

GENERAL NOTICE

NOTICE 1264 OF 1998

DEPARTMENT OF LABOUR

CREATING JOBS, FIGHTING POVERTY AN EMPLOYMENT STRATEGY FRAMEWORK

Interested parties are invited to submit written comments on the Employment Strategy Framework in the Schedule hereto to reach the office mentioned hereunder on or before 24 July 1998.

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T.T. MBOWENI, MP
Minister of Labour

Creating Jobs, Fighting Poverty

An Employment Strategy Framework

FOREWORD

In his State of the Nation address in February this year the President, while noting the successes that the present government had made in improving the lives of all, and especially of those that have been historically disadvantaged, lamented the fact that we are not making much progress in eliminating the scourge of unemployment that afflicts a large segment of our labour force. It is for this reason that the President stressed the importance of the forthcoming Jobs Summit. The President said:

"One will not be exaggerating to say that, given its impact on every thing else we do as a nation, including crime prevention, reconciliation and the very survival of our democracy, the Jobs Summit is perhaps the most important event since our first democratic elections; an important launching pad for a determined national drive as we move into the 21st

century".

As a follow-up to the Reconstruction and Development Programme, government had identified employment creation as a focal pillar for social and economic transformation, and accordingly embarked on an inter-departmental process of consultation to prepare an employment strategy which would provide a bold and coherent basis for addressing the problem of unemployment. A cluster of government departments was selected to facilitate this process with the Department of Labour as the facilitator.

The release of the report of the Comprehensive Labour Market Commission and the Growth, Employment and Redistribution policy framework, in which a call was made for an accord for employment and growth among social partners, and subsequent discussions with the social partners in NEDLAC, led to the acceptance of the need to convene the forthcoming Jobs Summit.

The present document is the culmination of an extensive, and, what turned out to be a rather lengthy process of consultation within government. It is also informed by various research studies that were undertaken to investigate the potential for employment promotion in various sectors and industries of the economy. Government is presenting and publishing this employment strategy framework document for public comment, and as a basis for consultations with social partners. In this way we hope to arrive at a revised employment strategy that would have benefited from the various innovative views and initiatives on employment creation from the public (civil society, churches, and non-governmental, community, labour and business organisations).

We hope that it will generate sufficient debate resulting in firm commitments from the social partners to successfully implement the resulting strategy. The outcome of the Jobs Summit should be such that we can all agree on an approach to employment promotion and also indicate what our respective commitments to this project will be in the interest of the nation as a whole rather than in the pursuit of parochial interests.

We hereby invite the public to make their contributions in order to refine these proposals.

I would like to thank the officials from the various departments for their inputs and participation in the process which has resulted in this document.

The task at hand is gigantic. Let us put our heads together to find solutions. Let us have your views.

T.T MBOWENI, MP
MINISTER OF LABOUR

CREATING JOBS, FIGHTING POVERTY AN EMPLOYMENT STRATEGY FRAMEWORK

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LIST OF ACRONYMS USED IN THIS DOCUMENT

ABE	:	Adult Basic Education
BCEA	:	Basic Conditions of Employment Act
BRAIN	:	Business Referral and Information Network
CBPWP	:	Community Based Public Works Programmes
CCMA	:	Commission for Conciliation, Mediation and Arbitration
CECC	:	Cabinet Employment Cluster Committee
CICC	:	Cabinet Investment Cluster Committee
CIDA	:	Canadian International Development Agency
CSS	:	Central Statistical Services

CWSS	:	Community Water and Sanitation Services
DTI	:	Department of Trade and Industry
ESF	:	Employment Strategy Framework
ETB	:	Education and Training Board
FRIDGE	:	Fund for Research into Development, Growth and Equity
GCC	:	Gold Crisis Committee
GDP	:	Gross Domestic Product
IDC	:	Industrial Development Corporation
IDZ	:	Industrial Development Zones
ILO	:	International Labour Organisation
IT	:	Information Technology
JSE	:	Johannesburg Stock Exchange
LRA	:	Labour Relations Act, 1995
MDP	:	Manufacturing Development Programme
MIP	:	Municipal Infrastructure Programme
MTEF	:	Medium Term Expenditure Framework
NCPS	:	National Crime Prevention Strategy
NEDLAC	:	National Economic Development and Labour Council
NEF	:	National Empowerment Fund
NGO	:	Non-Governmental Organisation
RDP	:	Reconstruction and Development Programme
SDI	:	Spatial Development Initiatives
SETA	:	Sectoral Education and Training Authority
SMMDP	:	Small and Medium Manufacturing Development Programme
SMME	:	Small, Medium and Micro Enterprises
SPII	:	Support Programme for Industrial Innovation
SPTSF	:	Social Plan Technical Support Facility
THRIP	:	Technology and Human Resources for Industry Programme
UIF	:	Unemployment insurance Fund
WTO	:	World Trade Organisation

EXECUTIVE -SUMMARY

1. The Unemployment Challenge

1.1 Putting South Africa on a developmental and employment-absorbing growth path is a long-term challenge which we will need to tackle together, with a shared vision.

1.2 The whole thrust and mandate of the Government is to achieve this objective. Policy, programmes and their implementation must be taking us toward this goal. So important and fundamental is this goal that it is necessary to continuously assess whether we are moving toward it.

1.3 The new democratic government has had four years to formulate and implement its policies. To reshape and restructure the economy that we inherited and to ensure that there is job creation is not a task that we can achieve overnight. Yet the fact that not enough jobs are being created at this stage and that this is the perception and experience of ordinary people is cause to reflect and to act.

1.4 The purpose of this document is to undertake such a reflection and to propose a concrete programme to boost employment growth during the structural transition that is taking place. Much of this programme involves the more efficient implementation and co-ordination of existing programmes. However, it also proposes that we identify areas that are inhibiting job creation, that a number of new programmes be started, that all social partners make significant contributions and that all available resources are efficiently applied.

1.5 While we have had many successes in transforming our economy and in improving delivery, unemployment remains the key concern. There is a critical need to boost the long term labour absorptive capacity of the economy. We need to reduce the dislocation caused by structural change, eliminate the institutional impediments to employment creation and hasten the process toward a sustainable, inclusive, labour-absorbing growth trajectory. The key objective of the Employment Strategy Framework (ESF) is to boost employment growth in the short to medium term and to do this in a manner that will strengthen the likelihood of success in achieving the longer term goals.

1.6 Unemployment is not a problem created recently. It is a result of previous political and economic policies that led to inadequate attention to human capital development, a prolonged deterioration in the real growth rate, rising capital intensity of production and declines in savings and investment since the 1970s. With the demise of the apartheid system and greater urbanisation, the problem of unemployment has become more serious and more visible.

1.7 Unemployment, using the international ('narrow') definition, currently stands at about 20%. However, we recognise that many of our people have been out of work for so long that they have stopped looking. Unemployment stands at about 29% if the 'broad' definition is used, which includes these discouraged workers. The economy must generate about 250 000 new jobs in net terms, simply to ensure that the unemployment rate does not rise. To absorb new entrants into the labour market the economy should generate more than 350 000 net new jobs per annum. Far more must be generated if we are to seriously reduce the unemployment rate and eat into the backlog of jobless South Africans which apartheid left us.

1.8 Unemployment, by whatever measure, is unacceptably high. The poorest households are those where no-one or only one family member works.

A job gives a person, not only income, but self-respect. A job gives a person the opportunity to contribute to the productive growth of our nation. As a nation our central challenge is to create jobs, especially sustainable and productive ones. We need to get South Africans working.

2. An Employment Strategy Framework (ESF)

2.1 In the context of high and persistent unemployment, it is clear that we need an Employment Strategy Framework which gives overall direction on the way forward. Since it will take some time to erode the unemployment problem, this Framework must guide us through the short, medium and long term.

2.2 In the short run, we seek to directly and indirectly promote the creation of sufficient numbers of jobs to match net growth in the labour force. We seek to expand the Special Employment Programmes to raise the level of job creation as quickly as possible. Even where these are short term employment generators, they will focus on building important community assets and reinforcing programmes, aimed at generating longer-term economic opportunities. A number of sectorally-focused initiatives will be pursued, where there could be quick but sustainable employment creation, as in services such as tourism, and in certain goods destined for the local market.

2.3 In the medium-to-long term we seek to fundamentally propel the economy into one which is innovative, inclusive and labour absorbing. Overall, we will need to raise the skills base and move into higher value-added sectors to raise national income, enable a more stable exchange rate and to better reflect our underlying cost structure. We will need to ensure a sustainable job creating path, where net job creation exceeds labour force entry. This trajectory will require:

2.3.1 increases in the labour absorptive capacity of the economy - by expanding the creation of sustainable formal sector employment through the identification and promotion of higher value added, more labour using industries, with strong employment multiplier potential; and improving access for small business to economic opportunities;

2.3.2 improved functioning of labour markets, with an emphasis on geographic and occupational mobility, greater adaptability to changing circumstances, reduced occupational discrimination and improved absorption of new entrants;

2.3.3 vastly improved education and training levels and improved secondary and tertiary education responses to labour market needs;

2.3.4 improved and more cost-efficient systems of social security and better and more accessible social services;

2.3.5 tangible improvements in addressing effects of relevant forms of crime and developing stable communities;

2.3.6 the creation of a more efficient, adaptable and proactive public service.

3. An Overview of Government's Employment Strategy Commitments

3.1 Our policies aim at the development of a labour absorbing economy that relies on sustainable employment opportunities in the production of higher value-added goods and services. Overall, a critical minimum package of mutually reinforcing policies is required to lead us to a sustainable

dynamic growth path. The Employment Strategy Framework aims to improve both the demand for, and the employability of, labour. Both demand and supply side policies will be constructed so that they are more closely linked and are mutually reinforcing. A combination of short term and long term measures will be implemented. We must move to a longer term developmental trajectory and yet we fully recognise that people need jobs now.

3.2 To increase the demand for labour, emphasis will be placed on raising both output and the labour absorption capacity of the economy by:

3.2.1 creating jobs directly through the strengthening of Special Employment Programmes, with more financial resources, better co-ordination, more regular flow of income and more emphasis on the building of sustainable assets. The key programmes will include the Municipal Infrastructure Programme, Working for Water and Community Based Public Works Programmes. Two new programmes will be introduced: the Clean Cities Campaign and the Land Care Campaign.

3.2.2 preserving jobs in the private sector by means of:

3.2.2.1 programmes to enable existing firms to shift into higher value added, more competitive product niches and to adopt more competitive methods of work organisation.

3.2.2.2 targeted interventions in mining, agriculture, construction, and vulnerable sectors in manufacturing such as motors, clothing and textiles, footwear and the petrochemical-plastics pipeline.

3.2.3 strengthening and refocusing some of the existing investment promotion policies and programmes. Some programmes have only recently been introduced, but have already begun to show results. However, some of these programmes will be under review in the coming year including the Manufacturing Development Programme(MDP), a range of SMME support services and key aspects of the National Crime Prevention Strategy.

