



labour

Department:  
Labour  
REPUBLIC OF SOUTH AFRICA

# DIRECTOR-GENERAL'S REPORT ON PROVINCIAL VISITS

## PRESENTATION TO THE SELECT COMMITTEE

16 NOVEMBER 2011

Mr Nkosinathi Nhleko  
Director-General

# BACKGROUND ON PROVINCIAL VISITS

- **Fact finding exercise and understanding of the DoL operations by the new Director-General**
- **DG's Team :**
  - Deputy Director General: Inspection and Enforcement Services, Chief Operations Officer, Chief Financial Officer, Acting Chief Information Officer, Chief Director: Human Resources Management, Chief Director: Communications, the Director: Supply Chain and Administration and the DG's support team
- **Timeframe :** 7<sup>th</sup> July 2011 – 5<sup>th</sup> September 2011
- **Target :** all provincial offices, Unemployment Insurance Fund and Compensation Fund

# OBJECTIVES OF PROVINCIAL VISITS

To assess the current services provided by the DoL, the extent of the demand of such services and the major challenges faced by the Department in discharging its mandate and servicing its clients.

## OBJECTIVES

Examine the driving factors which have bearing on the demand for service delivery

Readiness of offices to meet their specific economic needs: structurally, systemically and operationally.

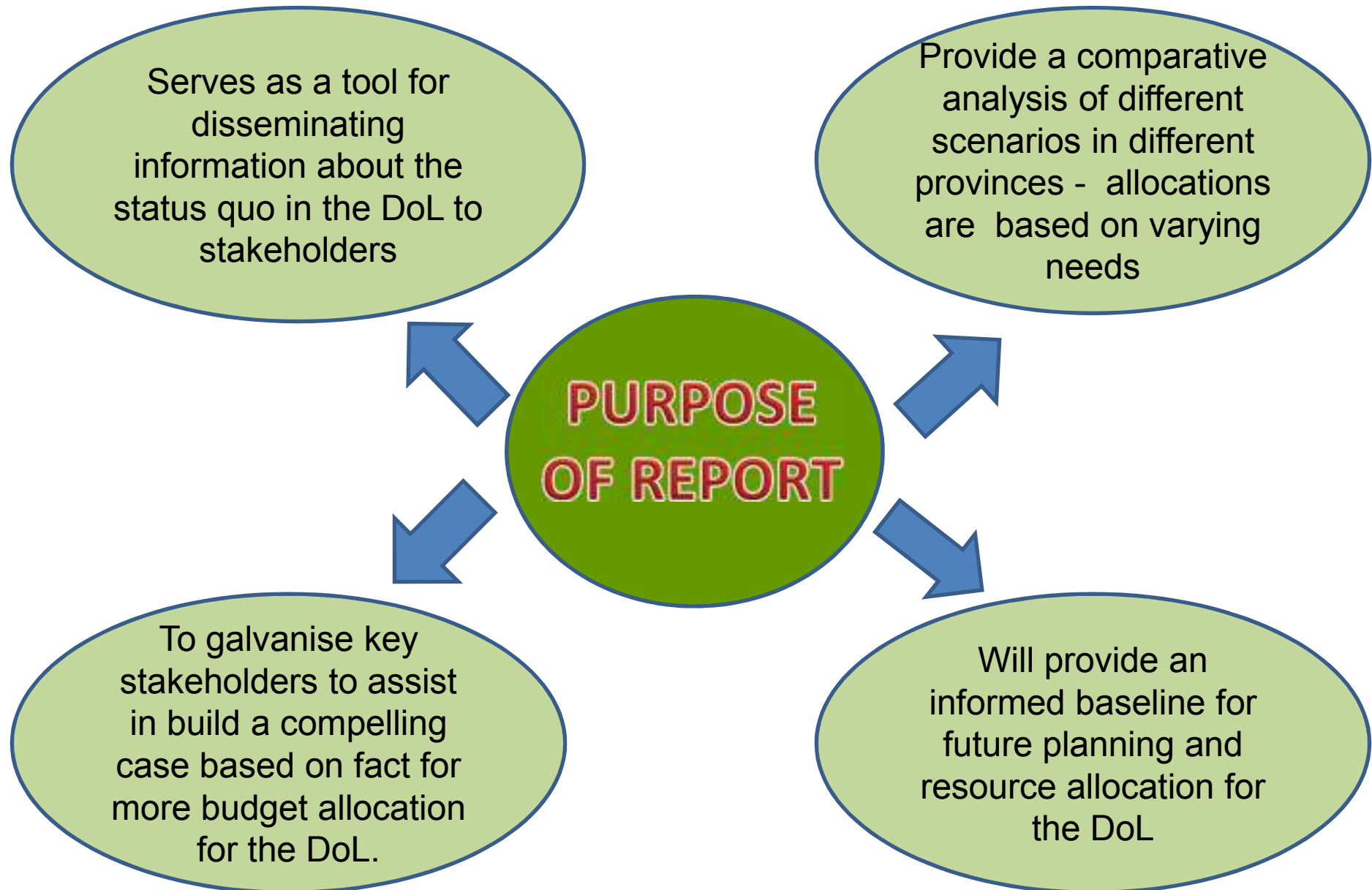
Assess the capacity of the Provincial Offices to implement and enforce the policies and legislation of the DoL

