

# **REPORT OF THE PORTFOLIO COMMITTEE ON LABOUR ON BUDGET VOTE 28: LABOUR AND ON THE STRATEGIC PLANS OF THE DEPARTMENT OF LABOUR (2014/15 – 2018/19) AND ITS ENTITIES, DATED 6 MAY 2015**

The Portfolio Committee on Labour, having considered Budget Vote 28: Labour and the Strategic Plans of the Department of Labour (2014/15 – 2018/19) and its entities, reports as follows:

## **1. INTRODUCTION**

In terms of the Public Finance Management Act, No. 1 of 1999, accounting officers must provide Parliament or the relevant legislature with their respective institution's Medium-Term Strategic Plan (MTSP) and, where applicable, with its Annual Performance Plan (APP). The Budgets and Strategic Plans of the DoL and its entities were tabled in Parliament in March 2015 respectively. The DoL also submitted revised Strategic and Annual Performance Plans to Parliament and were referred to the Portfolio Committee on Labour for consideration and report.

In performing its constitutional mandate, the Committee scrutinised the alignment of strategic plans (2014/15-2018/19) of the DoL and its entities taking into account the following:

- State-of-the-Nation Address;
- Government priorities and key policies to develop programmes;
- National Development Plan (NDP);
- New Growth Path (NGP); and
- Medium Term Strategic Framework (2014-2019).

The above fundamental principles served as government's underlying programme of action. The Committee wanted to establish whether the funds allocated would help transform programmes to actual service delivery within the workplace and especially to protect vulnerable workers. The Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009, grants Parliament the power to either reject or recommend budgets of departments.

### **1.1 THE NATIONAL DEVELOPMENT PLAN (NDP)**

According to the National Development Plan (NDP), one of the key elements in accelerating the more inclusive growth is to ensure that the labour market improves on its performance to reduce tension and ease access to young, unskilled work seekers. In its analysis, the NDP

identifies the following challenges; low levels of competition for goods and services, large numbers of work seekers who cannot enter the labour market, low savings and poor skills profile. It further argues that uncompetitive labour markets keep new entrants out and skew the economy towards high skills and high productivity sector.

The NDP's 2030 vision for employment and growth includes:

- a) Increasing employment from 13 million in 2010 to 24 million in 2030.
- b) A fall in the strict unemployment rate from 25 per cent to 14 per cent in 2020 and to 6 per cent in 2030.
- c) A rise in the labour force participation rate from 54 per cent in 2010 to 65 per cent.
- d) About 11 million additional jobs by 2030.
- e) The proportion of adults working should increase from 41 per cent to 61 per cent.
- f) The proportion of adults in rural areas working should rise from 29 per cent to 40 per cent.
- g) Eliminate income poverty – Reduce the proportion of households with a monthly income below R419 per person (in 2009 prices) from 39 per cent to zero.
- h) Ensure that skilled, technical, professional and managerial posts better reflect the country's racial, gender and disability makeup.

In order to achieve these targets, the rate of investment in Gross Domestic Product (GDP) is expected to rise from 17 per cent to 30 per cent by 2030. The real GDP will have to more than double, i.e. average growth of 5.4 per cent between 2011 and 2030. At this rate of growth, there will still be substantial reliance on very low-income employment, survivalist activities and public employment schemes.

To achieve set targets, the NDP further suggests that there needs to be social cohesion, because if South Africa registers progress in deracialising ownership and control of the economy without reducing poverty and inequality, transformation will be superficial. Similarly, if poverty and inequality are reduced without demonstrably changed ownership patterns, the country's progress will be turbulent and tenuous. In addition to broader targets and proposals, the NDP has listed a series of specific labour market interventions to ultimately reduce unemployment, poverty and inequality.

## **2. DEPARTMENT OF LABOUR (DoL)**

### **2.1 Overview of the DoL**

The Department of Labour derives its mandate from the Constitution of the Republic of South Africa, in particular, Chapter 2 - Bill of Rights. The legislative mandate is reflected in a range of legislation, including the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act (1998), the Unemployment Insurance Act (1996), the Occupational Health and Safety Act (1993), the Compensation for Occupational Injuries and Diseases Act (1993), National Economic Development and Labour Council Act (1994) and the Skills Development Act ((1998) as amended) and Employment Services Provisions.

The Department of Labour's focus will be on enforcing decent work principles, supporting work seekers, and regulating the workplace. The department is thus positioned to contribute to the national development plan's vision of increasing labour absorption and enhancing workplace dispute resolution to advance healthy labour relations, and to give impetus to outcome 4 of government's 2014-2019 medium term strategic framework (decent employment through inclusive economic growth).

The National Development Plan (NDP) prioritises increased employment through economic growth, improved functioning of the labour market through reforms focusing on increasing labour absorption; and enhanced workplace dispute resolution to advance healthy labour relations. In achieving the NDP's objectives of enhancing productivity and eliminating inequality, the Department will focus on facilitating increased employment and ensuring decent working conditions. Specifically, this entails widening access to employment, transforming protected employment factories into viable, sustainable businesses, providing citizens' access to work seeker services and employment counselling. Enforcing equality and compliance with labour regulations in the workplace, and providing support to the CCMA to strengthen labour dispute resolution.

## 2.2 STRATEGIC AND ANNUAL PERFORMANCE PLANS OF THE DEPARTMENT

**Table1: Budget allocation per programme**

Programme	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Administration	721.3	845.1	123.8	85.1	17.16 per cent	11.80 per cent
Inspection and Enforcement Services	445.7	430.8	- 14.9	- 34.6	-3.34 per cent	-7.77 per cent
Public Employment Services	486.5	488.3	1.8	- 20.6	0.37 per cent	-4.23 per cent
Labour Policy and Industrial Relations	855.7	922.7	67.0	24.7	7.83 per cent	2.89 per cent
TOTAL	2 509.3	2 686.9	177.6	54.5	7.1 per cent	2.17 per cent

Source: National Treasury 2015

The Department of Labour receives a total of R2.687 billion for the 2015/16 financial year. There is an increase in the budget allocation of R177.6 million in nominal terms, representing a 7.1 per cent increase. In real terms the budget allocation increased by R54.5 million (2.17 per cent).

The main elements of the expenditure framework include:

- Enforcing decent work principles
- Supporting work seekers
- Regulating the workplace.

Key highlights of the budget include:

- The Department plans to increase the number of inspectors who monitor employment equity plans and decent work principles, and that vulnerable workers are protected from 960 in 2014/15 to 1 175 in 2017/18.
- R1.6 billion has been allocated to the *Inspection and Enforcement Services* programme over the medium term, mainly in compensation of employees and travel and subsistence.
- The Department has faced challenges in both retaining inspectors and finding suitable, specialised candidates. This resulted in the Cabinet approved budget reductions of R213.5 million in the 2014 Budget. A further budget reduction of R52.5 million over the medium term will be effected on compensation of employees.
- A Cabinet approved additional allocation of R25.7 million in 2015/16 will be effected in the *Administration* programme for capital expenditure and IT.
  - R5.8 million will be used for purchasing 46 vehicles for inspections
  - R11 million for purchasing 2 new mobile labour centres
  - R8.9 million for compensation of employees.
- The Department will review 12 sectoral determinations between 2014/15 and 2017/18 to regulate agreements on benchmarks for pay inequality.
- The Department will transfer R2.3 billion over the medium term from the *Labour Policy and Industrial Relations* programme to the Commission for Conciliation, Mediation and Arbitration and R90.9 million to the National Economic Development and Labour Council to investigate the introduction of a national minimum wage; determine its likely impact on wage structure; inequality; employment; and the living standard of workers.
- The Department currently employs 3412 people and plans to increase this number to 3737 employees by 2016/ 17 with the majority concentrated in programmes 1 and 2.

## 2.2.1 PROGRAMME 1: ADMINISTRATION

Programme R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16 <sup>1</sup>				
Ministry	18.3	22.1	3.8	2.8	20.77 per cent	15.23 per cent
Management	405.2	429.1	23.9	4.2	5.90 per cent	1.05 per cent
Corporate Services	63.0	68.4	5.4	2.3	8.57 per cent	3.60 per cent
Office on the Chief Financial Officer	119.0	138.1	19.1	12.8	16.05 per cent	10.74 per cent

Source: National Treasury 2015

The Administration programme aims to provide strategic leadership, management and support services to the department. The programme has been allocated a total of R845 million for the 2015/16 financial year. This is a R60.2 million increase in nominal terms when compared with the previous financial year. In real terms, it is a R21.5 million increase. That is a 2.74 per cent increase in the programme's allocation in real percentage change.

