



EMPLOYMENT AND LABOUR

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CHAIRPERSON OF THE FINANCIAL AND FISCAL COMMISSION

1. BACKGROUND

1.1. The FFC is a permanent statutory body established in terms of Section 220 of Constitution. The Commission is concerned with financial and fiscal matters, particularly Intergovernmental fiscal relations (IGFR); legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective; regulations associated with legislation that may amend or extend such legislation.

1.2. The mandate of Commission is to make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organs of state determined by national legislation.

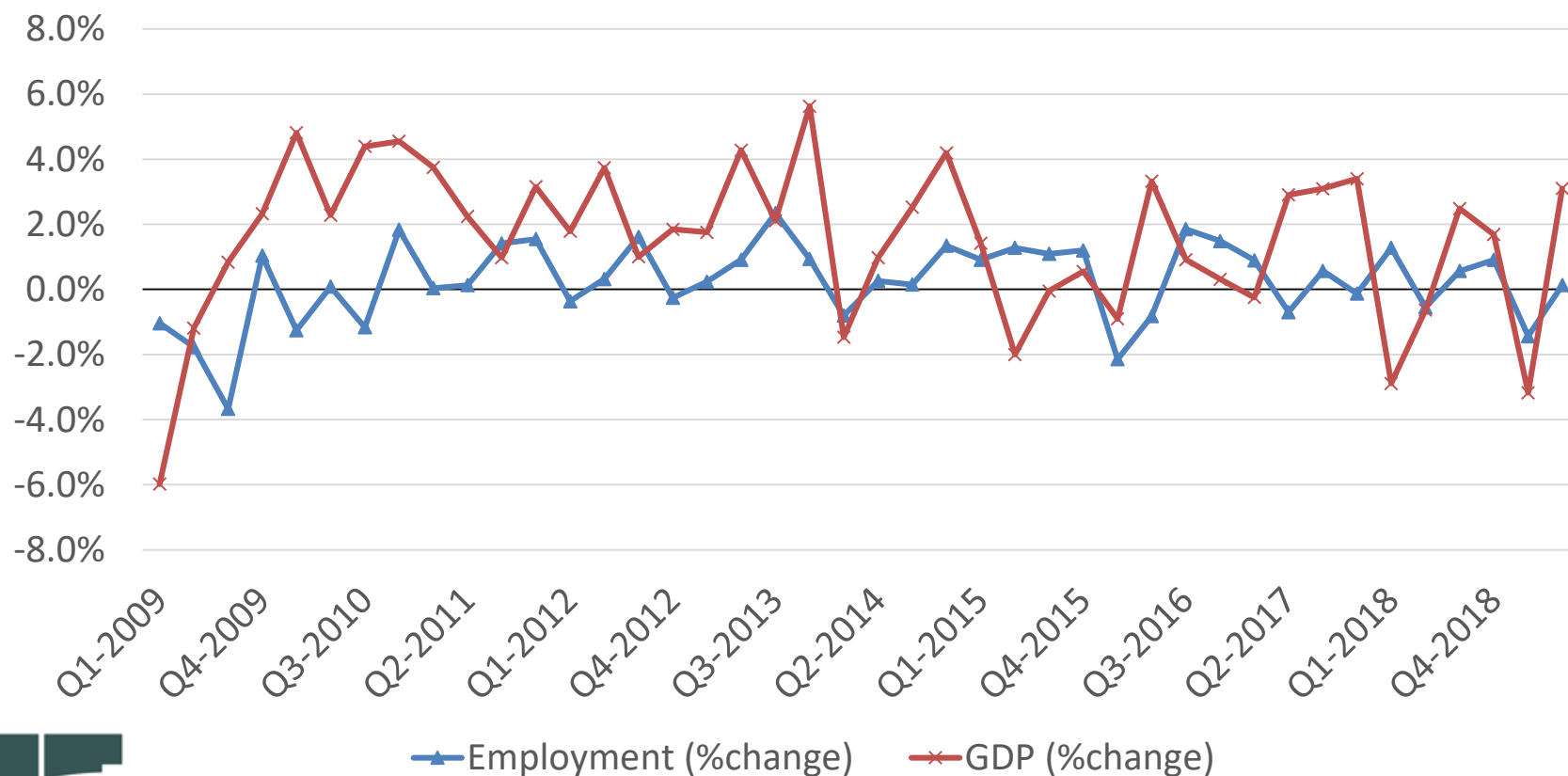
1.3. This submission is in response to the invitation by the Portfolio Committee on Employment and Labour on the overall financial performance of the department and its entities for the 2018/19 fiscal year.



