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Report of the Portfolio Committee on Labour on Budget hearings with public entities:dated *

The Committee conducted budget hearings with public entities that report to the Minister of Labour on 13,14,15, 24 and 29 March 2006. The entities reported on their 2006/07 work plans and budgets as follows:

**13 March :**

Unemployment Insurance Fund (UIF)

The Committee was briefed on the mandate and key objectives of the UIF, achievements during 2004/05, budget proposals, strategic overview, key expenditure projects, budget highlights and financial performance indicators.

The mandate of the UIF includes providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits. The key objectives are to broaden coverage of beneficiaries, as well as improve service delivery.

The UIF had been successful in registering domestic workers and farm workers. The number of employees that were covered by the UIF had increased by 9%. In terms of revenue, the UIF had received R6, 152 billion and paid out R2, 475 billion in benefits. During 2004/05, the investment stood at 9,7% compared to the previous financial years.

The UIF has made substantial improvements in terms of financial viability and service delivery. By the end of March 2005, the UIF had accumulated R10,2 billion in reserves. An amount of R9,8 million was channeled to the Public Investment Corporation.

The operational system, namely Siyaya, had been finalised and rolled out to labour centres. This system will result in the speedy processing of claims and better management of information. All new claimants were since January 2006 paid via Electronic Fund Transfer (EFT). The integrated financial system, namely, Access 1, had been finalised and will be implemented in April 2006.

In resolving administrative challenges, the Fund had beefed up its capacity through the appointment of a Chief Financial Officer (CFO) and Executive Managers responsible for risk management and revenue collection. Service partnerships were forged with agencies such as the South Africa Revenue Services (SARS) on U-filing. The latter will help in identifying employers that are not declaring their payroll and payments. This system will be rolled out in all labour centres.

With respect to improving institutional capacity, the investigation into a new model for the UIF concluded that the corporate form that suits the UIF would be a Government Agency with assigned power, as envisaged by the new framework for public entities that was currently finalised by the Department of Public Service and Administration (DPSA). That would mean that the operations of the UIF will be ring-fenced from DOL. The Fund will fall under the direct control of the Minister, and the UIF board will remain an advisory body. The Minister will appoint the Unemployment Insurance Commissioner, who is a public servant, to administer the Fund. Another priority for the medium term would be the recruitment and re-skilling of appropriate resources to manage the new business environment. The "agencification" of the UIF will resolve the accounting authority dilemma that the Fund experienced

In relation compliance by employers, the DOL acknowledges that the SMMEs were not an easy sector to regulate. However, through various awareness campaigns, there has been an increase in compliance, especially by the SMMEs. Evidence was shown by an increase in the number of registered employers, the number of declarations received, as well as the amount of revenue collected. Also that both employers and employees are becoming aware of their rights and responsibilities. In dealing with defiant employers, the Fund makes use of inspectors of DOL to enforce compliance.

Presentation by the Compensation Fund (Comp-Fund)

The Compensation Fund briefed the Committee on the following:

* The Compensation of Occupational Injuries and Diseases Act (COIDA).
* Summarised Income Budget
* Income generation and investments
* Claims reimbursements and reporting
* Achievements, challenges and key priorities.

To improve the capacity of the Compensation Fund in processing claims timeously, and to achieve the 70% target in claim settlement, the Fund will be embarking on a management reform and restructuring process. Part of this will include redesigning and aligning business processes, redesigning the structure and functioning of the Fund for optimum service delivery. Some functions will be decentralised to provinces and labour centres as part of taking services closer to people.

The Fund will establish and improve relations with strategic partners to share experiences in claims processing. Discussions were held with Mutual Association to establish if the Fund could inherit its systems for medical claims. The Fund will embark on an advocacy campaign to inform clients of procedures and requirements for lodging claims. Staff will be trained to improve their capacity in handling claims and customer relations. The inspectorate services will be used to enforce the law to employers who fail to report incidents.

The Fund will use the services of Siemens Business Services to address systems challenges. This will include an Integrated Employer Database that will be linked to the UIF and Occupational Health and Safety (OHS), and an integrated electronic claims management system.

Cabinet approved the process of integrating occupational health and safety competencies. A technical task team comprising officials from the Department of Labour, the Department of Health and the Department of Minerals and Energy was established to work on this process. Currently a draft policy and draft Bill were being developed for submission to the responsible Ministers this financial year.

