



EDGE
Economic Development
& Growth in EThekweni

Juggling Jobs

Assessing the New Growth Path and National Development Plan Job Targets



Job Seekers
Umgeni Road, Springfield
07:45am

May 2012

“The world enters the year 2012 facing a stark reality: one in three workers in the labour force is currently either unemployed or poor.”
- (ILO, Global Employment 2012: 31)

Introduction

Despite the various national economic programmes and reforms since 1994 - namely the Reconstruction and Development Programme (RDP); the Growth, Employment and Redistribution (GEAR) programme; and the Accelerated Shared Growth Initiative for South Africa (ASGiSA) - high levels of poverty and inequality persist in our country. This is deeply problematic for a number of social, economic, environmental, and political reasons. With official unemployment hovering at 25%, around 40% of people living in poverty, and having one of the world's highest levels of inequality, South Africa urgently needs to effectively “improve living standards and ensure a dignified existence for all South Africans” (National Development Plan, 2011: 90).

These national realities manifest on both provincial and local levels. KwaZulu-Natal is one of the poorest and most populous provinces in South Africa. The most recent 2010 statistics have eThekweni municipality at an official unemployment rate of 21.8% (with significant variations across population groups) and the number of people living in poverty at 1,106,024, which is approximately 39.1% of the total population. The persistence of the ‘triple challenge of unemployment, poverty and inequality’ was reiterated in the 2012 State of the Nation and KZN Provincial addresses.

However, it is important to stress that South Africa is not alone in this challenge. According to the International Labour Organisation's (ILO) Global Employment Trends 2012 report, the global situation for labour and growth looks dim for this and subsequent years. This is reflected in little improvement of global labour markets, weakening global growth, a global economy that has a reduced capacity to create jobs, and the possibility of entering another stage in the global economic crisis.

Both the New Growth Path (NGP) and the National Development Plan respond to this context in their

quest to create ‘a step change’ (NGP Framework, 2010: 1) and ‘write a new story’ (National Development Plan, 2011: 4) in our country. This paper seeks to ground these high level strategic and visionary documents by performing three tasks:

1. Summarise and link these two important national documents in terms of job creation
2. Report on various critiques and the feasibility of these ambitious national job creation targets
3. Translate the national targets to the local eThekweni level



1. Jobs, the New Growth Path Framework, and the National Development Plan

In both the NGP Framework (2010) and the National Planning Commission's National Development Plan (2011), job creation is paramount. Both documents emphasise the need for a more inclusive, dynamic, diverse and equitable economy which is able to absorb labour and accelerate growth, and in doing so decrease unemployment and eradicate poverty. Moreover, both of these strategic documents recognise the interconnected nature of various socio-economic, political, and environmental factors; the need for an effective, capable state; and the importance of a collective effort from all sectors of society for achieving their visions.

1.1 The New Growth Path (NGP)

The NGP Framework (2010) is founded on the idea that in order to create decent work, reduce inequality, and eradicate poverty, the South African economy needs restructuring. The overarching focus of this Path is to create more and better jobs in order to "fight poverty, reduce inequalities and address rural underdevelopment" (NGP, 2010: 3). The NGP was approved by Cabinet and became official national policy in October 2010. It aims for a higher growth trajectory through a policy package of government investment, macro and microeconomic reforms, competitive and equitable wage structures, the unblocking of constraints, etc. The NGP emphasises that its target of 5 million jobs by 2020 is dependent on both the rate of growth and the employment intensity of that growth – both of which need to be accelerated.

Importantly, the NGP hones in on unemployment and job creation in a way that previous national economic policies have not. It identifies key sectors and cross cutting activities, termed 'job drivers', where this employment creation can take place. Although not an exhaustive or fixed list, these drivers act as a point of departure for accelerated, sustainable, and effective employment creation. All of the job drivers are connected and must reinforce

one another, and a lot of work is already being done in many of these areas. A range of measures are put forward in the framework including re-industrialisation, progressive taxation, and skills development.

