



Dr Miriam Altman
Executive Director
t +27 12 302 2402
e maltman@hsrc.ac.za

Employment, Growth and Development Initiative (EGDI)

Innovative employment strategies

Unemployment is one of the most pressing economic and social problems facing South Africa today. The social impact is particularly severe in the context of a fragile social safety net for the poor and a small under-developed informal sector.

The South African government has adopted targets of halving unemployment and poverty by 2014. There are a number of important initiatives to reach these targets at all levels of government and in cooperation with civil society, including the Accelerated and Shared Growth Initiative South Africa (AsgiSA). But do we have a sense of whether these initiatives are correctly targeted and bold enough to achieve government's employment and poverty targets by 2014, and ultimately surpass them thereafter?

EGDI was established at the HSRC to support the efforts of government and other key roleplayers to reach these targets by drawing together a set of 'evidence-based' Employment Scenarios. These are scenarios for the South African economy should minimum social and economic targets be met. Approaches are formulated to put employment and poverty centre-stage of economic policymaking. This involves the development of integrated economy-wide analysis, consideration of specific policy areas that impact on the employment picture, and the identification of practical options, each with its own political, financial and bureaucratic implications.

The Initiative operates on the basis of a 'think-tank' model: it coordinates research with an emphasis on drawing together and stimulating the best available knowledge in the HSRC, South Africa and globally. This is achieved through policy research; the initiation of demonstration projects to test ideas; the facilitation of ideas through roundtables and policy design work; and the establishment of an interactive website posting the best available thinking on employment policy. The Initiative forms part of an ongoing effort to deepen the HSRC's contribution to effective policymaking and broader societal dialogue on critical issues.

Completed and ongoing projects Employment Scenarios

EGDI drew together a first set of evidence-based scenarios for employment-absorbing growth. This is the centrepiece of all EGDI research work: to develop visions of the economic structure of South Africa should minimum social and economic targets be met. It further considers the practical policy implications of each scenario, with an eye to their political, financial and bureaucratic implications. The best available evidence underpins these scenarios and modelling capability to determine the extent of realism in any one of the options and better inform policy choices. The first phase of the Employment Scenarios process focused on identifying possible sources of job creation, including market-based, government service, public works and survivalist informal sector activity.

Critical input papers to the scenarios were delivered in the period and a forum for dialogue generated with leading opinion- and decisionmakers from government, business and labour organisations to deepen the understanding of employment paths, policy choices and the human and financial resources required to achieve employment targets. The forum has been highly successful in enabling open thinking about critical questions and policy balance and the kinds of decisions needed by different stakeholder groupings to dramatically reduce unemployment and poverty. The members of the forum are able to use these ideas in their own constituencies and in sites of negotiation.

We are grateful to the Departments

The Initiative forms part of an ongoing effort to deepen the HSRC's contribution to effective policymaking and broader societal dialogue on critical issues

of Trade and Industry, and Science and Technology for their financial support, and to the people who have participated in our events.

A 2007 roundtable focused on industrial development's changing character and the implications for growth, employment and distribution

Studies supporting the Employment Scenarios

The Employment Scenarios project depends on a series of 'issue-based' projects to produce deeper and more realistic insights. These projects enable us to identify the critical policy options underpinning each path. In 2006/07, these issue-based projects included:

Macro-economic analysis – exchange rates and employment

The exchange rate has been identified as a binding constraint in government's Programme of Action and in AsgiSA. There is convincing global evidence of a close relationship between employment and exchange rates. The exchange rate is a key price affecting the incentive to import or export and can be an important factor in encouraging or discouraging new economic activity. There is some debate as to whether the exchange rate supports the government's growth and employment objectives, but there is little empirical evidence to show either way. EGDI continued its project to explore the impact of exchange rate policy on employment outcomes and the identification of policy options. The National Treasury and the South African Reserve Bank participate in the reference group for this project. In conjunction with feasibility and with grant support from the UK High Commission, a survey of firms was conducted to determine how they respond to exchange rate volatility and the level of the rand, and particularly how this differs for small and large firms, and for firms in different sectors of the economy. An estimation of full-employment equilibrium exchange rates and an assessment of policy options facing government in light of exchange rate policies in recent years was also initiated in cooperation with Professor Laurence Harris at the University of London. The project involved the facilitation of high-level roundtables with the Reserve Bank, National Treasury, the Presidency and leading bank economists.

