



16 October 2014

THE 2013/14 ANNUAL REPORT OF THE DEPARTMENT OF LABOUR: HIGHLIGHT OF KEY ISSUES

1. INTRODUCTION

Over the last two and a half years, the official rate of unemployment has averaged over 25 per cent. The broader unemployment rate in South Africa that includes 'discouraged work-seekers' is 35.6 per cent.¹ The employment challenge facing South Africa's young people is even greater: For instance, the unemployment rate amongst those under the age of 25 years is about 51.8 per cent, accounting for 30 per cent of the total unemployed. Of particular concern, long-term unemployment now affects two-thirds of all unemployed workers, compared to 55 per cent in 2007. Many young people have never worked and come from families of multi-generational unemployment. Long-term unemployment not only result in substantial human and social cost, but rather rising structural unemployment as the individuals concerned suffer from skill depreciation and a loss of motivation to seek work. Even more concerning is the high incidence of inactive youth who are not in education or training.

The high rates of youth unemployment are particularly alarming when considering that the share of young workers who are inactive and not in education or training (NEET) is also high, at more than twice the Organisation for Economic Co-operation and Development (OECD) average which is 29 per cent. This may reflect that some youth have become discouraged from seeking productive job opportunities in the formal sector. This high NEET rate is a source of major social concern but it is also a waste of human capital and productive potential.²

The second challenge facing the South African labour market is the high incidence of informal and precarious jobs. Improving job quality³ is another challenge facing South Africa that is also a major issue for advanced and emerging economies. Reducing the incidence of informal and precarious work could contribute substantially to improving job quality. In Quarter 2 of 2014, 18 per cent of employment (excluding the agricultural sector and private households) was in the informal sector, and 15 per cent of all employed had a contract of limited duration and for a further 22 per cent, the duration of their contract or agreement was unspecified.

To address some of the growing labour market challenges, the Department of Labour (DoL) introduced legislation amendments to Parliament and these were finalised in 2013 and 2014. These are:

¹ Statistics South Africa (2014)

² Organisation for Economic Co-operation and Development (2014)

³ A new framework for measuring job quality along three dimensions: earnings quality (level of earnings and degree of inequality); labour market security (risk of job loss and income support available); and quality of the working environment (work demands and conditions, and resources and support available to cope with work demands).



- Amendment of the Basic Conditions of Employment Act – was published in the Government Gazette on 9 December 2013. Date of commencement is 1 September 2014;
- Amendment of the Employment Equity Act, 1998 – was published in the Government Gazette on 16 January 2014. It commenced on the 1st of August 2014 ;
- Employment Services Bill- was published in the Government Gazette on 7 April 2014; and
- Labour Relations Amendment Bill

Some of the planned policy initiatives include:

- Amendment of the Unemployment Insurance Act, No. 63 of 2001. These amendments relate to improvements of benefits and administrative changes regarding submission of information by employers to the Fund;
- Promulgation of the Employment Services Act;
- Amendment of the Compensation for Occupational Injuries and Diseases Act; and
- Amendment of the Occupational Health and Safety Act of 1993 (OHS) to clarify the provisions compelling employers' responsibilities of creating a safe working environment.⁴

2. PROGRAMME PERFORMANCE

2.1. Programme: Administration

The programme consists of the following sub-programmes: Ministry, Management, Corporate Services, Office of the Chief Financial Officer and Office Accommodation. During the 2013/14 budget, the DoL's **key focus areas** of this programme were the;

- Unbundling the public private partnership unitary fee to fund the implementation of the new Information Technology(IT) operating model;
- The organisational review and redesign project;
- The procurement of new departmental fleet of vehicles as the department will not be extending the contract with the previously contracted car hire company; and
- There will be a significant increase in the number of personnel as the department will absorb 46 IT staff following the conclusion of the Siemens IT Public-Private Partnership (PPP) in November 2012.

