

## EMPLOYMENT AND ECONOMIC POLICY RESEARCH



With more than a third of the labour force out of work, unemployment and low levels of economic participation are among the major challenges facing South Africa. The Employment and Economic Policy Research (EEPR) Programme, in collaboration with other HSRC units and its wider network, seeks to improve and disseminate an understanding of the nature and causes of persistent unemployment and under-employment. This work feeds directly into strategy and action by enabling public and private interventions. To ensure relevance and uptake, each new step involves critical stakeholder groupings and Government Departments.

The Research Programme focuses on integrated employment studies, building and co-ordinating labour market and industry analysis.

EEPR presently has a staff complement of two administrators and 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 analysis focuses on supporting the Skills Development Framework, improving labour market information and promoting active labour market policy. EEPR and the HSRC's HRD Research Programme support the HRD Co-ordinating Committee, led by the Departments of Labour and Education, as part of the HSRC's role as designated by Cabinet. Most recently, EEPR has also established a programme to investigate HIV/AIDS in industry.

Labour market information is critical to the ability to track employment, unemployment, underemployment and skills gaps. To this end, EEPR has completed a **forecast of skills demand and supply and skills gaps**, building on the HSRC's previous projections of high-level skills gaps, to 2003. The methodology is being updated and will incorporate projections of mid-level skills.

EEPR has also investigated **employment statistics**, starting with Stats SA's Labour Force Survey. This is a collaborative effort, bringing together major users and experts such as Stats SA, COSATU, the Reserve Bank, the National Treasury, the Office of the Presidency, the Department of Labour and others.

Skills mismatches are one of the major contributors to slow growth and unemployment in South Africa. EEPR is there-





for actively involved in **supporting the Skills Development Framework** in the following ways:

- updating and upgrading of the skills forecast for the SA economy;
- leading a project to forecast middle-level skills in Ethiopia, commissioned by GTZ. EEPR reports to a committee comprised of key Ethiopian ministries, the Statistical Agency, the Chamber of Commerce and the Confederation of Trade Unions (CETO);
- offering specific support to a variety of sectors in the analysis of skills demand and supply. Examples include support to the Financial Services and Management Sector Education and Training Authority (FASSET), services falling under the Services SETA and also information and communication technologies (Department of Communications), chemicals (Chemical Industries Education and Training Authority, or CHIETA), and the Department of Trade and Industry), as well as small-scale mining and jewellery (Mining Qualifications Authority). In an important initiative, the Services SETA commissioned an impact assessment of its programmes;
- supporting the HRD Research Programme in the production of the HRD Data Warehouse. EEPR has taken a leading role in the sector skills analysis, particularly focusing on doctors and nurses, information and communication technology (ICT) professions, and engineers. EEPR also revised its skills forecast and contributed papers on the implications of industrial policy and HIV/AIDS for human resource development; and
- reviewing for Government the extent to which public sector bursaries effectively meet skills gaps in Government.

EEPR continues to support the work of the Department of Labour to strengthen its labour centres and employment services generally.

EEPR produces reports 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 portion of black graduates regret their choice of study.