All Administration subprogramme allocations increase in the current financial year. The Ministry's budget increased by R3.8 million or 20.8 per cent. The Management subprogramme increase by R24 million or 5.9 per cent, Corporate Services' budget increased by R5.4 million or 8.6 per cent, Office of the Financial Officer's budget increase by R19.1 million or 16 per cent and the budget for Office Accommodation subprogramme increased by R60.2 million or 7.7 per cent.

## 2.2.2 PROGRAMME 2: INSPECTION AND ENFORCEMENT SERVICES (IES)

Programme R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Management and Support Services: Inspection and Enforcement Services	4.6	4.7	0.1	- 0.1	2.17 per cent	-2.51 per cent
Occupational Health and Safety	25.9	27.6	1.7	0.4	6.56 per cent	1.68 per cent
Registration: Inspection and Enforcement Services	55.9	63.5	7.6	4.7	13.60 per cent	8.39 per cent
Compliance, Monitoring and Enforcement	309.1	321.0	11.9	- 2.8	3.85 per cent	-0.91 per cent
Training of Staff: Inspection and Enforcement Services	6.1	5.2	- 0.9	- 1.1	-14.75 per cent	-18.66 per cent
Statutory and Advocacy Services	8.8	8.9	0.1	- 0.3	1.14 per cent	-3.50 per cent
TOTAL	410.4	430.8	20.4	0.7	5.0 per cent	0.16 per cent

Source: National Treasury 2015

Programme 2, *Inspection and Enforcement Services*, aims to realise decent work by regulating non-employment and employment conditions through inspection and enforcement, to achieve compliance with all labour market policies. The programme receives a total of R430.8 million during the 2015/16 financial year. This is an increase of R20.4 million in nominal terms. The Compliance, Monitoring and Enforcement subprogramme receives the bulk of the allocation in this programme with a total of R 321 million for the 2015/16 financial year. It is important to note the decrease in allocation to the *Training of Staff: Inspection and Enforcement Services* subprogramme that pays all expenditure relating to staff training within the programme.

The Department aims to:

- Promote employment equity in the labour market by conducting inspections for compliance with employment equity legislation at 1 837 designated employers by March 2016.
- Protect vulnerable workers through the inspection and enforcement of labour legislation by:
  - conducting 150 684 compliance inspections by March 2016;
  - training 600 shop stewards, hosting 4 seminars for high risk sectors, and hosting 1 inspector conference by March 2016;
  - conducting 13 440 employer payroll audits by March 2016 of each year to determine employers' contributions to the Unemployment Insurance Fund.
- Strengthen occupational health and safety protection by:
  - conducting 20 147 inspections for compliance with occupational health and safety regulations by March 2016;
  - investigating 60 per cent of all reported incidents within 90 days;
  - processing 100 per cent of applications by entities for registration in terms of the Occupational Health and Safety Act (1993) within 4 weeks of receipt.

## 2.2.3 PROGRAMME 3: PUBLIC EMPLOYMENT SERVICES (PES)

Programme R million	Budget		Nominal Increase / Decrease in	Real Increase / Decrease in	Nominal Percent change in	Real Percent change in
	2014/15	2015/16	2015/16	2015/16	2015/16	2015/16
Management and Support Services: Public Employment Services	33.3	34.4	1.1	- 0.5	3.30 per cent	-1.43 per cent
Employer Services	116.7	116.9	0.2	- 5.2	0.17 per cent	-4.42 per cent
Work Seeker Services	114.2	125.7	11.5	5.7	10.07 per cent	5.03 per cent
Designated Groups Special Services	0.9	0.9	0.0	0.0	0.00 per cent	-4.58 per cent
Support Employment Enterprises	139.2	145.7	6.5	- 0.2	4.67 per cent	-0.12 per cent
Productivity South Africa	43.1	45.5	2.4	0.3	5.57 per cent	0.73 per cent
Compensation Fund	32.3	18.1	- 14.2	- 15.0	-43.96 per cent	-46.53 per cent
Training of Staff: Public Employment Services	2.0	1.1	- 0.9	- 1.0	-45.00 per cent	-47.52 per cent
TOTAL	481.5	488.3	6.8	- 15.6	1.4 per cent	-3.23 per cent