2. CURRENT EMPLOYMENT ISSUES

ECONOMIC-EMPLOYMENT GROWTH DYNAMICS

Employment and Economic Growth Rates



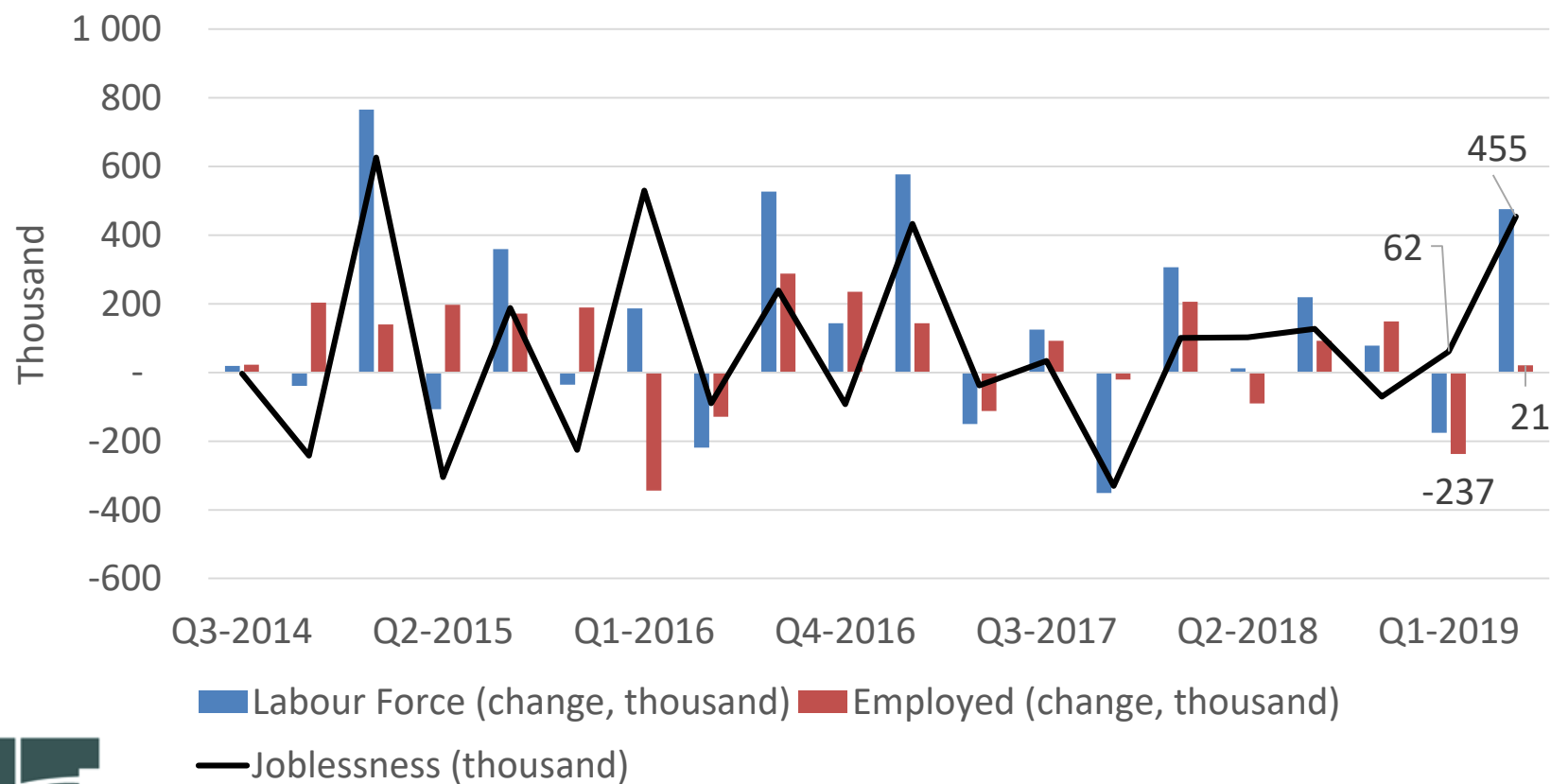
EMPLOYMENT AND EMPLOYMENT CHANGE BY INDUSTRY

	Q4 2018	Change	%	Q1 2019	Change	%	Q2 2019
Agriculture	849	-12	-1.4%	837	5	0.6%	842
Mining	438	-20	-4.6%	417	-36	-8.7%	381
Manufacturing	1 766	14	0.8%	1 780	9	0.5%	1 789
Utilities	134	16	12.1%	150	1	0.9%	151
Construction	1 481	-142	-9.6%	1 339	24	1.8%	1 363
Trade	3 320	25	0.8%	3 345	84	2.5%	3 429
Transport	965	59	6.1%	1 025	-42	-4.1%	983
Finance	2 611	-94	-3.6%	2 516	-21	-0.8%	2 495
Community and social services	3 624	-50	-1.4%	3 574	48	1.3%	3 622
Private households	1 332	-31	-2.3%	1 301	-49	-3.8%	1 251
Other	9	-2	-17.9%	7	-2	-20.8%	6
Total	16 529	-237	-1.4%	16 291	21	0.1%	16 313

