Budgetary Review and Recommendation Report of the Portfolio Committee on Employment and Labour, dated 25 October 2022

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 12 and 19 October, 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 2021/22 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 2021.

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

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;
- Overview and assessment of service delivery performance for 2021/22 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. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

2.1. 2020 BRRR recommendations and responses of the Department

The responses of the Department to BRRR of 2021 are listed in bold below.

A. Inspection and Enforcement Services (IES)

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

The Department continued with advocacy sessions, inspections and enforcement activities, also during the pandemic. We also took advantage of technology to host virtual webinars and training sessions. We further introduced administrative inspections, particularly in the space of Employment Equity.
The DEL intensified in the holding of mega blitzes to improve on our visibility. The concept of having National Roving Teams (NRT) of inspectors was also introduced during the mega blitzes. The NRT consist of inspectors from various provinces. Other government departments such as the Home affairs and SAPS accompanied our inspectors during the mega blitz inspections.
We strengthened our enforcement by forging closer relations with prosecuting bodies such as the Labour Court.

B. Public Employment Services (PES)

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

- **Draft National Employment policy**

During 2021, the Department of Employment and Labour has further made significant strides towards creating an enabling environment for employment through policy and regulations. The Department led the process of developing a first South African Draft National Employment Policy (Draft NEP), in collaboration with the International Labour Organisation and leading local experts. Following a rigorous situational analysis, the first draft of the policy has been completed and is ready for consultation with social partners. It is expected that this will be finalised during 2022. The need for a National Employment Policy is highlighted by the fact that the ILO estimates that more than 600 million new jobs will need to be created over the next decade to generate sustainable growth and maintain social cohesion. The Draft Policy with proposed 9 nine sub-themes, aims to rally all stakeholders around a common purpose of employment creation in a co-ordinated way. This will remove silo based interventions and maximise the impact of the scares resources that are available. Employment remains the number one focus of the Government and the DEL, will exploit every opportunity to stimulate and promote employment, formal and informal employment and entrepreneurship.

- **Draft National Labour Migration Policy**

An equally important aspect of the employment is the need to have a framework for migration management, which is one of the proposed 9 themes. Extensive work in this sub-theme commenced way back in 2017. The NLMP attempts to strike a balance between attracting and fulfilling the country's need for scarce and critical skills required by the economy and managing the influx of migrants at lower skills levels by putting in measures that will protected and reserve employment for South Africans. The policy also promotes the placement of South African abroad with protection measures that will ensure the upholding of standards, streamlined governance and management of data to ensure effective monitoring and evaluation of impact of the various interventions.
DEL has also brought in leading academics to draft amendments to the Employment Services Act, 2014, to give effect to the policy and to that bring the flexibility and the regulation that we require. After deliberation in Cabinet this important piece of legislation, which represents the maturing of the labour market will be implemented without delay. The draft policy and proposed amendments were released for public comments, by the DEL, 1n 01032022.

- **Presidential Youth Employment Initiative**

The Department also actively participated in the Pathway Network Management process, which as at January 2022, more than 673,514 job opportunities. Majority of the opportunities were created through support of the basic education system, over the two phases of the Presidential Youth Employment Stimulus, 596,109 appointments of school assistants have been made, making this the single largest youth employment programme in the country, supporting the aims of the Presidential Youth Employment Intervention (PYEI).
In addition to the counter cyclical economic relief provided by DEL through the Unemployment Insurance Fund and Compensation Fund, during 2022, there will be an increased focus on promoting demand led employment programmes in partnership with all members of the Pathway Network.

- **Public Employment Services**

At an operational level the Department of Employment and Labour continues to provide support, to many desperate work seekers. For the period April 2021 to 28 February 2022, 839 605 work seekers were enrolled by the Department on its ESSA system, 257 474 work seekers were provided with employment counselling services by the Departments employment counsellors, 124 104 job opportunities were canvassed with employers, and 58 626 unemployed work seekers were placed into employment opportunities, by the Departments' employment practitioners. The DEL provides services to both the youth and those over 35 years of age.

