Budgetary Review and Recommendation Report of the Portfolio Committee on Employment and Labour, dated 26 November 2021

The Portfolio Committee on Employment and Labour, having considered the performance of the Department of Employment and Labour and its entities (excluding Unemployment Insurance Fund and the Compensation Fund) in a meeting held on 17 November 2021, reports as follows:

1. INTRODUCTION

The Budgetary Review and Recommendation Report of the Portfolio Committee on Employment and Labour has been compiled in compliance with the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009. This report provides an assessment of the Department of Employment and Labour (DEL) and its entities' service delivery performance given available resources; effectiveness and efficiency of the use and forward allocation of available resources; and recommendations on the forward use of resources.

1.1. The mandate of the Committee

All parliamentary committees have a mandate to legislate, conduct oversight over the executive and facilitate public participation.

As such, the mandate of the Portfolio Committee on Employment and Labour (the Committee) is governed by the strategy of Parliament and the Constitution. The Committee is charged with the responsibility of holding the executive and related entities accountable through oversight of objectives of its programmes; scrutinising its budget and expenditure; and recommending through Parliament, what actions the Department should take in order to attain its strategic goals and contribute to service delivery.

The National Assembly, through its committees, is required by section 5 of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009, to annually assess the performance of each national department and submit Budgetary Review and Recommendation Reports (BRRR) for tabling in the National Assembly. These reports should be submitted to the Minister of Finance and the relevant Ministers.

1.2. The mandate of the Department of Employment and Labour

The Constitutional mandate of the Department is derived from the following sections of the Constitution:

- Section 9, to ensure equal access to opportunities.
- Section 10, promotion of labour standards and fundamental rights at work.
- Section 18, Freedom of association.
- Section 23, To ensure sound labour relations.
- Section 24, To ensure an environment that is not harmful to the health and wellbeing of those in the workplace.
- Section 27, To provide adequate social security nets to protect vulnerable workers.
- Section 28, To ensure that children are protected from exploitative labour practices and not required or permitted to perform work or services that are inappropriate for a person of that child's age or their well-being, education, physical or mental health or spiritual, moral or social development is placed at risk.
- Section 34, Access to courts and access to fair and speedy labour justice.

The policy mandate of the Department is to regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at:

- Improving economic efficiency and productivity;
- Creation of decent employment;
- Promoting labour standards and fundamental rights at work;
- Providing adequate social security nets to protect vulnerable workers;

- Promoting sound labour relations;
- Eliminating inequality and discrimination in the workplace;
- Enhancing occupational health and safety awareness and compliance in the workplace; and
- Giving value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises which is balanced with the promotion of decent employment.

1.3. Purpose of the BRRR

The Money Bills Amendment Procedure and Related Matters Act sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October/November of each year, portfolio committees must compile BRR Reports that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations of forward use of resources. The reports are also source documents for Standing/ Select Committees on Appropriations/ Finance when they make recommendations to the House of Parliament on the Medium Term Budget Policy Statements (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.4. Method

In reviewing the work of the labour portfolio (Department and its entities) for the 2020/21 financial year, the Committee placed emphasis on the following:

- Overall performance in lieu of allocated budget as reflected in the annual reports of the portfolio;
- Presentations by the labour portfolio to the Committee on their annual reports;
- Report of the Auditor-General on the labour portfolio; and
- Responses of the Department to the BRR report of 2019.

The source documents used by the Committee are: Presentations by the labour portfolio during the course of the year; annual reports of the Department and entities; and the Expenditure Report of the National Treasury.

1.5. Outline of the contents of the Report

The content of the Report is as follows:

- Overview of the key relevant policy focus areas;
- Summary of previous key financial and performance recommendations of the Committee;
- Overview and assessment of financial performance of the Department of Labour;
- Report of the Auditor-General;
- Financial Performance for the first quarter of the 2021/22 financial year;
- Overview and assessment of service delivery performance for 2020/21 financial year;
- Overview of Performance of Entities of the Department of Labour;
- Committee Observations;
- Committee Recommendations; and
- Appreciation.

The sections below expatiate on the content outlined above.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS (2020/21)

In his State of the Nation Address of 2019, President Ramaphosa pointed out that the National Development Plan was adopted in 2012 to guide the national effort to defeat poverty, unemployment and inequality. The President identified seven priority areas for the new administration, which included Economic transformation and job creation. Furthermore, the President committed to making progress in tackling poverty, inequality and unemployment within 10 years, where two million more young people would be employed. In 2019 the government departments were reconfigured and the

Department of Labour became the Department of Employment and Labour. This change meant that the Department would coordinate all government efforts to create jobs and reduce unemployment and would be required to change its approach from mere compliance enforcement to facilitating job creation. Hence, the focus of this overview is on employment and unemployment statistics as published by Statistics South Africa. The review period is between April 2020 to March 2021.

The Quarterly Labour Force Survey (QLFS), which is a household-based sample survey conducted by Statistics South Africa, reported the unemployment rate to be 23.3% between April and June 2020. This reflects a quarter-to-quarter decrease of 6.8% from the 30.1% reported in the previous quarter.

Compared to the second quarter of 2019, unemployment rate decreased by 5.7% from the 29.0% reported in June 2019. This was reported to be the lowest unemployment rate recorded since the start of the QLFS in 2008. The number of unemployed persons decreased by 2.8 million or 39.2% from 7.1 million in quarter one to 4.3 million in quarter two of 2020.

Compared to the second quarter of 2019, the number of unemployed persons decreased by 2.4 million or 35.5% from 6.7 million to 4.3 million in the second quarter of 2020.

The number of employed persons decreased by 2.2 million or 13.6% from 16.3 million in quarter one to 14.1 million in quarter two of 2020. This unprecedented change was reported to be the largest quarter one to quarter two decline since the QLFS began in 2008. Compared to the second quarter of 2019, the number of employed persons decreased by 2.16 million or 13.3% from 16.3 million to 14.1 million in the second quarter of 2020.

The largest employment decreases from quarter one to quarter two were observed in the formal sector (1.2 million), followed by the informal sector (640 000), private household (311 000) and the agricultural sector (66 000).

The Community and Social Services industry recorded the highest number of job losses at 515 000 or 13.7% from 3.3 million in quarter one to 3.2 million in quarter two of 2020. Compared to the second quarter of 2019, this industry lost 379 000 or 10.4% jobs from 3.6 million in quarter two of 2019 to 3.2 million in quarter two of 2020. This was followed by the Trade industry, which lost 373 000 or 11.2% jobs from 3.3 million in quarter one to 2.9 million in quarter two of 2020. Compared to the second quarter of the previous year this industry lost 482 000 or 14.1 % jobs from 3.4 million in the second quarter of 2019 to 2.9 million in the second quarter of 2020.

It is worth noting that the second quarter survey was the first survey report since the announcement of the national lockdown, which brought about a shutdown of the economy to prevent the spread of Covid-19. The QLFS reported that there were 8.0 million persons who were expected to work by their companies and actually did some work during the second quarter national lockdown. The majority of the work was done in the Community and Social Services, Trade and Finance industries. There were 173 000 employed persons who were expected to work during the lockdown but could not do any work during the period. About 76.3% of these people cited the national lockdown as the main reason for not actually working. Of those who worked during the national lockdown, the majority worked from their usual places of work, while 17.0% indicated that they worked from home.

The QLFS of January to March 2021 (Q1: 2021) reflected the unemployment rate to be 32.6%, which reflected a quarter-to-quarter increase of 0.1% or a year-on-year increase of 2.5%. The number of employed persons decreased from 15.0 million in the previous quarter to 14.9 million, reflecting a decrease by 28 000 or 0.2%. The year-on-year change amounted to 1.4 million or 8.5% job losses. Job losses were highest in the Private Households sector at 70 000 or 5.8% compared to the previous quarter and 189 000 or 14.4% compared to the previous year. This was followed by informal sector, which lost 19 000 or 0.8% compared to the previous quarter and 419 000 or 14.3% jobs compared to the previous year. It was only the Formal Sector which registered an increase in the number of jobs at 79 000 or 0.8% compared to the previous quarter. The number of unemployed persons increased by 8 000 or 0.1% compared to the previous quarter and by 172 000 or 2.4% compared to the previous year.

