

Towards a right to work: The rationale for an employment guarantee in South Africa

What if unemployed people in South Africa had a right – a real right – to a minimum level of regular work on decent terms? In 2005, India passed a law guaranteeing rural households up to 100 days of work a year, at minimum wage rates. Over 55 million households now participate in the programme.

Real policy innovation able to change society in significant ways is rare. India's employment guarantee is an innovation of this magnitude, with implications for social and economic policy, and for the role of the state as employer of last resort when markets fail. In the process, India has given new meaning to the concept of a right to work – opening new policy doors.

This policy brief analyses the context of structural unemployment in marginal areas in South Africa, briefly describes India's employment guarantee programme, explores the rationale for an employment guarantee in South Africa – and considers lessons from South Africa's Community Work Programme (CWP) on how such a guarantee could work in practise.

UNEMPLOYMENT IN MARGINAL AREAS

South Africa has one of the highest unemployment rates in the world, with formal unemployment at 25.2% (4.3 million people) and a rate including 'discouraged' workseekers of 32.7% (6.2 million people)¹. Bad as these statistics are, unemployment in marginalised areas is often far higher than the national average: for example, 67% unemployment in Sakhisizwe Municipality in the Eastern Cape; 58% in Umzumbhe Municipality, Kwazulu-Natal; and 57% in Bushbuckridge, Mpumalanga².

The uneven burden of unemployment is one more manifestation of structural inequality in South Africa, rooted in the structure of the economy, spatial inequality and inequality in human capital formation. These are consequences of the social and economic engineering of apartheid; but while apartheid has gone, these legacies remain, and continue to skew the patterns of economic access and distribution. These are not problems that markets – left to their own devices – can or will solve.

STRUCTURAL INEQUALITY

This analysis of structural inequality informed the development of a strategy for

the 'second economy', initiated by the Presidency from 2007-2009, and hosted in TIPS. This concluded that while the concept of 'the second economy' was intended to focus policy attention on the wide disparities in South Africa, the notion of 'two economies' was potentially misleading. South Africa has one economy, characterised by high inequality: the challenge is to understand how this translates into poverty and economic marginalisation – and what to do about it³.

The structure of the economy means that in South Africa, unlike in many other developing contexts, the informal sector does not provide an easy entry point for self-employment when other employment opportunities are limited. Most manufactured goods bought by poor people are mass-produced in the core economy, and are easily accessible in even the most remote spaza shops. This limits opportunities for small-scale local

The information in this brief is extracted from a paper by Dr Kate Philip of TIPS. It builds on a presentation at the National Conference on Inequality and Poverty in South Africa, September 2010, hosted by Plaas, SPI and Isandla Institute. The full paper, *Towards a Right to Work: The Rationale for an Employment Guarantee in South Africa*, is available on the TIPS website, www.tips.org.za. For more information contact Kate Philip, TIPS, info@tips.org.za
Tel: +27 12 431 7900

¹ www.statssa.gov.za. Accessed 4/12/2010

² *Community Survey*, StatsSA, 2007

³ For more detailed analysis, see the final report, approved by Cabinet in January 2009 and included in full in the AsgiSA Report in April 2009, *Addressing Inequality and Economic Marginalisation: A Framework for Second Economy Strategy*, at www.tips.org.za

manufacturing of products that target poor consumers – a key factor contributing to the bias towards retail trade in the micro-enterprise sector.

Secondly, a key intention of the 1913 Land Act and later of apartheid policy was to limit black people's access to land, to force them into the labour market. For a while, land-based livelihoods supplemented the low wages of migrant workers. But mounting pressures on land has led to a decline in land-based livelihoods as well as the institutions needed to support these.

In South Africa, therefore, two of the most important avenues through which poor people typically engage in economic activity and enter into markets – the informal sector and land-based livelihoods – are severely constrained. This makes poor people unusually dependent on wage remittances or social grants. This dependence is a consequence of these structural factors; it's not simply a state of mind or a function of a lack of entrepreneurship – but it contributes to the lack of economic dynamism and to the levels of economic desperation that characterise many of the country's poorest areas.

Important as social grants have been in combating poverty, a key social protection gap remains: there is little or no direct cover for unemployed people, and none at all for those who have never been formally employed. As a result, they are not only structurally dependent in economic terms, but also socially dependent on goodwill for their day-to-day survival, for indirect access to social grants from those who receive them, or for access to wage remittances from friends or relatives who are employed. This is deeply disempowering.