Source: National Treasury 2015

Programme 3 provides assistance to companies and workers to adjust to changing labour market conditions, and to regulate private employment agencies. The Public Employment Services Programme receives a budget allocation of R488.3 million. This is a nominal increase of R6.8 million from the previous financial year. However, in real terms the programmes budget decrease by 3.25 per cent. Noteworthy is the 10 per cent increase in the Work Seeker Services sub programme which aims to register work seekers, retrenched workers, work vacancies, and training and income generating opportunities on the employment services system; and facilitates access to employment and income generating opportunities for the unemployed and underemployed.

The Department aims to:

- Provide public employment services by:
  - conducting 18 provincial and 378 advocacy campaigns for local public employment services by March 2016
  - registering 62 000 work opportunities on the Employment Services for South Africa system by 31 March 2016

- processing applications from private employment agencies and temporary employment services within 60 days of receipt.
- Regulate work visas for foreign individuals and foreign corporations by:
  - processing work visas within 30 working days
  - advising the Department of Home Affairs within 30 days of submission on the number of individual and corporate work visas to be issued.
- Contribute to increasing employment opportunities for people with disabilities by providing quarterly funding, and monitoring disability organisations.

#### 2.2.4 PROGRAMME 4: LABOUR POLICY AND INDUSTRIAL RELATIONS (LP&IR)

Programme R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Management and Support Services: Labour Policy and Industrial Relations	12.7	13.2	0.5	- 0.1	3.94 per cent	-0.82 per cent
Strengthen Civil Society	17.3	17.9	0.6	- 0.2	3.47 per cent	-1.27 per cent
Collective Bargaining	14.6	14.2	- 0.4	- 1.1	-2.74 per cent	-7.19 per cent
Employment Equity	14.6	15.2	0.6	- 0.1	4.11 per cent	-0.66 per cent
Employment Standards	12.6	14.8	2.2	1.5	17.46 per cent	12.08 per cent
Commission for Conciliation, Mediation and Arbitration	687.1	731.8	44.7	11.2	6.51 per cent	1.63 per cent
Research, Policy and Planning	9.8	12.7	2.9	2.3	29.59 per cent	23.66 per cent
Labour Market Information and Statistics	37.6	38.4	0.8	- 1.0	2.13 per cent	-2.55 per cent
International Labour Matters	35.3	35.1	- 0.2	- 1.8	-0.57 per cent	-5.12 per cent
National Economic Development and Labour Council	27.8	29.4	1.6	0.3	5.76 per cent	0.91 per cent
<b>TOTAL</b>	<b>869.4</b>	<b>922.7</b>	<b>53.3</b>	<b>11.0</b>	<b>6.1 per cent</b>	<b>1.27 per cent</b>

Source: National Treasury 2015

The Labour Policy and Industrial Relations programme facilitate the establishment of an equitable and sound labour relations environment and the promotion of South Africa's interests in international labour matters through research, analysing and evaluating labour policy, and provide statistical data on the labour market, and support to institutions that promote social dialogue. The programme receives R922.7 million for the 2015/16 financial year. This is a nominal increase of 6.1 per cent from the previous financial year. In real percentage terms, it is 1.27 per cent. The bulk of this money will be transferred to the CCMA (R731.8 million) during the current financial year. This is consistent with the focus on promoting sound labour relations, with a particular emphasis on the resolution of the industrial action and the reduction of tensions and violence in the labour market. The National Economic Development and Labour Council (NEDLAC) receives R29.4 million for the 2015/16 financial year. This is a nominal increase of R1.6 million when compared with the previous financial year. This is a nominal percentage change of 5.78 per cent. Increases worth considering are the Research, Policy and Planning as well as the Employment Standards sub programmes.

The Department aims to:

- Improve employment equity in the labour market by:
  - assessing the income differentials of 30 companies to promote the principle of equal pay for work of equal value by the end of March 2016.
- Conduct 9 workshops per province per year on the code on equal pay for work of equal value.

