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Report of the Portfolio Committee on Labour on budget hearings held on Budget Vote 17:dated *

A Introduction

The budget review of the Department of Labour (DOL) was held on 9 and 29 March 2006. Hearings were held with six public entities that report to the Minister of Labour. The report on the budget review also relates to the Strategic Plan of DOL for 2006-2009 and the 2006 State of the Nation Address (SONA). The report presents the submissions by the DOL at the briefings.

The delegation that appeared before the Committee included the Director-General Dr V Mkhosana, Deputy Directors-General; Mr S Mkhonto, Ms M Xaba, Mr L Kettledas, Acting Deputy Director-General; Mr S Morotoba, Acting Commissioners of the Unemployment Insurance Fund and Compensation, Messrs B Serume and P Mothiba.

B. Overview of the Strategic Plan

The Committee was informed that the budget reflected the priorities set up for the 2006-2009 strategy. The strategy is informed by commitments outlined in the Ministerial Programme of Action for 2004-2009 that emphasise the following:

- Enhancing skills development through the National Skills Development Strategy (NSDS) to meet the skills needed by the country, and in particular to address this within the context of the binding constraints on growth as articulated in the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA).
- Establishing an employment services system to facilitate the matching of supply and demand for labour.
- Promoting employment equity in the labour market by removing unfair discrimination.
- Protecting vulnerable workers through sectoral determinations and strengthening the inspection and enforcement mechanisms.
- Ongoing review and monitoring of the impact of labour market policies and programmes.
- Strengthening the capacity of the DOL to deliver on its mandate.

The implementation of the Strategic Plan of the DOL would assist in achieving the following objectives:

- Delivery of services in pursuance of the DOL's stated vision of a labour market that is conducive to economic growth, investment and employment creation.
- Effective and efficient implementation of government policies in the labour market. This will be accompanied by ongoing institutional transformation to enhance service delivery.

- Assessment of progress and challenges against a set of key targets.
- Implementation of a comprehensive performance management system through workplans and performance agreements.
- Development and implementation of a service delivery improvement programme aimed at ensuring client satisfaction.

Among the key elements of the strategy are the following:

Employment creation

The shortage of skills is one of the constraints that were identified in ASGI-SA. The National Skills Development Strategy (NSDS) 2005-2010 was identified as being sensitive and responding to the challenge posed by ASGI-SA. The DOL affirmed its commitment to ensure the alignment of the NSDS to the challenges put forward by the ASGI-SA initiative. The DOL would continue to align the NSDS to the Expanded Public Works Programmes (EPWPs) in order that people with low skill levels and the unemployed could be equipped with skills and provided with work experience.

The DOL had developed a career information and guidance system that would be piloted in labour centres in all provinces. The system provides employment services to job seekers and learners seeking to access learnerships. The system would also assist in tracking learners who have completed their training. The DOL would also ensure the development of the database of all graduates and registration of private employment agencies to enable the job matching process. This system would be rolled out in collaboration with Umsobomvu Youth Fund, and implemented in all labour centres and multi-purpose community centres'(MPCCs).

Alleviating poverty by addressing the needs of vulnerable workers

The DOL would continue to enforce sectoral determinations to protect workers in vulnerable sectors. Current sectoral determinations would be evaluated. However, bargaining councils would be established in vulnerable sectors such as security, civil engineering, contract cleaning and the building industry. Sectoral determinations will be established for the welfare and hospitality sectors. The DOL intimated that South Africa had no general law that determined a minimum wage except sectoral determinations on specific sectors. The question is to place a limit on such a payment.

The DOL is committed to ensuring the finalisation and implementation of the Child Labour Action Programme (CLAP). Progress has been made in aligning child labour institutional structures with the policy framework developed by the Office on the Rights of the Child in the Presidency. The Committee registers its concern around the issue of child labour. The Committee feels that child labour should not be treated separately from cheap labour. It appealed to the DOL to develop a strategy that would deal with child labour.