The key job drivers in the NGP are as follows:

Infrastructure

- Target: 250 000 jobs a year in energy, transport, water, communications infrastructure, and housing through to 2015.
- Core Job measures: Maintain high levels of public investment in infrastructure and skills development including measures to prevent non-competitive pricing by contractors, strengthen local procurement of inputs, use labour-based production methods where appropriate, and an infrastructure provision linked to a coherent and sustainable strategy on rural development.
- Job activities: Construction of new infrastructure, operation of the new facilities, expanded maintenance, and the manufacture of components for the infrastructure programme.

Labour-absorbing activities across main economic sectors

- Targets:
 1. Agriculture: 300 000 households in agricultural smallholder schemes, 145 000 jobs in agro processing by 2020, upgrade conditions for 660 000 farm workers .
 2. Mining: 140 000 additional jobs by 2020, and 200 000 by 2030.
 3. Manufacturing: Much of it is included under other jobs drivers, but IPAP2 targets 350 000 jobs by 2020 in the industries not covered elsewhere .
 4. High level services: Over 250 000 jobs directly in tourism and business services with more possible in the cultural industries.
- Core job measures: Various restructuring and reforms such as adding more comprehensive support for smallholder schemes in agriculture, establishing a state-owned mining company alongside a strong private mining sector to encourage beneficiation and developmental aims, adding support for various sectors (e.g.



infrastructure support for tourism), encouraging diversification in business and assisting vulnerable population groups (e.g. training and opportunity identification for the youth).

- Job activities: Extremely varied – farming, mining, manufacturing, tertiary services, etc.

Potential of new economies

- Targets:
 1. Green economy: 300 000 new direct jobs by 2020.
 2. Knowledge economy: 100 000 new jobs.
- Core job measures: Support for energy efficiency and renewable energy including R&D and higher education, public schemes focused on greening the economy, decrease cost and improve access to broadband, better programmes and structures for the diffusion of new technology.
- Job activities:
 1. Green Economy: 80 000 in manufacturing and the rest (220 000) in construction, operation, and maintenance of new environmentally friendly infrastructure; additional jobs in biofuels and natural resource management.
 2. Knowledge intensive activities: Information and Communications Technology (ICT), higher education, healthcare, mining-related technologies, pharmaceuticals, and biotechnology.

Social capital and public services

- Targets:
 1. The social economy (e.g. stokvels, Non Governmental Organisations (NGOs), co-operatives): 260 000 new employment opportunities by 2020.
 2. Public service: Well over 100 000 jobs by 2020.
- Core job measures: Support for, and increased work with, social economy initiatives; Set targets for public service growth and expand Community Works Programme in wards.
- Job activities:
 1. Social economy: Work in NGOs, co-operatives, and stokvels.
 2. Public service: Healthcare, policing, education, Community Works Programme, and youth brigades.

Spatial development

- Targets:
 1. Rural development: Opportunity to improve livelihoods of 500 000 households (direct job creation target not listed).
 2. Regional development: Increased exports to SADC alone could create 150 000 new jobs by 2020.
- Core job measures: Programmes and support for rural and regional development.
- Job activities: Extremely varied.



1.2 The National Development Plan

The overall targets of the National Development Plan are to sharply reduce inequality and eliminate mass poverty. Success in achieving this will be measured based on a SA poverty line (about R418 in 2009 prices per person per month) whereby the proportion of South Africans below this line - currently 39% - would drop to zero. Inequality will be measured by a reduction in the Gini coefficient from 0.7 to 0.6 by 2030. The Plan and its earlier diagnostic report list nine central South African challenges that need to be addressed in order to achieve these poverty and inequality goals. However, out of the nine it emphasises the country's two biggest challenges, and thus highest priorities, are that: "Too few people work" and "The quality of education available to the majority is poor". Job creation and issues around job creation, such as skills development, are critical when dealing with these two interrelated challenges.

When relating these two overarching documents, it is important to note that the National Development Plan itself explicitly draws on the NGP and states that its proposals are largely consistent with the NGP, except that it uses a longer timeframe and there are some differences between specific catalysts and actions. The NDP is divided into 13 key areas, one of which is 'Economy and employment'. The direct economic and employment 2030 targets from the National Development Plan include:

- Reduce the unemployment rate to 6% requiring 11 million more jobs implying the economy would need to grow by 5.4% on average every year,
- An increase in the proportion of adults working from 41% to 61%,
- An increase in the proportion of adults working in rural areas from 29% to 40%,
- An increase in the labour participation rate to 65%,
- 2 million people in public employment programmes,
- 7 other targets relating to the economy and employment such as an increase in exports, savings rates, gross fixed capital formation, etc,

Other areas of the Plan that explicitly mention jobs and job creation targets by 2030 include:

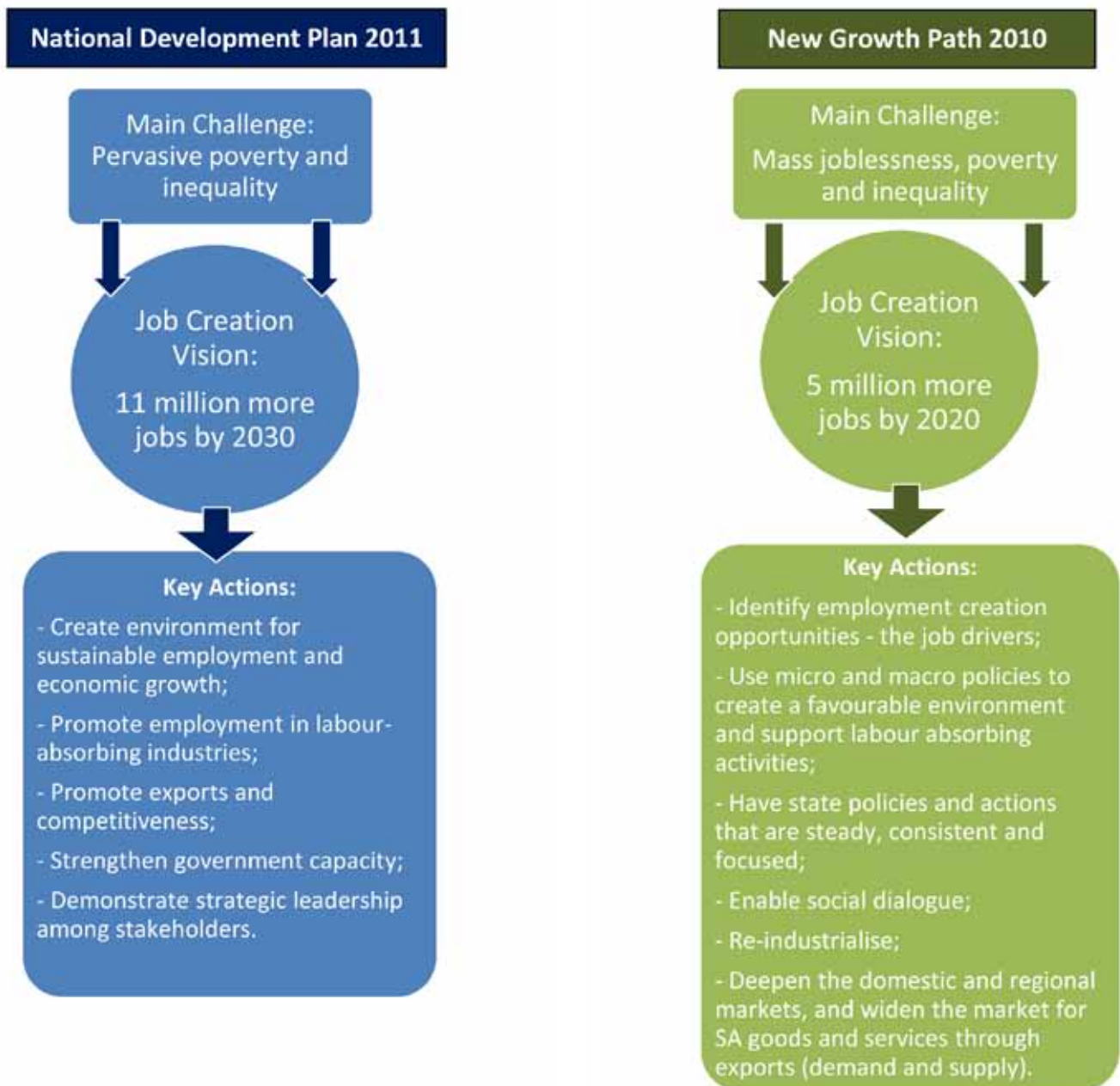
- Creating an inclusive rural economy: 643 000 direct jobs and 326 000 indirect jobs in agriculture, agro-processing, and related sectors,
- Human settlements: More jobs in or near dense, urban townships,
- Education, Training, and Innovation: Various schooling and university targets producing 20 000 artisans a year, and an additional 1 million learning opportunities a year for post-school workers and the unemployed,
- Social protection: The number of public works jobs should rise from the present level to 2 million,
- Transforming society and uniting the country: Employment equity and other redress measures should continue and become more effective,