- **Promoting employment of People with Disabilities**

The Department continues to operate 13 Supported Employment Enterprise factories that employ a total of 1 350 people with disabilities. During the difficult financial year 2021/22,

the SEE increased their establishment by 25 additional people and is intending to increase its market share through an aggressive marketing strategy.

The department also funded 10 NGOs that promote the employment of a total 956 people with disabilities. These organisations provided income subsidy to all their participants during the last 4 years from the grant received from DEL and augmented their income from sales proceeds and the SASSA grants. Nine new organisations will receive subsidies as from 1st April 2022 for the next three years.

- **Review of employment schemes**

Government acknowledges the high level of unemployment which according to the latest statistical release made on 29/03/2022 indicate that more of our people sunk further into unemployment, 35.3% by December 2021.
We understand the impact of Covid-19 on economies across the world, but in our case the pandemic exacerbated a challenge that we had been battling with before the arrival of Covid-19 in our shores.
This is very concerning to the Department of Employment and Labour in particular as our vision is to ensure a Labour market that is conducive to absorb much of the Labour force we have.
There had been several policy and programme interventions that government put in place to push this unemployment challenge away from the people of this country.
The Department is currently busy with assessments of those interventions, in particular those aimed at creating and retaining employment for youth.
We identified relevant ones that seemed to have the potential for mass employment creation for youth and we refer to those as Employment Creation Schemes, and we just concluded one study. In this study we wanted to understand schemes that had contributed more significantly to youth employment creation so that we extend on those, we also wanted to understand areas within schemes, that need overhaul or adjustment if they show potential to relief the unemployment levels.
Examples of these schemes sampled for this study are: Expanded Public Works Programme, Community Works Programme, The National Youth Service Programme, National Rural Youth Cooperatives, Employment Tax Incentive, Youth Employment Service, Jobs fund and Entrepreneurial Development Programmes even though the latter does not have the mass employment characteristic.
While the study had data accessibility challenges, using available data the study shows that all schemes were designed for good purposes, they all reached young people and provided opportunities for them, some creating employment, others retaining those in employment, while still some went into providing pathways to employment through skilling young people.
However, the study also shows that the majority of these schemes require a review of their design in order to have maximum outcome to the challenge of unemployment, poverty and inequality.
The example of review suggested by the study is partly to focus on the exit strategy, graduate youth for example were seen to be benefiting more from schemes like YES and NARYSEC while the youth with no formal qualifications should be afforded pathways to qualifications such as vocational ones while they are in programmes like EPWP.
The study shows that we need to think about the end when we start, so that we group young people according to their skill requirements and place them with a pathway for better employability when they exit schemes.
It was also found that there is a need for accessibility of information by young people and this finding is the one linked to inequality because young people in rural areas are at disadvantage because of lack of infrastructure and poverty, poor network connectivity and inability to have smart phoned as well as unlimited access to data.
We intend sharing the contents of this study with our counterparts in government and other private sector initiatives so as to improve on the impact of these initiatives.

- **Repositioning DEL to focus more on employment**

The Department continues to implement a range of interventions as part of refocusing the Department in line with its expanded mandate to amongst others: -

- **Achieve improved coordination of DEL entities to maximize impact on employment interventions (PES, CCMA, UIF, Compensation Fund and Productivity SA and SEE)**
- **Building on and expand existing SEE factories to generate increased employment; and increase subsidies to NGOs and People with Disabilities to increase uptake**
- **Revitalizing and expanding programs designed to preserve jobs, specifically the Labour Activation, Workplace Challenge, distressed sector funding and temporary employment and relief scheme, WAPU**
- **Maintaining standards, mediate and resolve emerging disputes and enforce compliance in identified sectors**
- **Regular labour market research and Review to certain aspects of existing legislation.**
- **Introducing organizational adjustments and fill positions where the need arises.**

Strengthening the role of Nedlac to facilitate greater business, labour, community, key government departments participation national strategic interventions such as:

- **Job Summit Resolutions;**
- **Economic Rapid Recovery Plans (ERRP);**
- **Employment Temporary Relief and Long Term measures;**
- **Social Compact.**

Review the DEL and Presidential Program Management Office (PMO) Roles in coordinating youth employment programmes across government.