3.2.4 fast-tracking movement into new labour absorbing industries by:

3.2.4.1 improving attention to the promotion of 'non-tradeables' and service industries

3.2.4.2 supporting the identification and promotion of key labour absorbing industries, in agriculture, manufacturing and services

3.2.4.3 promoting cluster initiatives which enable the identification of industry strategy initiatives, particularly in services

3.2.4.4 promoting innovation in technology use and work practices

3.2.4.5 leveraging investment into the South African economy through the Industrial Participation Programme

3.2.4.6 reducing the cost of investing in productive activities with the MDP, the SDIs and the IDZs, restructuring commercial transport services and addressing key areas of crime.

3.2.5 promoting SMMEs by:

3.2.5.1 establishing local business service centres, which will be electronically integrated

3.2.5.2 strengthening delivery in the financial services sector,

particularly in the lower end of the market

3.2.5.3 intensifying land reform and extension services

3.2.5.4 strengthening the implementation of local economic development and local programme delivery

3.3 To strengthen the employability of labour, our policy focuses on education and training, improving the functioning of the labour market and devoting special attention to vulnerable groups. A strong package of 'active labour market policies' will be introduced to strengthen labour market matching and the skills base. We aim to:

3.3.1 Strengthen the availability of skills by:

3.3.1.1 enabling easier access to work for non-South African skilled personnel

3.3.1.2 transforming the training boards system into SETAs and supporting a substantial increase in private sector expenditure on training

3.3.1.3 augmenting skills and infrastructural development through the Infrastructure and Employment Investment Programme

3.3.1.4 improving the interface between labour market needs and the education system

3.3.1.5 improving the allocation of resources in education and introducing the new curricula

3.3.2 Improve the functioning of the labour market by:

3.3.2.1 revising labour regulation, in consultation with the Social Partners, to improve criteria relating to the extension of bargaining council agreements, to loosen provisions related to probation and to reduce the load carried by the CCMA while increasing its preventative role

3.3.2.2 establishing a national network of Labour Market Information and Careers Services Centres to guide workseekers towards jobs

3.3.2.3 formulating a more comprehensive social security and welfare safety net

3.3.2.4 enabling adjustment through Social Plan activities including the establishment of the Social Plan Technical Support Facility provision of retrenchment services and local support to economic development.

3.3.2.5 improving coordination in the planning of housing schemes and the provision of low cost transport services

3.3.3 Vulnerable groups will receive special attention, by:

3.3.3.1 reducing direct and indirect discrimination against women in the labour market by improving access to child care services, accommodation in areas of economic agglomeration, skilling opportunities and occupations not normally considered to be 'women's work'.

3.3.3.2 promoting youth employment and skills development with the consideration of a youth learnership wage, a youth training subsidy, measures to avoid the displacement of existing workers when new young employees are taken on, improved careers services in schools, internships,

and improved vocational training.

3.3.3.3 enabling the optimal development of the disabled, by first establishing their social security needs and promoting their integration into the mainstream economy.

3.4 To fulfill the aims of the Employment Strategy it is essential that improvements in public service delivery be achieved. The reallocation of expenditure and of personnel to areas that add social value will require the introduction of more adaptable employment practices and an affordable number of public servants.

3.5 In all relevant aspects of policy, attention will be devoted to improving delivery at the local level and improving coordination in infrastructural, educational and investment promotion activities so that they can be mutually reinforcing in enabling growth and employment absorption.

3.6 To provide a vehicle for fiscal support of innovative programmes aimed at stimulating employment and development opportunities for young people, we will establish the Umsobomvu Trust, to be capitalised initially from a charge on demutualisation. These initiatives may receive further support from the Budget.

3.7 A Cabinet Employment Cluster Committee will be established, to be chaired by the Minister of Labour. This cluster will ensure that government's Employment Strategy commitments are implemented. It will oversee a review of the employment impact of key policy areas, enforce improved policy coordination and monitor progress on key programme commitments.

3.8 We recognise that human and financial resources are limited. We therefore challenge the Social Partners to join us in making this workplan.

4. We Challenge Business

4.1 We recognise the contribution made by Business to social development, in the promotion of corporate social responsibility and the contribution to the National Skills Fund. We further challenge business to make a meaningful contribution to employment promotion through demonstrable and tangible commitments to:

4.1.1 funding partnerships in support of the programmes of the Umsobomvu Trust and other employment generating initiatives

4.1.2 promoting youth learnership and employment

4.1.3 facilitating small business entry into the economic mainstream

4.1.4 enabling progressive workplace change

4.1.5 helping reduce conflict on the shop-floor

4.1.6 building capacity at the local level by establishing a nation-wide "Managers Service Programme". Skilled professionals would volunteer their time to assist in the development of capacity in local and provincial government financial management, the development of Local Business Service Centres, the Social Plan Technical Support Facility, schools management and upgrading and public works projects

4.1.7 promoting education and training with a "Schools Adoption

Programme", which would systematically finance the upgrading of schools and the purchase of books and materials.

5. We Challenge Labour

5.1 We recognise the contribution made by Labour to social development and democratisation. We further challenge labour to make a meaningful contribution to employment promotion through demonstrable and tangible commitments to:

5.1.1 contributing to the Umsobomvu Fund

5.1.2 making it easier for young people to enter employment

5.1.3 wage bargaining appropriate to productivity gains and rates of inflation and which does not contribute to job loss

5.1.4 developing a realistic labour regulation framework, which enables the restructuring required in both the public and private sectors and supports an environment for employment creation

5.1.5 helping reduce conflict on the shop-floor.

1. Introduction

1.1 Background

1.1.1 Overcoming apartheid's political and economic policies requires fundamental change. This will not occur overnight. Putting South Africa on a developmental and employment-absorbing growth path is a long-term challenge which we will need to tackle together, with a shared vision.

1.1.2 Our new democracy inherited an economy characterised by low growth, high inflation, periodic balance of payments difficulties and huge disparities in income and access to services. Our aim is to transform our economy into one which grows faster, has stable prices, and where economic opportunity and income are more equitably distributed.

1.1.3 We have already begun this process of transformation. We have expanded our involvement in international trade, finance and agricultural markets. Key structural biases favouring large scale capital intensive investment are being removed by restructuring the entire suite of investment support programmes and introducing special support measures for SMMEs. We have made good progress toward stabilising the economy, reducing inflation and re-entering the global economy. The fiscal programme has succeeded in stabilising the debt to GDP ratio and in consolidating the tax system. Economic growth has enabled real increases in Government spending while reducing the level of borrowing.

1.1.4 The level of spending on social services has been increased through the reprioritisation of expenditure and the introduction of new programmes. There are numerous examples which have been widely reported. Since 1994, 504 clinics have been built reaching an additional 5 million people. In the last year alone, a further 600 000 people have gained access to clean drinking water and 421 000 new telephone and 400 000 electricity connections have been made.

1.1.5 However, we have not performed well in reducing unemployment. Our macroeconomic strategy projected employment growth rising from 126 000 to 400 000 over the period from 1996-2000. Non-agricultural formal sector

employment was projected to generate between 70 000 and 250 000 new non-agricultural formal sector jobs. Agriculture and the non-formal sector were projected to create between 60 000 and 150 000 new jobs. Instead it appears that net job creation, at least in the formal sector, has been stagnant or very slow.

1.1.6 Our economy has been unable to create adequate productive employment opportunities to absorb net increases to the labour force.

1.1.7 There is a critical need to boost the long term labour absorptive capacity of the economy. We need to manage the dislocation caused by structural change, eliminate the institutional impediments to employment creation and hasten the process toward a sustainable, inclusive, labour-absorbing growth trajectory.

1.1.8 The elements of an Employment Strategy are clear. International evidence suggests a need to focus on:

1.1.8.1 sound macroeconomic policies

1.1.8.2 investment in human development, including education, training and basic welfare

1.1.8.3 improving the environment for industrial development with appropriate support measures and information

1.1.8.4 identifying and supporting forward looking industries where competitive advantage can be sustained

1.1.8.5 promoting small and medium size business and linking these to large firms

1.1.8.6 an efficient, affordable and productive public service

1.1.8.7 a labour market regulatory environment which facilitates adaptability, and balances the need for flexibility and security

1.1.9 The key to achieving significantly higher employment rates lies in improving economic growth rates and unlocking the structural barriers to labour absorption.

1.2. The Unemployment Challenge

1.2.1 The Extent and Incidence of Unemployment

1.2.1.1 High unemployment levels have been with us for many years. Apartheid simply kept the problem hidden from view and confined it to the so-called 'homelands'. Unemployment, using the international ('narrow') definition, currently stands at about 20%. However, we recognise that many of our people have been out of work for so long that they have stopped looking. Unemployment stands at around 29% if the 'broad' definition is used, which includes these discouraged workers. Reliable statistics on unemployment are hard to come by.

1.2.1.2 Unemployment, by whatever measure, is unacceptably high. The poorest households are those where no-one or only one family member works. As a nation, our central challenge is to eradicate poverty: creating jobs, especially sustainable and productive ones, is the best way to do this. A job gives a person, not only income, but also self-respect. A job gives a person the opportunity to contribute to the productive growth of our nation. We need to get South Africans working.

1.2.1.3 What are some of the dimensions of the unemployment challenge? We know that the weight of the problem falls unevenly. Massive differences in unemployment rates are found by age, race, gender and region. We know that women and youth are more likely to be unemployed. Job opportunities are fewer in the rural areas. The extent of unemployment is far worse for Black than for white workers. Long-term youth unemployment is especially severe: many unemployed African youth up to age 35 have never been able to find a job! The longer a person is unemployed, the less attractive they become to potential employers. The problem is made worse by the inadequate education and training which most of our people received under apartheid.

1.2.1.4 The evidence beginning to emerge from surveys is that some jobs have been created, especially in the service and informal sectors; but that job shedding in parts of the formal sector continues. The net impact of the changes introduced since 1994 is still not fully known. But we do know that we are not creating enough jobs, certainly not yet enough to stabilise or reduce the rate of unemployment. We must, of course, expect jobs to be lost in some sectors even as they are created in others. And we must be realistic and not expect that all new jobs will be high-wage jobs.

1.2.1.5 The economy should ideally generate about 250 000 new jobs in net terms, simply to ensure that the unemployment rate does not rise. To absorb new entrants into the labour market the economy should ideally generate more than 350 000 net new jobs per annum. Far more should be generated if we are to seriously reduce the unemployment rate and eat into the backlog of jobless South Africans which apartheid left us.

1.2.2. The Causes of Unemployment

1.2.2.1 Unemployment is not a problem created recently: it is a cumulative problem, inherited from previous political and economic policies. It is the result of population growth, lack of attention to human capital development, a prolonged deterioration in the real growth rate and rising capital intensity of production and declines in savings and investment since the mid-1960s. With the demise of the apartheid system and greater urbanisation, the problem of unemployment has simply become more visible.

1.2.2.2 While the causes of unemployment are complex, we identify six basic issues:

The Structure of Production

1.2.2.2.1 The South African economy is not labour absorbing due to the inherited capital intensive structure of the economy and the choice of technologies. This has been caused by previous implicit and explicit incentive structures and a previously closed economy for manufactured goods.

1.2.2.2.2 The previous protectionist regime left us unfamiliar with key export markets in value added products, low levels of competition, poor supply chain relations and a low inclination to invest in skills or research and development. These characteristics have posed serious blockages to expanding as a middle income industrialising economy. We are presently facing a situation where large declines in traditionally employment absorbing sectors such as mining occur without sufficient gains in other formal sector industries.

