

Report of the Survey of Professional Firms with contracts in the DPTRW: Socio-Economic Impact

Prepared by

Sharp Pencil Consulting

396 Florida Road
Faerie Glen
0043

Khosa@wol.co.za

Prepared for the

Department of Public Transport Roads and Works

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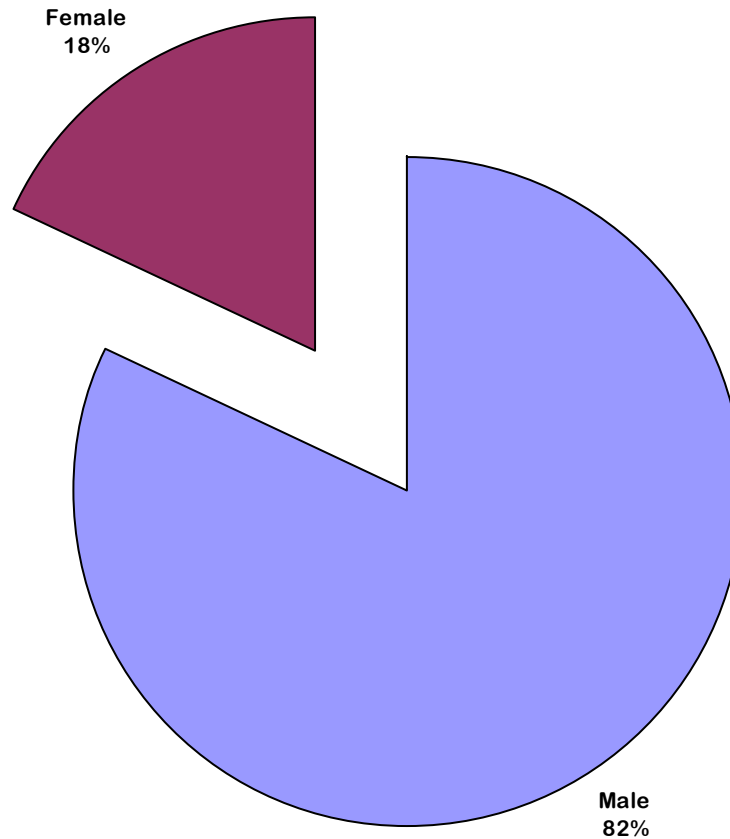
Aims and Objectives of the Survey of Professionals

- ❑ To profile trends of professional firms rendering services to the Department of Public Transport Roads and Works
- ❑ To monitor trends in terms of compliance of firms with regards to BBBEE
- ❑ To monitor trends in terms of job creation within professional firms
- ❑ To monitor trends in terms of compliance of companies with regards to the labor intensity strategy of the Gauteng Provincial Government
- ❑ To set benchmarks and monitor the following indicators:
 - Professional services rendered by professionals (architecture, town planning, quantity surveyors, project managers, engineers)
 - Job creation (numbers, duration, types)
 - BBBEE (equity, enterprise development, joint ventures)
 - Training (skills development)

Methodology of the Survey for the Professionals

- A list of all professional firms rendering services to the Department of Public Transport, Roads and Works was provided and reviewed
- A list of those currently involved in projects at the time of the interview were sampled using the following criteria
 - Types of projects
 - Location of projects
 - Mix of large and small
- A representative sample of 18 professional firms were finalized and interviewed
- The period of interviewed spread during the months during May, June and July 2006
- In each professional firm, a responsible person was identified and interviewed for the purposes of this study
- All interviews were conducted by experienced researchers, trained and attached to Sharp Pencil Consulting, on one-on-one basis (interview lasted 45 minutes)
- In some instances those interviewed followed up with clarifying questions and provided additional information
- Where available, annual reports and published information about the professional firms were also reviewed

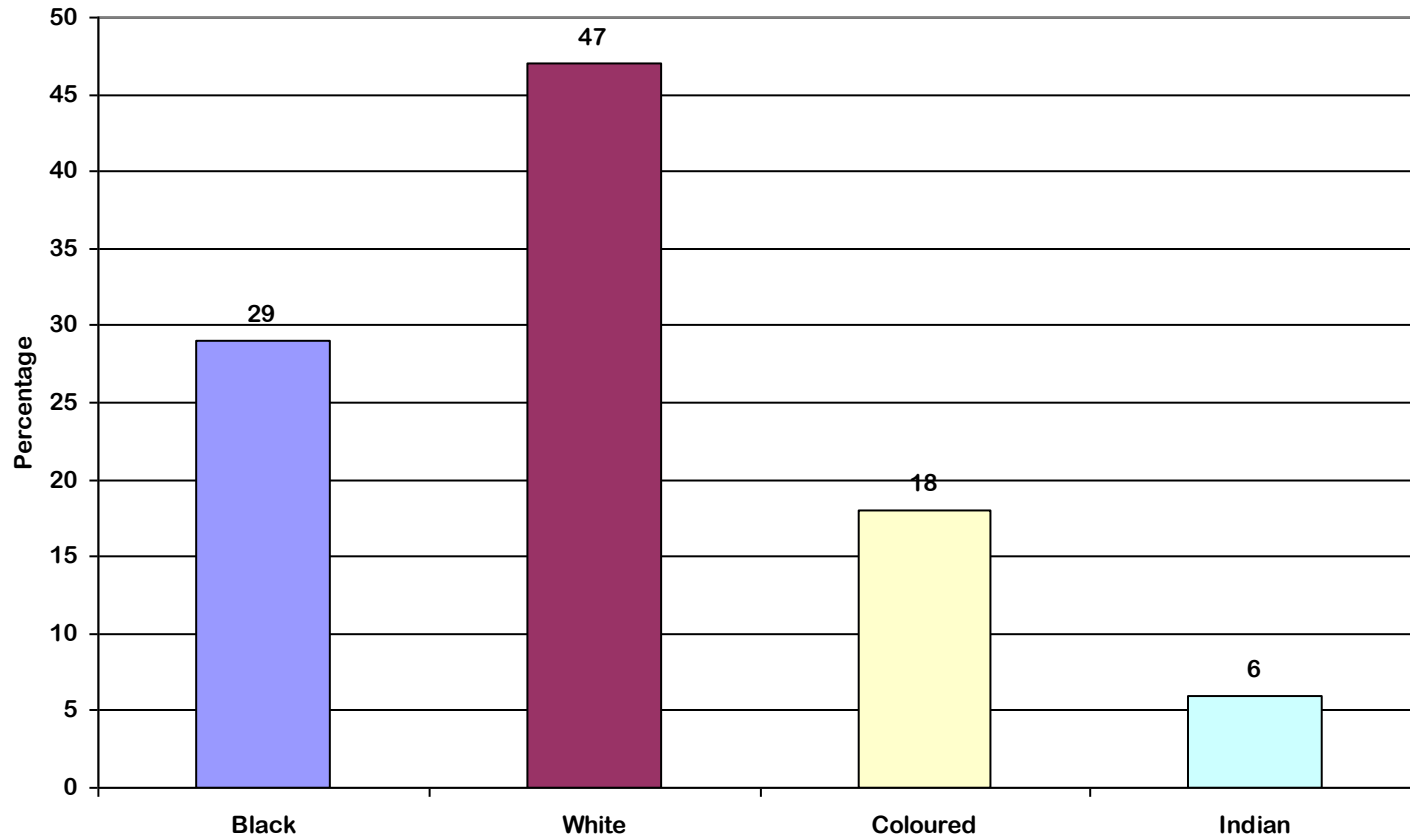
Gender of the responsible person in the company who was interviewed



Gender of the responsible person in the company - Analysis

- ❑ Fieldworkers were assigned the responsibility on interviewing a senior executive or manager in a professional services firm
- ❑ It was the responsibility of the company to assign a particular person to answer the questionnaires
- ❑ The majority of those interviewed were men (82%), compared to only 18% who were women
- ❑ The results are not surprising as the pace of transformation in general, and gender equity in particular, is relatively slow, especially in the build environment sector, including the construction sector

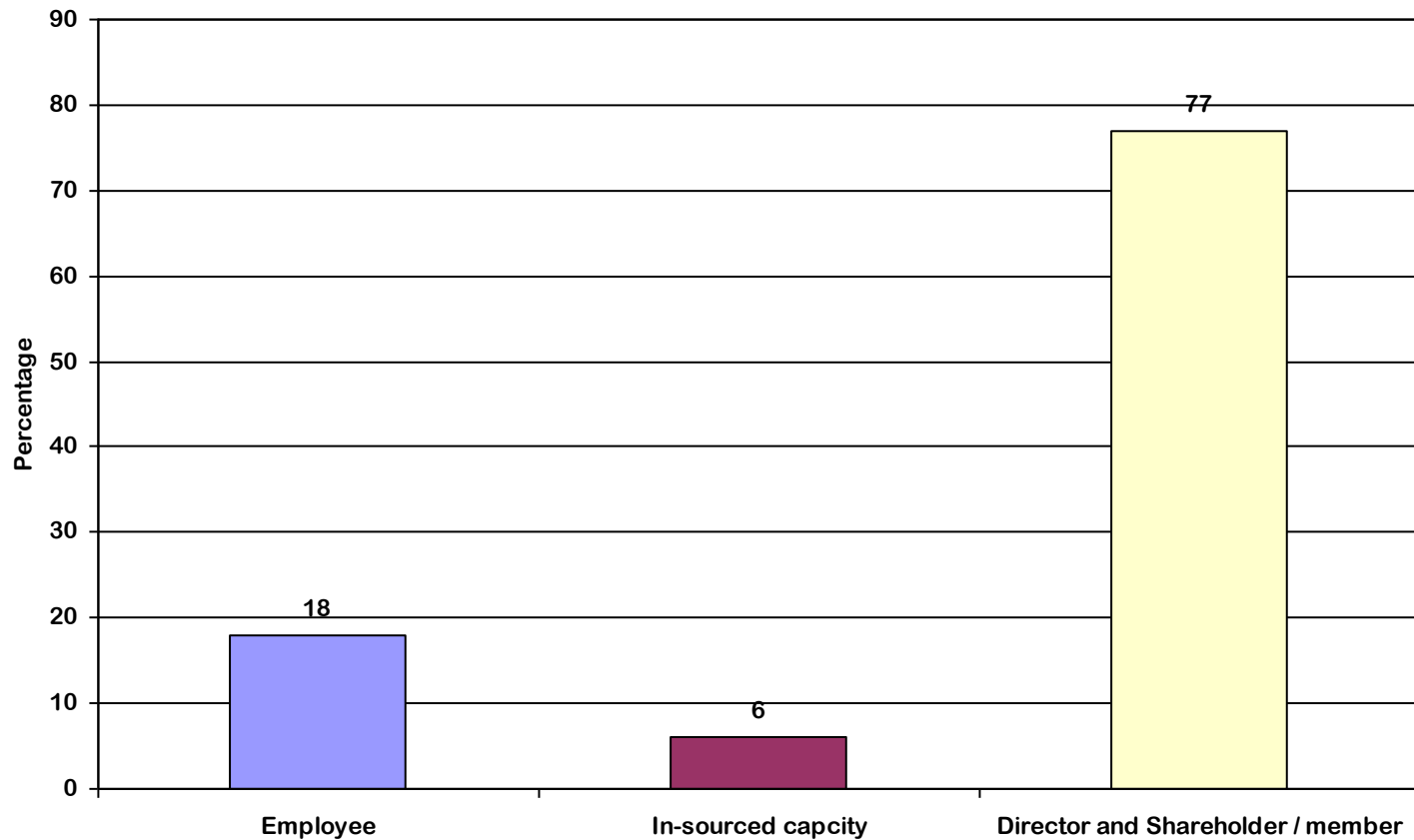
Race of the responsible person in the company who was interviewed



Race of the responsible person in the company - Analysis

- ❑ A significant proportion of those interviewed were white (47%), followed by Blacks (29%), Coloureds (18%) and Indians (8%)
- ❑ As indicated earlier, this mirrors senior executive management roles of the various sectors of the population in South Africa
- ❑ This is in part a distortion of the legacy of the Apartheid system
- ❑ This is also a pointer or indicator of the pace of transformation, or lack of therein, since the dawn of democracy in 1994.

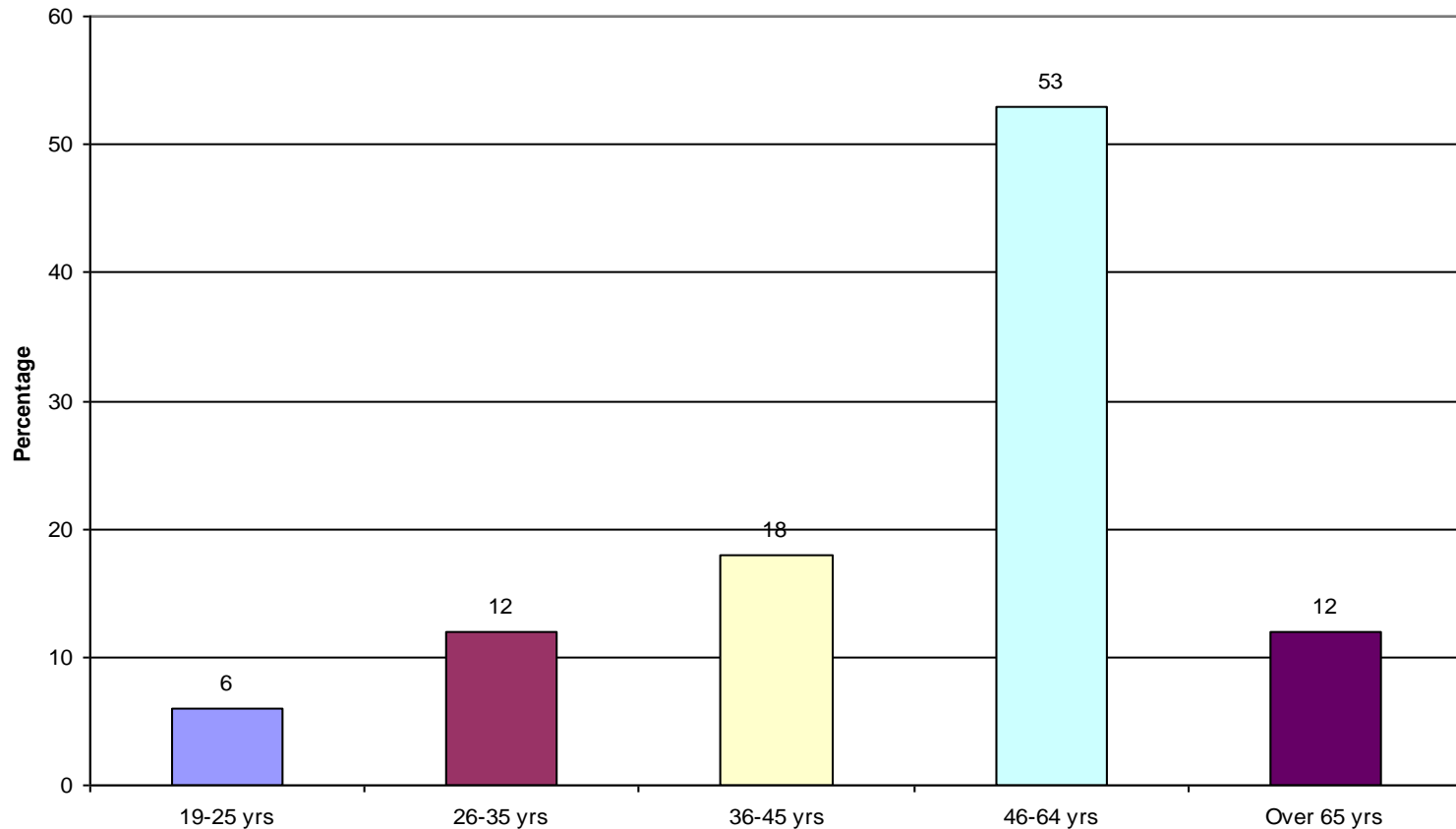
Position of the responsible person in the company who was interviewed



Position of the responsible person in the company - Analysis

- ❑ When analyzing the position of responsible persons interviewed, it is clear that the majority (77%) are shareholders, directors and or members
- ❑ Of those interviewed, employees accounted for 18%
- ❑ Only 6% of those interviewed were an in-sourced capacity
- ❑ As the majority of those interviewed are directly involved in the capacity in some form of ownership, this suggests the significant insights which the survey will highlight in terms of the key indicators to be monitored by the Department of Public Transport, Roads and Works