- **Provision of comprehensive services to young people;**
- **Mobilizing and overseeing resources used toward the Presidential Youth Employment Initiative;**

Engage ILO/GTAC to assist in conceptualizing the 'End State' for DEL and entities drawing on best international practices in the following:

- **The New National Employment Policy to provide an overarching framework and direction**
- **National Labour Migration Policy to improve migration management coordination, data management**
- **Introduce legislative amendments to strengthen the existing Employment Services Act.**
- **Review existing legislation on impact to Small Business, New Platform Workers and those in the informal sectors**

Unemployment Insurance Fund - Labour Activation Program

The Department, through the Unemployment Insurance Fund (UIF), has launched training projects aimed at creating jobs in the fibre optics, food handling and mixed farming sectors. The projects are being undertaken by an entity of the Department of Employment and Labour. The UIF, through its Labour Activation Programmes (LAP), has set aside R551 million for the three projects for 19 921 beneficiaries – 70% of which are former UIF contributors who lost their jobs – to undergo training in the following skills disciplines:

- **14 771 beneficiaries as Chief Food Handlers;**
- **5000 beneficiaries in Enterprise Development (mixed farming); and**
- **150 beneficiaries as Fibre Optic Technicians.**

Compensation Fund Employment Interventions

During 2020/21, the Compensation Fund received a total of 1080 applications for Orthotics and Prosthetic assistive devices. A total of 1038 were approved and delivered. During 2021/22 a total of 1113 applications were received and 504 were processed by the end of January 2022. The Compensation Fund also supported a range of interventions that include Post School Education and training institutions (Continuing Students) Target:366 and Achievement: 318

- **Post School Education and training institutions (New Students) Annual Target: 779 and Achievement: 526**
- **Persons with Disabilities funded for Vocational Rehabilitation Programme (Continuing Students) Annual Target: 53 and Achievement: 100%**
- **Persons with Disabilities funded for Vocational Rehabilitation Programme (New) Annual Target:200 and Achievement: 41**
- **24 CF Pensioners & PWDs contracted and awarded bursaries**

C. Supported Employment Enterprises (SEE)

- Inability to generate work opportunities remains a challenge, thus the entity must provide a detail action plan on how in plans to improve this and report to the committee on quarterly basis the progress.

SEE has developed a comprehensive sales and marketing strategy which

Includes targeting of provincial education departments for school furniture (which is a high margin category in SEE portfolio) see pages 16 -19 of SEE's sales and marketing strategy attached to this document.

- The entity must provide the committee with a detail marketing strategy of the entity.

The comprehensive sales and marketing strategy for SEE is attached with this document clearly mapping out how the entity plans to execute it in response to the identified challenge.

- The department must work with National treasury to ensure that SEE receive preferential treatment from the State.

A number of efforts have been made through the Department of Employment and Labour to articulate the dynamics of SEE's manufacturing environment with fluctuating input costs/overheads that adversely impact on our regulated selling prices, hence price points end up no being cost reflective.

The procurement regulations that compel SEE to source from intermediaries also drive up input costs resulting in SEE's prices being regarded as non-competitive. These are some of the compelling reasons for the National Treasury to restore preferential procurement status to SEE so as to drive sales volumes creating financial liquidity to augment the current underfunded mandate of creating employment opportunities for persons with disabilities.