1.2.2.2.3 The dualistic character of the South African economy, previously dependent on the suppression of black majority, means there are

few productive links between the formal sector and SMMEs. In addition, entry is made difficult due to the character of the financial sector: access to credit is difficult for small business.

1.2.2.2.4 South Africa's trade profile shows a dominance of commodity exports and higher value-added imports. This puts us in a vulnerable position, which is more cycle-prone, and which benefits less from international trade and relative prices in world markets. While there has been some improvement, we need to go much further in diversifying our exports.

The Level of Investment

1.2.2.2.5 Most economies that have sustained real growth rates of 3% or more have had investment and savings levels in excess of 20% of GDP. To generate sufficient employment opportunities, we require real growth rates that are far higher. Yet, South Africa's level of investment fell to very low levels in the 1980s and early '90s, only recently recovering to 20% of GDP by 1996.

Human Development

1.2.2.2.6 Apartheid actively blocked the development of our people. This imposes serious constraints on our growth potential as a middle income industrialising economy. Instead, our level of human development, measured in terms of basic standards of education and nutrition more closely matches that of a low income, less developed country.

1.2.2.2.7 More than 20% of African households, whether rural or urban based, do not have the resources to maintain a basic nutritional level of 2 500 calories. Nutritional inadequacy results in the stunting of about one-quarter of all South African children. This diminishes their ability to learn and, later, to lead productive working lives.

1.2.2.2.8 Resources are poorly distributed, including key forms of infrastructure, education and social services: this limits access to economic opportunities both in terms of entrepreneurship and employability in the formal sector.

Pay and Productivity

1.2.2.2.9 An improved standard of living requires increases in both the level of employment and in real earnings. This should be achieved in conjunction with higher productivity growth through sector shifts, higher skill levels and improved work organisation.

1.2.2.2.10 Over the past decade there have been periods when overall wage growth (including salaries) outstripped productivity growth, and periods when the opposite has been true. Where real wage rate growth outstrips productivity growth there is cause for concern since higher unit labour costs could affect international competitiveness, contribute to inflationary pressures and cause job losses. The most recent figures suggest that on an economy wide level, excluding agriculture, the growth in labour productivity has exceeded annual growth in real earnings per worker and has been associated with a decline in the growth of unit labour costs, at least in recent years. Unfortunately there are also indications that some productivity improvements may be artificial and may have arisen simply through shedding of labour. Productivity gains are important and must be associated both with improved wages and with increases in employment levels.

Labour Market Regulation

1.2.2.2.11 Racially restrictive labour regulation in South Africa led to severe distortions in the labour market, caused by highly unequal access to education and training, to occupational opportunity and to geographical mobility. These distortions take time to undo. It is only recently that statutory discrimination has been abolished, and unemployment, employment and wage earnings continue to be associated to a large degree with race. In addition, the skills shortage that was caused by apartheid policies encouraged firms to adopt capital intensive methods of production.

1.2.2.2.12 An effective and balanced labour regulation framework should enable a correction of some of these distortions, including those related to the wage gap, poor access to education and training, and inflexibility in geographical and occupational mobility and inappropriate standard setting. A balanced framework defends basic minimum standards and emphasizes the democratic right to unionise. Such a framework also recognises the need for an adaptable regulatory framework and takes cognisance of the employment implications of various regulations. Government's role lies in ensuring fairness for all participants including organised and unorganised workers, the unemployed and large and small employers, whilst at the same time promoting social justice.

Uncertainty

1.2.2.2.13 Investment and employment are partly hindered by the perceived risk of doing business in South Africa. Crime, social dislocation and political transformation all contribute to a hesitation to invest, whether investment is local or foreign.

1.2.2.2.14 Quite apart from the human and social costs, these conditions may make it more difficult to do business in South Africa. Our economy is less competitive when cargoes are stolen or when workers arrive at work having experienced serious violence in their communities. Our country is less attractive when tourists feel unsafe. It drains our economy whenever white-collar crime and fraud occur. In short, crime increases the costs of doing business. It contributes to negative investor perceptions, and it makes investors less eager to employ large numbers of people.

2. The Employment Strategy Framework

2.1 We remain committed to the central pillars of the RDP, which aims at achieving macroeconomic stability, job creation, human resource development, meeting basic needs and providing a social security safety net. To achieve any one of these goals in the long term, it is essential that all are implemented in a coordinated, mutually reinforcing manner. Given apartheid's legacy, the four latter goals will take some time to achieve and will require substantial improvements in the application of resources. Achieving macroeconomic stability, is one central thrust of our strategy, and much progress has already been made to that end. Our macro-economic strategy also put into place policy leading to the reprioritisation of public expenditure to enhance its productivity and contribution to RDP objectives.

2.2 In the context of high and persistent unemployment, it is clear that we need an Employment Strategy Framework (ESF) which gives overall direction on the way forward. A more targeted approach, with more emphasis on the sequencing and coordination of policy is required. Since it will take some time to erode the unemployment problem, this Framework must guide us through short, medium and long term strategic thrusts.

2.3 The Vision: Where do we want to go?

2.3.1 In the short run, we seek to directly and indirectly promote the creation of sufficient numbers of jobs to match net growth in the labour force. To ensure that the unemployment rate does not rise, about 250 000 net new jobs should be generated by the economy. To halt any growth in the numbers of unemployed and begin reducing the rate of unemployment, the economy will need to generate 350 000 net new jobs each year. We especially aim to improve the employment levels of low skilled workers and young labour market entrants.

2.3.2 In the medium-to-long term we seek to fundamentally propel the economy into one which is innovative, integrated, inclusive and labour absorbing. Overall, we need to raise the skills base and move into higher value-added sectors to raise national income, enable a more stable exchange rate and to better reflect our underlying cost structure. We will need to ensure a sustainable job creating path, where net job creation exceeds labour force entry. To this end, it will be essential to raise the labour absorptive capacity of the economy by generating a critical mass of economic activity to enable sufficient growth rates in conjunction with increases in the number of jobs created per million rand invested.

2.4 Key Components of the Employment Strategy Framework

2.4.1 The Employment Strategy Framework focuses on ways of raising the demand for, and the employability of, labour. Both demand and supply side policies must be constructed so that they are more closely linked and are mutually reinforcing.

2.4.2 To increase the demand for labour, emphasis will be placed on:

2.4.2.1 expanding the creation of sustainable formal sector employment through the identification and promotion of higher value added, more labour using industries, with strong employment multiplier potential

2.4.2.2 preserving sustainable jobs in traditional sectors by identifying strategies with respect to work organisation, products and markets

2.4.2.3 improving access for small business to economic opportunities, with improved access to land, finance and support services

2.4.2.4 expanding the Special Employment Programmes to raise the level of job creation as quickly as possible. Although these are short term employment generators, improved coordination with local planning, private sector promotion activities and human resource development programmes should enable the building of important community assets and of entry points to longer-term opportunities.

2.4.2.5 pursuing a number of sectorally-focused initiatives where there could be quick but sustainable employment creation, as in services such as tourism, and in certain goods destined for the local market.

2.4.2.6 improving the overall investment environment by:

2.4.2.6.1 reducing uncertainty caused by, for example, high crime rates

2.4.2.6.2 by reducing the cost of doing business by, for example, improving the provision of commercial and public transport

2.4.3 To improve the employability of labour, emphasis will be placed

on:

2.4.3.1 improving the functioning of labour markets, with an emphasis on geographic and occupational mobility, greater adaptability to changing circumstances, a more appropriate regulatory framework, reduced occupational discrimination and improved absorption of new entrants

2.4.3.2 improving education and training levels, with an emphasis on better coordination in the responses of secondary and tertiary education to labour market needs, dramatic improvements in the provision of basic education, and the institutional transformation of the system of industrial skilling

2.4.3.3 improving the delivery and cost-efficiency in social security systems and ensuring greater accessibility of social and infrastructural services

2.4.4 Creating a more efficient, flexible and proactive public service will be essential to achieving this vision. Enhancing the productivity of public expenditure will require improvements in the allocation of financial resources, in the deployment of public servants, in work organisation and in programme coordination.

2.4.5 A critical minimum package of mutually reinforcing policies will be required to lead us to a sustainable dynamic growth path. Spending more money is not necessarily essential to make this work: spending it better is vital. Improved policy coordination will be key to the success of this strategy. Greater attention will be devoted to coordinating clusters of activity. In particular, we will be focusing on greater coordination in the provision of basic infrastructure, of social services, of information services and of job creation support programmes. We inherited a government where programmes were implemented in isolation: in this way, policies and programmes have far less impact than if organised and coordinated to maximise their benefits. For example, we aim to explore the benefits of ensuring that services related to housing, transport, health care and education are located within close proximity to each other and in relation to areas of existing or planned economic agglomeration.

2.4.6 To ensure the implementation of this vision, a Cabinet Employment Cluster Committee will be established to monitor Government's commitments. This Committee will be responsible for the identification of feasible targets for reducing unemployment over a given number of years. We estimate that the labour force is growing by about 2.5% per annum and that there are about four million unemployed. The targets will be determined by assessing how many jobs might be created 'directly' and 'indirectly', through multiplier effects. All key policies will be reviewed and it will be ensured that the commitments made in this framework document are implemented. As circumstances change, all relevant aspects of government policy will be reviewed, as indeed some are already being reviewed, to assess their impact on, job creation.

2.4.7 The Employment Strategy is framed within the context of Government's macro-economic targets and is therefore concerned with the potential consequences of the proposals for inflation, the balance of payments and public borrowing. It is not expected that the Strategy will have any significant impact on inflation or public borrowing.

2.4.8 The implementation of a bold approach to employment policy within the context of structural unemployment requires either increased public expenditure and/or the restructuring of public expenditure. Within a tight fiscal policy framework, key policy targets may be slower to reach and will

need to be met through the reallocation of expenditure rather than increased expenditure.

2.5 The Importance of Expenditure Reprioritisation

2.5.1 The ability to implement policy reforms and improve delivery should not be underestimated, even within relatively tight expenditure constraints. However, the bulk of the budget is tied into line items which are relatively inflexible. Nearly three quarters of government consumption expenditure is allocated to the wage bill. Reprioritisation in the allocation of resources, and therefore concrete moves towards employment promotion, will occur only if sufficient funds can be reallocated to more productive purposes. In order to achieve greater social efficiency in public expenditure, it may be necessary to close down some activities in order to enhance others.

2.5.2 We inherited a public service with inflexible employment practices which impose high costs. Directly, we are unable to shed or redeploy personnel where they do not add productive value to service delivery. Indirectly, the application of public funds to unproductive expenditure means that services of higher prioritisation are not adequately delivered.

2.5.3 Some public service jobs will be affected, freeing up substantial resources for other purposes. The aim is to raise the productivity of public expenditure by allocating it to areas that promote growth, inclusivity, social adjustment and human development.

2.5.4 The mechanisms identified to facilitate the rightsizing process were attrition and the abolition of funded vacancies, the granting of voluntary severance packages and the redeployment of supernumerary personnel. For various reasons, the process of reducing the size of the public service in order to enhance the efficiency of service delivery has not been successful.