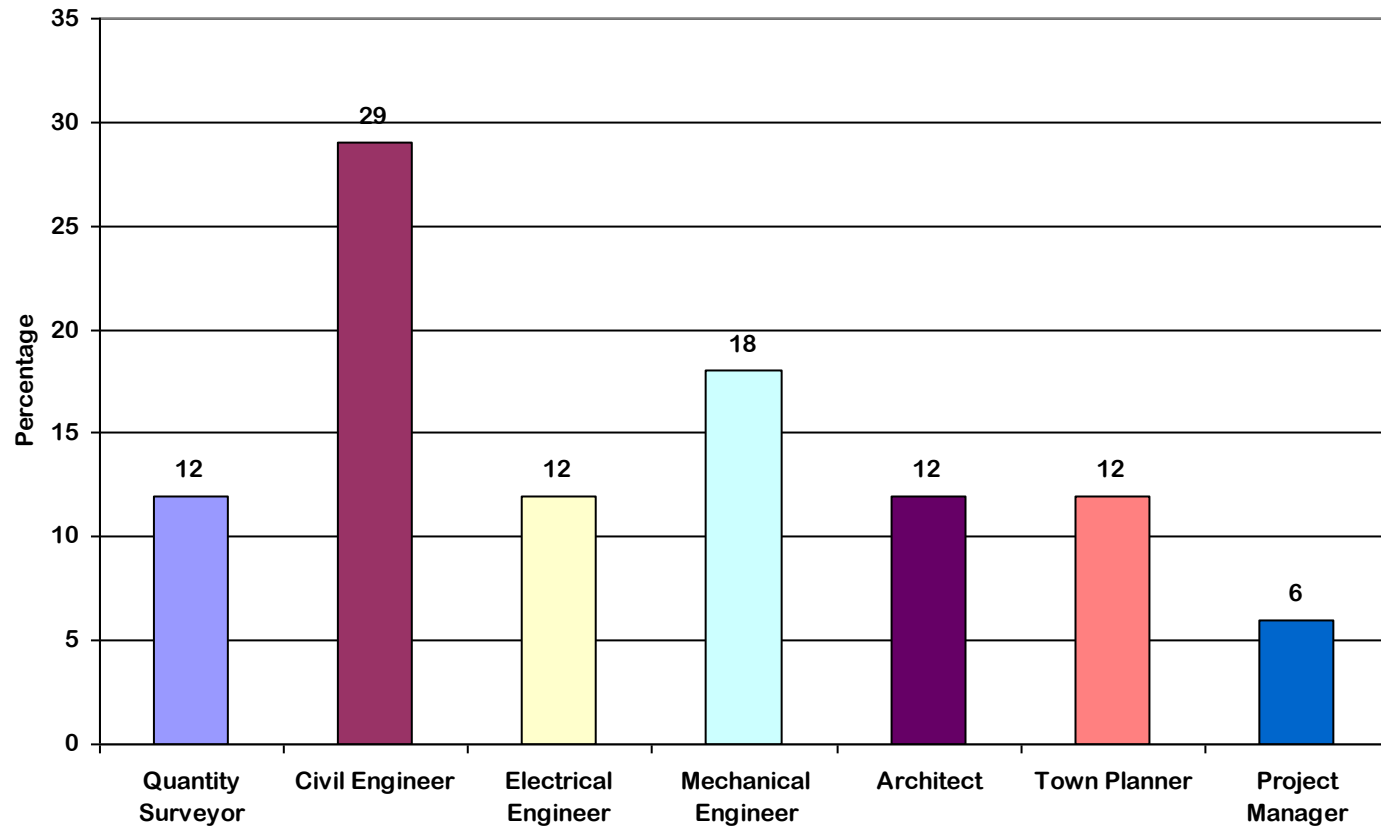
Age of the responsible profession who was interviewed



Age of the responsible person in the company - Analysis

- ❑ The majority (53%) of those interviewed were between the ages of 46 and 65 years old
- ❑ 12% were over the age of 65 years
- ❑ Significantly, 18% of those interviewed were under the age of 35 years
- ❑ Evidence from the study mirror company ownership by age, with a smaller number of those in director or shareholder level being the youth

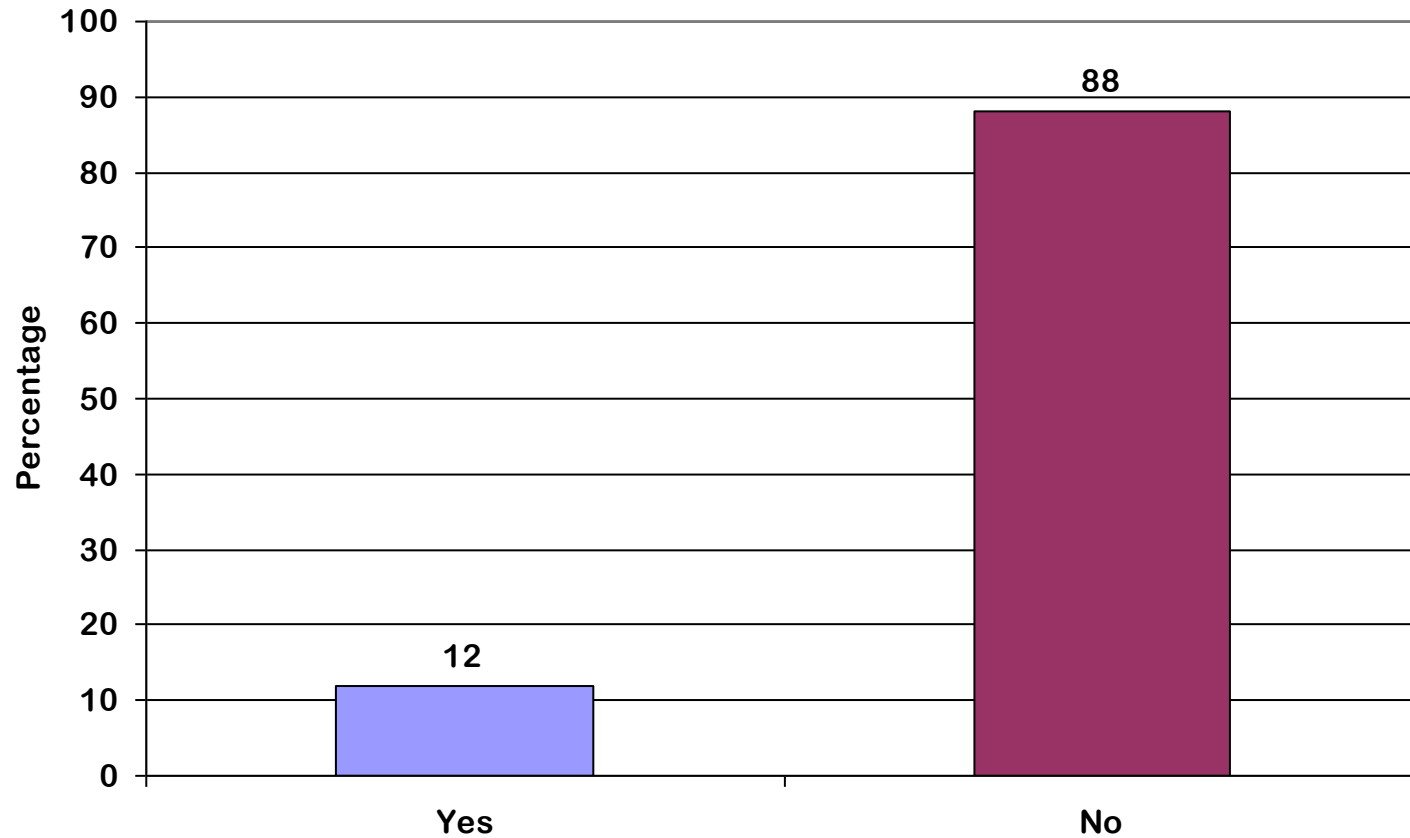
Profession of the responsible professional in the company interviewed



Profession of the responsible professional in the company interviewed - Analysis

- ❑ Civil Engineer constituted the largest segment of those interviewed (29%)
- ❑ The second largest segment of those interviewed were mechanical engineers, followed by electrical engineers, town planners and architect consisted of about 12% each of those interviewed
- ❑ Project manager constituted the smallest segment at 6%
- ❑ The study indicates that a variety of professional services rendered by firms – engineering, architects, engineers, town planners, quantity surveyors, and project manager (rendering services to the Department of Public Transport and Roads) are covered in this survey

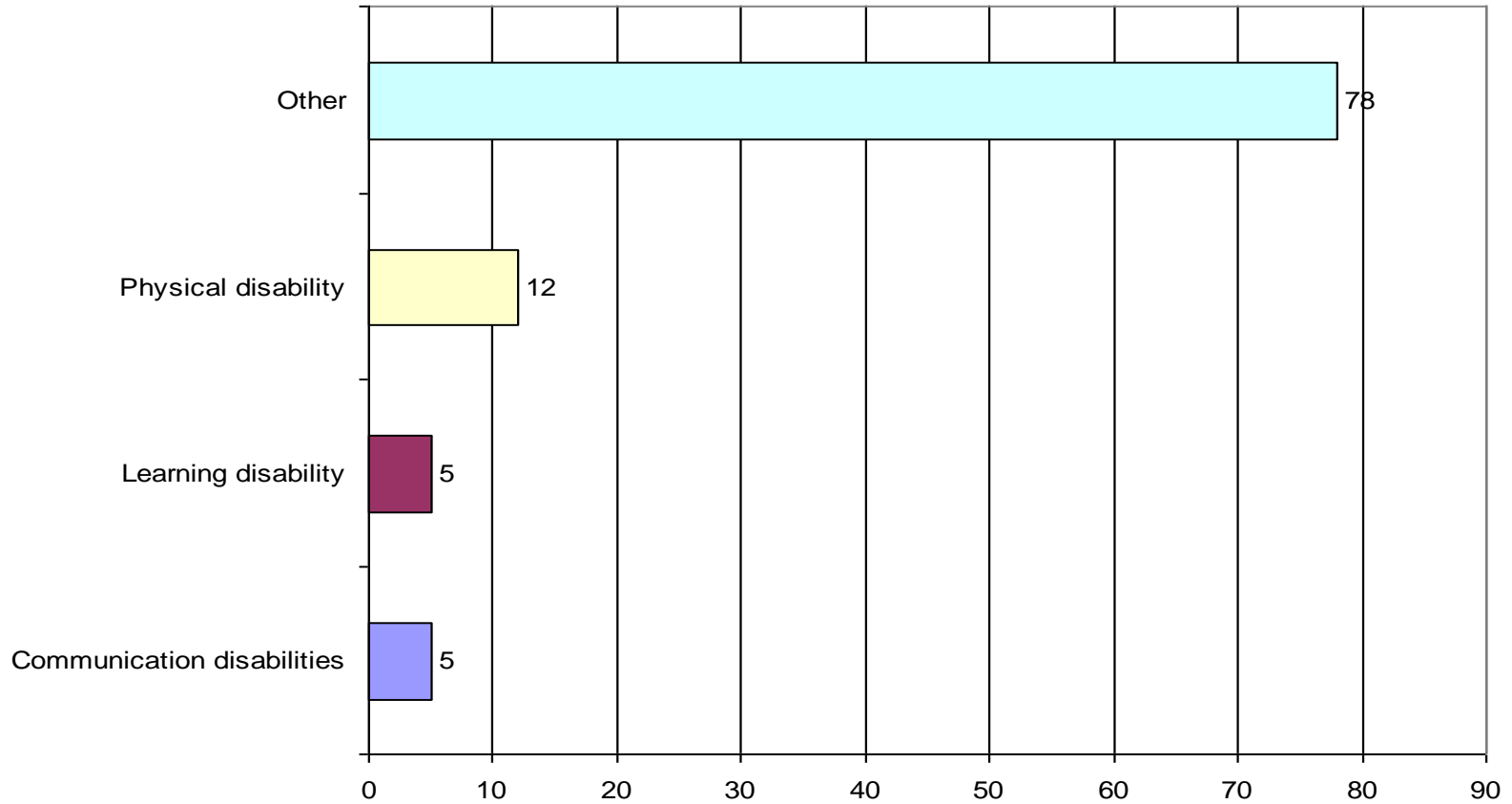
Disabilities of a person interviewed



When asked whether those who were interviewed had disabilities - Analysis

- ❑ As unusual higher proportion of those interviewed claimed that they had one form of disability
- ❑ One of the reasons for the unusual higher proportion of those claiming disability, is the inclusive nature of the definition of disability
- ❑ As such there is a need to specifically analyse, in a dis-aggregated manner, those who claimed some form of disability

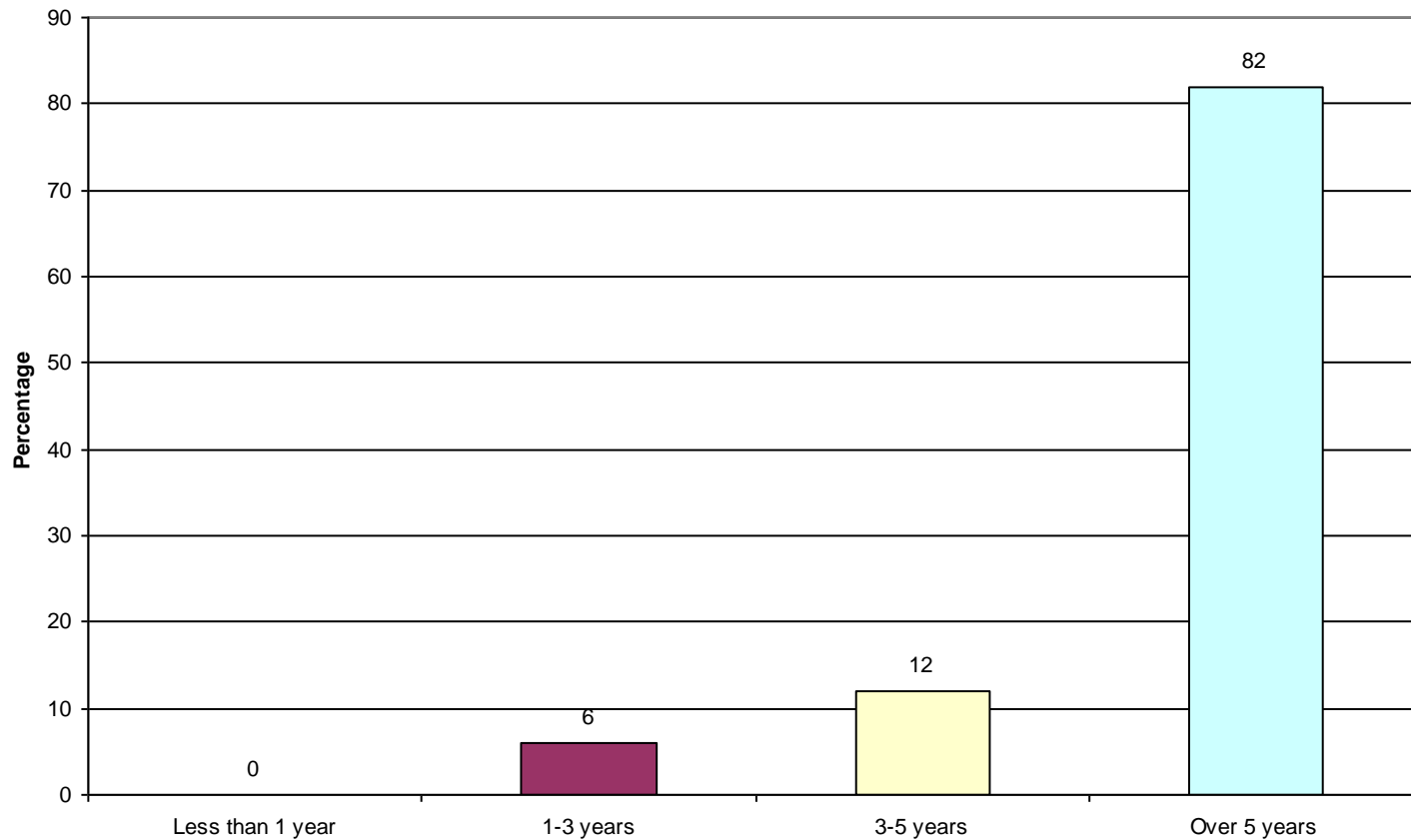
If you have any disabilities, what form?