As all of the challenges, targets, and solutions in the Plan are interdependent and interrelated, it must be noted that the remaining sections - namely: economic infrastructure, transition to a low-carbon economy, positioning SA in the world, promoting health care for all, building safer communities, and building a capable state - all have implications for jobs and job creation.

For a visual representation of some of the key job creation elements of both the NGP and the National Development Plan, please see Figure 1 on the following page.



Figure 1: National Development Plan and the New Growth Path



2. Job Target Feasibility and Critiques

Since their release in 2010 and 2011 respectively, the NGP and the National Development Plan have had numerous comments and critiques aimed at them. From diverse political perspectives, both the NGP and the NDP have been praised and pressured. Some, for example those coming from a leftist perspective, argue that the NGP is simply a continuation of the neoliberal type policies (e.g. the Growth, Employment and Redistribution [GEAR]), which have not been successful in the past. Hence, they argue that it will not do enough to transform South African society. Within this left viewpoint, alternatives include anything from more state intervention to a restructuring of the current capitalist system. On the other hand, some argue that the NGP is in fact too socialist in its recommendations of state intervention. Despite the controversy, both the New Growth Path and the National Development Plan received support and praise in President Zuma's State of the Nation address in February 2012.

Outside of this politicking, critics raise concerns regarding whether these programmes, processes and plans will become practice – a crucial step in a country that suffers from an often severe 'implementation gap' between paper and on-the-ground action and progress. To ensure implementation a number of measures must be put in place including, but not limited to: alignment across departments and through the spheres of government, engagement with key stakeholders, and the reform of certain state institutions. Furthermore, global economic challenges of another recession and persistent economic stagnation pose a major threat to the achievement of the targets. So much so that President Jacob Zuma has in fact conceded that the current state of the global economy will likely prevent South Africa from reaching its growth targets to create 5 million jobs by 2020, which also has negative implications for the National Development Plan 11 million jobs target by 2030 (Sapa, 2011). These targets were set in the context of a 2008 recovery from the economic crisis.

In a more detailed analysis by the Bureau of Market Research (BMR) on the feasibility of the job creation targets and actions set out in the NGP, it was found that there are numerous challenges with the current framework and although the study "supports the need for an economic growth programme that can actually achieve the NGP objectives and outperform its targets" (BMR, 2011: vii), its findings indicate that there are serious weaknesses with the current framework.

Using various statistical and comparative analyses, key findings from this study are:

- There are very few proposals aimed at making the economy more labour absorptive. For example, there is a trend for employers to use capital rather than workers which would mean a much higher growth rate is required to meet the 5 million jobs target.
- The sectors identified to increase labour absorption and drive job creation in the NGP are not labour friendly at this stage, and there are no proposals in the plan to incentivise the job creation in these sectors. In South Africa, a very weak relationship exists between economic growth and employment growth per sector, for example the relationship is negative for the agricultural sector and very weak in the mining, manufacturing, and trade sectors.
- The dynamic relationship between employment, unemployment and discouraged work seekers is ignored, meaning that the unemployment rate target of 15% by 2020 through 5 million more jobs is unlikely to occur. This is because as the unemployed find employment, discouraged workers will start to seek work and therefore be reclassified as unemployed. Under a scenario of 5 million jobs created and 50% of discouraged work seekers transforming into unemployed, the unemployment rate will be 18.9% and not 15%.
- A large number of businesses will be needed to create the 5 million jobs; however businesses face major challenges in this country. It is, for example, currently very difficult, costly, and time consuming to register businesses in SA.