Gauge staff sentiment on the ground and be able to make an analysis of the state of health of the organization.

Devise informed intervention mechanisms to the challenges faced by the Department.

Mobilise resources to deal with the challenges by leveraging the current financial allocation or requesting additional funding from the National Treasury.

# PURPOSE OF THE REPORT





# METHODOLOGY

## METHODOLOGY

**In-depth meetings with various focus groups**

**Qualitative and quantitative methods of gathering information**

## TARGET GROUP

**All DoL staff members from Labour Centres and Provincial Offices**

**Organised Labour (NEHAWU, SASSAWU, PSA)**



**External stakeholders**  
(Labour, Business, community organisations and Non-Governmental Organisations)

# INFORMATION REVIEWED IN PROVINCES

**Service delivery trends, over a three year period, by the various core business areas :**

- **Inspection and Enforcement Services (IES);**
- **Public Employment Services (PES);**
- **Beneficiary Services (BS): (composed of Unemployment Insurance Fund (UIF) and Compensation Fund (CF))**
- **Management Support Services (MSS)**
- **Client Services**

**Labour market trends**

**Provincial Office profile including Labour Centres**

**Financial report: Allocations and expenditure patterns over a three year period**

**Functionality and suitability of the service delivery points of the Department**

**Tools of trade and resource allocation**

**Demand for DoL services over a three year period**

# KEY ISSUES AND CHALLENGES IDENTIFIED

## Budget

### **Inadequate budget allocation**

Resources allocated to provinces have remained stagnant or dwindled, whereas demand for services has risen

## INSPECTION & ENFORCEMENT

**Tools of trade for Inspectors** – shortage of vehicles for inspections, requirement for laptops for inspector mobility

**Labour legislation and Policies of the DoL** – Labour law needs to be reviewed for more effective compliance

**Capacity of the Inspectorate** – Professionalization needs to be fast tracked, training of inspectors is necessary to keep abreast with new developments in the industry

**Prevalence of labour broking** – posing a challenge to inspection in some areas and needs strengthened enforcement capacity

**Cross border migrations** – phenomenon prevalent in the Musina region and the Northern parts of Limpopo which is posing new challenges for inspection and enforcement

**Case Management System** – need to fast track the development of the system

# KEY ISSUES AND CHALLENGES IDENTIFIED

## PES Bill

Fast track the Bill in order for PES to be able to canvass employers to register vacancies with the DoL

## PES Guidelines

Fast track the development of guidelines to clarify rules of engagement particularly with stakeholders

## ESSA system

Need to enhance or overhaul the system for seamless registration of job seekers and matching to job opportunities

## Unrealistic targets

Service delivery targets imposed on the provincial offices do not cater for systemic and general capacity challenges and inadequate resources allocated to the provinces.

**PUBLIC EMPLOYMENT SERVICES**



# KEY ISSUES AND CHALLENGES IDENTIFIED

## Decentralisation

More capacity for COIDA processing points in the provinces is needed.

## Support & Leadership at provinces

Poor support, guidance and communication by the CF Head Office on COIDA related matters.

## Inadequate office accommodation

Limited and inadequate office space, some offices are in dire need of renovations or alternative accommodation.

## Service delivery points

Labour Centres and service delivery points do not meet the economic growth trends of some provinces. There is a need for a review and reconfiguration

**COMPENSATION FUND**

**PHYSICAL INFRASTRUCTURE**

# KEY ISSUES AND CHALLENGES IDENTIFIED

## Establishment

Inconsistent allocation of human resources across the Provincial Offices

## Job Grading

Job profiles have changed but not job grading.

Disparities in the salaries and levels of the client services officers need to be addressed.

## Appointments vs Qualifications

Relaxation of qualification during recruitment and selection.

