



LABOUR

A LABOUR PERSPECTIVE ON THE 2008 STATE OF THE NATION ADDRESS

The post-apartheid period has been characterised by two persistent challenges which include high levels of unemployment as a result of skills shortages as well as socio-economic inequalities due to past imbalances. While the new government has created a stable environment that is conducive for development and is investor friendly, it has been falling behind its targets for halving unemployment by 2014. Therefore greater efforts have to be invested in order to meet those targets. On one hand, government has introduced programmes such as the Expanded Public Works Programme (EPWP), but much has been debated about the quality of jobs that the programme creates and whether they are sustainable. Like previous State of the Nation Addresses, the 2008 address acknowledges that political progress has been made but much work remains to ensure the adequate and equitable participation of all citizens in the economy and labour market. In response to these challenges, the State of the Nation introduces a new theme of "Business Unusual" that acknowledges slow pace of service delivery, therefore aims for better, efficient and speedy pace for provision of services to the people. It therefore poses a major oversight challenge to the legislatures to tighten ropes over Departments to deliver to the citizens.

Impact on Labour

The 2008 State of the Nation Address outlines the following key areas that affect labour¹,

- Accelerating the rate of economic growth and development
- Speeding up skills development interventions through SETAs and on-the-job-training for professional graduates.
- Improving on adult literacy programmes through ABET and massive campaigns such as Kha Ri Gude
- Accelerate the pace through which training is provided 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
- Upscale the Expanded Public Works Programme to maintain public infrastructure

Accelerating economic growth

The 2003/04 to 2009/2010 strategic objective of the Department of Labour is to encourage growth in the first economy and to assist the economy to create employment, addressing the needs of the vulnerable and poor people in the second economy, promoting social security in an effort to contribute to poverty alleviation, and addressing racial and gender inequality. While employment creation is the common function of all government departments, the Department of Labour has to oversee employment legislation that also addresses issues of inequalities in the labour market. In pursuance of these goals, the Department of Labour has developed, and is currently implementing, the Employment Services System for South Africa (ESSA) which is aimed at identifying, matching and responding to supply and demand in the labour market through matching job-seekers to vacancies or employment opportunities and to match learners to the relevant learning opportunities². This system has the development potential as it also draws in skills from all around the country, especially the most marginalised rural communities that do not have the resources or the means to job hunt on their own.

The full potential of the ESSA can be realised if proper linkage with the investment call centre that will follow up on investment applications, as stated by the APEX priority. As companies or investment enterprises would have readily available data base of the list of skills from the Department of Labour, further contributing to the fight against poverty and unemployment.



Increased Productivity and Efficiency

The 2008 State of the Nation's strategic objectives have not introduced any policy shift for the state, however it does propose new perspectives on how state functions are conducted. This would include a call for public servants to "renew a pledge" of efficiency and dedication, in order to fast track service delivery and to increase the rate at which poverty is fought³. On one hand, the budget is available and is transferred to various departments, but the challenge is unplanned spending patterns that usually result to overspending and under-spending. The State of the Nation alludes to the fact that, while success depends on efficiency to deliver services, it also depends on the rate of participation and involvement from the private sector. Some of the failures to deliver optimal results have been poor performance, as indicated by subsequent qualified audit reports in 2007 annual report of the Department of Labour.

Skills Development

While the 2007 Labour Force Survey indicates a slight increase in the employment rate from 12 451 000 in March 2006 to 12 648 000 in March 2007, however there are still numerous challenges on the rate of unemployment⁴. The government efforts to reduce the rates of poverty and unemployment through the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA) have raised new sector targets through skills development and economic growth. Therefore the mandate that SETAs have been given through the Skills Development Act, places them at the heart of the skills revolution, allowing them to play a pivotal role in boosting economic growth. Some of the weaknesses have emanated from the compartmentalising of government systems, further creating disjointed and non-coordinated approaches to development. Hence the National Skills Development Strategy (NSDS) operates in conjunction with ASGI-SA and the Joint Initiative on Priority Skills of South Africa (JIPSA) in order to boost that coherence. It is however important to create a realist balance between skills training and employment, as skills development cannot directly impact on poverty or employment creation, but it can facilitate employability and economic participation⁵. According to the Department of Labour's 2006/07 Annual Report 48 268 unemployed people have undergone training valued at R127 million related to social development initiative projects including the expanded public works programme (EPWP). Of those trained, 26 per cent were in accredited training programmes, and 30 212 have been placed in employment.