1 It should be noted, however, that out of the two plans the NGP has received more criticism thus far with one particularly controversial element, namely taxation measures targeting the rich.



- The study recommends a two-pronged approach to economic growth and job creation that seeks to bring immediate relief with 'loosen the handbrake' measures such as deregulation of the labour market and curbing the call to nationalise mines, as well as 'add more horsepower' measures that focus on longer term structural issues – some of which are contained in the NGP.

- The New Growth Path Framework (2010) 5 million jobs by 2020
- The National Planning Commission's National Development Plan (2011) 11 million jobs by 2030

For these targets, the NGP aligns its definition of 'jobs' with the StatsSA definition of employment which includes formal and informal (non-agricultural) work, agricultural, and private households. Informal employment in this case means 'precarious employment situations' irrespective of whether the entity employing the individuals is in the formal or informal sector. The NDP also includes informal employment in its measurements. Strategically, however, both plans frame jobs within the decent work agenda. On a theoretical level, the combination of decent work and informal jobs has inherent tensions; therefore there is a need for caution in practice as well as a need to explore this dynamic further.

In terms of eThekweni's contribution to the national job creation target contained in the New Growth Path and National Development Plan, the eThekweni economy needs to create an average of about 45,000 jobs per annum in the formal and informal economy. Currently, the economy is only creating about half that number of jobs per year. We have to become ambitious in pursuing the development of our city if we are to ensure that people get jobs and unemployment is drastically reduced.

Given the requirements for the NGP and NDP (5 million extra jobs in 2020 and 6 million in 2030 respectively), the compound annual growth rate for these targets for eThekweni would be 4,7%. At the current growth rate of 1,8%, the number of jobs that may be created up until 2030 is 430,391, but what's required is actually 871,059. Averaged over the 19 year period, it means that aside from the average number of 22,652, which will be created during this time, an additional 23,193 is required to meet our share of the National target, totaling approximately 45,000 jobs.



3. eThekweni's Job Targets

In order for local government to align with national and provincial economic and employment policies, plan and act strategically, and monitor performance, it is important to translate the various job creation targets made at higher levels to the local context. The two most critical and recent national targets in this regard are:



Conclusion

Our past experience and the enormity of the task that lies ahead demonstrate that ‘juggling jobs’ is no easy feat, nor is it, however, impossible. With focus, determination, skill, and creativity, we in government, business, and civil society must continually strive to master this act. Planning and policy tools like the NGP and NDP go a long way in setting the scene as they accelerate discussion on, and form a large part of, the long term visionary plan for the country going forward. Both documents have received praise for their focus and ambition, especially the NDP, but there is sufficient doubt over whether (and how) these ambitious targets can be reached. These plans will always contain a degree of vulnerability to change, uncertainty, and flexibility. Often this can lead to cynicism and disillusionment when faced with persistent target failure, but these types of policies cannot but set the bar high. Indeed, the point of long term planning and visionary processes is to be ambitious, to see the bigger picture, and to push all sectors of South African society to create a better future.

Historically, the new South Africa has ‘dropped the ball’ in terms of employment and job creation targets set out by various policies. The National Planning Commission states these failures were due to, among other things, an “overly optimistic view of the capacity of the state” and a lack of anticipation of “the impact of external shocks and changing international conditions on [the country’s] fortunes” (National Development Plan, 2011: 4). Indeed the current global economic climate is not conducive to high economic growth and mass decent job creation. Much of the National Development Plan’s overall thrust and detailed measures works against these mistakes, and the NGP too seeks to build on lessons and success from previous experience.

Thus, with the scene set for change, if ever there was a time for a stellar performance it is now and we must all play our part.

Paper by Caili Forrest: ForrestC@durban.gov.za ; 031 311 4247

Local Job Targets by Denny Thaver ; thaverdenny@durban.gov.za ; 031 311 4037

Economic Development Unit: Policy, Strategy, Information and Research

Photographer Derryn Semple, derryn.semple@yahoo.com