## Performance Management

Poor and subjective administration of the policy by managers

**HUMAN RESOURCE MANAGEMENT**

# KEY ISSUES AND CHALLENGES IDENTIFIED

## Staff training

Training of staff happens selectively and in some instances not at all. Staff need to be trained in the new IT systems deployed to the provinces.

## Grievance procedures

Long and unresponsive procedures.

## Service providers to DoL

Allegations of exorbitant fees charged

## Equity targets

At senior management levels – Poor compliance levels. DoL should lead by example.

## Review delegations

Delegations of functions and authority, and accompanying capacity building to the provinces to expedite service delivery.

**HUMAN RESOURCE MANAGEMENT** contd.

# ISSUES RAISED BY REGIONAL MANAGERS

## Budget Allocation

Resources to provinces stagnant while demand for services increased.  
Undue pressure on provincial teams and service delivery

## Tools of Trade

Mobility tools shortage is negatively impacting on service

## Job grading

Job profiles have changed but job grading is not reflective.

Disparities in salaries of regional managers

## Staff morale

Doing more with less is having a negative effect resulting in long absences, sick leave, frustration and disgruntlement

**REGIONAL MANAGER ISSUES**



# ISSUES RAISED BY ORGANISED LABOUR

## Departmental Bargaining Chamber

Efficiency and effectiveness of issues discussed to be reviewed

## DoL management vs organised labour

Antagonistic relationships marred by mistrust and infighting with a potential for instability in some instances.

## Allegations leveled

Requests for investigations into allegations. Allegations range from nepotism; flouting of recruitment and selection procedures to fraud etc.

## Financial Mis-management

Allegations of wasteful\ fruitless expenditure amidst outcries of limited resources and inadequate capacity for service delivery.

**RELATIONSHIP**

**ALLEGATIONS**



# ISSUES RAISED BY ORGANISED LABOUR

## Fiscal dumping

Allegations of spiking expenditures at the close of the financial year on mundane activities

## Performance management

Allegations of abuse of the performance management system for personal interests

**FINANCIAL AND PERFORMANCE ISSUES**

# ISSUES RAISED BY EXTERNAL STAKEHOLDERS

## Organised business

Expressed the desire to work closely with the DoL and the new DG in particular, in realising the objectives of government.

## Enforcement procedures

Common understanding of the enforcement procedures of the Department in order to promote compliance

## Exploitation of workers

Growing exploitation of vulnerable workers particularly farm workers in the remote rural area of the country and the capacity of the Department to enforce

## Labour Laws and exploitation

Disregard of labour laws by some farmers in certain parts of the country

Exploitation of migrant workers (illegal immigrants – no work permits)

**ORGANISED BUSINESS**

**ORGANISED LABOUR**

# DoL PROVINCIAL DEMOGRAPHICS

Major economic hub  
Population 11.1m  
34% contribution to SA economy  
Highest labour absorption

3<sup>rd</sup> largest population  
4<sup>th</sup> lowest contribution to economy

Smallest GDP growth &  
economic contribution



Highest  
unemployment rate

3<sup>rd</sup> largest - SA economy

2<sup>nd</sup> largest - SA economy  
Lowest unemployment rate

# DoL PROVINCIAL DEMOGRAPHICS

## RECOMMENDATIONS

Explore provinces where Public Employment Services (PES) can thrive over the next five years based on the above Labour Market demographics.

Prioritise these provinces and invest resources based on ability to yield the desired results – more job placements and other referrals.

Explore the possibilities of job losses based on the next anticipated economic recession likely to be fuelled by the Eurozone debt crisis.

Identify Labour Centres to be mostly affected and build the department's capacity to mitigate an increase in UIF claims.

