

Report on the NGP and employment – presentation to Portfolio Committee

August 2011



Confidential

Background

- The New Growth Path sets targets for employment growth overall and by jobs driver, focussing on expanding the productive sectors of the economy
- Cabinet set six priority jobs drivers for 2011/12: Infrastructure, agriculture and rural development, the mining value chain, manufacturing sectors in IPAP2, tourism and high-level services, and the green economy
- Specific actions and reporting requirements for departments on employment set by January lekgotla
- This year we planned to lay the foundation for stronger job growth
- Report will cover up to mid July 2011



Overall trends in employment

- Two consecutive quarters of year-on-year employment growth, compared to eight for GDP growth
- 152 000 new jobs since the low point in the third quarter of 2010, mostly in the formal sector
- 64 000 more jobs than a year ago
- But total employment (including both paid jobs and self-employment) is still substantially below 2008 levels
- Most jobs were lost by young people – they make up 30% of employed people but suffered 60% of jobs losses
- Job creation too sluggish and slow especially in light of GDP recovery – speed up to reach the NGP target for 2020
- That in turn requires vigorous implementation actions



Breakdown of trends in employment

- The size of the total labour force (total number of employed and unemployed persons) grew significantly in the first two quarters of this year, by about 200 000 persons each quarter, after dropping in every quarter of last year.
- The sectoral breakdown (QLFS) over the period since end September 2010 shows:
 - the formal sector grew by 155 000 persons,
 - the informal sector grew by 41 000 persons
 - agriculture declined by 42 000 workers.
 - the number of domestic workers remained constant
- The pace of quarterly job growth has slowed down and jobs were lost in manufacturing, mining and agriculture in the second quarter compared to the first three months of the year.



Actions on infrastructure

- Kusile and Medupi construction are employing well over 20 000 people
- The Gautrain expansion to Tshwane started operations
- The improvement of the freeway between Johannesburg and Tshwane is virtually complete.
- The Industrial Development Corporation announced an R11 billion fund for logistics investments that will complement the infrastructure build-programme
- Projected expenditure on infrastructure will be in excess of a quarter trillion rand a year, with the MTEF currently projecting R807 billion in spending over the next three years.



Actions on infrastructure

- Estimates suggest that current plans for large-scale developments – electricity plants, rail and road upgrades and water management – will sustain between 50 000 and 100 000 jobs in construction through 2015.
- The broadband capacity in the country has been significantly expanded and its cost has declined by 80% at the wholesale level in the past two years,
 - providing cheaper input costs to businesses and
 - creating an opportunity to expand enterprises that rely on information and communications technologies (ICT).



Actions on agriculture

- The Comprehensive Rural Development Programme (CRDP) is being implemented in 65 sites, the rural youth employment programme (NARYSEC) has created 7500 employment opportunities and the national and provincial agricultural departments are supporting over 100 000 smallholders a year.
- The Industrial Development Corporation (IDC) has set up a R7,7 billion fund for investments in the agricultural value chain over the next five years and an additional programme to support agro-processing expansion, with a R250 million allocation, will start this year.
- A number of large agro-processing projects have been announced, including a seed-crushing plant in Mpumalanga which will create up to 4 000 job opportunities in agriculture and a chicken-farming project in the Free State with an employment of about 800 persons



Actions on manufacturing

- The DTI estimates that its programmes created almost 60 000 jobs through March 2011, with notable progress around auto, clothing and capital goods production as well as cross-cutting measures like local procurement and industrial financing.
- The IDC has committed to make available R21 billion for industrial funding of key manufacturing investments in order to drive industrial development
- The new support programme for the motor industry laid the basis for R14 billion in new investment plans.
- Continued implementation of the Industrial Policy Action Plan (IPAP) fostered expanded investment, production and employment in a number of other manufacturing sectors.



Actions on mining and beneficiation

- The new licensing system is in place to provide greater transparency and accountability.
- Cabinet has adopted the beneficiation strategy that lays the basis for practical steps to increase domestic value added and jobs based on South Africa's rich mining resources.
- Cabinet approved establishment of the state-owned mining company.
- Government has identified options for moderating iron and steel prices.
- A pre-feasibility study for the setting up of a new steel mill has been completed.
- The IDC has set-aside R22 billion for mining and beneficiation investments.
- The Department of Mineral Resources (DMR), together with stakeholders, has identified key constraints on growth.