D. CCMA

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

CCMA will require additional funding, as all offices will be re-opening for walk-ins on 01 May 2022 and it is anticipated that, there might be an influx of cases and the current allocated funding might be insufficient. The budget allocation for the 2022/23 financial year has increased to R1 046 293 000 from R991 984 000 during the 2021/22- year

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

All CCMA office will be re-opening for walk-ins on 01 May 2022 and vulnerable and no-tech-savvy users will be assisted at our offices. The CCMA is also attending sessions with the Department of Employment and Labour in rural areas on a regular basis to create awareness of CCMA services.

- CCMA services have to be decentralised to labour centres.

The CCMA and the Department of Labour embarked on a project to roll out the Case Management System (CMS) to various Labour centers of the Department of Labour Offices making the CCMA Case Management System (CMS) available to DEL to enable them to assist users with lodging of cases and case related enquiries. The project was piloted in the 3 areas which were identified with having the highest number of cases. These areas included but not limited to the Free State, Limpopo and the Eastern Cape. Smaller offices which were identified by then include, Lusikisiki, Phuthaditjhaba, Mount Ayliff and Thohoyandou. The pilot phase went live at the end of March 2017. The Roll out of CMS to at least one (1) identified DOL office was further done between the 2018 -2019 financial year and the areas which were covered include Cradock,

Middelburg, Mahikeng, Graaff Reinet, Secunda and Western Cape. CCMA in collaboration with DEL can take the rollout of CMS to the various Labour centers forward as the platform is already in existence, with just the provision of only training, required.

Also, with DEL's rollout of its kiosks, CCMA can add the e-Referral platform on it for self-help by Users who may be able to please referrals independently but lack data and tools to do so.

E. NEDLAC

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

Nedlac is increasing its capacity – including through more efforts being put into the training and development of staff and restructuring the organisation to enable the employment of three more senior staff members with facilitation and leadership skills.

F. Productivity SA (PSA)

- **The entity must ensure workers understand the need to be productive, thus achieve high productive levels**.
  Covered in the detailed report: Annexure 1

- **The entity must be appointed to assist the compensation fund to improve its productivity levels**.

  Productivity SA note with appreciation the recommendation by the committee. However, it is incumbent of the leadership of the Department, including the Compensation Fund to express an intention to give effect to the recommendation. We are currently out of our own volution in engagement with the SEE to come up with a project to assist them in addressing the productivity and capability gaps and challenges experienced by their factories, the improve their competitiveness and sustainability. Productivity SA has the capability to give effect to this.

- **Productivity champions must be more visible across provinces.**
  As part of our objective to promote a culture of productivity and accountability thereof, we trained and capacitated productivity champions on productivity tools and techniques including that of Kaizen (continuous improvement). A productivity champion is an employee of a business entity which we are providing the Enterprise Development and Support Programmes to improve their competitiveness and sustainability through training in the fundamentals of productivity measurement and improvement. The purpose of training productivity champions is to capacitate the organisation with productivity and competitiveness enhancement tools to help sustain work we have done after we leave the organisation and for the organisation to continue the continuous improvement journey aimed at sustainability and growth.

  For 2020/21 FY, we have identified and trained **429** productivity champions across the nine provinces:

REGION 1		**REGION 2**		**REGION 3**	
Gauteng	169	Western Cape	109	KwaZulu-Natal	20
Limpopo	11	Northern Cape	2	Eastern Cape	50
North West	12	Free State	12	Mpumalanga	44
Total	**192**		**123**		**114**

- **Productivity must provide a list of small business assisted by the entity and details on how it helps small business improve productivity.**
  Covered in the detailed reports – Annexure 1 and 2

G. Unemployment Insurance Fund (UIF)

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

As at 15 March 2022, the UIF (HQ) had received about 131 cases related to fraud and corruption. Of these cases, 54 (or 41%) were resolved. Furthermore, in order to expedite the investigations of cases, the Fund has increased its capacity by recruiting 8 additional investigators

Quarterly reports on complex cases will be provided to the committee.