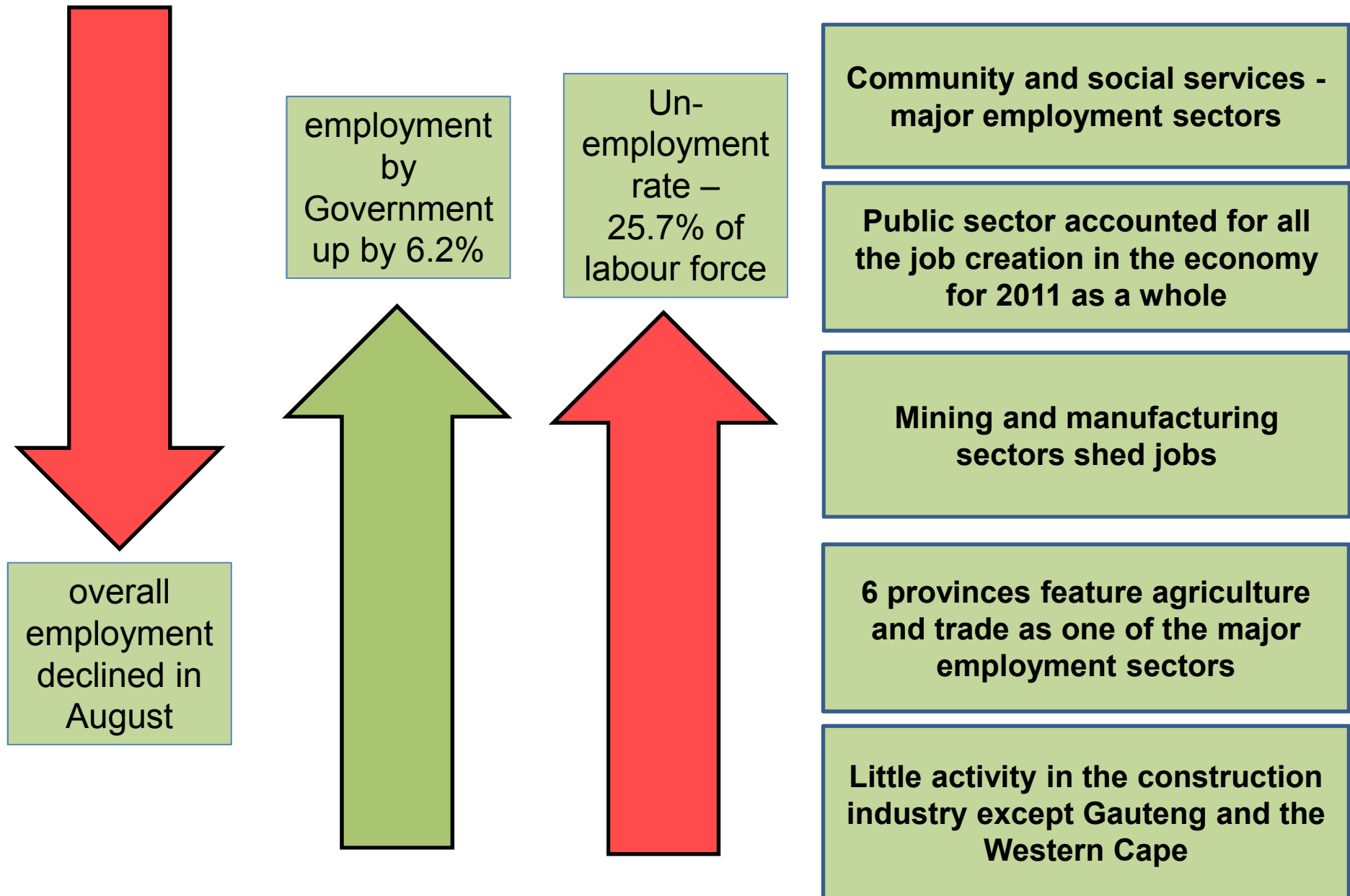
Explore DoL's capacity to regulate labour broking– given its imminent rise in and the likelihood of passing of the Labour Bills in parliament.

Prepare the DoL to be responsive to the changing economic outlook of the various provinces in terms of policy, capacity, infrastructure etc.

Prepare DoL for the imminent job losses and the possibilities of job creation through the government job fund.

If government is becoming one of the key employers - what are the implications of this for PES, IES, UIF etc.

# EMPLOYMENT SECTORS IN PROVINCES





# EMPLOYMENT SECTORS IN PROVINCES

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**PES should leverage the government trend to create jobs and strengthen partnerships with government departments in this regard.**

**LMIS to monitor trends in job creation and the sectors for possible job creation in the future, location, and how to position PES to leverage these**

**Monitor the envisaged infrastructure investment by government, location of these projects and build capacity of our provincial offices to leverage these in terms of PES and IES over the next few years**

**Inspection and Enforcement in the agricultural sector needs to be intensified as this is where the exploitation of the poorest of the poor is rife.**

**LMIS to invest in research in areas that inform the core business of the DoL and to be used as strategic partner in the DoL planning processes.**

# PROVINCIAL OFFICE PROFILE

**Gauteng  
Provincial  
office - largest  
in terms of  
size and  
resources**

**Northern Cape  
Provincial  
office -  
smallest in  
terms of size  
and resources**



## PROVINCIAL OFFICE PROFILE

**Majority of  
staff located in  
Labour  
Centres where  
service  
delivery is  
happening**

**Average  
vacancy rate  
remains at  
acceptable  
levels at 7.8%**

**Majority of  
staff in the  
provinces  
have matric as  
their highest  
qualification**



# PROVINCIAL OFFICE PROFILE

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**Review if staff profile is linked to service delivery demands and needs per province**

