

*(The following report replaces the Report of the Portfolio Committee on Employment and labour, which was published page 158 in ATC No 20 - 2019 dated 05 July 2019 and on page 2 in ATC No 21 – 2019 dated 08 July 2019).*

## **REPORT OF THE PORTFOLIO COMMITTEE ON EMPLOYMENT AND LABOUR ON BUDGET VOTE 28: LABOUR, THE STRATEGIC PLAN OF THE DEPART- MENT AND THE ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT 2019/20, DATED 5 JULY 2019**

Having considered the briefing on the budget review of the Department in line with its 2015 - 2020 strategic plan and annual performance plan which were presented on 03 July 2020, the Committee reports as follows:

### **1. INTRODUCTION**

The Department of Labour derives its legislative mandate from the Constitution, particularly the Bill of Rights. Some of the relevant sections include section 9-Equality, section 10-Human dignity, section 13-Slavery, servitude and forced labour, section 16-Freedom of expression, section 17, Assembly, demonstration, picket and petition, section 18-Freedom of association, section 22-Freedom of trade, occupation and profession, as well as section 23-Labour relations. These Constitutional rights are given effect through various legislation, including the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act (1998), the Occupational Health and Safety Act (1993), Employment Services Act (2014) and National Minimum Wage Act (2018).

This report covers the Strategic Plan of the Department 2015-2020, Annual Performance Plan 2019/20 and the Budget Review of the Department. It is based on presentation made to the Committee on Employment and Labour on 3 July 2019. The report does not cover the reports of entities of the Department, except Supported Employment Enterprises.

## **2. The Strategic Plan of the Department of Employment and Labour 2015- 2020**

### **2.1 Strategic Plan per programmes of the Department**

The function of the Department is structured into four programmes, which are:

- Programme 1: Administration
- Programme 2: Inspection and Enforcement Service
- Programme 3: Public Employment Services
- Programme 4: Labour policy and industrial Relations

The Department also has the following public entities:

- Unemployment Insurance Fund (UIF)
- Compensation Fund CF)
- Commission for Conciliation, Mediation and Arbitration (CCMA)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Supported Employment Enterprises (SEE)

#### **2.1.1. Strategic objectives for Programme 1: Administration**

The strategic objectives for Administration programme are:

- Departmental interventions and initiatives communicated.  
This strategic objective is linked to outcome 12: An efficient, effective and development oriented public service.
- Effective financial management and governance  
The 5-year target for this objective is to produce 3 Interim Financial Statements (IFS) and 1 Annual Financial Statement (AFS) per annum.

- Effective supply chain management

The 5-year target for this objective is to report 100% of detected cases of irregular, fruitless and wasteful and unauthorised expenditure.

### **2.1.2. Strategic objectives for Programme 2: Inspection and Enforcement Services**

The strategic objectives for Inspection and Enforcement Services programme are:

- Workers protected through inspection and enforcement of employment law

The 5-year target for this objective is to increase the number of inspections by 30%.

### **2.1.3. Strategic objectives for Programme 3: Public Employment Services**

The strategic objectives for Employment services programme are:

- Work seekers registered

The 5-year target for this objective is to register work-seekers on ESSA for opportunities.

- Work and learning opportunities registered

The 5-year target for this objective is to register work and learning opportunities.

- Employment counselling provided

The five-year target for this objective is to provide work-seekers with employment counselling.

- Work seekers placed in work and learning opportunities

The 5-year target for this objective is to place work seekers in work and learning opportunities.

#### **2.1.4. Strategic objectives for Programme 4: Labour Policy and Industrial Relations**

- Employment equity in the labour market ensured and enforcement improved

The 5-year target for this objective is to have at least 40% of middle and senior management being African.

- Establish basic standards and minimum wages

The 5-year target for this objective is to cover 95% gaps in minimum wage determinations.

- Advance national priorities through bilateral relations

The 5-year target is to have 8 signed MoUs implemented and 5 new MoUs signed.

- Promoting sound labour relations

Five-year target is development of programmes to address workplace conflict through (a) improved communication, career mobility, skills development and fairness in workplaces, and (b) stronger labour-relations systems.

Process implemented in 3 sectors and 10 workplaces.

The share of unprotected strikes in total strike action decrease with 50%.

- Monitor the impact of labour legislation

Five-year target-20 annual labour market trends and 8 final research reports will be produced and disseminated to internal and external stakeholders for decision making.