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

  In the financial year 2020-2021, the Fund could only create 150 job opportunities through its funding in socially responsible investments initiatives. A number of investee companies were negatively impacted on by COVID-19 and thus were unable to create jobs.

  Through the LAP project, in 2020-2021 the Fund was able to create 7 962 training opportunities to the unemployed contributors. As at 31 December 2021, the LAP was able to create about 21 073 learning opportunities.

  The Fund has entered into funding agreements with a number of implementing partners to recruit more participants. In 2022-2023, the Fund has planned to monitor 90 per cent of all funded projects.

- The UIF must improve its administration across the board and must report to the Committee on a regular basis.
  In the Financial year 2022-2023, the Fund will deploy a new ICT system that will help improve customer experience. The system will further integrate the application and payment systems that area currently fragmented.

  The Fund will seek to improve its audit outcomes by ensuring all audit action plans are fully implemented within six months following the end of an audit.

  To increase the efficiency of the Fund, the fit-for-purpose project which will involve the reconfiguration of the structure of the Fund will be pursued. In the interim, the Fund will also recruit contract workers and interns to meet its immediate capacity needs.

H. COMPENSATION FUND

- The Compensation Fund must provide the number of black asset managers that are given an opportunity by the Fund.

Although the Compensation Fund currently does not have black asset managers it made provision for allocations to black asset managers in the 2022/23 APP. A total of 6 per cent of assets under management will be allocated to black asset managers.

3. Committee Report on Budget Vote 28: Labour 2020/21

In view of the above observations, the Committee recommends that the Minister of Employment and Labour considers the following:

3.1 Department of Employment and Labour

- The Department must continue to step up its initiatives and programmes that support an enabling environment for job creation, especially given the pandemic impact on the labour market.
- The Department and entities must prioritise the implementation and enforcement of consequence management.

- The Department must improve its efforts on inspection and enforcement to ensure adherence to all labour laws, especially during a pandemic.
- The Department should continue to monitor compliance to the Covid-19 Directives of levels as issued.
- The Department new set 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.

3.2 Entities

Supported Employment Services (SEE)

- Inability to generate work opportunities remains a challenge, thus the entity must provide a detail action plan on how in plans to improve this and report to the committee on quarterly basis the progress.
- The entity must provide the committee with a detail marketing strategy of the entity.
- The department must work with National treasury to ensure that SEE receive preferential treatment from the State.

Unemployment Insurance Fund (UIF)

- The entity must ensure speedy finalisation of simple cases of fraud and report progress on complex cases to the committee quarterly basis.
- Provide and action plan on how it plans to create 5000 jobs through UIF funding and investment initiatives and report to the committee on quarterly basis.
- The UIF must improve its administration across the board and must report to the Committee on a regular basis.

Productivity SA (PSA)

- The entity must ensure workers understand the need to be productive, thus achieve high productive levels.
- The entity must be appointed to assist the compensation fund to improve its productivity levels.
- Productivity champions must be more visible across provinces.
- Productivity must provide a list of small business assisted by the entity and details on how it helps small business improve productivity.

NEDLAC

- Additional funding must be made available to the NEDLAC to enable it to fully implement its statutory obligations.
- 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.
- NEDLAC must ensure that agreement with stakeholders are enforced.
- NEDLAC must provide feedback on the reviewed entity statues.
- NEDLAC must ensure effective and efficient engagement with stakeholders to ensure pressure on the CCMA is reduced.

CCMA

- Additional funding must be made available to the CCMA to enable it to fully implement its statutory obligations.
- In the advancing the digitalisation of CCMA, the entity must sure, it does not exclude the most vulnerable from accessing assistance. Thus must develop clear strategy on how it plans to ensure that non tech-savvy individuals can still access the entity.
- CCMA services have to be decentralised to labour centres.

