# ANNUAL LABOUR MARKET BULLETIN

REPORT 2015/16

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# ANNUAL LABOUR MARKET BULLETIN REPORT 2015/16

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## ACRONYMS USED

| | | |
|---|---|---|
| CCMA | - | Commission for Conciliation, Mediation and Arbitration |
| COSATU | - | Congress of South African Trade Unions |
| GDP | - | Gross Domestic Product |
| ILO | - | International Labour Organisation |
| UIF | - | Unemployment Insurance Fund |
| NGP | - | National Growth Path |
| EPWP | - | Expanded Public Works Programme |
| LED | - | Local Economic Development |
| NDP | - | National Development Plan |
| SMME | - | Small Medium and Micro Enterprises |
| IDZ | - | Industrial Development Zone |
| IDC | - | Industrial Development Corporation |
| Stats SA | - | Statistics South Africa |
| OECD | - | Organisation for Economic Cooperation and Development |
| CRDP | - | Comprehensive Rural Development Programme |
| CWP | - | Community Works Programme |
| LRA | - | Labour Relation Act |

# EXECUTIVE SUMMARY

# EXECUTIVE SUMMARY

The changes in the South African labour market are examined in this report by of the Labour Market Policy (LMP) programme in the Department of Labour. The Labour Market Information and Statistics (LMIS) unit is continuously producing this annual labour market report to give an opportunity to the leadership of the Department and other interested stakeholders to learn first-hand about the changes observed in the South African economy and the labour market over the financial year 2015/16. The key objective was to consolidate critical information using various data sources in order to respond to the Department's key strategic goal of monitoring the impact of legislation. In this context, it is expected that the policy makers will readily find the information useful, so that it can be translated into policy interventions in the South African labour market context.

Following this, this Annual Labour Market Bulletin has stressed that the low performance of the South African labour market was associated with the slow economic growth that was recorded in the financial year 2015/16. However, the most critical recommendation is about equipping the workforce with the skills required for the jobs of today and those of tomorrow. This was also re-emphasised by many labour market researchers and commentators[1].

On the other hand, the provincial governments introduced job initiative projects in response to the National Development Plan (NDP) to curb the high unemployment levels across provinces. In this spirit, some of these projects show positive results as job opportunities were created across provinces overtime.

**In addition, this report has also outlined the following results:**

- Despite Government's efforts to implement the National Development Plan (NDP) for faster growth, the economy has recorded a slow growth trajectory which has sustained high level of unemployment and limited prospects of poverty elimination. The real exchange rate of the Rand has appreciated by 5.5% over the seven months to July 2015.
  This coupled with "higher inflation" rate has reduced the export benefits of the Rand as the currency depreciated
- While the labour force participation has risen, the slow economic growth has been unable to provide enough jobs to cater for the unemployed. This resulted in a rapidly rising rate of unemployment. For example, the number of unemployed youth is growing faster as the pace of job creation is not rapid enough to absorb the new labour market entrants
- The aforementioned persistent unemployment level stems from a range of issues including the low educational attainment especially for youth (15-34 years). In addition, the unemployed youth aged 25-34 years continued to contribute as the biggest share of unemployed people in 2014. This creates a supply of labour that may remain unemployable for a long-time
- In contrast, the National Youth Employment Programmes recorded a positive trend in terms of stimulating entrepreneurship and innovation. About 86% of entrepreneurs are youth (25-35 years)
- As a share of employment, about 3.5 million (or 23%) of workers reported that they were members of trade unions in 2015/16. The results have also shown that the coverage rate as a proportion of total employment is still insignificant in the South African labour market
- There is a need for an increase in the number of jurisdictional cases referred to CCMA by 7% from the previous financial year 2014/15
- The important role of various stakeholders in the South African economy to demonstrate their commitment in addressing structural barriers to faster economic growth is stressed on the report.

1 Dr Patel, R., The Pretoria Newspaper, August 24th, 2016, p.15

# INTRODUCTION

## INTRODUCTION

The challenges and opportunities of the South African economic growth and the labour market development are continuously receiving renewed policy attention in South Africa. The most critical challenge is to deal with the structural and competitive challenges that hold back production and investment in the South African economy. In addition, the slow economic growth in 2015 led to the South African jobless rate escalating to 26.7% (or 5.7 million unemployed people) in March 2016[2]. The slow economic growth bring into question whether the country will be able to achieve the National Development Plan (NDP) targets of 5-6% economic growth per annum and halve unemployment by 2030. Notwithstanding this, the South African government and business leaders had recently agreed on the five measures to deal with the slow economic growth in the country. Amongst them, they announced the following[3]:

(1) R180 billion investment in energy in the next years
(2) A joint public and private sector small business fund on a 50-50 basis. Already, the private sector has pledged about R1.6 billion to the fund
(3) Co-investment by the private sector in infrastructure and the strengthening of crisis-ridden state entities.

The response provided by the business-government working group was also useful to avert the ratings downgrade by Moody's (rating agency[4]) in June 2016. In view of this, the South African Government continues to prioritise measures aimed at generating employment. In addition, these include the tax incentives for employment and investment, support for enterprise development, and the skills development and employment programmes.

## OBJECTIVE OF THE REPORT

Against this background, this report analyses important indicators in the South African economy and labour market over the financial year 2015/16 using various sources of data. The results might be useful to the policy makers to have a shift of perspective towards an effective implementation of employment policies and programmes in the South African labour market which will probably increase the ability of households to spend and in return stimulate economic growth.

## LAYOUT OF THE REPORT

### SECTION ONE: THE PERFORMANCE OF THE SOUTH AFRICAN ECONOMY

The analysis in this section examines how some of the main macroeconomic indicators have performed within the financial year 2015/16. In this respect, it outlines the progress made towards the implementation of the National Minimum Wage (NMW) followed by the impact of the global economy by looking at the degree of the foreign exchange rate fluctuations and the performance of the Gross Domestic Product (GDP) over the same period. In addition, the provincial job creation initiatives in response to the NDP vision 2030 are also covered in this section.

### SECTION TWO: THE SOUTH AFRICAN LABOUR MARKET TRENDS

While this issue is widely reported amongst researchers in the labour market environment, this section has a particular focus that discusses the labour market trends using both administrative and survey data to detect changes in the labour market within the financial year 2015/16. It extends its analysis to best promote the industries that have prospects for faster growth in the formal and informal sector. And it synthetises some key policies in line with the active labour market programmes that have shown a positive impact in mitigating the high risks of job losses in the country.

2 Statistics South Africa, Quarterly Labour Force Survey, Quarter one of 2016, May 2016
3 Business day, 10thMay, 2016
4 In June 2016, the Moody's rating agency alluded to the following:
- South Africa is likely approaching a turning point after several years of falling growth, as supply side shocks recede
- The 2016/17 budget and medium term fiscal plan will likely stabilise and eventually reduce the general government debt metrics
- The recent political developments, while disruptive, testify to the underlying strengths of South Africa's institutions.

## SECTION THREE: THE INDUSTRIAL RELATIONS

In this section, the analysis is focussed on the collective bargaining which is being regarded as a key labour market institution in South Africa. It presents the changing demographics and density rates as a result of slow economic growth. This is followed with an analysis on the dispute resolutions by province and industry as monitored by the Commission for Conciliation, Mediation and Arbitration (CCMA).

Finally, the report concludes with policy recommendations.

# SECTION ONE

## PERFORMANCE OF THE SOUTH AFRICAN ECONOMY

# THE PERFORMANCE OF THE SOUTH AFRCAN ECONOMY

This section outlines important aspects that are associated with the slow performance in the South African economy within the financial year 2015/16. Despite the Government's efforts to implement the National Development Plan (NDP) for faster growth, the economy has recorded a slow growth trajectory which has sustained high level of unemployment and limited prospects of poverty elimination. In this regards, the key challenges that were identified which held back the production and investment in the country include: (a) the unfavourable global economic environment (external shocks), (b) the reliability of energy supply; (c) the impact of drought conditions on food prices; and (d) the limited household consumption, etc.

In the world of work, it was also stressed at the International Labour Conference that "…the world has entered an era where technology is generating innovative disruption of productive life. Inequality, marginalisation and division are not phenomena to which the world of work must react but "the consequence of what we do, how we behave and what we decide…".[5]

In short, there is a need for an inclusive economic growth under this difficult and uncertain environment where the role of various players in the South African economy needs to be demonstrated to address structural barriers to faster growth. In finding a common response, the Minister of Finance reiterated in February 2015[6] that:

*"…higher growth is possible, if we make good progress in responding to the electricity challenge or if export performance is stronger. According to the Minister, the best short-term prospects for faster growth lie in less energy-intensive sectors such as tourism, agriculture, light manufacturing and housing construction. These are the sectors that employ more people, and so they contribute to more inclusive growth…"*

On the other fronts, a number of programme initiatives to improve the slow economic growth and employment creation such as the implementation of large infrastructure investment in our cities, e.g., urban space economy[7] and the current discussions at National Economic Development and Labour Council to introduce a National Minimum Wage (NMW) for resolution of workplace disputes are well progressing which will probably respond to the need of inclusive economic growth prospects that will avert a credit downgrade in future. This implies that the South African economic performance will depend on how well interventions or ongoing reforms to boost growth are coordinated and implemented amongst all social partners, e.g., Organised Business, Labour, Organised government and Civil Society.

The analysis that follows will expand on the three major aspects regarding the poor economic growth and labour market outcomes detected as the results of the socio-economic dynamic changes within the financial year 2015/16.

5 Ryder, G. (2016), International Labour Conference, Director-General of ILO-Opening remarks, International Labour Organization (ILO), 30 May-10 June 2016.

6 Minister of Finance (Hon. Nhanhla Nene), Budget Speech 2015, 25th February, 2015.

7 For example, the R20 billion Cornubia project in eThekwini will include 25 000 residential units and 1.4 million square meters commercial space. A 12 ha commercial hub is under construction and has already been sold.