### 3. Annual Performance Plan of the Department of Employment and Labour 2019/20

#### 3.1. Annual Performance Plan of Programme 1: Administration

Table 1: APP for Administration Programme

Performance Indicator	Reporting Period	Target
Effective communication and marketing of Departmental work	Quarterly and Annually	<ul style="list-style-type: none"> <li>• Communication annual work plan approved</li> <li>• 100% implementation of the annual work plan</li> </ul>
Number of Annual Financial Statements (AFS) and Interim Financial Statements (IFS) compiled per year that comply with guidelines issued by the National Treasury	Quarterly	<ul style="list-style-type: none"> <li>• One AFS by 31 May and three IFS 30 days after each quarter</li> </ul>
Cases of Irregular, Fruitless and Wasteful expenditure and Unauthorised expenditure, detected per financial year, reported to the Accounting Officer	Quarterly	<ul style="list-style-type: none"> <li>• All cases which are detected, reported monthly</li> </ul>

*Source: Adapted from the Presentation of the Department dated 3 July 2019*

Administration Programme has three performance indicators, which are effective communication and marketing of departmental work, number of AFS and IFS compiled per year that comply with National Treasury guidelines and cases of irregular, fruitless and wasteful and unauthorised expenditure detected per financial year, reported to the Accounting Officer.

The targets for the first performance indicator are communication annual work plan approved and 100% implementation of annual work plan. The target for the second are one AFS by 31 May and three IFS 30 days after each quarter. The target for the third performance indicator is to have all cases which are detected, reported annually.

### 3.2. Annual Performance Plan of Programme 2: Inspection and Enforcement Services

Table 2: APP for IES Programme

Performance Indicator	Reporting Period	Target
Number of employers inspected per year to determine compliance with employment law	Quarterly	220 692
Percentage of non-compliant employers of those inspected served with a notice in terms of relevant labour legislation within 14 calendar days of the inspection	Quarterly	85%
Percentage of non-compliant employers who failed to comply with the served notice referred for prosecution within 30 calendar days	Quarterly	60%
Percentage of reported incidents investigated and finalised within the prescribed time frames	Quarterly	70%

*Source: Adapted from the presentation to the Committee dated 3 July 2019*

The first performance target of the IES programme is to inspect 220 692 employers per year to determine compliance with employment law. The second performance target is to serve 85% of non-compliant employers of those inspected with notices in terms of relevant labour legislation within 14 calendar days of the inspection. The third one is to refer 60% of non-compliant employers who failed to comply with the served notices for prosecution within 30 calendar days. The fourth target is to investigate and finalise 70% of reported incidents within the prescribed time frames.

### 3.3. Annual Performance Plan of Programme 3: Public Employment Services

Table 3: APP for PES Programme

Performance Indicator	Reporting Period	Target
Number of work-seekers registered on Employment Services South Africa (ESSA) system per year	Quarterly	700 000
Number of work and learning opportunities registered on ESSA	Annually	90 000

Number of registered work-seekers provided with employment counselling per year	Annually	210 000
Number of registered work and learning opportunities filled by registered work seekers per year	Annually	45 000

*Adapted from the presentation to the Committee dated 3 July 2019*

The first performance target of PES programme is to register 700 000 work-seekers on ESSA system per year. The second target is to register 90 000 work and learning opportunities on ESSA per year. The third one is to provide 210 000 registered work-seekers with employment counselling per year. The fourth target is to fill 45 000 registered work and learning opportunities by registered work seekers per year.

### **3.4. Annual Performance Plan of Programme 4: Labour Policy and Industrial Relations**

Table 4: APP of LP & IR programme

<b>Performance Indicator</b>	<b>Reporting Period</b>	<b>Target</b>
Number of policy instruments developed and promoted to enhance the implementation of EEA by 31 March 2020	Annually	2018-2019 Annual Employment Equity Report and Public Register published by 30 June 2019
	Annually	Annually 2019-2020 Annual Employment equity Report and Public Register developed by 31 March 2020
Review of the National Minimum Wage by 1 January 2020	Annually	Review the national minimum wage and recommend adjustment 2020
Number of progress reports on bilateral cooperation and multilateral obligations signed off by the minister annually	Annually	<ul style="list-style-type: none"> <li>Two reports on the implementation of bilateral cooperation and multilateral obligations signed off by the Minister by 31 March 2020</li> <li>One Annual implementation report submitted to the Minister for sign-off by 30 April 2019</li> </ul>