Source: Quarterly Labour Force Survey, Statistics South Africa (2019)

JOBLESSNESS

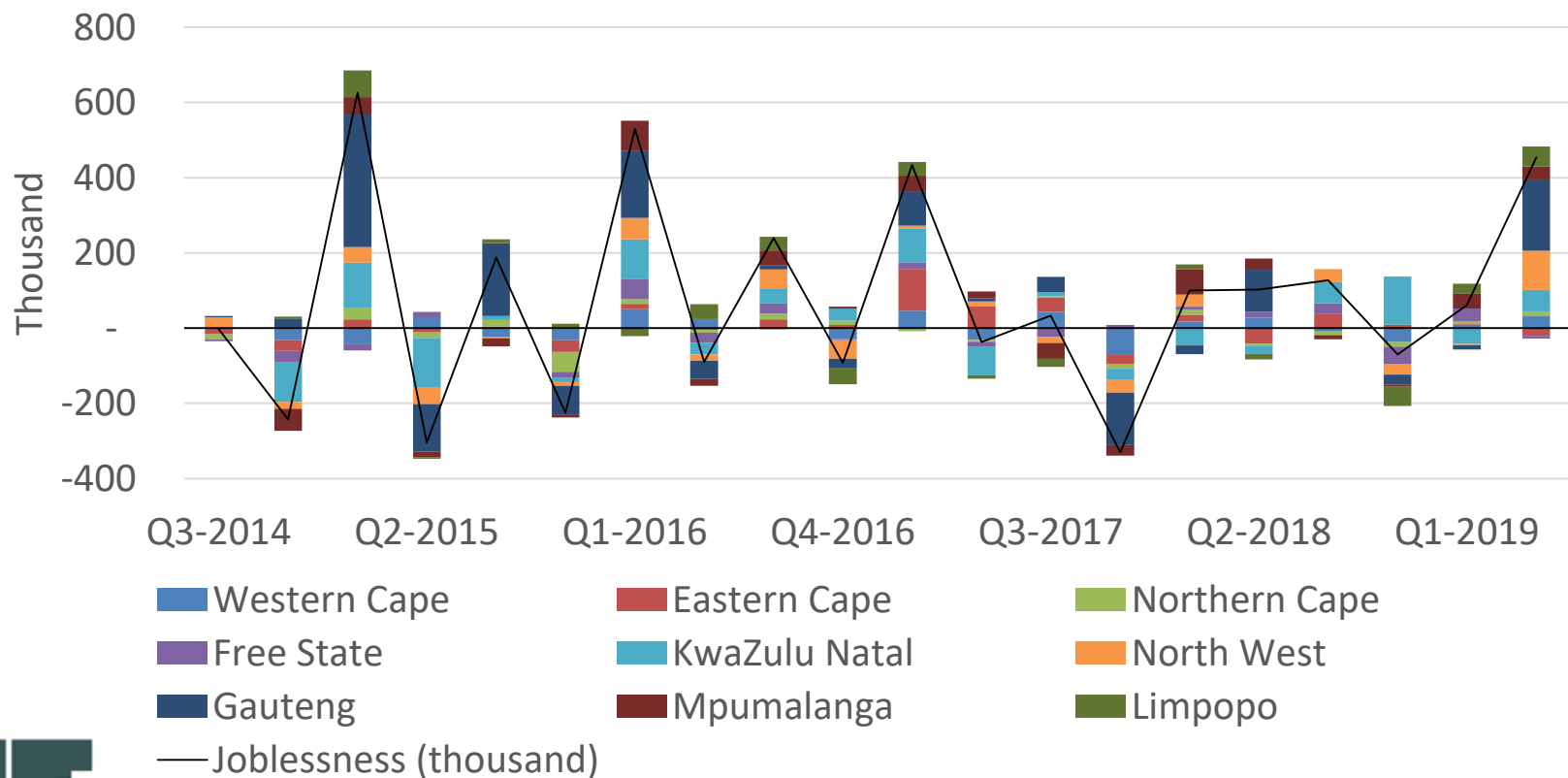
Joblessness = Labour force change – Employment change



Source: Quarterly Labour Force Survey, Statistics South Africa (2019)

