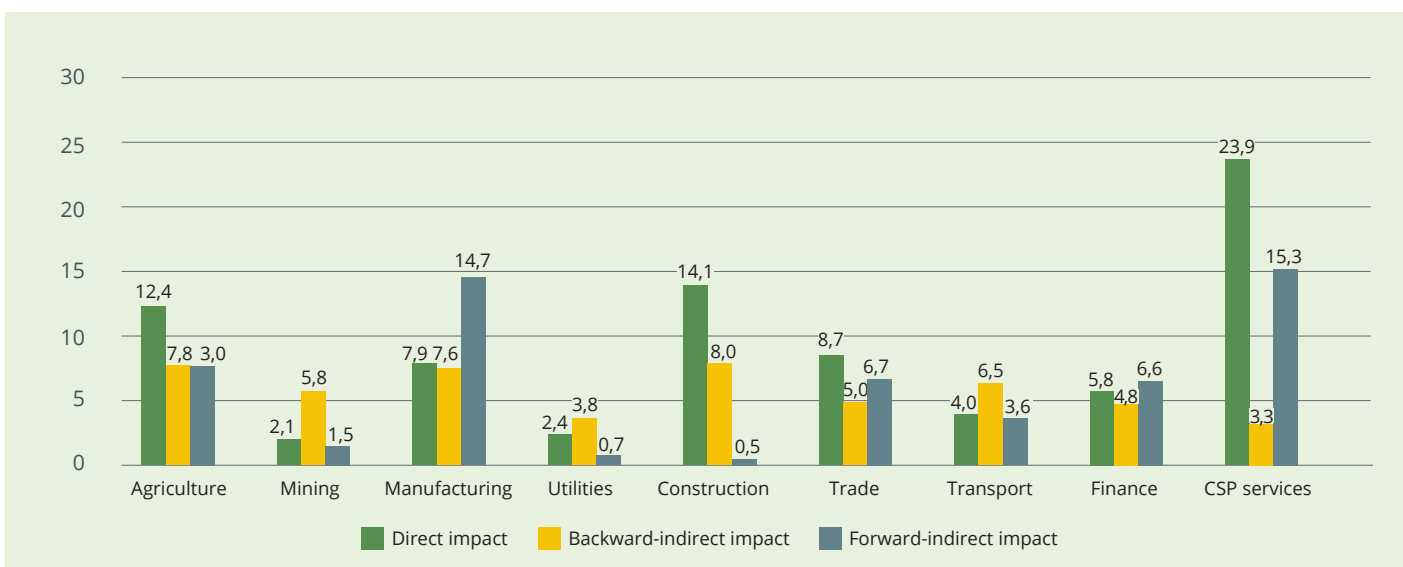


Importance for policymakers and investors

Understanding these linkages is essential for effective resource allocation and investment decisions. It helps identify opportunities for job creation and informs strategies to maximize employment impacts. In a research paper published by Borhat et al. (2020)¹ to calculate industry-level backward-indirect and forward-indirect employment multipliers, industry employment multipliers were reported for nine industries.



FIGURE 1: Industry direct and indirect employment multipliers



Sources: Borhat et al. (2020), and the Jobs Fund calculations of backward-indirect and forward-indirect impacts

¹ Borhat, H., Allen, C., Asmal, Z., Hill, R. & Rooney, C. (2020). Employment creation potential, labor skills requirements, and skill gaps for young people. A methodological framework. Africa Growth Initiative at Brookings, AGI Working Paper #25

Key insights on industry linkages and job creation *cont.*

Employment multipliers

Employment multipliers measure how job creation in one industry affects other industries. For example, government investments in construction create direct construction jobs and also boost related sectors, like manufacturing and retail.

- **Direct employment multipliers:** Measure jobs created directly within an industry. For instance, a R1 million increase in demand in the community services sector can lead to about 24 new jobs.
- **Backward-indirect multipliers:** Show potential job creation in supplier industries. Construction (8.0), agriculture (7.8), and manufacturing (7.6) have the highest potential to create upstream jobs.
- **Forward-indirect multipliers:** Indicate reliance on downstream industries for job support. Community services (15.3) and manufacturing (14.7) lead in this area.



