



BUDGET ANALYSIS FOR LABOUR 2008

Budget and Strategic Plan Analysis of the Department of Labour 2008

Introduction

The purpose of this paper is to outline the strategic objectives of the Department of Labour for the year 2008. It further compares the budget against policy priorities as broadly defined in the Strategic Plan and the State of the nation Address. While policy priorities remain unchanged from the Strategic Plan of 2006-2009, adjustments have been made to some of the priorities and a shift in priorities is somewhat visible.

When engaging with the Department, it is essential to consistently assess and evaluate priorities as set by the State of the Nation Address and the 2008 Budget. Some of the areas to look at include:

Questions in Relation to the Strategic Plan

1. How far is the DOL in establishing formal policy in respect of the Strategic Plan as indicated in the 2006/07 presentation?

In relation to government's priority to improve service provision and to obtain better value for money,
2. What steps has the Department of Labour taken to address specific efficiency measures and cost-saving initiatives in the Strategic Plan

Policy Priorities for 2008

Since the Ministerial Programme of Action of 2004-2009 of tackling labour market challenges, a lot has taken place in terms of policy development and focus. These developments include the introduction of the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA) and Joint Initiative on Priority Skills Acquisition (JIPSA), Employment Services System and the **Quality Council for Trades and Occupations (QCTO)**. Be that as it may, the Strategic Plan's policy priorities remain the same, namely:

- Contribute to employment
- Enhance Skill Development
- Promote Equity in the Labour Market
- Protect Vulnerable Workers
- Strengthen Multilateral and Bilateral Relations
- Strengthen Social Protection
- Promote Sound Labour Relations
- Strengthen the Capacity of Labour Market
- Monitor the Impact of Legislation
- Strengthen the Institutional Capacity of the Department¹

In addition to the Strategic Plan's Priorities, the State of the Nation outlines broader economic objectives which should inform government's deliberations for the year 2008. These include accelerating the rate of economic growth and job creation, speeding up skills development interventions through Sector Education and Training Authorities (SETAs) and on-the-job-training for professional graduates (also resolving organisational issues on skills development), improving on adult literacy programmes through ABET, (self employment interventions in the Second Economy) accelerating the pace through which training is provided

¹ Strategic Plan (2006-2009)



to assist cooperatives and small enterprises and further establish markets for them , introduction of preferential procurement for small, medium and micro-enterprises, intensifying absorption of the youth into the National Youth Service programme and up scaling the Expanded Public Works Programme to maintain public infrastructure².

Strategic Objective 1: Contribution to Employment

South African labour market policies are some of the most progressive in the world, although policies alone do not determine economic performance. However the global environment and the country's socio-political challenges also have major influences on economic performance. In response to unemployment challenges the Department has begun the process of implementing phase 1 of the Employment and Services System (ESSA) to provide job matching services, career guidance and information to work seekers. This service has been rolled out to all labour centres around the country. The 53 848 job seekers registered with the system, 5 387 were matched to vacancies and of which 68 per cent were successfully placed to job opportunities.³

The 2008 State of the Nation Address stressed a need to elevate the Nation Youth Service so as to fight youth unemployment. In this regard, the Department of Labour placed 3 359 youths to various National Youth Service programmes in infrastructure sector.

Employment creation opportunities through Employment Services System have potential to directly address unemployment and improve skills matching, if applied consistently. However there are still persisting challenges that will require specific attention through oversight.

Notes

1. Given that before 1990 South Africa had about a million visitors, but has since increased that value to about 2.6 million per annum in 2004, making tourism one of the sectors with potential to create more jobs. How has the budget increased (with specific reference to the Tourism Hospitality and Sports Education and Training Authority (THETA) to realise the potential of the tourism sector?

