

EMPLOYMENT PLAN 2014
SOUTH AFRICA



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1. Introduction

South Africa, like many developing countries is experiencing high unemployment rates. The official unemployment rate is at **25.5%** in the second quarter of 2014 which is **5 154 000** unemployed people. The 2nd Quarterly Labour Force Survey (QLFS, 2014) results reflect an increase of **87 000** unemployed persons from the first quarter. These results further show that out of the **8.3 million** unemployed, **4.4 million** is the youth between the ages of **15-34**. The **0, 1** decrease in labour absorption rate to **42,7%** did not impact much on the number of long term unemployed rate which remained almost unchanged at **66%**. This, without doubt remains the biggest obstacle to income and social development in our country.

From a labour supply perspective, we have a persistent structural skills deficit informed by the mismatch between the **skills acquired** by job seekers in the education against the **skills demanded** by the labour market. The dropping of economic growth to **0.6%** in the first quarter of 2014 further compounded the high unemployment rate challenge. This showed the economy is not growing at a required pace to create sufficient jobs to absorb the growing labour force.

Faced with this conundrum, Government has premised its response on a strong emphasis on employment creation. This has manifested itself in a number of policies that frame government's employment creation process. At **Macro level**, government has adopted a fiscal policy that includes a commitment to adopt a **countercyclical** approach to the budget's allocation and management. It can be used to both **protect jobs** and (through targeted expenditure) **create jobs**. This approach allows the public sector to contribute directly to employment creation through direct employment within the public sector but also fund social programmes and infrastructure development both of which we believe generate a large number of jobs for low skilled unemployed.

At **micro level**, policies on employment creation are overlaid with discussions about decent work. These include a range of Active Labour Market Programmes (ALMP) such as the Extended Public Works Programme (EPWP), Community Works Programme (CWP), Training Lay-Off Scheme (TLS), Learnerships/Apprenticeships and the Public Employment Services.

A strong emphasis on employment creation does exist in South Africa with the focus being on how decisions are made in relation to engaging in the economy and their impact on employment. In this space, our current economic objectives are anchored around a long-term framework known as the **National Development Plan (NDP)**. This plan provides a strong platform for collaborative partnerships and outlines what can be achieved over the next 20 years. The NDP provides objectives for development up to 2030, a diagnostic overview of critical blockages to development and suggests a number of policies to address these blockages.

Direct economic and employment targets from the NDP include:

- Reduction of unemployment rate to 6%, that's 11 million more jobs;
- An increase in the proportion of adults working from 41% to 61%;
- An increase in the labour participation rate to 65%;
- 2 million people in public employment programmes;
- Creating an inclusive rural economy: 63 000 direct jobs and 326 000 indirect jobs in agriculture agro-processing and related sectors;
- Human settlements: more jobs in urban townships;
- Education, training and innovation: 20 000 artisans a year and 1mil learning opportunities a year for post school workers;
- Social Protection: rise in public works jobs to 2 million;
- Transforming society and uniting country: employment equity and other redress measures continued

Implications of the NDP are addressed in the Medium Term Strategic Framework (MTEF) which provides indications of key interventions that will be undertaken in the next five years. MTEF is further given expression in the 12 outcomes agreed by government and directly relevant to our discussion is outcome 4 which supports “*Decent Employment through inclusive growth*”. The critical output of outcome 4 is that of the New Growth Path (**NGP**), which concentrates on various **key sectors identified for employment creating growth**. These sectors are given expression by different initiatives, for example, manufacturing through the Industrial Policy Action Plan (**IPAP**). IPAP considers particular industries that are the drivers for growth and how can these be supported to promote employment. Key sectors of focus include automotive, clothing, textiles, leather and footwear, tourism, agricultural and mining value chains, the green economy, the business processes services (BSP) as well as regional development.

Another example is that of **infrastructure** development driven by the Presidential Infrastructure Coordinating Committee (**PICC**). The PICC coordinates “catalytic projects that can fast track development and growth” through 18 Strategic Infrastructure Projects (**SIPs**). The provision of infrastructure for the economy is one of the main vehicles for South Africa to realise inclusive and job-rich growth.



2. Employment and labour market outlook

Table 1: Economic and labour market conditions, 2008 (LHS) and 2014 (RHS)								
	Real GDP growth		GDP per capita (USD terms)		Employment growth		Employment to population ratio	
Economy	3.6	3.8			-2.8	2.7	46.0	42.7
G20 median	1.4	1.9	\$25,339	\$26,243	1.1	0.9	57.7	57.1
	Unemployment rate		Incidence of long-term unemployment		Youth unemployment rate		Youth unemployment to population ratio	
Economy	22.6	25.5	59.2	65.8	32.0	36.1	9.7	15.5
G20 median	6.3	6.1	24.1	31.0	n/a	n/a	6.9	7.8
	Participation rate		Female participation rate		Working age (15 to 64 years) participation rate		Collective bargaining coverage	
Economy	59.5	61.1	52.1	50.9	59.5	57.5		
G20 median	60.2	60.3	50.0	51.8	70.4	71.2	n/a	28.8
	Informal employment rate		Minimum wage (Per cent of average wage)		Gini coefficient		School completion rate	
Economy								
G20 median	n/a	42.2	34.9	34.9	0.341	0.376	76.5	78.9
	Literacy rate		Year 12 attainment (among age 25 to 64 years)					
Economy								
G20 median	n/a	n/a	69.8	74.2				

3. Employment challenges in South Africa

South Africa has made significant strides over the last two decades in creating a more inclusive economy. The country has grown at an average rate of 3.2% per annum and employment has increased from 9 million to 15 million people since dawn of democracy. However, jobs growth has not been strong enough to raise the level of employment qualitatively from the low levels inherited in 1994. Deeply inequitable access to education and workplace training formed a pillar of the apartheid workplace. Despite this, the Skills Development Act managed to desegregate training, but it has not yet resulted in a sufficient increase in the number of skilled production workers.

The country still faces persistently high levels of unemployment and inequality. Comparatively, South Africa ranks far below other emerging markets, including its 'BRICS' partners. The absorption rate of the working-age population is around **40%**, while in China it is **71%**, **65%** in Brazil, with Russia and India having **57%** and **55%** respectively. The unemployment challenge is more prevalent among South African youth with **35%** unemployment rate for those aged 15-34 whilst the under-35s account for over 70% of total unemployment.

This problem also reflects the global phenomenon. According to the International Labour Organisation (ILO), global youth unemployment is estimated to be **73.4 million** in 2013, which is an increase of **3.5 million** since 2007. Certainly, those with higher levels of education are more likely eventually to escape unemployment than those with lower levels of qualifications.

On the one hand, little to no direct support for the unemployed exists in the form of Unemployment Insurance in the country. Only 0.1% of the sampled unemployed in 2012 receive payments from the Unemployment Insurance Fund (UIF). The fund only provides insurance to those who previously contributed to it while working. Thus, unemployed youth are unlikely to be able to avail of this fund as they would not have had a chance to contribute to it.

Economic participation, on the other hand, is a potent means of spreading the wealth through the inclusion of marginalised groups and communities into productive economic activities. One of the means of broadening the participation of communities into the economy is **through lowering the barriers of entry into trade and employment by addressing structural constraints that entrepreneurs and workers face in their daily respective environments**. Such constraints could be lack of access to specialized knowledge and skills, lack of access to business and financial services, inputs, and technologies and lack of access to profitable market opportunities. The quality of education and limited access to in-depth vocational training remain another challenge.

A key policy challenge facing the country is the type of jobs created. The locus of attention for private and public actors has been on generating formal job opportunities for a rapidly growing work force which over the years has been difficult to achieve due to the growing number of entrants into the formal market workforce and a slowed macro-economic growth environment. The majority of South Africans especially the youth still remain excluded in the formal job markets and there is need to increase the diversity and strength of the employment generating sectors such as agriculture, tourism and small business. Underpinning government's strategy towards increasing economic participation is the approach towards improving the inclusiveness of economic growth that should take into account informal sectors workers and their expanding socioeconomic requirements such as access to housing, health and education.

Raising the level of economic participation means that government is able to respond to structural constraints that inhibits participation in the economy and will require private and public actors that can provide essential infrastructure and institutional capacity support to drive the implementation of job drivers in a concerted and responsive manner.

Following this, the National Development Plan (NDP), supported by the New Growth Path and IPAP identifies what needs to be done to move towards a new trajectory. Amongst the key actions include (Twenty Year Review, 2014):

- Maintaining large-scale but sustainable public investment in infrastructure to facilitate economic growth with improved maintenance and well defined financing strategy;



Improving the quality of basic education and substantially expanding higher and further education, linked to stronger ties between enterprises and Further Education and Training (FET) in particular, to provide the skills required by a growing economy.