## 1.1. FOREIGN EXCHANGE RATES

The prospect of weaker economic growth and higher US interest rates did not support the performance of most emerging markets currencies including the South African Rand under the reporting period. Domestically, the Rand was also weakened because of low business confidence, fiscal deficits and poor economic growth. In 2015, the Rand exchange rate had weakened by 13% compared to the same period in 2014, reaching R13.35 to the US Dollar. On the other hand, the extent of appreciation (+) or depreciation (-) of the Rand against select currencies over the period from March 2015 to March 2016 is presented in **Table 1** below:

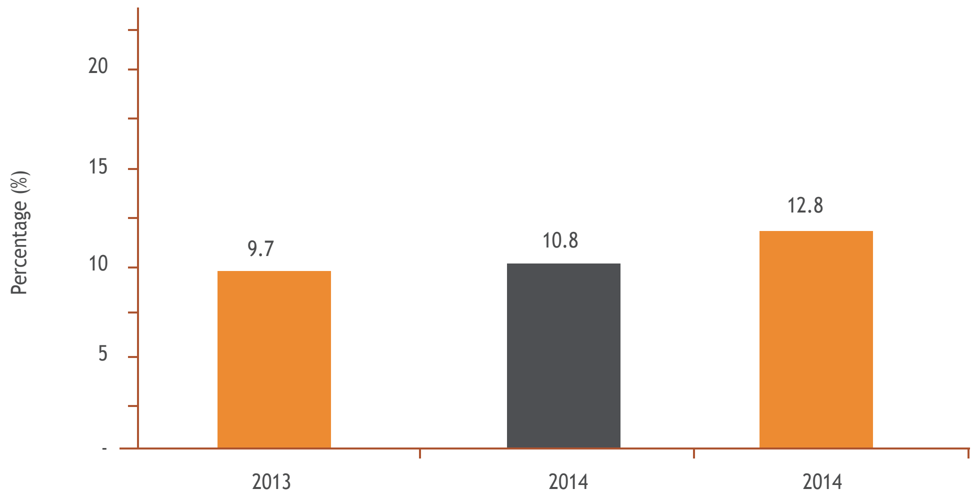
**Table 1: Foreign exchange rates**

| Currencies | %* |
|---|---|
| Australian Dollar | -24 |
| Brazilian Real | -8.5 |
| British Pound | -21.2 |
| Chinese Renminbi | -22.6 |
| Eurozone Euro | -31.2 |
| Indian Rupee | -19.3 |
| Japanese Yen | -36.2 |
| US Dollar | -27.8 |

Source: Industrial Development Corporation, Economic Trends: Key trends in the South African economy, p.17, March 2016

In the first quarter of 2016, the Rand rebounded as the commodity markets showed signs of recovery. It was also supported by highly accommodative monetary policy in the Eurozone and Japan along with the postponement of further interest rate hikes by the US Federal Reserve[9].

**Figure 1 : Trends in the average Rand/ Dollar ($) exchanges rates**




Source: South African Reserve Bank, Quarterly Bulletin, March 2015, p.S-106

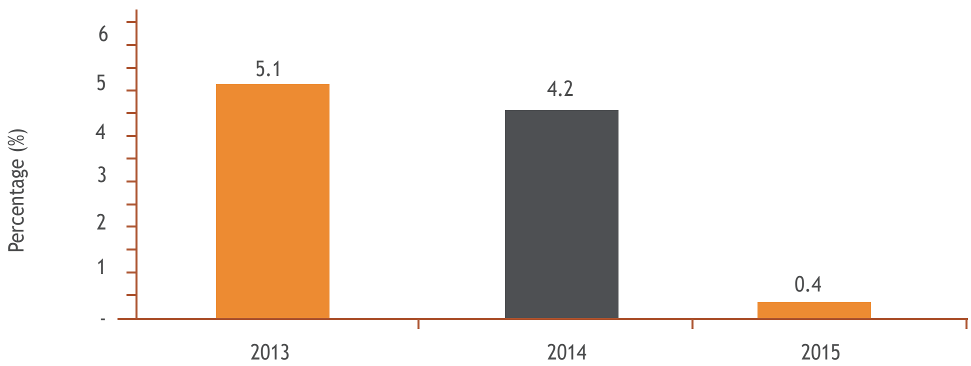
As predicted by most of economists, the Rand kept the double-digits throughout the financial year 2015/16. The Rand depreciated mostly against major currencies as a result of the US economic growth and the depreciation of the Chinese renminbi considered as the major trading partners of South Africa. **Figure 1** illustrates the volatility of the Rand to the Dollar exchange rates. It weakened by 13% against the US dollar in 2015, after a decline by 11% in 2014. By contrast, the real exchange rate of the Rand has appreciated by 5.5% annually over the seven months to July 2015. This coupled with "higher inflation" rate has reduced the export benefits of the Rand currency depreciation. Putting it differently, a devalued Rand has many unfortunate knock-on consequences for the South African consumers. Thus, one would argue that when the Rand weakens, so interest rates rise which in turn affects small businesses and home owners etc.

8 Industrial Development Corporation, Economic Trends: Key trends in the South African economy, p.17, March 2016

## 1.2 GROSS DOMESTIC PRODUCT (GDP)

In the first half of 2015, the South Africa's GDP grew only by 1.8% as compared to the same period in 2014. However, it recorded a weak growth rate of 0.4% in quarter four of 2015 (revised GDP figures ). This was attributed to the rolling power cuts that had an impact on the Manufacturing production where it decreased by 2% by March 2016. In addition, the worst drought conditions that hurt the South African economy has also resulted in agricultural production declining by 8.4% over the same period. Growth in the services sector (excluding government), which has supported growth by an average of 1.2% point over the last five years, also slowed in the first half of the year. Clearly, the performance of the South African economy did not benefit most of the jobless individuals as the unemployment rate reached 26.7% by the end of the financial year 2015/16.

**Figure 2: Real annual percentage change in GDP at constant 2010 prices**




Source: Statistics South Africa, Gross Domestic Products, Seasonally adjusted annualised rates, 4th Quarter of 2015, p.11

An annual comparison in **Figure 2** shows that the South Africa's real growth declined over time. A negative contribution was mainly recorded in the Agriculture industry with -0.2% point over the same period as compared to other industries. A number of factors were associated with the slow economic growth such as electricity supply constraints, drought and limited investment growth which in turn affected employment growth in the country in 2015. However, the Transnet's R336 billion investment programme is regarded as a critical stimulus to expand rail infrastructure and renew rolling stock. This will also contribute to employment creation.

**Table 2: Seasonally adjusted and annualized quarterly value added by industry and GDP at constant 2010 prices (R million)**

| Industry | 2013 | Change | 2014 | Change | 2015 |
|---|---|---|---|---|---|
| Agriculture | 68 983 | 4 722 | 73 705 | -11 877 | 61 828 |
| Mining | 2 40 559 | -6 574 | 233 985 | -3 308 | 230 677 |
| Manufacturing | 386 599 | -2 473 | 384 126 | -5 201 | 378 925 |
| Electricity | 67 873 | 1 051 | 68 924 | -2 175 | 66 749 |
| Construction | 101 518 | 2 936 | 104 454 | 1 166 | 105 620 |
| Wholesale | 408 081 | 4 422 | 412 503 | 7 573 | 420 076 |
| Transport | 248 838 | 6 445 | 255 283 | 814 | 256 097 |
| Finance | 584 704 | 12 362 | 597 066 | 15 874 | 612 940 |
| Community | 457 331 | 10 939 | 468 270 | 2 386 | 470 656 |
| Personal services | 278 722 | 3 232 | 281 954 | 3 085 | 285 039 |
| Taxes less subsidies on products | 3 002 236 | 39 099 | 3 041 335 | 10 150 | 3 051 485 |
| **GDP at market prices** | **2 919 808** | **82 428** | **3 002 236** | **38 014** | **3 040 250** |

Source: Statistics South Africa, Gross Domestic Product, 4th Quarter 2015, p.10

In **Table 2** above, the focus is on the changes occurred regarding the value added by industry. It shows that not all industries contributed in the same way over time. Four out of seven industries (Agriculture, Mining, Manufacturing and Utilities) had poorly contributed into GDP between 2014 and 2015. This was not the case when looking at the previous year on year comparison (between 2013 and 2014) where only two out of seven industries (Mining and Manufacturing industries) had negatively contributed into the GDP. By contrast, the annual nominal value added by the Finance, Wholesale and Community industries increased by R15.6 million, R7.5 million and R2.3 million respectively over the same period.

## 1.3. PROVINCIAL INITIATIVES TO SUPPORT THE JOB CREATION TARGETS

The South African Government continues to prioritise some measures that are aimed to generate employment creation in the country. In essence, these are some measures in which the implementation of the NDP is proceeding. In fact, the NDP employment targets are also cascaded to the provincial targets.

In this section, the provincial contribution to employment creation is outlined. The information was reported from various sources across provinces, e.g., the State of the Province Address and other research papers.

### 1.3.1 KwaZulu-Natal

As reported in the 4th quarter QLFS report of 2015/2016, KwaZulu-Natal's employment increased from 2 529 000 to 2 448 000. This was achieved despite the lower anticipated economic growth rate and the prevailing drought in the province during the same period. As committed in the previous state of the provincial address, the province made significant progress with the implementation of the Inkululeko Programme that saw more jobs being created. More than R1.2 billion was secured in Ndumo to ensure creation of jobs in UMkhanyakude District.

The agricultural sector including forestry and livestock farming, has also recorded an increase in employment which rose to 134 000 from 110 000 at the end of September 2015. Some of the initiatives in this direction were an indication of the potential to develop rural industries i.e. the Marula factory at Manguzi and abattoirs in rural areas. The Richards Bay Industrial Development Zone remains also an engine for job creation and a catalyst for foreign direct investment. This facility has already attracted investments of over R6.8 billion including a R4.5 billion of the Titanium plant.

In 2015/16, over 2 000 cooperatives have received funding from Ithala where a few made own savings to operate on their own. More than R169.6 million in loan capital was approved to fund cooperatives, contributing to the creation of more than 7 130 jobs. Furthermore, the province has attracted strategic investments of over R55 billion into the strategic investment with a potential to create an estimated 111 950 jobs. The bulk of these investments were for eThekwini Metro and the six district municipalities which include uThungulu, Amajuba, uMgungundlovu, uGu, iLembe and uThukela.

### 1.3.2 Mpumalanga

The Mpumalanga province has put in place the following to enhance job creation:

- Installation of bulk infrastructure by the Mpumalanga Economic Growth Agency which includes water, sewerage and electricity for the foundation of the Mpumalanga International Fresh Produce Market
- The Department of Trade and Industry in strategic partnership with the province established a Special Economic Zone in Nkomazi to attract investment. These include logistic and intermodal facilities for the automotive and mining industries
- In 2015/16, the province continued to prioritise strategic infrastructure development initiatives to support the growth of priority sectors, which include:
    - Construction of strategic dams
    - Construction of the Cultural Hub
    - Construction of the High Altitude Training Centre
    - Establishment of the International Convention Centre
    - Investing in Broadband Infrastructure
    - Construction and management of the Skywalk, Cable Car and Bourkes Luck Hotel.