Strategic industries

Industries with both strong backward and forward linkages significantly impact overall job creation. Construction, agriculture, manufacturing, and transport are particularly crucial as they can stimulate job growth throughout the economy.

	Agriculture	Mining	Manufacturing	Utilities	Construction	Trade	Transport	Finance	CSP
Agriculture	12,35	0,26	1,16	0,17	0,49	0,25	0,28	0,16	0,22
Mining	0,17	2,06	0,40	0,35	0,23	0,09	0,10	0,06	0,08
Manufacturing	2,67	1,75	7,90	1,15	3,29	1,63	1,88	1,07	1,23
Utilities	0,11	0,18	0,14	2,40	0,07	0,07	0,06	0,07	0,04
Construction	0,05	0,06	0,07	0,03	14,11	0,04	0,11	0,08	0,04
Trade	1,21	0,72	1,48	0,50	0,72	8,65	0,93	0,59	0,57
Transport	0,61	0,59	0,53	0,28	0,47	0,48	3,95	0,34	0,31
Finance	0,75	0,64	0,79	0,45	0,92	1,18	1,10	5,80	0,76
CSP services	2,26	1,63	3,05	0,82	1,80	1,26	2,07	2,45	23,85

Source: Borhat, H., Allen, C., Asmal, Z., Hill, R. & Rooney, C. (2020). Employment creation potential, labor skills requirements, and skill gaps for young people. A methodological framework. Africa Growth Initiative at Brookings, AGI Working Paper #25

Building Tomorrow: empowering emerging black small, medium and micro enterprises in the construction industry

On 25 June 2024, the Jobs Fund hosted a webinar focused on employment interventions that support and train black small, medium and micro enterprises (SMMEs) in the construction industry. We reflect on the lessons and insights from the Motheo Construction Group and SP Impact Fund's partnerships with the Jobs Fund.

The construction industry can absorb workers with a range of skills, more importantly, it is able to employ a large number of unskilled and semi-skilled workers. It also has the highest potential to generate employment in its supplier industries. This is particularly important in economies where unemployment is a concern and in regions where access to education is a challenge.

Despite the construction sector's significant employment potential, black emerging contractors in the construction industry face many challenges that limit their growth and their ability to offer sustainable employment:

- Insufficient experience and skills development often limit SMME's ability to manage and execute large or complex projects.
- Navigating regulatory processes can be particularly challenging. A lack of administrative capacity and regulatory compliance impacts SMME's ability to comply with labour laws and construction codes. Without the necessary compliance documentation and certification, these contractors are ineligible for tender opportunities and cannot meet subcontracting requirements.
- SMMEs often struggle to market themselves and improve their visibility. A good marketing strategy enables

black contractors to establish credibility and create awareness of their products and services. It can also help them establish and sustain relationships and build trust within the industry.

- Contractors have limited access to finance, as they often do not meet the credit requirements of traditional financial institutions. This hampers their ability to invest in equipment, cover project costs or expand their business.
- Delayed payments from clients can create significant cash flow problems for emerging contractors, making it difficult to pay suppliers and workers on time.

Beyond building: Motheo Construction Group

The Motheo Construction Group, a predominantly black-female-owned and -managed construction company, has been in operation for 27 years. Since its establishment in 1997, the group has established itself as a reputable presence in the built-environment industry.

Through its interactions with black SMMEs over the years, the group recognised the need for a targeted intervention that addressed the numerous challenges black emerging contractors face and improved

business and management knowledge within the industry. Based on this need, the group established the Motheo Enterprise Development Programme, focused on upskilling black emerging contractors and creating employment opportunities in the construction industry.

Looking for partners with scalable, sustainable business models that can drive long-term economic change, the Jobs Fund identified Motheo as a natural fit. Motheo's projects, which range from housing to large-scale infrastructure, offer scalability and sustainable job creation potential, aligning seamlessly with the fund's operational principles. The model provides needs-based skill-specific development and job-related training for each organisation Motheo works with, emphasising the development of local skills and workforce growth that benefit the communities in which these SMMEs are based.

Leveraging their extensive experience, the programme pairs Motheo's key personnel with individuals on the same level within the developing organisation to share their skills. These mentors guide and coach individuals from all levels of the business, ensuring development and growth across



Building Tomorrow: empowering emerging black small, medium and micro enterprises in the construction industry cont...



the organisation. Motheo's focus on training emerging contractors, artisans and construction professionals echoes the Jobs Fund's emphasis on improving employability through targeted skills interventions.