JOBLESSNESS

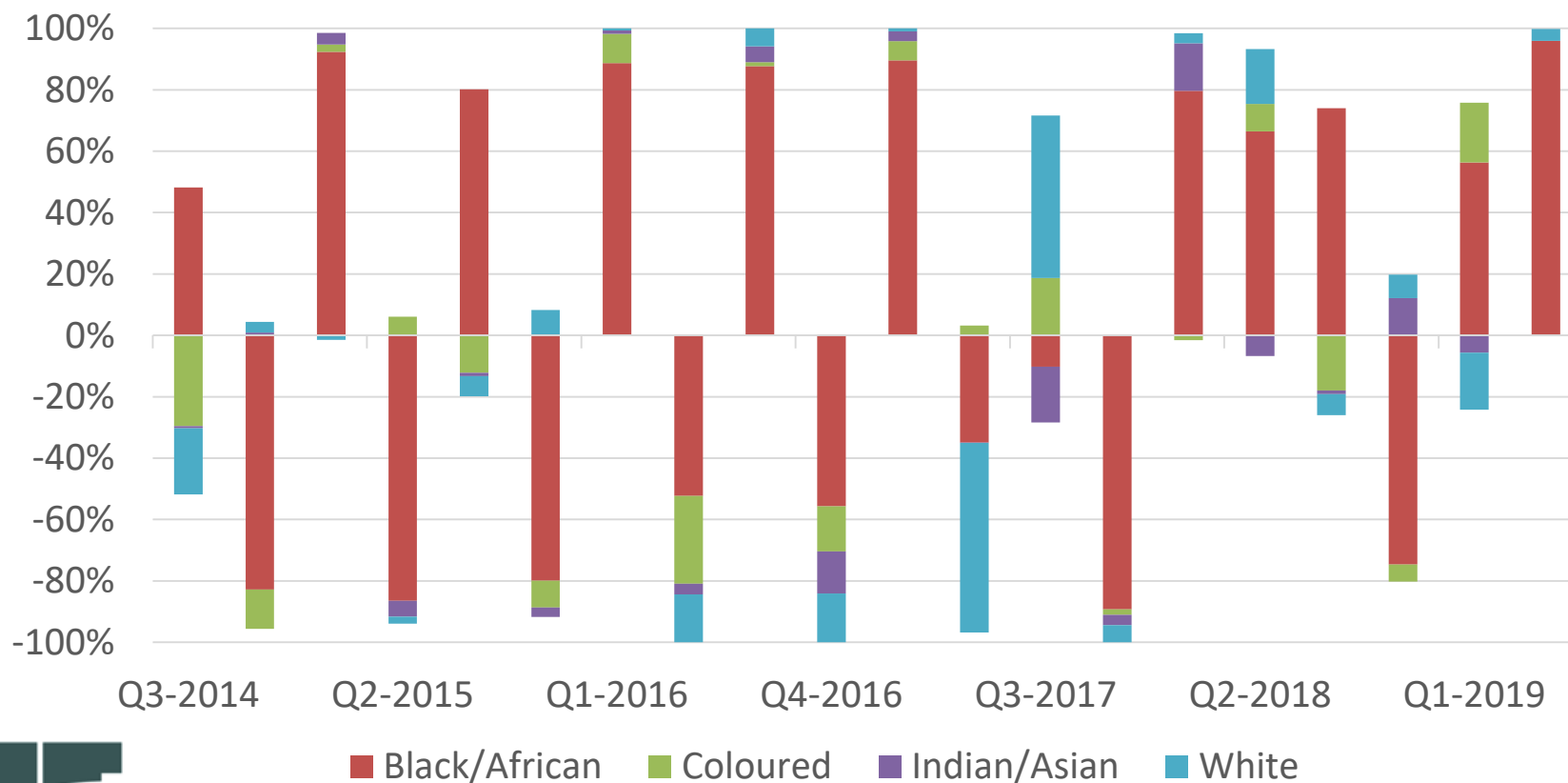
Composition of Joblessness by province (thousand)



Source: Quarterly Labour Force Survey, Statistics South Africa (2019)

