

Labour

Aim

The aim of the Department of Labour is to play a significant role in reducing unemployment, poverty and inequality through policies and programmes developed in consultation with role players, which are aimed at improved economic efficiency and productivity, skills development and employment creation, sound labour relations, the elimination of inequality and discrimination in the workplace, alleviating poverty in the workplace and the protection and enhancement of worker rights and benefits.

Policy developments

After 1994 the Department of Labour embarked on a legislative programme to restructure the labour market and place collective bargaining on a sound footing. The process was informed by the *Report of the Presidential Commission to Investigate Labour Market Policy*, published in June 1996. In reforming the labour market, a balance had to be maintained between measures to protect workers and promote equity, and the need to promote efficiency and labour market flexibility. Legislation arising from the reform process included:

- The National Economic Development and Labour Council Act of 1994, which established Nedlac and ensures consultation with Government's civil society partners on labour and other legislation
- The Labour Relations Act of 1995, which sets the framework for collective bargaining and established the Commission for Conciliation, Mediation and Arbitration
- The Basic Conditions of Employment Act of 1997, which sets minimum rights for all workers
- The Employment Equity Act of 1998, which prohibits all forms of unfair discrimination and promotes employment equity in the workplace
- The Skills Development Act of 1998, which aims to increase investment in education and training in the labour market and to improve the skills of South African workers. This is complemented by the Skills Development Levies Act of 1999, which provides for the financing of the National Skills Fund and sectoral education and training authorities through a levy-grant system.

In its *Fifteen Point Programme of Action for 1999 to 2004*, released in June 1999, the Ministry of Labour outlined the substantial progress made in stabilising labour relations and setting an appropriate labour market framework. The programme focuses on effective implementation of the new legislation and includes a commitment to review the impact of labour legislation on worker welfare and economic efficiency, and to consider appropriate modifications to improve the functioning of the labour market. In February 2000 the Minister announced that legislative amendments would be tabled in Parliament by September 2000.

The programme of action identifies employment creation as the biggest challenge facing Government. The Department coordinates Government's participation in the follow-up to the Job Summit. Summit agreements include four sets of strategies – sectoral job creation strategies, labour market and human resource development, special employment programmes and integrated

provincial projects. The Job Summit reached agreement on a social plan, launched by the Minister of Labour in July 1999. The plan encompasses three possible sets (or phases) of interventions.

- Avoiding job losses through, among other things, “future forums” or ongoing discussions between workers and employers about the future of their industry, to identify threats to jobs timeously. Workers and employers in industries can call on help from the social plan technical support facility to identify problems and solutions in sectors.
- Where retrenchments are unavoidable, provincial offices of the Department of Labour can be approached for services to mitigate the impact of retrenchments on workers.
- Steps can be taken to regenerate local economies where retrenched workers reside.

Expenditure estimates

Table 28.1 Expenditure by programme

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Administration	109,4	109,3	151,0	153,6	154,7	165,6	175,4
Occupational health and safety of persons	24,3	22,8	25,0	27,9	36,5	38,8	41,1
Social insurance	16,5	14,9	13,7	21,6	21,4	22,9	24,2
Employment and skills development	270,7	259,0	295,4	388,8	274,4	186,4	197,4
Labour relations	172,0	181,2	186,0	208,3	212,9	227,2	240,7
Labour policy	1,1	2,2	22,2	25,0	33,3	35,3	37,4
Auxiliary and associated services	55,0	43,1	30,6	35,1	15,2	16,6	17,6
Departmental vote	649,0	632,5	724,0	860,3	2 148,3	3 692,8	3 933,7
Statutory amounts							
Sector education and training authorities	–	–	–	–	1 120,0	2 400,0	2 560,0
National Skills Fund	–	–	–	–	280,0	600,0	640,0
Public works ¹	–	–	15,0	24,3	28,2	29,2	30,3
Total	649,0	632,5	739,0	884,6	2 176,6	3 722,0	3 964,1
Change to 1999 Budget estimate	–	–	–	9,6	1 309,5	2 811,2	–

¹ Appropriated on vote 26: Public Works.

- *Administration* comprises the overall management of the Department and the rendering of certain support and advisory services.
- *Occupational health and safety of persons* promotes the health and safety of persons at work through legislation and monitoring.
- *Social insurance* makes contributions to the Unemployment Insurance Fund and provides for the compensation of civil servants in cases of accidents or diseases sustained while on duty.
- *Employment and skills development* is the new name for the restructured *Human resources development* programme and focuses on the promotion and regulation of the skills development strategy.
- *Labour relations* promotes the establishment of an equitable and peaceful labour relations environment.
- *Labour policy* includes research, analysis, evaluation and development of labour policy and the provision of statistical information on the labour market.