Compensation Fund (CF)

- The Compensation Fund (CF) must provide a detail financial plan on how it plans to deal financial implication of the amended COIDA bill.
- The Fund must ensure that systems support is available and that staff is adequately trained for the new system.
- The Fund must improve communication with the users of the systems of the entity and must address complaints better to ensure improved stakeholder relationship.
- The Fund must provide an action plan 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.
- The Fund must improve audit outcome for 2021/22 financial period.
- The Fund must provide the number black asset managers that are given an opportunity by the Fund.
- The Fund must provide progress on the Action Plan on quarterly basis.

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

4.1. Overview of Vote allocation and spending for 2021/2022

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**	1 012 286	856 399	155 887	85%
2.	**INSPECTION AND ENFORCEMENT SERVICES**	650 902	546 648	104 254	84%
3.	**PUBLIC EMPLOYMENT SERVICES**	894 749	615 872	278 877	69%
4.	**LABOUR POLICY AND INDISTRIAL RELATIONS**	1 258 556	1 213 247	45 309	96%
TOTAL		**3 816 493**	**3 232 166**	**584 327**	**85%**

Source: Annual Report 2021/22 (Department of Labour)

Table 1, reflects that the final appropriation for the Department of Employment and Labour amounted to R3.8 billion in 2021/22 financial year. The Department spent R3.2 billion or 85% 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 R584.3 million. The Inspection and Enforcement Services programme received R650.9 million and Public Employment Services programme received R894.7 million.

4.2. Expenditure per programme of DEL in 2020/21

4.2.1. 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 R1.0 billion, which is approximately 26.5 per cent of the final appropriation to the Department. The programme spent R856.4 million or 85 per cent of the allocation resulting to under-expenditure of R million. Underspending on Compensation of Employees was mainly as a result of vacant posts.

Underspending on Goods and Services was reported to be as a result of travelling, accommodation and foreign travel being drastically reduced. Reduced Capital Expenditure resulted from delays in delivery of laptops and desktops due to global shortage from supplier.

4.2.2 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 R650.9 million. The programme spent R546.6 million or 84 per cent of the programme allocation, resulting in under-expenditure of R104.2 million. Underspending on Compensation of Employees was mainly as a result vacant posts. Underspending on Goods and Services was as a result of reduced travelling, accommodation, S&T, foreign travel by Department's officials being drastically reduced. Reduction in Capital Expenditure resulted from delays in delivery of laptops and desktops due to global shortage from supplier.

4.2.3. 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 R894.7 million and it spent R615.8 million or 68 per cent of its allocation, resulting to a variance of R278.8 million. Major reasons for variance in CoE is mainly due to vacant posts and the delay in the creation and filling of Healthcare Professional's internships.
G & S underspending is mainly attributed to reduced travelling, accommodation, S&T and foreign travel by Department officials.
Transfers underspending is mainly due to delays with transfer payment towards the Presidential Employment Stimulus funding to GTAC and no claims to Compensation Fund for injuries on duty. Requests to roll-over funds submitted to Treasury for R238 million. Underspending on Capital is mainly due to the delays in the delivery of laptops and desktops due to the global shortage from supplier.

4.2.4. 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 32.9 per cent of the entire budget of the Department, which is the largest programme allocation. It spent R1.2 billion or 96 per cent, resulting in under-expenditure of R45.3 million. The major reasons for underspending are similar to the other programmes of the Department, except underspending in transfers is mainly due to exchange rate fluctuations relating to payments to international organisations.

4.3. 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	EXPENDITURE AS % OF FINAL APPROPRIATION %

			R'000	
CURRENT PAYMENTS	**2 109 171**	**1 813 761**	**295 410**	**86%**
TRANSFERS AND SUBSIDIES	**1 614 336**	**1 343 135**	**271 201**	**83%**
PAYMENT FOR CAPITAL ASSETS	**92 887**	**75 171**	**17 716**	**81%**
PAYMENT FOR FINANCIAL ASSETS	**99**	**99**	**-**	**100.0%**
TOTAL	**3 816 493**	**3 232 166**	**584 327**	**85%**

Source: Annual Report 2021/22 (Department of Labour)

Table 2 reflects expenditure of the Department by Economic Classification. Current Payments received R2.1 billion or.55 per cent of the total budget of the Department, which is the largest share. A total of R1.8 billion or 86 per cent of the Current Payments budget was spent by the end of the financial year resulting to a variance of R295.4 million.