JOBLESSNESS

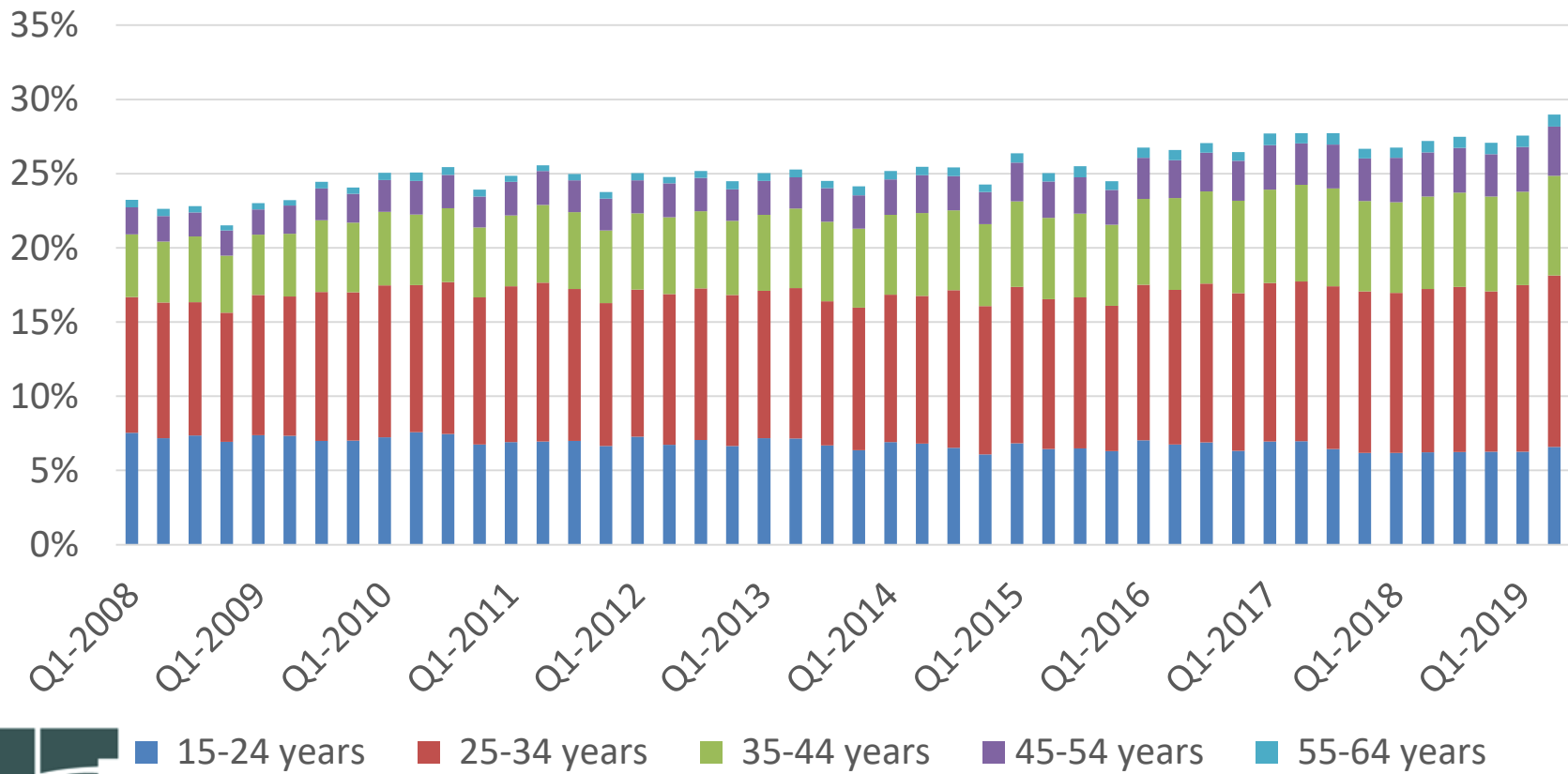
Composition of joblessness by population group



UNEMPLOYMENT RATE (OFFICIAL)

COMPOSITION BY AGE GROUP

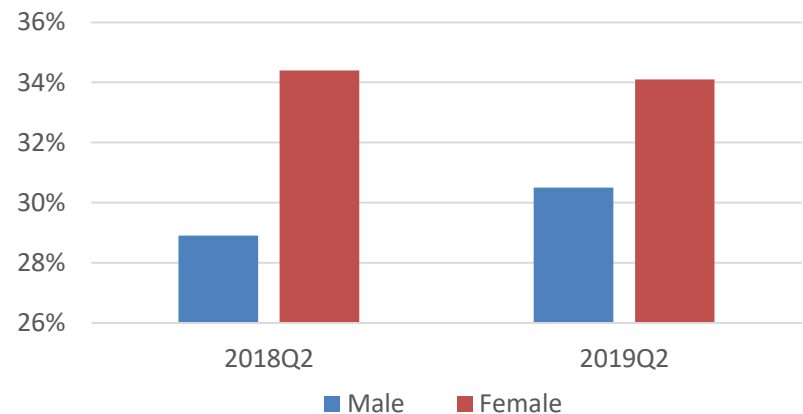
Unemployment rate (official) composition by age group



YOUTH NOT IN EMPLOYMENT, EDUCATION AND TRAINING

- The percentage of young persons aged 15–24 years who were Not in Employment, Education or Training (NEET) increased from 31.6 percent in the second quarter of 2018 to 32.3 percent in the second quarter of 2019.
- Similarly, people aged 15–34 years disassociated from the labour market entirely (or NEET) increased by 1.0 percentage point from 39.3 percent to 40.3 percent in the second quarter of 2019.
- More than four in every ten young females are not in employment, education, or training.