The industries that lost the largest number of jobs compared to the previous quarter were the Construction and Trade at 87 000 and 84 000 respectively. Compared to the previous year the

Construction and Trade industries lost 265 000 and 431 000 jobs respectively. The Finance industry gained 215 000 jobs compared to the previous quarter and 10 000 compared to the previous financial year. Utilities and Community and social services industries gained 16 000 jobs compared to the previous quarter. The Community and social services and the Utilities industries lost 192 000 and 1000 jobs respectively, compared to the previous financial year.

3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

3.1. 2020 BRRR recommendations and responses of the Department

In the BRRR of the previous financial year, after considering the presentation of the labour portfolio on their annual reports and inputs from the Auditor-General, the Committee made recommendations to the Minister of Employment and Labour. Below are recommendations made by the Committee and the responses of the Department are captured in italics.

Having considered the presentations of the Department and its entities on their annual reports, the Committee recommended that the Minister of Employment and Labour takes steps to ensure that:

3.1.1. Department of Employment and Labour

3.1.1.1 Lack of accurate and complete records to support reported achievements of all four indicators relating to Inspection and Enforcement Services programme is addressed.

- *The Branch put together and implemented an Audit Action Plan (2019/20) which is available on request. As a result, the Branch was able to improve the audit opinion from a disclaimer to a qualification.*

3.1.1.2. Disciplinary steps are taken against officials who incurred irregular expenditure; and fruitless and wasteful expenditure as required by the PFMA.

- *Investigations are conducted by the Employee Relations Unit on all cases referred and this is an on-going process.*

3.1.1.3. A clear plan is developed to deal with the internal control deficiencies identified by the Auditor General.

- *There is an Internal Audit Action Plan on issues that were raised by the AGSA in the management letter. The Audit Action Plan was implemented to improve control deficiencies.*

3.1.2 Supported Employment Enterprises

3.1.2.1. Engagement with National Treasury to afford preferential procurement status by government departments and state owned entities to Supported Employment Enterprises is concluded without delay.

- *Engagements with the National Treasury on preferential procurement are ongoing.*

3.1.2.2. Follow up with National Treasury regarding the process of developing a preferential framework for government entities is made to ensure finalisation of this matter.

- *Instruments that could serve as the basis for the realisation of a regime, where there could be preferential procurement framework for government entities are being explored.*

3.1.2.3. SEE is supported in its move to diversify its product range to meet the requirements of the private sector and members of the public. This includes production of access stocks on fast selling products to avoid high prices in the procurement of raw materials and delivery delays lead time to customers.

- *The issue of diversification in the SEE is being looked in conjunction with a number of other important aspects, such as growing market base, available resources, solidification of the capacity, etc.*

3.1.3. NEDLAC

3.1.3.1. The government task team that was established to review NEDLAC structures should table its report for consideration without further delay.

- *No government task team was established. A Governance Task Team was established comprised of social partners. They have tabled progress reports to the Executive Council. These are available on request.*

3.1.3.2. Action plan is developed on how to address high expenditure on salaries and the plan must be presented to the Committee.

- *There is no high expenditure on salaries as far as the NEDLAC Secretariat is aware.*

3.1.4. Productivity SA

3.1.4.1. The funding challenges of Productivity SA are addressed to enable it to execute its mandate of, amongst others, assisting to turnaround companies in distress.

- *The funding challenges of Productivity SA were discussed in a meeting between the Board and the Minister on 9 March 2021. The DG was then directed to establish a task team, which should include a member of the Board of Productivity SA to deal with the entity's funding structure in line with section 12 of the Employment Services Act. The Task Team was established, had a meeting to consider the funding challenges and made recommendations to the DG. The recommendations include a single source funding for the entity in line with section 12 of the Act.*
  Furthermore, the Task Team recommended that, in the interim, funding for the Business Turnaround and Recovery Programme through the UIF should continue while a permanent solution is found.

3.1.4.2. The alternate funding mechanism that seeks to shift away from the current multisource funding structure must be finalised.

- *Not finalised. However, the Department committed to taking up the funding challenges faced by Productivity SA with National Treasury, with a view to finding a permanent solution, which include a single source funding for the entity in line with section 12 of the Act.*

3.1.5. Commission for Conciliation Mediation and Arbitration

3.1.5.1. The effects of budget cuts on service delivery by the CCMA such as charging of levy on services rendered to clients and stopping of walk-ins to access services is minimised to avert adverse impact on the vulnerable workers and employment of commissioners.

- *There are no levies charged by the CCMA on services except those allowed by law i.e., 188A and training. For all cases referred to the CCMA no levies are charged by the CCMA-on-CCMA clients.*
- *Due to the budgetary constraints as a result of the reduction in the grant allocation, the CCMA had to temporarily suspend the allocation of work to part time Commissioners effective 01 December 2020. This was implemented as a last resort after the CCMA explored all possible avenues in an attempt to remain within the allocated grant, inclusive of implementing drastic cost containment measures in order to curb any over-expenditure.*

- *The suspension has since been reviewed, with the reinstatement of part time Commissioners. Part time Commissioners are limited to ten (10) days in a month per Commissioner whilst full-time Commissioners are not limited*
- *The impact of Covid-19 and budget cuts further necessitated a call to limit walk-ins. The referrals are accepted through fax, post, email and online. Whilst cases are still heard in the CCMA premises, a number of cases are now heard online. The referral trend decreased substantially from 2019/2020 when the CCMA received 221 547 referrals to 154 143 in the 2020/2021 financial year when the Covid-19 pandemic and first national lockdown occurred. During the period 01 April 2021 – 31 October 2021 a total of 91 118 referrals were received.*
- *The CCMA currently has, for the period 01 March 2021 to 31 October 2021, a case carryover of 21% which is still below the 30% as a maximum percentage, this does however not necessarily translate to a backlog although it is higher than in previous years before the Covid-19 pandemic. The case carryover was 16% in October 2018, 17% in October 2019 and 21% in 2020.*

3.1.5.2. The preventive controls that have been put in place to prevent irregular expenditure by addressing the root causes are implemented.

- *The Supply Chain Management Policy and Standard Operating procedure were reviewed and updated to address the internal control weakness identified and ensure functions are correctly assigned.*
- *Communicated the updated policy and Standard Operating procedure to all staff.*
- *Staff awareness sessions were held with key role players to inform staff of the changes in the policy and standard operating procedure.*
- *A directive was issued to all staff communicating the zero-tolerance of non-compliance that results in Irregular expenditure.*
- *Review of all bids above R3 million by Internal Audit prior to awarding the bid.*
- *Consideration and approval of all bids above R3 million by the Procurement Committee (sub-committee of the Governing Body).*
- *Consequence management is implemented on all recommendations made by the Loss and Control Committee. In addition, the application is made to the National Treasury for all cases concluded to consider and approve condonation.*

4. Committee Report on Budget Vote 28: Labour 2020

The Committee was generally satisfied with the budget plans of the labour portfolio. However, the Committee made the following recommendations:

4.1. Department of Employment and Labour

4.1.1. The Department must continue to step up its initiatives and programmes that support an enabling environment for job creation, especially given the impact of the pandemic on the labour market.

4.1.2. The Department and entities must prioritise the implementation and enforcement of consequence management.

4.1.3. The Department must improve its efforts on inspection and enforcement to ensure adherence to all labour laws, especially during a pandemic.

