The NDP on unemployment: On consistency, coherence and comprehensivenes

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Abstract

This paper critically evaluates the National Development Plan (NDP) against the backdrop of prior government initiatives such as the Medium Term Strategic Framework (MTSF) of 2009 and the New Growth Path (NGP) of 2010 and in terms of how they deal with the unemployment problem and economic growth. It asks, first, how the NDP and the other plans deal with poverty and the access of poor people to economic opportunities and labour markets (2nd economy / informal economy / inclusive growth). The analysis demonstrates that there has been a definite shift/drift in the economic policy approach from the MTSF to the NGP to the NDP. Secondly, it asks to which extent the NDP chapter on the economy (chapter 3: Economy and Employment) is comprehensive and consistent with other chapters, e.g. on the rural economy, social protection, public works programmes and spatial dimensions. Several inconsistencies are identified. These could undermine the coherent implementation of the NDP.

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The NDP on unemployment: On consistency, coherence and comprehensiveness

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This paper critically evaluates the National Development Plan (NDP) against the backdrop of prior government initiatives such as the Medium Term Strategic Framework (MTSF) of 2009 and the New Growth Path (NGP) of 2010 and how they deal with the unemployment problem, employment goals and economic growth.

It asks, first, how and to which extent the NDP and the other plans deal with poverty and the access of poor people to economic opportunities and labour markets (inclusive growth / 2nd economy / informal economy). Has their been a consistency in the approach, or has there been, at some level, a change in the economic policy approach in moving from the MTSF to the NGP to the NDP, notably with regard to the way growth is pursued, the *inclusivity of* growth and the proposed remedies for unemployment.

Secondly, it scrutinises chapter 3, titled 'the economy and employment' a bit deeper – and comparatively. The question is to which extent the National *Development* Plan chapter on the economy is comprehensive and consistent with other chapters, notably with regard to the poor, social protection, public works programmes, the informal economy, the rural economy, spatial dimensions and human settlements, and so forth. How much focus is there on integrating the economic development and employment needs of people, and especially the poor? To what extent does the world of the poor – the informal economy and the survivalist world – feature? How is the relationship between growth and employment perceived? How is 'inclusive growth' or an 'inclusive society' understood?

1. A progression of pre-NDP policy frameworks (since 2004): consistent or drifting?

While the democratic-era policy attack on poverty, inequality and unemployment started with the wide-ranging RDP of 1994 and GEAR in 1996, the focus of this paper is on the last approximately 5-10 years.

The policy trajectory since 2004 includes relatively focused initiatives such as the Expanded Public Works Programme (EPWP, introduced in 2004) and industrial policy plans (the first

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IPAP was launched in 2007). Following the Mbeki-era's relatively ambitious ASGISA (Accelerated and Shared Growth Initiative, 2006), which never really got off the ground, three major overarching frameworks or plans were released in the past five years. First, the quite comprehensive Medium Term Strategic Framework (MTSF) of 2009 – one of last initiatives under president Mbeki – and then (together with a change in the presidency) the New Growth Path (NGP) in 2010 and the all-embracing National Development Plan (NDP) in 2012.

If one considers the full list of notable initiatives (see box), it appears like a concerted effort to systematically tackle the most critical areas of the South African social and economic fabric. Although punctuated by more focused initiatives, it suggests continuity at a general level, as one might expect, given that one political party was in government since 1994. However, closer scrutiny reveals what appears to be a shift in the approach to the *pursuit of* growth, the *inclusivity of* growth, and the proposed remedies for unemployment.

Notable South African policy initiatives: A 'letter soup' of initiatives since 1994

RDP	1994	Redistribution and Development
GEAR	1996	Growth, Employment & Redistribution
LRA / EEA / BCEA		Labour relations framework
EPWP	2004	Expanded Public Works Programme
ASGISA	2006	Accelerated and Shared Growth
JIPSA	2006	Priority Skills acquisition initiative
NIPF	2007	National Industrial Policy Framework
IPAP2	2007 / 2010	Industrial Policy Action Plan
CWP	2007	Community Works Programme
2ES	2009	Second Economy Strategy (within ASGISA)
CRDP	2009	Comprehensive Rural Dev Programme
MTSF	2009	Medium Term Strategic Framework
NGP	2010	New Growth Path
NDP	2012	National Development Plan

Almost a decade after the RDP and GEAR presented different approaches to the relationship between redistribution and economic growth, the 2004 national election brought an electoral mandate to the government to halve unemployment and poverty by 2014. The EPWP of 2004 was a major new initiative to tackle unemployment and poverty via public employment (especially on infrastructure). Then ASGISA sought to introduce a way to bridge the tension between growth and redistribution: the idea of *shared growth* coupled with (somewhat later) the *second economy strategy* (2ES), which launched a specific focus on improving the position of the margin of the economy: the unemployed poor, the working poor and marginalised enterprises (survivalist, informal, etc.).

1.1 The Medium Term Strategic Framework of 2009

By 2009, the launch of the MTSF – a major encompassing framework to guide government policies – signalled much of consolidated government thinking at the time. Although released after the sudden end to president Mbeki's term, it can be assumed largely to reflect the policy thinking of his era. In addition to many 'standard items' (or 'usual suspects') with regard to economic policy, it is possible to indicate several characteristic traits of the MTSF (see Summary Table 1; appendix A.1 provides a longer summary).

Still aligned to halving unemployment *and* poverty by 2014, its first priority area was 'faster (and more inclusive) economic growth, decent work and sustainable livelihoods'. It included:

- *Creating a more inclusive economy by expanding the poor's access to labour markets and 'broadening the impact and benefits of growth' – via a second economy strategy*, the EPWP and the CWP, as well as an industrial policy that is *sensitive to enabling SMMEs*, plus skills programmes for artisans and *self-employment*.
- Promoting SMMEs and cooperatives (skills development, deregulation, procurement).
- Trade & industrial policy for large-scale decent work creation … with a focus on large private-sector investment projects**,** especially those with a *high labour-absorbing impact*.

SUMMARY TABLE 1: MTSF

New employment: where?

- Large trade-&-industry private-sector investment projects, esp labour-absorbing
- Infrastructure projects with maximum employment impact (but not only for job creation, also crucial to support rest of economy)
- Support for SMMEs
- EPWP II and CWP as major creators of work opportunities

Informal / survivalist economies:

- Focus on large trade-and-industry projects, but with an eye to labour absorption
- Sensitive to need for developing SMMEs, also via industrial policy
- Explicit and prominent attention to developing the second economy
- EPWP/CWP categorised as instruments for giving access to labour markets for the poor and marginalised (whilst also expanding public services)
- Rural strategy also involves towns and non-agriculture and the development of self-employment skills.

Most notable here is the prominence of the second economy strategy. Inclusive growth (or an inclusive economy) is defined as 'expanding opportunities for the poor to access the labour market and broadening the impact of growth and ensuring its benefits reach all sectors of society' (MTSF p. 10). In general, there is a strong focus on broadening the base and inclusivity of the economy, and aiding the poor who are in the marginalised, second economy. The goal of increasing labour absorption (here associated with large private-sector investment)

also appears in the priority. A 'massive programme for economic and social infrastructure' is to be pursued 'with maximum employment impact' (pp. 5; 11). There is an important role for the Expanded Public Works Programme (EPWP II), including fast-tracking the implementation of the Community Work Programme; these programmes should create over four-million work opportunities over the mandate period 2004-2009 (MTSF p. 10).

In the subsequent **Cabinet Delivery Outcomes** document (2010), a similar – although perhaps already changing? – pattern emerges (see appendix A.2 for a summary).

Under Outcome 4 ('Decent employment through inclusive economic growth') the idea of *faster growth* and a *developmental growth path* appears (in addition to inclusivity) – hinting at growth ideas later to gain greater prominence in the New Growth Path (see below). The goal of labour-absorption is present in the phrase 'labour-absorbing growth' which subtly adopts a new focus on growth, also in an industrial policy designed for the promotion of the growth of labour-intensive industries (via IPAP). Youth unemployment makes a (first?) appearance.

In another sub-item the language echoes key sentiments of the MTSF:

- Improved support to small business and co-operatives
  - Reduced constraints and improved support to SMMEs and co-ops
  - *Improved integration of second economy activities into the mainstream economy* ('a task team will review work and develop an implementation strategy').
- Implementation of the expanded public works programme (EPWP).

