

Employment and Economic Policy Research

The Employment and Economic Policy Research (EEPR) programme was established in February 2002. It builds on the former Labour Market Analysis (LMA) research programme. It presently has a research complement of ten researchers, four of whom have PhDs. It shares a further senior staff member from the Surveys, Analyses, Modelling and Mapping (SAMM) research programme.

The programme focuses on integrated employment policy, building and co-ordinating analysis of the constituent parts, identified as macro-economic, industrial and labour market policy research.

With more than a third of the labour force out of work, unemployment and low levels of economic participation are amongst the major challenges facing South Africa. The research programme, in collaboration with other HSRC research programmes and its wider network, seeks to develop and promote an understanding of the persistence of unemployment and under-employment. This work feeds directly into strategy and action, by enabling and aligning to public and private interventions. To ensure relevance and absorption, each new step involves critical stakeholder groupings and government departments.

Current and completed projects

Labour Market Analysis (LMA)

This component focuses on supporting the Skills Development Framework, improving labour market information, and promoting active labour market policy. The EEPR and Human Resources Development (HRD) research programmes support the HRD Co-ordinating Committee, led by the Departments of Labour and Education, as part of the HSRC's role designated by Cabinet.

Labour market information is critical to our ability to track employment, unemployment, under-employment and skills gaps. EEPR is currently involved in the following initiatives:

- Forecasting employment and unemployment, in respect of entry and exit, taking into account broad skills levels, demographic projections and the impact of HIV/AIDS.
- Forecasting skills demand and supply and skills gaps, building on the HSRC's previous projections of high-level skills gaps to 2003.
- Investigating employment statistics, starting with the labour force survey as a collaborative effort, bringing together major users and experts such as Statistics South Africa, Congress of South African Trade Unions (COSATU), the Reserve Bank, Treasury, the Department of Labour, and others.




With more than a third of the labour force out of work, unemployment and low levels of economic participation are amongst the major challenges facing South Africa.

EEPR is actively involved in supporting the skills development framework by:

- updating and upgrading our skills forecast for the South African economy
- offering specific support to a variety of sectors, such as education, services, mining, jewellery and ICT in analysing the demand for and apply of skills, and programme evaluation
- taking a leading role in the sector skills analyses in support of the HRD data warehouse
- reviewing the extent to which public sector bursaries effectively meet skills gaps in government

Public/private partnerships in respect of employment services: The Department of Labour commissioned an investigation into the appropriate roles of public and private providers of employment services (e.g. the public sector, private employment agencies, Internet agencies and labour brokers) and international models for employment services. This submission forms the basis for the forthcoming Green Paper on employment services.



Graduates research project: The EEPR continues to produce reports on the remuneration and employment experiences of graduates. The findings in the upcoming report will point to: poor returns to 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.

The impact of HIV/AIDS on economic sectors: In addressing the potential impact of HIV/AIDS on critical economic sectors, the concern is that HIV/AIDS may offer a further disincentive to employ. To mitigate the impact of HIV/AIDS on industry and workers, the aim is to improve the availability of information and the realistic assessment of different public and private interventions.

There is a critical gap in our knowledge of actual HIV/AIDS prevalence in the workforce. The HSRC aims to deepen the economic modelling work, by linking into knowledge and experience in the organisation of labour markets and industry. More importantly, we plan to survey economic sectors, including saliva testing, to obtain figures that are more realistic and sensitive to the character of sectors.

To launch this work, the HSRC has been awarded a two-year grant from the Joint Centre for Political and Economic Studies.

Sector analysis

This unit was established in April 2002, focusing on the promotion of economic diversification. It is currently leading the following initiatives:

Mpumalanga Cluster Development: In co-operation with Blueprint Associates, the HSRC is assisting the Mpumalanga government in the promotion of its metals cluster. This project offers an innovative approach, with elements of research, working with the cluster, and building capacity within government.

Resource-Based Sustainable Development (RBSD): The RBSD is a joint project of the HSRC and the Council for Mineral Technology (Mintek). The resource base offers opportunities for innovation and diversification which does not necessarily entail "beneficiation" or downstream processing. It offers 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 HSRC and Mintek will focus on the mining inputs cluster but the results should be applicable to any resource-based cluster. The unique design of the programme will be the link between research and practice, where Mintek will work with the mining inputs cluster and establish a small and medium enterprise (SME) innovation hive.



Bakeries: The Department of Trade and Industry commissioned an investigation into the situation of SME bakeries, and appropriate forms of support. Bakeries are an important point of entry for emerging entrepreneurs, and could potentially contribute to food security.

Employment and basic needs: Unmet basic needs offer an opportunity for employment generation. Meeting higher growth targets will depend on improvements in the health and welfare of children. The EEPR is linking with the Child, Youth and Family Development (CYFD) research programme to develop an integrated approach to linking basic needs to the stimulation of employment. For example, if more than 20% of all children are stunted by malnutrition then there are also substantial missed opportunities to stimulate the food processing and logistics sector.

Macro-economic analysis

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. Two examples can explain this approach:

- The EEPR, in co-operation with the Trade and Industrial Policy Strategies (TIPS), commissioned a paper to look at the possibility of building a computable general equilibrium (CGE) model to enable scenario building, recognising existing models of the SA economy. An approach enabling strong micro-macro links is being explored that would be continuously building upon improvements of national data, and by the micro studies done by the HSRC and other institutions. CGE modelling is seen as an essential tool in understanding the impact of different forms of intervention and economic stimulation.
- A completely new area of work will see the EEPR exploring the institutional underpinnings of the unemployment-inflation relationship. Given high levels of structural unemployment, any stimulatory policy in SA is likely to be inflationary. 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?

Unmet basic needs offer an opportunity for employment generation. Meeting higher growth targets will depend on improvements in the health and welfare of children.

**Executive Director
Dr Miriam Altman**

Employment and Economic
Policy Research

Tel: +27 12 302 2756

Fax: +27 12 302 2994

E-mail: maltman@hsrc.ac.za