

IMPORTANT UPDATE - EMPLOYMENT EQUITY SECTORAL TARGETS

The Department of Employment and Labour (the Department) requested that employers in the Wholesale and Retail Trade and the Repair of Motor Vehicles and Motorcycles Sector meet virtually on the 14th of February 2025, to discuss new proposed Employment Equity (EE) sectoral targets.

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In the discussion the RMI communicated the following concerns to the Department, namely:

1. Procedural Issues:

- Lack of a clear methodology explanation for target-setting
- Insufficient data provided to justify sector-specific targets

2. Substantive Concerns:

- Targets appear arbitrary and not based on sector-specific realities
- No clear consideration of availability of suitably qualified candidates
- Implementation challenges not adequately addressed

3. Legal and Constitutional Issues:

- Questions about rationality and lawfulness of targets and regulations
- Concerns about shifting constitutional and institutional obligations to the private sector
- Lack of proper impact assessments

4. Business Impact:

- Unrealistic targets not aligned with sector capabilities or realities
- Potential negative economic consequences, in particular, the threat to the viability of MSME's
- Burden of compliance placed entirely on employers

In all communications to and engagements with the Department, the RMI requested the Department to consider sub-sector targets by using the Standard Industrial Classification Codes (SIC Codes), instead of lumping the automotive retail, wholesale, and repairs sectors in one sector or category as other retail establishments such as a franchised clothing stores, convenience store chains, and the like have. According to the SARS definitions:

Code 45: Wholesale and retail trade and repair of motor vehicles and motorcycles.

Code 46: Wholesale trade, except motor vehicles and motorcycles; and

Code 47: Retail trade, except motor vehicles and motorcycles.

The RMI submitted the following to the Department;

- (i) that proposed sectors are defined on an irrationally broad basis, and
- (ii) the proposed sectoral targets do not make provision for unique circumstances, for instance the skills and demographics of sub-sectors which may result in irrational targets. Employers in the automotive retail- and aftermarket are distinct from employers in other sub-sectors of the retail sector.

The National Automobile Dealers' Association (NADA) represents South African business owners managing new vehicle dealerships and qualifying used vehicle outlets.

The RMI requested bilateral engagements with the Department to consult meaningfully, as a consequence of which two bilateral meetings took place on the **25th of February 2025 and the 17th of March 2025 respectively**. The bilateral meetings involved engaging openly with senior representatives of the Department inclusive of the Deputy Director General responsible for Employment Equity.

In preparation for the second bilateral meeting, the RMI gathered EE reference numbers from RMI members who resort under the designated employer definition, to assist the Department to conduct a three-year analysis based on the EE workforce profiles which have been submitted by the designated employers for the years: 2022, 2023 and 2024.

The analysis which the Department has provided supports the RMI's proposition that the proposed targets are irrational and not achievable for employers within the Automotive retail and aftermarket sector. The RMI will continue to keep a close eye on developments including the publishing of draft and final regulations, which provide for the practical implementation of the law.

Thank you for your ongoing support and commitment to the RMIs collective mission. Whilst the RMI remains committed to meaningful, broad-based transformation, it guards jealously the interests of its members and the viability of their businesses. This development confirms that the RMI, as the leading voice for the automotive retail and aftermarket sector, is strategically placed to best protect and advance the interests of its members. In the event there are any further developments, the RMI will keep you abreast and informed of said developments.

In the event a member wishes to make an inquiry in relation to this subject matter, the RMI's Transformation Director, Ms. Nonhlanhla Tshabalala can be contacted on Noni.Tshabalala@rmi.org.za or telephonically on 083 208 7161.

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