**Review the service delivery points are in line with service delivery needs in all the areas/regions of the provincial offices.**

**Relaxation of qualification requirements for internal adverts is a concern expressed by staff and can be validated in that a majority of DoL staff do not have post matric qualifications and feel excluded from promotion if qualification requirements are pitched above matric**

**Relaxation of qualifications during recruitment for positions that do not require highly technical skills and education is something the Chief Directorate: HRM needs to look at closely and make formal recommendations to the Director General and the Minister.**

# **INSPECTION & ENFORCEMENT SERVICES**

**Inspection output varies across provinces and is not linked to education levels or number of inspectors**

**Large percentage of inspectors are generalist inspectors with fewer specialist inspectors**

**KZN - highest no. of post matric qualified generalist inspectors**

**Despite KZN no.'s only managed moderate targets in comparison to other provinces**

**Northern Cape has the lowest achievement rate and the lowest number of qualified inspectors**

# INSPECTION & ENFORCEMENT SERVICES

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**Professionalisation of the inspectorate needs to be implemented in earnest.**

**DoL needs to build its capacity of specialized inspectors.**

**Explore the ability of the DoL to enforce the DG review that talks to employment equity**

**Training of inspectors on the amended legislation and dealing with Labour Courts - a request made by the inspectors**

**Explore if the number of inspections tally with the quality of inspections. Quality will not only determine compliance levels but also reduce exploitation of vulnerable workers, injuries and fatalities**



# PUBLIC EMPLOYMENT SERVICES

**Highest number of post matric qualified personnel at provincial level**

**Some provinces continue to feature construction as one of the employment sectors where they place job seekers**

**Registration of work seekers constitutes the bulk of the work and the most time consuming**

**Referrals, particularly to the UIF, are the second biggest achievement of the programme**

**Placement in jobs is difficult to come by as fewer numbers reflect this target in comparison to job seekers registered**

**Inconsistencies in the PES organisational structure across the provinces and the number of PES staff is not directly linked to performance**

# PUBLIC EMPLOYMENT SERVICES

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**The organisational structure for PES needs to be relooked in all the provinces to address the glaring inconsistencies.**

**Investigate inconsistent targets across the provinces and the targets achieved in relation to human resources deployment and make amends.**

**Derive efficient means of registering PES clients on the ESSA system and a system that measures true performance in terms of placements and sectors placed into.**

**Finalise guidelines for PES and stakeholder engagement – a request made by most provinces**

# UNEMPLOYMENT INSURANCE FUND

**A significant achievement by most of the provinces is the cleared UIF backlog**

**Another achievement is the rate at which UIF contributes to poverty alleviation in the country**

**Finalisation of UIF fraud cases is also commendable**

**Northern Cape is grossly understaffed in the UIF environment**

**Northern Cape UIF backlog though, is cleared**

# UNEMPLOYMENT INSURANCE FUND

## RECOMMENDATIONS

The varying workloads and staff compliments across the provinces may be a cause for further investigation and redress..

UIF fraud is prevalent in certain provinces and not so pronounced in others. Best practice need to be benchmarked.

Causes of prevalent UIF fraud in Gauteng, Free State and the Western Cape need to be investigated and mitigated.

Gauteng provincial office is lagging behind in the resolution rate of UIF fraud related cases and this needs to be investigated and capacity provided where necessary.

Eastern Cape provincial office has the lowest number of UIF fraud related cases – a case for benchmark if the scenario is accurate.

# COMPENSATION FUND

**COIDA  
decentralisation  
remains elusive  
despite the  
evidence of  
demand in all the  
provinces**

**Backlogs dating back  
as far as 1998 cited in  
KZN is a cause for  
concern**

**The organisational  
structure remains  
relatively fluid as it is  
predominantly  
manned by contract  
workers and  
seconded staff**

**There is an element  
of frustration on  
the ground at the  
slow pace of  
decentralisation  
and limited support**

**Free State and the  
Eastern Cape have  
the biggest  
demand for COIDA  
and could be the  
sites for piloting  
permanent  
structures**



# COMPENSATION FUND

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**Fast track the decentralisation of COIDA to provincial offices**

**Build capacity in provinces and to clear any backlogs**

**Provide clear leadership and support for COIDA service delivery to succeed in Provinces – issue raised by provincial staff**