- Establish basic employment standards and minimum wages through the review of 4 existing sectoral determinations (farm workers, forestry, private security, and wholesale and retail) and the investigation of 1 sectoral determination for the abattoir sector by March 2016.
- Promote sound labour relations and centralised collective bargaining through the extension of 18 collective agreements and 100 per cent registration of qualifying labour and employer organisations by March 2016.
- Monitor and evaluate the impact of legislation and labour market trends through conducting research and labour market information analysis to promote a sound labour policy framework. As a result, 4 reports on labour market information and statistical analysis will be released by September 2015, and 3 literature review reports and 3 data collection instruments for the research, monitoring and evaluation agenda will be completed by March 2016.

## **2.3. RECOMMENDATIONS**

After receiving the presentation of the Department of Labour, the Committee recommended that the Minister of Labour gives consideration to:

- a) Ensuring the ongoing alignment of the budget expenditure with the policy priorities of Government programmes as articulated in the NDP.
- b) Ensuring that the plan for the recruitment and retention of inspectors contribute to strengthening the goal of decent work in South Africa.
- c) Increasing the capacity of the inspectorate while recognizing the specialized nature of the Occupational Health and Safety.
- d) The Director-General as the accounting officer engaging with and regularly reporting to Parliament on the expenditure trends and strategic plans of the DoL entities including budget surpluses and investments undertaken.
- e) The Department, in its monitoring and evaluation function, to encourage job creation by all its entities.

## **3. PUBLIC ENTITIES OF THE DOL**

### **3.1. COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)**

The Commission for Conciliation, Mediation and Arbitration (CCMA) was established through a constitutional mandate drawn directly from Section 23 of the Constitution of the Republic of South Africa that deals with labour relations. The strategic goal of the CCMA is meant to “advance economic development, social justice, labour peace and democratisation of the workplace”. The volatile and dynamic environment under which the CCMA has to operate demands innovative and proactive strategies in dealing with labour disputes and initiating legislation to address the deep seated structural challenges bedevilling the economy.



Over the medium term, the Commission for Conciliation, Mediation and Arbitration will focus on expanding access to dispute resolution services and improving service delivery, in line with government's 2014-2019 medium term strategic framework and the national development plan's vision of reducing workplace conflict and improving the collaboration between government, organised business and organised labour. Further focus areas will be to develop programmes to address workplace conflict through improved communication, career mobility, skills development, stronger labour relations systems, and creating a culture of fairness in workplaces. The Commission receives R2.4 billion over the medium term for this purpose, mainly from transfers from the Department of Labour, which amounts to 98 per cent of the Commission's revenue over the medium term.

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	R thousands	2014/15	2015/16	2016/17	2017/18	2014/15-2015/16	2014/15-2015/16	2014/15-2015/16
Programme 1: Administration	330 699.0	354 502.0	338 448.0	418 445.0	23 803.0	7 566.3	7.20 per cent	2.29 per cent
Programme 2: Institutional Development	50 051.0	53 598.0	57 307.0	61 217.0	3 547.0	1 092.1	7.09 per cent	2.18 per cent
Programme 3: Corporate Governance	2 361.0	2 498.0	2 636.0	2 776.0	137.0	22.6	5.80 per cent	0.96 per cent
Programme 4: Social Services	318 413.0	336 351.0	338 017.0	343 165.0	17 938.0	2 532.6	5.63 per cent	0.80 per cent
<b>TOTAL</b>	<b>701 524.0</b>	<b>746 949.0</b>	736 408.0	825 603.0	<b>45 425.0</b>	<b>11 213.6</b>	<b>6.48 per cent</b>	<b>1.60 per cent</b>

Source: National Treasury 2015

In 2015, the CCMA received a budget of R746.9 million and the focus will be on reducing workplace conflict and improving the collaboration between government, organised business and organised labour. In addition stronger labour relations systems, setting standards to reduce inequality in pay and minimum wages for all vulnerable workers and improving enforcement of the Employment Equity Act are also critical in realising this goal. This also includes measurable improvements in social partner and workplace relationships through the provision of targeted workplace change and transformation interventions.

### 3.1.1 RECOMMENDATIONS

After receiving the presentation of the CCMA, the Committee recommended that the Minister of Labour gives consideration to:

- a) The identification of future permanent sites for CCMA offices that should take into account the accessibility to poorer communities. It should also tighten its financial control on leases and other large commitments.
- b) The CCMA engaging with the Committee on the operation and functioning of the Essential Services Committee.

- c) The timing of engagement by the CCMA with stakeholders with regard to industrial strikes.

### 3.2 NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL (NEDLAC)

The National Economic Development and Labour Council was established in terms of the National Economic Development and Labour Council Act (1994). Its mandate is to promote the act's goals of economic growth and social equity by getting organised labour, organised business and government to work as a collective. The council's work programme is determined by the legislative and policy programme of government, as well as issues tabled by its constituent chambers. The council's strategic goals over the medium term are to:

- promote economic growth, social equity and decent work promote and embed a culture of effective social dialogue and engagement,
- promote effective participation in socioeconomic policy making and legislation and lastly to enhance organisational effectiveness and efficiency.

The National Economic Development and Labour Council's focus over the medium term is in line with the National Development Plan's vision of creating a more inclusive society through improved dispute resolution and dealing with the challenges of unemployment and inequality, as well as outcome 4 of government's 2014-2019 Medium Term Strategic Framework (decent employment through inclusive economic growth).

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	R thousands	2014/15	2015/16	2016/17	2017/18	2014/15-2015/16	2014/15-2015/16	2014/15-2015/16
Programme 1: Administration	23	20	21	22				
	547.0	828.0	731.0	805.0	- 2 719.0	- 3 673.0	-11.55 per cent	-15.60 per cent
Programme 2: Core Operations	4 090.0	4 783.0	5 221.0	5 484.0	693.0	473.9	16.94 per cent	11.59 per cent
Programme 3: Capacity Building Funds	3 382.0	3 720.0	3 917.0	4 113.0	338.0	167.6	9.99 per cent	4.96 per cent
<b>TOTAL</b>	<b>31 019.0</b>	<b>29 331.0</b>	30 869.0	32 402.0	<b>- 1 688.0</b>	<b>- 3 031.4</b>	<b>-5.44 per cent</b>	<b>-9.77 per cent</b>

Source: National Treasury 2015

The council receives 98.6 per cent of its revenue from transfers from the department, which amounts to R91.3 million over the medium term. The bulk of this will be spent on the administration programme, mainly for compensation of employees for the operations and management of the council, including the personnel within the core operations and capacity building funds programmes. The council conducts its work in four chambers, which deal with different aspects of social and economic policy. These are the labour market chamber, the trade and industry chamber, the development chamber and the public finance and monetary policy chamber.

#### 3.2.1 RECOMMENDATIONS

After receiving the presentation of NEDLAC the Committee recommended that the Minister of Labour gives consideration to:

- a) Reviewing the expenditure of NEDLAC as it relates to good, services, consultants and telephone allowances especially for Senior Managers.
- b) NEDLAC providing a plan to address the shortage of skills, including importation thereof, to ensure decent employment through inclusive economic growth.
- c) Improving financial controls on spending.

### 3.3 UNEMPLOYMENT INSURANCE FUND (UIF)

The mandate of the Unemployment Insurance Fund (UIF) is to contribute to the alleviation of poverty by providing affective short term unemployment insurance to all workers who qualify for unemployment and related benefits, as legislated in the Unemployment Insurance Act (2001). The fund is financed by contributions from employees and employers, as legislated in the Unemployment Insurance Contributions Act (2002).

As stated in the ENE the UIF, in line with the vision of the National Development Plan and government's 2014-2019 Medium Term Strategic Framework, will continue to focus on improving the payment of benefits to qualifying beneficiaries, improving compliance with the Unemployment Insurance Act (2001), and implementing poverty alleviation schemes to assist unemployed workers registered on the Fund's database.

The Fund's core mandate and job creation initiatives contribute to 3 of the 10 core elements identified in the National Development Plan: social protection through the provision of unemployment insurance to all workers in the country; employment through investment in job creation projects; and quality education and skills development through training initiatives that aim to give unemployed beneficiaries various artisan skills.