The Fund had a backlog due to a lack of information system to help in documenting. This results in some documents being kept in files and captured manually. The Fund was not yet in a position to quantify the backlog. The integration of systems would help in quantifying the extent of the backlog. The Committee was also informed that the possible decrease in the medical payment was as a result of the increasing trend in the monetary value of payments processed.

<u>14 March</u>

Briefing by the Commission for Conciliation, Mediation and Arbitration (CCMA) on its operations and budget

The CCMA briefed the Committee on the following:

- Its vision, structure and people profile
- Dispute resolution, case referrals vs jurisdictional cases
- The impact of the 2002 legislative amendments
- Dispute management and prevention.

The vision of the CCMA is to promote social justice and economic growth with social partners by transforming relations in the labour market. This will be achieved by delivering high quality low cost dispute resolution and prevention services.

<u>People profile</u>

The staff complement is as follows:

| | | | |
|---|---|---|---|
| Human Resources | | - | 951 |
| * | Full-time employees | - | 396 |
| * | Part time employees | - | 555 |
| Commissioners | | - | 409 |
| * | Full-time | - | 76 |
| * | Part time | - | 333 |
| Registry | | - | 542 |

| | | | |
|---|---|---|---|
| * | **Full-time** | - | 320 |
| * | **Part-time** | - | 222 |

The Committee sought clarity on the issue of full-time and part-time commissioners. The Labour Relations Act, however, provides for the appointment of both full-time and part-time commissioners. Part-time commissioners and part-time interpreters are temporary workers who are not on fixed–term contracts. They work depending on their availability. Part-time commissioners are usually private practitioners who also render services to bargaining councils and other private dispute organisations, and have their own businesses.

The CCMA acknowledged that it was faced with a challenge of attracting and retaining competent managers and commissioners who could address the needs of the organisation, and who understood dispute resolution in the labour market. The CCMA has an extensive training programmes for commissioners to ensure that they uphold the professionalism and ethics of the organization. It also intends to participate in the learnership programme to ensure that commissioners are accredited with a qualification by the South Africa Qualifications Authority (SAQA).

The Committee raised the issue of poor performance by some commissioners. The CCMA acknowledged that there are commissioners who are not performing well, and that it has specific processes to deal with such commissioners. Some commissioners were dismissed for poor performance and poor conduct. The CCMA is committed to recruiting, developing and retaining employees who embrace and demonstrate the values, ethics and conduct the institution has set for itself.

<u>Caseload by region</u>

The CCMA indicated that the geographical size of some provinces posed a resource challenge. For example in provinces such as the Northern Cape, the Eastern Cape and Mpumalanga, the CCMA often faced a challenge to use resources effectively because of the vast distances that have to be traveled, and to ensure that it reached people in outlying rural areas.

<u>Caseload</u>

The information given to the Committee on case referrals demonstrated an increase in the number of cases referred to the CCMA since its inception in 1997 until 2005.

In the case of referrals by sector, the retail sector was the highest referring sector. There has been an increase in business or professional services sector due to more referrals from the Information Technology (IT) sector. The CCMA anticipates an increase in the caseload is the construction sector.

The challenge facing the CCMA is the cost of dealing with out-of-jurisdiction cases, as well as educating the public about the correct forum for their issues since the CCMA is viewed as the first port of call.

Conciliations

The CCMA acknowledged that although the Labour Relatins Act (LRA) spelt out for conciliation, there were areas that needed improvement. The 30-day requirement relating to conciliation had to be enforced.

Statutory dispute resolution delivery

The CCMA alluded to the fact that the law does not set out time-frames for arbitrations. It had itself agreed on an internal target of 90 days. However, the postponement of hearings due to non-attendance by parties lead to protracted processes and added to the administrative workload of the organisation. Another challenge relates to the high number of applications for the enforcement of arbitration awards in terms of Section 143 of the Labour Relations Act (LRA).

With respect to representation, almost 75% of the CCMA users come without representation. These are workers who come without a trade union representative. The CCMA acknowledged that it had not succeded in this area, and that it remains an ongoing challenge. However, there are mechanisms to reach communities and unorganised sectors in each province, for example by making use of community radio stations to inform the public about key issues around accessing the CCMA. The CCMA also uses road shows and imbizos to educate the public about their rights and how to exercise their rights in the workplace. Negotiations were held with the DOL about the use of mobile units so that the CCMA could be part of the process that would assist in reaching rural communities. The challenge is, however, to develop the capacity of the CCMA to deliver in that regard. The CCMA affirmed its commitment to improving communication.