In a context of skills shortages and stagnant employment,

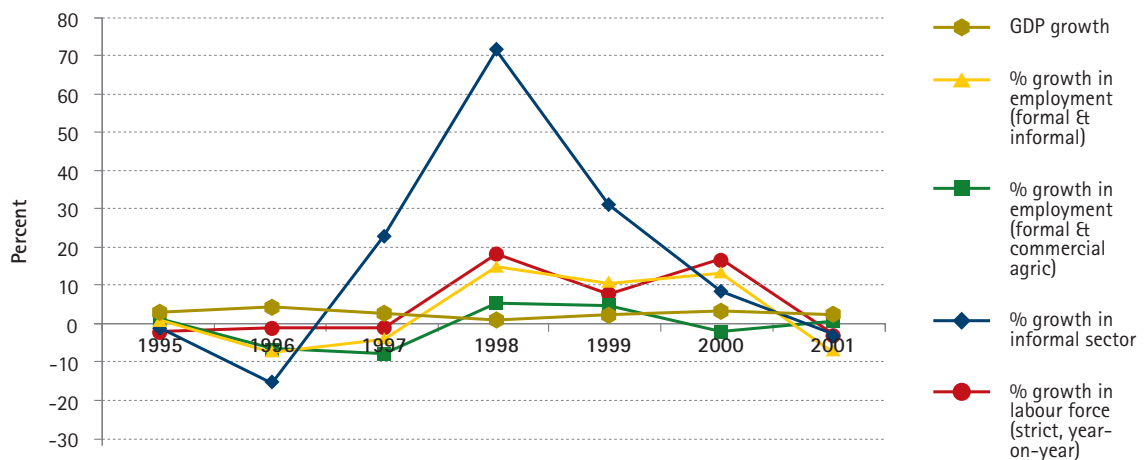


Figure B: Employment and GDP growth (% annual) from The State of the Nation: South Africa 2003/04

HIV/AIDS may offer a further disincentive to employ people. To mitigate the **impact of HIV/AIDS on industry and workers**, 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 how it plays out by level of vulnerability, sector and region. The HSRC aims to deepen the economic modelling work by linking into its knowledge of how 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 supports this programme.

In 2002, EEPR supported the Social Aspects of HIV/AIDS Research Programme in leading a survey of the **impact of HIV/AIDS in the health sector**.

EEPR's work in industrial analysis focuses on the promotion of economic diversification and on the promotion of employment through basic needs. In 2002 EEPR was active in the programmes identified below, many of which continue into the new year.

EEPR assisted the **Mpumalanga Provincial Department of Economic Affairs and Tourism** in the development of its strategy to promote steel and petrochemicals clusters. This project was done in co-operation with Blueprint Associates. The aim was to promote local linkages around key investments, whether in manufacturing or services. The outcomes of the project pointed to the important role of co-ordinated urban development, large firm and para-statal procurement and the alignment of education and training institutions to the needs of business. Using private procurement to promote local economic linkages and black economic empowerment was an important theme.

**Resource Based Technology Clusters (RBTC)** are a joint project of the HSRC and Mintek, in support of the Department

of Science and Technology's 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 R&D base. The initial focus will be on goods and services industries that supply mining, energy and renewable biological resources. In 2002, Mintek and HSRC led a study tour with DST and the dti to Sweden and Finland to learn about their success in resource-based industrial innovation: this was made possible with the support of the Finnish and Swedish embassies.

The Tourism and Hospitality Education and Training Authority (THETA) commissioned **socio-economic profiles of communities** surrounding all the major ecotourism sites nationally. This study will underpin efforts to promote training and small-, medium- and micro-enterprise (SMME) development, associated with investment in these parks. In this project, EEPR worked with four black-empowerment research firms in each of the relevant provinces.

EEPR produced a review of performance of the **KwaZulu-Natal provincial economy** and related institutions. This was commissioned by the Provincial Department of Economic Development and Tourism. The report is supporting its efforts to frame industrial strategy and a common vision amongst its associated institutions.

EEPR has a particular interest in **services industries**, because they facilitate economic growth, but also because they are important employment generators. One example of this work is EEPR's support of Government in the framing of policy towards services industries, with a framework document, and



particular inputs towards ICT sectors. EEPR also works in collaboration with Trade and Industrial Policy Strategies (TIPS) to explore the way that administered prices are determined. EEPR's particular project focuses on energy prices.

There was considerable public debate in 2002/03 about how Government can create jobs quickly. EEPR believes that **unmet basic needs offer an opportunity for employment generation**. There are a range of non-traded goods and services that could be stimulated with increases in effective demand. 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. EEPR is investigating how to efficiently deliver and expand the consumption of these critical goods and services to maximise potential employment effects and minimise negative macro-economic effects.

EEPR initiated a process to build the technical capability to draw **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, and secondly, 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 to draw together the linkages.

EEPR has also been assisting the Micro Finance Regulatory

Council in **assessing changes in levels of indebtedness** in 2000, as compared to 1995. The report will rely mainly on a comparison of data in *Statistics South Africa's Income and Expenditure Survey*.

Although employment and unemployment are essentially macro-economic problems, they are generally impacted by micro-economic phenomena. The EEPR is looking to develop its macro-economic research, never losing sight of the micro-macro links.

### Future developments

Into 2003/04, EEPR will begin exploring 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 will 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?

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