The study on atypical forms of employment that is currently in progress at NEDLAC will assist in devising ways to regulate casualisation. The Committee was concerned about labour brokers, especially their effect on the levels of poverty and the exploitation of workers. The proposed regulation will, however, assist in determining who are employers and employees.

Promotion of employment equity

The DOL reported that it was developing amendments to the regulations, which would be published at the end of March 2006. The Director-General's Review System had been developed and was due for implementation during 2006/07. The Committee was also informed that the DOL was aiming at a Code of Good Practice on the Integration of Employment Equity into Human Resource Policies and Practices, as well as amendments to the Code of Good Practice on the Handling of Sexual Harassment Cases in the Workplace. Discussions were continuing with the Department of Trade and Industry (DTI) on aligning the Broad- Based Black Economic Empowerment Act (BBBEEA) with the Employment Equity Act (EEA). The approval by the DOL and the Minister of the BEE code will determine the percentage that companies should achieve in order for them to have complied with the BEE.

C. Overview of the budget

The budget allocated to DOL FOR 2006/07 is R1,512 billion compared to R1, 382 billion appropriated for 2005/06. In terms of the Medium Term Expenditure Framework (MTEF), the projected allocations for the next two financial years are R1,596 billion and R1,677 billion. The bulk of the budget goes to Programme 2: Service Delivery. However, the total budget in real terms has decreased by *.

The total amount allocated for transfers was R372, 945. The projected transfers over the MTEF period are R392, 015 million for 2007/08 and R429,157 million for 2008/09.

Allocation per programme

Programme 1: Administration

The amount allocated for 2006/07 is R336,239 million. The bulk of the budget is allocated to the sub-programme: Corporate Services for leases and rental of building. This is due to the fact that from 1 April 2006, such costs would be devolved from the Department of Public Works (DPW) to individual departments.

More detailed information on this programme is on page 362 of the Estimates of National Expenditure (ENE).

Programme 2: Service Delivery

This is the primary programme that ensures that DOL legislation and policies are implemented in an integrated manner.

The amount allocated for 2006/07 is R623, 370 million. The MTEF estimate is R647, 409 million for 2007/08 and R666, 577 million for 2008/09. The increase in expenditure was due to the purchase of mobile units. The expenditure on sub-programme: Inspections and Enforcement was due to specific investigations into certain occupational health and safety (OHS) incidents.

Programme 3: Employment & Skills Development Services (ESDS) and Human Resource Development (HRD)

This programme focuses on implementing the NSDS, and contributes to implementing the national HRD strategy.

The total allocation for 2006/07 is R186, 409 million. This is against R142,579 million appropriated in 2005/06. The MTEF estimate is R201,649 million for 2007/08 and R206,479 million for 2008/09.

Out of the total allocation for 2006/07, R86,035 million would be transferred to departmental agencies as follows:

- National Skills Fund (NSF) – R42, 666 million
- National Productivity Institute (NPI) – R25, 369 million

The work programmes detailing how these entities will spend their funds are reflected in the report on budget hearings with public entities that report to the Minister of Labour.

Programme 4: Labour Policy and Labour Market Programmes (LP & LMP)

This programme is responsible for establishing an equitable and sound labour relations environment, and promoting South Africa's interests in international labour matters.

The amount allocated for this programme for 2006/07 is R357,230 million. Out of this amount, R12, 712 million would be transferred to NEDLAC. An amount of R45, 986 million has been set aside for sheltered employment.

Presentation on the National Skills Fund (NSF) budget for 2006/07

The Committee received a briefing as follows:

- Primary objectives of the NSF
- Legislation and corporate governance

- Main tasks
- Expenditure trends and achievements
- New funding windows

The challenges for 2006/07 include the following:

- Ensuring smooth transition between NSDS I and NSDS II.
- Developing a course fee model under the social development funding window, including learner allowances.
- Strengthening monitoring and quality control systems for all funded projects.
- Strengthening management capacity of the NSF,including provincial labour centers, to ensure the effective and efficient functioning of the NSF.
- Increasing demands placed on the NSF's financial and human resources based on an increasing awareness about the work of the NSF.