A comment in passing is that, despite sounding very similar to the MTSF, there are subtle indications (even if only in the way the material is organised) that the 'second economy' and an explicit focus on the poor may have been relegated to a less prominent and less explicit position than in the MTSF of a year before.

1.2 The New Growth Path (NGP) of 2010

This was the first major policy initiative of the Zuma administration and its new Department of Economic Development. This framework reflects the government's commitment to *prioritising employment creation in all economic policies*. It identifies strategies that will enable South Africa to *grow in a more equitable and inclusive manner* while attaining South Africa's developmental agenda (see appendix A.3 for a summary).

It proposes joint action to 'change the character of the South African economy and ensure that the benefits are shared more equitably by all our people, particularly the poor' (NGP 2010: 1). Decrying the fact that 'many workers had poorly paid, insecure and dead-end jobs' and that 'informal sector, agriculture and domestic work contributed a third of all employment, but two thirds of working people earning under R1000 a month', it argues: 'Creating more and better jobs must lie at the heart of any strategy to fight poverty, reduce inequalities and

address rural underdevelopment' (NGP 2010: 3). The concept of 'decent work' appears to be central to the NGP approach (although the term was also used in the MTSF, as noted above).

The NGP spells out a growth path that identifies the *jobs drivers* – *where* jobs can be created – and key *policy drivers* (policy tools available to support employment growth across the economy) as well as identifying trade-offs and choices. Its target is to create five million jobs in 10 years by
(a) increasing the *rate* of growth (to 4%-7% p.a.), whilst keeping
(b) the *employment intensity* of growth stable (taken to be 'between 0.5 and 0.8').

Most of the new jobs are projected to come from the private sector, as follows:

Jobs Driver 1: **Massive public investment in infrastructure,** *with a strong focus on the employment impact (direct and indirect) of infrastructure projects.* With a focus on housing and public works (energy, transport, communication, water), it foresees direct jobs growth in four activities:

- construction of new infrastructure;
- operation of the new facilities;
- expanded maintenance; and
- the manufacture of components for the infrastructure programme, which is to be a to build the local supplier industry (backward linkages);

This strategy is to be supported by procurement policy and regulations.

Jobs Driver 2: **The main economic sectors**

Manufacturing: Re-industrialisation of the economy (via IPAP2) are to produce 350 000 jobs by 2020 in the industries not covered elsewhere.

Mining: Increased extraction (coal, platinum) and also *beneficiation* – which can create large-scale employment – are to create 140 000 additional direct jobs by 2020

Agriculture: Addressing high input costs, scaling-up of processing and export marketing, including agro-processing; it also mentions smallholder schemes and improving land reform.

Services: Tourism and business services, including the cultural industries.

Jobs Driver 3: **Seizing the potential of new economies**

The green economy and the knowledge-intensive sectors (pharma, ICT, biotech, etc.).

Notable is that the main jobs drivers relate mainly to the formal economy – labour-absorption and new (and decent) jobs are to occur mainly in the mainstream economy (NGP 2010: section 3.1). Employment-creating sectors are to be supported, in a microeconomic policy package, by 'active industrial policy'. The EPWP and CWP are to be continued to increase public employment, as part of jobs driver 4 called 'investing in social capital' (NGP p. 35).

As far as SMMEs are concerned, the microeconomic policy includes: 'Enterprise development: promoting small business and entrepreneurship'. Components include:

- A one-stop shop and single funding agency for small and micro business
- To integrate small and micro enterprise support systematically into all sector strategies ... to ensure a space for smaller enterprise in the value chains of major industries
- To initiate a red-tape elimination campaign to simplify procedures and remove any bias against smaller producers (e.g. in zoning requirements).
- To strengthen access to micro-finance for small enterprises.
- To address smaller businesses' concerns about access to and cost of space in shopping malls.

In regard to BEE policies, it stresses 'broad-based elements' that include support for small enterprise and co-ops as well as a new emphasis on procurement from local producers in order to support employment creation. Despite these measures, no significant numbers for SMME employment or self-employment growth are mentioned in the NGP document. The desired employment growth is expected in the main sectors of the mainstream economy.

The EPWP is supported; the NGP sees its main purpose seen as increasing public sector employment. There is no mention of a potential role of the EPWP to empower the poor to access labour markets. It also is not mentioned in the context of infrastructure construction, operation or maintenance (compare the MTSF).

While the NGP's supportive sentiments regarding small and micro businesses are clear, the specific components suggest that the focus is on formal-sector SMMEs. There is little recognition of the particular difficulties and obstacles faced by microenterprises in the informal and survivalist sectors. While the SMME-promoting measures can be read to include the latter, there is no explicit plan for addressing the conditions of marginalisation faced by so many micro businesses – there is no consideration of strengthening the marginalised sector as such. Apparently marginalized enterprises must migrate to a 'new' formal world of decent jobs with good pay, worker rights and social protection. The plan does not say how they are supposed to get there.

Only in the context of rural development – when talking, for example, about enabling small agricultural producers to enter formal value chains, and providing opportunities for smallholder schemes to improve livelihoods (NGP 2010:17-8) – is there a sense of accepting and addressing the realities of the informal and subsistence/survivalist world.

Generally the plans and strategies do not address the second economy, the marginalised economy or the informal sector (except in the context of decrying the large number of low-paid workers in the latter sector). This marks a definite departure from the earlier (2004-2009)

policy documents. The adherence to the concept of 'decent work', which probably can only be realised in a formal sector context, appears to have been a major factor in this.

Summary Table 2 provides the key information on the main concerns of this paper.

SUMMARY TABLE 2: NGP

	New employment: where?	Non-formal / survivalist economies
NGP	▪ Not just large-scale investments, also local supplier industry, tourism and business services, social sectors. ▪ Infrastructure: focus on direct jobs, also linkages. ▪ Support for small business and entrepreneur-ship, to integrate them into sector strategies and value chains. • EPWP purpose: To increase public sector employment.	• Little about micro-enterprises *in the non-core or informal economy* (the latter seen as a problematic, low-paying sector?). • No mention of second economy or similar. • Rural development is the only clear non-formal element.

NOTE:

- Mostly formal sector, mainstream economic 'development'. No plan for those marginalised in the informal economy or in a second economy or similar segment.
- Much attention to micro and small business, but without recognition of the peculiar obstacles that marginalisation and segmentation brings to many of these.
- EPWP not seen as having a role with regard to labour market access.
- Even social assistance not seen as an access-enabling instrument.
- Ironically, the NGP appears to be narrower than the MTSF with regard to job creation.

The question that arises, is how the National Development Plan responds to the apparent shift in focus and approach noted above.

2. The National Development Plan (NDP) and unemployment

The final NDP of 2012 is an overarching social and economic plan, putting forward a new vision for South Africa for 2030 with plans to develop and reshape society in several areas to create a better and more equitable life for all – and, above all, 'eliminate poverty and reduce inequality .. by growing an inclusive economy' (p. 24; page numbers in brackets refer to the NDP).

Proposals cover a wide range of issues: demography, the economy and employment, infra-structure, environmental sustainability, the rural economy, regional and international dimen-sions, human settlements and spatial patterns, education and training, health, social protection, safety and security, a capable and developmental state, fighting corruption, and attaining social cohesion.

Nevertheless, in the list of challenges listed in the NDP (p. 25), the first amongst the priorities is the low level of employment. 'Faster and more inclusive economic growth: an economy that will create more jobs' is the heading in the Overview (p. 38), capturing the overriding sentiment of the NDP in this regard.

2.1 The economy and employment: 'Economic growth needs to accelerate in a more inclusive manner'

On the economic front the NDP is bold and ambitious: it aims to create 11 million jobs in 18 years and reduce unemployment to 6%, as well as eliminate poverty and reduce inequality significantly by 2030 as follows:

a) Reduce the proportion of households with a monthly income below R419 per person (in 2009 prices) from 39% to zero.
b) Reduce the Gini coefficient from 0.69 to 0.6 (p. 32)

Key elements to achieve these goals are to *accelerate growth* and *make it more labour-absorbing*. These rest on a twin-pronged strategy:

1. **Growing exports** (*for income growth*)
2. **Growing the domestically-focused service sector** (*for jobs growth*), with the service sector boosted by linkages to export-growth sectors.

