



Part A: Strategic overview

Annual Performance Plan | Department of Labour | 2014-2015

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1. Updated Situation Analysis

The South African economy was relatively stable but at a lower growth rate than projected at the time of the 2012 budget. South Africa's economic outlook is improving, but requires that we actively pursue a different trajectory if we are to address the challenges ahead. He noted in his budget speech that "a significant increase in private sector investment and competitiveness is needed in the wider economy: agriculture, manufacturing, tourism, and communications. This means every sector has to play its part in expanding trade, investment and job creation...¹". Without faster growth we cannot succeed in reducing unemployment, poverty and inequality...²"

Overall, the following challenges can be highlighted:

- The Department of Labour reported that the South African labour market was disrupted by labour unrest in the last quarter of 2012 which originated from the platinum mining sector before spreading to other mining sectors and subsequently to other sectors of the economy such as the road freight transportation and agricultural sectors in the Western Cape Province. Out of 99 strikes recorded in 2012, about 45% of strikes were "unprotected or un-procedural" with more than 17 million working days lost
- There is persistence of prolonged labour market underperformance which could sustain the long-term unemployment trends in future. Consequently, a large number of economically active people could be excluded from the labour force, in particular young people
- In line with the international trends, it is also noted that the deepening crisis in the Eurozone, slow growth in other advanced economies such as the United States and Japan could increase the risk of a slow economic growth in the South African economy in future. If so, it will also affect the projected economic growth of 2.7% in 2013 and therefore employment growth.

1 Minister of Finance, Budget speech, 7th February 2013, p. 6

2 President Zuma's argument, Business Day, 31st May, 2013

The National Development Plan (NDP) presents a new trajectory to move beyond the constraints of the present to the transformation imperatives of the next twenty and thirty years. Thus, the South African Government regards the NDP as the point of departure where it:

- Recognises that our medium-term plans are framed in the context of a long-term vision and strategy;
- Focuses on strengthening growth and employment creation;
- Prioritises improvements in education and expansion of training opportunities; and
- Promotes progress towards a more equal society and an inclusive growth path.

1.1 Performance environment

The first challenge facing us is unemployment and under-employment:

- By September 2013³, the total labour force was 18 638 000 with 14 029 000 employed and 4 609 000 (24.7%) unemployed. More than 2.2 million people were recorded as discouraged work seekers. Using the Unemployment Insurance Fund database, the number of people claiming for unemployment benefits increased to 168 662 in September 2013 from 159 655 in June 2013. This increase in UIF claims was mainly associated with a large number of ends of employment contracts in a number of industries
- The long-term unemployed (those who have been out of work for more than a year) now account for more than half (65%) of the unemployed. A worry is that this cohort may become unemployable because of skills atrophy and becoming increasingly detached from the informal networks that would lead them to new jobs
- A total of 69.3% people amongst the total unemployed persons (4.6 million) was in the age group 15-34 years in September 2013. In the same light, the Department of Labour recorded a total of 600 259 work seekers in the Employment Services Database in the financial year 2012/13. Only 16 171 work seekers were placed over the same period. In other words, the South African Government needs to give special attention to the young unemployed people as they formed a large number in the South African labour force

3 Statistics South Africa, Quarterly Labour Force Survey, third quarter 2013

- Despite a decline in unemployment rates between September 2012 and September 2013, the changes in the labour absorption rates on year-to-year were minimal at 0.6%. This does not create a strong basis to halve unemployment by 2020 as projected in the National Growth Path (NGP).
- The number of uneducated amongst the unemployed (52% of the unemployed did not complete secondary education) is a critical composition of the labour force to be considered. It (uneducated) is the most likely group to lose their jobs in periods of employment contraction
- The youth (15-34 years), who currently constitute more than 69% of the unemployed are the dominant, identifiable cohort within this group of long-term unemployed individuals in the country.

The second challenge relates to the changing nature of work:

- There has been a tendency amongst employers to switch away from permanent and full-time employment towards atypical forms of employment such as casual labour, part-time employment, temporary and seasonal work
- Externalisation in the form of outsourcing and subcontracting is also on the rise, as the pressures of greater international competitiveness is felt by domestic firms
- The increase in atypical forms of employment is contributing to instability in the labour market and a potential increase in the violation of labour standards and fair labour practices
- It is estimated that approximately 6% of total employment is made up of atypical work, that is, employees contracted directly to companies on fixed-term contracts, sub-contractors and employees employed through employment agencies.