# MANAGEMENT SUPPORT SERVICES

## CHALLENGES

**The organizational structure reflects inconsistencies.**

**In Limpopo and the Eastern Cape the combination of finance with supply chain is creating serious conflicts that have been identified by the Auditor General**

**KZN, Western Cape and North West notched the highest levels of aggrieved staff although the resolution levels of grievances remain high in all the provinces**

**Staff in almost all the provinces cited slow grievance procedures of the Department**

**Only two provinces reflected irregular and wasteful expenditure**

## RECOMMENDATIONS

**Limpopo and the Eastern Cape should be the priority provinces for organisational structural redress in supply chain and finance**

**General discrepancies in the organisational structures across provinces need to be addressed**

# CLIENT SERVICES

Main area for  
disgruntlement  
across all provinces

Abnormal workloads were reason for low morale evidenced by anger, absenteeism and high staff turnover

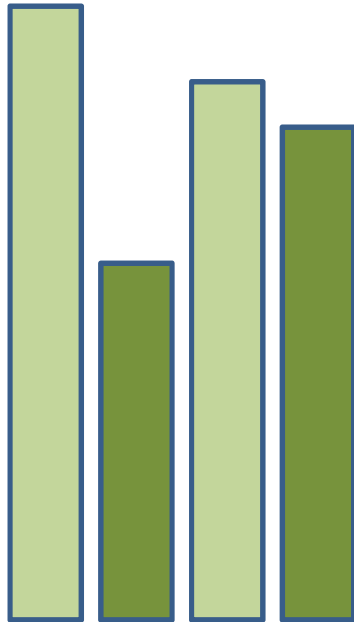
Gross discrepancies across the provinces in terms of work load

Allegations of differences in salary levels and grades that have no clear organizational development backing

RECOMMENDATIONS

Has the potential to become explosive if left unattended. Extensive investigations need to be undertaken to the abnormalities in the various provincial structures and recommendations be explored

# FINANCIAL REPORTING



All provinces reflect competent expenditure patterns on the surface

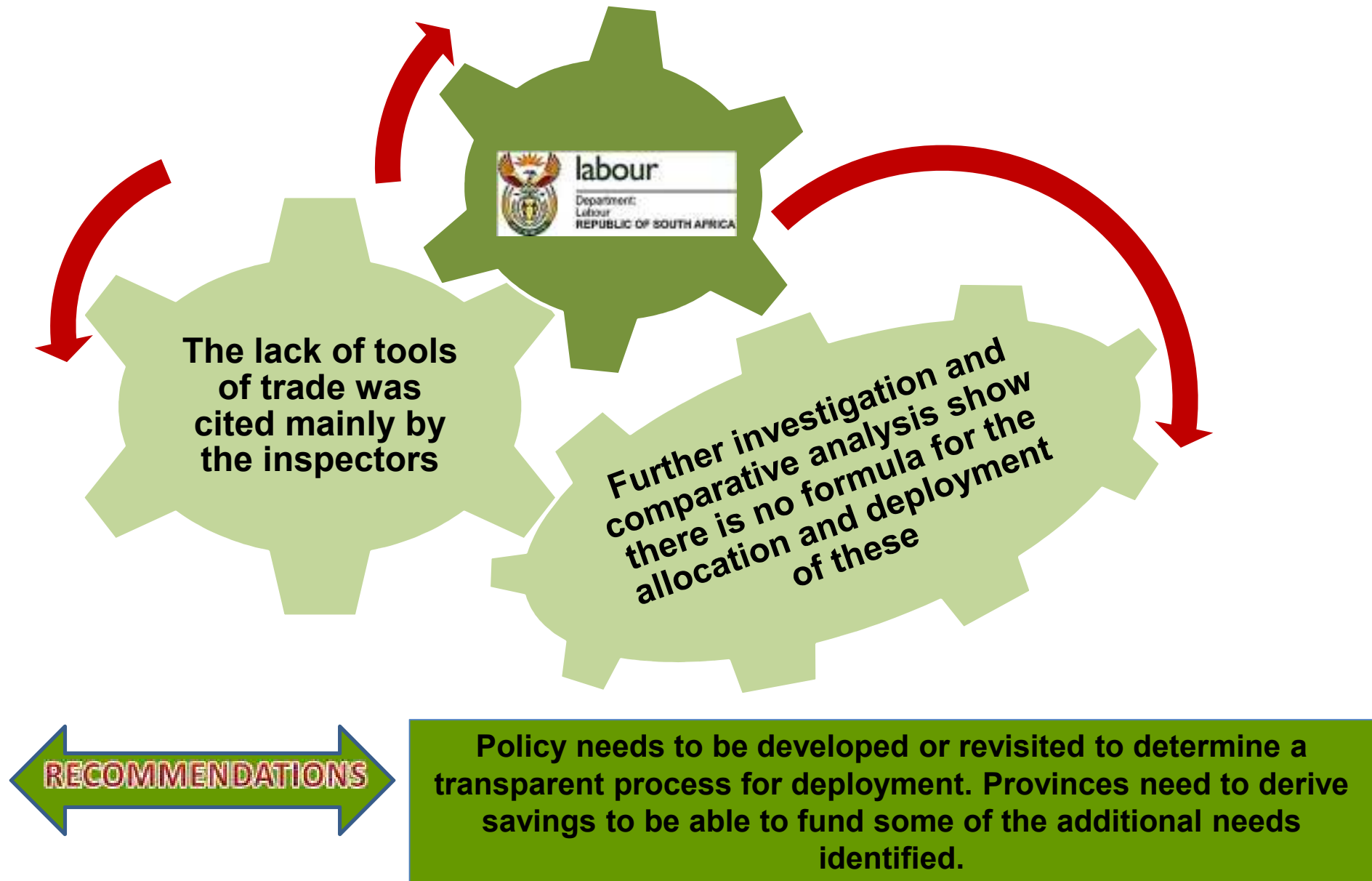
Allocated budgets are spent - savings derived from compensation of employees and payment of capital assets in most of the provinces