NEET rates for youth aged 15-24 years by gender



NEET rates for youth aged 15-34 years by gender

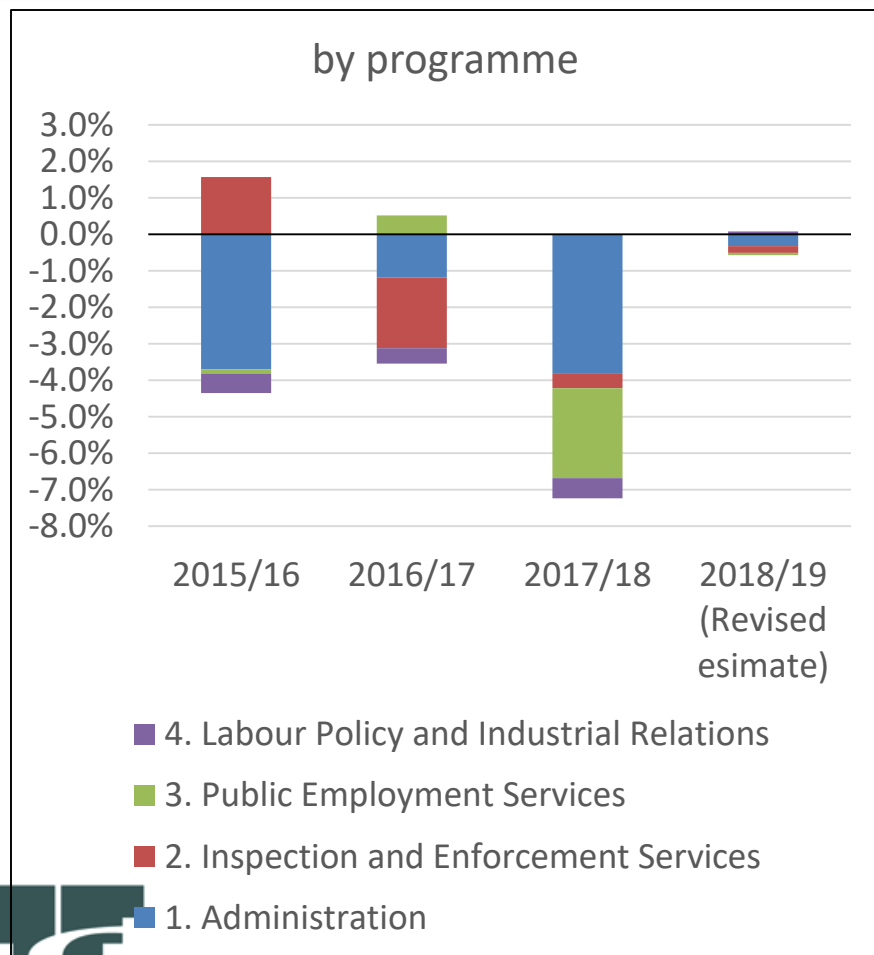




3. DEPARTMENTAL MTEF ANALYSIS

3. DEPARTMENTAL BUDGET ANALYSIS

OVER/(UNDER) EXPENDITURE AS A PROPORTION OF THE BUDGET



Programme 4: Labour Policy and Industrial Relations

Employment equity, national minimum wage, collective bargaining, labour policy research.

Programme 3: Public Employment Services

Registering and filling employment opportunities.

Programme 2: Inspection and Enforcement Services

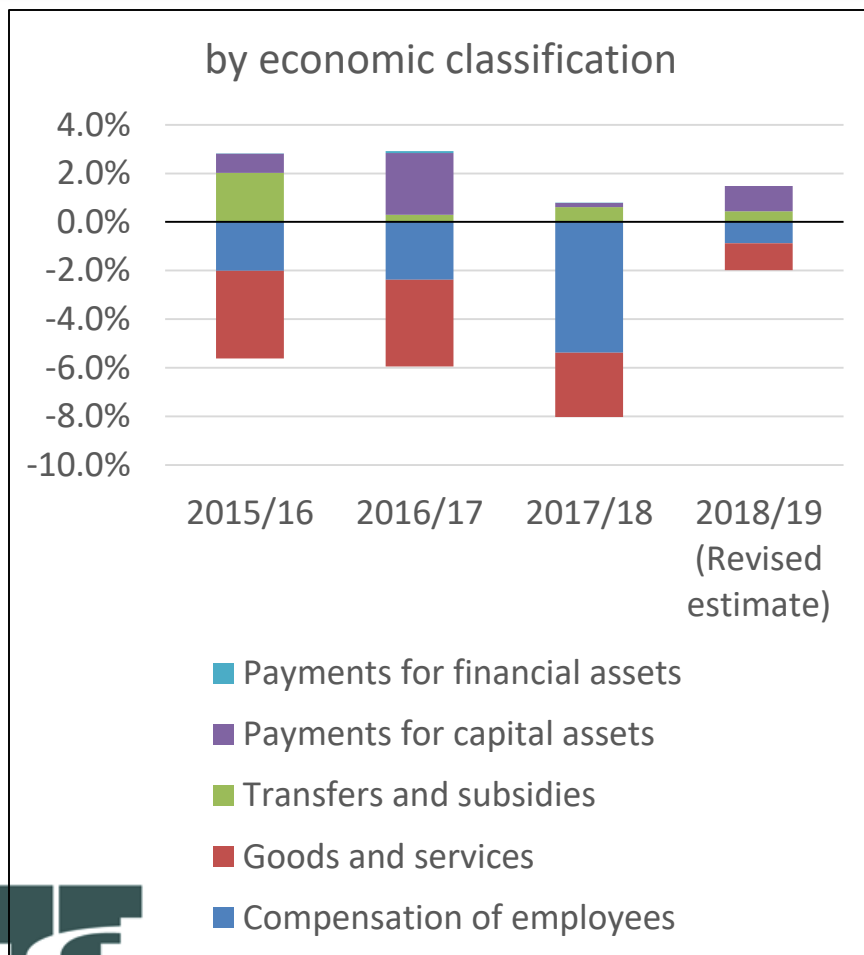
inspection and enforcement of labour legislation, health and safety