CHALLENGE: BOOSTING PARTICIPATION – WOMEN AND THE ECONOMY

The current depressed economic climate presents a challenge to efforts to increase the participation of women in productive activities. During the 2008 crisis, 1 million jobs were lost in South Africa, were women lost slightly more jobs compared to men because of the decline in domestic work. The labour force participation rate of women was at 51.0% for the first quarter of 2014, while that of men was at 63.6%. Women participation rate has remained stagnant for most of the time from 2008 to 2014. Historical challenges have played a significant role in the skewed participation rates between men and women, and continue to pose threats to the economic emancipation of women.

Despite similar and higher levels of educational attainment (women compared to men) in South Africa, women are more likely to be unemployed or found in precarious forms of employment, concentrated in low-income earning jobs and face limited career mobility. African women (between the ages of 15-34 years) constitute 37.5% of youth not in employment and not in education/training (NEET) compared with 31.5% for white males. Furthermore, there are stark gender differences in the earnings of employed women and men in 2011. Women are more likely than men to be found in the lower income earning segment even when taking levels of education into account. The proportion of women who earned R1 000 or less per month was double the proportion of men who earn at this level. That is, 23.3% of women and 20.8% of men earn between R1 000 and R2 000 per month. Men are more likely than women to be found in the top earning segment. The proportion of men is about twice that of women among those earning R16 000 or more per month.

Gendered patterns of employment still persist due to the combined effect of structural inequalities which reinforce each other to limit the access of women into the economy. The combined effect of the double burden of household labour exacerbated by HIV/AIDs, legacies of spatial inequality, inequalities in the structure of ownership, inequalities in education and inequality in the structure of the economy limit the scope for women to escape economic marginalization via employment. Even though some progress has been made in implementing policies that aim to increase women's access to education, land and formal employment, women today still do not have equal access to opportunities. Black women, in particular, are more likely to be vulnerable: poor, unemployed and concentrated in low-wage employment. Additionally, the largest groups of chronically poor households are in rural areas and female headed households.

In addressing gendered patterns of employment, the critical interventions through the NDP that aims to address processes of accumulated labour market disadvantage need to be considered to improve the position of women at the bottom of the pyramid. The process of gender empowerment involves addressing the structural and underlying causes of discrimination and economic exclusion from the core economy. Therefore, by targeting to improve equitable opportunities for the poor and marginalized through employment creation the NDP should then improve and transform the ways in which women relate to the economy. **In achieving inclusive growth, the NDP places decent work at the centre of tackling inequality.** This is particularly relevant and important in improving the position of women.

CHALLENGE: ADDRESSING THE PERSISTENTLY DISADVANTAGED GROUPS

The Youth Employment Challenge

Youth in South Africa is defined as the age cohort between 15-34 years. This is not a homogenous group as it includes young people in education, employment and the unemployed. Young people can be further distinguished by race, class and geographic location. Like many societies, youth is an important segment of the population because young people represent future workers.

South Africa faces high overall unemployment (as measured by the official and expanded definition of unemployment). Young people, especially young women are the hardest hit by the unemployment challenge. The



young, especially first entrants to the labour market, face unique challenges in accessing the labour market or starting sustainable self-employment initiatives.

Youth unemployment rate in first quarter of 2014 for 15-24 years and 25-34 years were 53.2% and 29.5% respectively. Overall, it fell to 36% (15-34 years), from 49% a year earlier but that was mostly because young people stopped looking for work (some to enter education/training), not because of rapid job creation. Still, over 3.3 million youth looking for jobs and can't find one.

In any case, youth unemployment is still much higher than for older people, whose unemployment runs around 15%. One of the ways to avoid high joblessness and lower earnings is to get post-secondary and especially university education. Our challenge is therefore to expand both post-secondary education and to grow sectors that provide jobs for people with just matric or even less.

Interventions to address the youth employment challenge

The South African government implements a range of interventions to support education, employment and enterprise development for young people. The Youth Employment Accord was signed by government, youth organizations, trade unions, business and community leaders to complement existing interventions. The Accord spells out the commitment for social partners to increase opportunities for youth in employment, training and skills development and to support youth enterprises and cooperatives. It has six pillars, namely:

- Education and training;
- Work exposure;
- Youth brigades;
- Youth target set asides;
- Youth entrepreneurship and co-ops;
- Private sector measures to create jobs.

Furthermore, the Department of Labour through the **Public Employment Services** plays a critical role in promoting employment of youth and other vulnerable work seekers. This is achieved through the following:

- Facilitating the exchange of information among labour market participants including employers, workers and work seekers, private employment agencies, Sector Education and Training Authorities and training providers;
- Registering and matching work seekers with available work opportunities;
- Establish work scheme for the purpose of enabling youth and other vulnerable work seekers to enter employment, remain in employment or be placed in opportunities for self-employment etc.