4.1.4. The Department should continue to monitor compliance to the Covid-19 Directives of levels as issued.

4.1.5. The Department set a new target of Gender responsive recruitment target of 45 per cent of Senior Managers Services (SMS) positions occupied by Women must have a clear timeline to ensure transformation is achieved.

4.2. Entities

4.2.1. Supported Employment Services (SEE)

4.2.1.1. Inability to generate work opportunities remains a challenge, thus the entity must provide a detailed action plan on how it plans to improve this and report the progress to the Committee on quarterly basis.

4.2.1.2. The entity must provide the Committee with its detailed marketing strategy.

4.2.1.3. The Department must work with National Treasury to ensure that SEE receive preferential treatment from the State.

4.2.2. Unemployment Insurance Fund (UIF)

4.2.2.1. The entity must ensure speedy finalisation of simple cases of fraud and report progress on complex cases to the Committee on quarterly basis.

4.2.2.2. Provide an action plan on how it plans to create 5000 jobs through UIF funding and investment initiatives and report to the Committee on quarterly basis.

4.2.2.3. The UIF must improve its administration across the board and must report to the Committee on a regular basis.

4.2.3. Productivity SA (PSA)

4.2.3.1. The entity must ensure workers understand the need to be productive, thus achieve high productive levels.

4.2.3.2. The entity must be appointed to assist the Compensation Fund to improve its productivity levels.

4.2.3.3. Productivity champions must be more visible across provinces.

4.2.3.4. Productivity SA must provide a list of small businesses assisted by the entity and details on how it helps small business improve productivity.

4.2.4. NEDLAC

4.2.4.1. Additional funding must be made available to the NEDLAC to enable it to fully implement its statutory obligations.

4.2.4.2. Given the changing roles, the entity must ensure that it has the required capacity amongst staff due to the increased need of facilitation and leadership.

4.2.4.3. NEDLAC must ensure that agreements with stakeholders are enforced.

4.2.4.4. NEDLAC must provide feedback on the reviewed entity statues.

4.2.4.5. NEDLAC must ensure effective and efficient engagement with stakeholders to ensure pressure on the CCMA is reduced.

4.2.5. CCMA

4.2.5.1. Additional funding must be made available to the CCMA to enable it to fully implement its statutory obligations.

4.2.5.2. In advancing the digitalisation of the CCMA, the entity must ensure that it does not exclude the most vulnerable from accessing assistance. Thus it must develop clear strategy on how it plans to ensure that non tech-savvy individuals can still access the entity.

4.2.5.3. CCMA services have to be decentralised to labour centres.

4.2.6. Compensation Fund (CF)

4.2.6.1. The Compensation Fund (CF) must provide a detailed financial plan on how it plans to deal with financial implication of the amended COIDA bill.

4.2.6.2. The Fund must ensure that systems support is available and that staff is adequately trained for the new system.

4.2.6.3. The Fund must improve communication with the users of the systems of the entity and must address complaints better to ensure improved stakeholder relationship.

4.2.6.4. The Fund must provide an action plan on how it plans to address the Mahlangu v Ministry of Labour Constitution judgement, to give effect to the retrospective payments from 27 April 1994 to date.
4.2.6.5. The Fund must improve audit outcomes for 2021/22 financial period.
4.2.6.6. The Fund must provide the number of black asset managers that are given an opportunity by the Fund.
4.2.6.7. The Fund must provide progress on the Action Plan on quarterly basis.

5. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE OF THE DEPARTMENT OF LABOUR

5.1. Overview of Vote allocation and spending for 2020/2021

The activities of the Department of Employment and Labour are structured into four programmes, namely Administration; Inspection and Enforcement Services; Public Employment Services; and Labour Policy and Industrial Relations. Table 1 below reflects the allocation and expenditure per programme in 2020/21 financial year.

Table 1: Revenue and Expenditure for 2020/21 financial year

PROGRAMMES		2020/21			
		FINAL APPROPRIATION	**ACTUAL EXPENDITURE**	**OVER/ UNDER EXPENDITURE**	**EXPENDITURE**
		R'000	*R'000*	*R'000*	*%*
1.	**ADMINISTRATION**	926 814	854 004	72 810	92.1%
2.	**INSPECTION AND ENFORCEMENT SERVICES**	588 449	499 431	89 018	84.9%
3.	**PUBLIC EMPLOYMENT SERVICES**	613 664	598 398	15 266	97.5%
4.	**LABOUR POLICY AND INDISTRIAL RELATIONS**	1 170 378	1 151 257	19 121	98.4%
TOTAL		**3 299 305**	**3 103 090**	**196 215**	**94.1%**

Source: Annual Report 2020/21 (Department of Labour)

Table 1, reflects that the final appropriation for the Department of Employment and Labour amounted to R3.3 billion in 2020/21 financial year. The Department spent R3.1 billion or 94.1% of the final appropriation, resulting in under-expenditure of R196.2 million. The larger portion of the final appropriation was allocated to the Labour Policy and Industrial Relations programme at R1.2 billion, followed by the Administration programme at R926.8 million. The Inspection and Enforcement Services programme received R588.5 million and Public Employment Services programme received R613.7 million.

5.2. Expenditure per programme of DEL in 2020/21

5.2.1. Administration

The purpose of the Administration programme is to provide management, strategic and administrative support services to the Ministry and the Department, with a goal of building institutional capacity. To carry out this objective the activities of the programme are structured into five sub-programmes, namely: Ministry; Management; Corporate Services; Office of the Chief Financial Officer; and Office Administration.

The total allocation for the programme amounted to R926.8 million, which is approximately 28% of the final appropriation to the Department. The programme spent R854.0 million or 92.1% of the allocation resulting to under-expenditure of R72.8 million.

Underspending on Compensation of Employees was mainly as a result of unfilled vacancies (recruitment and selection processes put on hold due to Covid-19 restrictions.); and non-payment of performance bonuses and pay progression.

Underspending on Goods and Services was reported to be as a result of travelling, accommodation and foreign travel being put on hold due to Covid-19 restrictions and attendance at workshops drastically reduced.

Reduced Capital Expenditure resulted from delays in capital projects and procurement of ICT equipment.

5.2.2 Inspection and Enforcement Services (IES)

The purpose of this programme is to realise decent work by regulating non-employment and employment conditions through inspection and enforcement, to achieve compliance with all labour market policies.

IES programme comprise the following sub-programmes: Management and Support Services; Occupational Health and Safety; Registration; Compliance, Monitoring and Enforcement; Training of Staff; and Statutory and Advocacy Services.

The final appropriation for this programme amounted to R588.4 million. The programme spent R499.4 million or 84.9% of the programme allocation, resulting in under-expenditure of R89.0 million.

Underspending on Compensation of Employees was mainly as a result of unfilled vacancies (recruitment and selection processes put on hold due to Covid-19 restrictions), non-payment of performance bonuses and pay progression.

Underspending on Goods and Services was as a result of travelling and accommodation being put on hold due to Covid-19 restrictions and attendance at workshops drastically reduced.

Reduction in Capital Expenditure resulted from delays in procurement of ICT equipment.

5.2.3. Public Employment Services (PES)

The purpose of the PES programme is to provide assistance to companies and workers to adjust to changing labour market conditions, and to regulate private employment agencies.

This programme comprise the following sub-programmes: Management and Support Services: PES; Employer Services; Work-Seeker Services; Designated Groups Special Services; Supported Employment Enterprises; Productivity South Africa; Unemployment Insurance Fund; Compensation Fund; and Training of Staff: PES.

The final appropriation for this programme was R613.7 million and it spent R598.4 million or 97.5% of its allocation, resulting to a variance of R15.3 million.

Major reasons for variance per main division are similar to the above two programmes.