If you have any disabilities, what form? - Analysis

- ❑ Of those who claimed that they had disability, 12% indicated that their disability is physical, learning (5%), and communication (5%)
- ❑ Over 78% of those who claimed disability, they indicated as other
- ❑ As indicated earlier, the broad definition of disability may have been responsible for a significantly higher number claiming disability

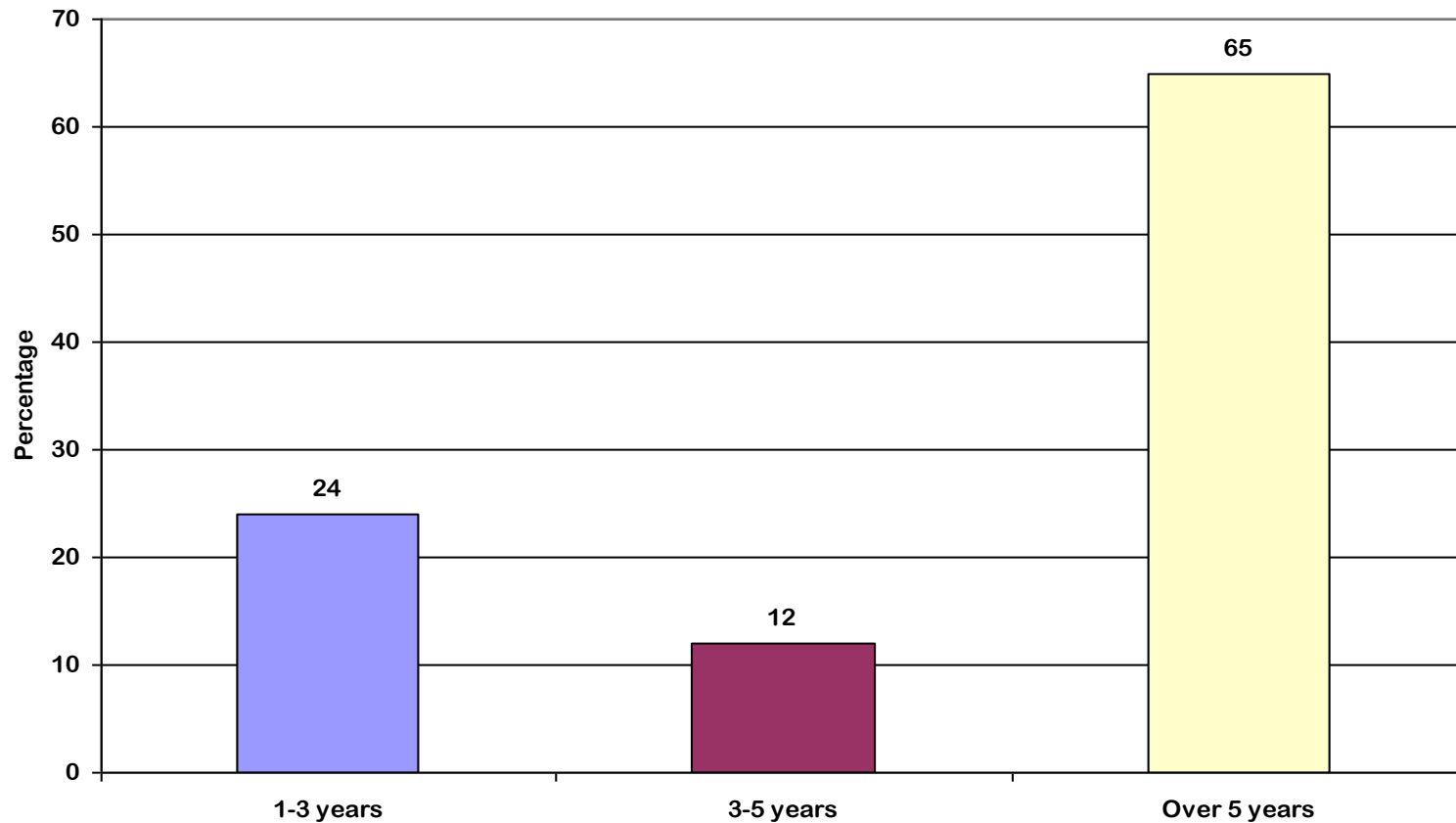
How long have you been practicing in your profession (from the registration date)?



How long have you been practicing in your profession (from the registration date)? - Analysis

- ❑ A significant majority (82%) of those interviewed had been practising in their profession for more than 15 years
- ❑ 18 % of them had been practising in their profession for less than 5 years old
- ❑ None of those interviewed had been practising for less than 1 year
- ❑ Evidence from this study suggests that the majority of those interviewed have a wide range of experience in their professions, which suggests the wealth of experience among those interviewed

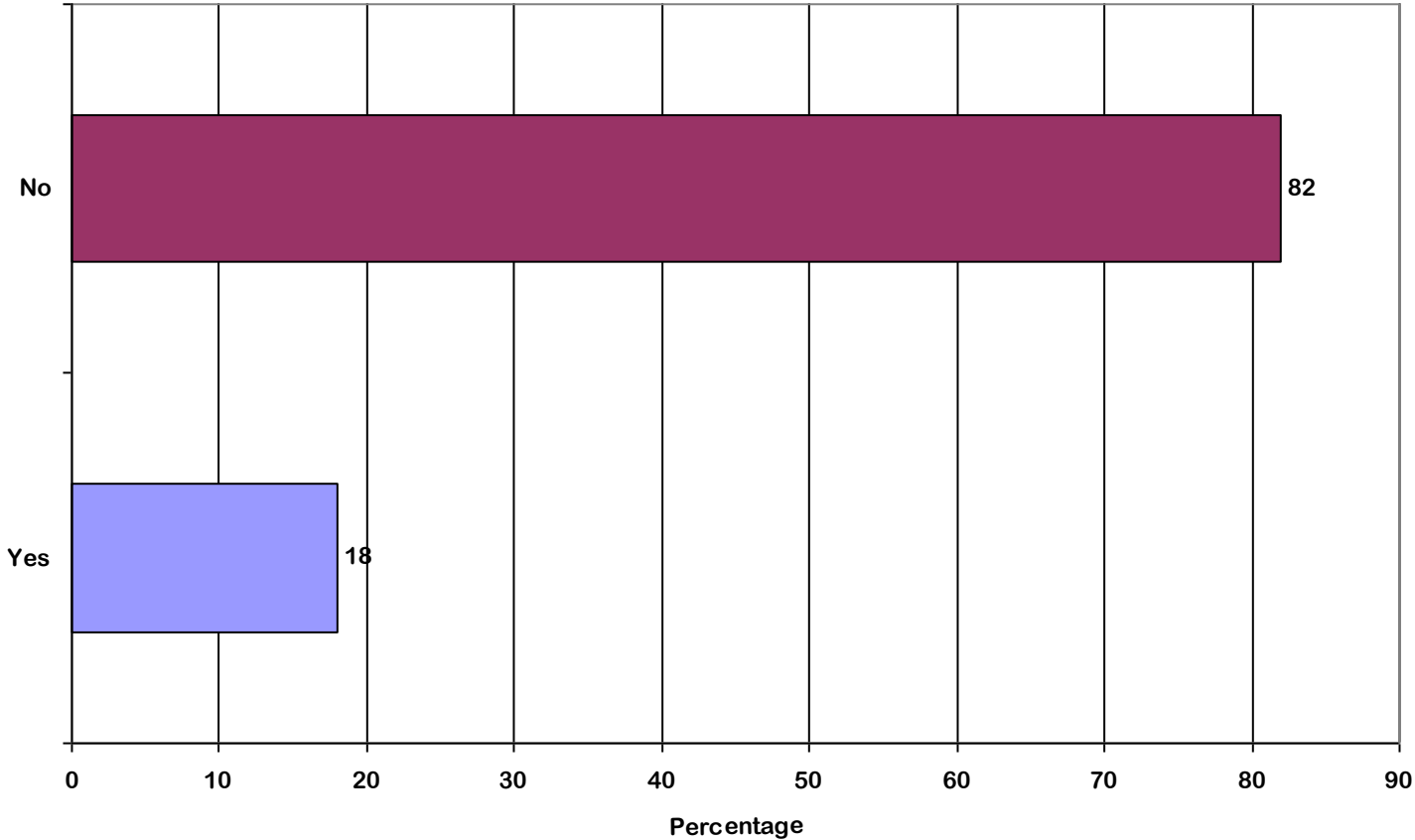
Length of association with the company the interviewees are currently responsible



Length of association with the company the interviewees are currently responsible

- ❑ In terms of association / work with the company, a significant majority had been with the company for over 5 years
- ❑ Almost a quarter of those interviewed had been with the company for under 3 years
- ❑ 12% of those interviewed had been with the company for between 3-5 years
- ❑ The findings suggests that a significant majority of those interviewed had intimate knowledge with the companies they were responsible for, in large measure because of longer association with the company

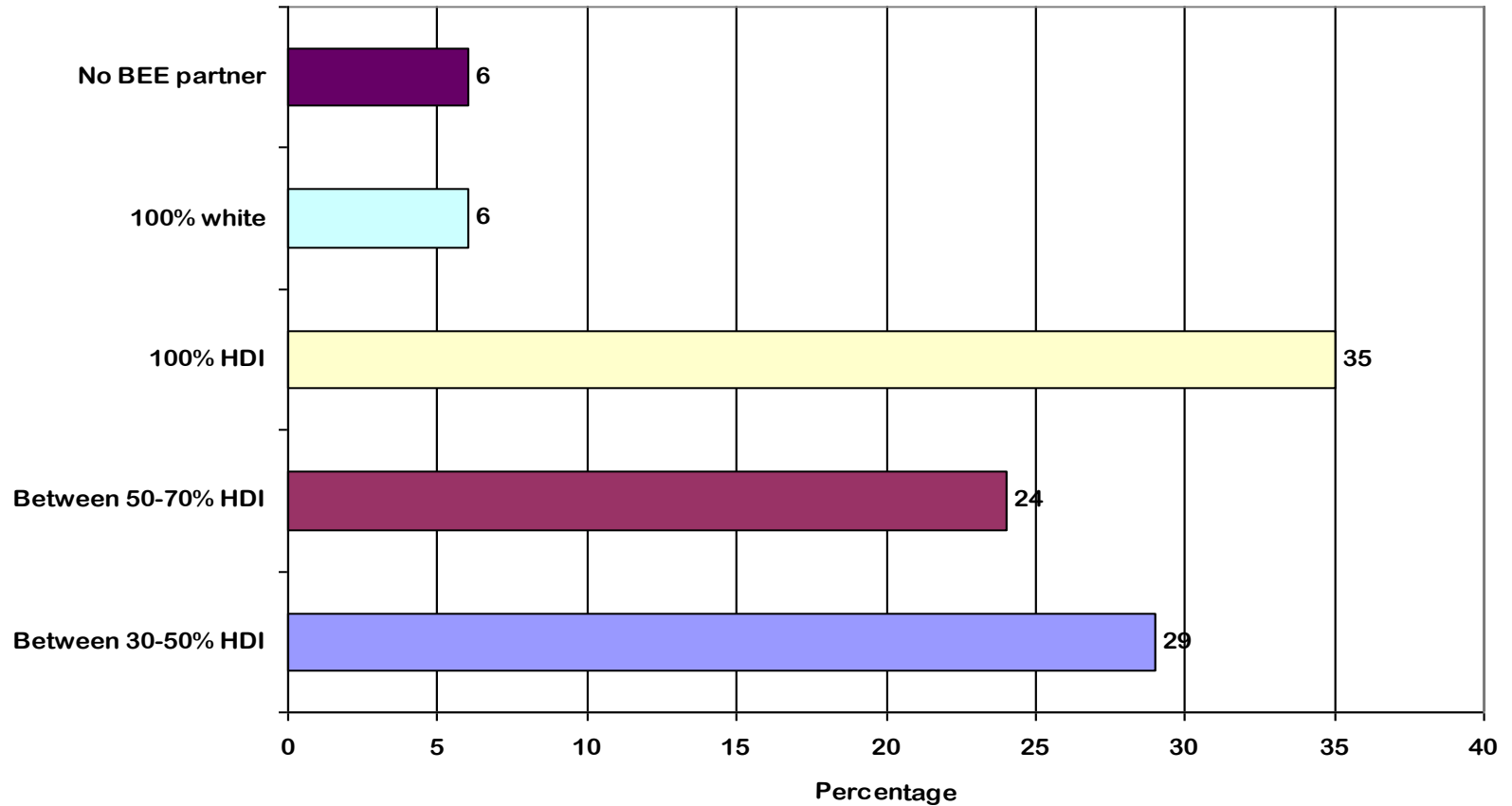
Have you received a bursary or training as “professional in training” with the current company?



Have you received a bursary or training as “professional in training” with the current company? - Analysis

- ❑ The majority of professionals interviewed did not receive a bursary or training as “professional in training” with the current company (82 % person of professionals)
- ❑ One of the reasons is that the majority of them have been in the field for many years, and they already have experience
- ❑ Analysis of those who indicated that they did not receive any form of assistance

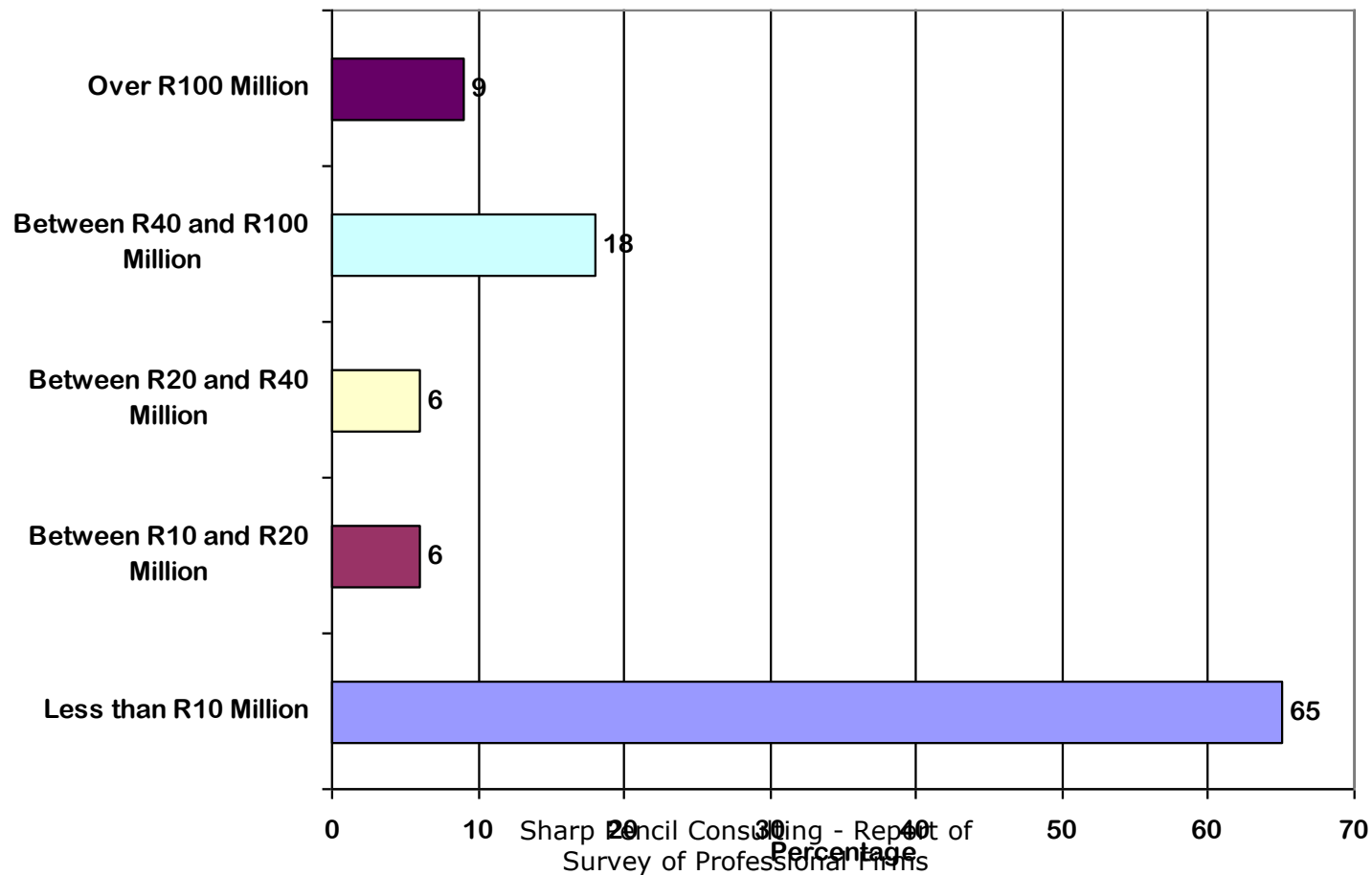
What is the ownership and shareholding of your company?