2. How has poor SETA performance affected delivery on ASGISA and JIPSA goals and priorities?

Strategic objective 2: Enhancing Skills Development

According to the State of the Nation Address, the process of reviewing the current National Human Resource Development Strategy will be finalised by the end of 2008, so as to align the Strategy with ASGISA priorities. Some of these priorities include skills training for artisans. In this regard, the DoL has trained a total number of 3 192 artisans, which is still in line with the 5 000 target in four years.

The Department has reported that a total of 48 268 unemployed people were trained in social development skills programmes between April and September 2007 and R887 million was allocated to provinces for training in order to benefit 26 000 learners.

However, the rate at which apprentices are trained calls for concern, as the INDLELA has managed to pass 40% in 2007.

²Mbeki, T. (2008)

³ Annual Report (2007)



Progress in the area of skills development includes:

- The new Skills Development Amendment Bill that will be presented before Parliament later this year. To provide for the functioning of the National Skills Authority in relation to the National Skills Fund, amendments of SETA functions relating to quality assurance, establishment of QCTO, legislating artisan development and listing the National Skills Fund as a public entity.
- A four year review of the National Qualifications Framework has culminated in amendments to the SA Qualifications Authority (Saq) Act. This move has also resulted in the Standards generation and quality assurance will now fall to three Quality Councils: the Council on Higher Education (CHE), Umalusi and a new body called the **Quality Council for Trade and Occupations (QCTO)**. The QCTO will fall under the Department of Labour (its exact legal standing is still to be finalized) and it is hoped to be operational by April 2009.
- The Decent Work Country Programme will be developed by April 2009

Notes

1. According to the HSRC report on Human Resources Review (2008)⁴, the Department of Labour heavily rely on data collected by the 23 SETA, whereas such services could be provided through routine administrative data collection. For example, the number of apprentices trained per year and
2. The form of reporting that the Department uses in the Strategic Plan regarding skills training should align itself to Government targets, for example, should report on training by each sector (highlighting ASGISA priority sectors)
3. How far is the Department of Labour and NEDLAC with the review process of SETAs?
4. The Department of Labour has reported an average of 9 000 unemployed persons per month in skills training for projects across the country. The Department has to provide a breakdown analysis of the type of projects they provide to provinces and to what extent have those projects contributed to poverty and unemployment alleviation?

Strategic Objective 3: Promote Equity in the Labour Market

This section deals with the following areas:

- **Labour Relations** which includes: Employment Equity, child labour programmes and minimum wages
- **Labour Policy** includes labour market research,
- **International Labour Matters** involves ILO
- **NEDLAC**
- **The Sheltered Employment Factories**

The Department of Labour concluded sectoral determinations for the following sectors in 2007:

- Private security sector
- Contract cleaning sector
- Civil engineering sector
- Hospitality sector

The 2006/07 National Skills Development Strategy Implementation Report identifies specific challenges that have been encountered whilst implementing the skills development projects. Some of those challenges include:

The challenge to meet Employment Equity targets, therefore it proposed that involvement of social and community based organisations should be encouraged as they may be in a better position to deal with the social barriers and challenges.⁵

⁴ Human Resources Review (2008)⁴



1. What measures has the DoL implemented to encourage involvement of community based organisations in dealing with employment equity challenges?

2. How have these measures contributed to the implementation of EE targets?

Strategic Objective 4: Protecting Vulnerable Workers

In protecting vulnerable workers, the current Strategic Plan outlines these objectives:

- Further identifying workers in vulnerable sectors and extending protection through sectoral determinations
- Evaluating current sectoral determinations
- Increasing compliance with the legislation
- Establishing bargaining councils in vulnerable sectors such as: the security, civil engineering, contract cleaning and the building industry.
- Finalising the Child Labour Action Programme
- Restructuring the Sheltered Employment Factories

Comments

The DoL report on progress regarding the restructuring of the Sheltered Employment Factories in the 2007/08 financial year.

1. How far gone is the implementation process for the turnaround strategy of the SEF?

2. Has the DoL reached its targets in establishing bargaining councils in the vulnerable sectors as mentioned in the strategic plan?

