

Proposal for Jobs Summit: an employment guarantee scheme or a workseekers grant

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A proposal for social solidarity interventions to support the unemployed. Establishing an employment guarantee scheme or a workseekers grant, supported in part by the UIF surplus, and in part by the fiscus.

1 Problem statement

It is well established that South Africa has a deep problem of structural unemployment. Unlike economies which have a largely cyclical unemployment challenge, active labour market measures, such as retraining, have limited impact on the job prospects of the majority of unemployed, who are not absorbed even in times of economic expansion.

Further, long term unemployment is a massive challenge. The QLFS for the first quarter of 2018 indicates that *even for* those 6 million unemployed using the narrow definition (ie excluding discouraged workers who have given up looking for work), over 41% of workseekers had been unemployed for more than three years. Including discouraged workseekers, Stats SA registered a total of around 8,8 million unemployed this year. Therefore it is realistic to assume that over 5 million South Africans can be described as long term unemployed.

There is no social protection covering the vast majority of the adult unemployed, and social insurance schemes, mainly the UIF, cover less than 10% of the unemployed, only those who have worked previously, and over the short term. The EPWP and CWP also covers a relatively small proportion of the total unemployed.

Many proposals are being made to address the plight of unemployed youth, particularly those from 15-25. It is extremely important to address this group. But there is a huge group of unemployed from 25-60, who are not covered by any form of social protection, or training and employment schemes. This proposal therefore seeks to put in place a scheme which provides a safety net for the employed not currently covered by the UIF.

The proposal is to introduce a *universal employment guarantee scheme*, along the lines of India's NREGA, which would guarantee every household one hundred days of employment a year, or the equivalent income if work is not available. In the short term therefore this would combine a public employment scheme with a grant, until the scheme is able to offer everybody work. The scheme would build on the existing CWP and EPWP programmes.

The alternative, since both may not be regarded as affordable, would be to introduce a *workseekers grant*, to support the unemployed, and assist them to enter the labour market. Either scheme could be partially financed by a social solidarity contribution from the UIF, which is running a large surplus, and partially from the fiscus, which could draw from solidarity taxes such as the wealth tax.

2 Jobs impact

In the event an *employment guarantee scheme (EGS)* is agreed, there would be a direct impact on employment, and an indirect impact. It is anticipated that in the short term, only some households would be provided with employment, as the employment programme would be upscaled over time, so the scale of employment would depend on how rapidly the EGS is rolled out. The balance of beneficiaries (who could not be absorbed immediately) would receive an equivalent payment of a hundred days work, as a grant, if they could not be accommodated within an agreed time (eg a month).

The employment impact of a *workseekers grant (WSG)* would be more indirect, and relate to the stimulatory economic impact of the grant, and assisting unemployed, particularly long term unemployed access the labour market, afford transport to seek work etc.

Either scheme would stimulate economic activity, including when the economy is facing contractionary pressures, providing a demand stimulus; would promote local consumption and the development of local economies; raise incomes of poor households, and supplement wages of low income workers; and enable workseeking. Those on the EGS would receive some training which, if well designed, could assist with work experience.

3 Theory of change

The essence of the *employment guarantee scheme* has been described above. It would aim to incorporate all poor households into economic activity, and give them access to income, regardless of their geographical location or demographics (unlike the current situation, where proximity to work opportunities, or access to child or old age grants for example are determinants). Compared to the WSG, the advantage of the EGS is that it increasingly gives participants work experience, as it is rolled out; and that it would build on the experience of the EPWP and CWP. The disadvantage is that it would be more complex and expensive to administer than the WSG.

A *workseekers grant* would be a special grant provided to all unemployed who are not beneficiaries of the UIF normal grant. Its design, including the period of provision, the amount etc., would be determined based on the financing options. But it should aim to provide the unemployed with a basic income needed to provide basic necessities, and seek work. The WSG could provide the first step towards a universal Basic Income Grant (BIG). Its advantage is its relative simplicity to administer, but lacks the direct impact on work experience that an EGS can provide.

Given the large scale of both schemes, detailed actuarial evaluations would need to be conducted on the feasibility of different financing models, level of benefits etc. The issue of sources of finance is dealt with below.

4 Existing initiatives/experience

Considerable experience has been gained in the EPWP and CWP schemes, which could be used as building blocks for an *employment guarantee scheme*. Multiple challenges in these schemes should be evaluated in considering the impact of upscaling them, as well as the potential to refocus and realign them in a way which is conducive to building an EGS. A fair deal of research has been conducted which could provide the basis for such an assessment.

The existing social grants system in South Africa is relatively well developed, despite recent challenges, and provide the basis for the introduction of a *workseekers grant*. Once current administrative issues are resolved, electronic payment mechanisms will make the grant relatively simple and inexpensive to administer. Further, investigations, from the Taylor Committee of Inquiry into Social Protection, to the NDP, have recognised that the large gap which exists in the current social protection system needs to be addressed.

5 Constituency participation in implementation

All constituencies would benefit from either scheme, are committed to comprehensive social protection, and therefore should be prepared to play a role in their implementation. Relevant government departments would need to play a lead role in implementing the *employment guarantee scheme* (eg DSD, DPW, NT) or the *workseekers grant* (eg DOL, DSD, NT). Social partners would play a key role in popularising these schemes, and ensuring effective takeup.

Because of their proposed financing, which draws on support from the UIF, and the fiscus-social partners, particularly business and labour, would need to agree on a financing model in relation to drawing on a ringfenced portion of the UIF; and an engagement with government on the balance to be drawn from the fiscus. Both sets of contributions should be seen as social solidarity contributions from the social partners towards the unemployed; as well as broader society, in the case of the fiscal contribution.

Appropriate legislation would also need to be crafted.

6 Benefits

What social/economic groups would benefit from the proposal directly and indirectly? Please use the following table, and do not list more than 5 groups. Please describe the benefits as precisely as possible.

Group	Job creation	Other benefits	Time frame for success
Unemployed	Not yet determined	Income and access to labour market	Short to medium term
Working poor		Rising household income	Short to medium term
Business		Reduced conflict, rising demand for products	Short to medium term
Government		Social Cohesion, economic stimulus, revenue	Short to medium term

7 Cost and potential sources of funding

A detailed actuarial evaluation and financing model for these schemes needs to be undertaken. But the proposal is that a fiscal contribution is supplemented by a ringfenced contribution from the UIF, which would not jeopardise the benefits of UIF contributors.

The fiscal contribution, counter to the claims of limited fiscal space, could draw on a social solidarity tax, such as a wealth tax, which is now firmly on the national agenda.

The UIF surplus, currently sitting above R130 billion, should in part be devoted to directly assisting the unemployed, contrary to various other proposals which want to use the surplus for other purposes. This should obviously be limited to an actuarially determined amount which would not threaten the sustainability of the Fund, and would need to be assessed in an ongoing way. It is noted that while UIF benefits have recently been extended, studies indicate that a significant surplus will continue to be generated, and that developments such as the inclusion of the public service continue to bolster the Fund.

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact

8 Risks

Opposition from groups required to finance either scheme; including the limits imposed by austerity policies.

Bureaucratic complexities and delays.

9 Risk mitigation

A serious political discussion is needed amongst social partners, and all South Africans, on the scale of the unemployment challenge, and its threat to society; and the need for all social partners to make contributions to addressing the challenge. Government, particularly the Presidency, also needs to lead on expediting implementation of solutions, and ensure the full co-operation of government departments.