Workload vs resources

The CCMA is faced with a huge demand on its resources. Labour market conditions are changing, and economic growth brings with it a challenge to the organisation. Another challenge is that of attracting and retaining competent managers who can address the needs of the organisation.

The issue of attorneys and the ability to gain access to CCMA processes is a controversial area. The reality of the situation is that the law does not allow legal representation, although it does allow for certain specific circumstances where parties are entitled to legal representation before the commissioner. However, the CCMA does instil a policy into its commissioners that they must apply the law strictly.

The CCMA has developed a comprehensive strategy and policy to manage the impact of HIV/AIDS in the workplace. Part of the strategy includes members who are affected by HIV/AIDS.

The Committee was informed that the issue of labour brokers remain a problem . The Minister of Labour had commissioned research on atypical forms of employment. A report on the study was being dealt with by constituencies at NEDLAC.

Budget details

The total budget for 2006/07 is R208million.This amount represents a 3% increase on the budget for 2005/06.

The key issues and challenges facing the CCMA were as follows:

- The ability to meet increasing demands with a diminishing budget and limited human resource capacity.
- The labour market conditions and a relatively volatile industrial relations climate.
- The capacity of CCMA users to access CCMA services.
- The negative public perceptions of the CCMA, for example bureaucracy.

**15 March**

Briefing by NEDLAC on the strategic plan and budget for 2006-2008

NEDLAC briefed the Committee on the following:

- Vision and mission
- Key objectives
- NEDLAC's modus operandi & structure
- The 2006/2007work programmes of NEDLAC Chambers
- Budget expenditure for 2006-2008

The Committee was also briefed on the following:

- Sector summits programme
- Section 77 report as it pertains to the Labour Relations Act (LRA)
- Implementation of the Growth and Development Summit agreements and programme
- Special projects
- Communication.

Budget details

NEDLAC receives its budget from the Department of Labour. The total income for 2006/07 is R13,1 million. The capital expenditure amounts to R603,750. Thirty-one percent of the budget goes towards salaries. An amount of R1.3 million is allocated for capacity building for constituencies.

The Committee was concerned that nothing was mentioned about challenges and highlights in implementing the Growth and Development Summit (GDS) agreements. A presentation on the GDS progress report will be made to the Committee as soon as it has been presented to the Presidential Working Group. The report will reflect on progress and bottlenecks in the implementation of the agreements.

The Committee was informed that the issue of building social dialogue capacity at provincial and local levels was left to each of the NEDLAC constituencies to take forward. However, provinces are currently building social dialogue tools. The GDS agreements have a section that deals with social dialogue at local level. The Department of Provincial and Local Government (DPLG) has embarked on road shows at both provincial and local level to raise awareness about the GDS. NEDLAC is committed to building capacity at local level.

NEDLAC acknowledged that there were challenges in the operation of co-operatives. A conference will be held to deal with such challenges.

**Recommendations**

(1) The GDS agreements, provincial growth and development strategies (PG&DS) and Integrated Development Plans (IDPs) should be aligned.

(2) The Committee should facilitate a special session to deal with the progress report on the GDS agreements.

**24 March**

Briefing by the National Productivity Institute and Umsobomvu Youth Fund on their strategic plans/work plans and budgets for 2006/07.

Presentation by National Productivity Institute (NPI)

The Committee received a briefing on the following:

- The contextual framework
- Summary of achievements and milestones for 2005/06
- Strategic objectives and programmes for 2006/07
- Organisational management.

The strategic plan has incorporated the lessons learnt from the implementation of the programmes in past years, as well as the Department of Labour's Ministerial Programme of Action 2004-2009. The NPI has consolidated and refocused its efforts to align it with the Accelerated Shared Growth Initiative for South Africa (ASGI-SA), especially in the priority industry sectors, skills development, small-micro enterprises, employment creation and retention, and promoting sound relations between management and workers. The strategic plan will enable the NPI to deliver on its mandate to enhance productivity in South Africa.

Strategic objectives for 2006/07

The key strategic objectives are as follows:

- To increase the productivity and competitiveness of South African enterprises.
- To build the productive capabilities of small-micro enterprises.
- To generate and disseminate knowledge on key productivity drivers and challenges.
- To provide strategic leadership on productivity.
- To enhance public sector efficiency and effectiveness.
- To ensure financial sustainability of the NPI.