3. Which other sectors has the department targeted in order to further establish sectoral determinations?

4. Which sectors are most non-compliant with sectoral determinations? Has the Department increased inspection enforcement in those sectors?

Strategic objective 5: Strengthening multilateral and bilateral relations

Since 1994, South Africa has effectively engaged with the African and international states in promoting sound and fair labour standards that protect the most vulnerable in society. This includes rectifying most of the ILO Conventions and participating in the SADC and AU Labour and Social Commission.

The Strategic Plan does not give details on the work that the Department of Labour is currently engaged in, especially in the African region.

1. What does the DoL's current work entail in the African region?

2. How does that involvement assist in promoting sound labour standards and further protect the interests of the vulnerable workers.

Strategic objective 6: Strengthening Social Protection

⁵ NSDS Implementation Report (2006/2007)



The Unemployment Insurance Fund (UIF) and the Compensation form part of a broader component of the social funds that the State provides as form of conditional income support and compensation for defined-risk events.⁶

The UIF's turnaround strategy has yielded positive financial results, including unqualified reports audit reports for the past two years. Through Siyaya, the fund has implemented a new business application system, with an integrated financial system across all its structures and has put in place an electronic funds disbursement system.

The Compensation Fund serves employees that fall outside the ambit of the mining and construction sectors. The Fund receives an average of 20 000 claims a month, compared to the Mines and Works Fund receiving an excess of 30 000 claims per month. There are material inconsistencies between the two legislative dispensations; therefore the administration of compensation claims and benefits is in need of overhaul.⁷

The turnaround strategy of the Compensation Fund is in progress since its initiation in July 2007. Upgrading of the financial system to enhance service delivery commenced in January 2008.

⁶ Budget Review (2008)

⁷ Ibid



Budget Analysis

The 2008 budget supports employment creation initiatives including labour centres which act as a bridge between the qualified, unemployed adults and youth. Especially with the implementation of the Employment Services System as it matches job seekers to vacancies.

The Department of Labour has a budget allocation of R1 698 385 compared to the 2007 allocation of R 2 billion due to a once off payment of R 400 million to Umsobomvu Youth Fund. Be that as it may, there has been a steady increase in allocation for all programme within the Department of Labour. However in real terms, budget allocations have decreased.

Table 1.1 Nominal vs. Real Budget Increase

Programme	Budget		Nominal	Real	Nominal	Real
	2007/08	2008/09	Increase / Decrease 2008/09		Percent change 2008/09	
R thousand	2007/08	2008/09	2008/09		2008/09	
Programmes						
1. Administration	365 653	387 207	21 554	- 4 115	5.89	-1.13
2. Service Delivery	665 409	690 361	24 952	- 20 814	3.75	-3.13
3. Employment & Skills Development Services/HRD	575 039	203 700	- 371 339	- 384 843	-64.58	-66.92
4. Labour Policy & Labour market Programmes	421 763	441 142	19 379	- 9 866	4.59	-2.34
5. Social Insurance	10 001	10 501	500	- 196	5.00	-1.96
TOTAL	2 037 865	1 732 911	- 304 954	- 419 834	-15.0	-20.60

The above table outlines nominal growth versus real budget growth in percentages for the year 2007/08 to 2008/09. Real percentage growth includes inflation factors; hence the analysis only focuses on the current and previous year. Considering the inflation rate of 7.1% in 2008/09 financial year, there's been a -20.60 per cent increase in the total budget of the Department of Labour.

The estimates for Skills Development Levy income over the next four years are:

2007/08 - 6 800
 2008/09 - 7 530
 2009/10 - 8 245
 2010/11 - 9 045

Note: with regard to the above amounts there is an upward trend where the income levy is consistently increasing for all the projected years.



