

MMW4P Programme Summary - Employment Promotion Programme (South Africa)

Purpose:

Contribute to the reduction of unemployment by promoting an enabling environment for employment creation in RSA (i.e labour markets).

Dates:

EPP was established in 2005. It is a 2 year programme expected to end in March 2007.

Funding:

DFID has contributed £2 million and is the only funder.

History & Environment:

Unemployment has remained an intractable problem for developing a more inclusive economy and society in RSA they have had growth, but growth has not been in high employment generating sectors and so few jobs have been created perpetuating income inequality. The state is attentive to the issue with job creation a major policy objective of Government. In addition to sectoral issues, regulatory issues around labour markets have been widely acknowledged as a major obstacle to employment generation. Though the state is capable of developing and implementing labour market reforms, the development of appropriate policies is very political and hampered by a polarized debate between business and labour over what are seen to be contradictory objectives of greater flexibility in labour use and protecting labour standards and rights. The Unions are also extremely powerful politically within South African politics. The nature of the debate in South Africa has also evolved over the last 2 years. 3-4 years ago, the debate was highly emotive and political and based more on BEE charters and transfer of ownership (in practise to a small minority), whereas now the debate is more evidence based and searching for policies to bring broader shared growth. As a result the environment is more conducive to MMW4P thinking and influence.

Driver of programme, positioning & timing:

The programme was developed with the support of the Presidency but is positioned as an independent initiative outside government. Although this places it outside the formal policy making processes of the state, the involvement of the Presidency gives it easy access to policy makers and government

institutions. Representatives of the private sector and labour also backed the initiative strongly, resulting in an initiative with traction and momentum. Timing and government buy-in has been critically important. Whilst debate in South Africa was polarised around BEE, the increasing realisation of job-less growth has led to the Government becoming gradually more open-minded to evidence based dialogue on these highly political and unionised issues.

Governance:

A small reference group drawn from government (The Presidency), organised business and the labour movement provides effective strategic direction and oversight. Bringing together representative from three main constituencies involved in the contestation over labour market policies helps to promote dialogue. The representatives from each are prominent individuals which gives legitimacy to the programme. The programme itself is therefore a platform for dialogue and discussion of evidence based policy issues.

Management:

Contracted out to the Development Research Policy Unit (DPRU) based at the University of Cape Town. The DPRU is a credible organisation in the field of policy research. The management function is lean and light touch concerned with quality assurance over inputs which are provided by credible individuals or organisations. The Expanded Public Works Programme intervention is contracted to the ILO.

Approaches:

The approach of the programme is based on the assumption that regulation and government policy are critical to the functioning of labour markets in South Africa. The programme aims to address both the demand and supply of labour and is organized around 4 output areas:

- **Output 1: A reliable base of evidence exists to inform better employment related policies.** A series of papers prepared by respected academics and practitioners on the regulatory environment for small business

and labour market regulation and growth led to a Cabinet Memorandum which triggered; i) reform of tax policies; ii) a new approach to regulations governing SMEs at the municipal and local level; iii) a renewed impetus in the Department of Labour (DOL) to reach consensus on labour market regulation based on the concept of 'regulated flexibility' proposed in one of the papers. Research papers have also helped to set the agenda for the Deputy President's Joint Initiative on Priority Skills for South Africa (JIPSA) in improving the skills of the work force. This led to a series of policy proposals being agreed by the Deputy President and the Minister of Labour to improve oversight over Sector Education and Training Authorities (SETAs) and increase the supply of artisans and engineers. A website is being established to provide labour market statistics.

- **Output 2: The employment effects of policies and regulations are monitored and assessed from a public goods perspective.** This output has focused on Regulatory Impact Assessments (RIA) establishing their suitability for South Africa (Phase I), developing draft guidelines for RIAs and pilot testing them (Phase II) and addressing the practicalities for implementing and institutionalising RIAs (Phase III). Follow up work has been requested by the Government to help implement the system of RIAs.
- **Output 3: Labour market institutions and organisations operate more effectively.** Under this output the EPP has helped digitalize DOL's national data base of bargained wages that is vital for tracking market outcomes. It has funded a study of the Commission for Conciliation Mediation and Arbitration, the key dispute resolution mechanism for labour disputes in the country, with a view to improving its efficiency and effectiveness.
- **Output 4: Improved design and implementation of the infrastructure elements of the Expanded Public Works Programme (EPWP).** This output has provided technical assistance to mainstream labour intensive construction methods in the implementation of Government's infrastructure programme.

