

## **National Development Plan**

### **Summary of Labour Market Proposals**

The Commission wants to reduce unemployment to 14% by 2020 and to 6% by 2030. This means that 11 million jobs will need to be created and economic growth of 5.4% on average every year. It recognises that if we continue on the current path unemployment will only be reduced to 19% by 2030.

#### **1. A Responsive Labour Market**

The Plan recognises that the labour market needs to be more responsive to the challenge of simultaneously expanding employment opportunities, raising living standards and reducing inequality. It identifies the following issues that need attention:

- improving access to lifelong learning and career development;
- stabilising the labour environment clarifying dismissal and retrenchment provisions in the LRA Code of Good Practice;
- strengthening the labour courts and the CCMA;
- reviewing regulation and standards for small and medium enterprises; and
- addressing public employment labour relations, wage setting, performance and the management of essential services.

It is stated that in the earlier phase of the plan, emphasis will have to be put on mass access to jobs while maintaining standards where decent jobs already exist.

#### **2. Wage Determination in the Private Sector**

Wage determination needs to be more conducive to employment and equity objectives. The Plan identifies the following considerations:

- ensuring a fair division of earnings in a context of extreme inequality;
- determining affordable wages that support economic expansion; and
- recognising the need to achieve a social floor.

From a 20 year perspective real wage growth needs to be linked to productivity growth. It is not feasible to sustain a labour-absorbing path unless both grow in tandem. The Plan calls for the encouragement of measures such as entry-level wage flexibility which does not displace experienced workers. Expanding access to new entrants should not be undertaken in a manner that lowers the working and pay conditions of existing workers, and the overall dispensation should include some sacrifices by management.

#### **3. Skills Supply**

The Plan indicates that labour market services are critical, including those that prepare and match work seekers with opportunities. It states that several labour market experiments will be put into action from 2012, including:

- driver training for school leavers;
- tax subsidy for employers to reduce the initial cost of hiring young labour market entrants and facilitate agreement between employers and unions on entry-level wages;
- subsidy for the placement sector to identify, prepare and place matric graduates into work opportunities (payment on successful placement);
- extend the non-state sector Expanded Public Works Programme;
- expand learnerships and make training vouchers available;
- introduce employee retention schemes, which offer short time work during periods of low demand;
- access to lifelong learning; and
- a more open approach to skilled immigration.

#### 4. **Labour Market Regulation**

Growth in employment opportunities and human rights need to be balanced. Policy intervention is needed to improve employment creation and labour protection. The Plan identifies the following areas that need attention:

- probationary periods
- simplified dismissal procedures for performance or misconduct;
- effective approach to regulating TESs;
- monitoring compliance to statutory sectoral minimum wages;
- implementing and monitoring health and safety regulations;
- strengthening the labour courts and the CCMA; and
- limiting the access of people who earn more than R300 000 to the CCMA.

##### Probations and Dismissals

Ordinary unfair dismissal protections should not apply to employees on probation, up to a limit of six months of service (contract is assumed to be limited to the probationary period).

##### Dismissals: Misconduct or Poor Performance

Procedural requirements are too legalistic and strict. The “criminal model” of procedural fairness is not consistent with the LRA. There is excessive reversal of dismissal on procedural grounds.

The pre-dismissal procedure requirements need to be simplified. Any appeal or reversal of a dismissal should be ruled on substantive and not procedural grounds except in the case of constructive dismissal.

##### Labour Relations for Small Business

To reduce the regulatory burden for small and medium enterprises it is recommended that the Code of Good Practice clearly lay out procedures appropriate to small business.

Compliance requirements and reporting on employment equity and skills development should be simplified, or even eliminated for very small firms.

#### Dismissal of Senior Managers

The laws of unfair dismissal should apply to senior managers, but they may not make use of the CCMA.

#### 5. **CCMA and the Labour Courts**

The Plan recommends a review of the funding model of the CCMA and the operational functionality of the Labour Courts.

#### 6. **Regulating Temporary Employment Services**

TESs have made a significant contribution to labour market matching. TESs are essential given the fragmented labour market, where low-income households are generally far from economic opportunities with weak labour market networks. They raise the chance of achieving more regularised employment, as well as access to skills training.

The private labour placement sector and TESs need to be effectively regulated to ensure that there is no abuse. After six months with a TES and / or client, they should be jointly and severally liable for unfair dismissal and unfair labour practices. The TES would be responsible for the employment relationship regarding the UIF, COIDA, BCEA and the Skills Development Act.