Programme R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Administration	601.5	645.5	44.0	14.4	7.32 per cent	2.40 per cent
Business Operations	8 983.8	9 510.8	527.0	91.4	5.87 per cent	1.02 per cent
Labour Activation Programmes	554.5	698.7	144.2	112.2	26.01 per cent	20.23 per cent
TOTAL	10 139.7	10 855.0	715.3	218.1	7.1 per cent	2.15 per cent

Source: National Treasury 2015

The Funds' budget increased by 7.1 per cent from the 2014/15 financial year to the 2015/16 financial year. In real term there was a 2.15 per cent increase. As can be seen from the above table there was a significant increase in funding for programme 3. This programme aims to increase the Fund's participation in the poverty alleviation schemes by adding four poverty alleviation schemes annually, providing funding for Productivity South Africa's social plan and investing 10 per cent of the Fund's total investment portfolio in Social Responsibility Investments. Performance Indicators include: the number of aspiring entrepreneurs developed; the number of distressed companies assisted; and the number of service level agreements signed with educational institutions.

### 3.3.1 RECOMMENDATIONS

After receiving the presentation of UIF the Committee recommended that the Minister of Labour gives consideration to:

- a) The financial sustainability of the UIF with regard to the Minister of Finance's proposal in the 2015 National Budget for a temporary reduction in contributions by employers and employees to the UIF.
- b) Rolling out advocacy programmes for domestic workers on UIF.

### 3.4 PRODUCTIVITY SOUTH AFRICA (Productivity SA)

Productivity SA is a Schedule 3A Public Entity and its governance board comprises of representatives from labour, government and business. Productivity SA's mandate is primarily to enhance the productive capacity of South Africa by meeting the following objectives;

- Promote a culture of productivity in workplaces;
- Develop relevant productivity competencies;
- Facilitate and evaluate productivity improvement and competitiveness in workplaces;
- Maintain a database of productivity and competitiveness systems and publicising these systems;
- Undertake productivity-related research;
- Support initiatives aimed at preventing job losses.

Productivity SA supports outcome 4 of government's 2014-2019 medium term strategic framework (decent employment through inclusive economic growth), by continuing to focus on improving the productivity of employers and workers to meet economic needs.

The entity has a presence in the metropolises but a limited exposure in the outlying provinces, with offices only in Cape Town, Durban and Gauteng.

Programme	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	R thousand	2014/15				
Administration	39 861.0	42 055.0	2 194.0	267.8	5.50 per cent	0.67 per cent
Productivity Organisational Solution	10 669.0	11 267.0	598.0	82.0	5.61 per cent	0.77 per cent
Value Chain Competitiveness	14 796.0	15 624.0	828.0	112.4	5.60 per cent	0.76 per cent
Workplace Challenge	10 040.0	10 602.0	562.0	76.4	5.60 per cent	0.76 per cent
Turnaround Solutions	18 079.0	48 053.0	29 974.0	27 773.1	165.79 per cent	153.62 per cent
<b>TOTAL</b>	<b>93 445.0</b>	<b>127 601.0</b>	<b>34 156.0</b>	<b>28 311.7</b>	<b>36.6 per cent</b>	<b>30.30 per cent</b>

Source: National Treasury 2015

The Entity has 5 programmes as can be seen above. PSA received an increase, in comparison to the 2014/15 financial year, of R34 million (36.6 per cent). The Turnaround Solutions programme received the bulk of this money, R27.8 million or a nominal increase of 166 per cent. The remaining programmes receive an inflationary increase.

Productivity SA Turnaround Solutions objectives are as follows:

- Prevent job losses through turnaround solutions. This is reactionary intervention for companies in distress.
- It aims at lessening the social and economic impact on individuals, companies, regions and the national economy.
- Sustain existing jobs. As a proactive solution, Productivity SA also identifies companies not in distress and establishes collaborative structures between management and employees, called Future Forums. Productivity SA capacitates Future Forums to establish early warning systems (EWS) and manage their problems proactively.

### **3.4.1 RECOMMENDATIONS**

After receiving the presentation of Productivity SA the Committee recommended that the Minister of Labour gives consideration to:

- a) Increasing the budget allocation of and work on a plan for Productivity SA to become more financially independent.
- b) Productivity SA establishing partnerships with organisations within its scope of work.
- c) Developing a plan to be more visible and accessible in the outlying provinces.

### **3.5 COMPENSATION FUND (CF)**

The Compensation Fund provides compensation to employees who are injured or contract diseases through the course of their employment. (*An accident is defined by COIDA as a personal injury, an illness or the death of the employee during the course of their employment. An occupational disease is a disease that has arisen out of and in the course of employment*). The Compensation Fund gives impetus to outcome 4 and 12 of government's 2014-2019 medium term strategic framework. These are decent employment through inclusive growth as well as an efficient, effective and development oriented public service.

The Fund is governed by the Compensation for Occupation Injuries and Diseases Act (COIDA) of 1993 (amended in 1997) which determines how (and by whom) the fund is administered and the conditions for eligibility for compensation. All employers are obliged to register with a carrier which is either the Compensation Commissioner of the Compensation Fund or a designated mutual association. Employers are then required to provide their respective carrier with the particulars of their businesses. The onus is on the employer to ensure that these details remain up to date. Failure to register for Compensation constitutes an offence.

According to the COIDA (Section 16), the Compensation Fund and the other carriers are responsible for payment of compensation, medical expenses and other pecuniary benefits to employees (or on their behalf) where no other person is liable for the payment. Furthermore, the Compensation Fund reimburses the National Revenue Fund (NRF) for the remuneration

of the Compensation Commissioner while paying the Director-General for his services and/or expenditures incurred. The Compensation Fund is also responsible for paying the costs of medical examinations of employees and should witnesses be required, their expenses also. The difference between the collected revenues and the expenditure are kept as surplus revenues for unforeseen liabilities and for the smoothing of added wage (tariff) cost to the companies.

Programme	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16	
	R million	2014/15					2015/16
Administration		749.4	799.9	50.5	13.9	6.74 per cent	1.85 per cent
Compensation for Occupational Injuries and Diseases Act (1993) Operations		3 125.9	4 002.8	876.9	693.6	28.05 per cent	22.19 per cent
Prvincial Operations: Compensation for Occupational Injuries and Diseases Act (1993) Operations		35.4	36.5	1.1	- 0.6	3.11 per cent	-1.62 per cent
<b>TOTAL</b>		<b>3 910.8</b>	<b>4 839.2</b>	<b>928.4</b>	<b>706.8</b>	<b>23.7 per cent</b>	<b>18.07 per cent</b>

Source: National Treasury 201

The Entity has 3 programmes as per the Estimates of National Expenditure. The Compensation Fund received an increase of R706.8 million (23.7 per cent) for the 2015/16 financial year. The Administration programme receive a 6.74 per cent increase. The second programme receives an additional R876.9 million (28 per cent) for 2015/16 financial year (total budget R4 billion).

The fund's main source of revenue is the levies payable by employers based on a determined percentage of the annual earnings of their employees. Total revenue collected is expected to grow to R37.7 billion, at an average annual rate of 2.8 per cent over the medium term. *Revenue collected is used to pay benefits and claims and for the cost of administering the fund.*

### 3.5.1 RECOMMENDATIONS

After receiving the presentation of the Compensation Fund the Committee recommended that the Minister of Labour gives consideration to:

- a) Addressing the ineffective information and communications technology systems that are currently being used by the Compensation Fund, in order to improve service delivery, storage of documents and missing claims.
- b) Ensuring that the plan for the recruitment and retention of staff and interns are implemented to address the backlogs of cases and delays in the implementation of the full decentralisation process.

## 4. CONCLUSION

The Portfolio Committee on Labour considered the Budget, Strategic Plans and Annual Performance Plans of the Department of Labour and its entities. The Committee also received presentations and engaged with the Department and its entities and is satisfied with their plans and the alignment of their programmes to the National Development Plan, Government policy documents as well as labour issues raised in the 2015 State-of-the-

Nation Address. However, the Committee will continue to provide oversight on the implementation of the above plans and has made recommendations to assist the Department and its entities to perform at an optimal level given the resources constraints. It is also recommended that responsible entities work together where they can in addressing common challenges and finding solutions.

The objective of the Committee when engaging with the Department and the various entities is to ensure effective delivery by the labour institutions of Government. The overall objective being to ensure the transformation of the workplace, the protection of vulnerable workers and increasing employment opportunities.

*Report to be considered.*