2.5.5 Much of the Employment Strategy Framework depends on the improved allocation of resources. It is essential that the transformation of the public service takes place. Agreement must be reached on- achieving greater flexibility in public service employment practices, particularly with respect to job definitions, work organisation, redeployment; an acceptable trade-off between wages and employment; the restructuring of pension funds; and changes in personnel policy in social services toward qualified, less expensive personnel, where possible.

3. Increasing the Demand for Labour

3.1 The decline in traditionally labour absorbing industries, and particularly mining, is a major contributor to the current unemployment problem. Shifts in economic policy and globalisation pressures since the transition have further contributed to a decline in some industries and the emergence of others. The net employment impact of these shifts have not yet been sufficiently quantified.

3.2 In the medium to long term, the key to raising the overall demand for labour lies in identifying new sustainable niches, in both tradables and nontradables. However, the period of adjustment takes time and people need jobs now. Hence, we propose three inter-related strategies to increase the demand for labour. These include: reducing unnecessary job loss in traditional industries with interventions to assist these industries to improve productivity, creating jobs through Special Employment Programmes, promoting the expansion of new activity and creating an enabling

environment for SMMEs.

3.3. Special Employment Programmes

3.3.1 Initiatives which promote employment in the private sector will take time to show results. Strategies to reduce unemployment in the short run may have to emphasize the implementation of Special Employment Programmes. While this approach may be sub-optimal, it is necessary due to constraints on output growth in the short run. The package of Special Employment Programmes will be dramatically expanded over the next few years, with greater attention paid to the finance stream, improved coordination of activities, sustainability, training and the contribution to local economic activity. The MTEF allocation for Special Employment Programmes in 1998/9 was about one billion rand, rising to almost R1.8 billion by 2000/2. In recognition of the immediate need to generate employment opportunities, we will raise this allocation. The programmes will include:

3.3.1.1 Clean Cities Campaign

3.3.1.1.1 Currently there are an estimated 15 000 employees in the waste management industry. There appears to be potential for the creation of many more jobs through the delivery of waste services to poorly serviced areas. A National Waste Management Strategy is currently being developed, with an emphasis on promoting SMMEs. The Clean Cities Campaign will implement municipal waste collection in poorly serviced areas, linking into small recycling operations to facilitate the sustainability of the programme. The Campaign will also enable the creation and maintenance of recreation facilities and support some inner-city building rehabilitation. Ultimately, this Campaign will promote a sense of pride in our cities and make them more attractive for visitors.

3.3.1.2 Working for Water

3.3.1.2.1 Working for Water is a project which clears invasive alien vegetation: in addition to creating short term employment, it removes water absorbing alien vegetation and promotes water security. It is an inexpensive short term job creation and conservation project: One direct or indirect job is created for every R10 000 spent per year; the wage component accounts for over 60% of costs; the implementation time takes weeks; little initial training is required; the cost/benefit to water security of alien plant clearing is far lower than for other forms of water retention.

3.3.1.2.2 While Working for Water was previously funded off-budget, it was allocated R150 million in the last quarter of the 1997/8 budget year. About 38 000 direct short term jobs have been created; at least half of those employed are rural women in KwaZulu/Natal, Eastern Cape, Western Cape, Northern Province and Mpumalanga.

3.3.1.3 Land Care Campaign

3.3.1.3.1 The Land Care Campaign is a community based programme supported by both the public and private sectors through a series of partnerships. It focuses on the rehabilitation and conservation of natural resources (soil, water sources and vegetation) through sustainable utilisation and the creation of a conservation ethic through education and awareness. In addition, it seeks to address rural poverty through sustainable job creation.

3.3.1.3.2 The Land Care Campaign will reinforce the Working for Water

Programme. This will be done by concentrating on the wider catchment areas away from the waterways by eradicating invader plants and declared weeds which are degrading the agricultural potential of such areas. For the rural poor involved, the programme will support social upliftment and contribute to sustainable job creation and the development of entrepreneurial skills.

3.3.1.4 Municipal Infrastructure Programme

3.3.1.4.1 The Municipal Infrastructure Programme (MIP) and Community Water and Sanitation Programmes (CWSS) channel capital subsidies to investment in basic service infrastructure for low income households and towards the rehabilitation of collapsed infrastructure in previously disadvantaged areas. It is connected to the housing subsidy programme in its provision of bulk infrastructure in municipalities for low income housing projects. The MIP has an urban focus although about one quarter of the funds are spent in rural areas. The Department of Constitutional Development estimates that by the end of 1997, 242 520 people will have been employed on these projects, providing contracts to 1 569 SMMEs. About 94 300 people will have received some form of training.

3.3.1.5 Welfare Programmes

3.3.1.5.1 We aim to redirect welfare spending away from programmes that promote dependency towards those that offer a more developmental approach aimed at social investment to build human resources and social assets. The Department of Welfare has embarked on several initiatives to operationalise its shift towards developmental welfare. Based on the poverty profiles of provinces, it has designed an implementable social development programme. This includes the pilot Flagship Programme for Unemployed Women with Children Under Five. These projects are meant to offer opportunities for unemployed, poor rural women with young children to break out of hardship and poverty by providing training, education and social resources.

3.3.1.6 Community Based Public Works Programmes (CBPWP)

3.3.1.6.1 The CBPWP is aimed at poverty alleviation through job creation, primarily focusing on rural areas. The programme is implemented through provinces and NGOs. A recent evaluation has shown that this programme has successfully reached poor communities, as demonstrated by those employed and trained and by the spatial distribution of activities. Over 900 projects have been implemented, mainly in rural areas, creating about 41 650 person-years of employment. In 1998/9, the programme will focus on creating productive assets and assets that improve access to markets for rural communities. A greater emphasis will be placed on improving coordination with an emphasis on social assistance and the development of sustainable community assets. The aim is to improve coordination and spatial targeting of initiatives to reduce waste and dramatically enhance the effectiveness of each programme.

3.3.1.6.2 This programme was recently evaluated by the ILO and it was shown to be conceptually and practically one of the best in the developing world. We are determined to ensure improved coordination with other providers of social infrastructure and services, to reduce the gender bias in the access to opportunities generated, and to optimise the potential for skills transfer within each short project.

3.3.1.7 Improving coordination between Special Employment Programmes and sustainable economic activity will form an important shift: the intention is to support new activities and to enable the unemployed greater access to economic opportunities. For example, eco-tourist schemes will be developed to link relevant public works programmes with training in

conservation: this can enable unemployed youth to access short term employment opportunities, gain training, and then be employed on a more sustained basis or become self-employed as tour guides or in other functions which are generated by virtue of the creation of new facilities. Furthermore, Special Employment Programmes will be used in support of the establishment and development of Spatial Development Programmes and Industrial Development Zones.

3.4 Retaining Sustainable Jobs in Traditional Sectors

3.4.1 The previous apartheid policy framework was aimed at ensuring self-sufficiency for political and strategic reasons. Local industry was protected by high tariff barriers, the exchange rate was allowed to appreciate and assistance to industry took the form of demand-side interventions. These policies failed to create a dynamic manufactured goods sector.

3.4.2 The restructuring of tariff protection, which started in 1995, has not had the disastrous consequences many commentators were predicting earlier. The deindustrialisation which has accompanied tariff liberalisation in a number of other developing countries has been avoided because of careful segmentation and sequencing of tariff reform. The devaluation in 1996 offset some of the effects of the tariff reform.

3.4.3 However, it is recognised that the transition from an isolationist apartheid economy to an outward-looking, job creating economy can result in temporary job losses. These will eventually be restored and multiplied in new competitive industries. During a period of adjustment, it will be necessary to explore creative approaches to slowing job loss in the private sector. After long years of import protection, the evidence points to old-style management practices in many industries. Not all job losses in this period are necessary: to help old firms adjust to new challenges instead of closing down, a range of programmes have been introduced. Some of these programmes are equally suitable to the promotion of new investments. Policy therefore focuses on assisting firms to embrace the new opportunities available to them in terms of product innovation, work organisation and technological change. Strategies have been formulated for sensitive subsectors within agriculture, mining, manufacturing and construction.

3.4.4 Agriculture

3.4.4.1 Substantial progress has already been made in agricultural reforms. In particular, the deregulation of agricultural markets and trade liberalisation has enabled substantial entry of new businesses and has encouraged a shift to higher value added labour intensive horticultural crops. The new national Water Policy is designed to encourage and facilitate the shift of irrigation to such intensive agriculture. This will be assisted by the IDC's Orchards Scheme which encourages the expansion of orchards and vineyards in rural areas. The Land Bank is undergoing a massive transformation to better serve target farmers with the introduction of a range of new products and loan schemes. Some progress has also been made towards improving labour relations in the agricultural sector, with the aim of discouraging retrenchments, evictions and violence. Policy will be further reformed, as follows: .

3.4.4.1.1 SMMEs will be promoted through land settlement, grant assistance and production loan schemes to small farmers and the promotion of agri-processing activities that enable diversification.

3.4.4.1.2 Programmes to promote land use intensification, labour

intensive products and processes will be explored.

3.4.4.1.3 Financial assistance will be oriented to the resource poor: an emphasis will be placed on the revitalisation of the extension service, improved access to land, a land care campaign, training and a reorientation of research toward the needs of small farmers.

3.4.5 Mining

3.4.5.1 The structural decline faced by the mining industry has led to the shedding of more than 230 000 jobs in the past decade. This decline is largely attributable to the scaling down of the highly labour intensive deep level gold mining industry. This industry is faced with declining reserves and is consequently finding international competitiveness at present gold prices increasingly difficult. There is some expectation that gold prices will improve in the medium to long term, resulting in improvements in employment trends should some attention be devoted to the maintenance of existing capacity. Our approach includes the following:

3.4.5.1.1 The identification of more competitive sectors for development such as fossil fuels, industrial metals, shallower smaller scale mining and minerals beneficiation.

3.4.5.1.2 The management of downscaling the mining industry: ideally, we aim to preserve mining employment for as long as economically viable and socially desirable. Once this has been exhausted, a social plan approach is taken to deal with retrenchments in a humane way, with attention devoted to retrenchment procedures, strategies to lessen the impact of job loss on retrenched communities and developing alternative employment opportunities where possible. The Gold Crisis Committee (GCC) has been established, following agreement in the recent mining summit. The GCC consists of members from government, organised labour and the Chamber of Mines. Its objectives are to minimise job losses. For example, the GCC is presently undertaking a cost-benefit analysis of State assistance to marginal mines and is investigating the appropriate balance between capital and labour intensive mining, downstream beneficiation and marketing opportunities and the possibilities of reducing speculation in the gold market. Where job losses can not be avoided, the GCC is tasked with putting forward appropriate social adjustment measures and alternatives.

3.4.5.1.3 Optimisation in use of mineral rights: it is proposed that the right to prospect and mine for all minerals be vested in the State. Mineral rights holders would be encouraged through legislation and other measures to make underutilised mineralised areas available to other developers. Performance measures will be developed to ensure optimal use of our mineral resources.