Programme 1: Administration

leadership, management and support services

3. DEPARTMENTAL BUDGET ANALYSIS

OVER/(UNDER) EXPENDITURE AS A PROPORTION OF THE BUDGET (CONT.)



- The bulk of the departmental under-expenditure is stemming from Compensation of employees, and Goods and services.
- The under-expenditure in Goods and services is due to under-spending of Communication, Agency and support/outsourced services, Contractors and Travel and subsistence.
- Despite the under-expenditures, R48.4 million has been added over the 2019 MTEF at R2.2 million, R21.8 million and R24.4 million for the 2019/20, 2020/21 and 2021/22, respectively.

PERSONNEL

	2017/18	2018/19	2019/20	2020/21	2021/22
Count	Actual number of posts	Revised number of posts	Medium-term estimate		
1 – 6	1 441	1 590	1 573	1 566	1 575
7 – 10	1 247	1 323	1 331	1 337	1 335
11 – 12	260	306	309	310	299
13 – 16	77	127	128	128	128
Total	3 025	3 346	3 341	3 341	3 337
R million	Actual cost	Revised cost	Medium-term estimate		
1 – 6	296	364	389	417	451
7 – 10	456	536	584	631	676
11 – 12	208	254	275	295	306
13 – 16	98	135	145	156	166
Total	1 059.5	1 289.1	1 393.2	1 499.5	1 598.5

- The department's actual number of personnel posts in 2017/18 was 321 posts short of the revised number of posts in 2018/19 and projected to reduce marginally over the 2019 MTEF, suggesting a potentially unrealistic trajectory in personnel and thus personnel budget.
- Personnel budget is projected to increase by over half a million from 2017/18 to 2021/22, despite the slightly diminishing size in number of posts in staff, suggesting a concentration of staffing cost towards the top of the salary scale.

Source: Budget Review, National Treasury (2019)

DEPARTMENTAL PERFORMANCE

Performance indicators:

- Labour inspection and resolution within 90 days (+- 220 000 employers inspected, 70% finalised)
- Number of work seekers registered on the Employment Services South Africa database (+-800 000 individuals per year), opportunities registered (+- 90 000), opportunities filled (+- 20-40 000 per year)
- Employment counselling (+- 200 000 individuals per year)

Concerns:

- 1) Undesirable employment absorption and outcome of the Employment Services South Africa database.
- 2) Uncertain quality of labour inspections and resolution with the given timeframe.
- 3) Uncertain outcome of employment counselling.



4. ENTITIES

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1. Compensation Fund

- Provide compensation for disablement caused by occupational injuries and diseases as per the Occupational Injuries and Diseases Act (1993).
- Below 50% of registered employers assessed annually.
- Repeated operating surplus in the fund's financial position (R8 billion) and accumulated surplus (R20 billion), investing R49 billion.

2. Unemployment Insurance Fund

- Contribute to the alleviation of poverty by providing effective short-term unemployment insurance as per the Unemployment Insurance Act (2001).
- +10% reduction in performances of in-service benefit claims and death benefit claims processed due to increased performance targets.
- Registering of new employers (66 198) and new employees (296 097) questionable given the labour force - employment shifts (see earlier).
- Repeated operating surplus (R15 billion) and accumulated surplus (R150 billion), investing R167 billion.

ENTITIES (CONT.)

3. Commission for Conciliation, Mediation and Arbitration

- Conciliate workplace disputes; arbitrate certain categories of disputes etc. as per the Labour Relations Act (1995)
- 120 thousand cases per year and fast growing.
- 17 posts with salary level 17-22.

4. National Economic Development and Labour Council

- National Economic Development and Labour Council Act (1994), promoting economic growth and social equity
- Static measures of performance: number of months (6) to finalise reports; number of days to resolve bargaining council demarcation disputes (21) etc.
- Overspending of R2-3 million in 2015/16 and 2016/17; underspending in 2017/18 of a budget at R40 million.