Table: 1.2 Total Percentage Allocations

Programme	Budget	Percent of total budget per programme	Budget	Percent of total budget per programme	Change in percent allocation
R thousand	2007/08		2008/09		
1. Administration	365 653	17.94	387 207	22.34	4.40
2. Service Delivery	665 409	32.65	690 361	39.84	7.19
3. Employment & Skills Development Services/HRD	575 039	28.22	203 700	11.75	-16.46
4. Labour Policy & Labour market Programmes	421 763	20.70	441 142	25.46	4.76
5. Social Insurance	10 001	0.49	10 501	0.61	0.12
TOTAL	2 037 865	100.00	1732 911	100.00	0.00

According to the above table: 1.2, Service Delivery programme received the largest share percentage of the budget of 32.65 per cent, followed by the Employment and Skills Development Services/HRD with 28.22 per cent. Allocations to Employment Services System receive the highest annual average increase. As indicated

Table: 1.3 Nominal vs. Inflation Adjusted Allocation

		Estimate of expenditure from current year	Next year's budget	Following year's budget	
R thousand	2007/08	2008/09	2009/10	2010/11	
TOTAL	2 037 865	1 732 911	0	0	
Projected inflation rate	-	7.1%	4.9%	4.7%	
Inflation factor	100.00	107.10	112.35	117.63	
					Cumulative growth rate (2007/08-2010/11)
	2007/08	2008/09	2009/10	2010/11	
Nominal amounts	2 037 865	1 732 911	0	0	-100.0%
Inflation-adjusted	2 037 865	1 618 031	0	0	-100.0%



Table: 1.4

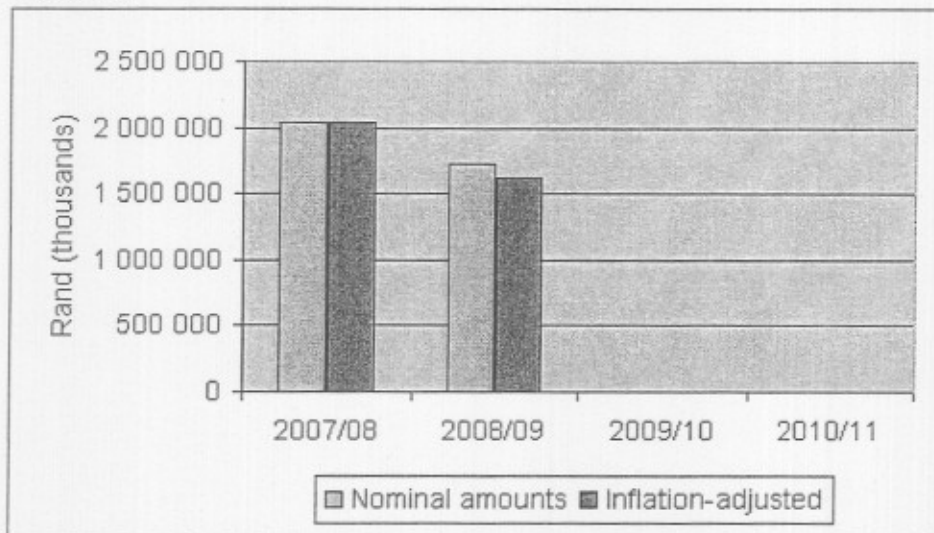


Table 1.5 Sub Programme Analysis: Employment and Skills Development Services/ Human Resources Development

R thousand Programme	Medium-term expenditure estimate Budget	
	2007/08	2008/09
1:Skills Development Policy Advice and Planing		
2:Administration and Transfers	46 437	49 246
3:SETA Coordination	25 402	16 830
4:Indlela	53 381	74 085
5:Traning of Staff	1 866	1 200
6:Programme Management Support	5 837	6 138
7: NSA Secretariate	5 479	4 111
8: Quality Ddevelopment and Promotion	10 000	18 872
9: Productivity SA	26 637	28 138
10: Umsobomvu Youth fund	400 000	5 080
TOTAL	575 039	203 700

The current budget allocation and learnership allowances have been redesigned to encourage apprenticeships, therefore explains the increased budget allocations for Indlela sub-programme.