5.2.4. Labour Policy and Industrial Relations (LP&IR)

The purpose of the LP&IR programme is to facilitate the establishment of an equitable and sound labour relations environment; support institutions of social dialogue and promote South Africa's interests in international labour matters; conduct research, analysis and evaluate labour policy; and provide statistical data on the labour market.

The LP&IR programme comprise the following sub-programmes: Management and Support Services: LP&IR; Strengthen 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 LP&IR programme was allocated R1.2 billion or 35.5% of the entire budget of the Department, which is the largest programme allocation. It spent R1.15 billion or 98.4%, resulting in under-expenditure of R19.1 million.

The major reasons for underspending are similar to the other programmes of the Department.

5.3. Expenditure by Economic Classification

The Department reported its expenditure by Economic Classification as follows:

Table 2: Expenditure of the Department by Economic Classification

ECONOMIC CLASSIFICATION	**FINAL APPROPRIATION 2020/21 R'000**	**ACTUAL EXPENDOITURE 2020/21 R'000**	**VARIANCE (Over)/ Under 2020/21 R'000**	**EXPENDITURE AS % OF FINAL APPROPRIATION %**
CURRENT PAYMENTS	**1 906 874**	**1 738 839**	**168 035**	**91.2%**
Compensation of employees	1 351 527	1 224 273	127 254	90,6%
Good and services	555 347	514 566	40 781	92,7%
TRANSFERS AND SUBSIDIES	**1 314 791**	**1 305 221**	**9 570**	**99,3%**
PAYMENT FOR CAPITAL ASSETS	**77 571**	**58 961**	**18 610**	**100,0%**
PAYMENT FOR FINANCIAL ASSETS	**69**	**69**	**-**	**100.0%**
TOTAL	**3 299 305**	**3 103 090**	**196 215**	**94,1%**

Source: Annual Report 2020/21 (Department of Labour)

Table 2 reflects expenditure of the Department by Economic Classification. Current Payments received R2.0 billion or 57.8% of the total budget of the Department, which is the largest share. A total of R1.7 billion or 91.2% of the Current Payments budget was spent by the end of the financial year resulting to a variance of R168 million.

Compensation of Employees received R1.351 billion or 70.9% of the Current Payments budget. Of that amount R1.224 billion or 90.6% was spent by the end of the financial year, resulting to a variance of R127.3 million. Goods and Services was appropriated R555.3 million or 29.1% of the Current Payments budget. Of that amount R514.6 million or 92.7% was spent by the end of the financial year resulting in a variance of R40.8 million.

Transfers and Subsidies was allocated R1.314 billion and R1.305 billion or 99.3% was spent by the end of the financial year resulting to a variance of R9.6 million.

Payments for Capital Assets was appropriated R77.6 million and R58.9 million or 76.0% was spent by the end of the financial year resulting to a variance of R18.6 million.

Payments for Financial Assets was appropriated R69 000 and 100% of the allocated amount was spent by the end of the financial year.

6. REPORT OF THE AUDITOR-GENERAL

The overall outcomes in the portfolio have remained stagnant, with most auditees receiving an unqualified audit opinion with findings.

The Department of Employment and Labour (DEL), CCMA and NEDLAC received unqualified audit opinions with findings in the 2020/21 financial year. This is a similar finding as in the 2019/20 financial year.

The Supported Employment Enterprises (SEE) received a qualified audit opinion with findings in the 2020/21 financial year. It received a similar finding in the 2019/20 financial year.

The DEL, SEE and CCMA submitted financial statements that contained material misstatements. The material misstatements identified are mainly due to inadequate review of financial statements by management. Furthermore, the SEE did not ensure that they adequately assess compliance with the accounting framework when reporting financial information. NEDLAC submitted financial statements that did not contain material misstatements.

SEE and NEDLAC submitted annual performance reports that were free from material misstatements.

DEL had material uncorrected misstatements on the annual performance report due to invalid achievements being reported. The misstatements were as a result of manual registers being used by the Department in provinces and inadequate review controls which could not prevent or detect the misstatements. Due to the magnitude of the errors in the reported achievements, management could not correct the misstatements.

CCMA corrected all material misstatements identified during the audit, consequently, no material findings were reported in the audit report.

Irregular expenditure incurred by the Department and entities in the portfolio increased from R28 million in 2019/20 to R55 million in 2020/21. The highest contributors to irregular expenditure in the portfolio related mainly to the non-adherence to SCM prescripts and the effective monitoring thereof:

- IT related contracts were extended without approval by the appropriate authority at the DEL (R27 million).
- R11.3 million relates to expenditure incurred on ongoing multi-year contracts at CCMA.
- At SEE, R4.6 million was identified in respect of prior years’ contracts where SCM processes were not followed and R1.2 million related to local content guidelines not followed.
- Advertising was not in line with the National Treasury guidelines at NEDLAC (R3.7 million).

Fruitless and wasteful expenditure incurred by the Department and entities in the portfolio decreased from R3 million in 2019/20 to R2 million in 2020/21. A total of R700 000 was incurred by the Department on the de-scoping of IT related projects for EE in respect of the SAP Hana project. Adequate planning should have been performed to properly asses SEE’s ability to fund the project. A total of R900 000 of the fruitless and wasteful expenditure incurred by SEE mainly related to losses in respect of assets and inventories written off due to lack of adequate controls over assets.

6.1. Statement of Financial Performance for the year ended 31 March 2021

The total revenue of the Department decreased from R3.45 billion in 2019/20 to R3.31 billion in 2020/21 financial year. The annual appropriation decreased from R3.43 billion to R3.30 billion and the departmental revenue decreased from R12.37 million to R9.18 million between 2019/20 to 2020/21 financial year.

Total expenditure decreased from R3.22 billion in 2019/20 to R3.10 billion in 2020/21 financial year, which was comprised as follows:

- Total current expenditure decreased from R1.83 billion in 2019/20 to R1.74 billion in 2020/21 financial year.

  - Compensation of employees decreased from R1.25 billion in 2019/20 to R1.22 billion in 2020/21.
  - Goods and services deceased from R580 million in 2019/20 in 2019/20 to R514 million in 2020/21.
- Transfers and subsidies decreased from R1.34 billion in 2019/20 to R1.31 billion in 2020/21.
- Total expenditure for capital assets increased from R43.15 million in 2019/20 to R59.00 million in 2020/21.
- Payments for financial assets decreased from R1.12 million in 2019/20 to R69,000 in 2020/21

The surplus of the Department decreased from to R229.69 million in 2019/20 to R205.40 million in 2020/21 financial year.

6.2. Statement of Financial Position for the year ended 31 March 2019

The total assets of the Department increased from R356.22 million in 2019/20 to R638.57 million in 2020/21 financial year, which comprised:

- Current assets increased from R346.70 million in 2019/20 to R534.03 million in 2020/21.
- Non-current assets increased from R9.51 million in 2019/20 to R104.54 million in 2020/21.

Total liabilities increased from R346.11 million in 2019/20 to R627.39 million in 2020/21 financial year.

Net assets of the Department increased from R10.12 million in 2019/20 to R11.18 million in 2020/21 financial year.

7. FINANCIAL PERFORMANCE FOR Q1 OF 2020/21 FINANCIAL YEAR

7.1 Expenditure analysis

By the end of June 2021, the Department of Employment and Labour’s preliminary spending amounted to R759.7 million or 21.7% of the total budget of R3.5 billion for the year. The Department recorded low spending against projections for Q1 by R123.8 million or 14.0%. The low spending compared to projections is largely under Compensation of Employees and Goods and Services mainly in Administration, Inspection and Enforcement Services and Labour Policy and Industrial Relations programmes.

7.2. Expenditure per programme

7.2.1. Administration

Low spending by this programme amounts to R80.2 million or 31.9% mainly under Compensation of Employees due to vacant finance, supply chain, and management posts at provincial offices and labour centres and IT posts at Head Office. The low spending on Goods and Services is mainly as a result of delayed invoicing by the DPW&I. The higher payments under Transfers and Subsidies is due to the payment of social benefits for unseen resignations and deaths. The low spending on payments for capital assets is due to delays in the delivery of laptops which has been rescheduled to September 2021 due to Covid-19 restrictions.