Their holistic approach provides skills development in business management, contracting, supervisory skills and health and safety, and technical training in brickwork, tiling, plumbing and electrical installations. Motheo's site management and site supervision staff also provide informal training on construction sites to equip contractors, artisans and construction professionals with necessary technical skills. External training interventions by subject experts are also provided where required.

After equipping emerging contractors with the skills necessary to establish and manage their businesses, the program assists them to obtain the required compliance documentation and register with the Construction Industry Development Board (CIDB) and the National Home Builders Registration Council (NHBC). They also receive support to create a company profile, develop a website and design a company logo to enhance their professional image and market presence.

On completion of this comprehensive programme, SMMEs are linked to live construction projects, providing them with direct access to the industry. They are equipped to secure contracts and sustain – as well as grow – their operations over time. The model is structured to gradually withdraw support in a planned and agreed-upon manner, ensuring the organisation achieves independent operational capacity and can realise its job creation potential well into the future.

With additional funding from the Jobs Fund, the group has been able to double the number of SMMEs it supports and offer them a steady cashflow with which to continue financing their projects and thrive in a competitive market.

“We need to be intentional about mentorship, making sure we provide SMMEs with the skills that they need and the opportunities within our industry. We cannot expect an SMME to grow without intentional commitment from established contractors”

LETTIE MASHAU, MOTHEO
GROUP CEO

Through its collaboration with the Motheo Construction Group, the Jobs Fund has demonstrated a model that empowers emerging contractors by addressing key challenges, such as skills development, regulatory compliance, marketing and access to finance. It has highlighted the transformative impact of targeted interventions and their ability to contribute significantly to job creation.

Construction-related bridging finance: SP Impact Fund

Established in 2019, SP Impact Fund is a funding organisation that works with predominantly women- and youth-owned SMMEs in the construction industry to enable them to run their businesses successfully. Through its partnership with the Jobs Fund, the fund has helped SMMEs lay a solid foundation for sustainable operation and success.

Building with the right tools

Sustainable growth requires more than financial investment. SP Impact Fund follows a comprehensive approach to ensure that SMMEs have the necessary knowledge and skills to operate in a very competitive environment.

Administrative skills are fundamental to running any business. To support this, SP Impact Fund partners with established contractors who offer opportunities to mentor subcontractors, train SMMEs in business management to improve processes and manage operations and help them comply with the construction industry's regulations. In this way, participants have the tools to operate efficient and legitimate businesses.

Additionally, multifaceted training and mentorship holistically develops the SMMEs. Through a combination of classroom training and onsite mentorship, participants learn



Building Tomorrow: empowering emerging black small, medium and micro enterprises in the construction industry *cont...*



core construction skills, gain hands-on experience and receive practical advice and support from experienced mentors on real projects. This dual approach integrates learning into participants' daily operations and leads to more effective learning and efficiency.

Underpinning the foundation

Once equipped with the right tools and partnered with the right mentor, SMMEs become significantly more viable financial investments. SP Impact Fund offers fast and flexible funding with more relaxed criteria than traditional banks to qualifying SMMEs. The funding solutions include working capital, purchase order funding, procurement funding, invoice discounting and repeat funding for established clients.

Once SMMEs have met the required criteria and have successfully been onboarded, the fund is open to considering providing repeat funding since it grants the SMMEs the ability to sustain their business. Moreover, this approach offers SP Impact Fund the opportunity to grow the number of SMMEs within the construction industry.

Additionally, SP Impact Fund collaborates with organisations that handle bulk procurement to enable SMMEs to access discounted materials and supplies. By consolidating SMMEs' orders with bulk orders, these

businesses qualify for discounts typically reserved for larger orders. In this way, they are able to benefit from discounts that they would not be eligible for before.

After reflecting on the performance of its projects, SP Impact Fund has streamlined its processes and internal governance policies to expedite funding disbursement. This ensures that projects proceed without unnecessary delays and that SMMEs are not hindered by restricted cash flow. As a result, subcontractors' positions in the industry have been strengthened, and contractors have greater confidence in the subcontractors they engage. With support, these businesses are able to address the challenges they would normally have faced.

SP Impact Fund's intervention in the construction industry illustrates the significant impact a project can have when insight and strategy inform the approach. By blending training, skills development and financial support, the fund not only enhances SMMEs' operational capacity, but contributes to the sustainability of the industry as a whole. Most notably, it fosters a more equitable and balanced distribution of opportunities in the construction industry.



Since its establishment in 2019, SP Impact Fund has

Onboarded and assisted



162 SMMEs with developing business plans



Facilitated more than **3200 jobs**



Trained **1870** employees and business owners



Funded more than **50 SMMEs**

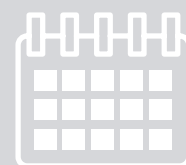
IMPORTANT DATES

05 NOVEMBER 2024

JF Webinar – Navigating the Private Equity Market

18 NOVEMBER 2024

Quarter 3 Reporting opens for Jobs Fund Partners



Jobs Fund Performance Update: 30 June 2024

FUNDING

OVERVIEW

R21.8 billion

total portfolio size

R7.3 billion

grant funding disbursed

R14.6 billion

matched funding leveraged from partners

1 : 2,01

matched funding ratio

R40 million

average grant disbursed per project

COST PER JOB

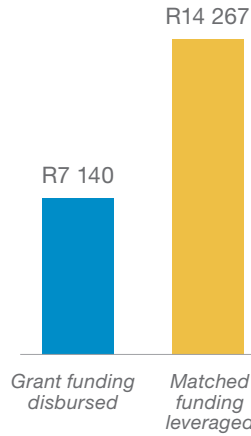
R23 824

grant cost per job

(includes the grant disbursed +

Jobs Fund operating costs – training costs)

Total funding for job creation (R millions)

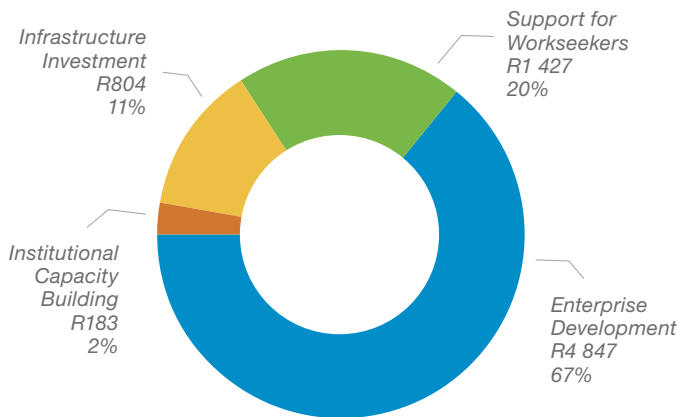


R25 435

grant cost per job

(includes the grant disbursed + Jobs Fund operating costs)

Grant disbursed by funding window (R millions)

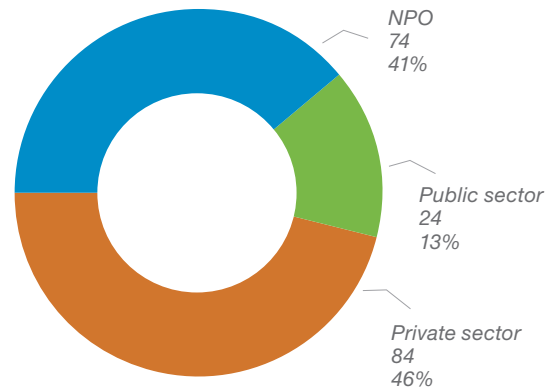


OVERVIEW

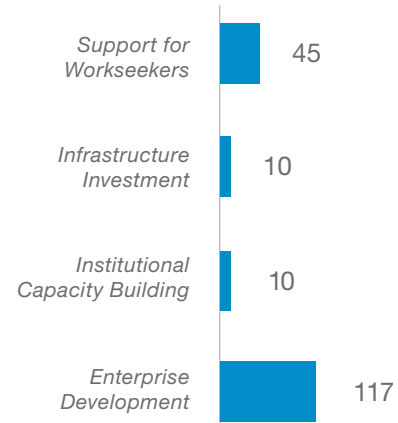
182

contracted projects

Projects by implementer type



Projects by funding window



JOB CREATION

Total jobs, placements & internships facilitated