Key Issues to focus on:

⁴ Department of Labour (2014)



A. Information Technology (IT) Challenges (pg. 19 of the APP)

- According to the DoL, a total of R331 million has been prioritised over the Medium Term Expenditure Framework (MTEF) to address implementation of the new IT operating model.
- The Department needs to give details and clarify the state of IT and whether the 46 IT staff has been absorbed into the DoL structure.
- According to the Annual Performance Plan 2013/14, on page 19, there were four companies that were utilised as consultants of which two of these companies were used to assist with the conclusion of the PPP contract and implementation of the new IT operating model. Can the Department list these companies and clarify the current status of their roles? How much has been spent on these consultants?
- Have all challenges regarding IT been resolved in the year under review? Particularly those raised during the Standing Committee on Public Accounts (SCOPA) meeting held on the 10th of September 2013, such as State Information Technology (SITA) compliance, Labour Relations Act (LRA) (Section 197) that deals with transfer of employees and the Budget constraints. In terms of the LRA (1995) the Department has to re-absorb the staff that moved to Siemens when the IT PPP contract commenced in 2002.

B. Matter Regarding Phavis Car Hire (pg. 19 of the 2013/14 APP)

- Has the Department procured a new fleet of vehicles as, the Department had set not to extend the contract with the previously contracted car hire company?

C. Organisational Review and Redesign Project (pg. 19 of the APP)

- What is the status of the Department's Organisational Review and Redesign Project? Has it been concluded, if not, what are the challenges? How much has been budgeted to complete the project and what are the new time frames for this purposes? Where in the Annual Report is this reported?

2.2. Programme: Inspection and Enforcement Services (IES)



According to the Department, over the MTEF period, the focus will be on effective and efficient registration of labour relations and occupational health and safety incidents. Compensation of employees has been the main reason for the budget increase for this programme and two-thirds of spending relates to staff employed in the Compliance, Monitoring and Enforcement sub-programme. These are inspectors who ensure that employers and employees comply with labour legislation. According to the Department, improving the inspectors' remuneration will ensure that the Department is able to retain them, and creating new specialist labour inspector posts.⁵

Key issues to focus on:

- According to the 2013-14 Annual Report (pg.45), the Department has referred 8 Public Employers in the Western Cape and Limpopo provinces and 5 Private Employers in Limpopo to Court regarding non-compliance with Employment Equity. Which Public Employers were non-compliant? Has the court processes been concluded?
- According to the report (pg. 46) Limpopo and the Western Cape provinces have the lowest compliance level compared to other provinces, 59 per cent and 55 per cent compliance levels respectively. Based on inspections conducted in these two provinces, which sectors had the lowest level of non-compliance?
- According to the Annual Report (pg.47), KwaZulu-Natal (91 cases) and Limpopo (62 cases) provinces had the highest number of cases referred to court. Which sectors were most challenging? What strategies did the Department devise to ensure that such non-compliance does not recur in future?
- The Eastern Cape Province has the lowest percentage of cases resolved (pg. 51) within 14 days. Only 46 per cent of cases were resolved within the target of 14 days. What were the unique challenges in meeting the set targets? What measure has the Department taken to ensure that the province meets future targets?
- Occupational Health and Safety (OHS) is critical in any workplace. Injuries and deaths as a result of negligence in workplaces is still a great concern. However, according to the Annual Report (pg. 52) the Department could not meet set targets set for workplace OHS audits. 59 per cent of workplaces were audited. Of those audited 36 per cent did not comply.
- Similarly, the Department could not achieve targets in Limpopo and the Northern Cape in terms of inspections on exposure to silica dust. The Northern Cape was the worst performer as instead of 100 workplaces inspected, it achieved only 16. According to the Department targets were too high as there are no adequate resources (pg. 54). What measures are there to improve resources and ensure there are additional inspectors in these provinces?



2.3. Programme: Public Employment Services

During the 2013-14 financial year, the Department's expenditure focus was set on enhancing the Department's capacity to implement the Employment Services Bill and the public employment service projects once the bill is promulgated, and on managing the implementation of the turnaround strategy of the Sheltered Employment Factories. The programme has oversight functions over the Sheltered Employment Factories, Productivity South Africa, Unemployment Insurance Fund and the Compensation Fund.

Key issues to focus on:

- What is the difference between registered employment opportunities (pg. 61), registered opportunities (pg. 62) and other services (pg. 63)?
- Work-seekers placed in registered employment opportunities (i.e. 15 570 people on pg. 61), are these guaranteed placements or they were simply referred but no guarantee for placement?
- It is still concerning that such a large number of unemployed people registers in the DoL data base, i.e. 618 092 work-seekers and only 15 570 placed in registered employment opportunities, 98 829 referred to registered opportunities and 448 124 referred to other services. How many of these work-seekers have guaranteed income from the services they have referred to?
- The Annual Report shows low levels of registration of Employment Agencies in all provinces, except for the Western Cape and Gauteng. What oversight role does the Department play in this sector?
- On applications received by the DoL regarding corporate permits, 5 563 received negative recommendation (pg. 66). Can the Department give details on this?
- Which sectors have the highest applications for corporate permits and what reasons were stated for applying for permits?
- On pg. 67 of the Annual Report, the Department rejected 19 of the 20 individual permit applications in the Western Cape. On what basis were these rejected? Similarly, in Gauteng province, of the 12 applications received only 1 received a positive recommendation?
- Funding for designated group seems to favour big provinces such as the Western Cape, KZN and Gauteng (pg. 68). Are there future plans to fund organisations from smaller provinces in terms of their contributions to the overall Growth Domestic Product (GDP) such as the Northern Cape, Free State, etc. especially given that people from these provinces are the most isolated?



The Sheltered Employment Factories (SEF) performance information is not detailed as it does not detail the expected outcomes, programme outputs, indicators (measures) and targets, as with other programmes of the Department. **Page 96** of the Annual Report summarises the SEF performance information with numerical targets and necessary detail. For example, one of the targets is to increase the percentage of youth and women employed in the SEF, yet it does not state the numerical target (it only states that the target was partially achieved. Furthermore, the Annual Report does not indicate reasons for targets not met. In some cases, instead of indicating whether the target was met or not achieve, there are blank spaces.

2.4. Programme: Labour Policy and Industrial Relations

Sub-programmes include Management and Support Services, Strengthening Civil Society, Collective Bargaining, Employment Equity, Employment Standards, Commission for Conciliation, Mediation and Arbitration (CCMA), Research Policy and Planning, Labour Market Information and Statistics, International Labour Matters and National Economic Development and Labour Council (NEDLAC). The CCMA had the biggest budget share when compared with other sub-programmes. The CCMA received additional budget allocations of R80 million in 2013/14, R140 million in 2014/15 and R160 million in 2015/16 financial years. This was to deal with additional case-load arising from amendments to labour legislation and the rollout of the web based management system, a new office in the Vaal and Welkom areas, and a dedicated job saving unit for the training lay-off scheme.

Key Issues to focus on:

- How effective are the MOUs that the Department signs with other countries? What have been the benefits of these?
- According to the Annual Report (pg. 81) DoL could not meet the target regarding processing of competent organisation applications due to poor performance of officials. Give details?
- Quarterly monitoring reports on CCMA dispute resolution functions were compiled late due to year-end vacation period (pg. 81). What measures are in place to ensure that deadlines are met in future?

3. The Human Resources Management Report



Key issues to focus on:

- According to the DoL's Annual Report **pg. 130**, there is a vacancy rate of 12.9 per cent, with the Inspectorate and Enforcement Services at 26.3 per cent, Public Employment Services at 69 per cent, Compensation Fund at 24.5 per cent and UIF at 17 per cent. This is a measure concerns given the fact that the Public Service and Administration standard for vacancies is below 8 per cent.
- The second concern is the time it takes for the Department to fill vacant posts. On **pg. 132** of the Report, of the **18** posts advertised, 2 were filled within six months.
- According to **pg. 134** of the Annual Report, a total of **1 766** positions were upgraded. Which positions and which levels were these?
- What are some of the reasons that led to performance agreements not being signed by Senior Management of the Department? **pg. 141**. Where there any ever performance rewards and bonuses given to staff irrespective of the signed performance agreement?
- On **pg. 151** of the Annual Report, a total of 29 written warnings were issued to employees during the financial year. Yet, no verbal warnings were issued during this period.
- A total of **13 cases** were withdrawn against employees. What were some of the reasons for withdrawal of cases? Were there instances where management had taken hasty decisions without proper procedure being followed and no evidence provided?
- Does the Department have the Organisational Development unit? If so, is there no internal capacity to conduct an organisational design and review exercise instead of paying the R7.8 million to consultants?

REFERENCES

Department of Labour (2014) Annual Report 2013/14

Department of Labour (2013) Annual Performance Plan 2013-2014

National Treasury (2013) Estimates of National Expenditure



Organisation for Economic Co-operation and Development (2014) OECD Employment Outlook 2014. Available at: <<http://www.oecd.org/southafrica/EMO-ZAF-EN.pdf>> [Accessed on 08 October 2014]

Statistics South Africa (2014) Quarterly labour Force Survey, Quarter 2, 2014. Pretoria: Statsa