7.2.2. Inspection and Enforcement Services (IES)

Spending by this programme was lower than projected for Q1 by R18.7 million or 12.3%. The largest item of low spending by this programme is on Compensation of Employees due to vacant funded posts which are in the process of being filled. The low spending on Goods and Services is attributed to the Covid-19 restrictions which reduced spending on travel and accommodation, fleet services and venues and facilities.

7.2.3. Public Employment Services (PES)

Spending by the programme was lower than projected for Q1 by R8.4 million or 5.5% mainly under Goods and Services and Payments for Capital Assets. Slow spending on Goods and Services was due to delays with projects and travel as a result of Covis-19 restrictions. Delays in the delivery of laptops resulted in lower spending on Payment for Capital Assets than originally projected.

7.2.4. Labour Policy and Industrial Relations (LP&IR)

Slow spending in Q1 by R16.6 million or 5% is mainly under Transfers and Subsidies to non-profit institutions and Goods and Services. Lower spending on Goods and Services is attributed to delays in Strengthening Civil Society projects which resulted in no travel due to Covid-19 restrictions and delayed invoicing by GCIS for the marketing of the National Minimum Wage and the Impimpa Hotline. In addition, meetings have been conducted virtually which resulted in less spending on travel and subsistence. The low spending on transfers to non-profit institutions is due to delays in receiving the original contracts from Strengthening Civil Society beneficiaries that resulted in funds that were supposed to have been disbursed in June that will only be processed on July/ August.

7.3. Personnel

Expenditure on Compensation of Employees during the first quarter was R308.2 million or 22.4% of the available budget of R1.4 billion, against the projected spending of R343.0 million resulting in underspending of R34.7 million or 10.1%. The headcount target for 2021/22 as per the 2021 Estimates of National Expenditure is 3 414 with only 3 057 posts filled by the end of Q1. The slow spending and lower headcount is mainly due to delays in the filling of vacant posts, mainly in programme 1,2, and 4.

7.4. COVID-19 spending

Preliminary spending on Covid-19 for Q1 amounted to R200,000 mainly by Administration programme for personal protective equipment, decontamination and deep cleaning of the buildings occupied and sanitisers. Spending was made against the items consumable supplies and property payments for the cleaning and decontamination of offices in line with Treasury Circular No 30 on the classification of Covid-19 related expenditure.

7.5. Issues for the Committee to note

No issues were identified for noting by the Committee.

8. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE FOR 2020/21 FINANCIAL YEAR

The annual service delivery performance per programme of the Department is outlined below.

8.1. Performance of the Department per programme

The Department reported its service delivery performance per programme as follows:

Table 3: Performance of the Department per programme

Programme	Annual Planned Indicator	Achieved	Overall Achievement %
1. Administration	8	2	25%
2. Inspections and Enforcement Services	4	2	50%
3. Public Employment Services	6	5	83%

4. Labour Policy and Industrial Relations	11	10	90%
Overall Performance	**29**	**19**	**66%**

Source: Presentation by the Department to the PC on Employment Labour on 17 November 2021

The Department achieved 19 of its 29 annual planned indicators, translating to an overall achievement of 66%.

The Administration programme achieved two of its eight planned indicators, which translates to an overall achievement of 25%. This programme achieved 92% ICT systems availability during the year, against the target of 90%. The programme also achieved the target of compiling one annual financial statement and three interim financial statements in compliance with the guidelines issued by National Treasury.

IES programme achieved two of its four planned indicators, which translates to 50% overall achievement. This programme served 99% (34 918 of 35 097) of non-compliant employers with notices within 14 calendar days of the inspection against the target of 90%. The programme referred 75% (2 910 of 3 882) of non-compliant employers received by Statutory Services for prosecution against the target of 50%

PES programme achieved five of its six planned indicators, which translates to an overall achievement of 83%. This programme registered 938 505 work-seekers on Employment Services South Africa (ESSA) against the target of 750 000 during the year under review. The programme registered 83 782 employment opportunities on ESSA against the target of 50 000. A total of 246 454 registered work-seekers were provided with employment counselling during the year under review against the target of 220 000. A total of 37 193 employment opportunities were filled by registered work-seekers against the target of 15 000. The programme achieved the target of concluding 15 partnership agreements during 2020/21 financial year.

LP&IR programme achieved 10 of its 11 planned indicators, translating to an overall achievement of 90%. This programme produced one labour market trend report against a target four. This was the only target that was not achieved by this programme. The following targets were achieved:

- Employment Equity Amendment Bill was tabled in Parliament through publication of the Bill in Government Gazette dated 20 July 2020.
- 2019/20 Annual Employment Equity Report published on 19 August 2020 and Public Register published in Government Gazette dated 17 July 2020.
- 2020/21 Annual EE Report and Public Register developed on 29 March 2021 and 17 March 2021 respectively.
- Income differential data collection tool (EEA4 form) was developed and implemented.
- Draft Code of Good Practice on the Prevention and Elimination of violence and harassment in the world of work was developed on 24 June 2020 and published for public comment on 20 August 2020.
- The National Minimum Wage level was reviewed and amended on the 1 March 2021 on Government Gazette number 44136 which was published on the 8 February 2021.
- 31 collective agreements were received within the financial year. All 100% (31) collective agreements were assessed and verified within 180 working days of receipt.
- All applications for registration by labour organisations were approved or refused within 90 working days of receipt.
- One annual implementation report was submitted to the Minister for sign-off by 30 April 2020 and one mid-term implementation report was submitted to the Minister by 31 October 2020 for sign-off.
- Research service provider recommended to DBAC and the draft literature review was submitted.

9. OVERVIEW OF PERFORMANCE OF ENTITIES OF THE DEL: 2018/19

9.1. Supported Employment Enterprises (SEE)

SEE is a business entity of the Department of Employment and Labour and it resides under the Public Employment Services programme.

The SEEs were established in 1943 to provide employment for people with mental and physical disabilities that prevented them from entering the open labour market, due to their afflictions. The factories provide employment to people with disabilities of all races. Initially SEE recruited personnel from the military and the police that were referred by psychiatrists and other specialists. The company is now recruiting mainly from special schools. As a result, the establishment of the SEE is becoming more reflective of the demographics of the country. There are able bodied personnel seconded by DEL to SEE.

The factories have operated without an enabling legislation since inception, except for a Cabinet Memorandum, first compiled in 1943. The Employment Services Act 4 of 2014 formally established the Supported Employment Enterprises.

There are currently 13 factories across the country in seven of the nine provinces. Income from the factories is generated from the sales of manufactured goods that include furniture, hospital linen, protective clothing, garments, upholstery, screen printing and recently PPEs.

9.1.1. SEE Performance against indicators

SEE reported its performance per Strategic Objective as follows:

Table 4: SEE Performance per Strategic Objective

PROGRAMME PERFORMANCE INDICATOR	ANNUAL PLANNED TARGET	ACTUAL PERFORMANCE	REASON FOR VARINCE	REMEDIAL ACTION
1.Number of additional persons with disabilities employed in the SEE by the end of March 2021	25	25	None	N/A
2. Percentage annual increase of sales revenue from goods and services by end of March 2021	5%	-67%	Insufficient orders received from government departments due to reprioritization of expenditure areas as a result of Covid-19.	Implement aggressive marketing strategy.
3. Number of customer agreements entered into annually.	3	2	Insufficient commitment by Provincial parties to conclude agreements during Covid-19 uncertain times after the decentralisation of procurement from national to provincial departments.	Undertake roadshows to visit provincial districts of health and education to persuade participation into the national MoUs.