ENTITIES (CONT.)

5. Productivity South Africa

- Established in terms of section 31 of the Employment Services Act (2014) promote employment growth socioeconomic development and competitiveness.
- Performance indicators: facilitators, programmes, forums established and jobs saved (measured at 8 504 jobs in 2017/18).
- Impact evaluation needed for the R232 million provisioned for the entity in 2019/20.

6. Supported Employment Enterprises

- Transfers funds to promote the supported employment of persons with long-term physical, mental or sensory impairment disabilities.
- A sub-programme of Programme 3 of the department: Public Employment Services.

5. ROLE OF THE DEPARTMENT OF LABOUR IN JOB CREATION

- Employment is an integral part of economic development.
- The National Minimum Wage Bill in place to support minimum wages for the vulnerable workers
 - Ensure compliance but also monitor unintended effects
- In its oversight role, Portfolio Committee will need to consistently measure and assess how well development entities within DOL have contributed to envisaged job creation
 - Increasing safety and fairness in the workplace
 - Supporting work seekers
 - Regulating the workplace to establish minimum working conditions and fair labour practices

6. IMPROVING INTERGOVERNMENTAL OBJECTIVES

- There is a growing emphasis and recognition that sub-national authorities have to play a more significant role in job creation
 - Focus should be on ensuring resource allocations towards employment in productive, sustainable and development initiatives (E.g. Expanded Public Works Programme Grant)
- Expand the role of provinces and municipalities in job creation and economic development
 - There is a need to have synergy or efficient integration in a myriad of employment programs across three spheres of government.
 - Strengthen the growing contribution by provinces and municipalities to job creation and economic growth.
- Consolidate and monitor all job creation initiatives and report regularly on performance and employment outcomes

7. ADDRESSING THE UNEMPLOYMENT CHALLENGE

- Unemployment cannot be eradicated by Active Labour Market policies (ALMP) only
 - Many of ALMPs need to be redesigned to focus on labour market outcomes
- Greater emphasis should be placed on school completion
- Improve and align the training contents of SETAs and Colleges to the needs of the economy
- Legislate and enforce timely payment of SMMEs
- Improve targeting of industrial incentives and foster integrated economic planning i.t.o industrial value chain, public infrastructure and international trade.
- Support informal and township economy activities

8. REFLECTIONS ON NATIONAL TREASURY ECONOMIC STRATEGY

The FFC notes and agrees in principle with National Treasury that...

- **Labour-intensive growth and policy interventions in employment-intensive sectors** are necessary to reduce untenably **high levels of unemployment**.

Therefore, the FFC supports the Economic Strategy in terms of...

- **Strengthening youth employment interventions that incentivise job creation (e.g. learnerships and apprenticeships)** and that **facilitate school-to-work transition** between institutions of learning and the private sector.
- **Promoting innovative joint ventures to boost agricultural production and promote agrarian transformation.** A growing **agricultural sector** can help address our challenges of unemployment and low growth while countering rural poverty.
- **Increasing tax incentives for employment and learnership programmes can support job creation and ensure that firms are not biased towards investing in capital.**
- **Reducing labour market institution rigidities & regulations that raise costs for SMMEs**
 - Skewed collective bargaining wage agreements – wage hikes without concomitant increases in productivity mean lower productivity and employment.
 - National Minimum Wage may have an adverse effect on small businesses who cannot afford the increase.

ECONOMIC STRATEGY (CONT.)

- **Supporting services and retail sectors , as they tend to have higher growth and employment multipliers than goods markets – especially for low to semiskilled workers (e.g. tourism)**

However, the FFC laments that...

- Many of the proposed interventions are already institutionalised within government delivery architecture
- Implementation should begin with identification of an existing program aligned to each policy proposal (determine the weaknesses)
- Industries identified as employment intensive are modernising and increasingly needing skilled labour
- Leverage the role of public procurement
- Successful implementation of the strategy needs an effective, capable and responsive state administrative capacity

ECONOMIC STRATEGY (CONT.)

Hence, the FFC recommends that the Minister of Finance...

1. Together with Minister of Trade and Industry, jointly design the economy strategy from the **value-chain-of-an-industry** perspective to ensure a targeted, inclusive economic growth.
2. Together with Minister of Trade and Industry, **review the Industrial Policy Action Plan (IPAP) and trade policy in the current context** of the trade war, the Brexit, politics in South-East Asia, the South-South Cooperation in Asia and the Pacific etc.
3. **Examine the potential of the Fourth Industrial Revolution.**
4. Together with the Minister of Public Enterprises, **address and focus investments on public infrastructure**: using legislation to eliminate project delays and inadequate maintenance.
5. **Ensure good financial governance.**



FINANCIAL
AND FISCAL
COMMISSION

THANK YOU