3.4.5.1.4 Assisting the development of smaller scale mines: new entrants to the minerals industry are substantially blocked by inadequate availability of development capital. The up-front costs of mining project evaluation and planning, entailing exploration and environmental impact assessments, are extremely high and risky. We are developing a mechanism to assist first time entrepreneurs to overcome these constraints. A National Steering Committee of service providers has been established to stimulate the development of sustainable small scale mines, by developing an appropriate institutional framework to assist entrepreneurs in exploration, project evaluation, skills development, complying with the regulatory environment, and obtaining capital resources.

3.4.5.1.5 An integrated minerals information system will be developed, which includes all areas that a potential investor or entrepreneur could

require.

3.4.6 Manufacturing

3.4.6.1 For key sensitive sectors facing broad restructuring, sectoral measures have been developed. These include the Motor Industries Development Programme which has not only avoided significant job loss, but created new jobs through exports; the clothing and textiles programme which includes duty free credit certificates and human resource development; the emergency footwear programme currently under development behind a temporary import quota system; and initiatives in the petro-chemicals/plastics pipeline. Trade sensitive industries can also take advantage of other DTI programmes which facilitate innovation, work re-organisation and exporting. Re-investment in machinery and equipment is facilitated by the accelerated depreciation allowance.

3.4.7 Construction

3.4.7.1 Employment trends in the construction industry are not fully known. While formal construction employment has declined, it appears that substantial numbers of jobs have been created through outsourcing and labour-only subcontracting arrangements. In addition, the Municipal Infrastructure Programme, Community Water and the housing development programmes have created substantial numbers of employment opportunities, although these have not been sufficiently quantified.

3.4.7.2 The building industry is one of the most labour intensive in the economy. Employment may be generated through increased demand or more labour intensive methods.

3.4.7.3 Expanding housing delivery is one way to increase demand. It is estimated that, in 1997, every R1 million invested in the housing sector generated 57 direct and 86 indirect employment opportunities. While these are not sustainable jobs, they do make an important short-term contribution. It is estimated that the Government's low-income housing programme generated 109 445 direct and 164 168 indirect employment opportunities in 1997, with an expenditure of under R2 billion on the subsidy programme. The cost of each employment opportunity has fallen by 15-20% since the inception of the programme. Mechanisms are being put into place to improve the quality of housing delivery by addressing non-payment for services, normalising relationships with lenders, protecting against poor workmanship, offering a national housing subsidy scheme and improving access to housing credit.

3.4.7.4 Increasing labour-output ratios is more of a possibility in civil engineering than in the building section. The public sector spending accounts for about 42% of total construction investment, which is mostly spent in civil engineering works. Hence, government can have an important influence on construction employment.

3.4.7.5 Key constraints on employment generation include: industry volatility, the short duration of projects, difficulty in ensuring access of previously disadvantaged groups to business opportunities, work and training. Excessively capital intensive and import intensive methods are used. We aim to address these constraints by:

3.4.7.5.1 introducing the Emerging Contractor Development Programme to enable entry of small scale and emerging construction businesses

3.4.7.5.2 revising contract documentation and developing appropriate construction delivery models to enable risk sharing and the entry of a

variety of contractors of differing competencies

3.4.7.5.3 promoting the use and production of locally sourced materials, through attention to technology development

3.4.7.5.4 establishing a register of contractors, consultants and training providers to monitor trends and developments in the industry.

3.5 Fast-tracking Movement into New Labour Absorbing Industries

3.5.1 We aim to promote the quality and quantity of investment required by this economy through a set of investment facilitation measures, which encourage a movement away from large-scale, capital intensive, natural resource based industrial production towards the production of more labour intensive, higher value-added goods and services.

3.5.2 While we can reap much from entering the global economy, this integration also constrains the types of measures that we can use to promote new industries. For example, support measures for industry are now circumscribed by World Trade Organisation (WTO) rules. We also have fewer options available to leverage desired behaviour from investors than did some other emerging markets. South Africa has a relatively small domestic market, is far from its major trading partners and therefore lacks the advantages that countries such as China, Malaysia, Indonesia, Thailand or Mexico had in negotiating developmental behaviour from foreign investors.

3.5.3 We aim to generate a more competitive environment by focusing efforts on building economies of agglomeration in terms of infrastructure, skills and knowledge formation. These efforts should enable the creation of an advantageous environment which leads to falling manufacturing costs, rising returns to knowledge and a growing market.

3.5.4 The key policy elements emphasise: improved access to information, the promotion of competition, the encouragement of strategic inter-firm co-operation, the identification of strategic opportunities, reduced transaction costs, improved managerial and production practices, and the reduction in uncertainty.

3.5.5 Promoting "Tradeables" and "Non-tradeables"

3.5.5.1 Substantial effort has been devoted to reintegrating with the global economy over the first years of governance. This integration should now reap benefits associated with the exchange of ideas, information and technology. In addition, we have a relatively small domestic market which is growing slowly: international trade enables us to identify competitive niches and wider marketing opportunities.

3.5.5.2 There are three main programmes aimed at promoting exports. Two of these programmes, the Export Marketing and Investment Assistance Programme and the Short Term Export Finance Guarantee Programme, focus on supporting small and medium exporters. The third programme, which offers credits and guarantees for bigger export projects, is playing an important role in supporting sophisticated local industries that win major foreign contracts.

3.5.5.3 Many of the programmes outlined below support the development of both tradables and non-tradables. Non-tradables are products, such as building materials or many services, that are not generally exported. They tend to be excellent employment generators and can be easier to promote. SMME's tend to be stronger in the production of non-traceable goods and services. More attention will be devoted to the promotion of non-tradables

and in the promotion of services.

3.5.6 Generating Employment through Service Industries

3.5.6.1 We recognise that historically much focus has been placed on resource-based industry and on manufacturing. Yet, service industries may provide the quickest forms of employment creation, generally have low start-up costs and could yield more opportunities for smaller entrepreneurs.

3.5.6.2 Tourism is one of the few industries with the potential to create large numbers of direct and indirect jobs in the short run. Already it employs an estimated 500,000 people. It is also an industry with great SMME growth potential. To support the expansion of this sector, we are proposing the establishment of a dedicated fund, allocated on the basis of matching contributions from the private sector. Priority would be given to strengthening marketing activities. In addition, attention would be devoted to the development of new facilities in previously impoverished areas. An intensive collaborative cluster study process will be undergone over the next year, to map out a long term vision and the identification of potentially competitive market segments. A special empowerment programme aimed at providing advisory and financial services will be established. Over the coming year a portfolio of aggressive but appropriate tourism development incentives will be developed.

3.5.6.3 The information technology (IT) sector, particularly the software sector, has grown dramatically in recent years: it is a key employment sector for the 21st Century. To ensure that South Africa exploits the opportunities offered for growth and employment creation in the IT sector, the DTI is driving a R11 million, three year industrial strategy study for the industry, in cooperation with the Canadian International Development Agency (CIDA).

3.5.7 Generating Employment through Manufacturing

3.5.7.1 We expect that new industrial jobs will account for no more than one out of every four new jobs in South Africa, but will probably lead to two out of the other three jobs being created. This explains the attention devoted to encouraging investment in manufacturing, despite low direct employment effects.

3.5.7.2 Employment creation in the industrial sector is a long term endeavour, reaping long term gains. Most major investment decisions take between 18 months and 3 years to make. While the jobs take time to create, they will be with us for some time.

3.5.8 Promoting Competitive Industry Strategies

3.5.8.1 The changing practices of rival producers in other countries, together with the changing demands of consumers, require a response from the South African industry which goes beyond physical restructuring. Competitive advantage must also be derived from intra- and inter-firm cooperation. Improved cooperation and information flow is needed between stakeholders at the shopfloor level, between producers and their customers, between companies with common interests, and between business, labour and government at the national and industry level.

3.5.8.2 South African manufacturers have historically competed for a share of the local market. The environment has resulted in low levels of trust. Joint action amongst industrialists has tended to focus on requests for import protection. In the emerging economic context, few firms are

positioned to respond to a new competitive environment single-handedly. Without the experience of cooperation, it is unlikely that parties will come together to develop shared resources to enhance their competitiveness. This is seen as a market failure which requires government intervention. We see our role, not in prescribing competitive strategies, but in facilitating access to information and in encouraging greater cooperation. The key programmes include the "cluster" and sector strategy initiatives, the Fund for Research into Development, Growth and Equity (FRIDGE), the Sectoral Partnership Fund and the Workplace Challenge.

3.5.9 Promoting Innovation

3.5.9.1 We support two pillars of technology development which include investment in human resources and support for technological innovation. Increasingly, we will aim to support selective interventions in education and training to build an appropriate skills base. To promote innovation, we seek to strengthen the ability of local firms to select, bargain for, and buy technologies in international technology markets. We further aim to regulate technology imports and facilitate local research and development. We are moving towards establishing a National System of Innovation aimed at promoting innovation through improved coordination in the activities of the science, engineering, and technology community. A range of programmes to support innovation have been established, including: the Foresight Programme, the Innovation Fund, the Support Programme for Industrial Innovation (SPII) and the Technology and Human Resources for Industry Programme (THRIP).

3.5.10 Leveraging Investment

3.5.10.1 The Industrial Participation Programme was established in 1997. It requires that those awarded large government contracts, where the import content is greater than \$10 million, make local investments equivalent to 30% of the imported value of the contract. Although this is a new programme, it has already elicited investment plans worth several hundred million rand. Current contracts being finalised are expected to stimulate several billion rands worth of new investments, and many thousands of jobs.

3.5.11 Reducing the Cost of Investing and Doing Business

3.5.11.1 We aim to encourage local and foreign productive investment by reducing the cost and hassle of doing business in South Africa. Key programmes are aimed at easing the tax burden on new investments, expediting import and export activity, facilitating labour relations, supporting skills upgrading, raising the efficiency of commercial transport and improving security.

3.5.11.2 The Manufacturing Development Programme (MDP) consists of the tax holiday programme for bigger projects and the Small and Medium Manufacturing Development Programme (SMMDP) for smaller projects.

3.5.11.3 The Tax Holiday programme is currently under review. The programme elicited over 50 new investment projects during the past financial year, which will create 5 500 jobs directly and 17 000 jobs indirectly. Yet, the programme could be significantly more effective. The review will establish the extent to which this may be attributed to weak marketing or its actual formulation. In the review we will consider the amendments to the programme including a change in the employment incentive and the inclusion of business expansions. This latter provision should have an impact on the employment generating potential of the tax holiday, in terms of enabling the strengthening of existing businesses and in

encouraging small businesses to expand.

3.5.11.4 Spatial Development Initiatives (SDIs) and Industrial Development Zones (IDZs) aim to generate long term, internationally competitive growth and development, whilst at the same time restructuring the apartheid space economy. Most of the regions receiving attention are those experiencing high rates of unemployment. The SDIs and IDZs will enable the development of competitive and outward oriented investment, producing local linkages, which should create sustainable job opportunities.