IT'S ABOUT MORE THAN MONEY

A new form of cash transfer would help. But the unemployment crisis is about more than money. In a context in which the unemployment rate for youth is significantly higher than the national average, and youth make up over two thirds of the total number of unemployed people – and over half of these have never been employed – the meaning of work is potentially at stake. The longer people are unemployed, the more unemployable they become. Children of the unemployed are less likely to be employed, and statistics show that those who have never been employed are least likely to succeed in self-employment.

The over-riding social and economic priority in South Africa is to break this vicious cycle – to provide work for those who need it, even where markets cannot do so, to instil the practices and disciplines of work; to embed the link between work and remuneration –

Conditions confronted in CWP: Tjakastad, Mpumalanga

Population size estimate: 50 000

Households below the poverty line: 80%

Unemployment rate estimate: 52%

Liquor outlets: around 100

Health services: one clinic

HIV prevalence estimate (2007): 38.9%

Vulnerable children: social workers say that one out of two children is vulnerable or orphaned

Schools: 11 – seven primary and four secondary

Security: no full-time police station – only a satellite station. Many gangs and high levels of crime

Main economic activity: agriculture

Key community challenges include: high levels of HIV/AIDS; orphans and vulnerable children (OVC) with insufficient care and protection; unregulated drinking outlets; violent crime related to alcohol use; alcohol use at schools; crime among children and youth; lack of HIV education

Source: From community mapping process, Seriti Institute, 2009

currently often absent; to give people the dignity of being productive rather than dependent; and to rebuild their sense of economic agency – of their capacity to change their conditions through their own actions.

AN EMPLOYMENT SAFETY NET

Strategies to restructure the economy and put South Africa on a new growth path are crucial, but they will take time to implement and impact – and are likely to reach the most marginalised last.

In strategic terms, that's the key conundrum: we don't have time. Current unemployment levels are quite simply socially, economically and politically untenable. Continued failure to create employment at the scale required is likely to lead to heightened social tension; this in turn is likely to negatively affect the scope for economic growth and sustainable employment outcomes.

The need to break this cycle is the core rationale for creating an employment safety net: to enable economic participation where markets aren't doing so, to provide a minimum level of work for those who need it – not as an alternative to economic policies that deliver sustainable solutions, but as a complementary strategy to create the space for these to be implemented and take effect.

The argument that the state should act as 'employer of last resort' where markets fail has a long history in economic thought – but limited precedents in

practice. India's introduction of an Act that guarantees rural households a minimum of 100 days of work a year changes that, creating a level of entitlement to work underwritten by the state. This programme now has 55 million participating households – and rising. It is a model of obvious interest for South Africa.

LEARNING FROM INNOVATION IN INDIA

The Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) was promulgated in India in 2005 and implementation started in 2006. Through the Act, the state guarantees a minimum of 100 days of wage employment to every rural household with unemployed adults willing to do unskilled work. By mid-2010, over 55 million households were participating in the scheme.

Work is identified and planned by the local state, and must have a 60:40 wage-material ratio. The programme is focused on improving rural infrastructure and agricultural productivity, and is seen as a key part of India's 'green jobs' and climate adaptation strategies.

Implementation takes place in a context of high public scrutiny and debate. NREGA was passed at the same time as India's Right to Information Act, which arose as a consequence of a mass campaign against corruption, focussed in part on public works programmes.

NREGA stipulates that all information on the scheme should be in the public domain: and it is – see www.nrega.nic.in.

While the impacts and possibilities arising from NREGA are still in flux and often contested, the programme has opened a range of new development trajectories in rural India, giving a new materiality to the concept of a right to work, opening new policy opportunities.

POLICY CONTEXT IN SOUTH AFRICA

South Africa has a policy commitment to public employment through the Expanded Public Works Programme (EPWP). EPWP is an important part of current policy, but key features of the model mean it is not easy to scale up significantly or convert into an employment guarantee. This is because EPWP was designed to increase the labour intensity of existing government programmes. This is good spending policy, but by definition offers incremental rather than exponential gains.

In addition, many of the existing work activities in EPWP are not particularly labour intensive. If the aim is to scale up beyond the level existing programmes can deliver, then it does not make sense to do so by

scaling up activities in which the labour content is low – unless this is needed for other development purposes.

Also, because delivery of the EPWP is tied to wider delivery, it is often weakest in the areas of greatest need. To go to scale and to target the areas of greatest need, a complementary public employment model is needed.

What might such an approach look like? What lessons could be learned from India? How might the concept of an employment guarantee be adapted to meet South Africa's particular set of needs – and constraints?