Adult Basic Education and Training

The adult population makes up a large percentage of the unemployed and the least skilled, therefore adult literacy programmes have a major role to play in redressing the current economic structure. Hence the State of the Nation Address's objective to focus on Adult Basic Education and Training has come at a right time as current running programmes, including budget allocations, have failed to address this issue. However, the Department of Education had already started a special programme that is aimed at absorbing about 800 000 learners in ABET by March 2010, with the aim of improving basic skills to the youth that is unemployed⁶. This objective is funded under the ABET funding window in order to promote employment and sustainable livelihoods for the poor. Some of this programme's successes include the 16 463 unemployed learners that were trained from a target of 20 000 while 5 590 unemployed learners were provided with bursaries to enter areas of scarce and critical skills learning, such as accounting and engineering.

Small Medium and Micro Enterprises

As part of an ongoing process, the State of the Nation mentions a need for an increased rate for SMME development through preferential procurement in favour of the previously disadvantaged especially women. On this note, the Department of labour has already begun co-ordinating interventions to reduce SMME regulatory burdens; including municipal by-laws (integrated small and micro-enterprises) and has already developed a manual for municipalities to reduce the red tape on SMMEs.



Vulnerable Groups

Government is aiming to increase the number of black entrepreneurs in agricultural production by 5 per cent, therefore Umsobomvu Youth Fund has to speed up the rate at which the youth entrepreneurs are supported especially those that are in the agricultural sector. The youth make up the largest percentage of the unemployed and approximately 75 per cent of the unemployed is the youth. For this, issues of food security and the empowerment of the rural communities has to be addressed. The State of the Nation Address indicates a shift in focus towards women through further assistance of cooperatives and small enterprises. Furthermore given that the agricultural sector has a central role to play in development and empowerment of the vulnerable sectors of our society, especially women and the rural communities, Umsobomvu's role in the development of cooperatives in the sectors will add value in bridging of the gap between the first and second economy. Moreover, the Department of Labour has specific allocations under the Informal Sector Support Funding Window that deals with the promotion of skills development to non-paying organisations that includes the Non-Governmental Organisations (NGOs), Community Based Organisations (CBOs) and Community Based Cooperatives (CBCs).

The role of the Department of Labour extends beyond the development of skills in the first and second economy through SETAs and the National Skills Fund (NSF) but rather to the attainment of sustainable livelihoods through Extended Public Works Programmes and through the support of Community Based Organisations and the Non-Governmental Organisations. At the heart of development is the fact that the poor are unlikely to benefit from any top down approach to development, but are most likely to benefit from strategies that focus on capacity building, be it on skills or financial assistance. In this regard, a coherent strategy has to be followed when implementing government programmes that seek to deal with inequalities, such as the Employment Equity Act and Broad Based Black Economic Empowerment as these have the potential to address first and second economy gaps.

PROGRESS ON ISSUES RAISED IN THE 2007 STATE OF THE NATION ADDRESS

- The key issues raised in the 2007 State of the Nation Address include, among others, the allocation of resources to provide financial assistance to trainees in need who enter the Further Education and Training (FET) institutions and the resolution of questions pertaining to responsibility between the national and provincial spheres in the management of FET system. The Minister of Finance announced, towards the end of 2006, the allocation of R600 million (over three years) for bursaries at FET colleges. In 2007 the enrolment in the new National Certificate (Vocational) programmes was 25 425 students.⁷ Bursaries worth R64 million were awarded to 12 000 trainees in need. The 2008 budget estimates that the revenue from the skills development levy is projected to rise to over R9 billion by 2010/11. The Government therefore proposes that these funds should be invested in supporting the Further Education and Training programmes and in economic productivity.
- The government set itself a target of increasing the number of young people engaged in the National Youth Service Programme by at least 20 000 through 18 departments which have already developed relevant plans. In addition to this, a target was set for the enrolment of 30 000 young volunteers in community development initiatives and employment of 5 000 young people in the maintenance of government buildings as part of the Expanded Public Works Programme. The national youth service unit has engaged with 19 government departments that have committed to projects that will benefit 15 000 young persons. To date, 11 484 young persons have been registered on national youth service (NYS) projects. The NYS volunteer programme has reached over 20 000 volunteers.⁸ A total of 20 461 youth were trained against a target of 30 000 and 13 845 were placed in employment. The National Youth Service assessed and placed a total of 3 359 youth in the infrastructure sector programmes compared to a target of 5 000.⁹