In the words of the NDP, South Africa must 'recognize the importance of investing in the engine of growth (rising outputs from tradable sectors), the sources of jobs (often domestically oriented and services firms) and the linkages between the two' (p. 114). (As an aside, there seems to be an implication here that little employment creation is to be found in exporting activities as such.)

More specific economic policy proposals will be discussed below. At this stage it is necessary to note a few other, closely-related components of the NDP. These relate to

- improving *infrastructur*e (being essential to development faster growth, higher employment, and the promotion of inclusive growth) (p. 44);
- attaining an inclusive and integrated *rural economy* (to increase jobs in agriculture, provide basic services in rural areas, and reduce rural poverty) (p. 44);
- transforming *human settlement and spatial divides* (to increase urban densities, avoid low-income housing in marginal areas, reduce travel costs for workers by bringing them closer to the workplace, etc.) (p. 47), and
- attaining comprehensive *social protection* (to protect people against the ravages of poverty and unemployment *and* enable people to develop their capabilities and thereby ease transitions into the labour market) (p.53).

The relationship and consistency between the economic and employment strategies, on the one hand, and these four elements on the other hand, is the focus of this paper. The question

is: Is there a coherent strategy and conceptual framework to achieve the unemployment and poverty reduction goals?

2.1.1 Key elements of employment creation

The two-pronged strategy noted above is to be pursued as follows. First a general facilitating task is put word, i.e. to create an *environment for sustainable employment and economic growth*, as follows:

- Addressing the binding constraints affecting investment, i.e. energy, water, logistics, ICT, urban planning, regulations, etc.
- Increasing investment in infrastructure and network services to support traditional industries and export industries (but not aiming to generate direct jobs here, since it is very difficult).
- Promoting human development as an essential part of inclusive growth. "Lower living costs, better quality public services (esp health and education) and a more comprehensive *social security* net will reduce pressure on households, particularly for low-income groups with limited earnings from work. This will *improve the ability to respond to labour market opportunities* and downturns, reducing the prevalence of crises that many households experience" (p. 119).
- Strengthening the capacity of government to implement its economic policies (p. 120).

Then, the first prong is to *promote exports and competitiveness*, as follows:

- Increasing outputs from tradable sectors, the latter being the 'engine of growth' (p. 114).[1]
- Increasing employment and incomes through foreign exchange earnings and an impetus for productivity and growth, as well as the direct creation of new jobs plus indirect job creation through linkages to domestic industries (p. 120).

The second prong is to *promote employment in labour-absorbing industries*:

- Focusing on *domestic-oriented activities and the services sector* as the source of jobs, since manufacturing is declining as employer, also globally (p. 112; 114).
- Expecting that employment growth (some 90% of jobs) will occur *especially in 'small and expanding' firms*, aided by linkages to export growth (p. 119).
- To be complemented by increased economic participation in rural areas.
- *Public employment programmes* are to create up to 1 million jobs annually by 2015 and 2 million by 2020 or sooner (p. 153), mostly through community-based services (and not infrastructure; see chapter 11 and section 2.5.2 below). It is foreseen that this number can be reduced as market-based employment expands, but it will be an essential part of an employment plan up to 2030 (pp. 120; 154). The way in which the job crea-

[1] This echoes the recommendations of the Harvard Panel of Experts, in particular the views of Rodrik (2006).

tion of the EPWP is handled, also in the employment scenarios table (see below), suggests that the EPWP is seen, in this chapter, mainly as a mop-up mechanism to provide temporary employment and some income to the surplus labour force (see the discussion of ch 11).

There are a number of notable economic policy proposals to enable these two prongs. One set deal with stimulating small and medium firms (this is discussed in next section). A stable and enabling macroeconomic platform is to be ensured, including ways to limited the damage of exchange rate volatility. Another set of proposals deals with creating a *more responsive labour market* which could (somewhat idealistically?) enable 'simultaneously expanding employment opportunities, raising living standards and reducing inequality' (p. 132). The document list ways to improve labour-market matching and transitions, as well as improving dispute resolution, dismissal & retrenchment, strengthening the CCMA, bargaining councils, etc. (pp. 132-6).[2]

Under the rubric of skills supply, the chapter on the economy also has proposals on active labour market policy (p. 133-4). These include a tax subsidy for youth employment, a subsidy for the placement sector with regard to matriculated youth, expanded learnerships, and extending the EPWP concept to non-profit organisations. Most of these appear to be directed at the formal sector.

Chapter 3 also proposes a range of sector and cluster plans to launch a new growth trajectory. The sectors are identified on the basis of having substantial potential for either growth stimulation or employment, or both, and being areas of competitive advantage and growing global demand (p. 144). It suffices to note the following:

- The agro-industrial cluster: Attention is required with regard to agro-processing, investment in commercial farms, labour-absorbing crops, and micro and semi-subsistence farming, as treated in Chapter 6 of the NDP (see section 2.3 below).
- Mining & minerals: while being a declining cluster in terms of employment, it remains crucial for exports and employment. The NDP notes specifically that beneficiation is unlikely to contribute much to overall job creation, being very capital intensive (p. 146; contrast the NGP focus on beneficiation). A better approach would be to develop labour-absorbing upstream linkages (p. 147).
- Manufacturing: This chapter contains mostly capital intensive plans.
- Construction & infrastructure: While in declining employment (of which about 60% is formally employed), it still is an important job creator for low-skilled people, espe-

[2] A central dispute in the employment debate is whether declining labour absorption is caused by technology or by labour market rigidities (or by high wages). The South African employment coefficient has been much below 1 (at approximately 0.5) for 60 years, implying continually decline employment intensity and absorption rates. This also is a world-wide trend. The NDP does not refer to this predicament (see the discussion of the employment scenarios in section 2.1.3).

cially in residential construction and maintenance (p. 149). As the economy starts to grow, rising incomes will hopefully stimulate employment here. (No specific housing-related strategies are proposed, except noting that the installation of solar water heaters is labour-intensive; see section 2.2 below on the infrastructure chapter of the NDP.)

- Retail and business services: It is noted that the formal retail sector accounts for almost 2 million jobs, while another 3 million jobs exist in informal retail activities. There are no specific proposals to stimulate this cluster except 'encouragement' to procure locally and from 'small and expanding firms', etc.; 'further investigation' is promised into ways to stimulate small-scale retail and cooperative buying with the aim of reducing costs in townships and rural areas (p. 152).

A few comments are in order here.

- First, the strong concern of both the MTSF and the NGP with maximising the employment impact of infrastructure has disappeared. Employment creation in the construction, operation and maintenance of infrastructure was jobs driver number one in the NGP. The NDP has a completely different view of the role of infrastructure, i.e. mainly as part of the enabling environment, and not to be encumbered with direct job creation as such. (This also applies to the use of public employment programmes in the construction of infrastructure: the NDP does not propose that either.) Parallel to this, in 2012 the Zuma administration announced the National Infrastructure Plan (amounting to R827 billion in the first three years alone), giving much prominence to its role in job creation and poverty alleviation. Crucially to note: the Infrastructure Plan adopts the NGP's approach in this regard, not that of the NDP – an inconsistency that will have to be sorted out.
- The chapter on social protection (chapter 11) has its own proposals regarding active labour-market policy (pp. 379-82). However, there is no cross-reference between the respective chapters on this matter. It will be discussed below (section 2.5.2).
- The set of proposals above have a very specific, even narrow focus. It is strongly formal sector oriented. There appears to be no attention to labour market mobility or access barriers between the informal and formal sectors or other labour market segments. This aspect, which is discussed further in the next section, suggests that the drift away from the second economy and the informal sector that was identified in the move from the MTSF to the NGP, has continued into the NDP's work.

2.1.2 Economic transformation and small firms: where is the informal sector?

Given the observation above that the NGP plans and strategies do not explicitly address the second economy, the marginalised economy or the informal sector, it is pertinent to scrutinize the NDP in regard to economic transformation.

Whereas the NDP draft had a separate section on *small firms*, in the final report it is treated under the heading of *economic transformation*.[3] In chapter 3 there is considerable attention to stimulating small firms, somewhat confusingly coupled with 'expanding firms' of unspecified size (p. 140). The main goals are to (a) *support job creation* and (b) *redress skewed ownership* patterns.

Noting Finscope findings that '90 percent of jobs created between 1998 and 2005 were in small, medium and micro enterprises', it laments that early-stage entrepreneurial rates in South Africa are about half of those in other developing countries and that government efforts to assist the sector have had limited success. It also acknowledges that, 'partly due to the lack of robust data, the debate around small and medium sized enterprises and their ability to assist in employment growth has become heavily weighted with ideology, assumptions and anecdotes' (p. 140). (This may explain the lack of successes in this regard.)

There also is a wider concern expressed:

> 'The extent to which small-scale agriculture, microenterprises and artisanship have weakened is a concern. In many developing countries, it is these activities that provide shock absorbers for extreme poverty and platforms for self-employment, with the potential to serve as rungs on the ladder of economic advancement' (p. 141).

The recognition of the twin roles of e.g. microenterprises as shock absorbers *and* self-employment platforms is notable. It suggests some recognition of the potential importance of an informal sector in the economy (although the term is not used in the text at all, nor is 'second economy'). Its is also mentioned that there should be recognition of the diversity of the sector, i.e. the wide spectrum stretching from survivalist businesses (a 'high proportion') to lifestyle businesses, high-growth businesses, franchises and high-growth new technology businesses; other factors include the low start-up rate in South Africa. All in all:

> 'the one-size-fits-all support programme of government must change'; 'support measures should be segmented' across the size-and-growth spectrum noted above; 'small and medium enterprises operating in the various sectors face different pressures' such as labour laws and regulatory burdens (in manufacturing) or skill shortages (in services), etc. (p. 141).

According to the NDP, the challenge is twofold:

> 'to create a more enabling environment for small enterprises to grow, expand their operations and employ more people; and secondly to create the conditions under which start-ups can flourish and more entrepreneurs enter the market' (p. 142).

Specific proposals, relate to the following: private and public procurement; simplifying the regulatory environment for small and medium enterprises; facilitating debt and equity finance ('creating financial instruments for small, medium and micro enterprises'); small-business support services; and addressing the entrepreneurship skills gaps (via training for school-

[3] This is a change from the rubric under which it was handled in the draft NDP of 2011, which did not have economic transformation as a specific topic.

leavers; encouraging entrepreneurial thinking in the school curriculum; tax breaks for mentoring; wage subsidies for youth placement, and high-tech skills development).

Reflecting on the proposals above, it appears that many, or most, of these are relevant primarily for formal-sector small and medium enterprises. The NDP chapter on the economy largely ignores the informal economy and the dynamics of the world of the informal enterprise and informal self-employment. Alternatively, the NDP chapter on the economy chooses to blur the distinction between formal and informal and see it all as a one 'whole'. But it means that the evidence on segmentation and the unique problems of the informal or marginalised micro/small enterprise are not recognised and have not been *integrated* into the policy framework – even though some of the diagnoses and proposals can be interpreted to apply to, or affect, marginalised enterprises.

An overall reading of the chapter 3 proposals suggests a definite tendency to be much more comfortable, in the economic policy context, in talking about the challenges that are faced by *formal sector* 'small and medium' enterprises rather than grappling with the world of informal micro- and small enterprises. Being placed under the (new) heading of economic transformation – 'broadening opportunities … particularly for the historically disadvantaged' (p. 138) – one would have expected specific engagement with the economic position of marginalised people and enterprises, with those people trying to make a living at the lower end of the earnings and economic activity spectrum, and with the implications of labour market segmentation. For example, while the term 'micro' appears in the list of adjectives a couple of times, no specific attention is given to it, suggesting a lack of attention to the probably unique obstacles faced by micro-enterprises in the margins of the economy, in the informal and quasi-survivalist corners of the economy where they provide income and livelihoods to millions of poor people. (While micro-enterprises can also be formal and active in sophisticated technologies, the vast majority of micro-enterprises are informal businesses.)

It must be recognised, and appreciated, that the final NDP report does show somewhat greater sensitivity for these issues than either the NGP of 2010 or the draft NDP of 2011. However, these concerns have not been articulated or highlighted. The measures proposed for small business by the NDP are strangely incongruent with the (later-inserted) discussion and plea, a few pages earlier, for differentiation in measures to take account of the spectrum in SMMEs from survivalist enterprises to high-tech small businesses etc. In the end, the proposed measures remain relatively narrow and do not display such differentiation and sensitivity. This remains a major weakness in the NDP chapter on the economy and employment.

- The NDP's summary list of objectives and actions (pp. 63-73) does not mention small business initiatives (nor, of course, the informal sector). In the chapter 3 summary (p. 109) there is only a brief mention of 'reducing the regulatory burden on small business'.

Summary Table 3 provides key information on chapter 3 of the NDP.

SUMMARY TABLE 3: NDP Chapter 3

	New employment: where?	Informal / survivalist economies
NDP ch. 3	Two-pronged approach: 1. Exports for income growth 2. Domestic services for jobs growth * * * ▪ SMME support , they must provide 90% of new jobs ▪ EPWP important (transitional) job creator ▪ No direct jobs in infrastructure ▪ Commercial agriculture important	▪ Informal economy not visible in analysis and policy proposals. (Left to social protection?) ▪ Yet prominent in employment scenarios. ▪ Rural development is the (only) explicitly informal element to receive real attention (including subsistence and smallholder agriculture) ▪ EPWP/CWP seen mainly as cushion or mop to temporarily absorb surplus labour

2.1.3 The employment scenarios: the informal sector, once again

The NDP's 'narrow' approach to employment creation is all the more strange in the light of the employment scenarios in chapter 3 (pp. 121-2). The *employment scenario* tables (pp. 121-2) consolidate the NDP's collective employment projections. These show quantitative estimates of employment in various sectors of the economy in the period 2012 to 2030 in the form of three scenarios: the ugly, the bad and the good.

The employment scenarios table is the only place in the entire chapter where the existence of the informal sector is acknowledged and shown. What is relevant, is that the informal sector is not a minor player in the preferred employment plan of the NDP. Indeed, it is a key creator of employment in the different scenarios, and especially in the preferred scenario 3. Of the 10.6 million new jobs to be created by 2030 in the preferred scenario, the informal sector (domestic work included) is projected to contribute jobs growth of 2.1 million – 20% of the total projected growth in employment.

This is no small contribution. The informal sector is the third largest contributor to the planned employment growth. What is puzzling, then, is that there are no specific plans for this sector – it is not even mentioned by name in the proposals, as discussed above.

The NDP also foresees the continuation of the survivalist segment: "At this rate of growth (5.4%), there will still be substantially more reliance on very low-income employment, survivalist activities and public employment schemes" (p. 118). However, employment options or enabling mechanisms for those in survivalist activities are not considered in the economic strategy. They appear to be reduced to a social protection problem (see section 2.5 below).

Linked to this, the EPWP appears to be seen, in this chapter, primarily as a mopping-up mechanism to absorb those left unemployed in the different employment scenarios – and not as an enabling mechanism to facilitate transitions into employment (p. 153) or as an integral part of, for example, the infrastructure sector. As will be discussed below, this is in contrast to the twin approach to EPWP of the chapter on social protection (chapter 11). Still, chapter 3 foresees up to two million opportunities to be created in the EPWP by 2020 (p. 153).[4]

A first evaluation: a ' narrow' approach to employment creation?

A first couple of reservations must be mentioned before we look at the other employment-relevant topics/chapters. A paraphrase of the comments above on the NGP is applicable. While the NDP's supportive sentiments regarding small and micro businesses are clear, the specific components suggest that the focus is on formal-sector SMMEs. There is little recognition of the particular difficulties and obstacles faced by microenterprises in the informal and survivalist sectors. While the SMME-promoting measures can be read to include the latter, there is no explicit plan for addressing the conditions of marginalisation faced by so many micro.

Generally the plans and strategies do not address the second economy, the marginalised economy or the informal sector. This chapter displays a primary belief in general economic growth, and formal sector growth in particular, as the main employment creator. This confirms the departure from the earlier (2004-2009) policy documents, notably the MTSF.

In this sense, the NDP chapter on 'the economy and employment' may be depicted as having a 'narrow' approach to employment creation, as opposed to a broad, or inclusive, approach that would consider the entire economy – survivalist, informal and formal segments – in its *economic* analysis, diagnoses and policy proposals.

This is suggestive the an observed drift, first visible in the NGP, away from the inclusive approach of the MTSF. We will return to this question below.

[4] Other comments on the employment scenarios:
The results are very sensitive for growth rate assumptions, and small changes in the GDP growth rates imply large changes in unemployment rates. For example, attaining 3.3% growth instead of 5.4% implies that unemployment stays at 26% until 2030. Similarly, the results are sensitive for employment coefficient: e.g. if formal sector employment coefficient is 0.5 (the long-term average) instead of 0.6, unemployment declines only to 14.4% rather than 6% by 2030.
The service sectors are projected to grow much larger and faster than ever before – a major structural change in sectoral employment and output composition. What factors could enable this, i.e. which linkages with which non-service sectors, or which increases in sectoral employment coefficients? And which policies can enable such changes?
Also note that the chapter uses the narrow definition of unemployment. While this may be standard practice for statistical purposes, it sidesteps the problem of discouraged workers (approximately 2.2 – 3.4 million). Where do they fit into the employment strategy?

2.2 Economic infrastructure (chapter 4)

It was noted above that in chapter 3 the role of infrastructure expansion was considered in the context of lifting constraints on industrial/export expansion and economic growth – and not with any view to creating employment directly (contrary to the NGP and the National Infrastructure Plan); the NDP chapter noted that is was difficult to increase labour intensity in infrastructure projects.

This approach to infrastructure also prevails in chapter 4. The list of infrastructure priorities is exhaustive: transport: rail corridor for coal; roads; ports; electricity; gas; liquid fuels; water; ICT (broadband), etc. Most of these are heavy, large-scale engineering methods and projects. There is no consideration or mention of labour-intensive construction methods – the word 'labour' is not mentioned in the chapter at all. It only *notes* indirect effects on jobs through general economic growth; there also is no mention of a possible EPWP application to infrastructure projects. A heavy-engineering perspective seems to have prevailed. Job creation in operation and maintenance of infrastructure also is not considered (compare the NGP and the National Infrastructure Plan)..

A strange insertion, in the Overview chapter (p. 46), in the list of infrastructure priorities, is "upgrading informal settlements". This is not mentioned at all in the infrastructure chapter 4 or in the overall summary of targets and actions (pp. 65-32). (In the MTSF and the NGP, housing was part of infrastructure.) Housing construction (and/or maintenance) is not discussed as a job creator anywhere in this chapter. In chapter 3 its importance with regard to low-skilled employment receives a very brief mention – but without any specific proposals (p. 149), while chapter 8 (on human settlements) has one mention of 'linking job opportunities and work creation with housing development processes' (p. 269).

2.3 An integrated and inclusive rural economy (chapter 6)

Given that 40% of the population resides in rural areas, this chapter is an important element of the NDP. Its broad aim is to propose measures to uplift rural areas by developing rural economic opportunities (and not only farming, but also towns, through mining, tourism, agro-processing and fisheries). The rural development proposals include a job creation and livelihood strategy that attempts to ensure that rural communities have jobs, as well as a strategy for food security and basic service delivery.

It proposes a differentiated, multi-pronged approach:

1. **Increasing productive activity and employment creation in the rural economy** through

   Agricultural development (delivering 1 million jobs) based on

   (a) *Large, labour-intensive commercial agriculture* (250 000 direct jobs) as well as

(b) *small-scale, labour-intensive agriculture,* supported by successful land reform, irrigation and services to smallholder and micro farmers. (400 000 direct jobs)[5]
plus
Development of non-farm productive activities (industries such as agro-industry, tourism and fisheries, as well as small enterprises) with market support, including special attention to enhance the skills of rural woman entrepreneurs (p. 219).

2. **Improving basic services** to enable people to seek economic opportunities, including relocating to access economic opportunities in cities (and send remittances or transfer skills to their home communities and thereby contribute to the local economy); also, improving food security for the poor and empowering farm workers (p. 219). The rural section also recommends that food security strategies should include using and expanding the EPWP and, in particular, the CWP to develop rural infrastructure but also to provide income to vulnerable households (p. 231).

The discussion of the rural economy and related strategies displays a number of noteworthy characteristics:

- A sensitivity for the development context, including the challenges faced by new entrants, communal farming, the need for land tenure, security, extension services, health, education and transport, etc. – and the potentially negative impact of growing dependence on social grants.
- Awareness of the need to focus on how agricultural development can improve the livelihoods of poor people in rural/farming communities
- Explicit attention to developing and supporting subsistence, micro and small-scale farmers.
- Inclusive support proposals, e.g. the development of a new 'cadre' of extension services that addresses the needs and constraints of new farmers; research on the problems of all scales of farming, i.e. from subsistence to smallholder toe small-scale commercial to large-scale commercial farming.
- Addressing entry barriers for new entrants who want to access formal-sector markets:
  - Strategies that give new entrants access to product value chains and support from better-resourced players (p 219). An example would be for supermarkets to open up value chains by partnering with local producers in rural areas (p. 229).
  - Innovative market linkages to link small-scale farmers in communal and land-reform areas to markets in South Africa and the subcontinent (p. 225).
  - New forms of intermediaries, e.g. cooperatives, for collective power and economies of scale in processing and in marketing value chains (p. 225; 228)
  - Preferential procurement (by government food services) to source output from new farmers (p. 226).

[5] The strategy also proposed a continued focus on a few large, not labour-intensive but strategic industries with significant value-chain linkages (such as poultry and animal feed production) (p. 224).

It is notable that it is the 'rural economy' chapter, rather than the 'economy and employment' chapter, that displays the above sensitivities and adopts a more integrated and inclusive developmental approach. Thus it is the only 'economic' chapter that covers all three segments – survivalist and subsistence, small-scale informal, and large commercial (formal) – and gives attention to linkages and transitions between the segments, as well as barriers to such transitions and access (for the poor in particular).

2.4 Transforming human settlements and the national space economy (Chapter 8)

This chapter's proposals are intended to respond systematically to entrenched spatial patterns that exacerbate social inequality and economic inefficiencies. These include that large numbers of the poor live in settlements, whether formal or informal, in former homelands or on the periphery of metropolitan areas that are far from urban centres and job opportunities. In addressing these patterns, the NDP argues, we must take account of the unique needs and potentials of different rural and urban areas, including informal settlements. Housing policies should be reviewed so that housing delivery is used to restructure towns and cities and thereby strengthen the livelihood prospects of households.

"South Africa's towns and cities are highly fragmented, imposing high costs on households and the economy ... There is an insufficient understanding in policy of the informal and adaptive strategies and livelihoods of the poor. The relationship between where people live and how they survive is often overlooked. ..." (p. 266) … "There is also little support for the informal economy, while township economies are unable to retain local spending power or attract productive investment" (p. 267). The fast urbanisation of the poor in the past couple of decades has in effect caused the 'urbanisation of poverty' and, one can add, of unemployment (p. 266).

It is argued that new spatial arrangements could fundamentally transform job and livelihood prospects for the poor by reducing various space-related obstacles to job search and employment. Spatial transformation will reduce travel time and costs between home and work, and increase mobility for households to access better job and education opportunities. This in turn will reduce poverty and inequality (p. 292). In general, spatial planning must support economic opportunities, inter alia (p. 259).

Unfortunately, since spatial transformation is a long-term project, involving massive investment in fixed assets and infrastructure are required (p. 292), spatially-induced constraints on economic activity, and on the access of the marginalised poor to job opportunities, will remain for decades to come. Spatial segmentation – rural-urban & within-urban – will remain as a barriers to labour market access and as a diluter of net earnings.

What is notable, in striking, about this chapter, is the way that it integrates, in its analysis of spatial aspects, all three segments in the economy – the survivalist world, the informal econ-

omy and the formal sector – as well as rural/town/city and within-city divides and dualisms. It highlights how such segmentation and related conditions impose costly constraints on the attempts of those living in distant and marginalised townships and informal settlements to access employment opportunities in cities and other areas.

2.5 Social protection (Chapter 11)

Whereas one might expect this chapter to be mainly about social welfare grants, pensions and other forms of social security, the approach that has been adopted is much broader and encompasses several elements relating to economic empowerment and employment. Social protection is seen as 'at the heart of reducing poverty and inequality'. Its mantra is: 'employment is the best form of social protection' (p. 355).

Social protection is defined in the following, twin-pronged way (p. 382):

> 'It combines the objectives of alleviating and preventing poverty and protecting individuals against social risks, as well as empowering individuals to seize opportunities for decent employment and entrepreneurship.'

The adoption of the second prong is motivated as follows: Due to South Africa's structural unemployment due to historical factors (as well as globalization), sufficient formal employment based on an industrial model of development is unlikely in the immediate term. We have to take a different approach to social protection than the typical Western industrial model. Our approach also has to ensure economic inclusion through a range of active strategies – "enabling poor people to access economic and social opportunities" *while* the measures proposed in chapter 3 are taking time to "to fix the economy" (sic). Social protection should close the gap, in a way that is labour market and employment friendly (p. 356).

The focus of this chapter is on the social protection measures to

(a) provide a safety net for those most in need (those who are not gainfully employed due to their vulnerable status, i.e. children, people with disabilities and the elderly), as well as
(b) encourage and promote active participation in the economy and society for those who are unemployed and under-employed or experience labour market vulnerability.

2.5.1 The social floor

A first aim is to define the elements of a social minimum or 'social floor' which provide a standard of living below which no one should fall. This should cover the entire life cycle of the Individual. However, the document stresses that ensuring this is not only the responsibility of government; individuals must also participate and share responsibility for attaining such security, insofar as they are enabled.

Specific elements of the social floor component are the following:

- Social assistance: Social grants, child grants, disability grants (noting that administrative processes place a particular burden on the poorest of the poor) (p. 359); noting that the positive impact of the various social grants on poverty reduction is overwhelming (p. 367);
- Social security: In South Africa, social security (retirement and old age pensions) is largely contribution based – i.e. financed from labour income – and is biased towards formal-sector workers, with very limited coverage of low-wage workers and those working in the informal sector – therefore it is 'not in alignment with the dynamics of the labour market' (p. 359). Only about half of those formally employed earn enough to contribute to voluntary social security schemes. Over 80% of those who are currently employed will be reliant on the state old age grant upon retirement (p. 370). The NDP argues that social security should not be limited to those who have made private contributions to private schemes. Thus mechanisms for making social security contributions should be available to those outside formal employment so that they do not become entirely reliant on the state old age grant (pp. 368-9).
- Unemployment insurance: The vast majority of the unemployed fall outside the system, not having worked before, or not having contributed, or having exhausted UI benefits due to long-period unemployment (p. 370). It is desirable to give more protection to the unemployed, for longer periods, and making it accessible to the informal sector and temporary workers. However, it faces funding constraints; there also are potential disincentives and unintended negative consequences of increasing benefits (p.371).
- Compensation for occupational injury and illness: The Compensation Fund is effectively restricted to those in the formal economy with formal contracts – informal sector workers cannot access it, thus they depend entirely on the public health system.[6] A change in the risk coverage of workers in the informal sector and in informal employment is needed. Since many formal sector supply chains can be traced back to the informal sector, the formal sector should hold some responsibility for workers' safety in the informal sector (pp. 372-3).

The chapter spends considerable time on the idea of covering the informal sector in terms of social protection – in particular, social protection outside the State. These relate to financial and institutional frameworks 'that bridge the binary division between the formal and informal sectors' (p. 374), e.g. social insurance and protection schemes for the informal sector; the expertise of stokvels in community-based savings schemes can be used in this regard (p. 375).

The analysis in this chapter is evidence of a lot of thinking about formal/informal linkages and issues, including the growth of the informal sector, of informal employment and of part-time

[6] Most informal sector workers also work in poor areas, and hazardous jobs are increasingly pushed into the informal economy to save costs (p. 372).

contracts, and the increasing importance of self-employment in the informal sector (p. 374). It deals comfortably with the interrelatedness of the formal and informal economies, and the position of workers in these two segments. While the chapter obviously focuses on the social security needs implied by these realities, what is notable is that their vision of the economy includes the informal economy as a matter of course.

Its seriousness about these issues signals a clear acceptance that the informal sector is here to stay for decades to come, and that policy measures relating to social protection measures in the broad sense (i.e. including employment facilitation) need to be in place.

2.5.2 Active labour market policies

Apart from attention to the EPWP and the CWP, this item may come across as a but of a surprise, given the chapter 3 has dealt with active labour market policies (under the rubric of skills supply; see section 2.1.1 above).

However, in attending to such policies, this chapter takes a keen interest in the needs of poor and marginalised workers, unemployed and not-economically active persons – in particular, the problems that they face in trying to enter labour markets. 'Social protection must provide unemployed people who are able to work with assistance that promotes employability and adaptability through various active labour market policies.' (p. 379). Given the persistence of structural unemployment, 'income support should be combined with active labour market policies as well as assistance and incentives that help people find employment' (p. 379).

> 'Labor market policies allow social policy to be linked to productive activities, not just to public spending. Last resort employment schemes such as public works programmes, activation policies and other enabling programmes play an important role in stimulating economic activity and labour market participation. These policies are aimed at job creation and employment and offer incentives to ensure sustainable economic activity' (p. 379).

This chapter's proposals thus include protection for the unemployed poor through labour market that are intended to promote employability as well as create incentives to work and (for employers) to absorb the unemployed. Various active labour market policies are suggested for this purpose:

Employment services: These should assist the unemployed in finding work and skills development opportunities, and help employers recruit new employees. This is particularly important for low-skilled workers who form the majority of the unemployed. Private and government placement services can continue to play a significant role. (p. 380) (No specific new programmes are proposed.)

Training and skills development programmes: These both promote employment and provide protection against the risk of unemployment. They aim to provide unemployed workers with the skills necessary to obtain decent jobs in both the private and public sector (p. 381). 'The

evidence suggests that skills development programmes can play an important role in facilitating entry into the labour market' (p. 381): more than 50% of trainees appear to move into full-time employment. However, it is noted that the current system is not equipped to tackle the vulnerability that comes from more workers being in smaller firms and on less secure contracts. (p. 381). (No specific new programmes are proposed.)

Activation schemes: The report argues that strategies to provide incentives for these unemployed people to seek and take up work and for employers to create new jobs are critical to address the problems of unemployment and poverty (p. 381). It favours such programmes, noting that there is no single model of subsidized employment programmes, and that countries have experimented with many variants. (No specific schemes are proposed.)

Public employment (EPWP, CWP, etc.): The view of the final NDP on public employment programmes is important to take note of, given that the draft NDP's corresponding chapter contained strong proposals for expanding such programmes to support unemployed persons via a form of 'employment guarantee', e.g. giving 50% of the unemployed 100 days of public employment work per person per year.[7] This concept – in particular the link to a percentage of the unemployed – seems to have been rejected in the final NDP.

Noting that public employment programmes create new jobs through the expanded government employment, the final NDP report recognises that the EPWP has created large numbers of opportunities for the unemployed to become a productive part of the economy, even if temporary, and to earn income (even if meagre). But, contrary to expectations, they have not been successful in providing training to enhance the employability of participants and help them move on to a full-time job (p. 380). This appears to limit their role in enhancing employability.

What they can do, and what the Commission advocates, is that they must still go beyond income transfer. They must preferably be designed so that EPWP participants contribute to their communities in terms of community-based services and social-sector services, e.g. home-based care or early childhood development projects (p. 380; 154). However, for some groups (e.g. low skilled adults) it would probably not amount to much more than unemployment assistance (p. 382).

It is interesting to note that the final NDP sees almost no role for EPWP with regard to infrastructure construction. This is in contrast to earlier views, where the draft NDP (2011) seemed happy that the EPWP II of 2009 'kept to the objective of intensifying labour use on infra-

[7] The draft NDP noted the following: 'The Commission proposes that the scale of public employment should be benchmarked against the scale of unemployment, achieving a countercyclical effect similar to an employment guarantee. The target should be to achieve 100-days of work opportunities for 50 percent of the unemployed, per year using the expanded definition of unemployment' (NDP 2011: 343). This would have implied a significant boosting of public employment, albeit moderated in line with actual unemployment numbers.

structure projects', and were to contribute almost 400 000 work opportunities in infrastructure by 2014' (NDP 2011: 335). Infrastructure still is included in the EPWP II official documentation and website information; the infrastructure sector was the biggest single job-creator in the EPWP II sector targets (almost 50% of the cumulative 5-year total) and the social sector the smallest). It appears that the infrastructure component has been abandoned in the final NDP in favour of service-work that would complement social-delivery programmes (except perhaps in the context of rural infrastructure, which still is in the NDP's chapter 6 (p. 231); see 2.3 above).