		<ul style="list-style-type: none"> <li>One Mid-Term implementation report submitted to the minister by 31 October 2019 for sign-off</li> </ul>
Percentage of collective agreements extended within 90 calendar days of receipt by 31 March each year	Quarterly	<ul style="list-style-type: none"> <li>100% of collective agreements extended within 90 calendar days of receipt by end of March 2020</li> </ul>
Percentage of Labour Organisation applications for registration approved or refused within 90 calendar days of receipt by end of March each year	Quarterly	<ul style="list-style-type: none"> <li>100% labour organisation applications for registration approved or refused within 90 calendar days of receipt by end of March 2020</li> </ul>
Moderating workplace conflict by amending the Labour Relations Act and measuring the impact thereof	Quarterly	<ul style="list-style-type: none"> <li>Report on impact of amendments on workplace conflict by 31 March 2020</li> </ul>
Number of labour market trends reports produced annually	Annually	<ul style="list-style-type: none"> <li>Four Annual labour market trend reports produced by March 2020</li> </ul>
Number of research service providers identified to deliver on Research, Monitoring and evaluation (RME) Agenda by 31 March 2020	Annually	<ul style="list-style-type: none"> <li>Two research services providers identified to deliver on the RME agenda by 31 March 2020</li> <li>Data collection tools for one research study within the RME agenda conducted internally presented to the DD Forum by 31 March 2020</li> </ul>

*Source: Adapted from the presentation to the Committee dated 3 July 2019*

Some of the targets of the LP & IR programme are to review the national minimum wage and recommend adjustments by January 2020, to extend 100% of collective agreements within 90 calendar days of receipt by end of March 2020, approve or refuse 100% of applications for registration by labour organisation within 90 calendar days of receipt by end of March 2020, and report impact of amendments on workplace conflict by end of March 2020.



#### 4. Budget Allocation of the Department for 2019/2020 and 2018/19 Financial Years

Table 5: Budget allocation of the Department for 2019/20 and 2018/19

<b>Branch</b>	<b>2019/20 Original Budget</b>	<b>% Allocation</b>	<b>2018/19 Original Budget</b>	<b>% Allocation</b>
	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>%</b>
<b>Administration</b>	961 959	28%	917 385	28%
<b>Inspection and Enforcement Services</b>	631 133	18%	598 223	18%
<b>Public Employment Services</b>	611 198	18%	592 574	18%
<b>Labour Policy and Industrial Relations</b>	1 230 843	36%	1 197 061	36%
<b>TOTAL</b>	<b>3 435 133</b>	<b>100%</b>	<b>3 295 243</b>	<b>100%</b>

*Source: Presentation to the Committee dated 3 July 2019*

Table 5 above reflects that the Department received a total budget allocation of R3.4 billion in 2019/20 financial year, which translate to a nominal increase of R139. 9 million from the R3.3 billion allocated in 2018/19 financial year. Labour Policy and Industrial Relations received the largest share of the budget at R1.2 billion or 36% of the total departmental budget. This translates to a nominal increase of R33.8 million from the R1.19 allocated in the previous financial year. However, the percentage of the total allocation remained the same, at 36%.

Administration received the second largest allocation of R961.9 million or 28% of the total budget in 2018/19. This translates to a nominal increase of R44.6 million from the R917.4 million or 28% allocated in 2018/19.

The Inspection and Enforcement Services and Public Employment Services received equal share of the budget at 18% in 2019/20 as well as 2018/19. In monetary terms the IRS programme received R631.1 million, which translates to a nominal increase of R32.9 million from the R598.2 million allocated in 2018/19 financial year.

Public Employment Services received the least budget allocation at R611.2 million. However, this translates to an increase of R28.6 million from the R582.6 allocated in 2018/19 financial year.

#### **4.1. Budget Transfers**

##### **4.1.1. Budget transfers from Programme 3: Public Employment Services**

Budget transfers from Programme 3: Public Employment Services amounted to a total of R241.9 million in 2019/20 financial year. This translates to a nominal increase of R12.3 million from the R229.6 transferred in 2018/19. Subsidised work centres for the disabled received the largest share of the transfers at R148.9 million or 62% of total transfers. This is to an increase of R2.1 million from the R146.8 million transferred in 2018/19.

The second largest transfer in 2019/20, went to Productivity South Africa at R54.6 million or 23% of total transfers from the programme. This translates to a nominal increase of R1.3 million from the R53.3 million transfer received in in 2018/19.

Subsidised Workshops for the Blind received R21.5 million or 9% of the transfers in 2019/20 financial year. This translates to an increase of R9.1 million from the R12.4 million or 5% of total transfers received in 2018/19.