To explore these questions, the CWP was initiated in 2007 by the Second Economy Strategy Project in TIPS. The design and pilot phase of the CWP was run outside of government, with donor funding and strategic oversight from a Steering Committee comprising representatives of the Presidency and the Department for Social Development, and later also from National Treasury, the Department of Cooperative Governance (DCoG) and the Department of Public Works.

In the June 2009 State of the Nation address, President Jacob Zuma committed government to 'fast-track' CWP implementation. It was recognised as a component in Phase Two of EPWP, its targets and budgets were raised, and during 2009/2010, it made a series of transitions into government with formal transfer into DCoG in April 2010 and a target to have the CWP operating in at least two wards per municipality by 2014.

COMMUNITY WORK PROGRAMME

The CWP was designed as an employment safety net and not an employment solution, and provides a minimum level of regular, predictable work, typically two days a week or the monthly equivalent. The current wage rate is R60 a day.

CWP sites are being established in poor communities in rural and urban areas with a target minimum of 1 000 people per site. The work must be 'useful work' – work that contributes to the public good or the quality of life – and that does not displace jobs in the public sector. In practice, the work is multi-sectoral, although a common set of priorities has emerged. These 'anchor programmes' include home-based care for households affected by HIV, TB and other illnesses; care of orphans, vulnerable children and the elderly; food security and the planting of gardens; auxiliary support to schools; youth recreation; security; clean-ups and environmental rehabilitation.

If the target of establishing a CWP in every municipality by 2014 is achieved, the institutional architecture required to roll out an employment guarantee will be in place

The CWP is not, in its current form, an employment guarantee; however, it was designed to test an approach that could be used to implement an employment guarantee – or at least scale up public employment to meaningful levels.

While the CWP is still an ant compared to India's elephant, its growth in 18 months from 1 500 participants in April 2009 to 74 905 participants at 49 sites around the country by September 2010 demonstrates its potential to go to scale and mobilise the local partnerships and capacities required to do so⁴.

With a labour-intensity of 65% at site level, it is highly cost effective. The fact that communities identify and prioritise the work to be done at local level is also having a wide range of additional development impacts, and is strengthening local institutions. While it is a government programme, it is also a community-driven one, implemented by non-profit agencies.

If the target of establishing a CWP in every municipality by 2014 is achieved, the institutional architecture required to roll out an employment guarantee will be in place. The steps required to make such a transition would not then be huge: the development implications certainly could be.

WHAT DOES IT COST?

In 2010, the actual annual cost for a CWP site with 1 000 participants was just over R9 million; including overall programme management costs, this translates into about R10 billion per million participants.

This is substantially less than the estimate put forward in the HSRC's Employment Scenarios: that 2.9 million work opportunities in EPWP would cost R59 billion – or R20.3 billion per million people⁵.

⁴ See the *Community Work Programme Annual Report 2009/2010* for a detailed look at the pilot programme and initial roll-out of the programme. Available at www.cogta.gov.za and www.tips.org.za

⁵ Altman, M. 2009. *Can south Africa's Employment Targets be Met in the Context of the Global Economic Crisis?* HSRC, Pretoria

THE CASE FOR AN EMPLOYMENT GUARANTEE

South Africa needs an employment guarantee to provide a minimum level of employment where markets are failing to do so: to unlock the economic contribution of those who are excluded, to give people the dignity of being productive rather than dependent, and to rebuild their sense of economic agency.

Such an approach may even be a necessary condition to put South Africa on a new growth path and to deliver sustainable solutions: because these policies will take time to deliver results – and we don't have time. Without such a strategy, a rise in social tensions could have negative economic impacts, reducing scope to achieve sustainable employment outcomes.

The CWP offers insight into other impacts an employment guarantee could have.

An employment guarantee would provide sustained investment in local incomes, necessary for wider local economic development. It would also invest in human capital development and in public/community goods and services in ways that enhance the potential for sustained social and economic development.

The CWP model could achieve these outcomes on terms that build local organisational capacities and institutions, strengthen participation in development planning, deepen local democracy, and unlock economic agency.

In other words: while the case for an employment guarantee has focussed on its role as a form of 'employment safety-net' where markets fail, could an employment guarantee also be an instrument of structural change, catalysing wider social, economic and market-development processes in marginal areas?

TIPS is an independent, non-profit economic research institution active in South Africa and the region. The organisation facilitates policy development across six theme areas or policy pillars: trade, African economic integration, industrial development, inequality and economic marginalisation, sustainable growth and rural development. TIPS has a close working relationship with policymakers, and actively stimulates dialogue between policy practitioners and the wider research community.

www.tips.org.za +27 12 431 79007