3.5.11.5 SDIs leverage private investment funds by packaging industrial projects and introducing these to potential investors. They install and/or upgrade physical infrastructure through public sector institutions including parastatals. Each SDI is designed around at least one anchor project, often funded by the IDC. The SDI programme will have important effects in promoting industrial development in central coastal KwaZulu/Natal, agro-tourism on the Wild Coast and northern KwaZulu/Natal (Lubombo) and manufacturing, agricultural and tourism in the Maputo Development corridor, the West Coast Initiative (Western Cape) and the Platinum Corridor (Pretoria to Gaborone). We are currently investigating the potential for an information technology SDI in Gauteng. During the 1997 calendar year, the SDI programme led to 29 new investment projects creating a total of about 10 000 new jobs. A further 400 projects are in the pipeline, which could lead to the creation of an additional 83 000 new jobs.

3.5.11.6 IDZs constitutes a key new job-creating programme to be implemented from 1998. IDZs are designed to attract export-oriented, high value, labour-absorbing projects by providing excellent locations combined with superior infrastructure, import and export facilitation, a single-stop regulatory authority, as well as existing investment incentives. All relevant labour legislation and environmental regulations will apply in these zones. Emphasis is placed on training facilities and expedited dispute resolution mechanisms. Port areas targeted for IDZs include Coega, Richards Bay, Saldhana and East London.

3.5.11.7 It is essential that the efficiency and cost of commercial transport services be improved. There is a misalignment between transport services and a value-added export-led growth strategy. While transport and handling of bulk commodity exports is competitive, there are serious cost and service disadvantages found in the transport and handling services for the export of value-added exports. In addition, the dependence on road services generates negative externalities through overloading and road damage. This competition leads to underutilisation of (and losses on) rail networks. Yet, competition from roads does not adequately reflect the true costs, which arise from externalities and subsidisation. About half of the transport asset base is owned by parastatals. A restructuring of state owned transport enterprises is required, done within an overall transport strategy.

3.5.11.8 To reduce the cost of doing business and improve investor confidence in our country, it is essential that we improve security and reduce crime rates. Key areas of the National Crime Prevention Strategy aim to reduce the cost of crime to industry, to reduce the risk associated with investment and to enhance productivity by promoting the provision of services to workers that have experienced violence-related trauma.

3.6 Enabling Entry for SMMEs

3.6.1 As net job creators, even in periods of recession, SMMEs can help

to raise incomes and improve the distribution of wealth. They broaden participation in the national economy and widen the ownership of assets. In a relatively concentrated, middle income industrialising country, SMMEs are more likely to emerge from linkages and spin-offs related to the growth of larger firms. It is most probable that most SMME growth will emerge in the service sector, as well as subcontracting activity in the manufacturing sector. In South Africa, the greatest barriers to entry may be attributed to poor market information, a weak skills base (including both basic education and artisan skills) and poor access to finance. While real interest rates are high, it does not appear that the cost of finance is the major barrier: more important are norms in commercial risk analysis and the lack of collateral of emerging entrepreneurs. Hence, the expansion of SMMEs will be greatly facilitated by the promotion of linkages between firms and improved access to market information, managerial support and capital.

3.6.2 In South Africa, SMMEs were previously constrained by highly restrictive rules and regulations. Some of these regulations restricted economic activity on the basis of race, while others more broadly limited market entry. Hence, the lifting of racially discriminatory legislation and market deregulation has had a major impact on SMME entry in many sectors. For example, the deregulation of agricultural markets has already enabled substantial entry into sectors such as milling and baking. Trading has grown exponentially with the lifting of key restrictions.

3.6.3 By 1996, we estimate that there were more than one million SMMEs operating in South Africa, absorbing more than a quarter of the labour force. This estimate is in addition to the large number of people involved in survivalist activities.

3.6.4 Much still needs to be done: the Centre for Small Business Promotion has been established in the DTI to champion, implement, monitor and evaluate the National Small Business Strategy. The expansion of SMMEs will be facilitated with support services, an appropriate regulatory environment and improved access to finance and land.

3.6.5 Facilitation and Support Services

Ntsika

3.6.5.1 Ntsika has been established to facilitate the development of training capacity, to improve service provision to SMMEs, to enable assistance targeted at disadvantaged groups, to promote linkages between SMMEs and government and big business and to improve access to information for SMMEs. It primarily works through existing intermediaries such as Local Business Service Centres and entrepreneurial and vocational training institutions.

Local Business Service Centres

3.6.5.2 We will establish Local Business Service Centres around the country: these will serve as a hub for business counselling and advice, training, information and networking. An SMME helpline will be established. The Business Referral and Information Network (BRAIN) is a major initiative: this is a database and on-line service that will provide substantial generic and sector focussed information and services.

3.6.5.3 Eventually, integrated local service centres will be established, providing business information, labour market information, careers services and communication services.

3.6.6 The Legal Environment

3.6.6.1 A National Small Business Regulatory Review Team has been established to advise government on the appropriateness of the legal and regulatory framework for small business. Task teams have been established to review regulations related to labour, tax, business and trade, property, land ownership, finance, and by-laws and ordinances.

3.6.7 Land Reform and Extension Services

3.6.7.1 Access to land can make an important contribution to economic security and offer important opportunities for income generation. Headway has been made in implementing land reform programmes, although the results have been slower than expected. However, the programme is moving forward faster now, as policy and procedural issues are being resolved.

3.6.7.2 The three land reform programmes include land restitution, tenure reform and redistribution. Land redistribution programmes are expected to have the most impact on rural employment in the medium term. The redistribution programme aims to provide the poor, labour tenants, farmworkers, women and emergent farmers with access to land for residential and productive use in order to improve their livelihoods. It is based on the willing buyer-willing seller principle in which the government makes available a Settlement Land Acquisition Grant and a Planning Grant. Up to mid-1998, land reform has succeeded in redistributing 191 912 hectares to 20602 households and 111 902 people. In the process of land restitution, 26 454 people have received 86 133 hectares.

3.6.7.3 In response to changing circumstances, we are in the process of implementing the following:

3.6.7.3.1 the elaboration of policy on municipal commonages, to give poor residents of rural towns access to land to supplement their incomes. Municipalities will be assisted in converting commonages currently used for other purposes, to use by their poor residents.

3.6.7.3.2 detailed policy and procedure for the transfer of funds from the Department of Land Affairs to other tiers of government

3.6.7.3.3 comprehensive guidelines for detailing a projected business plan aimed at implementing sustainable and environmentally friendly land reform projects.

3.6.7.3.4 a grants and services manual detailing, among others, procedures for the disbursement of grants.

3.6.7.4 Improved extension services and improved access to finance will be essential to the success of land reform. The Land Bank has already introduced innovative loan, schemes to enable access to small emergent farmers.

3.6.7.5 The demand-led basis of the land reform programme has encouraged applications from large groups who have themselves identified land, often in isolated and relatively infertile places. Because of the numbers involved, these tend to receive priority over smaller production-oriented projects which would be more likely to increase employment and income. Increasing attention will be devoted to encouraging production-oriented projects: we are currently supporting or investigating land reform which is linked to the development of eco-tourism, horticultural crops and forestry development. In addition, we are promoting 'partnerships' between emerging and established farmers whereby the Settlement/Land Acquisition Grant is applied to the purchase of a share in

an existing commercial farm: it is envisaged that these strategies will offer entrants greater security and income.

3.6.8 Effective Access to Finance

3.6.8.1 Access to finance is a key problem faced by SMMEs. There is a wide gap in the provision of debt finance in the range of R6 000 to R100 000. Inadequate financial services in the lower range of the market is partly explained by lack of collateral, bad or no credit histories, an exaggerated risk perception of borrowers, and discrimination on the basis of race and gender.

3.6.8.2 The structure of the financial sector is a key factor constraining investment in SMMEs. We have a concentrated formal banking sector: few second tier banking institutions exist that can absorb savings and extend credit to the self-employed for productive purposes.

3.6.8.3 Equity is also difficult to access, where institutional investors tend to be risk averse and focus on "safer" and larger investments. In the past five years, a number of equity funds have been established which target investments from R5 million upwards, generally in expanding businesses and management buy-outs. Yet, most SMMEs require initial capital investments below R5 million. Equity and loan finance for new enterprises has been almost exclusively targeted at franchises.

3.6.8.4 Khula was established in 1996 to improve the availability of finance to SMMEs, partly by absorbing a portion of the risk and cost of private investment in SMMEs. The small business financing strategy aims to increase the level of bank lending to SMMEs at rates not inflated by unreasonable risk perceptions, to improve the outreach and efficiency of alternative financial institutions, to stimulate the provision of start-up and small-scale equity products for SMMEs, and to expand the number of SMMEs listed on the JSE.

3.6.8.5 A range of special programmes are available to SMMEs. While other programmes are being put into place, the Small and Medium Manufacturing Development Programme (SMMDP), which offers cash grants to investments below R 3 million, is meant to bridge some of the gap. It has been very successful, eliciting over 280 new investments, and leading to the creation of 10 000 new jobs directly or 27 000 jobs indirectly. We are concerned that the programme still receives few applications from previously disadvantaged groups and are putting into place more intensive promotional activities. Both the Land Bank and the IDC have committed themselves to putting greater emphasis on small and medium firm development and black empowerment in industrial agricultural concerns: to this end a range of new products have been introduced.

3.6.8.6 The National Empowerment Fund (NEF) will be financed from the proceeds of privatisation and direct government contributions. One aim of the NEF is to support new black business development in industry. The Fund should have a visible impact by 1999.

3.6.8.7 Ultimately, we will need to ensure that an effective second tier in the banking system is developed, geared toward the provision of debt finance in the range of R6 000 to R50 000 particularly. A discussion paper has been issued by the DTI making recommendations in this regard.

Summary

3.6.9 To summarise we aim to generate employment opportunities by expanding five key Special Employment Programmes in the short term, by

preserving sustainable jobs in vulnerable traditionally labour absorbing industries, by fasttracking movement into new labour absorbing industries and by creating an enabling environment in which SMMEs may thrive. More attention will be devoted to promoting employment through the development of services and 'non-tradeables'.

4. Improving the Employability of Labour

4.1 Promoting a strong skills base, high rates of human development and a well-functioning labour market are essential components of a strategy to attract new labour-using investment. It is these same attributes that enable people to more fully participate in the labour market by identifying opportunities, whether in finding jobs or generating self-employment.

4.1.1 Education and Training

4.1.1.1 Professional Skills

4.1.1.1.1 The 'apartheid wage gap', a reflection of structural, apartheid-based inequalities in access to education, training and jobs, resulted in shortages of skilled personnel and an overabundance of unskilled labour. Recent surveys have shown that this wage gap remains high. The skills shortage must be addressed. It is a constraint on growth. Greater competition at the professional levels should help to restrain top-end salaries.

4.1.1.1.2 Although the longer term solution is to increase the numbers of locally trained professional and managerial employees, in the short term a more open skilled immigration regime should be developed to address the current shortage of skilled labour.

4.1.1.2 Skills Strategy

4.1.1.2.1 The human resource development strategy, as reflected in the Skills Development Bill, aims to create an enabling environment for expanded strategic investment in education and training. The key elements include:

4.1.1.2.1.1 the promotion of partnerships in the prioritisation, design and implementation of education and training to improve its efficiency, responsiveness and quality

4.1.1.2.1.2 strategic planning for education and training, informed by appropriate labour market information

4.1.1.2.1.3 the introduction of learnerships, which is a more flexible alternative to the apprenticeship system, linking structured learning and work experience

4.1.1.2.1.4 the establishment of a National Skills Fund targeting the poor for training, with a focus on rural women, the youth and the unemployed

4.1.1.2.2 New institutional and financial arrangements that will be put into place to ensure the success of the strategy. These include the introduction of a levy grant scheme, the National Skills Authority, Sectoral Education and Training Authorities (SETAs) and Education and Training Boards (ETBs).