The 2000 Budget estimates show a marked increase in 2000/01 and 2001/02 because of the inclusion of the receipts from the skills development levy from April 1999. The levy will be channelled via the *Employment and skills development* programme to sector education and training authorities (Setas) and the National Skills Fund. These expenditures form a direct charge on the National Revenue Fund.

Table 28.2 Economic classification of expenditure

R million	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Current							
Personnel	186,4	232,3	240,2	218,4	299,4	317,3	336,7
Transfer payments	320,9	280,6	309,1	439,7	1 685,6	3 194,2	3 399,7
Other	101,7	109,5	150,7	166,0	143,7	160,8	176,4
Capital							
Transfer payments	–	0,7	1,7	2,2	–	–	–
Acquisition of Capital assets	40,0	9,4	37,3	58,3	47,9	49,7	51,4
Total	649,0	632,5	739,0	884,6	2 176,6	3 722,0	3 964,1

In 1999/00 transfers comprised about 50 per cent of the departmental budget, with personnel expenditure adding a further 24,7 per cent. Transfers to Setas and the National Skills Fund (which now incorporates earlier transfers to the Fund for Training of Unemployed Persons and assistance to certain schemes and centres) and to the Commission for Conciliation, Mediation and Arbitration comprise more than 85 per cent of the transfers. Over the medium term, transfer payments increase substantially as a result of funding from the skills levy flowing through the Department. Spending on personnel rises from R299,4 million in 2000/01 to R358,4 million in 2002/03 due to the decentralisation process in the Department, aimed at improved service delivery, extension of inspection capacity and provision of a “one-stop service”.

Programme 1: Administration

Table 28.3 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	132,1	156,1	153,6	139,0	157,1	–
2000 Budget	–	–	–	154,7	165,6	175,4
Change to 1999 Budget estimate	–	24,0	21,5	15,7	8,5	–

The *Administration* programme entails policy formulation and the overall management of the Department by the Offices of the Minister and the Director-General. Tasks include centralised administrative, legal and office support services, financial administration and public relations, as well as the delivery of a decentralised human resources management function.

Increased costs in respect of the outsourcing of official transport requirements have resulted in upward adjustments of estimates.

Programme 2: Occupational health and safety of persons programme

Table 28.4 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	30,0	29,1	27,9	30,3	33,9	–
2000 Budget	–	–	–	36,5	38,8	41,1
Change to 1999 Budget estimate	–	(0,9)	(2,1)	6,2	4,9	–

This programme administers the Occupational Health and Safety Act of 1993. Functions are centred on inspections and investigations at workplaces and administrative functions such as the registrations of machinery, persons and institutions, particularly in the electrical and explosives industries. Other functions include research on health and safety in the workplace, as well as training of staff from both the Department and other African countries.

The increase in the medium-term estimates to R36,5 million in 2000/01 and R38,8 million in 2001/02 reflects additional spending on personnel and the Department's intention to strengthen its capacity to monitor safety at work through inspections and investigations.

Outputs and service delivery trends

Table 28.5 Occupational health and safety of persons: Key activities and outputs

Key activities	Outputs
Inspections and investigations at work	Inspection and control of workplaces and incidents; licensing, inspection and control of the manufacturing of explosives
Administration of legal processes	Registration of machinery, institutions and premises, and administration of legal processes, particularly in the diving industry, the electrical industry and specialised training centres
Research and training	Research on effective protection of health and safety, training of departmental staff and external people (also from other countries in Africa)

The programme consists of three divisions, respectively responsible for explosives and civil engineering, electrical and mechanical engineering, and occupational health and hygiene. In addition, a team of inspectors based in 10 provincial offices and three labour centres conducts inspections and investigations. Table 28.6 indicates some typical activities in this regard and the quantities involved.

Table 28.6 Occupational health and safety of persons: Key activities and outputs

Outputs	1996/97	1997/98	1998/99
Registration of electricians	22 334	922	1 336
Violations revealed by inspections, notices served (electrical and mechanical engineering)		765	168
Registration of commercial diving practitioners	839	613	962
Licensing of explosives factories	8	8	3
Training of inspectors in explosives:			
Theoretical	–	24	18
Practical	–	14	12
Approvals related to first-aid training, inspection authorities and use of protective equipment	195	266	209

Policy developments

Currently, occupational health and safety functions are fragmented, with responsibilities divided between the departments of Health, Labour and Minerals and Energy. Cabinet has recently approved the creation of a single statute for occupational health and safety and for compensation competencies. The Department of Labour will be responsible for these functions. The Occupational Diseases in Mines and Works Act of 1973 (administered by the Minister of Health) and the Mine Health and Safety Act of 1996 (administered by the Minister of Minerals and Energy) will be amended to make the Minister of Labour responsible for their administration.

Programme 3: Social insurance

Table 28.7 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	21,6	21,6	21,6	22,4	25,4	–
2000 Budget	–	–	–	21,4	22,9	24,2
Change to 1999 Budget estimate	–	–	–	(1,0)	(2,5)	–

The *Social insurance* programme is responsible for contributions to the Unemployment Insurance Fund and the Compensation Fund, as well as for medical expenses of workmen employed by the state who sustain injuries and diseases while on duty. Contributions to the funds relate solely to limited contributions for administrative costs, with the funds themselves being financed from earmarked taxes on employers and employees. The programme also provides certain administrative functions to the funds but these expenditures are claimed back and expenditure is shown net of these reimbursements.

Outputs and service delivery trends

Table 28.8 Social insurance: Key activities and outputs

Key activities	Outputs
Unemployment insurance	Administering state contribution to the Unemployment Insurance Fund
Accident insurance	Medical expenses of workers employed by the state and contribution to the Compensation Fund for injuries and diseases sustained on duty by workers employed by the state Research on effective protection of health and safety, training of departmental staff and external people (for example from other countries in Africa)

Programme 4: Employment and skills development

Table 28.9 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	389,6	405,7	388,8	359,7	391,0	–
2000 Budget	–	–	–	274,4	186,4	197,4
Change to 1999 Budget estimate	–	16,1	(0,8)	(85,3)	(204,6)	–

The *Employment and skills development* programme is responsible for promoting and regulating the skills development strategy. The focus is to shift from developing and planning the skills development strategy to its implementation and monitoring. As indicated in Table 28.10, the programme encompasses a number of activities focused on human resource development in the labour market.

The reduction in the allocation for 2000/01 relates to the fact that this programme, in particular the funding of the National Skills Fund, will be strengthened by the implementation of the skills levy in April 2000. The skills levy is estimated to increase from R1,4 billion in 2000/01 to R3,2 billion in 2002/03. Of this, an estimated R280 million will flow to the National Skills Fund in 2000/01, increasing to R640 million in 2002/03.

Outputs and service delivery trends

Table 28.10 Employment and skills development services: Key activities and outputs

Key activities	Outputs
National Skills Authority	Ensure participation in National Skills Authority and Setas across sectors and nationally
Skills development funding	Ensure accountable flow of levy funding from South African Revenue Services to National Skills Fund and Setas, collection and distribution of funds by Setas and effective disbursement of grants and subsidies
Skills Development Planning Unit	Alignment of skills development policy, strategy and plans with the needs of the economy and development; monitor performance and impact
Indlela	Improved access to work-based qualifications, development of learnerships system and assessments in learning fields
Employment services	Integrated employment services at provinces and labour centres
Programme management unit	Effective resource and financial management of the programme and coordination of implementation of the skills development strategy
Sheltered employment	Subsidies to workshops for the blind and disabled

The skills development strategy of the Department of Labour is aimed at increasing the training of workers in the public and private sectors. The Skills Development Act establishes sectoral education and training authorities to coordinate and finance training by sector and the National Skills Fund to facilitate training of the unemployed or those not in the formal sector, and to fund other priority training areas. Work in this programme over the last year focused on preparing for the implementation of the Act. Sectoral demarcation and financial rules were established through regulations. By September 1999, 27 sectoral education and training authorities had applied for registration and submitted draft constitutions and business plans to the Department.

Training in terms of the strategy will be financed through a levy-grant system. From April 2000 private sector employers must contribute 0,5 per cent of payroll, and 1 per cent from April 2001, to finance the strategy. The levy will be collected by the South African Revenue Services and transferred from the National Revenue Fund to the Department of Labour, except in cases where

sectoral education and training authorities are given permission to collect for their own sector. Twenty per cent of the levy must be transferred to the National Skills Fund; the other 80 per cent will be transferred to or retained to fund their administrative and development costs and to fund training by employers. Employers are entitled to claim back expenditures on approved training activities. This will enable firms to recoup the bulk of their levy outlay if they spend enough on training – the resulting incentives for spending on training being a key component of the strategy.