- On the creation of self employment opportunities, the government set itself the following targets:
 1. To take further practical action to improve access to micro-finance, including the reach of the Apex Fund (SAMAF) and the agricultural micro-credit fund (MAFISA).
 2. To ensure the proper function of the Small Enterprises Development Agency (SEDA).
 3. To process the Companies Bills part of the measures to reduce the regulatory burden on small, medium and micro enterprises and to empower minority shareholders and employees.
- Micro-Agricultural Financial Institutions of South Africa (MAFISA) disbursed R635 million to the Land Bank from 2005/06 to 2007/08. This scheme has been rolled out in KwaZulu-Natal, Limpopo and Eastern Cape and its extension to all provinces is being considered. To date, 5 054 loans for cotton and cash crop production (R31.9 million), 52 loans for poultry production (R341 000), 14 loans for small farming equipment (R20 600) and 91 loans for ostrich production (R9.8 million) have been disbursed.¹⁰
- The government proposed an introduction of a wage subsidy for low-wage employees, possibly directed at first entrants into the job market, especially young people and a social security tax to finance basic retirement savings, death, disability and unemployment benefits. In his Budget speech (2007), the Minister of Finance pointed out that much still needed to be done with a view to implement these reforms by 2010 but he outlined the principles that will underpin these reforms as equity, pooling of risk, mandatory participation, administrative efficiency and solidarity.

Implications for Parliament

As government sets out to deliver on certain strategic interventions, it is important the Parliament follows up on the following issues:

- **Legislative Oversight**

In order to fully achieve the 2008 State of the Nation's strategic objectives, Parliament has to see to it that labour legislation is fully implemented through proper oversight mechanisms by Members of Parliament and the Department of Labour. Included in this oversight role, labour inspectors have to be properly resourced and their numbers increased for thorough inspections.
- **The Fight Against Poverty**

As stated in the Apex Priority, the fight against the scourge of poverty should be addressed through inclusion of the vulnerable sectors of society such as women, the disabled, the elderly, people living in rural areas and children. While the State of the Nation does not set out specific targets on the inclusion of these group into government programmes, it is however important to follow up on the Department of Labour's set targets. In this regard, the 2008 Commission for Employment Equity Report has to be interrogated further to check on progress in the placement of the previously disadvantaged. Therefore, the Commission has to establish credibility through proper and scientifically sound data in order to question and challenge non-delivering organisations. In this regard, Parliament has to test qualitative and quantitative data that it receives from the commission.

As part of a continued struggle to fight poverty and inequality, it is the role of Parliament to make sure that the most vulnerable (children) are protected and that through relevant pieces of legislation, children are looked after. Hence a need to intensify the fight against child labour and the worst forms of child labour. Parliament has to see to it that the Department



implements the 2008-2012 Child Labour Programme of Action and that it urgently meets global target to eradicate the worst forms of child labour by 2016

Skill Development

- By the end of September 2007, the NSF had disbursed R114 million from a total of R390 million to six provinces. Due to a slow start, only three provinces have reported achievements against provincial growth and development strategy (PGDS) strategic projects. In 2008, Parliament will have to monitor the success of provinces in disbursing funds from the NSF towards meeting the provincial growth and development strategies.
- In 2007/08, government departments have under-spent an amount of R51 million that should have been allocated for skills training. Departments such as the Presidency, Foreign Affairs, Arts and Culture, Education, Defence, Justice and Constitutional Development, Environmental Affairs and Tourism and Independent Complaints Directorate have each spent below 1 % on skills training, depriving the NSDS of R51 million in potential skills development funding. Parliament's role will therefore have to extend to include these departments when conducting oversight.

Parliament has to monitor the extent at which the National Skills Development Strategy is being implemented to achieve its objectives, especially those that deal with the poor and unemployed. These objectives include promoting employability and sustainable livelihoods through skills development and assisting designated groups, including the new entrants to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment. The targets set out in the NSDS narrowly define priority areas which include: 85 per cent Blacks, 54 per cent female and 4 per cent disabled. Therefore Parliament has to gauge whether these targets have been met or not. Be that as it may, while SETAs and the Department of Labour may meet numerical targets and objectives of the National Skills Development Strategy, it is important to measure the qualitative impact that these targets make.

Scarce and Critical Skills

- The State of the Nation re-emphasised an increased pace at which critical skills should be addressed. Parliament has to evaluate individual SETA's impact in addressing scarce and critical skills in the labour market and thereby monitor the critical skills support funding window.

¹ Mbeki, T. (2008)

² Department of Labour (2007)

³ Mbeki, T. (2008)

⁴ Labour Force Survey (2007)

⁵ Seta Review Preliminary Report (2007)

⁶ Ibid

⁷ Parliamentary Media Briefing: Human Resource Development, 12 February 2008.

⁸ Estimates of National Expenditure (2008)

⁹ Ibid

¹⁰ Ibid



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