In growing and supporting priority sectors of the economy for job creation, the province spent R14 million on Phase One farm development activities, which centred primarily on agricultural infrastructure and skills development. The *Masibuyele Emasimini* and *Masibuyele Esibayeni* programmes successfully supported numerous subsistence farmers and provided support towards the commercialisation of emerging farmers. During the same period, the province partnered with the Manufacturing, Engineering and Related Services SETA to facilitate artisans training for out-of-school youth. A total number of 51 learners were successfully placed in these apprenticeship programmes.

### 1.3.3. Limpopo

Even though the provincial official unemployment rate was at 18.3% in March 2016, the Statistics South Africa's Labour Force Survey reported an annual employment increase of 164 000 jobs created in the year 2015 to March 2016. Government Service and Trade, which include tourism, remain the biggest employers in the province. South African Women Investment Holdings, Jidong Development Group and China Africa Development Fund are one of the economic development projects rolled out in the province during the period under review.

The construction of the plant has been completed and created 231 permanent jobs and 550 temporary jobs[13]. Over and above the creation of jobs on this project, 50 South Africans will be trained in China on how to operate this type of plant. Furthermore, the office of the Premier and Department of Cooperative governance, Human Settlements and Traditional Affairs created 144 internship opportunities in the 2015/16 financial year.

The Limpopo Development Plan continues to highlight the importance of SMMEs and cooperatives as game-changers in job creation, redistribution of economic assets and poverty reduction.

**Table 3 : Limpopo projects and job opportunities**

| Identifier/Sector | Target | Validated | % Progress |
|---|---|---|---|
| Infrastructure Sector Department/Municipalities | 67 169 | 9 951 | 15% |
| Social Sector Departments/ Municipalities | 27 015 | 8 365 | 31% |
| Environmental & Culture Sector | 10 339 | 6 248 | 61% |
| Non-State Sector | 27 222 | 32 196 | 119% |
| Total: Provincial | 131 745 | 56 760 | 43% |
| Eskom/National Department funded projects (All sectors) | N/A | 14 396 | N/A |
| GRand Total | 131 745 | 71 156 | 54% |

Source: Limpopo Department of Public Works, 2015-2016.

### 1.3.4. Eastern Cape

Through the economic agencies such as COEGA IDZ, East London IDZ and the ECDC, the Eastern Cape government added a total of 12 740 new jobs in the areas of manufacturing, logistics, alternative energy and agro-processing. In Agro- processing, through the work done by the IDZs, a total of 2 035 operational jobs and 1 188 construction jobs were created. As part of the social safety net a total of 98 185 job opportunities were created in the EPWP. Through the community works programme, 37 346 jobs were created with women being the most beneficiaries.

The Automotive Industry especially through strong support from the Automotive Production and Development Programme strived to create more jobs. Mercedes Benz has made an investment of R5 billion for the new C-Class and MBSA has commenced with the expansion of their training facility through the support from National Treasury's Jobs Fund. Furthermore, the ELIDZ attracted six new investors, with a collective value of more than R890 million. This resulted in more than 534 additional direct jobs.

The Eastern Cape province is also paying particular attention on improving the transport systems in the province. Having the Mthatha airport as the gateway to the Wild Coast and to the national liberation, the heritage route is progressively being realized. The Mthatha airport terminal building project is now complete and the airport has been operating with the new local work-seekers absorbed.

### 1.3.5. Gauteng

With the highest labour absorption rate in the country, the Gauteng province has 5.2 million employed people in 2015/16. The Premier mentioned that 191 000 formal jobs have been created over the last financial year; while a further 150 000 informal sector jobs were also created.

While the government saw an increase in the number of Gauteng residents receiving social grants, from 2.2 million in 2015 to 2.4 million in 2016, about 4 444 youth and women had been empowered through the social welfare programme and were no longer receiving social grants as they had transitioned to becoming employed .

Through the Tshepo 500 000 programmes, an employment creation and entrepreneurship development programme aimed at training and mentoring 500 000 young people, women and people with disabilities, 37 000 youth have been placed in the formal employment. Over and above those placed, 19 000 entrepreneurs were trained, 5 000 are now registered entrepreneurs, with most of them being women. The South African National Roads Agency Limited has thus built some of the best roads in the province and jobs were created.

**Future initiatives:**
Around R7.8 billion will be spent on road infrastructure over the next three years with the upgrades planned for William Nicol and the N14 from Diepsloot to Hendrik Potgieter, while the R80 road between Walkerville and De Deur will be upgraded to a dual carriageway. A new interchange to connect the new Vaal City to Sharpville will also be developed. A further R3.6 billion has been set aside for 48 new Gautrains, which would create 9 000 new jobs. The trains will be manufactured locally to stimulate the provincial economy. So far, 408 broadband hotspots have been established in both Johannesburg and Pretoria and the Government plans for 100% connectivity by 2019.

### 1.3.6. Free State

The Free State province had a target of creating 59 964 work opportunities in the previous financial year for all Public Bodies participating in the EPWP within the province. To-date, the province has created 40 325 validated work opportunities. From this total, 27 569 benefited women, with a further 20 502 benefiting the youth and 446 on people with disabilities. The Expanded Public Works Programme (EPWP) was recognized for excellence and best practices through the Kamoso Awards held during November 2015. The province was awarded the Best Construction Project nationally for the Thaba Nchu Bus route implemented by the Department of Police, Roads and Transport. The project was recognized for the unique approach of massification methodology which seeks to maximize employment of locally based communities.

Sixty (60) young people from Matjhabeng benefitted from a Youth Entrepreneurial Programme, "Business in a Box", following a partnership with the Amalgamated Beverage Industries (ABI). The programme will be rolled out to other parts of the province to produce more job creators instead of job seekers.

The Free State government further focused on the development of small towns whereby Cornelia, Tweeling, Excelsior and Tweespruit were declared as Comprehensive Rural Development Programme (CRDP) sites with an intention of establishing them into agricultural hubs. Using the Kudubashree model that was adopted from India, the implementation of Hlasela Tlala projects and economic development initiatives in the towns of Cornelia and Tweeling were enhanced. As a result of this initiative local people have been provided with vegetable tunnels, dairy cows, fruit trees and seeds. Other activities include infrastructure enhancement, cleaning and greening and social services. Since work started in these towns, more than 600 work opportunities have been created.

Investment in targeting youth unemployment continues to focus on training and development and the implementation of youth led production and processing projects. The focus is on reducing overall dependence on industrial and imported inputs by promoting farming practices, which are less reliant on increasing input costs.

**Future initiatives:**
Two learnership programmes for 50 Social Auxiliary Workers and 50 Child and Youth Care Workers will be implemented with the intention of absorbing them upon completion of the programme. Sixty one Social Work graduates will be employed at various centres in the province. These initiatives are aimed at alleviating the shortage of social workers.

Furthermore, the Chinese investment in the Maluti-a-Phofung has two companies. The first company, Mediquip SA, is jointly owned by the Chinese and South African shareholders. They will establish 3 plants to produce advanced medical equipment such as X-ray, Ultra-sound and ECG machines. The second company, SHANGHAI-XIELIN SA specialise in the production of smart meters and energy management devices. The province's road safety programme will be strengthened with the employment of 153 traffic officers. In May 2016, additional traffic examiners will be appointed to address the backlog in relation to testing applicants for drivers' licenses and testing of vehicles. The learner driver programme will also be expanded to accommodate 500 people and an additional 50 will be trained to drive and operate yellow fleet.

### 1.3.7. Western Cape

The province grew by 2.3% during the year despite the national economic outlook. The Western Cape province had also the lowest official unemployment rate in the country, with a percentage of 20.9% cent in March 2016, which was 5.8% below the national unemployment rate of 26.7% in March 2016. According to the Western Cape's state of the premier address on the 16th of February 2016, more than 4 300 jobs servicing international clients have been created by the Economic Development Department's strategy to promote the Western Cape as a global location for offshore business and IT services. The Business Process Outsourcing industry now accounts for 16 000 jobs in the Province, up 37% from last year.

Furthermore the province has invested R50 million in over 300 enterprises in the last 3 years via our Enterprise Development Unit in partnership with the National Empowerment Fund. The enterprises which received help have already shown a 15-20% increase in turnover in 2015/16 and have added 700 new jobs[15].

The raising of the Clan William Dam wall in the Western Cape entails raising the existing dam level by 13 meters to provide additional water supply. To curb water wastage, the Department of Water and Sanitation has begun its programme of training about 15 000 young people as artisans[16]. The Tourism sector today employs 200 000 people with a Gross Value Add (GVA) of R17 billion to the provincial economy. Project Khulisa aims to add a further 120 000 jobs by 2019 under a high-growth scenario increasing GVA by 65% to R28 billion. Provisionally for 2016/17, the provincial target to increase job creation is aimed at:

- (1) 20 000 TVET learners for priority jobs in priority sectors, close to treble the estimated 7 500 graduates in 2016; (2) 16 000 TVET learners achieving 80% positive assessments from their TVET learning programmes, which amounts to over two-and-a-half times the estimated 6 000 in 2016; 12 800 graduates (or 80%) employed or self-employed as entrepreneurs, up more than three times from an estimated baseline of 4 800 in 2016.

15 The Premier Western Cape (Ms Helen Zille), The State of the Provincial Address, 16 February 2016
16 The President Mr Jacob Zuma, State of the Nation Address, February 2016

Collectively, more than R120 million will be allocated to support young people in Work Placement opportunities in 2016/17, with the biggest investment coming from the Provincial Government and in close partnership with the private sector through the SETA's.

### 1.3.8. Northern Cape

In the case of Northern Cape, the Vaalharts/Taung irrigation scheme with 35 500 hectares of agricultural land is the largest irrigation scheme in the country. This project has thus far contributed R565 million to the provincial economy which is around 14% of the total agricultural output in the province. The project created around 7 500 direct jobs on the irrigation of 35 500 hectares of land and 400 000 people were supplied with water through this scheme. Additional 404 jobs have been created from various activities which include sub-surfacing drainage systems and overnight dams.

Through Onseepkans area, the province has developed 163 hectares of vineyards under the Vineyard scheme and a further 394 hectares is available for development in the ZF Mgcawu Municipal district. Vineyard land at the extent of 118 hectares in the Namaqualand is being developed and 40 hectares of land is being cleared for invader plants and the scope of this project is to develop 32 000 hectares of high potential arable land in this area. This vineyard development is estimated at R1.3 billion and of the identified land 2 000 hectares have existing water licenses. To this effect farmer training programme supports smallholder farmers to improve their productivity and skills.

The establishment of Modderrivier-Farm Food Factory is the first in the province and employs environmentally friendly and energy saving methods while it is equipped with state of the art equipment. Farmers in the area supply the farm factory with their products which is processed at the factory while Pick'n Pay has signed a contract to stock the products to all its stores. The factory has created 100 permanent jobs in the area[17].