The question is whether funds allocated to DoL are spent efficiently and on its core business? Are we able to derive maximum value from our tax funding?

**RECOMMENDATIONS**

Further investigation to ascertain efficient spending and identify areas of wasteful expenditure in order to derive further savings from the current allocation so that new initiatives in provinces can be funded.

# TOOLS OF TRADE AND ASSETS





# SERVICE DELIVERY POINTS

Key questions need to be asked about the relevance of the service delivery points in light of technology and economic developments.

## RECOMMENDATIONS

Explore needs based on future technology and economic outlook – make recommendations based on these.

Link with other partners like the DPSA, Thusong centres and other government Departments to leverage resources.

Many labour centres need to be renovated or vacated for alternative accommodation because of health hazards

☒ Excellent  
☐ Good  
☐ Average  
☐ Poor

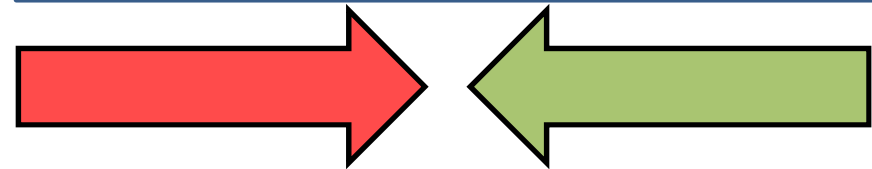
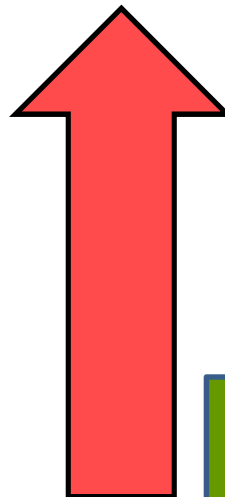
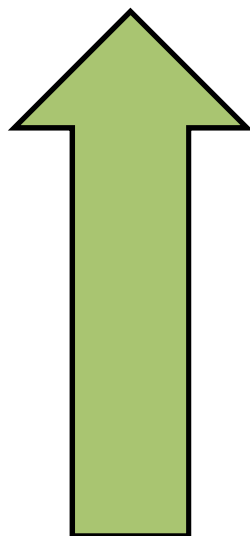
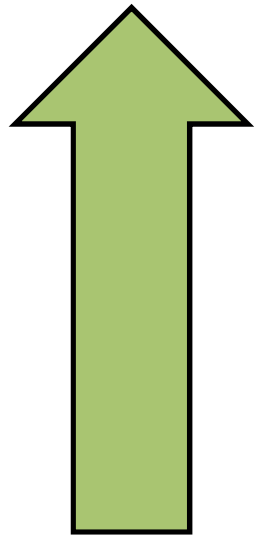
# SERVICE DELIVERY DEMAND

Demand for DoL services has shown a steady rise over the last three year period

Major rise is in the no. of work seekers registered on the ESSA system

Rise in the no. of claims for UIF from the global economic recession started in 2008

Staff assert that job profiles and demand have been increasing without being followed by resources or recognition in terms of salaries or job upgrading.