The third challenge still facing the country relates to inequalities and unfair discrimination in the workplace:

- Black people, women and people with disabilities remain marginalised in relation to meaningful and influential participation in the economy.
- The Commission for Employment Equity reported in 2012 that:

- The representation of Blacks in top management and senior management levels is 24.2% and 35% respectively whereas they constitute over 88% of the Economically Active Population (EAP)
- White people in general, still dominate with 72.6% at the top management level, which is nearly six times their representation within the EAP and approximately three times the representation of the cumulative sum of Blacks combined at this level
- The representation of people with disabilities across all occupational levels was recorded at 1.4% an increase from 0.8% in 2010.

The fourth challenge relates to domestic as well as cross-border labour migration:

- The former describes a phenomenon whereby people from rural areas, some (though not all) of whom are unskilled, migrate to urban areas in search of employment
- The latter refers to economic refugees who have left their countries and settled in the urban areas of South Africa, hoping to find employment
- Both phenomena bear the risk of increasing the numbers of unemployed people in large urban centres, with the concomitant greater pressure on public services and utilities.

The fifth challenge relates to inadequate instruments for constant performance monitoring and evaluation of labour market policies and programmes to determine their impact on the economy:

- Stakeholder participation and strategic partnerships in programme delivery, monitoring and feedback is inadequate, despite our strong culture of social dialogue in policy development
- Planning processes are to some extent not well co-ordinated between strategic departments on related socio-economic development programmes
- Our appreciation and use of modern information and communication technology systems to manage data and information is inadequate. (The necessity to base policy and programme interventions on facts and evidence and to measure their impact is critical for any labour market system).

1.2 Organisational environment

To deliver on its core business of public employment services and inspection and enforcement services, the Department has a staff complement of 8 611. The Department will continue to transform the labour market and change the way we do business and transact with citizens by enhancing access to quality services and information aimed at improving the quality of life of all South African citizens. At the centre of our transformation agenda is ensuring that customer insight is driving our service design; optimising contact and making use of cheaper technology enabled channels and utilisation of government-wide infrastructure where appropriate.

Furthermore, we will reconfigure and reprioritise the department for efficient and effective service by developing ground breaking service delivery models aimed at improving the quality of service. Establishing key strategic partnerships for collaboration will be one of our ideals. We will continue to put in place measures to encourage continuous learning development and service delivery innovation.

2. Revisions to legislative and other mandates

2.1 Amendment of the Unemployment Insurance Act No. 63 of 2001

These changes relate to improvements of benefits and administrative changes regarding submission of information by employers to the Fund.

2.2 Promulgate the Employment Services Act

The new Employment Services Act aims to strengthen the provision of employment services within the Department and to repeal employment services provisions in the Skills Development Act.

2.3 Amendment of the Compensation for Occupational Injuries and Diseases Act

Develop a rehabilitation, re-integration and return-to-work policy for injured and diseased workers to ensure integration with other South African Policies and Programmes, which provide a framework for rehabilitation of people with disabilities which stresses the importance of vocational integration.

2.4 Amendment of the OHS Act, 85 of 1993

Although the OHS Act has placed responsibility of creating a health and safe working environment on the employers, the provisions compelling employers to do this are very vague. In order to address these shortcomings, it is necessary that the OHS Act in its current form be amended in order to ensure that:

Employers develop and implement a health and safety management system

Penalties issued to employers are increased

Inspectors are enabled to issue prescribed fines on the spot

2.5 Amendment of the Basic Conditions of Employment Act

The amendments has been approved by the National Assembly and the National Council of Provinces.

2.6 Amendment of the Employment Equity Act

The amendments has been approved by the National Assembly and the National Council of Provinces.

2.7 Amendment of the Labour Relations Act

The amendments has been approved by the National Assembly and the National Council of Provinces.

3 Overview of 2014 budget and MTEF estimates

3.1 Expenditure estimates

Programme	Audited outcomes			Adjusted appropriation	Revised estimate	Medium term expenditure estimate		
	R-thousand	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1 Administration	682 480	704 270	687 695	840 449	840 449	787 694	829 888	956 764
2 Inspection and Enforcement Services	329 373	375 749	395 574	440 190	439 190	403 174	433 093	600 179
3 Public Employment Services	289 258	332 194	331 651	400 117	400 117	466 533	489 192	514 744
4 Labour Policy and Industrial Relations	525 199	594 909	619 652	764 491	765 444	869 891	926 218	976 363
Total	1 826 310	2 007 122	2 034 572	2 445 247	2 445 200	2 527 292	2 678 391	3 048 050
Economic classification								
Current payments	1 185 040	1 250 512	1 276 484	1 560 525	1 560 394	1 553 963	1 644 599	1 959 468
Compensation of employees	681 530	757 883	820 465	881 956	879 888	966 516	1 033 371	1 315 505
Goods and services	503 439	492 599	455 996	678 569	680 506	587 447	611 228	643 963
Of which:								