Compensation Fund received R16.9 million or 7% of the total transfers from the programme, which translates to an increase of R770,000.00 from the R16.1 million allocated in 2018/19.

Programme 3: Public Employment Services is there left with an operating budget of R369.3 million after transfers of R241.9 million.

#### **4.1.2 Budget transfers from Programme 4: Labour Policy and Industrial Relations**

Budget transfers from the programme amounted to R1.06 billion in the 2019/20 financial year. The total transfers in 2018/19 amounted to R1.04 billion, translating to an increase of R25.5 million in 2019/20.

The CCMA received the largest share of the budget transfers at R976.8 million or 92% of the total allocation. The entity received transfer amounting to R963.1 million, translating to a nominal increase of R13.7 million in 2019/20.

Nedlac received R40.7 million of the total transfers in 2019/20, which is an increase of R7.1 million from the R33.7 million transfer received in 2018/19.

International Labour Organisation (ILO) received R25.3 million transfers in 2019/20, which is an increase of R1.3 million from the R23.9 million transferred in 2018/19.

Strengthening Civil Society received R22.1 million transfers in 2018/19, which is a nominal increase of R1.2 million from the R20.9 million received in 2018/19.

African Regional Labour Council (ARLAC) received R1.3 million of the transfers in 2019/20, which translates to a nominal increase of R69,000.00 from the R1.2 million transfers received in 2018/19.

#### **4.2. Operating Budget of the Department for 2019/20 Financial Year**

When R1.30 billion grand total of transfers is deducted from the departmental budget of R3.4 billion, the Department is left with an operating budget of R2.1 billion for 2019/20 financial year.

## 5. Supported Employment Enterprises

Table 6

Performance Indicator	Reporting Period	Target
Number of additional persons with disabilities provided with work opportunities in the SEE by the end of March 2020	Quarterly	150 additional persons with disabilities provided with work opportunities in the SEE by end of March 2020
Percentage of annual increase of sales revenue from goods and services by the end of March 2020	Annually	10% annual increase of sales revenue from goods and services by end of March 2020

*Source: Presentation to the Committee dated 3 July 2019*

Table 6 reflects that SEE plans to have 150 additional persons with disabilities provided with work opportunities in the SEE by end of March 2020.

SEE also plans to have 10% annual increase of sales revenue from goods and services by end of March 2020

## 6. COMMITTEE OBSERVATIONS

Having engaged with the Department, the Committee made the following observations:

- 6.1.** That the Department incurred irregular expenditure amounting to R257 657.79 and fruitless and wasteful expenditure amounting to R129 091.84. There was no unauthorised expenditure detected.
- 6.2.** That a mismatch between available job opportunities and available skills is one of the drivers of unemployment.
- 6.3.** That Thusong Services Centres close too early, which makes them inaccessible to some community members.

- 6.4.** That the reconfiguration of the Department, to include Employment, might lead to the expansion of its mandate, which might strain its budget. This might put more strain on the entire budget of the Department.
- 6.5.** That the Occupational Health and Safety cases that require formal inquiries to be conducted get delayed because of court processes involved to the detriment of beneficiaries.
- 6.6.** That attempts have been made to register bogus trade unions so as to represent aggrieved employees at CCMA proceedings at a fee.
- 6.7.** That Productivity SA received R54.6 million for 2019/20 financial year while it is faced with a task of assisting struggling companies to turn-around so as avoid retrenchments.

## **7. COMMITTEE RECOMENDATIONS**

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

- 7.1.** Putting measures in place to ensure that irregular, and fruitless and wasteful expenditure are not incurred, and ensuring that the recommendations of the Auditor-General are taken into consideration.
- 7.2.** Establishing partnerships between the Department of Employment and Labour and the Department of Higher Education, Science and Technology, as well as other government Departments to ensure that relevant skills are provided.
- 7.3.** Ensuring that all the Department's Centres are accessible to the majority of the communities.
- 7.4.** Increasing the budget of the Department to accommodate the possible expansion of its mandate.

- 7.5. Ensuring that the Department work with the Department of Justice and Correctional Services to address delays in Occupational Health and Safety cases.
- 7.6. Strengthening the office of the Registrar of Labour Relations to ensure that it discharges its mandate effectively.
- 7.7. Funding Productivity SA appropriately so that it can perform its duties.

Having satisfied itself in its engagement with the Department of Employment and Labour, on its Annual Performance Plan and Strategic Plan, the Committee recommends that the House approves the Budget Vote 28: Labour.

The Democratic Alliance, however, wanted it on record that it does not approve of the Budget Vote Report.

**Report to be considered.**