Government as an employer is exempted from paying the levy, as are private sector employers with monthly remuneration of less than R250 000 or who are not required to apply for registration as an employer in terms of the Income Tax Act. The Skills Development Act, however, mandates government departments to budget at least 0,5 per cent of personnel expenditure in 2000/01, and 1 per cent thereafter, on training. Departments will also participate in the sectoral education and training authorities and may be required to make contributions to their administrative costs.

Table 28.11 Estimated transfers from the skills levy

Estimated transfers to	2000/01	2001/02	2002/03
Sector education and training authorities	1 120	2 400	2 560
National Skills Fund	280	600	640
Estimated total revenue from skills levy	1 400	3 000	3 200

Programme 5: Labour relations

Table 28.12 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	220,5	211,5	208,3	224,9	205,8	–
2000 Budget	–	–	–	212,9	227,2	240,7
Change to 1999 Budget estimate	–	(9,0)	(12,2)	(12,0)	21,4	–

The *Labour relations* programme deals with the administration of the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act. This includes implementation and monitoring of the legislation.

More than half of the budget of the programme (R125 million in 2000/01) is a transfer to the Commission for Conciliation, Mediation and Arbitration.

Outputs and service delivery trends

Table 28.13 Labour relations: Key activities and outputs

Key activities	Outputs
Collective bargaining	Administration of Labour Relations Act, promotion of bargaining councils and monitoring of collective bargaining
Minimum standard	Administration of Basic Conditions of Employment Act, investigations by Employment Conditions Commission and improvement of inspection service
Inspections and advisory services	Enforcement of Basic Conditions of Employment Act, Employment Equity Act and Labour Relations Act; information and training to employers and workers about obligations and rights
Mediation and arbitration	Financial and other support to Commission for Conciliation, Mediation and Arbitration
Equal opportunities	Administration of Employment Equity Act, including promulgation of regulations and codes of good practice; monitoring of employment equity plans and promotion of employment equity and elimination of discrimination
Strengthening civil society	Financial support to organisations that aim to increase the capacity of role players in the labour market

The Labour Relations Act enhanced organisational rights for trade unions, entrenched the constitutional right to strike, simplified dispute resolution procedures, promoted sectoral collective bargaining and codified dismissal procedures. By June 1999 private sector bargaining councils registered in terms of the Act covered 32 per cent of the workforce and approximately 53 000 employers. The Labour Relations Act establishes both the Labour Court, run by the Department of Justice, and the Commission for Conciliation, Mediation and Arbitration. The Commission for Conciliation, Mediation and Arbitration has achieved a settlement rate of approximately 70 per cent over the period under consideration.

The Basic Conditions of Employment Act sets a minimum floor of standards while allowing variation through collective bargaining, sectoral determinations, individual contracts and ministerial determinations. A special ministerial determination for small businesses was published by the Minister in November 1999, making it easier for businesses with less than 10 employees to comply with the Basic Conditions of Employment Act. Sectoral determinations for cleaning and civil engineering were also promulgated by the Minister.

In 1997 departmental offices received 609 370 complaints related to the Basic Conditions of Employment Act, resulting in 55 688 inspections and 4 297 prosecutions.

In 1999 the Employment Equity Act, which prohibits discrimination in the workplace and requires employers to take certain affirmative action measures in respect of black people, women and people with disabilities was promulgated. The Commission for Employment Equity, established to advise the Minister on codes and regulations required for the implementation of the Act, was also launched in August 1999. A code of good practice on how to prepare, implement and monitor an employment equity plan was published in November 1999, together with regulations and the forms that employers require to report to the Department of Labour.

Programme 6: Labour policy

Table 28.14 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	25,1	25,2	25,0	26,0	29,3	–
2000 Budget	–	–	–	33,3	35,3	37,4
Change to 1999 Budget estimate	–	–	(0,1)	7,3	6,0	–

Labour policy deals with research and development on labour market conditions and policy and with the provision of labour market statistics. It is also responsible for the transfer to the National Productivity Institute. The transfer to the Institute declines from R20,4 million in 1999/00 to R19,3 million in 2000/01.

The increase in the programme allocation in 2000/01 is due to higher spending on personnel to strengthen the capacity within *Labour policy*.