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

Table 4 above reflects that SEE met its target of providing 25 additional persons with disabilities with employment opportunities.

However, the SEE did not meet the target of increasing the sales revenue from goods and services by 5% by the end of March 2021. The actual sales decreased from R128.1 million to R41.9 million, which reflects a decline of 67%. The decline in sales revenue was attributed to insufficient orders received from government departments due to reprioritisation of expenditure areas as a result of Covid-19. SEE plans to implement aggressive marketing strategy to remedy the situation.

The SEE entered into two customer agreements by the end of March 2021 against the target of three. Underperformance on this target was attributed to insufficient commitment by provincial parties to conclude agreements during Covid-19 uncertain times after the decentralisation of procurement from national to provincial departments.

9.1.2. Financial Performance of SEE in 2020/21

9.1.2.1. SEE Revenue for 2020/21 financial year

Table 5: SEE Revenue for 2020/21 financial year

REVENUE	BUDGET	ACTUAL AMOUNTED COLLECTED	(OVER) UNDER COLLECTION
Sale of goods and services other than capital assets	207 804 867	42 012 761	165 792 106
Transfers received and conditional grants	153 049 000	175 412 648	(22 363 648)
Interest, dividends and rent on land	15 742 304	1 010 269	14 732 035
TOTAL	**376 596 171**	**218 435 678**	**158 160 493**

Source: Presentation to the PC on Employment and labour dated 17 November 2021

The SEE budgeted for R153.0 million from transfers and conditional grants revenue. However, it received R175.4 million from this source. It budgeted R207.8 million from sale of goods and services other than capital assets. However, it received R42.0 million from this source. The entity budgeted R15.7 million from interests, dividends and rent on land. However, it received R1.0 million from this source.

9.1.2.2. SEE Expenditure per programme

Table 6: SEE Expenditure per Programme in 2020/21

PROGRAMME	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	EXPENDITURE AS % OF BUDGET
Factory Salaries	130 887 012	19 438 174	111 448 839	14.9%
Admin Support Salaries	45 458 076	130 390 361	(84 932 285)	286.8%
Manufacturing Cost	170 975 893	48 603 996	122 371 897	28.4%
Operational Cost	29 375 190	13 487 111	15 888 079	45.9%
TOTAL	**376 696 171**	**211 919 642**	**164 776 530**	**56.3%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

SEE spent R211.9 million or 56.3% of the budgeted R367.7 million, resulting to under-expenditure of R164.8 million. Factory Salaries programme spent R19.4 million or 14.9% of the allocated R130.9 million resulting to under-expenditure of R111.4 million, which is the highest under-expenditure per programme.

Administration Support Salaries programme spent R130.4 million against the budget of R45.5 million, resulting to over expenditure of R130.4 million or 286.8%.

The entity spent R48.6 million on Manufacturing Costs or 28.4% of the allocated R170.9 million, resulting to under-expenditure of R122.4 million.

The Operational Costs programme spent R13.5 million or 45.9% of the allocated R29.4 million, resulting to under-expenditure of R15.9 million.

9.1.3. Audit Opinion 2020/21

The entity received a qualified audit opinion for 2020/21 annual financial statements.

Areas of repeat findings that resulted in basis for a qualified opinion were:

- Inventory
- Cost of sales
- Assets
- Services in kind

Areas of improvement from 2019/20 annual financial statements were:

- Cash flow statements
- Performance information

9.2. Productivity SA

9.2.1. Legislative mandate of the Productivity SA

Productivity SA is established in terms of section 31 of the Employment Services Act, No. 4 of 2014, as a juristic person, with the mandate to promote employment growth and productivity, thereby contributing to South Africa’s socio-economic development and competitiveness.

The Act enjoins Productivity SA to develop relevant productivity competencies and competitiveness in workplaces, with a focus on the following core functions:

- To promote employment and income growth, and workplace productivity;
- To improve the employment and reemployment prospects of employees facing retrenchments and those retrenched, which include schemes to provide for turnaround strategies, layoffs, retraining or alternative employment opportunities;
- To conduct research on productivity and competitiveness related matters, provide productivity improvement and competitiveness measures; and
- To promote social dialogue and a culture of productivity and competitiveness in the workplace and all spheres of the nation's economic and community life.

The value proposition of Productivity SA is to provide Productivity and Operational Efficiency Enhancement Solutions to improve the competitiveness and sustainability of enterprises throughout the business lifecycle to accelerate the creation of wealth and decent work.

9.2.2. Annual performance per Strategic Objective of the Productivity SA in 2020/21

Productivity SA Performance per Strategic Objective is reflected in the table below.

Table 7 Productivity SA performance per Strategic Objective

STRATEGIC OBJECTIVES		**ANNUAL PLANNED INDICATORS**	**ACHIEVED**	**OVERALL ACHIEVEMENT %**
1.	**Strengthen the institutional capacity of PSA to deliver on its mandate and be financially sustainable Strengthen the institutional capacity of PSA to deliver on its mandate and be financially sustainable**	3	3	100%
2.	**To support government programmes aimed at sustainable employment and income growth**	2	1	50%
3.	**To support enterprises facing economic distress and initiatives aimed at preventing job losses. To support enterprises facing economic distress and initiatives aimed at preventing job losses.**	3	0	0%
4.	**Generation and dissemination of productivity related research and statistics**	2	2	100%
5.	**To promote a culture of productivity and competitiveness in the workplace and community life**	2	2	100%
Overall Performance		**12**	**8**	**67%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

Table 7 above reflects that Productivity SA had achieved eight of the 12 planned indicators, which is an overall achievement of 67%. The entity achieved an overall performance of 100% in Strategic Objectives 1 (Strengthen the institutional capacity of PSA to deliver on its mandate and be financially sustainable), 4 (Generation and dissemination of productivity related research and statistics) and 5 (To promote a culture of productivity and competitiveness in the workplace and community life). The entity achieved an overall performance of 0% in Strategic objective 3 (To support enterprises facing economic distress and initiatives aimed at preventing job losses). Productivity SA achieved an overall performance of 50% in Strategic Objective 2 (To support government programmes aimed at sustainable employment and income growth).

9.2.3. Annual performance per programme of the Productivity SA in 2020/21

Productivity SA reported performance per programme as follows:

Table 8: Productivity SA performance per programme

PROGRAMME		**ANNUAL PLANNED INDICATORS**	**ACHIEVED**	**OVERALL ACHIEVEMENT %**
1.	**Administration-Corporate Services**	2	2	100%
1.	**Administration-Human Resource Management**	1	1	100%
1.	**Administration-Corporate Relations**	1	1	100%
2.	**Competitiveness Improvement Services**	3	2	67%
3.	**Business Turnaround and Recovery**	3	0	0%
4.	**Research, Innovation and Statistics**	2	2	100%
Overall Performance		**12**	**8**	**67%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

Table 8 reflects that the entity achieved eight of the 12 planned indicators, which is an overall performance of 67%. Productivity SA achieved 100% overall performance in most programmes except Programme 2 (Competitiveness Improvement Services) and Programme 3 (Business Turnaround and Recovery).

The entity capacitated 927 entrepreneurs to promote the culture of productivity and entrepreneurship against a target of 1878. This led to an overall achievement of 67% under programme 2. Productivity SA saved 3030 jobs in companies facing economic distress against a target of 8700. This led to an overall achievement of 0% under programme 3.

9.2.4. Productivity SA Challenges

- Underfunding – The current funding of R59 million and an organisational structure that has 79 filled posts out of 107 with a high vacancy rate (28 vacancies) particularly in the Strategic Business Units makes it difficult for Productivity SA to provide services and deliver on the mandate equitably in all nine provinces and to meet the large demand for the Enterprise Development and Support Programmes.