Nevertheless, despite moving away from the idea of casting the EPWP as an employment guarantee, the scale that is proposed in the NDP is not very different: the final NDP still projects that public employment programmes should be scaled up to reach the target of creating 2 million job opportunities (not FTE jobs) annually by 2020 or earlier, if possible (p. 153). Numerically this is similar to the EPWP II target. But the focus appears to have shifted to community-based social-sector services, with the CWP being particularly important in this regard.

In the end the NDP does seem rather pessimistic about the ability of EPWP/CWP to attain this scale of achievement, noting that 'few programmes have succeeded' (p. 153). The NDP notes that EPWP is sometimes expected to be a panacea for unemployment and also enhance employability of the participants. 'Lessons from the first round of evaluation of the programme have shown that this is an unrealistic expectation. EPWP has an important role to play but it cannot be the only instrument to address unemployment.' (p. 382). It appears that the potential of EPWP II is being downplayed in the final NDP.

A comparison of the labour-market policy proposals in the social protection chapter to those in the economy-and-employment chapter (ch. 3) reveals that, while the latter makes proposals in the same categories as the former, they are much more specific, or narrower (focused on youth employment, learnerships and extending the EPWP to non-profit organisations; see section 2.1.1 above).

There are indications that a major difference exists, in chapter 3 as against chapter 11, with regard to the preferred way to view public-employment related active labour market policy. This difference lies in whether the EPWP is viewed primarily as a mop-up mechanism (as in chapter 3) or also as an enabling mechanism (chapter 11).

Lastly, it is not clear, if infrastructure remains excluded for the EPWP, how the more limited EPWP strategy of chapter 3 (extending EPWP to non-profit organisations) is supposed to produce the 2 million public employment jobs that are projected in that chapter's employment scenarios (the same applies to chapter 11's strategies).

3. Conclusion

The discussion above has noted pertinent characteristics of the NDP, particularly with regard to Chapter 3 (economy and employment) in comparison with chapters 6 (rural economy), 8 (spatial, human settlements) and 11 (social security).

The first question, stated in the introduction, was about consistency in the NDP in the context of the MTSF and the NGP which appeared earlier – in particular regarding the way growth is pursued, and inclusivity of growth and the remedies for unemployment.

The analysis above suggests that there has been an observable drift in the policy approach since the MTSF. These relate mainly to:

1. The way, or extent to which, the plight of those in the so-called second economy – or, rather, the realities of the condition of unemployment, poverty and marginalisation encapsulated in that concept – is given prominence in the analysis as well as policy proposals. Whereas these concerns, and proposals to address them, were prominent in the MTSF, in the NGP and especially the NDP's chapter 3 they all but disappear as a concern of economic policy. They appear to have been relegated to the sphere of social protection or, at most, rural development. Chapter 3 of the NDP is mostly about employment creation through the stimulation and growth of the mainstream economy.
2. The role of infrastructure in tackling unemployment, poverty and inequality has changed. Whereas the MTSF saw a central role for labour-intensive infrastructure projects in employment creation, and the NGP adopted an even more forceful approach to infrastructure in this regard, the NDP appears to move completely away from this stance. The role of infrastructure project seems to be solely in enabling general economic growth in the export and domestic-services sectors, where especially the latter is supposed to be th main employment creators. Thus infrastructure development only has an indirect employment-enhancing effect, in the view of the NDP.
3. The role of public employment, in particularly the EPWP, in tackling unemployment. Whereas the MTSF saw an important role for the EPWP in (a) labour-intensive infrastructure projects and (b) in imparting workplace skills to workers, thereby facilitating their entry into labour markets, the NGP and especially the NDP moves completely away from such an approach. In the NDP the role of an EPWP is limited to (a) community based or social-sector services such as home-based care and early childhood development, and (b) mopping up surplus workers when there in insufficient employment in the economy.

A second question relates to possible inconsistencies between the relevant NDP chapters. Much of this revolves around the adoption of a formal-sector focused approach as against an inclusive approach that encompasses the formal sector, the informal sector and the survivalist, or subsistence, segment of the economy. Is the informal economy an integral part of economic

policy thinking or not? In the NDP's chapter 3, the informal economy is not discussed at all – even though it has to contribute, in the employment scenario's, approximately 20% of the new jobs required to attain the 2030 goals of the NDP. At most one can argue that the NDP's attention to SMMEs also applies to informal sector enterprises and that they are covered by the proposals. However, this ignores evidence and findings on segmentation and the various barriers faced by workers, enterprises and self-employers in the informal economy in engaging, or competing, with formal-sector enterprises in supply chains, or in accessing formal labour markets.

On the other hand, in the chapter on 'an integrated and inclusive rural economy', a very different approach is adopted. The chapter explicitly, consistently and seamlessly deals with all the sectors and segments in the South African economy, including subsistence agriculture, small-holder agriculture and large-scale commercial agriculture. This includes the complexities of structural inequalities, employment linkages, supply-chain linkages, technology, and so forth. The challenges faced by the poor in a rural context, including the need to enable marginalised rural people to seek economic opportunities and employment, is a priority. This chapter displays a really inclusive developmental approach to unemployment, poverty and inequality.

Similarly, the chapter on spatial aspects and human settlements integrates all three segments of the economy and analyses several dualisms and spatial divides, including the role of the latter as spatially-induced constraints on the access of the marginalised poor to job opportunities.

The social protection chapter sets out an approach much broader than social security and grants. It wants to reduce dependency and increase self-reliance. It does so by including employability promotion as an equally important consideration in a twin-pronged approach. In the draft NDP the second consideration, which is directed towards poor, unemployed, survivalist or informal sector workers, was mostly pursued via EPWP and CPW. At the time, this was in stark contrast to the approach of chapter 3 to the EPWP, which saw it mostly as a mop-up mechanism. In the final NDP, this apparent inconsistency was addressed, or partially removed, by removing these more ambitious goals of EPWP/CPW and thereby the main employability-promotion strategy of the social protection chapter. However, this change leaves the social protection chapter without strategies to pursue its second prong, except for still unspecific references to *other* active labour market policies. Thus chapter 11 has been brought more-or-less in line with chapter 3. But the price has been that neither chapter 3 nor chapter 11 has clear, solid strategies to deal with (un)employability and other access barriers faced by the poor and unemployed, or survivalist and informal sector workers.

If these inconsistencies are not ironed out, or the strategy gaps addressed, it is unlikely that sufficient policy co-ordination and coherent implementation of the NDP will be possible.

The final question is: Is there a coherent strategy and conceptual framework to achieve the unemployment and poverty reduction goals of the NDP?

It was suggested earlier that the NDP chapter on 'economy and employment' could be depicted as having adopted a 'narrow' approach to employment creation, as opposed to a broad, or inclusive, approach. The comparative analysis above appears to support the appropriateness of such a depiction. The adoption of a narrow approach in the key employment chapter must be a reason for concern regarding the probability of success in attaining the ambitious unemployment, poverty and inequality goals of the NDP.

If an employment creation policy does not explicitly tackle the specific problems and disenabling environment faced by those currently attempting to generate a livelihood outside the realms of the formal economy, it is unlikely to make the required impact on unemployment. This is patently clear from the large role for the informal sector in the employment scenarios. Moreover, the preferred scenario is critically dependent on the accuracy of assumptions regarding a relatively high employment coefficient in the formal sector. Even a slightly lower actual coefficient will markedly reduce the formal-sector employment levels that are actually achieved. The need for a vibrant informal economy will be even stronger.

The point is not that the informal sector can easily generate employment growth. There are many obstacles. But they deserve a serious attempt to address them with appropriate policy – a policy that analyses and recognises the peculiar obstacles faced by workers and potential entrepreneurs in the informal world, obstacles which are different from, or faced in addition to, the difficulties faced by formal-sector entrepreneurs (a lack of financing, for example). The kind of help afforded to formal economy SMMEs is unlikely to be sufficient. The fact that the informal economy has not, historically, grown much in relative size, should not stop such initiatives. Whatever success the informal economy has had in employment creation and enterprise development, occurred without much economic policy support and often despite unfriendly (local government) policies.