Regulation in core network industries

In 2006/2007, EGDI led a project on administered pricing in the ports, rail and water sectors, commissioned by a Nedlac. This was a critical outstanding project of the Growth and Development Strategy (GDS) and government's programme of action in seeking to reduce the cost of doing business. EGDI was also commissioned by the National Treasury to support research on regulation in ports, rail and telecommunications. These projects were undertaken in cooperation with Genesis Analytics, LINK, as well as other independent researchers. The work follows on to a 2005 EGDI baseline project, which showed that improvements in the price and quality of transport and telecoms could contribute substantially to employment and growth.



Jobs for growth

The Deputy President's office has launched a campaign to create a million jobs in the second economy. EGDI is coordinating work in respect of employment strategies and value-chain mapping and is leading the monitoring and evaluation processes, which will guide implementing agents.

In 2006/07, EGDI launched a project to investigate the linkages between informal and formal activity, in collaboration with the University of KwaZulu-Natal (UKZN) and the International Food Policy Research Institute (IFPRI) (Washington). This project aims to understand how the informal economy might grow alongside formal activity, to support better policymaking and contribute to the Employment Scenarios. This involves ground-breaking work to consider how informal and formal activities intertwine through conceptual work, and a pilot survey. New learning will help us to sensitise our economy wide modelling to take the informal sector into account. A workshop co-hosted with UKZN and the dti took place in 2007, with eminent speakers from South Africa, Cornell University, Harvard and the Self-Employed Women's Association (SEWA) (India) participating. This project is supported by the dti and CAGE, and continues into 2007/08.



Mr Imraan Valodia, School of Development Studies, University of KZN (sitting) and Dr James Thurlow, of the International Food Policy Research Institute at an EGDI workshop

Review of potential employment-creating sectors

This project feeds directly into the Employment Scenarios project and reviews potential job creation in AsgiSA-identified sectors as well as others, with the aim of contributing to sector selection strategies. We are particularly interested in identifying opportunities where SA has already revealed industrial capabilities that might contribute to both employment and growth objectives. In

Employment, Growth and Development Initiative (EGDI) *continued*

2006/07, we began research on the potential of construction and recycling as a growth sector. This research is funded by the dti, DST and DEAT, and continues into 2007/08.

Employment in government programmes (community care services)

The government has committed itself to expanding community-based social services to deepen social delivery and to create jobs. In 2004, the former Employment and Economic Policy Research Programme (EEPR) found that the greatest gap, and therefore the largest opportunity for job creation, lay in dramatically expanding early childhood development (ECD). EGDI has therefore initiated a programme of work that focuses on taking ECD to scale in a way that has maximum impact on child indicators and on job creation.

EGDI is cooperating with CYFSD to identify institutional solutions to enable mass expansion of employment in quality ECD services. We believe this to be an extremely important source of job creation, particularly for rural women, and that at least 270 000 net new jobs could be created in this sector.

The project will also make an

important contribution to thinking about gender, particularly in relation to labour market participation of marginalised women.

This project involves ongoing discussion and collaboration with central government and non-governmental stakeholders. Funded by the Department of Science and Technology, Department of Education and the WF Kellogg Foundation, it continues into 2007/08, with the aim of establishing demonstration projects in 2008/09.

Employment Policy Network

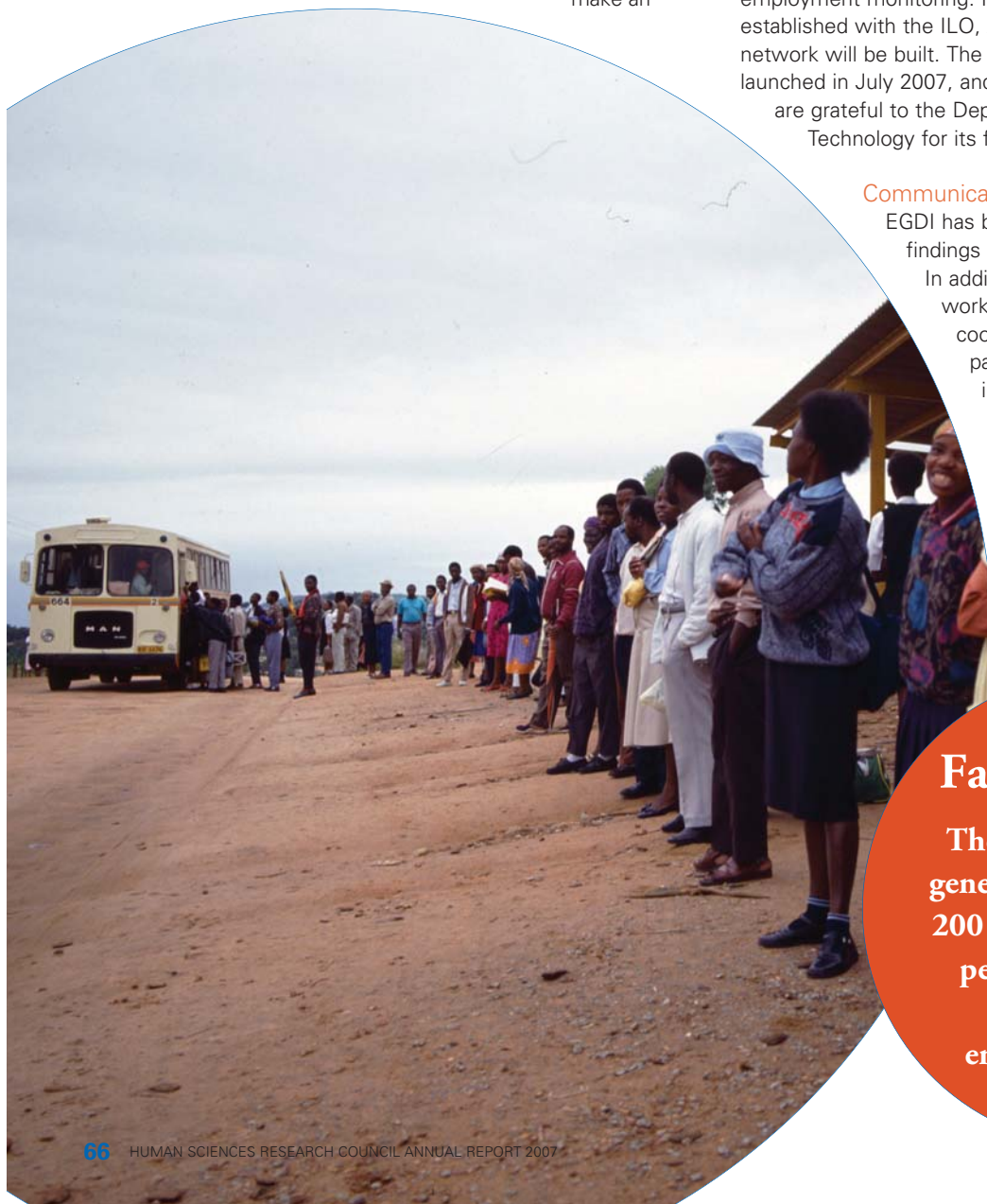
EGDI is establishing an Employment Policy Network to draw together 'communities of practice' through an interactive web-based service. The web portal aims to coordinate the best available research and information on employment and inclusive growth issues in a developing country context. This is particularly important in the African context, in support of recent African Union resolutions to place more emphasis on deepening employment policy on the continent. The portal will include topic-related specialty pages on exchange rates, employment-oriented industrial policy, creating community-based care services jobs and employment monitoring. In 2006/07, a partnership was established with the ILO, AERC and CUTS from which this network will be built. The portal was created, to be launched in July 2007, and initial web pages framed. We are grateful to the Department of Science and Technology for its financial and moral support.

Communicating findings

EGDI has been active in communicating its findings in local and international forums. In addition to the roundtables and workshops that have been coordinated – with active participation from local and international researchers and policy stakeholders – there have been numerous presentations as well as extensive participation in radio, TV and print media. EGDI actively publishes and disseminates both academic and non-academic work to stimulate debate and

Facts 'n Figures

The economy needs to generate an average extra 200 000 to 300 000 jobs per year to reach the government's employment targets in 2014



The forum [for dialogue] has been highly successful in enabling open thinking about critical questions and... the kinds of decisions needed by different stakeholder groupings to dramatically reduce unemployment and poverty

dialogue and contribute to a deep body of knowledge around employment questions in South Africa. In 2006/07,

EGDI posted 75 of its papers on the HSRC website to enable easy public access to information being generated.

Presentations were made to reach both academic and stakeholder groupings, including: the Urban Age conference hosted by the London School of Economics; the founding conference of the World Bank/IZA Development Network; the World Bank, UNESCO, MIT, GIBS, the Millennium Labour Council; and the Directors-General's social and economic clusters and sub-committees.

Future developments

EGDI plans to continue its research on employment trends to include employment tracking, investigations into technical difficulties in the data and the development of lead indicators of employment. Since the government budget is an effective instrument available to the state to influence employment, EGDI also plans to track government budgets and expenditure in respect of policies with a major impact on employment outcomes.

Employment Policy Network: the Employment Policy Network web service will be launched in July 2007.

The unit also plans to complete scenarios for agriculture, mining and the public service to complete this phase of the Employment Scenarios. The Employment Scenarios process will turn its attention to labour market and social protection issues. Research will focus on:

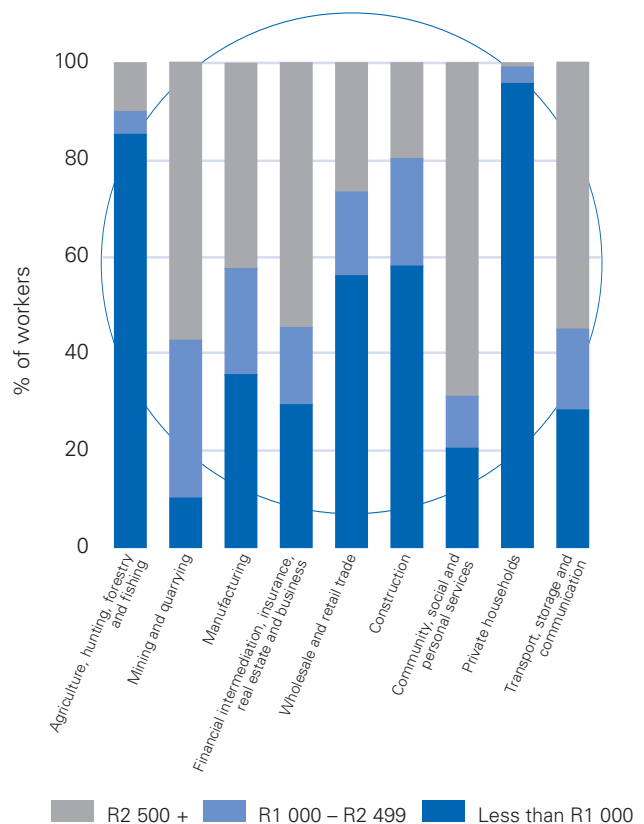
- the link between employment, wages and poverty;
- the link between basic education and employability;

- youth labour market dynamics and policy implications;
- policy approaches to incentivising low-skill employment and enabling poor families to assemble a livelihood;
- regional labour migration and immigration policy;
- the potential for low-skill exports and remittances; and
- forecasting potential growth in the labour force.

Promoting procurement from domestic and local companies:

This project promotes employment through large firm procurement. Partners are being drawn together from government, financial institutions, corporates, and service delivery agents. The aim is to test innovations in the management and implementation of BEE procurement to identify how to scale up its impact on employment and value-creation. This project is funded by the WF Kellogg Foundation.

Formal sector earnings (Rand per month)



Specialist researchers 2006/07

Professor Rob Davies

MLitt, University of St Andrews

The use of computable general equilibrium models as a tool for policymakers



Mr Tewodros Gebreselasie

MCom, MPhil, University of Pretoria

Application of econometric techniques in the studies of employment, growth and development issues