Actions on Green Economy

- The IDC set aside R22,4 billion for green projects in the next five years.
- The new national electricity plan (IRP2) provides for more than one-third of new energy generation to be through renewable energy, mainly solar, wind and biomass.
- The Renewable Energy Procurement Programme will provide support to private sector players
- Eskom, the IDC and their partners managed the subsidised rollout of 140 000 solar water geysers, with a target of reaching a million.
- The environmental employment schemes – Working for Water, Working for Land – provide over 30 000 full-time equivalents and expect to rise to almost 60 000 in 2012.
- Eskom launched a pilot project at the Majuba Power Station for the underground gasification of coal, to produce 3 megawatts of energy.



Actions on tourism, creative sectors and high-level business services

- The National Tourism Development Strategy was adopted
 - growth in domestic tourism recognised as crucial for sustainability and employment creation as well as contributing to social cohesion and the quality of life;
 - new legal framework being drafted
- A major film studio is under construction and various programmes have been implemented to build on South Africa's world-class strengths in music, drama, arts and crafts
- The IDC has allocated R14,8 billion for investment and industrial funding in tourism, the creative industries and high-level services.
- The business process services (BPS) strategy has continued to generate new employment opportunities. In 2011, R42 million new investment commitments were approved linked to 806 jobs. As of early March 2011, 2113 people were in training.



Actions on knowledge economy

- The Department of Science and Technology (DST) and the IDC are partnering with private investors to apply new technologies to produce titanium and fuel cells, amongst others.
- Technology centres in universities support especially SMEs. The network of 12 technology stations provides technology support to approximately 2000 enterprises, with R50 million invested by DST.
- More than 50 companies participated in technology benchmarking and a total of 26 foundries were identified for targeted technology support.
- South Africa's bid for the Square Kilometre Array (SKA), a world-class satellite telescope system, has been advanced consistently, with the decision due next year.
- Of a new R4,3 billion anti-retroviral tender finalised in December 2010, South African manufacturers were awarded 72%, even as the total cost fell by over half.



Actions on public sector

- Public-sector employment, which accounts for around 16% of all jobs, continues to provide a stabiliser for employment, as it increased jobs from the end of 2008 despite sharp declines in private employment over most of the period. This was particularly important for women, for whom the public services provide the main source of formal employment.
- The Expanded Public Works Programme (EPWP) created new employment opportunities for an additional 34 000 people compared to the previous year, providing opportunities and income for a total of 280 000 persons (which is equal to 137 000 full-time equivalent jobs).
- The Community Work Programme provided some access to income through job opportunities for more than 80 000 people.



Actions on social economy

- The Department of Rural Development and Land Reform reports that over 300 co-ops have been established under the CRDP.
- The DTI estimates that its co-operative incentive scheme generated 1170 direct permanent jobs through March 2011.
- EDD has established a partnership with the University of Johannesburg to support social enterprises.
- The Jobs Fund provides that social enterprises need only provide 20% of funding for projects it supports, compared to 50% for private companies.



Actions on African development

- A Heads of State conference in South Africa in June 2011 launched negotiations for a Free Trade Area linking North, East and Southern Africa which will create a common market of 600 million people with a combined GDP of about \$1 trillion.
- Government has approved support for Phase 2 of the Lesotho Highlands Water Project, which will increase water resources from the scheme to South African users by about 50%.
- The Development Bank of Southern Africa expected to invest R2,6 billion in bulk infrastructure in the region in the year to March 2011, with new investments in the following three years expected to reach between R9 and 12 billion and enable over 70 000 jobs.
- The IDC currently has an investment exposure to the rest of Africa of almost R20 billion at market values, and intends to make a further R10 billion available over the next five years for African industrial development.



Actions on Skills Accord

- A Skills Accord was finalised, committing business and the state to enrol at least 30 000 artisan trainees over the next 12 months in training programmes.
- Business agreed to make at least 17 000 internship places available for young persons who need work experience as part of obtaining their formal qualifications.
- Business will advocate that member-companies increase their spending on training to at least 4% to 6% of payroll and train beyond the needs of their own operations.
- Organised labour committed to accept that such additional persons be regarded as trainees and not as employees, and thus there would not be an expectation they be employed and covered by collective agreements.