Transfers and Subsidies was allocated R1.6 billion and R1.3 billion or 83 per cent was spent by the end of the financial year resulting to a variance of R271 million. Payments for Capital Assets was appropriated R92.9 million and R75 2 million or 81 per cent was spent by the end of the financial year resulting to a variance of R17.7 million. Payments for Financial Assets was appropriated R99 000 and 100 per cent of the allocated amount was spent by the end of the financial year.

5. REPORT OF THE AUDITOR-GENERAL

The overall outcomes in the portfolio have slightly improved when compared to the prior year, with one auditee receiving an unqualified opinion with no findings (CCMA), two auditees received unqualified audit opinions with findings (DEL and NEDLAC), one received a qualified opinion (SEE).

The material errors identified on DEL, NEDLAC and SEE are mainly due to inadequate review of financial statements by the management. In some instances, findings raised are re-occurring, indicating that audit action plans developed do not adequately respond to the root causes and a culture of consequence management is still not implemented effectively.

The SEE did not ensure that they have processes and systems to support the value of the stock. Furthermore, daily and monthly controls, such as reconciliations are inadequate to ensure compliance with the accounting framework.

The prevalent instances of non-compliance for the portfolio are in the areas of expenditure management, supply chain management, consequence management and material errors identified in the financial statements submitted for auditing.

The Department and its entities within the portfolio should ensure implementation of daily and monthly reconciliations as well as the preparation of in- year monitoring reports that are supported by accurate and complete schedules.

The CF and UIF audits, remain outstanding.

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

6.1. Productivity SA

6.1.1. 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.

6.1.2. Annual performance of Productivity SA in 2021/22

Productivity SA identified and trained 429 productivity champions:

- 192 in Region 1
- 123 in Region 2
- 114 in Region 3

6.2. 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.

6.2.1. NEDLAC's overall annual performance in 2020/21

- NEDLAC capacity increased via training and development of staff.
- Restructuring of entity to employ more senior staff with facilitation and leadership skills.

6.3. 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.

6.3.1. Annual performance of the CCMA by 31 March 2022

Budget allocation of the CCMA for the 2022/23 financial year increased from R991 984 000 to R1 046 293 000.

7. COMMITTEE OBSERVATIONS

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

The objective is that the DEL coordinates interventions aimed at jobs creation and preservation across government, and its agencies as well as the private sector.

DEL needs to do more to collaborate with other departments and public agencies to populate employment figures and encourage small businesses to create more employment, especially for the youth and women.

The Committee also noted material conditions that exacerbated the level of unemployment, including COVID 19.

7.1. Department of Employment and Labour (DEL)

7.1.1. Committee noted with concern that UIF and CF did not table their 2021/22 Annual Reports in parliament.

7.1.2 The Department spent R3.2 billion of the R3.8 billion or 85 per cent of the budget by end of March 2022.

7.1.3. Underspending by the Department in all its programmes is mainly due to vacant posts under Compensation of Employees item.

7.1.4. The Department received an allocation of R258 million during the Adjusted Estimates of National Expenditure for transfer to Government Technical Advisory Centre (GTAC) on the Presidential Youth Employment Initiative. This did not take place due to delays in the finalisation of administrative processes. Had this transfer taken place, the Department's underutilisation would have been recorded as R326 million or 8.5 per cent.
7.1.5. The ICT still remains one of the stubborn challenges in the Department.
7.1.6. The Committee views in a very serious light irregular expenditure that is at R16,865 million on ICT related contracts.
7.1.7. Record keeping is among the poorly performed tasks in the Department.
7.1.8. Some Provinces such as Gauteng and KZN seem to have high number of corruption cases and few completed ones.
7.1.9. Committee noted with concern that there are officials of the Department who still continue to not disclose their interests in accordance with the laws of the country.