The total budget for 2006/07 is R86,035 million compared to R64,185 million appropriated in 20056. The MTEF estimates are R89,436 million for 2007/08 and R93,729 million for 2008/09. The bulk of funding would be allocated towards critical skills, social development and strategic projects windows. Almost 70% of the budget would be disbursed to regions and labour centres.

The revenue source of the NSF include a 20% of the total skills levy paid by employers towards skills development and collected by the South Africa Revenue Services (SARS), money appropriated by Parliament, interest earned on investment, etc. The Committee was informed that the compliance rate has improved by 71% due to the 1% increase on levy payment.

The Committee raised its concern around R 41, 605,181 that was meant for the Manpower Development Authority of Bophuthatswana (MANDAB) and not used. These funds were transferred to the NSF from the North West Province and earmarked for training. The DOL acknowledged that the expenditure of those funds was duly delayed. However, with the assistance of the North West Province, the funds have been disbursed to the level of R 17 million. The DOL also acknowledged that the capacity at the provincial level was not at the level that was expected to. The strengthening of Human Resource Development (HRD) in the regional labour centres would strengthen the capacity to deliver.

The DOL acknowledged that there was no proper system on pinning down the placement of learners that were funded through National Student Financial Aid Scheme (NASFAS). The Accelerated Shared Growth Initiative of South Africa (ASGISA) would provide an opportunity to trained learners to get jobs. The concern raised was whether the NSF and

PROGRAM OF THE PORTFOLIO COMMITTEE ON LABOUR FOR THE SECOND TERM OF 2006 (MAY - JULY)

International Women's Conference	*4-7 May*
Tenth Anniversary of the Constitution	*8 May (Plenary)*
Member's Training/ Committees	*2-12 May*
People's Assembly	*12May*
Plenaries	*15 May-23 June*
Constituency Period	*26 June – 28July*

DATE	TIME	AGENDA	VENUE
2/05/06 (Tues)	14:00-17:00	Consideration of the report on hearings on the strategic plan and budget vote 17 of DOL and matters that were raised during the State of the Nation Address that impact on the DOL	M201. 2nd Floor, Marks Building
4/05/06 (Thurs)	14:00-17:00	Consideration of the report on hearings on work plans and budgets of public entities (UIF, Compensation Fund, NEDLAC, Umsobomvu Youth Fund, NPI and CCMA)	M201, 2nd Floor, Marks Building
9/05/06 (Tues)	14:00-16:00	Adoption of the reports on Budget Hearing process	M201, 2nd Floor, Marks Building
16/05/06 (Tues)	9:00-13:00	Briefing by DOL on the programme of the 94th Session of the International Labour Conference	M201, 2nd Floor, Marks Building
23/05/06 (Tues)	09:00-13:00	Meeting in preparation for public hearings on youth employment	M201, 2nd Floor, Marks Building
30/05/06 (Tues)	09:00-13:00	Public Hearings on youth unemployment	Old Assembly Chamber
2/06/06 (Frid)	09:00-13:00	Public Hearings on youth unemployment	Old Assembly Chamber
7/06/06 (Wed)	09:00-13:00	Public hearings on youth unemployment	Old Assembly Chamber
13/06/06 (Tues)	09:00-13:00	Consideration of outstanding reports	Comm Room I, Upper Ground Floor, 90 Plein
20/06/06 (Tues)	09:00-13:00	Workshop with DOL on policies and legislation	Old Assembly Chamber
23/06/06 (Frid)	09:00-13:00	Briefing by NEDLAC on the progress report on the implementation of the Growth and Development Summit (GDS) agreements.	Ols Assembly Chamber
26 Jun-28 Jul/06		*Constituency Period*	

Ms OR Kasienyane Signature

Chairperson Date:

For Approval:

Mr. GQM Doidge MP Signature:

House Chairperson: Committees Date: