



## EMPLOYMENT AND ECONOMIC POLICY RESEARCH

The primary question now focuses on  
Government's stated goal of halving  
unemployment by 2014



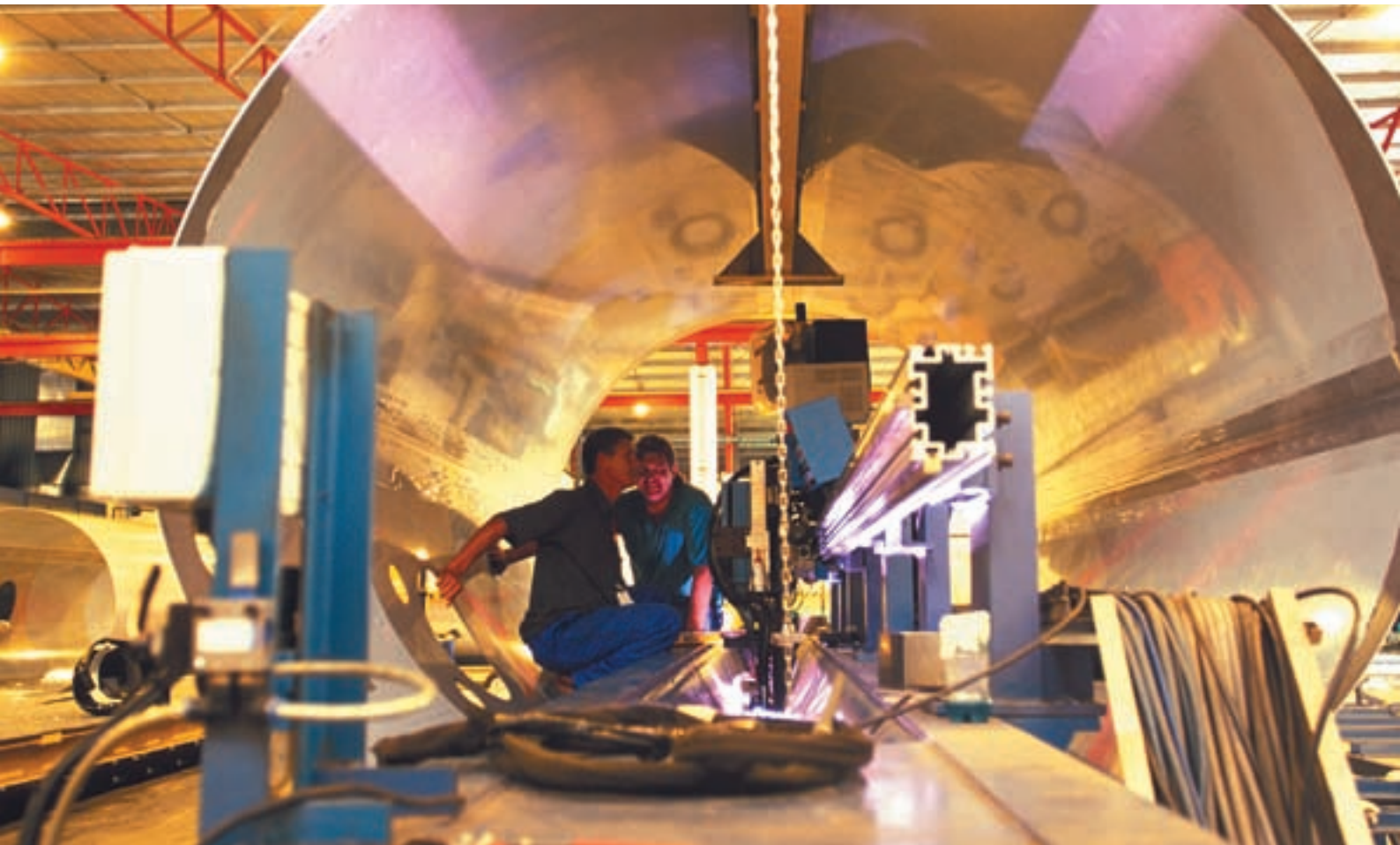
Expanding access to economic opportunity and participation is a continuing challenge in South Africa and the region. The problem of unemployment, underemployment and slow employment growth will be a critical policy priority, requiring research and strategic support.

The Employment and Economic Policy Research (EEPR) Programme, in collaboration with other HSRC research programmes and its wider network, seeks to improve and disseminate an understanding of the nature and causes of persistent unemployment and underemployment. This work feeds directly into positive strategy and action by enabling public and private interventions. To ensure relevance and uptake, each new step involves critical stakeholder groupings and Government departments.

EEPR's priority areas include:

- **Labour market analysis**, including skills development, regional labour market studies, economic impact of HIV/AIDS and design of active labour market policies.
- **Sector strategies**, with an emphasis on employment creation – including industrial competitiveness studies and basic needs industries.
- **Integrated employment studies**, including our "evidence-based employment scenarios". This area also includes in-depth analysis of employment statistics.

EEPR presently has a multi-disciplinary staff complement of eleven researchers, four of whom have PhDs. The Programme also works with a wide research network in universities and private companies, and has devoted particular



attention to expanding its links with emerging researchers and companies.

### **Current and recently completed projects**

**Labour market information** is critical to the ability to track employment, unemployment, underemployment and skills gaps. Skills mismatches and poor information are among the major contributors to slow growth and unemployment in South Africa. EEPR was involved in a range of related projects.

A project to update and deepen methodologies for the **forecasting of skills demand and supply and skills gaps**, commissioned by the National Department of Labour, and developed in co-operation with an European Union (EU) expert, builds on the HSRC's previous projections of high-level skills gaps in 2003.

A **forecast of middle-level skills in Ethiopia**, to support planning for the expansion of its vocational training system, was commissioned by the *Deutsche Gesellschaft für Technische Zusammenarbeit GmbH* (GTZ) on behalf of a committee comprised of key Ethiopian ministries, the Statistical Agency, the Chamber of Commerce and the Confederation of Trade Unions (CETO).

**Sector studies on skills demand and supply** included work in the chemicals industry for the Department of Trade and Industry (DTI) and the Chemical Industries Education and Training Authority; a study on small-scale mining and in cement and limestone for the Mining Qualifications Authority; and studies on forestry and related industries for the Forestry Sector Education and Training Authority (SETA). In an important initiative, we supported the Services SETA with an impact assessment of its programmes.

Work continued on the **remuneration and employment experiences of graduates**. The findings in a forthcoming report will point to poor returns on education from the historically black universities; continued gender and racial discrimination, even in the context of a skills shortage; and the important role of career guidance, where a large proportion of black graduates regret their choice of study.

A **review of the Eastern Cape labour market** for the Eastern Cape Development Corporation was done with the aim of prioritising policy objectives within the framework of the Provincial Growth and Development Programme and designing and implementing policy tools to realise such objectives.

**Impact analysis of HIV/AIDS on industries and the**

**workforce.** There is a concern that HIV/AIDS could act as a disincentive to employ. Further, industrial restructuring has led to an increasing prevalence of small firms that are less able to reach out to vulnerable workers with education and treatment. To mitigate the impact of HIV/AIDS, EEPR aims to improve the availability of information and the realistic assessment of different public and private interventions. There is a critical gap in knowledge of actual HIV/AIDS prevalence in the workforce and the HSRC aims to deepen the economic modelling work by studying the ways in which labour markets and industry are organised. More importantly, EEPR plans to survey economic sectors, including saliva testing, to obtain figures that are more realistic and sensitive to the character of sectors. The Joint Centre for Political and Economic Studies supported this programme in 2003.

**Reviews of the state of knowledge on HIV/AIDS in the labour market.** The Department of Labour has recently introduced an intervention strategy for the labour market in respect of HIV/AIDS. In support of this strategy EEPR produced two reviews: the first one was on current understanding of the determinants and economic impact of HIV/AIDS on the labour market, and the second was on the impact of local and national interventions. Further work was done, in co-operation with Social Aspects of HIV/AIDS and Health (SAHA), for the Swedish International Development Co-operation Agency (Sida) in support of its strategy to review the state of knowledge on the impact of HIV/AIDS on society and business.

**Determinants of demand and supply of educators, with a focus on workplace stress.** EEPR is assisting SAHA as the principal investigator in reviewing HIV/AIDS prevalence and the impact of AIDS-related morbidity and mortality, general health status, alcohol and drug use and migration on educators. EEPR focuses on questions related to morale, behaviour and workplace stress.

EEPR's work in **industrial analysis** focuses on the promotion of economic diversification and on the promotion of employment through basic needs. In 2003/04, our programme focused on several projects.

EEPR continues to work in Mpumalanga in support of an initiative to encourage **private procurement in the promotion of local economic linkages and black economic empowerment.** This is an offshoot of a project undertaken in 2002/03 to assist the Mpumalanga Provincial Department of Economic Affairs and Tourism in the development of its strategy to promote steel and petrochemicals clusters.

**Resource-based Technology Clusters (RBTC)** is a joint project of the HSRC and Mintek, in support of the Department of Science and Technology's (DST) National Research and



Development Strategy. The project puts forward the idea that the resource base offers opportunities for innovation and diversification – a “nursery” for generating new ideas, simply because each situation is unique and requires problem-solving. If this can be nurtured, technology and know-how can be built in a whole range of products that feed the resource cluster, whether in inputs, services or downstream products. This is important to developing countries that generally have difficulty attracting or building a substantial Research and Development (R&D) base. In 2003/04, Mintek and HSRC co-operated in an initial exercise to scope the policy implications of the RBTC thesis for mining inputs and energy-related industries. The HSRC created a bridge between DST's RBTC and Science and Technology for Poverty Reduction (SATPOR) themes, with its consideration of the innovation and diffusion of technologies aimed at poor communities, including pre-paid meters and off-grid concessions.

EEPR has a particular interest in **services industries**, not only because they facilitate economic growth, but also because they are important employment generators. EEPR has supported Government's Economic and Employment Cluster in the development of an initial services industries framework. It is recognised that there has been considerable emphasis on the promotion of manufacturing, mining and agriculture, but insufficient attention to services, in light of their enormous potential in contributing to Government's growth and equity targets.

There was considerable public debate in 2002/03 about how Government can create jobs quickly. RDP issues that **link basic needs delivery to employment targets** are an important theme for EEPR. There are a range of non-traded goods and services that could be stimulated by Government. These in turn would underpin a long-term growth trajectory. This area of work focuses on the promotion of food consumption, social and personal services, and construction. In 2003/04, EEPR sup-



ported the Department of Public Works' Expanded Public Works Programmes in policy formulation and in the design of a monitoring and evaluation framework.

**Integrated Employment Analysis** brings together statistical work and market studies to understand wider employment dynamics. Most of these projects are ongoing, as the HSRC seeks to build long-term institutional strength in these areas.

**Evidence-based employment scenarios.** These scenarios are aimed at, firstly, assessing what employment and unemployment trends could reasonably be expected in the next five to ten years using the best possible evidence. Secondly, they are testing the possible impact of interventions on employment and unemployment. The process draws together EEPR's work in a range of other areas, and will use input-output analysis as a link. The primary question now focuses on Government's stated goal of halving unemployment by 2014. This programme involves co-operation with national Government departments, and academics from the Universities of the Witwatersrand, Cape Town and Zimbabwe, Trade and Industrial Policy Strategies (TIPS) and the International Food Policy Research Institute (IFPRI).

Reviews of **employment statistics**, starting with Statistics South Africa's Labour Force Survey. This is a collaborative effort, bringing together major users and experts such as Statistics South Africa, Congress of South African Trade Unions (COSATU), the Reserve Bank, the National Treasury, the Office of the Presidency, the Department of Labour, the DTI and others. A reference group from these departments, Statistics South Africa, COSATU and the Industrial Development Corporation (IDC) was formed to review the first major output, focusing on a realistic assessment of employment trends between 1996 and 2002. A paper was produced in co-operation with the Development Policy Research Unit (DPRU) for the Business Trust on employment trends.

Understanding the **institutional underpinnings of the unemployment-inflation relationship.** Given high levels of structural unemployment, any stimulatory policy in South Africa is likely to be inflationary. Likely questions to be answered include: What is required to enable stimulation, without also incurring the cost of high inflation? What are the institutional blockages? What forms of stimulation would substantially release and enable wider and deeper economic participation? Professor Jonathan Michie from the University of London kicked off this process with an initial conceptual paper.

**Work on poverty and social security** includes:

- The design of an analytical framework for an analysis of the Child Support Grant (CSG) using the third wave of the KwaZulu-Natal Income Dynamics Study. The aim of this study is to gain a better understanding of the living

standards and care arrangements of the beneficiaries of the CSG as well as to attempt to quantify the impact of the grant on school enrolment and retention, expenditures on child items and anthropometry.

- EEPR compiled a profile of poverty for Tshwane's Integrated Community Development division, with the aim of identifying the most needy residents. Indicators such as the level of unemployment, the number of children of child support grant age, the number of older persons, the number of female-headed households and the number of youth were used to provide a broad perspective on poverty problems in the different wards of Tshwane.

### Future developments

EEPR will continue with the same themes, but will deepen its work in each area. In labour market analysis, a greater emphasis on institutional design and labour market dynamics will be pursued. We believe that the South African labour market is still in a developing phase and so will review the institutional underpinnings required for a well-functioning labour market.

On the skills front, we plan to perform a second skills forecast, deepen the understanding of skills gaps of middle-level workers, and strengthen insights into institutional delivery models.

In our sector policy analysis, more emphasis will be placed on the role of procurement in promoting diversification, the contributors to informal sector growth, and the impact of South African trade and investment on the diversification of African economies. Efforts to promote low- and medium-skill employment through basic needs industries will continue to be a priority. We envisage continued support to the Department of Science and Technology's RBTC and SATPOR strategies – the RBTC strategy will be extended beyond the HSRC and Mintek to other agencies and we plan to engage in technology road-mapping support. Finally, we have been requested by Government to support the framing of services sector strategies.

The employment scenarios will be formally launched in 2004/05, with the first baseline projections produced and policy options investigated. A working paper series on employment issues will be launched in June, with the first two papers focusing on making sense of employment trends and the relation between employment and growth.

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