Department of Higher Education and Training

“Construction SETA Stakeholder Engagement Webinar”

Thursday, 30 July 2020, 10:00

ZC Mvalo
• The COVID-19 pandemic has brought about immediate and unprecedented impact regarding the way we conduct work and skills development especially the workplace based learning interventions.

• International Labour Organisation (ILO Monitor 27 May 2020) makes an indication that 94% of the world’s workers are living in countries with some sort of workplace closure measures in place and that as at 17 May 2020, 20% of the world’s workers lived in countries with required workplace closures for all but essential workers. An additional 69% lived in countries with required workplace closures for some sectors or categories of workers, and a further 5% lived in countries with recommended workplace closures.

• Estimates in South Africa are that under alert level 5, 40% of the workforce was working; whilst under alert level 4, 55% of the workforce was working; under alert level 3, 71% of the workforce is working; under alert level 2, 94% will be working and under alert level 1, 100% will be working (Southern Centre for Inequality Studies/Wits University), this sector has been severely affected.

• These are some of the disruptions, including the Court case, to the plans of the Administrator and the Construction SETA, as they wanted this session to have been held earlier on 28 February 2020, this time around the Administrator, the SETA, together, with the Minister and the Department agreed that the session must continue, as our stakeholders are very critical to all our plans.
The construction sector is such an important sector of our economy that we cannot afford to see it contracting quarter after quarter, as we have observed with the recent Gross Domestic Product (“GDP”) figures released on 30 June 2020 by the Statistician General, that since the Fourth Quarter of 2019 to the First Quarter of 2020 the industry growth has been negative at -5.9% and -4.7% respectively.

We have consequently lost about 7 000 jobs in the construction sector comparing the Fourth Quarter of 2019 to the First Quarter of 2020 from 1 350 000 to 1 343 000. This was the crisis before crisis as we know that since the declaration of COVID-19 pandemic national state of disaster and the risk adjusted strategy regulations, this sector was one of the mostly affected as it is composed of subsectors such as: Building Construction; Built Environment Professions; Roads and Civil Construction; and Materials Manufacturing.

We need this sector more especially during and post COVID-19 pandemic as government seeks to mobilise the entire society around an infrastructure-led recovery with new investments in energy; water and sanitation; roads and bridges; human settlements, health and education; digital infrastructure and public transport. To achieve significant job creation multipliers, the emphasis will be on localisation, including maximising the use of South African materials and construction companies as well as labor-intensive methods. Your role becomes so central in growing the South African economy, through skills development.
• There will be no real economic recovery without real investment in the country’s infrastructure as this is critical for both employment generation and growing the South African economy, which is projected to contract by 7.2% (-7.2%) in 2020 and slowly recover from 2021 by 2.6% and by 1.5% in the subsequent years (2022 and 2023).

• In our own National Development Plan ("NDP") we projected unemployment to decrease to 14% in 2020 but you know well that currently unemployment stands at 30.1% in the First Quarter of 2020, in the same quarter in 2019 ("First Quarter of 2019") unemployment stood at 27.6%. Whilst youth unemployment (especially for those between the ages of 15 and 24 years) risen from the First Quarter of 2019 to the First Quarter of 2020, from 55.2% to 59%, this remains our critical challenge as this sector and the country.

• As stakeholders in the construction sector, we must all embrace our future and we must make it work, especially as we recover from the COVID-19 pandemic and seeking to recover the socio-economic fabric of our society. The NDP makes an important submission that South Africa belongs to its entire people and the future of our country is our collective future. Making it work is our collective responsibility. All South Africans seek a better future for themselves and their children.
38.9 million people of working age in South Africa (15 – 64 year olds)

23.5 million Labour force

16.4 million Employed

7.1 million Unemployed

15.4 million Not economically active*

*Of which 2.9 million were discouraged work seekers

ILO hierarchy – Employed first then unemployed and the remainder is NEA (including discouraged job-seekers). 3 mutually exclusive groups. Cannot be in two groups at the same time.
South African Labour Market:  Current state vs NDP target