What is the ownership and shareholding of your company? - Analysis

- ❑ Of the total firms surveyed only 6% indicated that they did not have BEE partners, as such 100% white owned
- ❑ Companies claiming that they were 100% HDI comprised 35%
- ❑ Those which were 30%-50% HDI constituted 29 % of the total firms
- ❑ Those which were 50%-70% HDI constituted 24 % of the total firms
- ❑ The findings suggest that there is an unevenness in terms of ownership and shareholding of professional firms rendering the services
- ❑ It is important to monitor the trends over time to ascertain whether professional firms rendering services to the DPTRW are improving in terms of promoting BBBEE

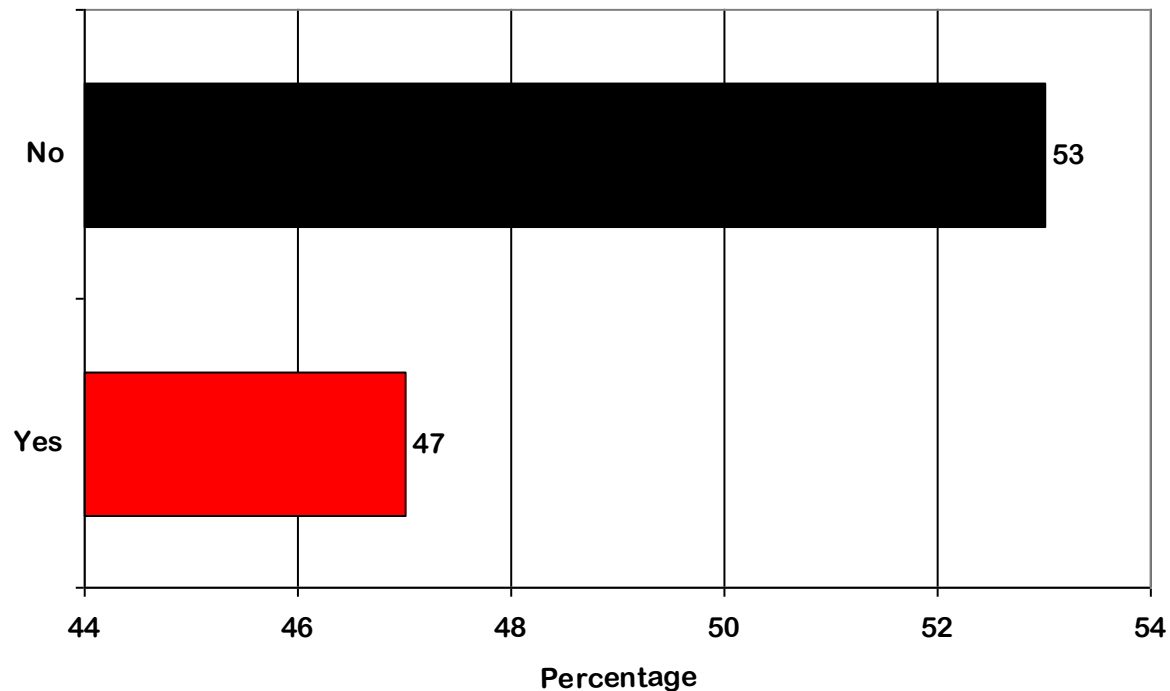
What is the contract value of the project you manage in your professional capacity?



What is the contract value of the project you manage in your professional capacity? - Analysis

- ❑ The majority of professionals (65%) contracted to the department were managing projects less than R10 million
- ❑ Some 12% of the professionals managed projects of between R10 million and R40 million in value
- ❑ Only 9% of the professionals managed projects over R100 million in value
- ❑ The findings in this survey indicate that the majority of professionals manage projects of less than R10 million in value

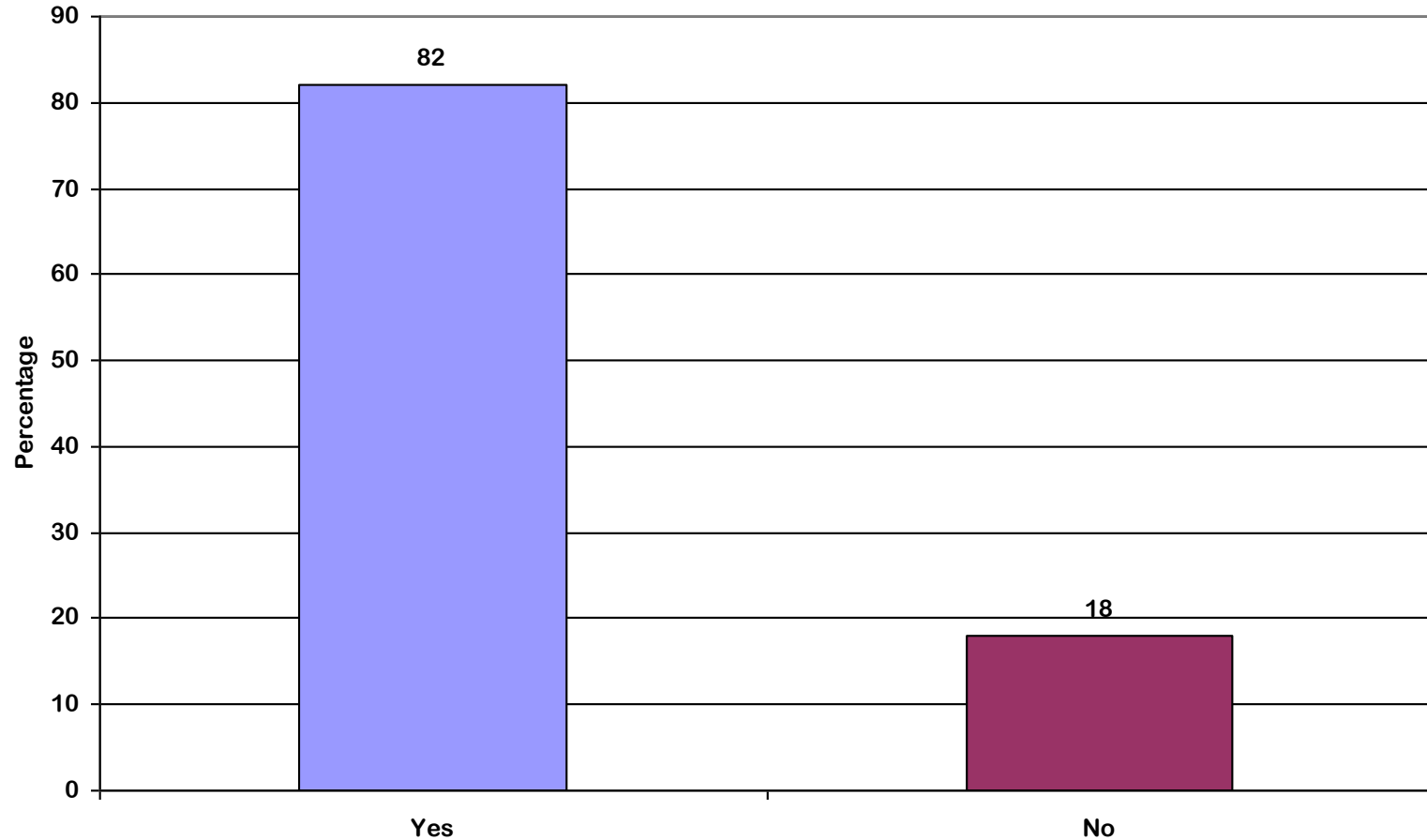
Do you consider yourself a Historically Disadvantaged Individual based on current legislation?



Do you consider yourself a Historically Disadvantaged Individual based on current legislation? - Analysis

- ❑ **When asked whether those interviewed considered themselves as disadvantaged, 53% said no, and 47% said no**
- ❑ **These findings are more a reflection of the views of those interviews, rather than the companies they are associated with**

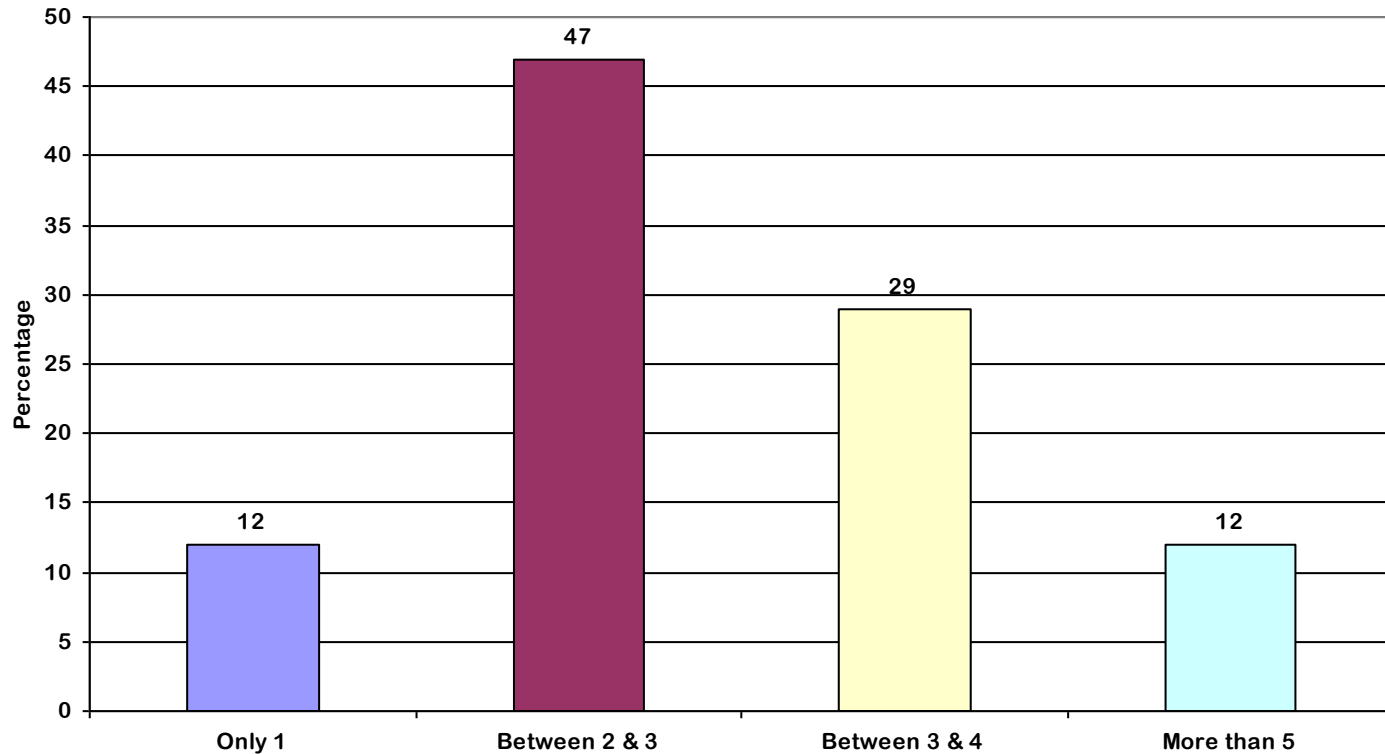
Are you familiar with the Labour intensity strategy of the Gauteng Provincial Government?



Are you familiar with the Labour intensity strategy of the Gauteng Provincial Government? - Analysis

- ❑ When asked if they are familiar with the labour intensity strategy and overwhelming majority (82%) said yes, and only 18% indicated otherwise
- ❑ The higher familiarity with the labour intensity strategy is encouraging, although there is a need for more analysis of whether this high rate translates into practical implementation

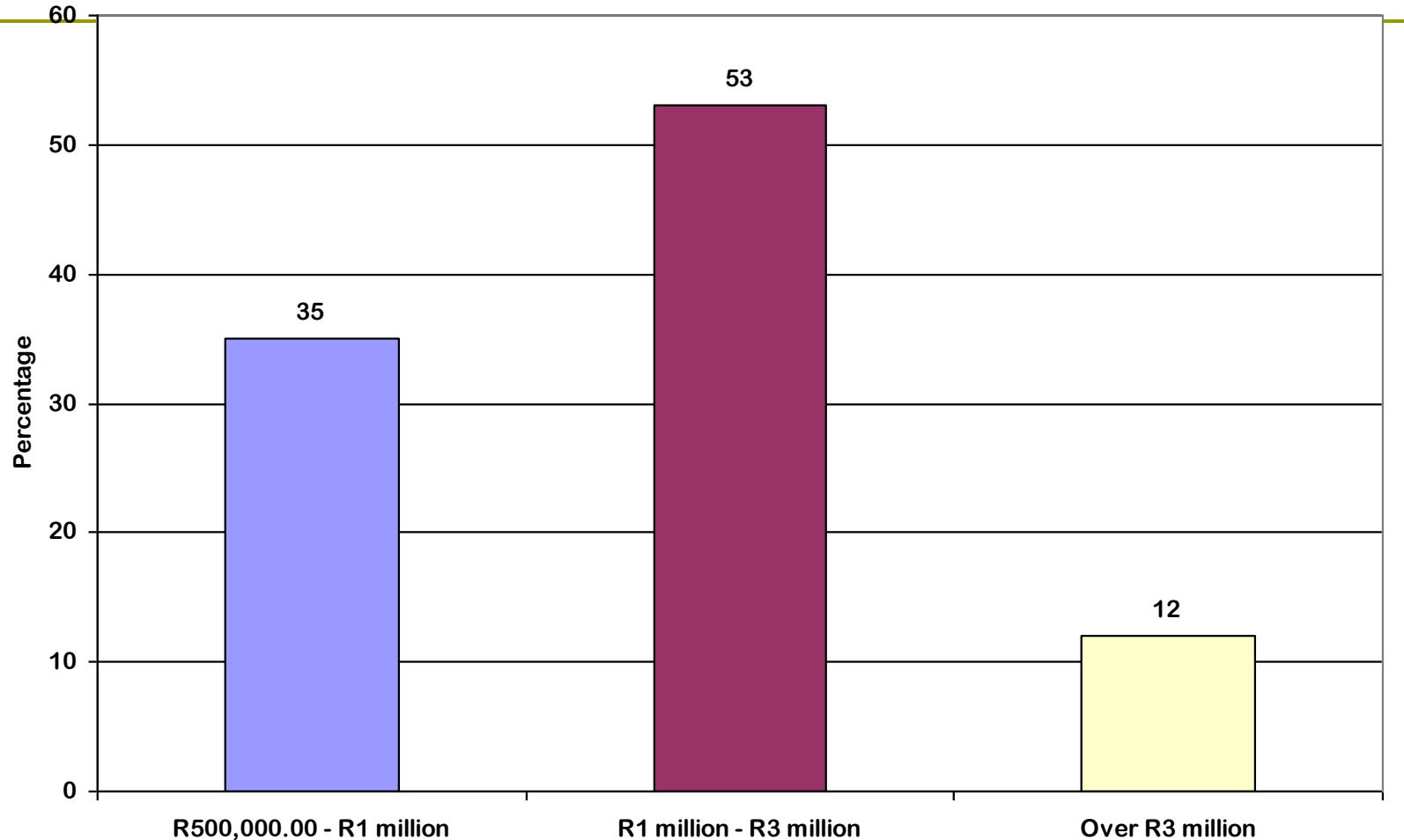
How many contracts has your company had from the Department of Public Transport Roads and Works



How many contracts has your company had from the Department of Public Transport Roads and Works - Analysis

- ❑ **Some 12% of the professionals had more than 5 contracts with the DPTRW**
- ❑ **When asked how many contracts they had had with the DPTRW, some 47% had between two and three contracts**
- ❑ **Some 12% of the professionals had only one contract with the DPTRW**
- ❑ **29% of the professionals has between three and four contracts with DPTRW**
- ❑ **The findings suggests that 76% of the professionals have had between two and four contracts with the DPTRW, hence suggesting reliance on the state for opportunities**