**Explore the extent of the changed job profiles and additional work loads and redistribute work load where necessary.**

# RECOMMENDATIONS

**The major discrepancies identified in the DoL through the provincial consultation process require a wide range of immediate to long term interventions broadly outlined below:**

- Organisational structure review
- Reorganise provinces to respond to the economic realities of the unique provinces – through assessments of service delivery points and their locations
- Undertake a value for money exercise – to unlock funds that can address the service delivery challenges of DoL
- Redirect funds towards funding the core business of the DoL
- Efficient contract management of all contracts
- Efficient utilisation of human resources

# RECOMMENDATIONS contd.

- Build capacity for enforcement of the Labour legislation
- Build efficient capacity for work seeker registration, job matching and job placements
- Improve and integrate IT systems and modernise processes
- DoL Strategic Plan must reflect some of the challenges cited in the report and interventions
- Follow government envisaged future trend to invest more in on the creation of long-term public assets by investing more in infrastructure and job-creating assets and less in goods and services
- Low levels of staff morale to be addressed

# CONCLUSION

The consultation process with the Provincial Offices of the DoL unveiled a barrage of grievances by the DoL staff and management teams mostly around issues that hamper service delivery. The consultation also revealed a number of positives for the Department.

## Observations made by the Director-General and his team :

- The DoL has a dedicated and hardworking workforce that is interested in service delivery and the modernization of service delivery by the Department
- DoL is besieged by a number of challenges – many are cited in the report but it is not on the brink of collapse.
- DoL continues, through its provincial offices and Labour Centres, to make a significant contribution to the economy and poverty alleviation in all the provinces of the country.
- There are many challenges experienced by the Department but they are not insurmountable.



# CONCLUSION contd.

- There may be no solution to all the challenges faced by the Department but prioritization can enable a resolution of a few major issues identified.
- Whilst there are antagonistic relationships between organized labour and management in most of the provinces, there seem to be room for relationship building in most of the provinces.
- Stability or potential lack thereof in the Compensation Fund is a concern that needs to be monitored over a period.
- The major breakthrough area that can be leveraged for funding dire provincial needs in the Department is the current allocation of R1.9 Billion. We need not look beyond this as there is huge potential for deriving substantial savings from the DoL allocation. The Department over the next few years will be exercising further financial prudence over and above the efforts already in place to cut cost and save more.



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# QUESTIONS



# QUESTIONS

1. Accessibility to Labour Centres by clients – eg Labour Centre is far removed from public transport
2. Training of DoL staff on legislation – lack of information on Parliament oversight when review of Labour Centres were conducted by members of Portfolio Committee
3. High rate of unemployment in Mpumalanga, but EC and Limpopo were cited for organisational restructuring. Mpumalanga should also be included.
4. Cross border migration – review of other provinces should also be conducted.
5. “Job creation agencies” working out of DoL Labour Centres
6. What has been done to address the vacancies at DoL?
7. Inspectors – training and education, incentives and resources.
8. Long leave of absence – what measures are in place to curb this?

9. Allegations made need to be followed up and resolved.
10. Inspections should also focus on Municipalities and National Departments, especially on OHS issues.
11. What is the status of the ESSA database and can it be used by eg. Eskom?
12. How is the DoL going to improve IT systems, and what precautionary measures are in place to avoid a similar situation like Siemens. Siemens said that specifications were not clear, and they were not managed – matters of fraud and double claims -> DoL does not have the capacity to investigate these, but there are relevant institutions in Government that can assist with these.
13. How far is the review of Labour Laws, and what is the cut-off dates for this to be completed?
14. What is DoL doing to address cross border migration?

9. Low staff morale – is it because of working conditions eg. small offices, ID books lying around in offices, files lying on ground, training of staff needs to be looked at urgently.
10. Office setup is not user friendly – lack of signs, nameplates directions required. Long queues in LC's
11. Backlogs in KZN on COIDA – what is being done to resolve this?
12. Visiting points and LC's – many rural areas but very few visiting points for Labour services.
13. Fraud – what is being done to address this?
14. Turnaround time of cases reported vs cases closed
15. Most vulnerable sectors of labour (farming, security, construction etc) – lack of focus in these areas ito inspections



16. Job seekers register vs placement register vs training register – placement rate low, but training is the solution
17. Client services – low morale of workers poses a threat to services of the Department. Must be dealt with immediately.
18. Equipment (stamps) lying around and can be stolen.