4.1.1.2.3 A special subsidy for skills development will be considered within the SDIs. This fund should be used to identify skills needs in SDI

projects, facilitate in service training, support the development of learning programmes and design the institutional and funding strategies to support learning.

4.1.1.2.4 A learnership wage is proposed to encourage increased training. This wage may also be linked to age in order to encourage youth employment. The learnership wage is a developmental approach, with greater chance of leading to future formal employment and less chance of enabling displacement of formal workers.

4.1.1.2.5 The Department of Trade and Industry and the Department of Labour are cooperating to pilot a skills programme in the clothing and textile industries, valued at R 5.6 million for one year. This tri-partite programme will pilot industry-based ABE and skills training. The modules are being developed with a view to facilitating process and technological change and the promotion of industrial competitiveness.

4.1.1.3 The Education System

4.1.1.3.1 It is essential that all our people receive quality education, that the quality of schooling is high, that education helps school-leavers find jobs and that the educational system meets the needs of an industrialising economy.

The Interface Between the Labour Market and the System of Education

4.1.1.3.1.1 We aim to improve the responsiveness of secondary and tertiary education to labour market needs. Interdepartmental work is currently underway to improve this coordination. We will be emphasizing improvements to:

4.1.1.3.1.2 incentives to study in relevant disciplines/subject areas

4.1.1.3.1.3 the teaching of maths and sciences in secondary school

4.1.1.3.1.4 the delivery of careers services

4.1.1.3.1.5 information systems that enable decision making

The Distribution of Resources

4.1.1.3.2 It is widely recognised that there is a crisis in the distribution of educational resources. While expenditure on education is high by international standards, the poor allocation of financial and human resources results in highly uneven teacher-pupil ratios, weak schools management, insufficient building maintenance and low book and materials purchases. These issues are being attended to at all levels of the education system.

4.2 Improving the Functioning of the Labour Market

4.2.1 Labour Market Regulation

4.2.1.1 We have a segmented, multi-tier labour market. Companies in some sectors and regions pay low wages and have poor working conditions; others pay relatively well and aim for internationally competitive levels of productivity and labour standards; and there are a wide variety of intermediate conditions. Much of this differentiation has its origins in apartheid, especially its white labour preference and its 'homeland' policies. Discrimination, especially on the grounds of race and gender, remain widespread. We have a situation where many formal sector employers

are reluctant to take on new employees.

4.2.1.2 We remain convinced of the need to regulate our labour market, especially to outlaw discrimination, introduce equity and guarantee basic employment standards. Our Labour Relations Act provides a framework for collective bargaining, regulates unfair dismissal, and promotes effective dispute resolution. Our new Basic Conditions of Employment Act protects the rights of the most vulnerable workers, lays down minimum conditions, and introduces more flexibility in the organisation of working time. And our Employment Equity legislation aims to eliminate discrimination at work and encourage a more representative workforce, and thus the more productive use of our human resources.

4.2.1.3 But such regulation must always be appropriate and sensitive to any negative employment impact. Together with our social partners, such laws must be reviewed from time-to-time to ensure that they are sufficiently flexible and allow adaptation to a continually changing environment. Work is changing, global conditions are changing, and our laws must adapt to such changes appropriately. We intend to propose the following amendments to labour legislation, which could lead to improved employment outcomes:

4.2.1.3.1 amendments to the provision regarding the extension of bargaining council agreements to non-parties. As the Comprehensive Labour Market Commission recommended, not only should the representative position of the parties be considered prior to their extension, but also the sensitivity of such agreements to both non-parties and to job-creation. In practice we wish to see agreements which accommodate the different circumstances faced by smaller businesses, various regions, and different sub-sectors.

4.2.1.3.2 a focus on using the CCMA as a mechanism of last resort, and encouraging aggrieved parties to exhaust internal channels before approaching it. Our aim is to decrease the CCMA's caseload and to enable it to perform more preventative work.

4.2.1.3.3 a clearer outline of the probation concept relative to the LRA's unfair dismissal provisions, to ensure that employees do not automatically gain full employment security before a reasonable trial period has elapsed. In practice we want to encourage employers to take on new job-seekers and to make entrance to the labour market easier for an initial period.

4.2.1.3.4 as already announced, we intend to review certain BCEA provisions once an analysis of its impact on small business has been finalised.

4.2.2 Active Labour Market Policies

Social Security

4.2.2.1 It will be essential to strike a balance between poverty alleviation and improved efficiency in the economy. To this end, we propose to improve the co-ordination of social security and welfare services so that they are more cost-efficient, accessible and appropriate. This approach to social security focuses beyond providing a safety net: it extends to that which enables continuous labour market participation, prevents long term unemployment, reduces dependency, promotes human development and encourages labour market efficiency. Special attention will be devoted to vulnerable groups, particularly women, youth and the disabled. Such measures are particularly important in a context of

globalisation and economic restructuring.

Labour Market Information

4.2.2.2 The Department of Labour plans to transform its 175 local offices into Labour Market Information and Careers Services Centres. Already, the Unemployment Insurance Fund (UIF) system has generated a substantial database on companies and unemployed persons. We are currently developing a strategy to optimise these existing resources in developing improved labour market matching systems. Ultimately, we aim to ensure effective integration of this system with that proposed by the DTI's BRAIN.

4.2.2.3 We will be seeking the assistance of business in registering vacancies on this network and in assisting in the servicing of these centres. We will be seeking the assistance of educational institutions in registering educational opportunities on the system.

Social Plan and Labour Market Adjustment

4.2.2.4 Agreement has now been reached on the provisions of the Social Plan. Establishment of Social Plan Technical Support Facility (SPTSF) to provide assistance to 'Future Forums' which enable the facilitation of 'early warning systems' in preventing, and/or addressing adjustment related to, retrenchments. The SPTSF will provide three types of assistance: sectoral studies where an industry faces large scale retrenchments; referral to government support measures; assistance to firms for the development of plans within an agreed framework.

4.2.2.5 Where retrenchments within a one year period are in excess of 500 people or 10% of the workforce (whichever is greater), a company must notify the Minister of Labour and may access assistance from the Department of Labour in enabling labour market adjustment.

4.2.2.6 The Department of Labour already provides R108 million to unemployment training schemes, through the Provincial Directorates of the Department. In addition, a National Skills Fund will be established, with an expected R200 million contributed from the budget in 1999. This Fund will grow in subsequent years and will be financed from the skills levy from the year 2000. The social plan will link into the National Skills Fund for retraining.

4.2.2.7 The UIF will be reviewed to improve its support of retrenched, considering the possibility of: strengthening the link between unemployment insurance payments, training and job search; and reducing the payments to contributors resigning and sponsoring an increase in payments to retrenched contributors

Housing and Transport

4.2.2.8 Transport plays a key role in enabling job search, affordable travel to work and services, and access to education. Yet, public transport fares in South Africa are 32% higher than the world average, taking into account purchasing power parity and subsidies. Currently 13% of urban residents cannot afford access to any form of transport. Of these, 42% are school-going age children, and 45% are unemployed, mainly township residents. Almost 30% of urban residents are 'captive' to public transport; about 17% are totally dependent on the cheapest form of transport available. The Department of Transport aims to ensure that no more than 10% of disposable income is spent on transport: currently, about 1/5 of urban residents spend more than this.

4.2.2.9 Currently, with long distances and low densities causing low levels of capacity utilisation(22% on rail, 52% on buses, 48% on taxis); For example, there is some concern that limited coordination with the Department of Housing results in the establishment of housing projects built on low cost land, but far from employment opportunities and social services: hence, the real cost of building is not accounted for in planning activities.

4.2.2.10 A more coordinated and efficient approach to spatial and land-use patterns will be pursued, emphasizing greater densification to encourage the proximity of housing projects and social infrastructure to areas of economic agglomeration: this approach should improve efforts at job search, reduce the cost of transport to work, and enable better access to social services.

4.3 Vulnerable Groups

4.3.1 Women

4.3.1.1 Women are affected by direct and indirect forms of labour market discrimination. Direct forms of discrimination place barriers to women's access to jobs socially considered to be 'men' work'. Women tend to have less favourable employment conditions, more often in casual, temporary or part-time positions. These forms of discrimination often result in lower pay and lower rates of unionisation for women. This leads to unequal access to benefits such as training schemes and social benefits.

4.3.1.2 Indirect forms of discrimination against the full participation of women in the labour market are related to the gender division of labour: a disproportionate degree of domestic responsibilities fall on women in all types of households. These responsibilities hinder the ability of women to effectively embark on job search and reduce womens' access to secure and equal job opportunities.

4.3.1.3 Limited affordable accommodation is available to female work-seekers or workers in the urban areas. This is particularly important for female-headed households not relying on the social support mechanisms of a nuclear or extended family network. In such cases, women are particularly reliant on jobs associated with 'tied housing' including domestic labour and agricultural labour.

4.3.1.4 We have made some strides in addressing the position of women in the labour market. These include improved employment practices with respect to maternity, improved access to training and the introduction of explicit regulations governing the handling of sexual harassment in the workplace.

4.3.1.5 We recognise that the situation for women in the labour market could still be dramatically improved. In this light, consideration will be given to:

4.3.1.5.1 improving access to training and accreditation opportunities to unorganised and contract women workers

4.3.1.5.2 developing strategies to explicitly address the perception of traditional work on the basis of gender. We will aim to raise a greater awareness in disadvantaged communities to a wider set of vocational possibilities and non-traditional role models

4.3.1.5.3 improving the accessibility of child care and health services

4.3.1.5.4 addressing the lack of safe, affordable accommodation for women as an ongoing challenge.

4.3.2 Youth

4.3.2.1 Youth unemployment is a serious problem: those aged between 15-29 account for 28% of the population, but over half of total unemployment. Many school-leavers wait years before getting their first job. It is essential to ensure that young people find it easier to get into jobs and that a new generation of long-term unemployed is not created.

4.3.2.2 The Department of Welfare will implement a pilot skills development programme for youth to improve their capacity to access the job market and contribute effectively to society by the age of 18 years. This programme aims, over a 15 month period, to build capacity in 80 communities, 60% of which would be rural or semi-rural, reaching a minimum of 25 000 young people.

4.3.2.3 We are determined to address the problem of youth unemployment and skills development through a bold package, with the support of our social partners. Measures which need consideration in finalising such a package include among others: a youth learnership wage, a youth training subsidy, appropriate probation and employment security requirements, measures to avoid the displacement of existing workers if new young employees are taken on, improved careers services in schools, internships, and improved vocational training.

4.3.3 Disabled

4.3.3.1 The Integrated National Disability Strategy is the responsibility of the Office of the Deputy President and seeks to ensure that disabled persons are enabled to develop optimally. An investigation is currently underway to assess the social security requirements of people with disabilities. Consideration will be given to improving delivery in respect to the promotion of training and income generating opportunities to the disabled through mainstream policy programmes.