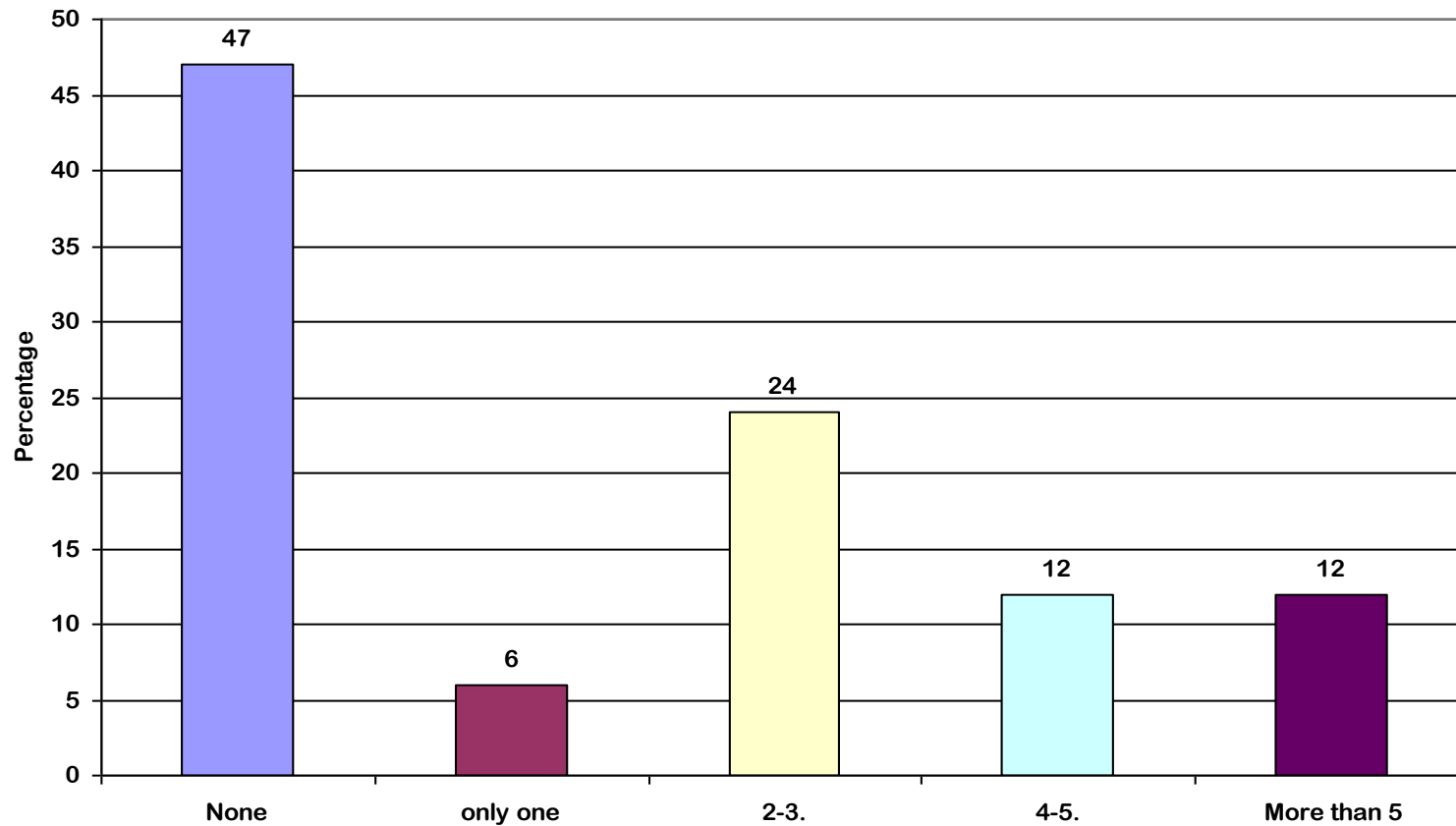
Total value of professional fees earned in the last three years through the contracts with the DPTRW



Total value of professional fees earned in the last three years through the contracts with the DPTRW - Analysis

- ❑ Over a period of three years, the majority of professionals (53%) earned fees ranging from R1 million to R3 million
- ❑ However, some 12% of the firms earned in excess of R3 million over the period of three years
- ❑ Just over a third of the firms earned between R500,000 and R1 million per year
- ❑ The findings suggests that professional firms earn between R1 million and R3 million over a period of 3 years in the DPTRW

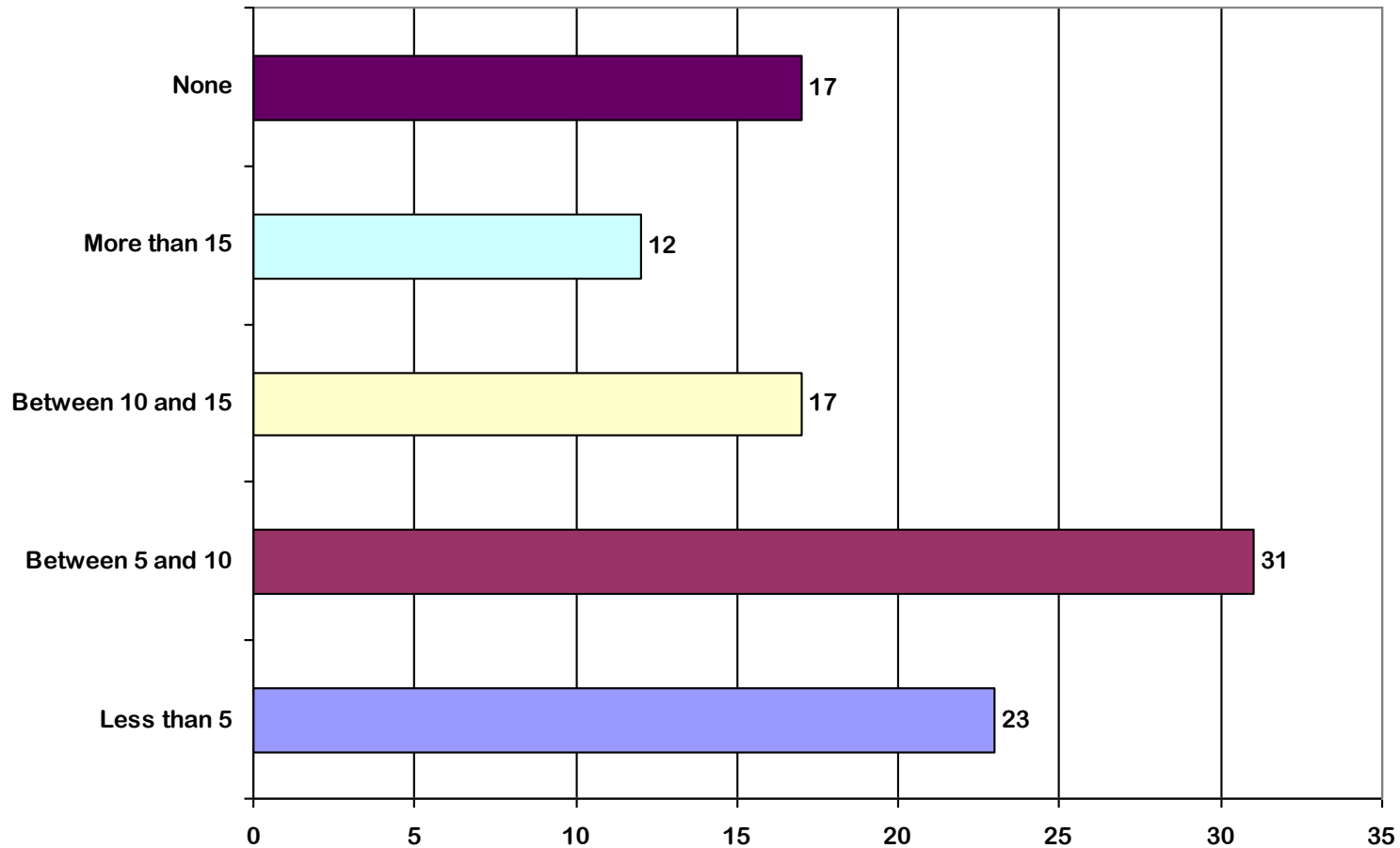
Did your company have other contracts with any other government departments (whether local, provincial or national)



Did your company have other contracts with any other government departments (whether local, provincial or national) - Analysis

- When asked of they also have other contracts, some 47% indicated that they did not have any others with government departments – suggesting a reliance on the DPTRW for contracts**
- Some 36% of the professionals had between 2 and 4 other contracts with other government departments**
- Only 12% of professionals had over 5 contracts with other government departments**
- The findings from the survey suggests that a significant number of professionals rely on DPTRW for contracts, which may put their sustainability/profitability at risk should something happen to the contract (cancellation or expiration)**

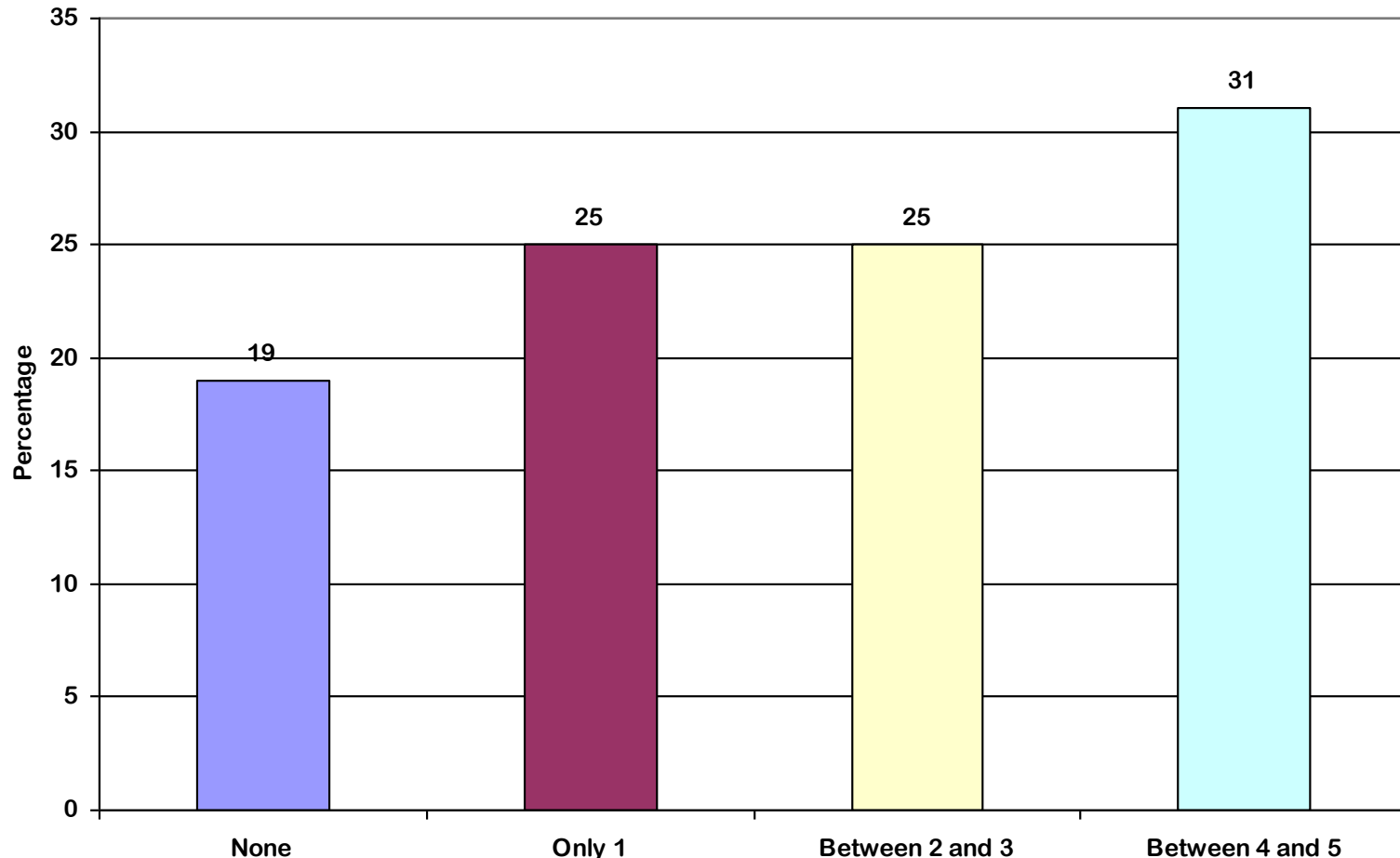
How many jobs – more than 6 months employment (whether professional or administrative) has the company created through the present contract with the DPTRW?



How many jobs – more than 6 months employment (whether professional or administrative) has the company created through the present contract with the DPTRW? - Analysis

- ❑ **Over 60% of the professionals claimed that the contract with the DPTRW created over 5 jobs in their companies**
- ❑ **Closer analysis suggests that more than 12% even claimed that more than 15 jobs were created through the contract with the DPTRW**
- ❑ **Only 17% suggested that the contract with the DPTRW did not lead to the creation of jobs**
- ❑ **The findings from the survey suggest that contracts which the DPTRW lead to a direct benefit to the communities through job creation opportunities for professionals**

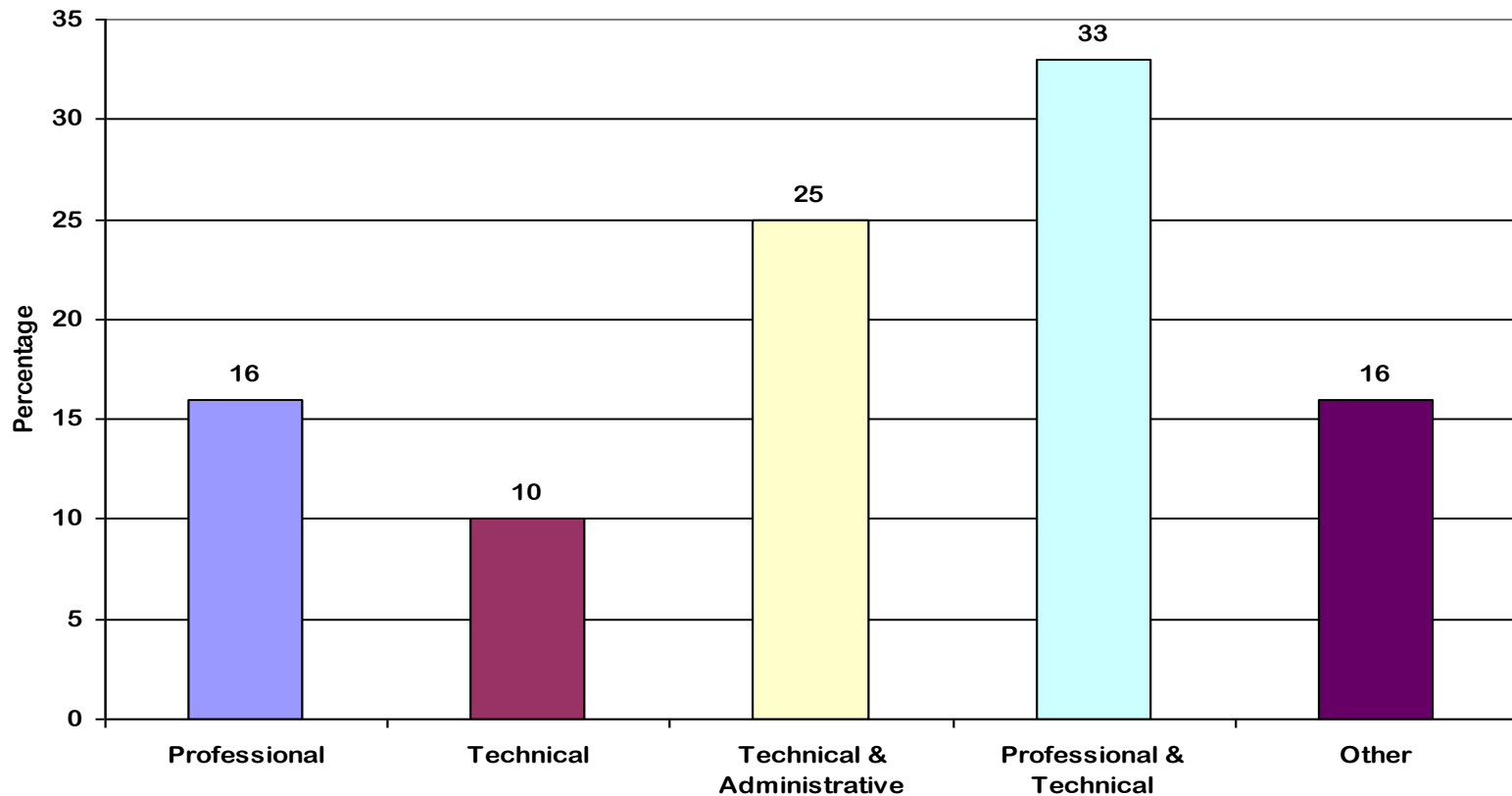
How many jobs – six months employment (whether professional or administrative) has the company created through these contracts?



How many jobs - six months employment (whether professional or administrative) has the company created through these contracts – both DPTRW and others? - Analysis

- ❑ When analyzing the number of jobs created when all contracts from state departments are combined, nearly a third of firms create between 4 to 5 jobs
- ❑ Only 19 % of professional firms indicated that they had not been able to create jobs through securing contracts from DPTRW and other government departments
- ❑ The findings of the survey suggests that when professionals get contracts with the DPTRW in particular, and other government departments in general, significant number of jobs are being created

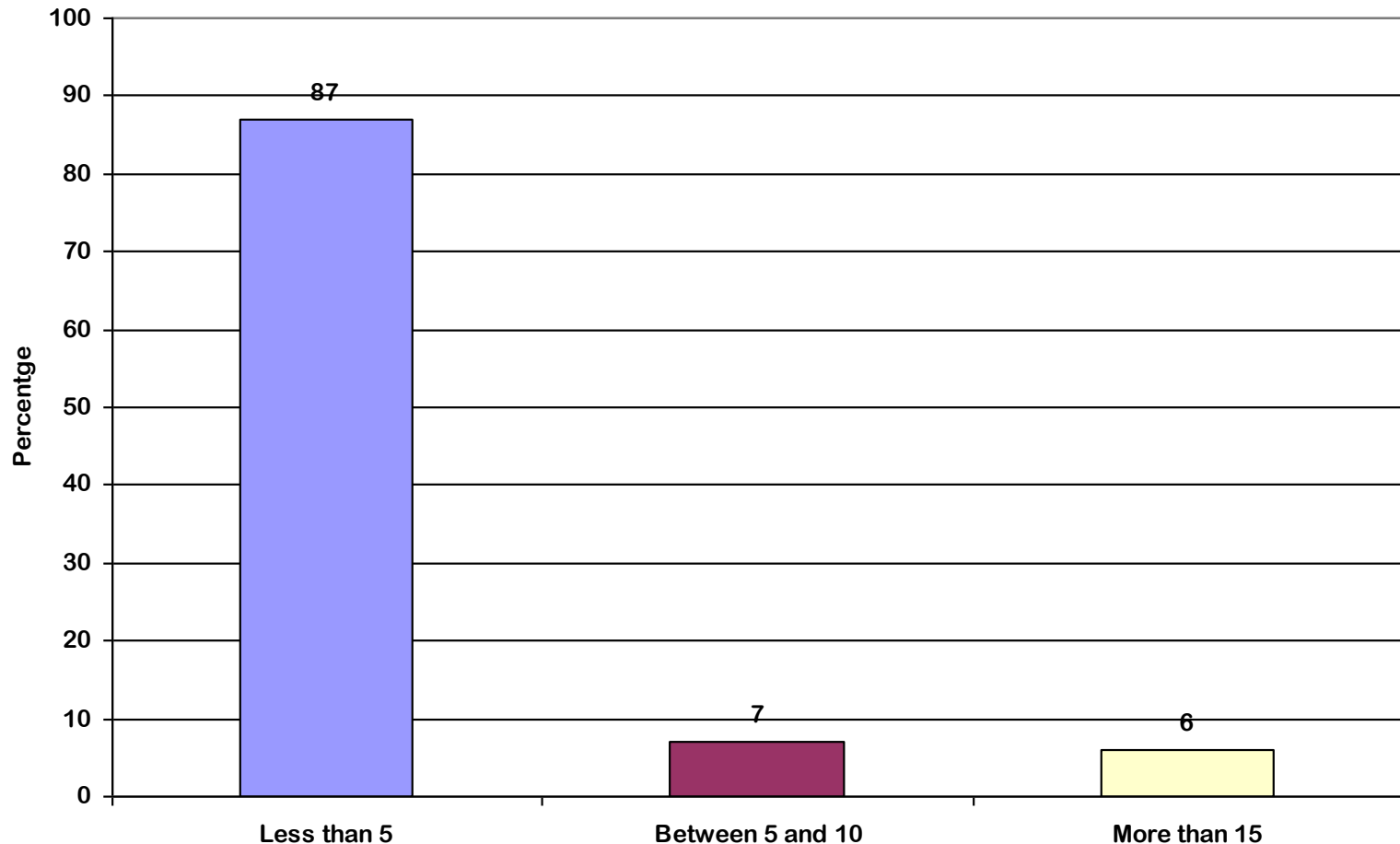
How many of these jobs – more than six months employment -where created in the following categories in your professional firm?



How many of these jobs – more than six months employment -where created in the following categories in your professional firm? - Analysis

- ❑ The categories of jobs created through securing contracts from government are wide ranging (professional, technical and administrative)
- ❑ A significant number of jobs are created in the professional and technical related fields through contract security
- ❑ Contracts are key leveraging mechanism for job creation among professional services firms
- ❑ DPTRW in return receive a professional service which otherwise would not be available within the public sector

What proportion of appointees/workers were retained for longer than 1 year?

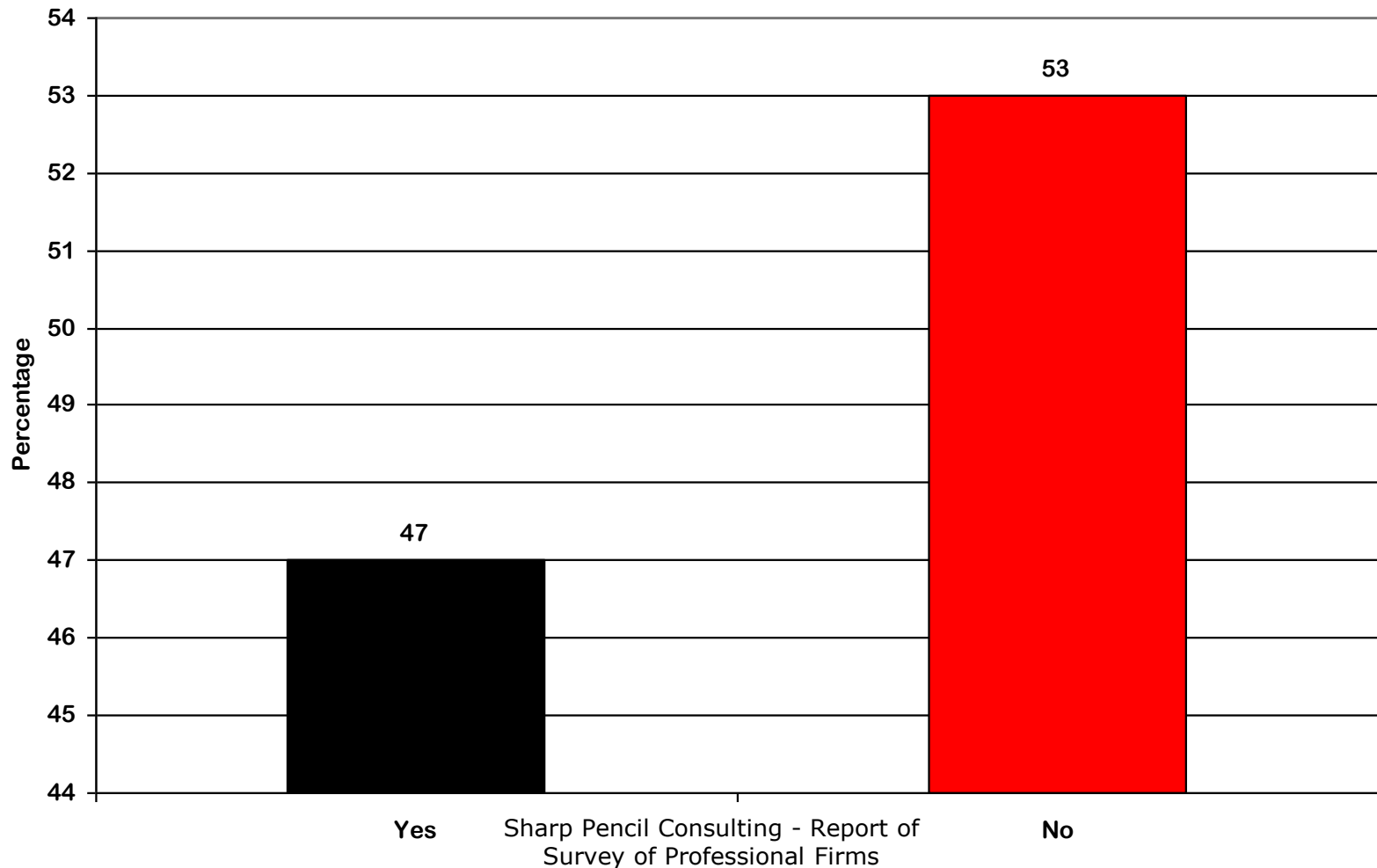


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Survey of Professional Firms

What proportion of appointees/workers were retained for longer than 1 year? - Analysis

- ❑ 87% of professional firms suggest that they retain less than 5 workers for more than 1 year
- ❑ 7% of professional firms suggest that they retain between 5 and 10 workers for more than 1 year
- ❑ 6% of professional firms suggest that they retain less than 15 workers for more than 1 year
- ❑ The findings of the Survey suggests that very few professional firms would retain workers for longer than 1 year after the contracts were secured

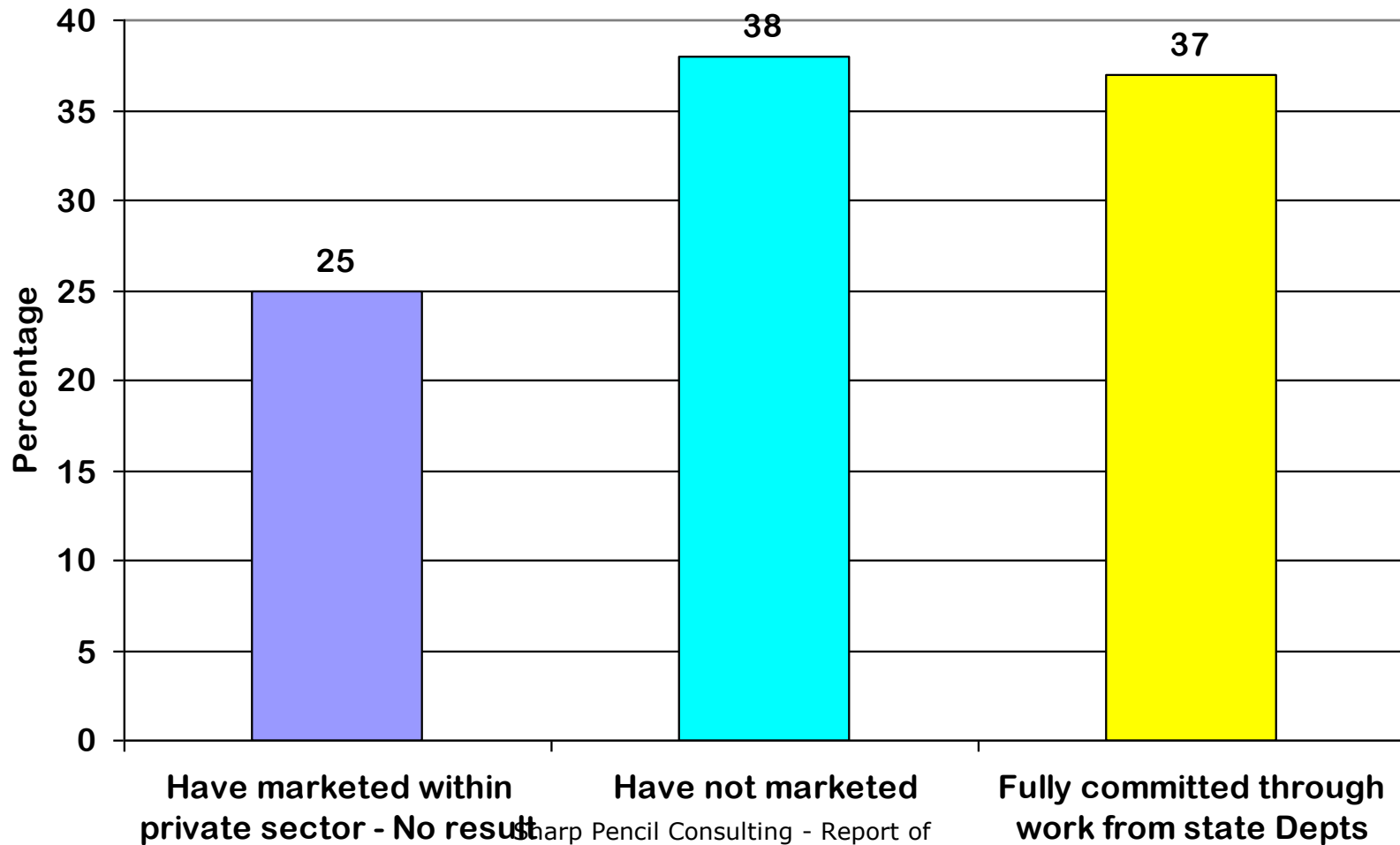
Is your company entirely relying on contracts from state departments?



Is your company entirely relying on contracts from state departments? - Analysis

- ❑ Professionals were also asked whether they rely entirely on contracts from state departments
- ❑ Some 47% of those interviewed said yes, and the majority (53%) said no
- ❑ The relatively huge reliance of contracts from state departments suggests increasing opportunities available for professionals
- ❑ At the same time, entire reliance on the state may not be ideal for some, as possible delays in payments, and competitive nature of securing the contracts could put the sustainability/ profitability of some professionals, especially under at risk

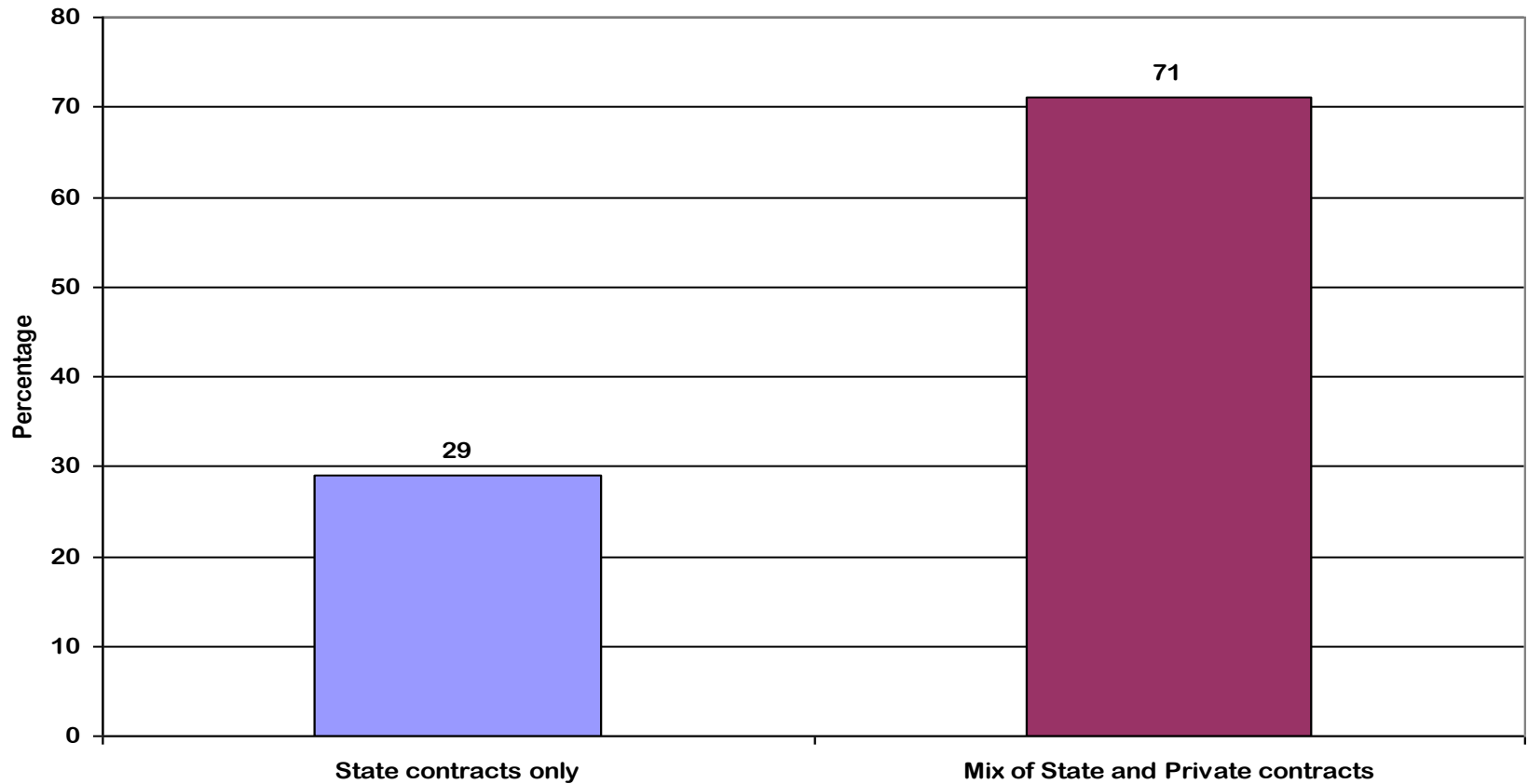
Reasons for Relying on State Departments for contracts



Reasons for Relying on State Departments for contracts - Analysis

- ❑ Reasons for only relying on state contracts for work include lack of results in marketing to the private sector (25%)
- ❑ Nearly one in four of those who only rely on state contracts indicated that they have not marketed their services
- ❑ However, some 37% of professional firms which rely in state contracts indicated that they are already fully committed through state departments and do not have the capacity to do any additional work
- ❑ The policy implication here is to monitor these trends to ensure that SMMEs in particular are able to get contracts on regular basis from both the private and the public sectors

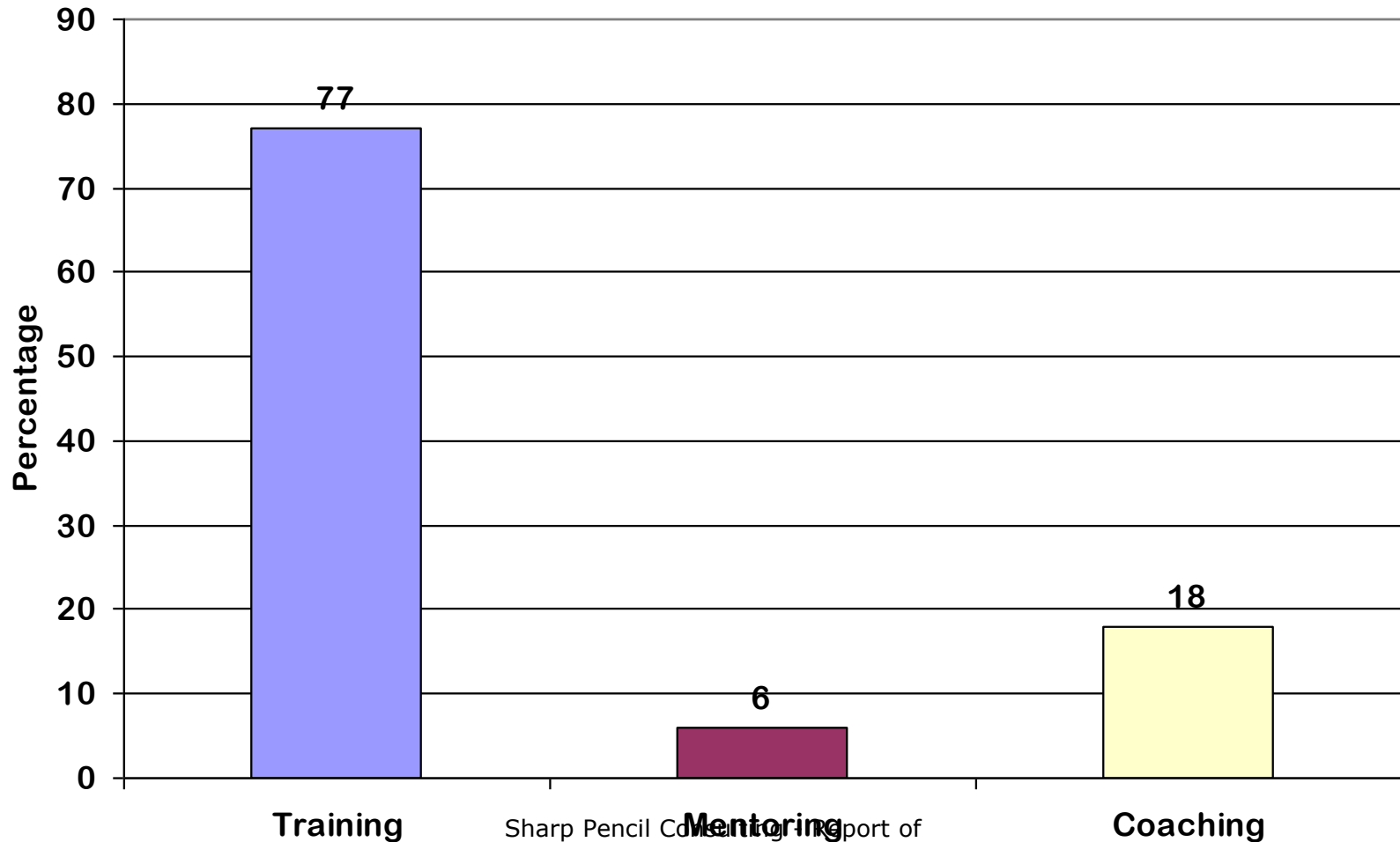
What types of contracts to you prefer most of the time?



What types of contracts do you prefer most of the time? - Analysis

- ❑ When professionals were asked to indicate preference for contracts, significantly the majority (71%) preferred mixture of private and public sector contracts
- ❑ Only 29% said they preferred state only contracts
- ❑ The majority of those preferring public sector contracts are largely SMMEs, which find it difficult to get lucrative contracts from the private sector

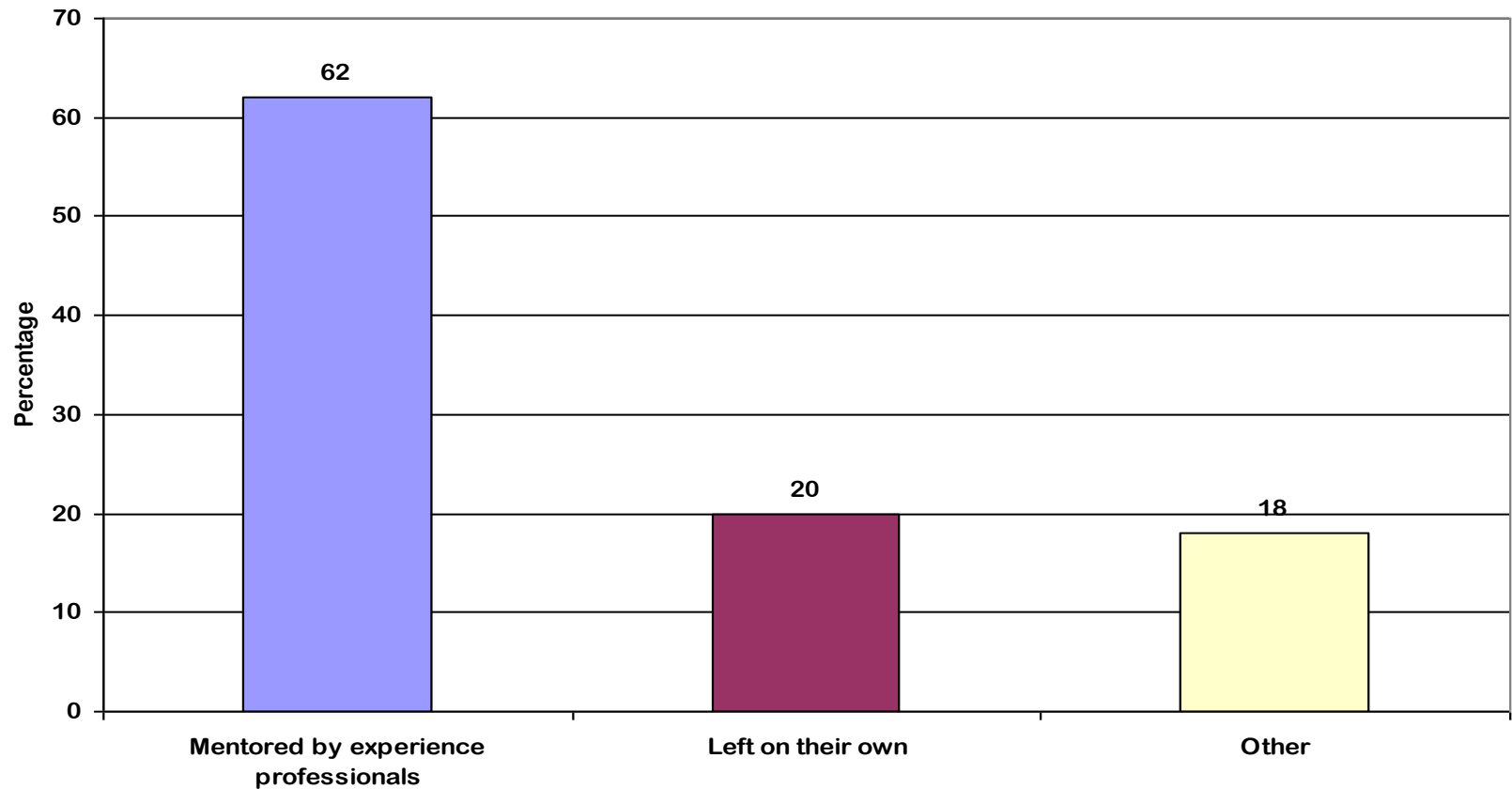
If employed by the professional firm, what form of capacity building have you received from the company?



If employed by the professional firm, what form of capacity building have you received from the company? - Analysis

- It appears capacity building in the firms, where this is applicable, is through training (77%)**
- Almost one in 5 who get support from their companies, is in the form of coaching**
- In general mentoring appears to be lagging behind, as only 6% of those receiving support is in the form of mentoring**
- Capacity building is an important component of empowerment and skills development. There is a certain degree of commitment, albeit among the few, for skills transfer**

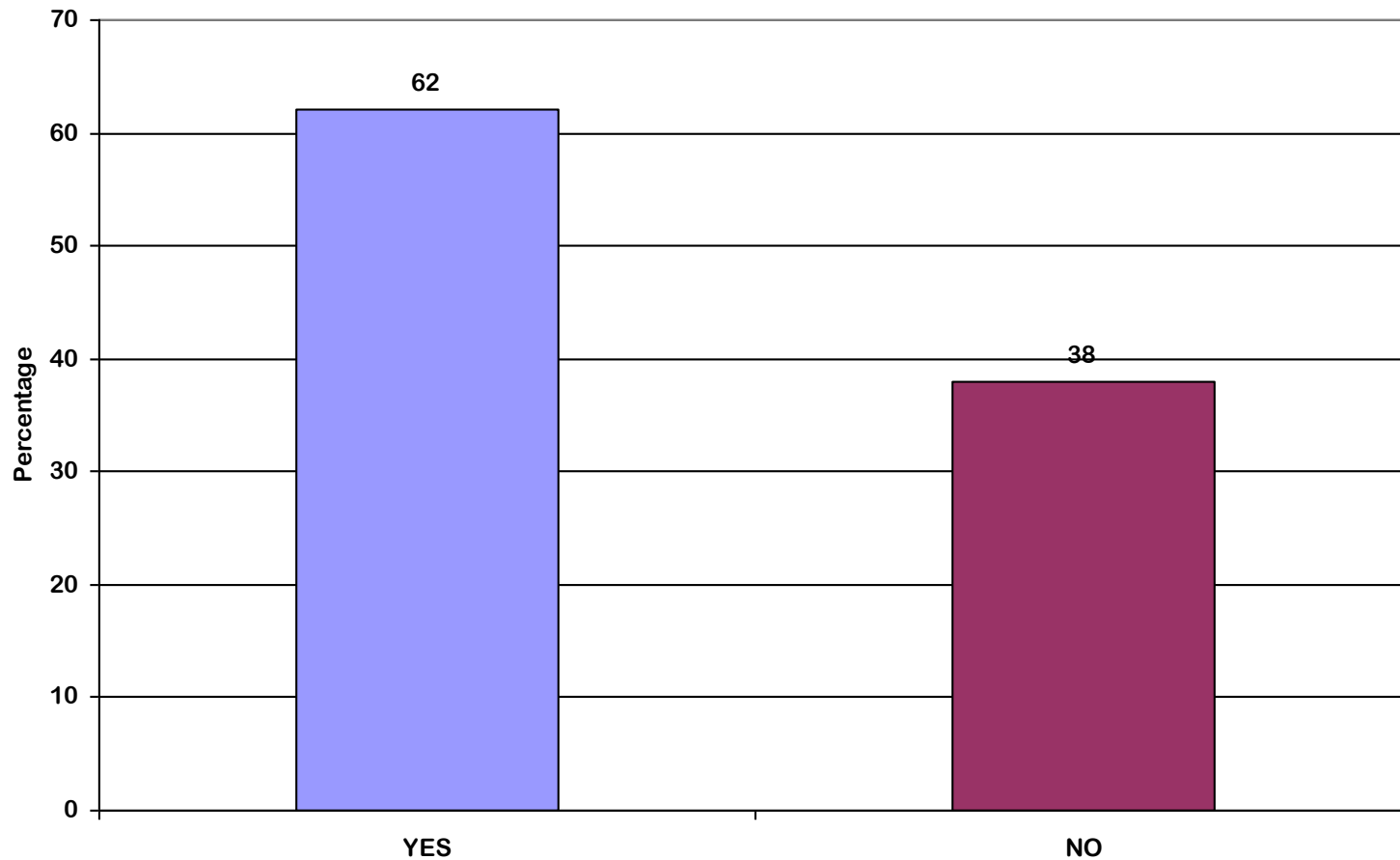
How are young professionals mentored in your company?



How are young professionals mentored in your company? - Analysis

- ❑ When asked how young people get mentored in the company, 62% indicated that it was through experienced professional,
- ❑ 20% of those interviewed said that young people are left on their own,
- ❑ 18% indicated others
- ❑ Although in general the level of mentorship is low, in companies where this takes place, mentoring is by experienced, and highly skilled professionals

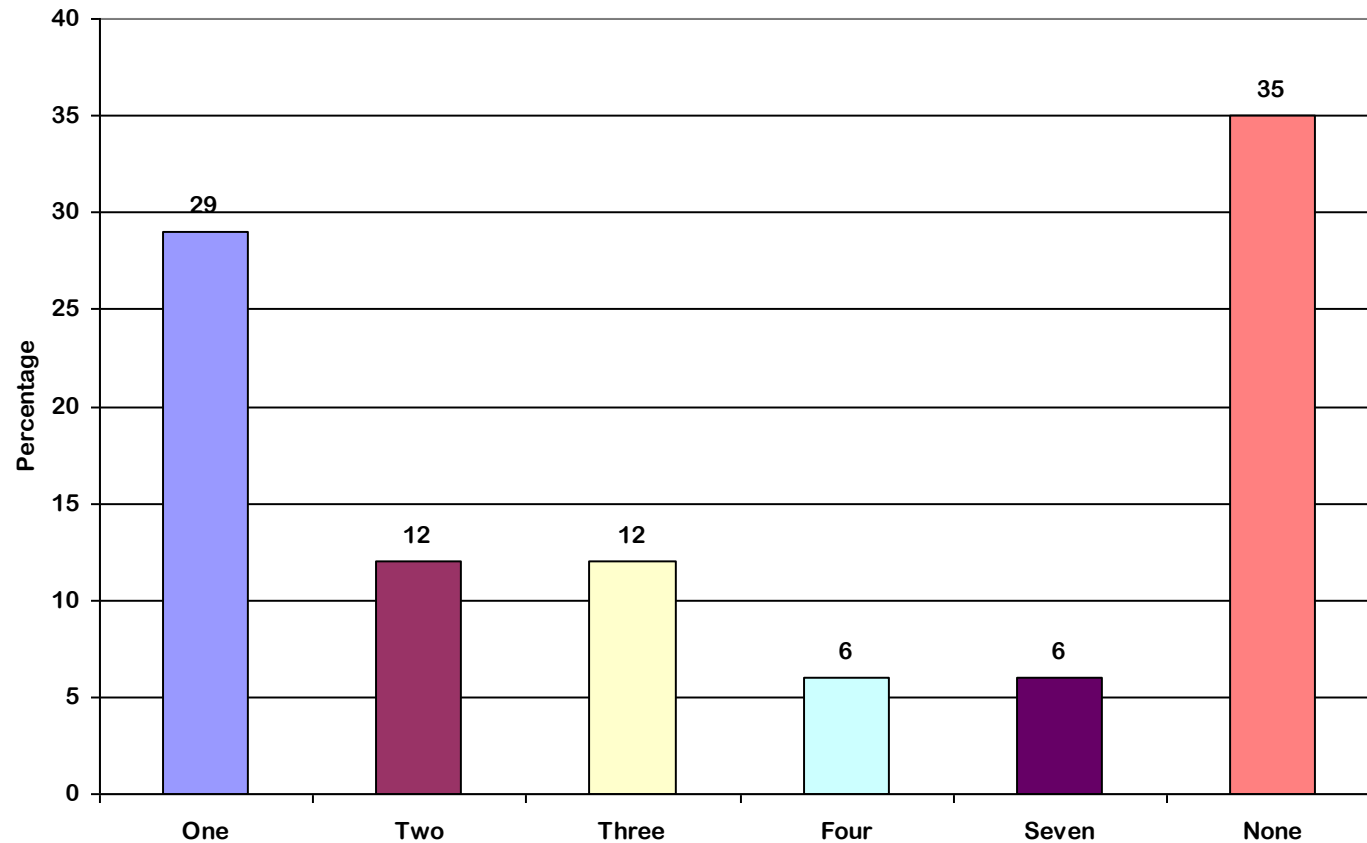
Does your company take learnerships or provide bursaries?



Does your company take learnerships or provide bursaries? - Analysis

- ❑ When asked if their companies provide learnerships or bursaries, over 62% of them claimed that they do one of them
- ❑ Some 38% of professional firms suggest that they do not take learnerships or provide bursaries
- ❑ Findings in this study suggests that a significant majority have learnerships or provide bursaries

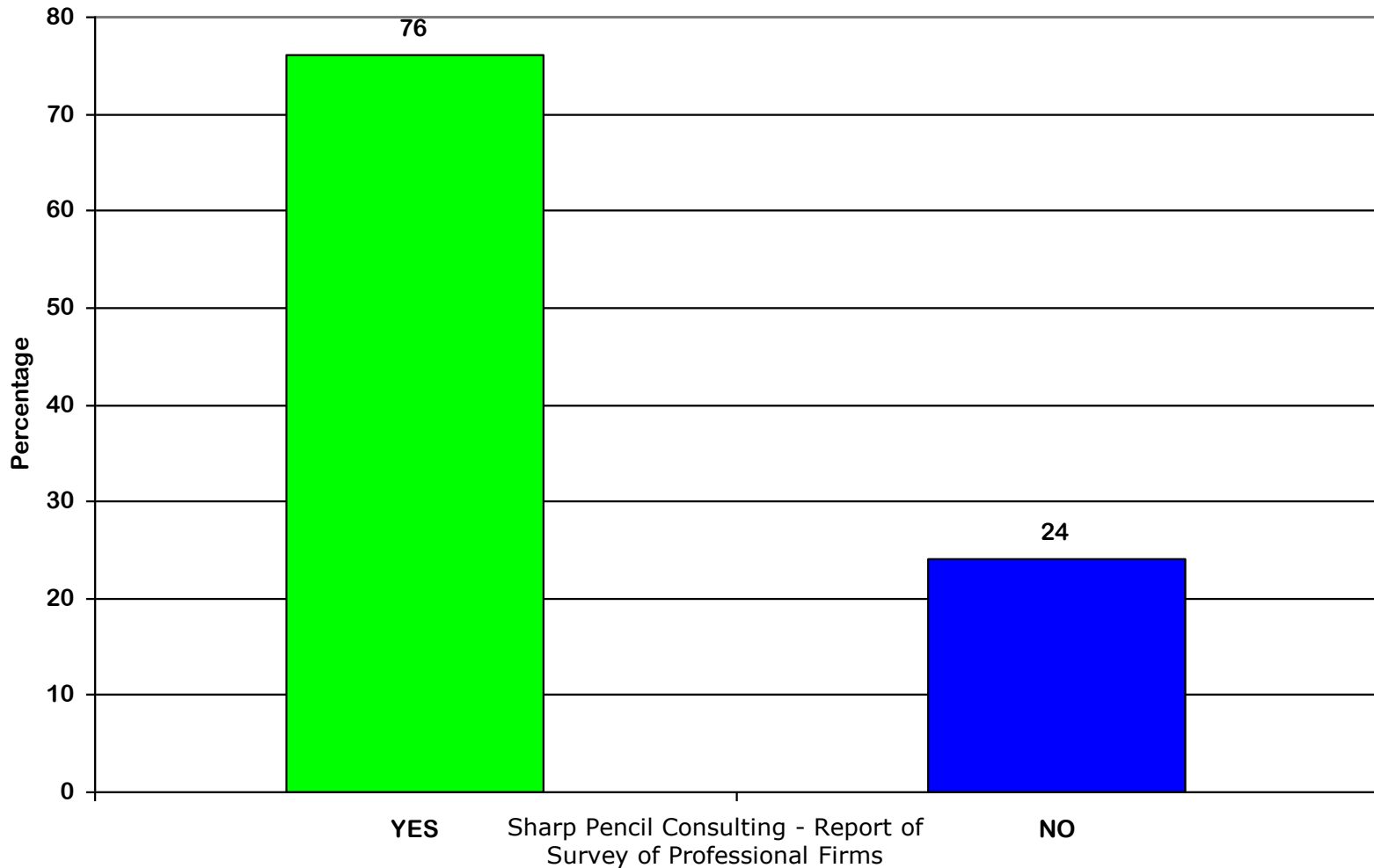
How many learners has your company taken this year?



How many learners has your company taken this year? - Analysis

- ❑ When asked whether they had taken learners this current year, some 35% indicated that they had none (did) did not take any this year
- ❑ 29% of companies had only taken one learnerships
- ❑ 26% of companies had more than 3, in some cases taken up to seven learnerships
- ❑ The findings suggests that the intake of learnerships is uneven, with more than 35% having taken no learnerships
- ❑ Findings suggest the importance of monitoring the intake of learnerships among professional firms. There is some initiatives among them, but there is a need to accelerate the pace at which learnerships are introduced within professional firms

Is your company presently appointed as a joint venture in the same discipline with another company?

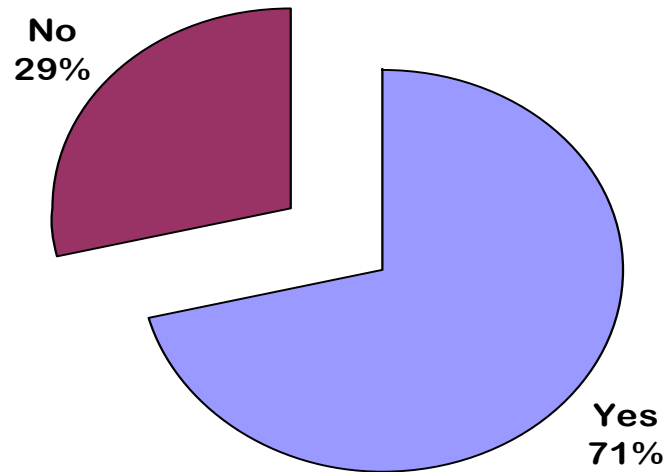


Is your company presently appointed as a joint venture in the same discipline with another company?

- Analysis

- ❑ When asked if the professional firm was presently appointed as a joint venture in the same discipline with another company, an overwhelming majority (76%) said yes
- ❑ Some 24 % of the companies indicated that they had not been appointed as a joint venture in the same discipline with another company
- ❑ The findings suggests that professionals in the Department of Public Transport Roads and Works are contracted as joint venture
- ❑ Evidence from the field also suggest the importance of monitoring the joint ventures to ensure that SMMEs and black and women owned firms benefit post the awarding of the contracts

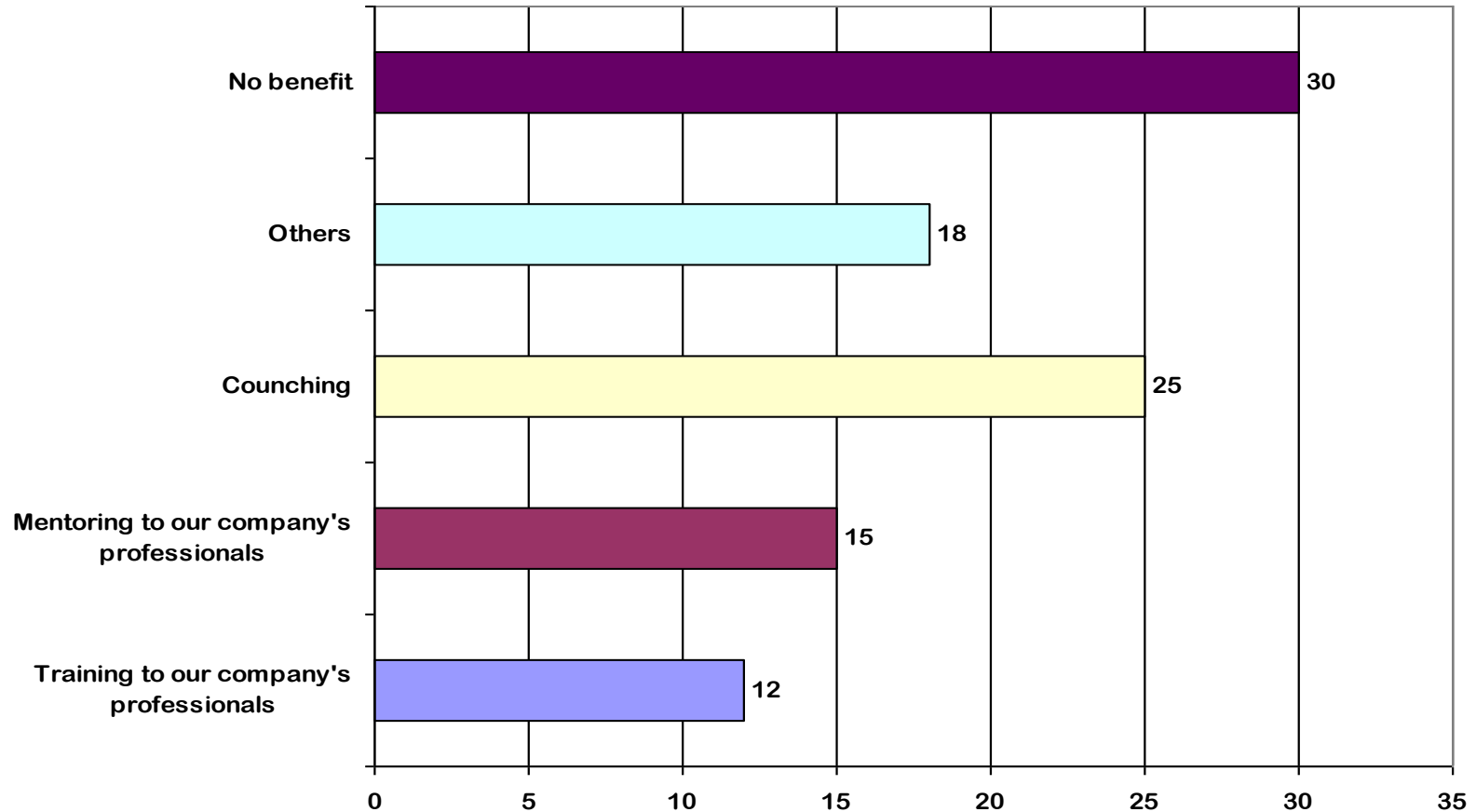
Was your company previously in a joint venture with another company?



Was your company previously in a joint venture with another company? - Analysis

- ❑ When asked if the professional had been in a joint venture with another company, a significant majority agreed (71% said yes)
- ❑ Almost three in ten professionals indicated that they had not been in joint ventures before
- ❑ Findings of the study reveal that more professionals (professional firms) are currently awarded contracts in joint ventures currently and or in the past

If company was previously appointed as joint venture, what were the benefits?



If company was previously appointed as joint venture, what were the benefits? - Analysis

- ❑ One in ten professionals saw training as one of the benefits of joint ventures
- ❑ Mentoring to company's professionals was raised by 15% as one of the benefits of joint ventures
- ❑ Some 25% of professionals believed that coaching was one of the benefits of joint venture
- ❑ 18% indicated that there were unspecified, as a result of the contracts awarded as joint ventures
- ❑ Some 30% of professionals see no benefits in joint ventures
- ❑ The findings of the survey reveal that some 30% of professionals do not see any benefits to joint ventures
- ❑ However, a significant number of professionals thinks that there are more benefits to joint ventures

Executive Summary – Continued.

- ❑ The results are not surprising as the pace of transformation in general, and gender equity in particular, is relatively slow, especially in the build environment sector, including the construction sector
- ❑ A significant proportion of those interviewed were white (47%), followed by Blacks (29%), Coloureds (18%) and Indians (8%)
- ❑ When analyzing the position of responsible persons interviewed, it is clear that the majority (77%) are shareholders, directors and or members
- ❑ Evidence from the study mirrors company ownership by age, with a smaller number of those in director or shareholder level being the youth
- ❑ A significant majority (82%) of those interviewed had been practising in their profession for more than 15 years
- ❑ The findings suggest that a significant majority of those interviewed had intimate knowledge with the companies they were responsible for, in large measure because of longer association with the company

Executive Summary – Continued

- ❑ The majority of professionals interviewed did not receive a bursary or training as “professional in training” with the current company (82 % person of professionals)
- ❑ Of the total firms surveyed only 6% indicated that they did not have BEE partners, as such 100% white owned
- ❑ The majority of professionals (65%) contracted to the department were managing projects less than R10 million
- ❑ When asked whether those interviewed considered themselves as disadvantaged, 53% said no, and 47% said no
- ❑ When asked if they are familiar with the labour intensity strategy and overwhelming majority (82%) said yes, and only 18% indicated otherwise
- ❑ The findings suggests that 76% of the professionals have had between two and four contracts with the DPTRW, hence suggesting reliance on the state for opportunities
- ❑ The findings suggests that professional firms earn between R1 million and R3 million over a period of 3 years in the DPTRW
- ❑ When asked of they also have other contracts, some 47% indicated that they did not have any others with government departments – suggesting a reliance on the DPTRW for contracts

Executive Summary -Continued

- ❑ Over 60% of the professionals claimed that the contract with the DPTRW created over 5 jobs in their companies
- ❑ When analyzing the number of jobs created when all contracts from state departments are combined, nearly a third of firms create between 4 to 5 jobs
- ❑ The categories of jobs created through securing contracts from government are wide ranging (professional, technical and administrative)
- ❑ 87% of professional firms suggest that they retain less than 5 workers for more than 1 year
- ❑ The relatively huge reliance of contracts from state departments suggests increasing opportunities available for professionals
- ❑ Some 37% of professional firms which rely in state contracts indicated that they are already fully committed through state departments and do not have the capacity to do any additional work
- ❑ It appears capacity building in the firms, where this is applicable, is through training (77%)
- ❑ Although in general the level of mentorship is low, in companies where this takes place, mentoring is by experienced, and highly skilled professionals
- ❑ Findings in this study suggests that a significant majority have learnerships or provide bursaries

Executive Summary

- ❑ When asked if the professional had been in a joint venture with another company, a significant majority agreed (71% said yes)
- ❑ One in ten professionals saw training as one of the benefits of joint ventures
- ❑ Findings suggest the importance of monitoring the intake of learnerships among professional firms. There is some initiatives among them, but there is a need to accelerate the pace at which learnerships are introduced within professional firms
- ❑ Evidence from the field also suggest the importance of monitoring the joint ventures to ensure that SMMEs and black and women owned firms benefit post the awarding of the contracts