The four outputs therefore address policy and institutions, market infrastructure in the form of organisations providing key services and the

capabilities of actors (EPWP).

Instruments/Tools:

- The programme itself is a forum for dialogue and informed discussion a critical factor in agreeing change given the political context.
- Research and collation of evidence to inform government policies is central to the programme
- Technical assistance to improve institutions and the capability of actors.
- Specific tools have been introduced into government (RIAs) to ensure that all government policies take account of their impact on growth, the private sector and employment effects.

Major Challenges:

- **Timescales.** Policy reform is very difficult given vigorously contested issue of labour markets. This is not easy and is likely to be a lengthy process. Systemic change in labour markets is likely to take much longer than the envisaged time frame of the programme.
- **Political navigation and process.** Turning research into meaningful dialogue and dialogue into meaningful negotiations requires considerable skill and patience in waiting for the right opportunity.
- **Impacting jobs through direct interventions.** EPWP will take time to deliver systemic (behavioural) change as labour intensive construction methods have to become the norm amongst government agencies and private sector suppliers. This may not be the most efficient building method, so Government must take care in influencing market based on social externalities.
- **Implementing policy.** A key challenge moving forward will be translating early successes into implemented policy.

Strengths:

- **Legitimacy.** Given the government was involved in setting up the programme, the programme has had clear demand, legitimacy and influence from the outset.
- **Credibility.** The reference group provides legitimacy and credibility amongst the key constituencies of stakeholders. The management agent also has credibility and is able to recruit individuals and organisations that have the respect of the key stakeholder constituencies.
- **Neutrality.** The programme has been able to find and develop the uncontested space

between the protagonists and so to broker dialogue and negotiation. It has won high praise from all constituencies as an effective piece of donor assistance.

- **Early successes.** Work carried out by the EPP has been largely responsible for several key policy shifts. These include: a) labour regulation moving centre-stage in the Ministry of Labour, with high quality academic research on labour market institutions and process backing this up; b) the delivery of a national database on bargained wages; and c) a detailed review of the organisation responsible for labour conciliation and arbitrations.

Key lessons:

- **Timing and perfect storm.** The conditions for the programme were close to the 'Perfect Storm' in that the lack of job creation had become a major issue that demanded a response from stakeholders. Prominent individuals and organisations amongst the stakeholders were willing to address the issue. This would not have been possible two years before despite the issue being well-known.

- **Political context.** The design of the programme paid careful attention to understanding the political context, appetite for change, timing of outputs to have a strong chance of delivering positive outcomes and positioning the programme so that it had the best chance of influencing change.

- **Political support & positioning.** In SA, outcomes in highly contested areas such as this will always be negotiated, and progress can often be best achieved by supporting a broad based and inclusive process for all stakeholders, taking genuine account of the need to balance different interests in the society in meaningful ways. Making EPP accountable to a reference group representing the key players of organised business, labour and the SA Presidency - was initially seen as high risk however this has been critical to success.

- **Governance.** The governance arrangements were highly appropriate, providing a base for local ownership and a platform for dialogue between the stakeholders.

- **Credibility of evidence.** The management arrangements ensured that ownership remained with the stakeholders whilst ensuring that the implementing agency fulfilled the key requirement of credibility. Credibility was further enhanced by using researchers trusted by the stakeholders

- **Working modalities** - The structure and

functioning of EPP have been key to its success. The approach of having a small influential reference group, with high-level membership, few formal meetings, yet regular decision-making and interaction electronically has engendered a swift reaction time to the needs of policymakers and stakeholders. It has also provided the space required for the different parties to discuss labour market issues away from more formal structures where they may feel required to adopt the formal views of their organisation.

Case studies/papers available:

A range of papers produced as well as reports on RIA and the EPWP.

Reviews available:

Internal DFID reviews and annual reports.