



**Department of Labour, 18 November 2014**

1. Various reports-World Bank, IMF including the South Africa National Treasury such as the Budget Overview, 2014 and MTBPS, 2014 recognised high level of unemployment in South Africa.
2. Although South Africa has made strides in improving socio economic conditions in terms of real poverty levels, the Country is still faced with high levels of unemployment and inequality (Recent World Bank Report-Effect of Fiscal Policy in addressing poverty and inequality).

**3. Table 1: Key Labour Market Challenges for Different Groups**

	Advanced Europe				Other Advanced		Emerging				
	South	East	North	Other	US-CAN	Other	Europe	MENA	Latin America	Asia	Africa
<b>Unemployment rate</b>											
Total	12	12	6	7	8	5	16	24	7	5	24
Youth	12	12	17	16	17	12	24	24	17	11	...
Long-term	12	12	17	38	20	17	39	...	...	...	...
Low-skilled	12	12	8	11	14	7	16	...	5	...	...
<b>Labor force participation rate</b>											
Total	70	71	80	75	76	72	67	67	70	68	67
Males, age 25-54	92	93	92	93	90	91	88	93	95	97	83
Males, age 55-64	69	66	76	71	69	78	64	60	79	79	75
Females, age 25-54	75	83	85	81	78	72	74	67	64	62	65
Females, age 55-64	40	40	70	47	58	56	35	35	41	42	56

Source: IMF, Fiscal Monitor 2012

4. The 2015 MTEF sees efforts to enhance job creation and protect social security.
5. Employment, labour and social protection grow by 7.7 per cent per annum in real terms while social protection increase by 4.4 per cent per annum.
6. Recognised government's strategy to create jobs multi-pronged (e.g. Public employment programmes, employment tax incentive and jobs fund).
7. Jobs Fund to shift to the National Treasury from the Development Bank of South Africa. The Department should position itself to work closer with the National Treasury for successful implementation of the Jobs Fund.
8. Coordination of jobs opportunity with other sector departments such as Economic Development, Trade and Industry, Small Business Development including Public Works should be prioritised.

**Table 1: Growth Rate on Function Groups**

	2013/14- 2014/15	2014/15- 2015/16	2015/16- 2016/17	2016/17- 2017/18	Real Annual Average Growth 2015/16 - 2017/18
<b>Basic education</b>	2.7%	3.8%	2.6%	3.4%	3.0%
<b>Health</b>	4.7%	3.0%	2.9%	4.1%	3.5%
<b>Defence, public order and safety</b>	2.8%	1.4%	2.9%	3.4%	3.1%
Defence and state security	2.8%	1.2%	2.8%	3.0%	2.9%
Police services	2.2%	1.8%	2.6%	4.0%	3.3%
Law courts and prisons	4.4%	0.9%	3.6%	2.9%	3.2%
<b>Post-school education and training</b>	0.5%	8.2%	5.6%	2.3%	4.0%
<b>Economic affairs</b>	6.8%	0.6%	4.4%	1.6%	3.0%
Industrial development, trade and innovation	2.7%	3.8%	3.6%	-0.3%	1.6%
Employment, labour affairs and social security funds	14.9%	7.9%	4.4%	2.8%	3.6%
Economic infrastructure and network regulation	4.5%	-7.9%	5.3%	2.3%	3.7%
<b>Local development and social infrastructure</b>	7.1%	9.7%	1.6%	3.2%	2.4%
Housing development and social infrastructure	7.2%	10.9%	1.2%	3.2%	2.2%
Rural development and land reform	-0.4%	0.2%	4.6%	3.2%	3.9%
Arts, sport, recreation and culture	14.5%	-0.7%	6.7%	3.7%	5.2%
<b>General public services</b>	2.2%	-1.2%	-3.6%	2.4%	-0.6%
<b>Social protection</b>	5.6%	4.6%	3.7%	3.8%	3.7%
<b>Consolidated expenditure</b>	5.0%	4.4%	3.9%	5.2%	4.5%

Source: FFC based on the MTBPS 2014

9. Table 1 indicates that over the 2015/16-2017/18 Employment, Labour affairs and social security funds functional group is anticipated to grow on average by 3,6 per cent.
10. Key Risk areas:
  - Over the past years, the Compensation Fund had been faced with different challenges. In 2008/09 and in 2009/10, it had received disclaimer audits outcomes. Key concerns are around revenue management and debtors, and claims.
  - Compensation Fund: Inadequate capacity in human resource, IT infrastructure and just general enterprise performance management system.
  - Building internal capacity so as to reduce spending on consultants

- 2014 Midterm risk area: by 30 September 2014, 125 973 work seekers had been provided with employment counselling and 8 102 had been placed in registered employment opportunities. This is much lower than expected, due to insufficient capacity at labour centres and a mismatch between the skills of registered work seekers and the skills sought by registered employers. What plans does the Department have in addressing this challenge?
  - Ensuring that all vacant funded posts are advertised and filled in compliance with the Public Service prescripts; and
  - Capacitating the Inspection and Enforcement Services programme so as to ensure that the Department fulfills its decent work mandate.
11. Some government programs can help reduce unemployment by improving the matching of workers seeking jobs and job vacancies.
  12. Job search assistance and training programs, are effective in reducing unemployment. The Committee needs to know how the Department is performing in this area.
  13. Training of the unemployment insurance beneficiaries should be a priority.
  14. Impact assessment of the projects funded through the UIF Social Responsibility Investments.
  15. Productivity South Africa remains a priority in the quest to boost employment and lift economic growth.
  16. As per the Statement of Comprehensive income, 44 per cent of the Sheltered Employment Factories (SEF) revenue is generated from single contract that terminates in the 2014/15 year. There are currently no further orders or contracts in place that would replace the revenue and productivity generated from the aforementioned contract, casting doubt on the entities sustained financial stability (2013/14 AGSA report).
  17. Financial management and general governance and planning issues remain a challenge in the operation of the SEF.

