

The Role of Employment Programmes

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Active labour market policies (ALMP) encompass a range of interventions that aim “to give more people access to the labour force and good jobs” (OECD, 2020). These include incentives aimed at retaining employment, creating employment, searching for and remaining in jobs, or accumulating human capital, as well as interventions that facilitate labour market matching (Brown and Koettl, 2012), although this is just one approach to categorising them. Employment programmes are one example of an ALMP, specifically one that provides incentives for searching for and remaining in employment.

South Africa (SA) faces an immense unemployment challenge. By the end of 2019, the unemployment rate stood at 29.1%: 6.7 million people were unemployed, while a further 3.7 million were unemployed but not actively seeking work (StatsSA, 2020). The unemployed are more likely to be young, to be less educated and to be female; they tend to reside in households with few, if any, wage earners.

Introduced initially as a means of addressing the lack of jobs, the National Public Works Programme was subsequently reinvigorated as the Expanded Public Works Programme (EPWP) in 2004 following the Growth and Development Summit, with a clear jobs target. However, Phase I of the EPWP had numerous other objectives, including economic development and poverty alleviation, skills development, small and medium micro enterprise businesses (SMME) development, service delivery, and the creation of exit opportunities (NDPWI, 2019). Phase II had fewer objectives, with training and SMME development omitted, and aimed for two million full-time equivalent (FTE) work opportunities over the five-year period to March 2014. Phase III re-incorporated the objectives of training and SMME development and, at least on paper, saw a shift from a focus on job creation and reducing unemployment to a focus on poverty alleviation and the preparation of participants for the labour market. According to the business plan, Phase IV will place greater emphasis on “social protection, convergence and capitalising on developmental opportunities” (NDPW, 2019).

The EPWP is a substantial government intervention. In Phase III, it provided more than 4.5 million work opportunities (75% of its target) with an average duration of 90 days, and transferred R41 billion to poor households. Phase IV targets 5.0 million work opportunities (2.4 million FTEs) over the five years.

Employment programmes have an important role to play within the context of the SA labour market. Arguably, the central role of the EPWP as it has been implemented in SA, is the alleviation of poverty. The programme facilitates a large-scale transfer of resources to some of SA's poorest citizens and represents the only direct avenue of access to financial support from the state for millions of working age adults. As with the various social grants, the benefits of this transfer of resources are felt much more widely, within households and within communities. This role is further enhanced through the deliberate targeting of work opportunities at youth, women, and people with disabilities.

Second, the programme promotes labour market attachment. The importance of this aspect is accentuated by SA's high unemployment rate, the large number of non-searching unemployed, and the high share of the unemployed who have never worked before or who are long-term unemployed. At the same time, participants may have the opportunity to develop some of the soft skills - such as daily work attendance, arriving on time, and working in teams - necessary for employment.

From the perspective of achieving longer-term beneficial impacts, a third key role for employment programmes in SA is related to training. SA's long-standing skills challenges have been extensively documented. Historical discriminatory policy within the areas of education and training, combined with current challenges in the capacity of the education system to generate skilled jobseekers, have coincided with trends of skills-biased technological change. The resulting shortages of skilled workers have seen vacancies and upward pressure on wages at the upper end of the skills distribution, while insufficient demand to absorb jobseekers at the lower end of the distribution has contributed to widespread unemployment. The

training components of employment programmes therefore have the potential to assist in addressing this problem, although it should be noted that the macro-level effectiveness of training interventions may be constrained by high unemployment (as was found to be the case in Spain, for example (Escudero, 2018)).

There appears to have been very little work done to gauge the true impact of the EPWP, beyond a simple tallying of person-hours of work and calculated total wages. During the first three quarters of the 2019/2020 financial year, EPWP reported expenditure of R13.9 billion, of which R7.7 billion represents “calculated wages” and person-years of work including training of 266 986. This translates into a cost of R52 000 per FTE, or R29 000 in wages per FTE. However, beyond these types of figures we know little in terms of impact. For example, we do not have a sense as to the employment outcomes of participants post-participation; we do not know what the broader impact on poverty and inequality is; we do not understand the way in which the duration of work opportunities may influence behaviour in areas such as job search or spending; we are unable to gauge the effect of the training component of the programme; and we do not know how any of these might vary for different target populations.

Global evidence suggests that there may be significant problems associated with the use of employment programmes. A review by Brown and Koettl (2012) of global evidence on ALMPs highlights, for example, the strong locking-in effect of employment programmes (i.e. negative impact on job search during participation), the risk of potential employers avoiding participants due to low-productivity stigma, and the widely-documented lack of longer-term positive effects. In SA, we have no real sense of the extent to which these issues characterise the EPWP. That said, Brown and Koettl (2012) do note the additional value of the *outputs* of these programmes (e.g. basic infrastructure) and their ability to bolster the social safety net.

Escudero (2018) reviews data for 31 advanced countries between 1985 and 2010 and finds that the set of interventions within which public employment programmes fall was associated with lower unemployment rates and higher employment rates, overall and for the low-skilled; they are also associated with higher labour force participation rates amongst the low-skilled, but lower rates amongst the overall population.

A higher resource allocation to programme administration and policy continuity have been found to have favourable impacts in terms of unemployment

rates, employment rates and participation rates (Escudero, 2018). This may partly be related to the better monitoring and evaluation that such allocations may enable. In their meta-analysis of 207 studies evaluating ALMPs from around the world, Card et al. (2018) argue that impact should be measured using different time horizons and separately for different types of participants. They find that “public sector employment programs have negligible, or even negative program impacts at all time horizons” (Card et al. 2018). They also find that effects are weaker for youth and older workers, but stronger for females and the long-term unemployed. That said, they find that standalone training interventions (“human capital programs”) have positive medium-term impacts, even though short-term impacts may be negligible. This may suggest potential for employment programmes to improve their overall effectiveness with the appropriate incorporation of a training component, while also raising concerns around the impact of the EPWP for young people specifically given its targeting of youth.

In the current context of constrained fiscal resources, it is crucial that we are able to carefully evaluate the benefits of government interventions in relation to their costs. We are currently not able to do this. This is not just a matter of counting participants and FTEs: evaluations must consider the success of the programme in terms of its stated objectives and must establish the extent to which the country is getting value for its money. Careful evaluation of the impact - both direct and indirect, and both immediate and over longer time horizons - of public employment programmes is therefore critical.

Because we have been unable to accurately assess the various impacts of the EPWP, it is not possible to determine whether there are more cost-effective interventions for achieving specific objectives. At the same time, it is not possible to evaluate programme innovations or alternative “packages” of interventions. This constrains our ability to effectively innovate and fine-tune the programme.

The scale of the EPWP creates the potential for robust assessment of the impacts of the programme and its design in terms of its stated objectives. At the same time, there is much interest in understanding the effectiveness of public employment programmes, particularly in developing countries. With proper, thoughtful data collection and collaborations between government and the research community, there is much that we can learn from the EPWP, allowing policymakers to make better informed policy and design choices.

References

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