4. CURRENT POLICY SETTINGS AND NEW COMMITMENTS

The government has identified the **New Growth Path** as one of the implementation plans of the **National Development Plan (NDP)**, **long-term vision for the country until 2030**, for accelerating economic growth that is more inclusive in order for unemployment and inequality to be reduced. The NGP targets 5 million jobs from 2010 to 2020 and has outlined a series of focus areas/ sectors (job drivers which includes infrastructure, manufacturing, mining, agriculture, green economy, etc.) where new (more labour-absorbing) jobs are expected to be created.

The NGP places the creation of decent work at the centre of economic policy and recognizes the important role that should be played by government in achieving a broad-based employment growth. This requires changing the structure of the economy towards a less concentrated and more diversified economy. In addition, a more vigorous action is needed particularly from the state to address key constraints to economic growth including adequate infrastructure, skills and appropriate regulatory frameworks. This does not require new strategies, but better implementation of the existing policies/strategies. The government has committed to supporting new and innovative activities that can add value, diversify exports and generate employment on a large scale.

The NGP proposes a mix of direct public employment job creation, microeconomic (industrial, labour, rural development, skills development, trade etc), macroeconomic and social-democratic consensus building policies. This will include fostering and facilitating investment in programmes/projects that contributes directly and indirectly towards growth in the core productive sectors of the country in particular manufacturing, mining and agriculture as well as in smaller and emerging enterprises on a large scale.

Another key government plan is the **National Infrastructure Plan (NIP)** which is the blueprint for the country's strategic economic and socio-economic growth trajectory and incorporated into the NDP with a number of ambitious initiatives to radically transform South Africa's economic landscape. The government has established the **Presidential Infrastructure Coordinating Commission (PICC)** to monitor and track all the Strategic Integrated Projects (SIPs) within the National Infrastructure Plan. This is also aligned to the NGP. Critical deliverables within the implementation of the **NIP** include the realization of the key infrastructure national projects, which in turn allows South Africa to work towards the realization of growth and employment targets. Monitoring of the **NIP** includes collection of data on jobs created on the various infrastructure builds, skilling activities aligned to the infrastructure build as well as localization efforts. Further work includes the identification and resolution of critical blockages in the system, as well as alignment of employment efforts across various implementing entities.

Alignment is created between micro-level and macro-level work through integration and analysis of information project level, which analysis integrates into various levels until a country-view is attained. This regular monitoring allows for robust implementation of employment creation policy, based on assessment of macro-level data based on micro, project, and level data. Blockages identified are resolved through a multi-sectorial and multi-departmental collaborative effort, which works until the matter is practically completed.

SKILLS DEVELOPMENT

The Human Resource Development Strategy of South Africa (HRDSSA) 2010-2030, recognises Human Resource Development (HRD) as critically important in South Africa's development agenda, under Commitment 5, the strategy commits to ensuring that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment. (HRDSSA; 2010)

The National Skills Development Strategy III (NSDS III), 2010, identifies the need to build a skilled and capable workforce that contributes to economic expansion and an inclusive growth path. It further recognises the need to increase access to quality education, training and skills development opportunities, including workplace training and experience to enable effective participation in the economy. This is as a response to the challenge of the inability of the South African economy to expand and provide increased employment opportunities.

Skills Development forms an integral part of South Africa's developmental strategy and is seen as one of the key pillars in building an equitable society.



The limited ability of the broader populace to join the labour market has been identified as one of the key challenges in South Africa's development, this is in part attributed to a perceived lack of requisite skills. Post-School education is seen as a key solution in solving the country's skills deficit; government has therefore undertaken an extensive programme to enhance post-school education opportunities in order to combat the skills deficit.

STRATEGIES FOR IMPROVING WORKPLACE HEALTH AND SAFETY

South Africa just like the rest of the working world has enormous health and safety challenges. There is hardly a day that goes by without any report of incidents or accidents at our workplaces. Most recently, we have witnessed a spate of collapses of buildings under construction. What springs to mind is the Tongaat Mall which collapsed resulting in two fatalities and 29 people seriously wounded. A major concern to the Department of Labour is the social impact that any incident has. These increase the burden on state coffers as more people will have to be included in the social security system.

As a country, we have long realised that the Department of Labour (as a regulator) alone cannot eliminate the labour market ills. We have thus highlighted the importance of sharing leadership to achieve the overall objective of "zero" harm. Key amongst these was the signing of **sector accords** which commits and compels the leadership of the various sectors to set achievable OHS target. This strategy is in line with the spirit of our OHS Act which promotes self-regulation.