During the month of July 2015, the first mine blasting took place at Aggeneyys in Gemsbok mine where Vendeta Resources as part of its overall three year $782 million Southern African Gamsberg-Skorpion integrated zinc[18] project was developed. This is a partnership with Skorpion Zinc refinery in Namibia which will enable it to treat zinc sulphide deposits from Gamsberg mine to produce high grade zinc. During this pre-development work by Vendeta, 300 workers were on site where the project intended to generate about 500 permanent jobs with the potential of creating a further 1 500 temporary jobs during the construction phase.

West Coast Resources, a diamond mining company in the Namaqualand region has currently created 220 jobs, 146 permanent while 74 are temporarily employed. The mine in the long term plans to create 550 jobs directly and indirectly.

The provision of jobs and poverty alleviation as well as the development of technology are some of the benefits that resulted in the signing of an agreement for the development of a R6 billion Sino-Africa Jewellery Industry zone project in the Sol Plaatjie Municipality. The municipality signed an agreement with the Chenzou municipality in China. The project will enable the municipality to provide jobs and training for the youth with the objective to build a jewelry industry zone, processing and selling of jewelry. One hundred young people will be trained in the art and skill of jewelry design[19].

The Sol Plaatjie Municipality also spends around R1 million per month by employing around 600 EPWP workers to keep the city clean and the annual projection is around R14 million per annum while the provincial EPWP has created 3 546 work opportunities. The Minister of Trade and Industry launched a R5 billion Bokpoort Concentrated Solar Power Plant (CSP) in Groblershoop. The Bokpoort CSP is one of the flagships concentrated solar thermal projects and is set to become a CSP with the largest level of thermal storage in the world when completed[20]. The Bokpoort project is set to create over 500 job opportunities. Another 110 job opportunities were created in Kimberley as a result of a 45 megawatt solar energy farm that was developed between Kimberley and Boshof.

17 Diamond Fields Advertiser, 8 April 2016
18 Diamond Fields Advertiser, 29 April 2016
19 Diamond Fields Advertiser, 25 Sept,2015
20 Diamond Fields Advertiser,10 March,2016

### 1.3.9. North West

The North West economy accounts for 6,01% of the South African Economy in terms of the current Rand (R) Value Of Goods and Services produced in the Province. The mainstream of the economy of the province is mining which contributes an average of 39% to the provincial Gross Domestic Product (GDP) and provides jobs for a quarter of its workforce followed by Agriculture. As at end of March 2016, about 3 754 000 employment opportunities were created in North West[21].

During his State of the province address, the premier pronounced that a total of R142 million was allocated for all identified projects implemented during the 2015/16 financial year under the Mahikeng rebranding, repositioning and renewal programme with the aim of job creation.

**The following is one of the project's achievements:**
- CCTV cameras installed in and around Mahikeng; Street-lighting in Mahikeng Cultural Villages-designs of the three cultural villages have been completed Patching potholes[22]
- Through the Saamtrek philosophy, all the departments have been directed to engage with the private sector in order to leveraging investment funding.

**The following are amongst the projects that will be implemented through the private sector investment initiatives**
- Construction of Traffic Colleges and Weighbridges
- Construction of Stadium, Convention Centre, Hotel and Government precinct where an investment in excess of R1.5 billion has already been confirmed[23].

21 Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2016
22 The Premier Supra Mahumapelo , SOPA, 5 May 2016
23 MEC, Provincial budget vote speech 2016/2017

# SECTION TWO

## THE SOUTH AFRICAN LABOUR MARKET

# THE SOUTH AFRICAN LABOUR MARKET TRENDS

In today's debate, everyone talk about creating growth and lowering unemployment. It appears that the relationship between growth and unemployment can be resolved overnight but it is not the case because of different views and the existence of limited policy coordination mechanism that is probably in place to stimulate higher productivity in a coordinated manner. On the other side, the National Development Plan (NDP) emphasises on the importance of promoting high investment level in the infrastructure investment projects and labour-intensive programmes that could stimulate the South African economy to grow between 5-6% per annum which will probably halve high unemployment rate by 2020.

The objective in this section is to examine the trends in the South African labour market using some key variables from the survey and administrative data. Furthermore, it presents some key policies to the policy makers that can be considered to promote inclusive economic growth and employment creation.

## 2.1. Employment

Although some improvements have been recorded regarding employment growth (year-on-year changes), the South African labour market had not yet recovered adequately from the 2008 global financial crisis. Furthermore, its structural challenge including individual's education attainment, is still weighing on the labour market results. The statistics presented below confirm that the challenges to absorb a large number of new entrants with low educational attainment in the labour market are still persistent. These challenges had resulted in an unemployment rate of 26.7% in March 2016.

**Table 4: Number of employed by province ('000)**

| PROVINCE | Jan-Mar 2015 | Jan-Mar 2016 | Year on year change |
|---|---|---|---|
| Eastern Cape | 1 358 | 1 367 | 9 |
| Free State | 802 | 790 | -12 |
| Gauteng | 4 911 | 4 895 | -16 |
| KwaZulu-Natal | 2546 | 2 488 | -57 |
| Limpopo | 1 208 | 1 372 | 164 |
| Mpumalanga | 1 154 | 1 161 | 7 |
| Northern Cape | 307 | 313 | 5 |
| North West | 912 | 924 | 12 |
| Western Cape | 2 261 | 2 353 | 92 |
| **South Africa** | **15 459** | **15 663** | **204** |

Source: Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2016

Overall, the employment increased by 204 000 between the first quarters of 2015 and 2016. This increased by 1.3% over time. The slow rate of employment creation in the country implies that most of the unemployed individuals will probably remain unemployed for a longer period. **Table 4** further shows that the Limpopo and the Western Cape recorded the highest job growth of 164 000 and 92 000 respectively, between the first quarters of 2015 and 2016. On the other hand, KwaZulu-Natal shed more than 57 000 employment opportunities as compared to other provinces over the same period.

With regard to the permanent employment contract, an additional of 226 000 individuals worked permanently between the first quarters of 2015 and 2016. In contrast, the number of employees with contracts of limited duration declined by 191 000.

The provincial employment trends reflect the dynamic in employment creation across provinces that depend on various factors, e.g., renewed urban infrastructure projects, size of the economy (formal and informal sector), attraction to investors and limited coordination of provincial policy for an effective implementation.

Table 5: Number of employed by industry ('000)

| INDUSTRY | Jan-Mar 2015 | Jan-Mar 2016 | Year on year change |
|---|---|---|---|
| Agriculture | 891 | 876 | -15 |
| Mining* | 443 | 473 | 30 |
| Manufacturing | 1 779 | 1 638 | -141 |
| Utilities | 143 | 111 | -32 |
| Construction | 1 322 | 1 362 | 40 |
| Trade | 3 046 | 3 161 | 115 |
| Transport | 899 | 895 | -3 |
| Finance | 2 195 | 2 218 | 23 |
| Community | 3 450 | 3 675 | 225 |
| Private households | 1 288 | 1 251 | -1 |
| **South Africa** | **15 459** | **15 663** | **204** |

Source: Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2015

**Table 5** shows the annual employment changes across industries. Only five industries have shown an annual employment g a i n s where the Community industry recorded the largest number at about 225 000 employment gains followed by the Trade (115 000), the Construction (40 000) and the Mining industry (30 000) over the period. By contrast, there has been a reduction in employment in the Manufacturing, Utilities, Agriculture and Transport industries (year on year changes).

In the case of Utilities industry, it is reported that electricity shortages have hampered production and dis-incentivised investment. The drought conditions in 2015 also sharply reduced output in the Agriculture industry which contracted by 8.4% year on year[24].

Table 6: Number of employed by industry and gender ('000)

| INDUSTRY | JAN-MAR 2014 | | JAN-MAR 2015 | |
|---|---|---|---|---|
| | MALE | FEMALE | MALE | FEMALE |
| Agriculture | 603 | 289 | 603 | 273 |
| Mining* | 378 | 65 | 407 | 66 |
| Manufacturing | 1 234 | 545 | 1 080 | 558 |
| Utilities | 124 | 19 | 76 | 35 |
| Construction | 1 155 | 166 | 1 204 | 158 |
| Trade | 1 566 | 1 480 | 1 692 | 1 469 |
| Transport | 721 | 177 | 730 | 165 |
| Finance | 1 279 | 916 | 1 281 | 936 |
| Community | 1 339 | 2 111 | 1 458 | 2 218 |
| Private households | 294 | 994 | 295 | 956 |
| **South Africa** | **8 696** | **6 763** | **8 827** | **6 836** |

Source: Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2016

**Table 6** illustrates further evidence of the level of employment inequality in terms of gender in the South African labour market across all industries. More males than females are found in all economic sectors in the country. The results continue to point to a domestic labour market struggling to create a sustainable employment for women. Despite the implementation of the Employment Equity policy, women in particular in the private sector continue to suffer lower rates of employment.The impact would be seen in the loss of household income and it will also contribute to slow economic development

In the Community industry, the gap in the employment gains has been narrowed where an additional 119 000 men as compared to 106 000 women have been counted over the period. This might indicate that the public sector is relatively more compliant with the Employment Equity Act than the private sector. On the other hand, employment for both men and women increased also in the Finance industry but women (20 000) were more than men (2 000), e.g., year-on-year changes.

24 South African Reserve Bank, Monetary Policy Review, April 2016, p.11

Table 7: Employed by occupation and gender ('000)

| OCCUPATION | Jan-Mar 2014 Male | Jan-Mar 2014 Female | Jan-Mar 2015 Male | Jan-Mar 2015 Female |
|---|---|---|---|---|
| Manager | 867 | 385 | 894 | 444 |
| Professional | 379 | 402 | 428 | 451 |
| Technician | 650 | 770 | 639 | 798 |
| Clerk | 505 | 1 165 | 442 | 1 173 |
| Sales | 1 267 | 1 182 | 1 329 | 1 201 |
| Agriculture | 61 | 21 | 53 | 15 |
| Craft | 1 662 | 211 | 1 682 | 215 |
| Plant | 1 148 | 177 | 1 123 | 160 |
| Elementary | 2 117 | 1 483 | 2 184 | 1 449 |
| Domestic | 41 | 968 | 53 | 931 |
| **South Africa** | **8 696** | **6 763** | **8 827** | **6 836** |

Source: Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2016

The employment movement by occupational categories is mostly associated with the educational level of the individuals. One can move from the lower to higher occupational level when he/she displays higher educational attainment. However, the challenge in South Africa is that more than 3 million individuals aged 15-24 years are disengaged from education and work. Two million of them have not finished educational level of grade 12. In this context, it is unfortunate that the trend is strongly linked to the impact of the apartheid legacy which has left vocational education stigmatised and seen as "poorer" by certain parents[25].