Programme	Audited outcomes			Adjusted appropriation	Revised estimate	Medium term expenditure estimate		
	R-thousand	2010/11	2011/12			2012/13	2013/14	2014/15
Advertising	10 901	21 863	10 868	24 161	24 588	21 773	23 910	25 425
Communication	47 127	43 237	44 633	40 624	40 614	38 094	42 865	45 386
Computer services	34 975	42 096	71 029	109 958	111 118	83 665	95 591	100 747
Consultants and professional services: business and advisory services	11 534	12 325	50 568	68 649	67 666	18 414	19 428	20 724
Fleet services	87	1 016	8 263	8 386	8 384	8 181	8 412	7 502
Inventory: Stationery and printing	20 499	14 763	9 838	22 799	25 229	25 282	24 134	25 703
Lease payments	143 530	115 147	47 790	161 340	162 110	139 350	145 425	153 072
Property payments	65 251	44 155	47 731	47 925	46 570	53 377	56 036	58 998
Travel and subsistence	106 164	126 978	102 564	88 879	90 354	94 782	91 220	94 964
Other goods and services	63 371	71 019	62 712	105 848	103 873	104 529	104 207	111 442
Interest and rent on land	71	30	23	-	-	-	-	-
Transfers and subsidies	561 038	640 952	658 425	824 164	824 265	942 351	1 001 456	1 054 533
Provinces and municipalities	54	51	227	239	239	2	2	2
Departmental agencies and accounts	457 948	542 183	554 070	676 206	676 206	774 940	826 394	870 193
Foreign governments and international organisations	10 703	14 211	13 692	15 594	15 695	16 461	17 344	18 264
Non-profit institutions	89 196	82 734	88 030	130 970	130 970	150 652	157 406	165 747
Households	3 137	1 773	2 406	1 155	1 155	296	310	327
Payments for capital assets	80 213	114 985	93 427	60 558	60 541	30 978	32 336	34 049
Buildings and other fixed structures	3 117	4 587	8 637	5 486	5 486	17	-	-
Machinery and equipment	77 086	110 398	84 790	55 072	55 055	30 961	32 336	34 049
Software and other intangible assets	10	-	-	-	-	-	-	-
Payments for financial assets	19	673	6 236	-	-	-	-	-
Total	1 826 310	2 007 122	2 034 572	2 445 247	2 445 200	2 527 292	2 678 391	3 048 050

3.2 Relating expenditure trends to strategic outcome oriented goals

The spending focus over the MTEF period will be on professionalising the inspectorate in the Inspection and Enforcement Services programme to ensure employers adhere to Decent Work principles and vulnerable workers are protected; building capacity in the Public Employment Services programme to implement the Employment Services Bill, which aims to provide free public employment services and regulate private employment agencies; and expanding access to the services provided by the Commission for Conciliation, Mediation and Arbitration to meet the increasing demand for dispute resolution services. As such, approximately 62.8 per cent of the Department's budget over the medium term has been allocated to spending on compensation of employees and goods and services, while 26.6 per cent constitutes the transfer payment to the Commission for Conciliation Mediation and Arbitration.

The Department receives Cabinet approved additional allocations of R64.5 million in 2016/17 for specialist labour inspector posts in the Inspection and Enforcement Services programme, and R35.5 million for IT posts in the Administration programme. The Department is to effect Cabinet approved reductions on compensation of employees of R106.3 million in 2014/15 and R107.2 million in 2015/16, and the reprioritisation of R537.8 million over the medium term. The reductions will be realised through vacant funded posts not being filled, and this will have a minimal impact on service delivery.

While filled posts are expected to remain at 3 289 and unfunded vacant posts at 82 for the first two years of the MTEF period, the additional allocations are expected to allow the department to increase the number of filled posts to 3 482 in 2016/17.

3.3 Infrastructure spending

Spending on the Department's various small infrastructure projects, which are at different stages of completion, decreased by 44.4 per cent, from R9 million in 2012/13 to R5 million in 2013/14. Spending on infrastructure over the medium term is expected to remain low as only fees for consultant and professional services on new projects will be paid.

In 2012/13, the Department appointed a new subcontractor to finalise the Rustenburg labour centre project, which was completed in November 2013 and will be occupied once the installation of IT and telephone cables is complete. The project had a total allocated budget of R5 million, of which R718 000 was spent in 2013/14.

Because of its urgency, the project to repair the air conditioning system at Laboria House will be implemented as a separate project funded by the Department. The Bloemfontein sheltered employment factory project was completed in 2013/14 and the Silverton sheltered employment factory repair and maintenance programme is in the repair phase and is still valid for one year. These projects are being funded by the Department of Public Works. The planning for repair and maintenance programmes for all sheltered employment factories has been completed and some will be put out to tender in 2014/15. All these factories and the Port Elizabeth sheltered employment factory project will be funded by the Department of Public Works and will run for three years.