

SPECIAL EXECUTIVE COMMITTEE MEETING

PROGRESS ON DEL RECONFIGURATION AND UNBUNDLING OF COMPENSATION FUND AND UNEMPLOYMENT INSURANCE FUND

The Department convened a Special Executive Committee (EXCO) meeting on 1 July 2026. The meeting, chaired by Deputy Director-General, Bahumi Matebesi, focused on the progress of the Department's reform programme, legislative developments, organisational restructuring and the business cases that will guide the legal separation of the Department from its two entities, The Unemployment Insurance Fund and The Compensation Fund..

Opening the meeting, Mr Nyiko Mabunda from the Project Management Office (PMO) assured the EXCO members that significant progress had been made in advancing the reform programme despite legislative challenges. Officials acknowledged that delays in finalising amendments to the Compensation for Occupational Injuries and Diseases (COID) legislation remain one of the key risks affecting the legal separation process. However, the Unemployment Insurance Amendment Bill had progressed to the Ministerial Cluster process while engagements on the COID Amendment Bill continue.

The Department also provided an update on its change management programme, reporting that reform engagements had already taken place in Limpopo, the Eastern Cape and the Western Cape, with the remaining provinces expected to be consulted before the end of July. Management stressed the importance of strengthening communication with employees to minimise uncertainty surrounding the restructuring process.

Importantly, the reform programme would not result in job losses. Employees would retain their employment, benefits and years of service throughout the transition, with management urging senior officials to communicate this message consistently across the Department to reduce anxiety among staff.

"No one will be losing their jobs in terms of the reforms that we're putting in. They will also not be losing their benefits as well as their service records".

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GTAC outlines roadmap for Department's organisational transformation

A significant portion of the meeting was dedicated to presentations by the Government Technical Advisory Centre (GTAC), which sought EXCO's endorsement of four comprehensive business cases covering the Department, the UIF, the Compensation Fund and Supported Employment Enterprises (SEE). The endorsed business cases will now be submitted through the required governance processes, including consideration by the Minister, Deputy Ministers, the Department of Public Service and Administration (DPSA) and the Joint Evaluation Committee.

Presenting the strategic reforms, Mr Jeets Hargovan, outlined the long-standing governance and operational challenges experienced by both the UIF and Compensation Fund, including limited institutional autonomy, governance constraints, information technology weaknesses and service delivery challenges. The Department itself was also described as requiring stronger policy capacity and greater focus on labour market leadership.

The proposed reforms seek to reposition the Department as a policy-led institution responsible for labour market policy development, employment facilitation, regulation and oversight, while enabling the UIF and Compensation Fund to operate as autonomous institutions with stronger governance structures, greater accountability and improved operational efficiency.

The proposed organisational model places policy development at the centre of the Department's future operating model. Mr Jeets Hargovan explained that the reconfigured Department would strengthen policy coordination, improve employment facilitation and maintain a decentralised service delivery model through provincial offices and labour centres while introducing a dedicated Service Delivery Support Branch to provide operational oversight and support.

Mr Hargovan also presented the legislative reforms required to establish fully autonomous governance arrangements for both the UIF and Compensation Fund. The proposed amendments will replace the Director-General as the accounting authority with independent accounting authority boards in line with the Public Finance Management Act (PFMA), strengthen governance and accountability arrangements, and modernise the governance frameworks of both institutions.

He further reported that the UIF Amendment Bill has progressed through both the Economic and Social Cluster processes and is expected to proceed to Cabinet for approval before being released for public comment. Progress on the COID Amendment Bill remains dependent on certification by the Office of the Chief State Law Adviser.

"We are seeking to reposition the Department as a policy-led department while enabling the funds to operate with stronger autonomy, stronger governance and accountability, and improved service delivery capability," said Mr Jeets Hargovan.

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STAFF ASSURED AS EMPLOYEE TRANSITION PLAN PRIORITISES JOB SECURITY AND FAIR PLACEMENT

Ms Blaine, from GTAC outlined a comprehensive employee migration strategy designed to ensure that staff transfers comply with section 197 of the Labour Relations Act while protecting employees' existing conditions of service, pension benefits and accumulated leave.

Ms Blaine said rather than requiring employees to reapply for their positions, the Department proposes a structured "match and place" approach that will assess employees' qualifications, competencies and experience against the requirements of future positions. The process will include extensive consultation, competency assessments and transparent communication to ensure fairness throughout the transition.

She reiterated that every effort would be made to retain employees within the new organisational structures, officials acknowledged that redeployment, reskilling and transitional arrangements may be necessary where organisational requirements change.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

Technology was identified as one of the most critical components of the institutional separation. Mr Daniel Makoni proposed fully independent ICT environments for the Department, UIF and Compensation Fund, supported by cloud-based platforms, enhanced cybersecurity and modern digital service delivery systems.

Mr Makoni warned that several strategic decisions must be taken urgently regarding shared ICT infrastructure, enterprise systems, hosting environments, vendor contracts and the future of existing SAP projects. Failure to resolve these issues promptly could significantly increase implementation costs, delay the transition and heighten programme risks.

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FINANCIAL ROADMAP OUTLINES BUDGET IMPLICATIONS OF INSTITUTIONAL REFORM

Financial modelling presented to senior officials revealed that unbundling the Department from the two funds will require significant adjustments to current cost-sharing arrangements. Mr Mehleli Mpofo indicated that while both the UIF and Compensation Fund are expected to remain financially sustainable after separation, the Department is projected to face a substantial budget shortfall because of the withdrawal of shared funding arrangements currently supporting departmental operations.

Mr Mpofo proposed several mitigation measures, including reviewing accommodation costs, optimising office utilisation, freezing vacant posts where appropriate and improving operational efficiencies to reduce expenditure. Additional recommendations included revising property cost-sharing arrangements during the transition period while the three institutions continue to share facilities over the next two to three years.

The Executive Committee members unanimously endorsed the four business cases, clearing the way for the Department's institutional reform proposals to proceed to the Minister for consideration and the next stage of the approval process. The PMO team continues with the remaining governance, consultation and implementation processes required to realise the institutional reform programme.

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