- Current unemployment rate: 30.1%
- NDP Target unemployment in 2020: 14%
- NDP Target unemployment in 2030: 6%

Gap in reaching 2020 NDP target: 16.1 percentage points
Gap in reaching 2030 NDP target: 24.1 percentage points

UNEMPLOYMENT, Q1:2020
South African Youth Unemployment Rate 2020

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Construction SETA Administration:

• On 3 February 2020, the Minister published the Government Gazette No. 42991 through the Director-General, where he placed the Construction SETA under administration in terms of section 15(2) read with subsections (1) and (4) of the Skills Development Act, 1998 (Act No. 97 of 1998) and appointed Mr Sabelo Wasa as the Administrator for a period of twelve months from the date of publication of the Notice.

• The Minister reluctantly places any SETA under administration, you will realise that this is the only SETA, which is under administration out of twenty-one SETAs. This was further necessitated when serious allegations and counter allegations were ventilated in the Portfolio Committee on Higher Education, Science and Innovation relating to governance failures and gross financial mismanagement in the SETA.

• The role of the Minister as an Executive Authority is to exercise his powers and responsibilities in order to ensure that the SETA undertakes its fiduciary responsibilities with the necessary care, due diligence and skill.

• The Minister’s call to you as key stakeholders in the construction sector, is that making it work, must be our collective responsibility. There is no better time than now, to work closely with each other, as we navigate through this COVID-19 pandemic and to prioritise turning the construction sector into a training space within the risk adjusted strategy regulations.
Skills Development Holiday:

• The President of the Republic of South Africa, on the occasion of further economic and social measures in response to the COVID-19 pandemic, on 21 April 2020, stated, amongst others, that “...in addition to existing tax relief measures, we will also be introducing a 4-months holiday for companies’ skills development levy contributions...”

• The Skills Levy Holiday is a matter that the Minister took up with the President, including Social Partners such as Organised Business and Organised Labour, as we strongly believe that companies which can afford to pay skills levies should have been allowed to do so, we all know that this skills levy is meant for skills development especially during and post COVID-19 pandemic.

• Our records are telling us that this process has been commenced with by the South African Revenue Services (“SARS”) in implementing the Presidential announcement.

The SETA Grant Regulations:

• The SETA Grant Regulations case was heard on 21 August 2018 in the Labour Court and judgment was delivered in Ministers’ favour on 31 August 2018. The Business Unity South Africa (“BUSA”) appealed against the judgement, the matter was heard on 20 August 2019 in the Labour Appeal Court, with the judgement delivered on 16 October 2019, setting aside Regulation 4 (4) of the SETA Grant Regulations, which determines the Mandatory Grant of 20%.
The SETA Grant Regulations:

• The Office of the State Attorney, advised the Department that, as the matter stands, it means that Regulation 4(4) simply falls to the way side, so the Grant Regulations must be interpreted and applied as if there is no Regulation 4(4).

• The legal opinion further states, amongst others, that “… the effect of the current order of the Labour Appeal Court is that the percentage or amount or quantum of a mandatory grant is subject to the determination by a SETA (by necessary implication as part of its “allocation” power or duty under regulation 4(1) of the 2012 Regulations)…

Conclusion:

• The Department is appealing to all stakeholder in the construction sector, that, as we open workplaces in terms of the COVID-19 risk adjusted strategy regulations, let us prioritise skills development, which was the intention, amongst others, of the President’s announcement of the Skills Development Levy.

• Learnerships and Apprenticeships, in particular have high level of absorption in the labour market, whilst work integrated learning ensures that learners are afforded an opportunity to complete their qualifications timeously, where work integrated learning is embedded in the curriculum, lets prioritise, these learning programmes.
Conclusion:

• Working with you, as you are directly at the “coalface” of skills development delivery, it is our greatest pleasure; once again skills development is a critical game changer, in our quest for an inclusive economic growth trajectory.

TOGETHER LET US MAKE IT WORK !!!!

Thank You