Outputs and service delivery trends

Table 28.15 Labour policy: Key activities and outputs

Key activities	Outputs
Research policy and planning	Analysis and evaluation of labour market conditions and intervention needs, development of labour market policies
Labour market statistics	Provision of labour market statistics
Library services and publications	Rendering of library support services and printing and dissemination of research reports, seminar papers and policy documents
Promotion of productivity	Contribution to the National Productivity Institute

Programme 7: Auxiliary and associated services

Table 28.16 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	34,6	35,1	35,1	36,6	39,2	–
2000 Budget	–	–	–	15,2	16,6	17,6
Change to 1999 Budget estimate	–	0,4	0,4	(21,3)	(22,5)	–

The *Auxiliary and associated services* programme contains provision for the transfer to Nedlac, and for international labour matters entailing interaction with international organisations and support to embassies. The transfer to Nedlac increases from R6,5 million in 1999/00 to R6,7 million in 2000/01.

The decline in the allocation to the programme in 2000/01 and over the MTEF is because of a shift of contributions to work centres for the disabled and workshops for the blind to Programme 4, *Employment and skills development*.

Outputs and service delivery trends

Table 28.17 Auxiliary and associated services: Key activities and outputs

Key activities	Outputs
Government motor transport	Purchase of vehicles for departmental use and for allocation under the subsidised motor transport scheme
Nedlac	Transfer payment to Nedlac
International labour matters	Dealings with international labour organisations, international conventions; maintain labour attaches and other relevant liaison

Public entities reporting to the Minister responsible for Labour

Commission for Conciliation, Mediation and Arbitration

The Commission is a statutory body established in terms of the Labour Relations Act. Its objective is to provide employees and employers with mechanisms to resolve industrial conflict rapidly and to reduce the impact of conflict on the economy. Functioning through provincial offices, the Commission deals with up to 350 referrals per day, of which it manages to settle two-thirds through conciliation. It has arbitrated as many as 20 000 cases since November 1996. Almost 90 per cent of cases are conciliated within 30 days of being referred. Nearly 80 per cent of cases relate to unfair dismissal disputes.

National Productivity Institute

The National Productivity Institute is a statutory body partially funded from the *Labour policy* programme. Its objective is to conduct research and provide advice for the improvement of productivity in the South African economy. A recent restructuring has resulted in a reconstituted Advisory Council and a reduced emphasis on private sector consultancies. The organisation has been actively involved in the Workplace Challenge initiative with Nedlac and is also involved in the implementation of the Social Plan Agreement which arose out of the Jobs Summit.

National Economic Development and Labour Council

The primary aim of Nedlac is to increase participation in decision-making on labour and socio-economic matters in order to enhance consensus. It consists of separate chambers for the labour market, trade and industry, public finance and monetary policy, and development. The chambers report to a management committee which is overseen by an executive council and an annual National Summit. Four constituencies, namely organised labour, government, organised business and community organisations are represented at all levels of Nedlac.

In 1998/99 approximately 300 meetings of its four constituencies were held at Nedlac, including four Executive Council meetings, 16 management committee meetings and 35 meetings in preparation of the Jobs Summit in 1998. In addition to the Jobs Summit agreements, a further 23 agreements were reached in Nedlac in 1998/99. Nedlac also considered six notices of socio-economic protest action and was able to facilitate agreement on a process in four of these cases. Research on infrastructure delivery was undertaken, as well as a project to enhance workplace change, the Workplace Challenge.

Unemployment Insurance Fund

The Unemployment Insurance Fund provides short-term income replacement in the event of unemployment, short-term sickness, maternity, death or adoption of a child. Benefits are only available to people who have contributed to the Fund. It is financed from a dedicated tax on

payroll, with employers and employees both contributing 1 per cent of wage earnings. Currently all employees earning R88 920 or less must contribute and are covered, excluding government employees, seasonal workers, informal sector employees and domestic workers.

Benefit duration depends on the individual contribution record and is limited to a maximum of six months. Benefits are paid at 40 per cent of gross earnings in previous employment. The contribution of the Department of Labour is limited to an annual R7 million in support of administrative expenses. Administrative expenditure by the Department on behalf of the Fund in excess of this amount is reimbursed to the Department.

As a result of continuing financial deficits, opportunities for the restructuring of the Fund have been investigated over the last four years. This year, the Minister of Labour will table legislation aimed at strengthening the administration of the Fund, targeting benefits more effectively and extending the coverage of the scheme.

Compensation Fund

The Compensation Fund was established in terms of the Compensation for Occupational Injuries and Diseases Act of 1993 as amended. It provides for compensation for disablement by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The Fund is financed from levies on employers.