In **Table 7**, one will also observe that employment gains were largely reported amongst three occupational categories between March 2015 and March 2016. These occupational categories include the Professional (98 000), Managerial (86 000) and Sales and services (81 000). By gender, it shows that male employees still outnumber female employees in almost all occupations except in the Domestic, Professional, Technicians and Clerk occupations. Furthermore, the results show that women are slowly occupying the higher levels of occupational category. This might be due to the fact that they are improving with their educational qualifications to improve competitiveness against their male counterparts.

Table 8: Hours worked by gender ('000)

| HOURS OF WORK | JAN-MAR 2014 | | JAN-MAR 2015 | |
|---|---|---|---|---|
| | MALE | FEMALE | MALE | FEMALE |
| < 15 hrs | 148 | 216 | 108 | 198 |
| 15-29 hrs | 340 | 622 | 341 | 678 |
| 30-39 hrs | 400 | 695 | 440 | 658 |
| 40-45 hrs | 4 693 | 3 621 | 4 749 | 3 742 |
| > 45 hrs | 3 115 | 1 611 | 3 189 | 1 560 |
| **South Africa** | **8 696** | **6 763** | **8 827** | **6 836** |

Source: Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2016

One of the key decent work indicators relates to the time-related underemployment. In **Table 8** above, the results show that gender-related bias in the number of people in time-related underemployment. The number of female underemployment is almost double than the number of male underemployment over the same period, e.g., working for less than 30 hours per week. This trend might also be true by the location areas where they live.

For those workers who reported to work for more than 45 hours per week, an increase of 2.4% of male and a decrease of 3.2% of female was recorded over the period. These results suggest that there is still gender disparities in the South African labour market which also promote high level of casualization. On the other hand, the willingness to work for longer hours is predominantly amongst men because of the desire to stimulate high pay to afford the cost-of-living.

25 The World Bank, Integrating the Urban Space Economy, South Africa Urbanization Review, 2nd February, 2016, p.5

## 2.2 Unemployment

The March 2016 official unemployment rate finally edged up to 26.7% from 26.4% in March 2015. Over the same period, the two industries that have shown a decline in the number of job losses were the Agriculture (15 000) and Private households (37 000) industries. Furthermore, about 3.7 million of the unemployed persons have been out of work for 12 months or longer in March 2016 as compared to 3.5 million unemployed persons in March 2015. This implies that a large number of people who lost jobs in 2015 are still having serious challenges of finding new jobs in the current global economic downturn.

As discussed above, the skills gap is another challenge in the South African labour market. Better quality education for learners, together with improved relationships between the government, educational institutions and industries, is needed to resolve the prevalence of skills mismatch and to smooth school-to-work transition[26].

**Table 9: Provincial official unemployment rate (%)**

| | JAN-MAR 2014 | JAN-MAR 2015 | year on year change |
|---|---|---|---|
| Eastern Cape | 29.6 | 28.6 | -1.0 |
| Free State | 30.4 | 33.9 | 3.5 |
| Gauteng | 28.4 | 30.1 | 1.7 |
| KwaZulu-Natal | 23.6 | 23.2 | -0.4 |
| Limpopo | 20.1 | 18.2 | -1.9 |
| Mpumalanga | 28.4 | 29.8 | 1.4 |
| Northern Cape | 34.1 | 27.8 | -6.3 |
| North West | 28.4 | 28.1 | -0.3 |
| Western Cape | 21.0 | 20.9 | -0.1 |
| **South Africa** | **26.4** | **26.7** | **0.3** |

Source: Statistics South Africa, Quarterly Labour Force Survey 1st Quarter 2016

**Table 9** shows that the official unemployment rate increased by 0.3% points between the first quarters of 2015 and 2016. The provinces that recorded an increase in the official unemployment rate were the Free State, Gauteng and Mpumalanga while all other provinces recorded an unemployment rate decrease over time.

The unemployment rate is likely to remain high given the weak domestic demand which affects the size of the provincial economy. In this regards, the government's commitment to reduce policy uncertainty and shore up the confidence to deliver on its promises of boosting growth is admired. Thus, it is argued that a closer cooperation between Government and Organised Business must be forged over time.

**Table 10: Educational attainment of the unemployed ('000)**

| Level of education | Jan -Mar 2015 | Jan -Mar 2016 | Year on Year change |
|---|---|---|---|
| No schooling | 85 | 83 | -1 |
| Less than primary completed | 409 | 363 | -46 |
| Primary completed | 254 | 250 | -5 |
| Secondary not completed | 2 543 | 2615 | 73 |
| Secondary completed | 1 764 | 1927 | 163 |
| Tertiary | 456 | 434 | -23 |
| Other | 24 | 42 | 19 |
| **South Africa** | **5 535** | **5 714** | **179** |

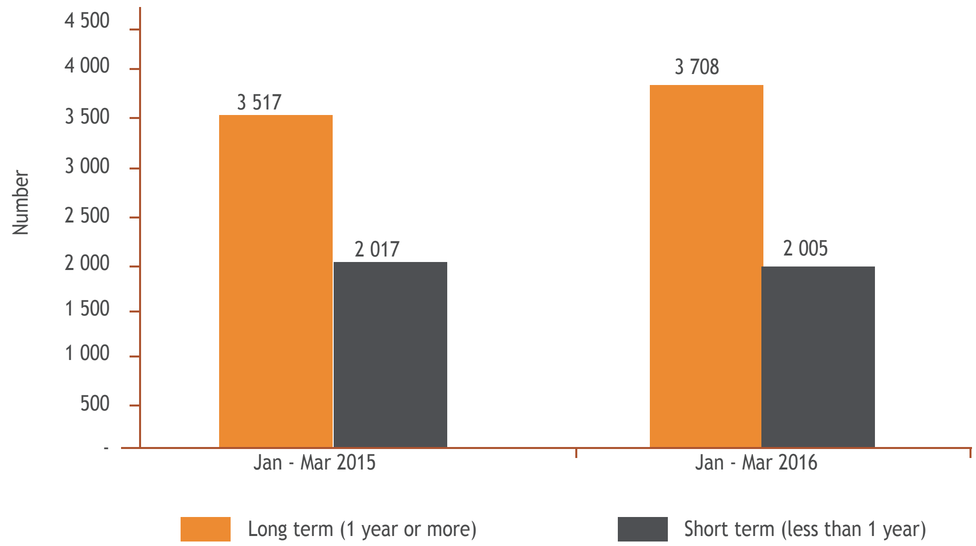
Source: Statistics South Africa, Quarterly Labour Force Survey, 1st Quarter 2016

In **Table 10**, the statistics regarding the educational attainment of the unemployed people are shown. The results reveal that the number of unemployed dropped mostly among those who did not complete primary education and who have tertiary qualifications. However, an additional of 163 000 unemployed people had completed the secondary school between the first quarters of 2015 and 2016. This might represent a high school dropout rate because young people could feel it is worth more to actively seek for jobs in order to make money than to be 'wasting' time in school.

26 OECD (2016), Getting skills right: Assessing and anticipating changing skills needs.

Furthermore, it is also observed that a large number of youth (15-34 years) are neither studying nor in training but they are capable of working. This partly reflects the difficulties that young people face in finding jobs that match their skills and their level of education. With this situation, it is stressed the importance of some of the labour market interventions that include revising training curricula by various institutions of learning to respond to employer's needs and working with training institutions to develop appropriate skills.

**Figure 3: Period of being unemployed ('000)**



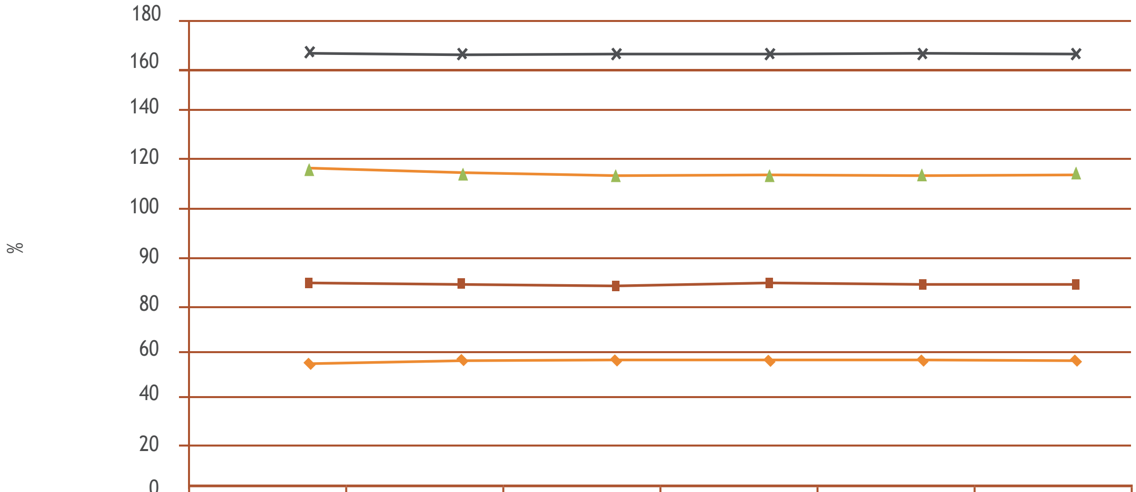

Source: Statistics South Africa, Quarterly Labour Force Survey, 1st Quarter 2016

Looking at **Figure 3**, it transpires that the labour absorption rate is not significantly improving over time. Consequently, the long-term unemployment (one year or more) is increasing with more than 3.7 million unemployed people over the same period. The long-term unemployment as a proportion of the unemployed was estimated at 64.9% in March 2016. It was 1.3% higher than in March 2015.

## 2.3. Youth labour market activities

Being young involves preparing for the future of adult life. Completing an education, finding a job, and gaining social and economic independence are some of the natural life stages for most South Africans youth. However, for many young people this is not a straightforward transition. Below, some results regarding the participation of youth (15-34 years) in the labour market from 2009 to 2014 are presented.

**Figure 4: Youth (15-34 years) labour market participation rates, 2009 - 2014**

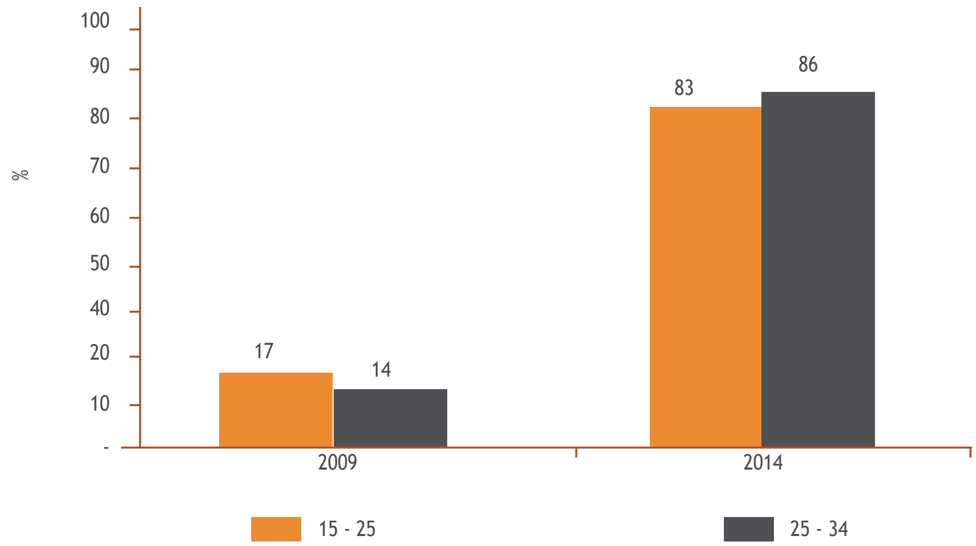



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|
| Inactivity | 50.3 | 52.3 | 52.5 | 52.3 | 52 | 52 |
| Labour force participation | 49.7 | 47.7 | 47.5 | 47.7 | 48 | 48 |
| Absorption | 32.7 | 30.7 | 30.5 | 30.7 | 31 | 30.7 |
| Unemployment rate | 34.2 | 35.7 | 35.7 | 35.8 | 35.4 | 35.9 |

Source: Statistics South Africa, Vulnerable Groups Series 1: the social profile of the youth, 2009-2014, p.27

**Figure 4** shows the labour market participation rate of youth (15 to 34 years) from 2009 to 2014. The proportion of economically active youth declined to 48% in 2014 from a high of 49.7% in 2009. The results indicate that youth are not quickly absorbed in the labour market. With all the key indicators shown in Figure 4, it appears that there are insignificant changes over time because of the nature of the South African economy which does not stimulate all industries to employ youth individuals at the faster rate.

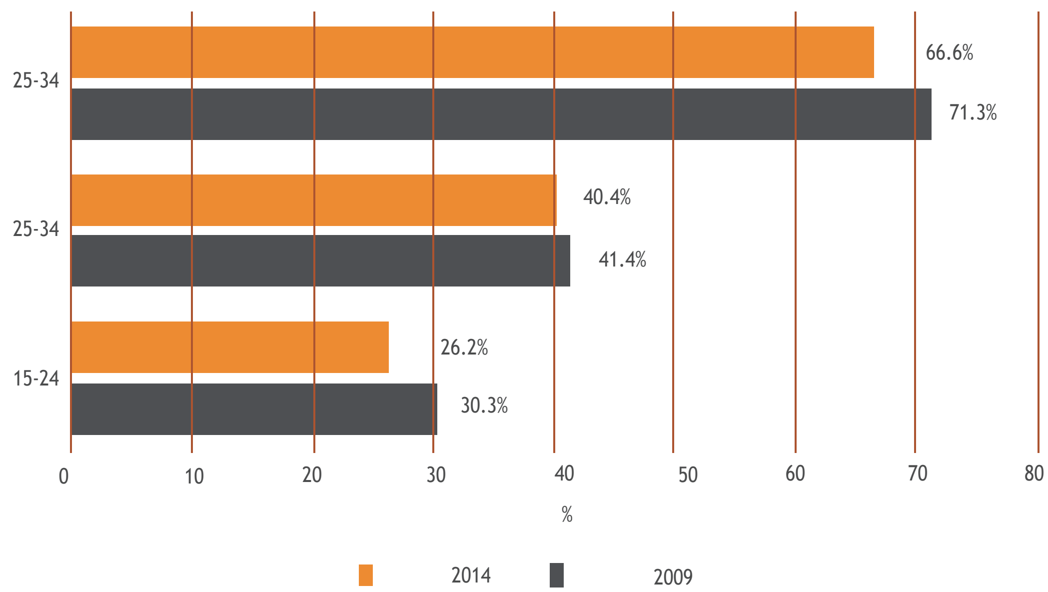
**Figure 5: Percentage share of youth entrepreneurs by age group, 2009 and 2014**




Source: Statistics South Africa, Vulnerable Groups Series 1: the social profile of the youth, 2009-2014, p.30

**Figure 5** above shows that 86% of entrepreneurs are between the ages of 25 and 35 years. The proportion increased by 2.5% points from 83.4% in 2009. This could be in line with the National Youth Employment Programmes which focus on skills training and aim to stimulate entrepreneurship and innovation skills.

**Figure 6: Share of the unemployed youth amongst the unemployed, 2009 and 2014**




Source: Statistics South Africa, Vulnerable Groups Series 1: the social profile of the youth, 2009-2014, p.30

The share of the unemployed youth aged 25-34 years continued to be as the biggest share of unemployed youth in 2014 as shown in **Figure 6**. The share of unemployed persons aged 15-24 years declined by 4.1% points between 2009 and 2014. This is higher when compared to the decline of 0.6% recorded in the age category between 25-34 years category.

# SECTION THREE

## INDUSTRIAL RELATIONS

# INDUSTRIAL RELATIONS

In this section, the trends in collective bargaining statistics are presented because of its importance as a key labour market institution in South Africa with respect to the changing demographics and density rates. This is followed by a discussion of the dispute resolutions by province and industry as monitored by the Commission for Conciliation, Mediation and Arbitration (CCMA).

Overall, the number of trade union registrations (membership in trade unions and bargaining councils) showed an increase during the financial 2015/16. There was also an increase on the number of jurisdictional cases referred to the CCMA. Business/ professional services sector referred more cases than others to the CCMA. Unfair dismissal still remains the reason why cases are referred to be handled at the CCMA. The Gauteng, KwaZulu-Natal and the Western Cape heard more conciliation cases at 50 392, 20 435 and 17 659 respectively over time. Furthermore, the results shows that more awards went in favour of employees as opposed to employers.

## 3.1. Labour organization and collective bargaining

The registration of trade unions, employers' organisations and bargaining councils is the legal required promulgated in the LRA. For workers, collective bargaining helps to convey their voice to ensure decent pay and working conditions. In line with this, high membership can be important for organisational power.

**Table 11: Registered employer and employee organisations**

| PROVINCE | 2012 - 13 | % Change | 2013-14 | % Change | 2014-15 |
|---|---|---|---|---|---|
| Registered trade unions | 187 | -3.2% | 181 | 3.3% | 187 |
| Membership of trade unions* | 3 715 659 | -4.3% | 3 556 365 | 0.01% | 3 556 914 |
| Registered employer organisations | 163 | -2.5% | 159 | -1.2% | 157 |
| Bargaining councils | 45 | -15.6% | 38 | 15.7% | 44 |

Source: Department of Labour, Collective Bargaining, Apr 2015-Mar 2016
*Note: Survey estimates using the QLFS show slightly high number of trade union membership (see Table 12 below)

According to **Table 11**, the number of registered trade unions was almost constant over time using the administrative data from the Department of Labour. As a share of employment, about 3.5 million (about 23%) of workers reported that they were members of trade unions in 2015/16. The trade union registrations and the number of bargaining councils averaged to an increase of 3% and 15.7% between the financial years 2014/15 and 2015/16. However, the number of registered employer organisations decreased by 1.2% from 159 to 157 over the same period. The results show that the coverage rate as a proportion of total employment is still insignificant in the South African labour market.

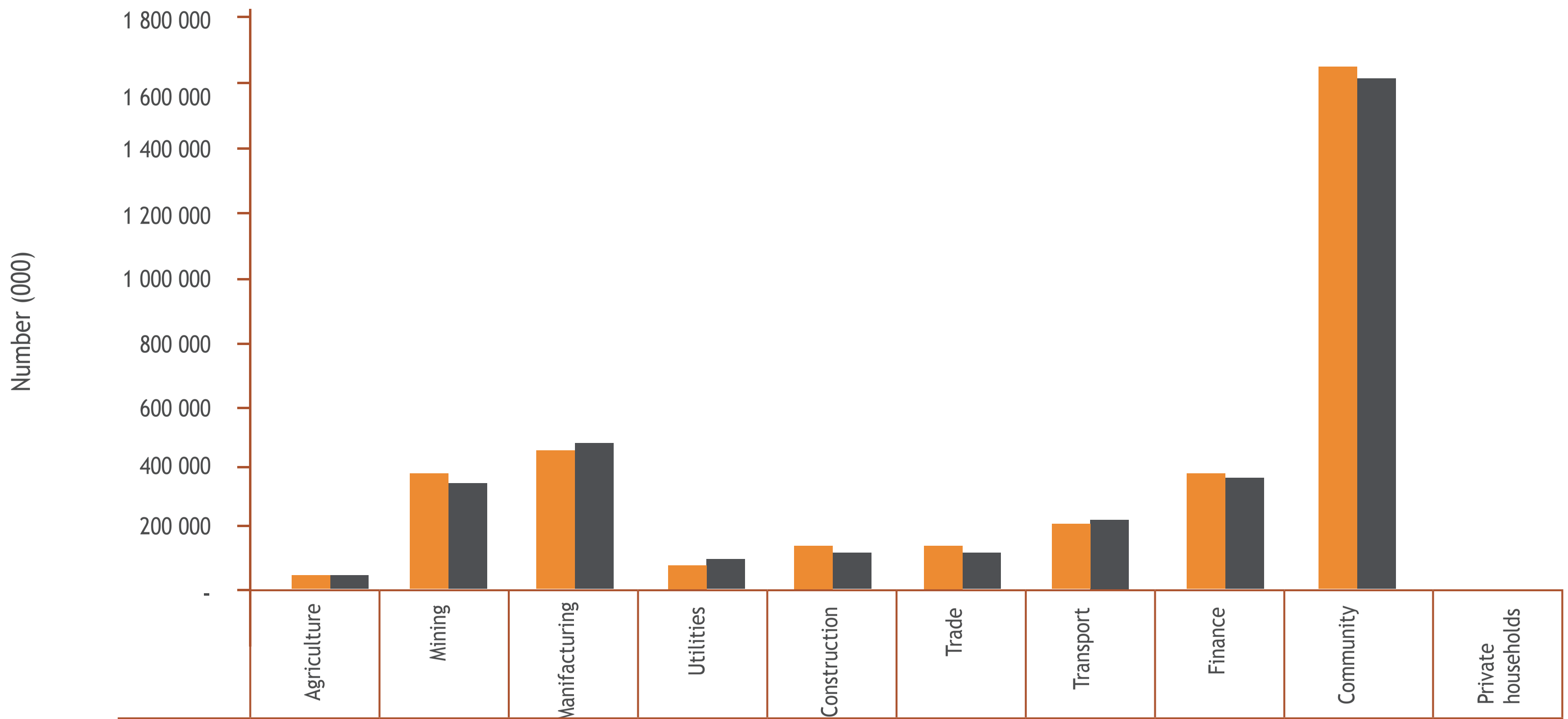
**Table 12: Trade union membership by industry and province, 2016**

| INDUSTRY | WESTERN CAPE | EASTERN CAPE | NORTHERN CAPE | FREE STATE | KWAZULU- NATAL | NORTH WEST | GAUTENG | MPUMALANGA | LIMPOPO | SOUTH AFRICA |
|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture | 18 051 | 5 415 | 743 | 3 039 | 1 984 | 2 54 | 2 266 | 4 987 | 9 210 | 47 949 |
| Mining | 789 | 1 597 | 16 123 | 32 185 | 3 095 | 130 497 | 68 529 | 45 080 | 78 852 | 376 748 |
| Manufacturing | 90 306 | 50 228 | 2 118 | 23 112 | 88 862 | 19 459 | 170 106 | 18 940 | 11 684 | 474 814 |
| Utilities | 7 262 | 3 853 | 337 | 7 764 | 4 752 | 976 | 15 037 | 19 704 | 9 184 | 68 869 |
| Construction | 33 787 | 14 379 | 3 020 | 3 121 | 19 558 | 5 436 | 36 866 | 14 483 | 10 555 | 141 205 |
| Trade | 67 036 | 36 912 | 5 545 | 36 921 | 53 860 | 21 991 | 130 725 | 38 952 | 35 973 | **427 916** |
| Transport | 35 550 | 13 259 | 7 260 | 9 692 | 25 416 | 8 560 | 83 420 | 14 070 | 10 653 | **207 882** |
| Finance | 76719 | 21 266 | 5 601 | 15 487 | 47 109 | 16 168 | 142 001 | 24 303 | 26 380 | 375 034 |
| Community | 227536 | 212 247 | 40 585 | 114 300 | 277 486 | 91 121 | 410 529 | 135 498 | 155 328 | 1 664 630 |
| Private households | 2 278 | 532 | 0 | 1 223 | 1 988 | 0 | 2 986 | 0 | 0 | 9 007 |
| **South Africa** | **559 314** | **359 690** | **81 331** | **246 844** | **524 110** | **296 462** | **1 062 466** | **316 017** | **347 819** | **3 794 055** |

Source: Statistics South Africa, Quarterly Labour Force Survey, and Q1 of 2016 (own calculations using Superweb2: www.statssa.gov.za)

**Table 12** shows the extent to which trade union membership were recorded per province by industry in March 2016. According to Table 12, 3.7 million union members were registered in South Africa across all economic sectors using the Quarterly Labour Force Survey results. For all provinces, The Gauteng was the highest with the number of trade union memberships registered followed by the Western Cape and KwaZulu-Natal. On the other hand, the industry with more trade union members was the Community (1 664 630) followed by the Manufacturing at 474 814 and the Trade industries (427 916) over the same period. The Private households industry, however, recorded the lowest number of trade union membership at 9 007 in March 2016.

Figure 7: Year-on-year change in the trade union membership by industry, 2015 and 2016




| | Agriculture | Mining | Manifacturing | Utilities | Construction | Trade | Transport | Finance | Community | Private households |
|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | 47 949 | 376 748 | 474 814 | 68 869 | 141 205 | 427 916 | 207 882 | 375 034 | 1 664 63 | 9 007 |
| 2015 | 43 280 | 364 789 | 474 462 | 73 579 | 109 007 | 342 730 | 214 407 | 348 745 | 16 088 653 | 4 850 |
| %Change | 10.8 | 3.3 | 0.1 | -6.4 | 29.5 | 24.9 | -3.0 | 7.5 | 3.5 | 82.7 |

Source: Statistics South Africa, Quarterly Labour Force Survey, Q-1 of 2015 and 2016 (using Nesstar: www.statsa.gov.za)

**Figure 7** illustrates the changes in the number of trade union membership per industry between the first quaters of 2015 and 2016. In general, there was an increase of 5.5% in the tade union registration in the South Africa Labour Market[27]. the results shows a substantial change in the private households (86%), Construction (29%) and Trade (25%) Industries. The decreases in trade union memberships are only observed from the utilities (-6.4%) and transport (-3%) industries.

## 3.2. DISPUTE RESOLUTIONS

Below is an analysis of the dispute resolution over the three financial years, as reported in the CCMA statistical reports. The focus is on the referral of cases by region, issue and economic sector. In addition, the statistics on the conciliations heard, finalised and settled; arbitrations heard, finalised and settled and awards in favour by participants in provinces are also presented in this section.

### 3.2.1. Referrals

**Table 13: Referral of cases by region**

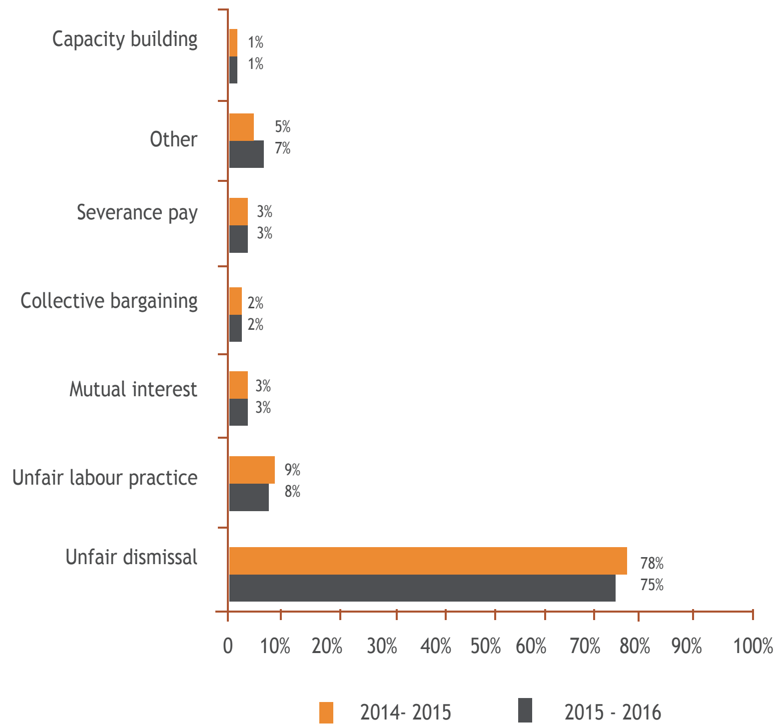
| PROVINCES/ OFFICES | JURISDICTIONAL | | | | | NON-JURISDICTIONAL | CONDONATION PENDING/ UNKNOWN | TOTAL REFERRALS |
|---|---|---|---|---|---|---|---|---|
| | 2013-14 | % | 2014-15 | % | 2015-16 | | | |
| Eastern Cape | 9 524 | 6% | 10 135 | 7% | 10 878 | 2 011 | 77 | 12 966 |
| Free State | 7 034 | 0% | 6 999 | 2% | 7 125 | 1 803 | 63 | 8 991 |
| Gauteng | 49 898 | 1% | 50 319 | 5% | 52 635 | 14 670 | 99 | 67 404 |
| KwaZulu-Natal | 21 449 | -1% | 21 130 | 2% | 21 403 | 4 683 | 65 | 26 331 |
| Limpopo | 7 368 | 3% | 7 623 | 3% | 7 878 | 1 734 | 6 | 9 618 |
| Mpumalanga | 8 202 | 0% | 8 162 | 9% | 8 916 | 1 892 | 43 | 10 851 |
| Northern Cape | 2 287 | 1% | 2 317 | 18% | 2 735 | 832 | 22 | 3 589 |
| North West | 6 840 | -7% | 6 394 | 15% | 7 349 | 1 567 | 91 | 9 007 |
| Western Cape | 19 080 | -1% | 20 159 | 0% | 20 131 | 3 168 | 6 | 23 305 |
| Head Office | 4 241 | -31% | 3 261 | 75% | 7 409 | 52 | 5 | 7 466 |
| **Total** | **137 479** | **12%** | **134 943** | **7%** | **146 459** | **32 592** | **477** | **179 528** |

Source: CCMA, Operations April 2015-March 2016

**Table 13** shows the provincial distribution of jurisdiction cases referred to the CCMA. It shows an increase on jurisdictional cases referred from 134 943 in 2014/15 to 146 459 in 2015/16. This represents an increase of 7%. Provincially, more cases continue to be referred from the three biggest provinces namely Gauteng, Western Cape and KwaZulu-Natal. In 2015/16, Gauteng, KwaZulu-Natal and Western Cape referred 52 635, 21 403 and 20 131 respectively. The least cases referred during the last financial year was from the Northern Cape with 2 735 cases only.

27 The statiscal trends are positive in both data source (administrative and source data) but the results differ because of the method used to estimate trade union coverage.

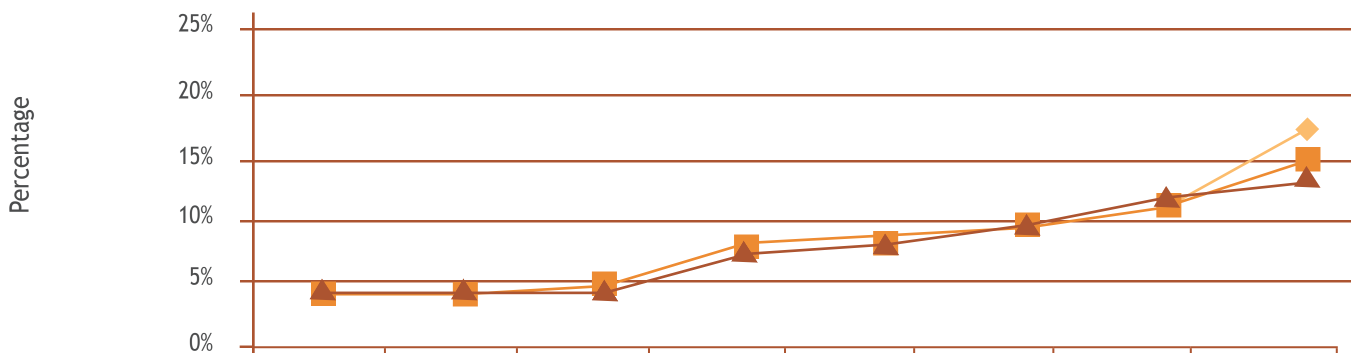
**Figure 8: Referrals by issue**




Source: CCMA, Operations April 2015-March 2016

There are a variety of reasons why cases are referred to the CCMA. As with referral cases by issue, CCMA records show that unfair dismissal cases were more in the two financial years. In 2014/15, an average of 78% of cases was referred to CCMA as compared to 75% of cases in 2015/16[28], as shown in **Figure 8.** In some instances, cases were referred as a result of unfair labour practice where in 2015/16, 8% of cases were referred and 9% was referred in 2014/15.The least cases that were referred to CCMA were the result of the capacity building in both financial years

**Figure 9: Referrals by selected economic sector**




| | Food/ beverage | Agriculture | Mining | Construction | Domestic | Safety/ Private Security | Retails | Business/ professionals Service |
|---|---|---|---|---|---|---|---|---|
| 2015/16 | 4% | 4% | 4% | 8% | 9% | 11% | 13% | 21% |
| 2014/15 | 4% | 4% | 5% | 9% | 9% | 11% | 13% | 18% |
| 2013/14 | 4% | 4% | 4% | 8% | 9% | 11% | 14% | 16% |

Source: CCMA, Operations April 2015-March 2016

28 Perhaps the rate dropped after the Minister of Labour warned those employers who are engaging in the practice that there is a provision in the new law that is designed to prevent unfair dismissal practice if it is proven that they are doing it purely to side-step the law (Minister of Labour, Budget vote speech 2015)

An analysis of referrals by economic sectors shows which economic sector was more affected during the period under review. As shown in **Figure 9**, the business/professional services recorded the majority of cases that were referred to the CCMA. It increased from 2013/14 to 2015/16 at the following proportions 16%, 18%, and 21% respectively. Other sectors such as the food/beverage, agriculture/farming, and domestic and safety/private security referred almost the same number of cases to the CCMA in the last three financial years.

## 3.2.2. Conciliations and arbitrations

### 3.2.2.1. Conciliations heard and finalised

Table 14: Conciliations heard, closed and settled

| PROVINCES/ OFFICES | 2013-14 | 2014-15 | CONCILIATIONS HEARD AND CLOSED (90% OF TOTAL CONCILIATIONS HEARD) 2015-16 | | TOTAL CONCILIATIONS HEARD | TOTAL CONCILIATIONS SETTLED | |
|---|---|---|---|---|---|---|---|
| | | | COUNT/ CLOSED | PERCENTAGE | | TOTAL | PERCENTAGE |
| Eastern Cape | 95% | 94% | 9 605 | 94% | 10 169 | 5 204 | 54% |
| Free State | 96% | 96% | 7 228 | 96% | 7 542 | 3 648 | 50% |
| Gauteng | 95% | 96% | 50 392 | 96% | 52 768 | 25 620 | 51% |
| KwaZulu-Natal | 96% | 94% | 20 435 | 96% | 21 403 | 11 031 | 54% |
| Limpopo | 94% | 95% | 7 096 | 96% | 7 405 | 3 854 | 54% |
| Mpumalanga | 96% | 96% | 9 046 | 97% | 9 359 | 4 549 | 50% |
| Northern Cape | 95% | 95% | 2 399 | 95% | 2 531 | 1 283 | 53% |
| North West | 95% | 95% | 7 118 | 96% | 7 402 | 3 388 | 48% |
| Western Cape | 98% | 97% | 17 659 | 97% | 18 252 | 10 485 | 59% |
| Head Office | - | 90% | 114 | 0% | 128 | 51 | 45% |
| **Total** | **96%** | **96%** | **131 092** | **96%** | **136 959** | **69 113** | **53%** |

Source: CCMA, Operations April 2015-March 2016
*The percentages for the financial year 2013/14 and 2013/14 are excluded for Head Office

In all provinces, conciliation of cases were heard and closed above the target of 90% in 2015/16. Furthermore, the majority of provinces handled on average 96% of cases presented. According to the results as shown in **Table 14**, Gauteng, KwaZulu-Natal and the Western Cape heard more cases at 50 392, 20 435 and 17 659 respectively. Few cases were handled at head office level.

A noticeable decline in settlement of cases was also achieved where 53% of cases were settled in 2015/16 as compared to 55% cases that were settled in 2014/15. This represents a decrease of 2% in settlement of cases over the two financial years.

#### 3.2.2.2. Arbitrations Heard, Finalised and Settled

**Table 15: Arbitrations heard, finalised and settled**

| Provinces/ Offices | 2013-14 | 2014-15 | Arbitrations Finalised (90% of Total Arbitrations Heard) 2015-16 | | Total Arbitrations Heard | Total Arbitrations Settled | |
|---|---|---|---|---|---|---|---|
| | | | Count/ Finalised | Percentage | | Total | Percentage |
| Eastern Cape | 94% | 94% | 3 975 | 94% | 4 223 | 2 085 | 52% |
| Free State | 97% | 96% | 2 242 | 95% | 2 372 | 1 200 | 54% |
| Gauteng | 95% | 95% | 17 949 | 96% | 18 897 | 9 286 | 52% |
| KwaZulu-Natal | 96% | 95% | 8 430 | 96% | 8 890 | 4 868 | 58% |
| Limpopo | 93% | 95% | 2 332 | 95% | 2 448 | 1 201 | 52% |
| Mpumalanga | 95% | 97% | 3 180 | 97% | 3 276 | 1 831 | 58% |
| Northern Cape | 96% | 97% | 827 | 96% | 865 | 518 | 63% |
| North West | 94% | 96% | 2 623 | 94% | 2 788 | 1 409 | 54% |
| Western Cape | 98% | 97% | 4 146 | 98% | 4 249 | 2 277 | 55% |
| Head Office* | - | 46% | 90 | 0% | 122 | 18 | 20% |
| **Total** | **95%** | **95%** | **45 794** | **95%** | **48 130** | **24 693** | **54%** |

Source: CCMA, Operations April 2015-March 2016
*The percentages for the financial year 2013/14 are excluded for Head Office

**Table 15** above presents the provincial arbitration cases heard, finalised and settled in 2013/14, 2014/15 and 2015/16. The results indicate that the total arbitrations finalised remained consistently unchanged at the rate of 95% in the last three financial years. This is above the settlement target of 90%. In 2015/16, a total of 45 794 cases were finalised from a total of 48 130 heard. Of the cases finalised, the most were from Gauteng (17 949).

### 3.2.3. Awards in favour

**Table 16: Awards in favour by participants in provinces**

| PROVINCES/ OFFICES | EMPLOYEE MARCH 2016 | | EMPLOYER MARCH 2016 | | OTHER | TOTAL AWARDS |
|---|---|---|---|---|---|---|
| | COUNT | % | COUNT | % | | |
| Eastern Cape | 777 | 64% | 449 | 34% | 1 | 1 227 |
| Free State | 850 | 71% | 346 | 30% | 0 | 1 196 |
| Gauteng | 4 539 | 68% | 2 486 | 32% | 0 | 7 025 |
| KwaZulu-Natal | 1 419 | 67% | 615 | 30% | 18 | 2 052 |
| Limpopo | 756 | 62% | 458 | 38% | 0 | 1 214 |
| Mpumalanga | 862 | 72% | 338 | 28% | 0 | 1 200 |
| Northern Cape | 177 | 62% | 107 | 38% | 0 | 284 |
| North West | 658 | 63% | 359 | 37% | 2 | 1 019 |
| Western Cape | 1 063 | 50% | 1 006 | 50% | 10 | 2 079 |
| Head Office | 13 | 0% | 24 | 0% | 0 | 37 |
| **Total** | **11 114** | **64%** | **6 188** | **36%** | **31** | **17 333** |

Source: CCMA, Operations April 2015-March 2016

Awards in favour of participants by provinces are reflected in **Table 16**. As shown, a total of 17 333 awards were awarded. Predominantly, more awards went in favour of employees as opposed to employers. For workers, collective bargaining helps to convey their voice to ensure decent pay and working conditions. Awards in favour of employees were recorded more in Mpumalanga and the Free State at 72% and 71% respectively.

# CONCLUSION

# CONCLUSION OF THE REPORT

This annual report has provided some important results with the available data from the Department of Labour and other external sources regarding the South African economy and labour market trends. The low performance of the South African labour market was associated with the slow economic growth that was recorded in the financial year 2015/16. However, the most critical outcome is about equipping the workforce with the skills required for the jobs of today and those of tomorrow. This is because of new occupations that are emerging and replacing others. In this context, it is argued that the economic prosperity in the country will depend on how many of its people are in work and how productive they are which in turn rests on the skills they have and how effectively those skills are used[29]. Thus, the South African Government needs to carefully monitor the implementation of all employment programmes and investments to unlock the desired level of future economic growth as captured in the NDP.

One of the initiatives highlighted in this report include the Vaalharts/Taung irrigation scheme which created 75 000 direct jobs in the Northern Cape. The other one is the 'Business in a Box" - Youth Entrepreneurial Programme which benefited 60 young people in the Free State. These initiatives need to be nurtured by all parties for sustainable benefits in the long-run.

On the other hand, the results have reflected on the coverage rate of registered trade union membership which is still insignificant as a proportion of the total employment in South Africa. The Department of Labour will probably need to look at the trends and devise some interventions to improve the worker's protection at the work place, e.g., the transition from the informal economy to employment and livelihoods as stressed in the NDP.

## Policy considerations

**Some key pointers for policymakers to note are:**

- To promote the Public Employment Services (PES) since it plays a key role in career transition approach that considers long-term consequences of training and placement decisions on an individual's employability and adaptability as opposed to the traditional focus on the immediate filling of job vacancies. PES should invest in working closely with employers to ensure that individual's skill profiles which include non-formal learning are matched with open vacancies[30]
- Information about latest developments in the labour market should be widely disseminated. It is vital to build and continuously improve knowledge that is sourced from the Labour Market Information Systems (LMIS) which will make data available for career guidance and employment opportunities
- To improve on the coordination level between government departments and different spheres of government
- At a minimum, policy should consider the positions of informal employment and self-employment as two predominant conditions of informality in South Africa[31].

29 Dr Patel, R., The Pretoria Newspaper, August 24th , 2016, p.15
30 David-Klosters (2014), Matching skills and labour market
31 International Labour Organisation, An assessment of the South African policy and legislative environment against provisions of recommendation 204, June 2016