The following programmes will be undertaken to achieve the stated strategic objectives:

- Programme 1: Sector initiatives
- Programme 2: Public sector productivity
- Programme 3: Enterprise productivity and competitiveness
- Programme 4: Knowledge management and research
- Programme 5: Productivity strategic leadership

Budget details

The revenue sources are government grants, social plan funding, work place challenge, and other funding. The total revenue for 2006/07 is R71, 001,906.00. The latter amount includes R25, 369, 000 which is a government grant, R17, 342, 000,00 for social plan funding, R12, 000,00 for workplace challenge funding, as well as R16,290,906,00 from other sources such as SIDA. The bulk of the funding for 2006/07 will go towards enterprise productivity and competitiveness, and public sector productivity. The NPI is unable to make the kind of impact it would like to make due to inadequate funding.

Discussion

The NPI had signed a Memorandum of Understanding (MOU) with the Development Bank of Southern Africa (DBSA) to devise a strategy that will address the challenge of technical agricultural competencies. The Committee was of the view that there is a need to focus on increasing productivity in the agricultural sector, especially in the rural areas.

The NPI is in the process of signing an MOU with the Tourism and Hospitality Education and Training Authority (THETA) and the Local Government, Water and Related Services Sector Education and Training Authority (LGWSETA) in ensuring that productivity is infused in their learnership programmes. With respect to the LGW SETA, the intention is to incorporate productivity into learnership programmes that are aimed at Community Development Workers (CDWs). The NPI had conducted research for the Services SETA to determine the impact of productivity on the Services SETA learnership. The results showed that participants were more prepared and had a better chance of being employed.

The issue surrounding the sustainability of the NPI remains a major challenge. The Committee was informed that the NPI falls into the category of entities that were inherited in 1994. Cabinet had established that there were constraints due to the lack of policy to sustain these institutions. This creates problems, especially when raising the issue of increasing resources with Treasury for institutions such as the NPI.

The Committee was also informed that some employees had left the institution as a result of non-performance, retirement and better prospects. Private sector salaries attract young people. In terms of its retention strategy, the NPI would have to look at capacity building and remuneration to ensure that people get satisfaction from personal growth in the organisation.

The Committee commended the intervention of the NPI in local municipalities in Mafikeng.

<u>Presentation by Umsobomvu Youth Fund (UYF) on its work plan and budget for 2006/07</u>

The outline of the presentation was as follows:

- The UYF products and services
- Recap of the presentation on the 2005/06 annual report of the UYF
- The State of the Nation Address (SONA) Programme of Action
- Approved plans for 2006/07.

The highlights for 2006/07 include the following:

- Implementation of Youth Advisory Centre points by 53 municipalities.
- Implementing programmes that are aimed at placing graduates by focusing on BPO Industry and Tourism.
- Using unutilised training facilities.
- Introducing the Volunteer Youth Service Programme and increasing the intake into the National Youth Service (NYS) Programme.

- Using the UYF model for defining and scaling up the Social Sector Expanded Public Works Programmes (EPWPs)
- Introducing a Volunteer Mentorship Programme with organised business formations. The UYF would work with organisations such as the Afrikaanse Handelsinstituut (AHI) and the South African Chamber of Business (SACOB) to solicit support for business people to mentor young people.
- Intensifying the implementation of Youth in Local Economic Development (LED).

Budget detail

The UYF will receive a once-off allocation of R855 million from National Treasury.

Discussion

One of the major weaknesses has been the sole reliance on service providers for access to UYF services. The scaling up of and accessing UYF services to operate areas such as rural areas, posed a challenge since there may be no reliable service providers or none at all. The implementation of UYF outlets would address visibility and accessibility in rural areas. This would also enable the scaling up of UYF programmes and facilitate the integration of services.

There are a number of projects that fit what the UYF is focusing on in order to support ASGI-SA. Key amongst these are the National Youth Service Programme that would specifically focus on home-based care. This would be linked to the Expanded Public Works Programmes, the youth service for caring for vulnerable children, support to youth small, medium and micro enterprises (SMMEs) and Co-operatives, and the roll-out of 100 youth advisory and access points. The UYF is regarded as one of the key interventions for the second economy.

One of the UYF voucher programmes is meant to help the youth access procurement opportunities. There are also a number of interventions with co-operatives. The UYF had so far funded 28 co-operatives. However, there was a need for training to improve productivity.

**Recommendations**

(1) The UYF should look into the possibility of using DOL mobile units to extend its services.

(2) The Committee should consider visiting some of the UYF projects.