7.2. Supported Employment Enterprises (SEE)
7.2.1. SEE provides employment to people with disabilities. This s a designated group that government must consciously uplift, empower and develop.
7.2.2 The Ministry and the Department continues to lobby the National Treasury to grant SEE the preferential procurement status on the basis that SEE provides employment to disabled people
7.2.3. The Committee noted with concern AGSA raised a serious capacity challenge with monthly reconciliation of stock.

7.3. NEDLAC
7.3.1. NEDLAC continues with restructuring of the entity to employ more senior staff with facilitation and leadership skills.

7.4. Productivity SA
7.4.1. South Africa is the second lowest country in terms of productivity according to global standards.
7.4.2. The entity identified and trained 429 productivity champions:
- 192 in Region 1 (GP, NW, LIM)
- 123 in Region 2 (WC, FS, NC)
- 114 in Region 3 (KZN, EC, MP)

Productivity champions are to work with Productivity SA practitioners to facilitate productivity in businesses that Productivity SA intervenes in, to ensure that those interventions offer lasting solutions.

7.5. Commission for Conciliation, Mediation and Arbitration
7.5.1 CCMA received an unqualified audit opinion from the Auditor General of South Africa (AGSA).
7.5.2. Service delivery has been adversely affected by the budget cuts to the CCMA.

8. 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:

8.1. Department of Employment and Labour
8.1.1. The Department ensures that both UIF and CF table their Annual Reports on time also their QPRs, in compliance with legislation so that AGSA can make informed audit outcomes.
8.1.2. Funded vacant posts in the Department are filled without delay, more importantly in the Inspection and Enforcement Services (IES) branch.
8.1.3. The Committee demands to receive a comprehensive workable plan on how all funded vacant posts will be rapidly filled in, gradually dropped down to zero, more importantly in the IES branch.
8.1.4 The Committee asks to be provided with quarterly reports on how all ICT related challenges are resolved

8.1.5 The Department to provide the Committee with a report on how is remedying not only the irregular expenditure of R16 865 million which is related to ICT, but to also report on correction measures on fruitless and wasteful expenditure

8.1.6. The Committee needs quarterly reports on how operations in the Supply Chain Management are improved, in order to deal with the whole issue of poor record keeping and strengthen the financial control environment, among others.

8.1.7 A strategy to speed up completion of corruption cases must be shared with the Committee with immediate effect.

8.2. Supported Employment Enterprises

8.2.1. The Committee receives regular updates on engagements between Department of Employment and Labour and National Treasury on preferential procurement status of the SEE.

8.2.2. DEL must assist SEE to employ people with relevant skills in Finance.

8.2.3. Designated groups must be affirmed. SEE as the Public Institution that is employing people living with disabilities must be catered for to ensure that no one is left behind, and sections that may be found in some of our statutes guaranteeing benefits to designated groups must be put into good practical use.

8.3. NEDLAC

8.3.1. The entity briefs the Committee on its restructuring to employ more senior staff with facilitation and leadership skills.

8.4. Productivity SA

8.4.1. The Department should develop a single source funding model to ensure that the mandate of Productivity SA is funded.

8.4.2. The requirement that distressed companies should be in good standing with UIF and SARS have to be reviewed to allow opportunities for companies to be assisted with compliance while concurrently assisting them to save jobs.

8.4.3. Productivity SA must regularly monitor productivity champions to ensure that the objectives that have been intended by their appointment are indeed realised, which among others are to sustain the legacy of interventions in businesses, with a view to preserve jobs.

8.5. Commission for Conciliation, Mediation and Arbitration

8.5.1. CCMA should be sufficiently resourced in order for it to respond effectively to its mandate of dispute resolution.

9. 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.