Summary

4.3.4 To summarise we aim to improve the level of human development and the functioning of labour markets. To make the labour market more efficient, we will make relevant amendments to labour market policies, improve labour market information, formulate a more comprehensive approach to social security and welfare, implement measures to enable continuous labour market participation, reduce the cost of looking for and getting to work and implement special measures for vulnerable groups. Improvements to the education system and the implementation of our skills development strategy will be essential to the success of the ESF. These efforts will enable people to participate more fully in the labour market, whether in finding or creating jobs. At the same time, we will become a more attractive location for labour absorbing investment, whether domestic or foreign.

5. The Development, Implementation and Monitoring of the ESF

5.1 The Establishment of a Cabinet Employment Cluster Committee (CECC)

5.1.1 A Cabinet Employment Cluster Committee (CECC) will be established, to be chaired by the Minister of Labour. This Committee will ensure that government's Employment Strategy commitments are met. A central function will entail an ongoing review of the employment impact and

potential employment enhancing measures of all major policy areas. It will be responsible for improving policy coordination and monitoring progress on key programme commitments. This committee will ensure that no policies are passed through Cabinet without an assessment of their employment implications.

5.2 Higher Spending on Employment Promoting Projects

5.2.1 Government will establish the Umsobomvu Trust with an initial capitalisation from the proceeds of the demutualisation process. We will support the Trust with further contributions from the fiscus. The income from this Trust will be applied to key programmes in the Employment Strategy, focusing on a range of job creation, training and youth employment oriented programmes. The business community, union investment arms and the donor community will be requested to make supplementary contributions to the Umsobomvu Fund.

5.2.2 Public Works Programmes will not be financed from the Umsobomvu Fund, but will instead be allocated funds through the MTEF process. Government has already dedicated about R1 billion in the current fiscal year, rising to about R1.8 billion by the year 2000/2. We will be committed to substantially increase the allocation to the Special Employment Programmes: the actual amount will be determined through the budgeting process.

5.3 Statistical Monitoring

5.3.1 The Cabinet Investment Cluster Committee (CICC) is actively developing a database of new and intended investments in South Africa. Ultimately, this database should enable us to track investment and therefore gain a better understanding of the impact of different incentives on investment over the long term.

5.3.2 The Central Statistical Services (CSS) will upgrade the provision of labour statistics by releasing two quarterly economy-wide surveys of formal concerns, a quarterly household labour force survey to measure formal and informal employment and unemployment and an annual survey of occupations at the establishment level to monitor changes in the occupational structure. These surveys will improve on the existing samples by widening coverage to all sectors, including professional and business services, private health and community services, cultural and recreational services and the personal services industries that are not currently covered.

6. The Role of the Social Partners in the Employment Strategy

6.1 An Overview of Government's Commitments

6.1.1 Government is committed to the achievement of a labour absorbing economy that relies on sustainable employment opportunities in the production of higher value-added goods and services.

6.1.2 The Employment Strategy aims to improve both the demand for, and the employability of, labour. Improved policy coordination to achieve a critical mass of economic activity and maximise employment multipliers will be essential to the Strategy's success. A combination of short term and long term measures is required: we must move to a longer term developmental trajectory and yet we recognise that people need jobs now.

6.1.3 To improve the demand for labour, we will:

6.1.3.1 create jobs directly through the strengthening of Special Employment Programmes, with more financial resources, better coordination, more regular flow of income and more emphasis on the building of sustainable assets. The key programmes will include the Municipal Infrastructure Programme, Working for Water and Community Based Public Works Programmes. Two new programmes will be introduced: the Clean Cities Campaign and the Land Care Campaign.

6.1.3.2 preserve jobs in the private sector by means of:

6.1.3.2.1 programmes to enable existing firms to shift into higher value added, more competitive product niches and to adopt more competitive methods of work organisation.

6.1.3.2.2 targeted interventions in mining, agriculture, construction, and vulnerable sectors in manufacturing such as motors, clothing and textiles, footwear and the petrochemical-plastics pipeline.

6.1.3.2.3 strengthen and refocus some of the existing investment promotion policies and programmes. Some programmes have only recently been introduced, but have already begun to show results. However, some of these programmes will be under review in the coming year including the Manufacturing Development Programme (MDP), the suite of SMME support services and key aspects of the NCPS.

6.1.3.2.4 fast-track movement into new labour absorbing industries by:

6.1.3.2.4.1 improving attention to the promotion of 'non-tradables' and service industries

6.1.3.2.4.2 supporting the identification and promotion of key labour absorbing industries, in agriculture, manufacturing and services

6.1.3.2.4.3 promoting cluster initiatives which enable the identification of industry strategy initiatives, particularly in services

6.1.3.2.4.4 promoting innovation in technology use and work practices

6.1.3.2.4.5 leveraging investment into the South African economy through the Industrial Participation Programme

6.1.3.2.4.6 reducing the cost of investing in productive activities with the MDP, the SDIs and the IDZs, restructuring commercial transport services and addressing key areas of crime.

6.1.3.2.5 Finally, SMMEs will be promoted by way of:

6.1.3.2.5.1 establishing local business service centres, which will be electronically integrated.

6.1.3.2.5.2 strengthening delivery in the financial services sector, particularly in the lower end of the market

6.1.3.2.5.3 intensifying land reform and extension services

6.1.3.2.5.4 strengthening the implementation of local economic development and local programme delivery

6.1.3.2.6 To strengthen the employability of labour, policy will focus on education and training, improving the functioning of the labour market and devoting special attention to vulnerable groups. A strong package of

'active labour market policies' will be introduced to strengthen labour market matching and the skills base. We aim to:

6.1.3.2.6.1 Strengthen the availability of skills by:

6.1.3.2.6.1.1 enabling easier access to work for non-South African skilled personnel

6.1.3.2.6.1.2 transforming the training boards into SETAs and the promotion of an impressive increase in private sector expenditure on industrial training

6.1.3.2.6.1.3 augmenting skills and infrastructural development through the Infrastructure and Employment Investment Programme

6.1.3.2.6.1.4 improving the interface between labour market needs and the education system

6.1.3.2.6.1.5 improving the allocation of resources in education

6.1.3.2.6.2 Improve the functioning of the labour market by:

6.1.3.2.6.2.1 revising labour regulation where necessary, in consultation with the Social Partners, to improve the criteria related to the extension of agreements, to loosen provisions related to probation and to reduce the load carried by the CCMA while increasing its preventative role

6.1.3.2.6.2.2 establishing a national network of Labour Market Information and Career Services Centres to guide workseekers towards jobs

6.1.3.2.6.2.3 formulating a more comprehensive social security and welfare safety net

6.1.3.2.6.2.4 enabling adjustment through Social Plan activities including the establishment of the Social Plan Technical Support Facility, a review of UIF provisions to improve service to retrenchees, and by providing a social plan fund to public sector retrenchees

6.1.3.2.6.2.5 improving coordination in the planning of housing schemes and the provision of low cost transport services

6.1.3.2.6.3 Vulnerable groups will receive special attention, by:

6.1.3.2.6.3.1 reducing direct and indirect discrimination against women in the labour market by improving access to child care services, accommodation in areas of economic agglomeration, skilling opportunities and occupations not normally considered to be 'women's work'.

6.1.3.2.6.3.2 promoting youth employment and skills development with the consideration of a discounted youth learnership wage, a youth training subsidy, a temporary holiday from unfair dismissal provisions, measures to avoid the displacement of existing workers if new young employees are taken on, improved career services in schools, internships, and improved vocational training.

6.1.3.2.7 To fulfill the aims of the Employment Strategy it is essential that improvements in public service delivery be achieved. The reallocation of expenditure and of personnel to areas that add social value will require the introduction of more flexible employment practices.

6.1.3.2.8 In all relevant aspects of policy, attention will be devoted to improving delivery at the local level and improving overall coordination of efforts to maximise the potential impact of policy. In particular, we seek to improve the dynamic interface between the provision of infrastructure, information services, social services, SMME support services and other economic strategies such as the SDIs, IDZs or targeted industrial promotion activities.

6.1.3.2.9 To provide a vehicle for fiscal support of innovative programmes aimed at stimulating employment, we will establish the Umsobomvu Trust, to be capitalised initially from a charge on demutualisation. These initiatives may receive further support from the Budget.

6.1.3.2.10 A Cabinet Employment Cluster Committee will be established to ensure that government's commitments are implemented and to oversee a review of the key policy areas.

6.1.3.2.11 We must recognise that human and financial resources are limited. We therefore challenge the Social Partners to join us in making this plan work. More particularly:

6.2 We Challenge Business

6.2.1 We recognise the contribution made by Business to social development, in the establishment of corporate responsibility and the contribution to the National Skills Fund. We further challenge business to make a meaningful contribution to employment promotion through demonstrable and tangible commitments to:

6.2.1.1 building capacity at the local level by establishing a nation-wide "Managers Service Programme". Skilled professionals would volunteer their time to assist in the development of capacity in local and provincial government financial management, the development of Local Business Service Centres, the Social Plan Technical Support Facility, schools management and upgrading and public works projects.

6.2.1.2 promoting education and training with a "Schools Adoption Programme", which would systematically finance the upgrading of schools and the purchase of books and materials.

6.2.1.3 funding partnerships in support of the programmes of the Umsobomvu Trust and other employment generating initiatives.

6.2.1.4 promoting youth employment.

6.2.1.5 facilitating small business entry.

6.2.1.6 enabling progressive workplace change.

6.2.1.7 helping reduce conflict on the shop-floor.

6.2.1.8 addressing the need for improved trauma support to survivors of violence.

6.3 We Challenge Labour

6.3.1 We recognise the contribution made by Labour to social development and participative democracy. We further challenge labour to make a meaningful contribution to employment promotion through demonstrable and tangible commitments to:

6.3.1.1 contributing to the Umsobomvu Fund.

6.3.1.2 making it easier for young people to get into jobs.

6.3.1.3 wage bargaining appropriate to productivity gains and rates of inflation and which does not contribute to job loss.

6.3.1.4 developing a realistic labour regulation framework, which enables the restructuring required in both the public and private sectors and supports an environment for employment creation.

6.3.1.5 helping reduce conflict on the shop-floor.

7. Conclusion

7.1 To fight against unemployment is our central challenge. And we want sustainable jobs. But we must be under no illusions. There are no magic solutions and no quick-fixes. Unemployment is a deep, structural problem. New sustainable jobs will not be generated overnight, at least not in the numbers we need. Fighting unemployment will be a long haul.

7.2 As government we are focussing on getting the policy environment right- including promoting growth, investment and the building of infrastructure, pursuing sound macro-economic policies, improving the quality of our human resources and revising a range of policies which may impact negatively on the employment environment. And if we are to be successful we will need the help of our social partners, and indeed of all organisations in our society. Business has a particular role to play. Most jobs, now and in the future, will be in the private sector, in businesses large and small.

7.3 This document presents some of the initiatives being considered, or already underway, within government. Some are short-term, others long-term. All form part of an employment strategy that must be made to work. If we pull together we will succeed.