The second important element of our strategy is to review our OHS national policy with the aim of ensuring that the policy serves as a deterrent to the would be non-compliant employer. The third element entails putting the high risk sectors (construction, iron and steel, chemical) on a radar screen. We use different modes of inspection (blitz and proactive inspection) to ensure that we cover a wide spectrum of the high risk sectors.

MINIMUM WAGE

Minimum wage sectoral policy in post-1994 South Africa has been pursued with the explicit aim of ensuring that workers in low-paid, vulnerable occupations are guaranteed a basic subsistence income. The wage floor helps to lift a portion of the working poor from extreme poverty and facilitates the redistribution of income in an extremely unequal society. South Africa's history of legally-sanctioned economic exploitation, add weight to arguments in support of minimum wage laws and make the introduction of such laws significant. The sectoral minimum wages is applied to sectors where workers cannot collectively bargain as a result of weak organisation by trade unions or no trade unions at all in such sectors. The law allows the Minister of Labour to set minimum wages and conditions of employment for such sectors.

At present, the Department of Labour is initiating an investigation into the feasibility of a national minimum wage. This investigation will take account of the existing framework for minimum wage regulation in the country, through the sectoral determinations in terms of the Basic Conditions of Employment Act and collective bargaining arrangements.

APPRENTICESHIPS, VOCATIONAL TRAINING AND HIGHER EDUCATION

Since 1994 there have been several changes in the higher education landscape, 25 public universities, comprising 11 traditional universities, six universities of technology and six comprehensive universities (these combine the functions of traditional universities with those of technical universities).

The NGP, under skills development, identifies a need for a radical review of the training system to address the chronic shortfalls in technical and artisanal skills, and sets a number of targets and aims, key to this is ensuring that the education and skills system meets the needs of the economy in the short, medium and long term, with different requirements in each period, and supports greater equality by upgrading skills overall and by ensuring more equitable access to further and higher education as well as quality general education. The NGP has set a target of increasing artisans by at least 50 000 by the year 2015, with annual targets set for state owned enterprises.



Furthermore, in line with the NGP, SETA's have to agree to numerical targets set for completed apprenticeships with systems to track progress, specifically in construction, mining, manufacturing and new industries, such as the green economy; apprenticeship systems must be reviewed to support broader success.

The National Skills Development Strategy (NSDS) III has acknowledged the central role of Technical Vocational Education and Training (TVET) colleges in the delivery of skills imperatives. Colleges have been earmarked to respond to these national skills development imperatives in creative ways, asserting their role as preferred providers of skills. TVET Colleges are therefore meaningful places for career preparation and appropriate sites of preparing for formal employment or self-employment.

In 2012 the Department of Higher Education and Training (DHET) introduced the Central Applications Service (CAS) which is aimed at reducing walk-in applications at universities. It is a crucial move towards supporting informed access to universities and other post-school opportunities for students, and to make the choices and placements of students across the system more effective.

The DHET has positioned an expanded Further Education and Training College (FET) sector, which offers quality programmes that are responsive to industry and community needs, as a cornerstone for developing a sustainable pipeline of critical intermediate skills. In tandem with this government has made a number of interventions to boost the FET sector, this includes the following considerable investments in the sector:

- FET funding increased from R3.9 billion in 2010 to R5.6 billion in 2013
- NSFAS student bursary funding for TVET Colleges increased from R318 million in 2010, benefiting 61 703 students to R1.988 billion in 2013, targeting 222 817 students. This has meant that more students are able to access funding not only for tuition but also for accommodation;
- 12 TVET campuses have been prioritised for either refurbishment or building of new structures, including student residences. Construction is currently underway and will continue during 2014;
- R2.5 billion has been allocated by the National Skills Fund (NSF) to TVET colleges for the expansion of access and programmes offerings, including skills programmes and learnerships;
- R2.8 billion has been committed to TVET colleges aimed at increasing the student intake towards occupation-directed programmes within the TVET college sector;
- The Minister of Higher Education and Training declared 2013 the Year of the Artisan to encourage students to enroll at FET colleges and acquire artisanal skills to meet the South African economy's skills requirements.

As part of the on-going work to strengthen FET Colleges, a review of the governance structures of FETs was also introduced in an effort to promote efficacy. In the FET Act of 2012 amendments were made that ensured that Colleges were co-ordinated nationally by DHET and removed all provincial authority, the governance of the individual Colleges was entrusted to *College Councils*.