One must accept that the survivalist segment does not exist only in the rural context. It is an integral part also of urban economies. That is equally true of the informal economy. They are integral to the entire South African economy. Helping the informal sector, or people transitioning from poverty and survivalist life to employment, cannot be the task of 'social protection' alone, even if conceptualised broadly. Informal sector stimulation as such is beyond the social protection realm – it is primarily an economic policy problem, albeit embedded in complex social dimensions.

Given the degree to which the informal sector and the survivalist segment of society are more or less ignored in the mainstream economic policy discourse in the media and elsewhere, the NDP's failure to address their plight head-on *in its economic policy proposals* (and not only

in its social protection or rural development proposals) appears like a real missed opportunity to redirect, or at least broaden, the economic policy debate on unemployment, poverty and inequality.

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September 2013

Appendix A: Summary of policy documents and approaches

A.1 Medium Term Strategic Framework (MTSF) – 2009

New electoral mandate to *halve unemployment and poverty* by 2014. The MTSF was presented as the 'principal guide to planning and resource allocation across all spheres of government'. It listed the following priority areas for 2009-2014:

1. *Faster (and more inclusive) economic growth, decent work and sustainable livelihoods*
2. *Economic and social infrastructure*
3. *Rural development, food security and land reform*
4. Access to quality education
5. Improved healthcare
6. The fight against crime and corruption
7. Cohesive and sustainable communities (including *social assistance*)
8. Creation of a better Africa and a better world
9. Sustainable resource management and use
10. A developmental state, including improvement of public services.

Priority 1: Faster economic growth, decent work and sustainable livelihoods:

- Stable, pro-employment macroeconomic environment
- Trade & industrial policy for large-scale decent work creation … with a focus on large private-sector investment projects**,** especially with *high labour-absorbing impact* (the sectors were not specified)
- *Creating a more inclusive economy by expanding the poor's access to labour markets*, 'broadening the impact and benefits of growth' – *via a second economy strategy*, the EPWP and the CWP; effective urban development & transformation; industrial policy that is *sensitive to enabling SMMEs*; skills programmes for artisans and *self-employment*.
- Promoting SMMEs and cooperatives (skills development, deregulation, procurement)

Priority 2: Massive programme for economic and social infrastructure:

- Increase access, quality and reliability of public services (electricity, water)
- To support growth and job creation… *pursue maximum employment impact*
- Low-cost and affordable housing *with* non-marginalising spatial planning
- Rural infrastructure
- Maintenance of existing infrastructure

Priority 3: Rural development, food security and land reform

- Comprehensive strategy of rural development that will be aimed at improving the quality of life of rural households
- Stimulate agricultural production
- Community farming support
- Public service delivery
- Rural transport
- *Skills development for rural economies*
- *Revitalising rural towns*
- *Non-farm activities* (tourism, light manufacturing, etc.)
- Supporting cooperatives (esp. emerging)

A.2 Cabinet Delivery Outcomes document (2010)

Relevant to gauge Cabinet approach and note the language used

1. Outcome 1: Improved quality of basic education
2. Outcome 2: A long and healthy life for all South Africans
3. Outcome 3: All people in South Africa to be and feel safe
4. Outcome 4: Decent employment through inclusive economic growth
5. Outcome 5: A skilled and capable workforce to support an inclusive growth path (esp. skills planning and development programmes)
6. Outcome 6: An efficient, competitive and responsive economic infrastructure network (esp. maintenance and modernisation)
7. Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all (esp. agrarian reform; rural services, employment opportunities and sustainable livelihoods)
8. Outcome 8: Sustainable human settlements and improved quality of household life (esp housing)

More detail on Outcome 4: Decent employment through inclusive economic growth

Output 1: Faster and sustainable inclusive growth

- The developmental growth path (forerunner of NGP ?)
- Stable and competitive exchange rate; increased private savings; monetary policy that support balanced and sustained growth; counter-cyclical fiscal policy

Output 2: More labour-absorbing growth

- Increased financing for industrial development in labour-absorbing sectors
- Sector strategies to support growth of labour-intensive industries (via IPAP2 – but also mentions agricultural sector potential to create jobs and

improve livelihoods in rural and peri-urban areas, notably through smallholder support)

Output 3: Multi-pronger strategy to reduce youth unemployment

Output 4: Increased competitiveness; grow trade and exports

Output 5: Improved (non-labour?) cost structure in the economy

Output 6: Improved support to small business and cooperatives

- Reduced constraints and improved support to SMMEs and co-ops
- Improved integration of second economy activities into the mainstream economy ("task team will review work and develop an implementation strategy")

Output 7: Implementation of the expanded public works programme

A.3 New Growth Path (NGP) – 2010

This framework reflects government's commitment to *prioritising employment creation in all economic policies*. It identifies strategies that will enable South Africa to *grow in a more equitable and inclusive manner* while attaining South Africa's developmental agenda

- It is a policy framework involving a growth path that identifies the *jobs drivers – where* jobs can be created – and key *policy drivers* (the policy tools available to support employment growth across the economy) as well as identifying trade-offs and choices.
- The target is to create five million jobs over the next 10 years (from 2010) by increasing
  (a) rate of growth and
  (b) the *employment intensity* of growth.
- Most of the projected new jobs will come from the private sector.

Jobs Driver 1: **Massive public investment in infrastructure**

Strong focus on employment impact (direct and indirect):

- Direct jobs are in four activities: construction of new infrastructure (mostly in housing and public works); operation of the new facilities; expanded maintenance; and the manufacture of components for the infrastructure programme.
- In energy, transport, communication, water and housing
- Jobs in construction, operation and maintenance of infrastructure
- A trigger to build local supplier industry (backward linkages)
- Supported by procurement policy and regulations.
- 250 000 jobs a year to 2015.

Jobs Driver 2: **Jobs through partnerships (in the main economic sectors)**

Agriculture: Addressing high input costs, upscaling processing and export marketing, smallholder schemes, improving land reform.

- Opportunities for 300 000 households in smallholder schemes

- 145 000 jobs in agro-processing by 2020
- And: upgraded employment conditions for 660 000 farm workers.

Mining: Increased extraction (coal, platinum) and also beneficiation, which can create large-scale employment.

- 140 000 additional direct jobs by 2020

Manufacturing: Re-industrialisation of the economy (IPAP2)

- 350 000 jobs by 2020 in the industries not covered elsewhere.

Services: Tourism and business services.

- Over 250 000 jobs directly, plus many in the cultural industries.

Jobs Driver 3: **Seizing the potential of new economies**

- Green economy: 300 000 additional direct jobs by 2020 (80 000 in manuf) – and well over 400 000 jobs by 2030
- Knowledge-intensive sectors (pharma, ICT, biotech etc): 100 000 jobs by 2020

Jobs Driver 4: Investing in social capital

- The social economy (non-profit orgs): 260 000
- The public service (health, education, policing)
  Public-service employment (also via EPWP & CWP): 100 000 by 2020

Jobs Driver 5: **Spatial development**

Rural development programmes for rural infrastructure and housing, small-scale agriculture, community food gardens, marketing co-ops, bankings services:

- Livelihood improvements for 500 000 households; this will also stimulate employment in other sectors.
- Around 150 000 additional direct jobs by 2020 from exports to SADC.

The **Research Project on Employment, Income Distribution and Inclusive Growth (REDI3x3)** is a multi-year collaborative national research initiative. The project seeks to address South Africa's unemployment, inequality and poverty challenges.

It is aimed at deepening understanding of the dynamics of employment, incomes and economic growth trends, in particular by focusing on the interconnections between these three areas.

The project is designed to promote dialogue across disciplines and paradigms and to forge a stronger engagement between research and policy making. By generating an independent, rich and nuanced knowledge base and expert network, it intends to contribute to integrated and consistent policies and development strategies that will address these three critical problem areas effectively.

Collaboration with researchers at universities and research entities and fostering engagement between researchers and policymakers are key objectives of the initiative.

The project is based at SALDRU at the University of Cape Town and supported by the National Treasury.

Consult the website for information on research grants and scholarships.

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Research Project on Employment, Income Distribution & Inclusive Growth

Towards an integrated response to unemployment, inequality and poverty