According to the 2014 Adjusted Estimates, Table 2 shows:

- Total expenditure in 2013/14 was 97 per cent of the 2013/14 adjusted appropriation. Expenditure in the first six months of 2014/15 was R1.202 billion, or 47.2 per cent of the adjusted appropriation of R2.546 billion for the year. In comparison, mid-year expenditure in 2013/14 was R1.095 billion, or 44.8 per cent of the 2013/14 adjusted appropriation.
- Compared to the first six months of 2013/14, expenditure over the same period in 2014/15 increased by R106.750 million, or 9.7 per cent. This was mainly due to higher transfers to the supported employment enterprises and the Commission for Conciliation Mediation and Arbitration, procurement of departmental vehicles as well as the establishment of the new deputy ministry, the appointment of IT staff and the agency agreement for the payment on PERSAL for the salaries of staff from supported employment enterprises.

**Table 2: Expenditure outcome for 2013/14 and actual expenditure for 2014/15**

Programme	2013/14					2014/15				
	Adjusted appropriation	Audited outcome		Apr 13 - Mar 14		Adjusted appropriation	Adjusted appropriation/ Total (%)	Actual expenditure		
Apr 13 - Sep 13		adjusted appropriation	Apr 13 - Mar 14	adjusted appropriation	Apr 14 - Sep 14			adjusted appropriation		
R thousand										
Administration	840 449	326 979	38.9	795 870	94.7	784 919	30.8	302 036	38.5	
Inspection and Enforcement Services	440 190	197 258	44.8	412 213	93.6	410 405	16.1	216 116	52.7	
Public Employment Services	400 117	206 508	51.6	413 495	103.3	481 533	18.9	271 070	56.3	
Labour Policy and Industrial Relations	764 491	364 694	47.7	749 866	98.1	869 435	34.1	412 967	47.5	
<b>Total</b>	<b>2 445 247</b>	<b>1 095 439</b>	<b>44.8</b>	<b>2 371 444</b>	<b>97.0</b>	<b>2 546 292</b>	<b>100.0</b>	<b>1 202 189</b>	<b>47.2</b>	
<b>Economic classification</b>										
Current payments	1 560 525	666 919	42.7	1 469 628	94.2	1 591 086	62.5	686 953	43.2	
Compensation of employees	881 956	423 285	48.0	866 137	98.2	1 006 084	39.5	501 206	49.8	
Goods and services	678 569	243 634	35.9	603 491	88.9	585 002	23.0	185 747	31.8	
Transfers and subsidies	824 164	408 820	49.6	823 379	99.9	927 587	36.4	491 132	52.9	
Provinces and municipalities	239	141	59.0	446	186.6	2	0.0	252	12600.0	
Departmental agencies and accounts	676 207	346 507	51.2	676 182	100.0	789 941	31.0	401 067	50.8	
Foreign governments and international organisations	15 594	21	0.1	15 914	102.1	17 441	0.7	-	0.0	
Non-profit institutions	130 970	60 341	46.1	127 702	97.5	119 452	4.7	87 576	73.3	
Households	1 154	1 910	165.5	3 135	271.7	751	0.0	2 237	297.9	
Payments for capital assets	60 558	19 600	32.4	60 300	99.6	27 619	1.1	24 097	87.2	
Buildings and other fixed structures	5 486	89	1.6	1 549	28.2	302	0.0	286	94.7	
Machinery and equipment	55 072	19 511	35.4	58 751	106.7	27 317	1.1	23 811	87.2	
Payments for financial assets	-	-	0.0	18 137	0.0	-	0.0	7	0.0	
<b>Total</b>	<b>2 445 247</b>	<b>1 095 439</b>	<b>44.8</b>	<b>2 371 444</b>	<b>97.0</b>	<b>2 546 292</b>	<b>100.0</b>	<b>1 202 189</b>	<b>47.2</b>	

Source: 2014 Adjusted Estimates, National Treasury

### Box A2.1. Options for Addressing Specific Unemployment Problems

#### *Youth unemployment*

Tackling high youth unemployment calls for comprehensive policy packages that improve both training and job matching. Nonfiscal measures may be necessary to address skill mismatches; to facilitate access to on-the-job training; and, for youth, to tackle stringent regulations controlling hiring and firing and high minimum wages. Fiscal policies can complement these efforts through effective job search assistance, targeted study-and-work programs, and well-tailored wage subsidies, such as those for apprenticeship contracts targeted at those who have difficulty entering or staying attached to the labor market. Benefits for unemployed youth should be conditional on participation in these programs.

#### *Low-skilled unemployment*

Empirical evidence suggests that the demand for low-skilled labor is relatively elastic and therefore

reacts more strongly to policy measures (Hammermesh, 1996). Such measures could include targeted reductions in nonwage costs, such as establishing a threshold below which social contributions are reduced or eliminated, or hiring subsidies focused on low-skilled workers.

#### *Long-term unemployment*

To mitigate the disincentives to choose employment over "passive" benefits such as unemployment and disability benefits, many countries have strengthened the "activation requirements" attached to the receipt of these benefits. These include mandatory job search and training programs. The monitoring and enforcement of these conditions, however, make benefit schemes more complex and administratively demanding.

Source: IMF, Fiscal Monitor 2012