- This means that Productivity SA is operating at 72% capacity yet is expected to service the entire country with over 2.6 million SMEs, over 1.6 million of them operating in the informal economy.
- The impact of the Covid-19 pandemic has affected operations at various levels, including limited access to clients for Productivity Practitioners, and employees unable to access the premises resulting in remote work.
- The Business Turnaround and Recovery achievements were affected by the continued lockdown, entry barrier of minimum of 20 UIF contributors and potential clients not being in good standing with SARS and UIF due to recessionary economic conditions.
- The tight competition in the market with the widely available financial incentives made available during the pandemic.

9.2.5. Annual financial performance of Productivity SA as at 31 March 2021

Productivity SA reported its financial performance as follows:

Table 9: Productivity SA Financial Performance

DESCRIPTION	2021	2020	VARIANCE %
Revenue			
Revenue from exchange transactions	29 273 491	11 370 202	157%
Revenue from non-exchange transactions	79 871 418	77 000 997	4%
Total revenue	**109 144 909**	**88 371 199**	**24%**
Expenditure			
Employees related costs	(62 744 766)	(62 484 534)	0%
Depreciation and amortisation	(1 852 664)	(913 272)	-103%
Lease rentals and operating lease	(963)	(36 558)	97%
Travel and Accommodation	(5 398 278)	(5 660 974)	5%
Other Operational Expenditure	(14 074 081)	(18 440 167)	24%
Total Operational Expenditure	**(84 070 752)**	**(87 535 505)**	**4%**
Surplus/ (Deficit)	**25 074 157**	**835 694**	**2900%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

Table 9 reflects that the Productivity SA total revenue increased from R88.4 million in 2020 to R109.1 million in 2021. Total revenue from exchange transactions increased from R11.4 million in 2020 to R29.3 million in 2021. Total revenue from non-exchange transactions increased from R77.0 million in 2020 to R79.9 million in 2021.

The total operational expenditure decreased from R87.5 million in 2020 to R84.1 million in 2021. Employee related costs, which constitute the highest expenditure item, increased from R62.5 million in 2020 to R62.7 million in 2021.

The surplus of the entity increased from R853 694 in 2020 to R25 1 million in 2021.

9.3. National Economic Development and Labour Council (NEDLAC)

NEDLAC was established through the NEDLAC Act, No. 35 of 1994. It operates in terms of the NEDLAC constitution. NEDLAC's mandate is derived from the NEDLAC Act, Labour Relations Act, NEDLAC constitution and NEDLAC protocols.

NEDLAC's objectives in terms of the Act are to:

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity.
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy.
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament.
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament.
- Encourage and promote the formulation of coordinated policy on social and economic matters.

9.3.1. NEDLAC's overall annual performance per programme in 2020/21

NEDLAC reported its performance per programme as follows:

Table 10: NEDLAC Annual Performance per Programme in 2020/21

PROGRAMME		ANNUAL PLANNED INDICATORS	TARGETS ACHIEVED	OVERALL ACHIEVEMENT (%)
1.	**Administration**	4	4	100%
2.	**Core Operations**	9	8	89%
3.	**Constituency capacity building**	1	1	100%
Summary of Performance		**14**	**13**	**93%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

Table 10 above reflects that NEDLAC had 14 annual planned indicators and achieved 13, translating to an overall performance of 93%. The entity achieved all its targets under the Administration and Constituency capacity building programme. NEDLAC achieved eight of the nine planned indicators under Core Operations programme, which id 89% overall achievement.

9.3.2. Annual financial performance results for period ended 31 March 20210

Table 11: NEDLAC annual financial performance

DESCRIPTION	2021	2020	Variance

Revenue	R	R	R
Revenue from exchange transactions	1 241 134	1 596 307	-355 173
Revenue from non-exchange transactions	58 303 497	45 912 254	12 391 243
Total Revenue	**59 544 631**	**45 912 254**	**13 632 377**
Expenditure	R	R	R
Personnel expenses	(29 272 595)	(24 827 931)	(4 444 664)
Depreciation and amortisation expenses	(1 804 056)	(1 782 485)	(21 571)
Reversal of impairments	-	98 480	
Finance costs	(404)	(205 179)	(-204 775)
Lease rentals on operating lease	(120 139)	(27 483)	(92 656)
Profit on sale of assets	-	(100)	
Miscellaneous expenses	(15 403 772)	(18 405 777)	(-3 002 005)
Total Expenditure	**(45 600 966)**	**(45 347 234)**	**(253 732)**
Surplus for the year	13 943 665	565 019	13 378 646

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

The total revenue of NEDLAC increased by R13.6 million from R45.9 million in 2020 to R59.5 million in 2021. The substantial increase was from non-exchange transactions, which increased from R45.9 million in 2020 to R58.3 million 2021. Revenue from exchange transactions decreased from R1.6 million in 2020 to R1.2 million in 2021, which was a decrease of R355 173.

The total expenditure of NEDLAC increased by R253 732 from R45.3 million in 2020 to R45.6 million in 2021. The highest amount of expenditure was on personnel expenses, which increased by R4.4 million from R24.8 million in 2020 to R29.3 million in 2021.

The surplus increased by R13.4 million from R565 019 in 2020 to R13.9 million in 2021.

9.4. Commission for Conciliation, Mediation and Arbitration (CCMA)

The CCMA is a statutory body established in terms of section 112 of the Labour Relations Act of 1995. In terms of section 113 of the LRA, the CCMA is independent of the State, any political party, trade union, employer, employers’ organisation, federation of trade unions or federation of employers’ organisations.

The CCMA’s statutory functions are set out in section 115 of the LRA, and are divided into those that are mandatory and those that are discretionary.

9.4.1. Annual performance of the CCMA by Strategic Objectives by 31 March 2021

The CCMA reported its annual performance per programme as follows:

Table 12: CCMA annual performance per strategic objective in 2019/20 financial year

PROGRAMME		NUMBER OF PLANNED TARGETS	ACTUAL ACHIEVEMENTS	OVERALL ACHIEVEMENTS %
1.	**High Performance Institution**	5	4	80%
2.	**Proactive and Relevant Labour Market Intervention**	10	9	90%
3.	**Special Interventions and Support**	1	1	100%
4.	**Efficient and Quality Dispute Resolution and Enforcement Services**	13	10	77%
5.	**Effective Strategy Management and Governance**	3	3	100%
Overall performance		**32**	**27**	**84%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

Table 12 reflects that CCMA achieved 27 of its 32 planned targets, which is an overall performance of 84%. The entity achieved all targets planned under programme three (Special Interventions and Support) and five (Effective Strategy Management and Governance).

The entity achieved four of the five targets planned under programme one (High Performance Institution), which is an overall achievement of 80%. It achieved nine of the ten planned targets under programme two (Proactive and Relevant Labour Market Interventions), which is an overall achievement of 90%. Ten of the thirteen planned targets were achieved by programme four (Efficient and Quality Dispute Resolution and Enforcement Services), which is an overall achievement of 77%.

9.4.3. Annual Financial Performance results for the period ended 31 March 2021

9.4.3.1 Annual financial performance per programme

The table below reflects annual financial performance of the CCMA per programme.

Table 13: CCMA Revenue and Expenditure per programme in 2018/19

PROGRAMME		BUDGET	ACTUAL SPENDING	VARIANCE	VARIANCE
		R’000	R’000	R’000	%
1.	**Administration**	208 667	200 209	8 458	4%
2.	**Labour Market Intervention**	12 091	11 782	309	3%
3.	**Special Intervention and**	14 335	14 401	(65)	0%

	Support				
4.	**Dispute Resolution and Enforcement Services**	685 290	690 774	(5 484)	(1%)
5.	**Strategy Management and Governance**	34 747	33 153	1 594	5%
Total		**955 131**	**950 319**	**4 812**	**1%**

Source: Presentation to the PC on Employment and Labour dated 17 November 2021

The CCMA spent R950.3 million or 99% of the allocated R955.1 million resulting to a variance of R4.8 million or 1%.

Programme four (Dispute Resolution and Enforcement Services) received the highest budget allocation of R685.3 million or 71.7% of the total budget of the CCMA. It spent R690.8 million resulting to an over-expenditure of R5.5 million or 1%. The over-expenditure was reported to be as a result of variable costs such as venue hire, travel costs that were incurred to conduct cases in the remote areas by the commissioners.

Programme one (Administration) received the second highest budget allocation of R208.7 million or 21.8% of the total CCMA budget allocation. It spent R200.2 million or 95.9% of the budget allocation by the end of the financial year, resulting to under-expenditure of R8.5 million or 4% of the budget. The under-expenditure was reported to be as a result of computer equipment maintenance which was budgeted for but did not happen as anticipated as the service is on demand basis as well as delay in procurement of ICT project which include SAGE licences. Project such as dispute process Re-engineering were put on hold and resulted in saving. The other contributing factor is reduced costs in training interventions, which are conducted through virtual platforms, court litigation costs and printing costs.

10. COMMITTEE OBSERVATIONS

After considering the presentations made by the Department and its entities on their annual reports, the Committee made the following observations:

The Quarterly Labour Force Survey (QLFS), which is a household based sample survey conducted by Statistics SA, reported the unemployment rate to be 34.4% in the second quarter of 2021 (April – June 2021). This is reported to be the highest unemployment rate recorded since the start of the QLFS in 2008. In numerical terms the number of employed persons decreased by 54 000 to 14.9 million in quarter two of 2021, while the number of unemployed persons increased by 584 000 to 7.8 million compared to quarter one of 2021.

The Department of Labour was reconfigured in 2019 to include employment mandate to address this scourge.

10.1. Department of Employment and Labour (DEL)

10.1.1. The Department's annual performance as at 31 March 2021 was 66%. The 2020/21 financial year has seen a decrease of 13% in overall performance compared to the 2019/20 financial year.

10.1.2. The job creation in the 2020/21 financial year was not enough to reach the Presidential Job Summit agreement of 275 000 jobs in the year.

10.1.3. The Department filled 28% of vacant funded posts within four months of becoming vacant against the target of 80%. The reason provided for the variance was slow capturing because of introduction of email applications.

10.1.4. The total of 37 193 registered employment opportunities was filled by registered work seekers against the target of 15 000. The reason provided for over-achievement was improved employer confirmation of placements. Of these opportunities, 21 096 (57%) were formal jobs; 9 659 (26%) were projects; 3 340 (9%) were UIF-LAP; and 2 669 (7%) were learnerships.

10.1.5. Irregular expenditure increased by R27 million, from R28 million in 2019/20 to R55 million in 2020/21. The R27 million increase was with regard to IT related contracts that were extended without approval by the appropriate authority.

10.2. Supported Employment Enterprises (SEE)

10.2.1 The sales revenue of SEE decreased from R128. 1 million in 2019/20 to R41.9 million in 2020/21 financial year, which is a decrease of 67%.

10.2.2. The entity entered into two customer agreements against the target of three.

10.2.3. Irregular expenditure of R4.6 million was identified in respect of prior years' contracts where SCM processes were not followed and R1.2 million related to local content guideline not followed.

10.2.4. The entity has since appointed a new CEO and CFO.

10.3. NEDLAC

10.3.1. NEDLAC has embarked on the new restructuring process that sought to organise its core operations around two units, one focusing on economic issues and the other on labour and development issues.

10.3.2. NEDLAC's personnel expenses increased from R24. 8 million (55%) in 2019/20 financial year to R29.3 million (64%) of the R45 6 million total expenditure in 2020/21. However, it was explained that the nature of NEDLAC's work is labour intensive and introduction of benefits such as retirement and medical aid has resulted in the escalation of personnel costs.

10.3.3. NEDLAC incurred irregular expenditure amounting to R3.7 million due to advertising not being in line with the National Treasury guidelines.

10.4. Productivity SA

10.4.1. The current funding of R59 million and an organisational structure that has 79 filled posts out of 107 with a high vacancy rate (28 vacancies) particularly in the strategic business units makes it difficult for Productivity SA to provide services and deliver on its mandate equitably in all nine provinces and to meet the large demand for its Enterprise Development and Support Programmes.

10.4.2. The entity's overall achievement was 0% in the strategic objective of supporting enterprises facing economic distress and initiatives aimed at preventing job losses, which is driven by the Business Turnaround and Recovery programme.

10.5. Commission for Conciliation, Mediation and Arbitration

10.5.1 The overall performance of the CCMA remained at 84% in 2020/21 financial year.

10.5.2. The 2020/21 financial year marked the first year of the implementation of the CCMA's 2020/21 – 2024/25 five year Imvuselelo – The Revival Strategy.

10.5.4. CCMA received an unqualified audit opinion from the Auditor General with one material finding on material adjustment of the Annual Financial Statements and nine internal control deficiency findings.

10.5.5. Service delivery has been adversely affected by the budget cuts to the CCMA.

10.5.6. CCMA concluded an agreement with SALGA, which allows CCMA access to SALGA offices for purpose of conducting hearings.

11. COMMITTEE RECOMMENDATIONS

Having considered the presentations of the Department and its entities on their annual reports, the Committee recommends that the Minister of Employment and Labour ensures that the following steps are taken:

11.1. Department of Employment and Labour

11.1.1. The DEL should create a conducive environment for employment and the Minister should explain the extended mandate to the Committee.

11.1.2. Accounting Officer must make it a point that complete and proper records are kept to support the investigations that have been conducted and disciplinary steps taken.

11.1.3. Preventive controls must be strengthened to ensure that no irregular/ fruitless and wasteful expenditure is incurred.

11.2. Supported Employment Enterprises

11.2.1. The Committee demands to receive written monthly progress reports on the engagements between Department of Employment and Labour and National Treasury on financial sustainability of the SEE factories.

11.2.2. The entity must acquire personnel with specialised accounting skills such as cost accounting in order to address some audit findings.

11.2.3. SEE has to develop a detailed marketing strategy and submit it to the Committee

11.3. NEDLAC

11.3.1. The Governance Task Team that was established in 2017 to review NEDLAC protocols should present its report to the Portfolio Committee when it is finalised.

11.3.2. NEDLAC should present its reviewed personnel establishment to the Portfolio Committee once it is finalised.

11.3.3. NEDLAC and perhaps all the entities should ensure that under-employment does not start within them, as they ought to be exemplary, as the custodians of labour laws and as such, the Committee requests to receive employment benefits that may still not be provided by NEDLAC as well as all other entities and the reasons thereof.

11.4. Productivity SA

11.4.1. The Department should develop a single source funding model to ensure that the mandate of Productivity SA is funded through section 12 of the Act read together with section 40(a) of the Act.

11.4.2. The entry requirements which require distressed companies to be in good standing with UIF and SARS have to be temporarily relaxed to allow opportunities for companies to be assisted with compliance while concurrently assisting them to save jobs.

11.5. Commission for Conciliation Mediation and Arbitration

11.5.1. CCMA should be properly resourced in order for it to respond effectively to its legislated and discretionary mandate as well as the needs of the labour market.

11.5.2. CCMA services should be made available in labour centres so as to improve accessibility.

11.5.3. CCMA must consider re-inventing the outreach programme that they once had, which was aimed at empowering stakeholders right from the shop-floor as this have positive outcomes in terms of lowering the case load.

12. Overall Recommendation

12.1. The Committee further recommends that the DEL must address under-employment, since they ought to be exemplary, as the custodians of labour laws

13. APPRECIATION

The Committee appreciates the cooperation it received from the Department and its entities throughout the BRRR process. The Committee also acknowledges the assistance of the Auditor-General in providing information necessary for compiling this report.

Report to be considered.