Actions on Skills Accord

- FET Colleges will be prioritised with partnerships between business and individual colleges
- The restructuring of the Sector Education and Training Authorities (SETAs) have been advanced
- The stronger focus on improving basic education and achieving more equal access to tertiary education have laid the basis for decisive steps toward addressing skill bottlenecks in the short run while giving all South Africans, no matter how poor their families, access to the education needed to function in the modern economy.



Actions on Basic Education

- A Basic Education Accord was concluded that commits business, labour and community organisations to support dysfunctional schools through partnership at local level to
 - get basic teaching and learning restarted,
 - ensure textbooks are delivered and used and
 - help ensure that school governing bodies are functioning.
 - change mindsets among teachers, learners and parents at school level.
- Dialogue is continuing on further actions that can be taken to support basic education



Actions on small business development

- A new direct lending facility, called Khula Direct, is being piloted, with an initial funding allocation of R55 million. This is in addition to existing small and medium business support programmes that make about R2,8 billion available to SMMEs through industrial and small business funding.
- The merger of the national government's major credit programmes for small and micro enterprise into a new unit in the IDC, lays the basis for a significant expansion and improved links to comprehensive support programmes, with a commitment to expanding incubator programmes in particular.
- Funding support of R270 million in bridging finance for small and medium enterprises that have obtained public tenders was made available over the past financial year.



Actions on finance and industrial funding

- Government established the R9-billion Jobs Fund to encourage new initiatives around employment creation both inside and outside of the state.
- A programme to provide R20 billion in tax incentives for large business was implemented.
- R3,3 billion a year in subsidies for renewable energy, worth a total of R66 billion over the next 20 years
- New regulations under the Preferential Procurement Act, which will come into effect at the end of the year, which will
 - increase government's commitment to buying local in order to stimulate employment and production.
 - target billions of rands of state and SOE spending to local manufacturers



Actions on finance and industrial funding

- The IDC re-gearred its balance sheet to massively increase its projected funding in the next five years to R102 billion, as set out under the different jobs drivers, with a commitment to pro-actively seeking out investments that would diversify and green the economy in ways that promote employment creation.
- In the past year, IDC funding approvals realised their highest levels ever, with South African projects receiving R8,4 billion. This amount will more than double in future.
- The IDC improved its impact on job creation with an expected 19 650 full time jobs created and an additional 11 650 jobs saved, bringing the total impact on employment to over 30 000. Furthermore, IDC funding will be supporting an estimated 8100 employment opportunities in the informal sector.



Actions on competition

- The competition authorities' targeting of monopoly pricing practices around basic necessities and intermediate inputs saw progress toward lower prices or more competitive markets in
 - bread
 - fertiliser
 - chemicals and
 - construction services.
- Bread prices came down (to April 2011) due to the Pioneer competition settlement, during a period when global wheat prices rose.
- The price of cement dropped by 11% - the first drop in more than a decade – following a competition investigation, with more competitive prices in cement pipes and rebar steel products, all key inputs into construction and industry.



Actions on competition

- Sasol sold off two of its six fertiliser blenders in terms of the settlement with the competition authorities and a further three blenders are due to be disposed of.
- Conditions placed on a number of mergers and settlements in price-fixing cases have saved jobs or provided jobs guarantees, including in paint manufacturing and retail.



Prospects

Domestic

- GDP recovery is strong BUT jobs recovery lags and is weak
- Productive sectors (manufacturing, agriculture, mining still under pressure)
- Turnaround mostly based on recovery in global commodity prices rather than diversification of the domestic economy
- Investment is low overall
- Currency remains relatively strong, slowing growth
- Inputs and wage goods often over-priced
- What we need:
 - employment growth to overcome deficit left by downturn
 - Of the six jobs drivers, rural development, infrastructure investment and manufacturing need more attention



International

- Growing risk of double dip in the global North as a result of tight fiscal policies and imbalances in the EU
- Growth continuing in China based increasingly on domestic demand, in turn sustaining commodity prices – risk if exceptional investment rate is cut back

Jobs: Next steps

- Purposeful implementation of the NGP
- Twelve Action Plans adopted by Cabinet
- The role of the private sector and social dialogue
- Institutional development
- Aligning priorities and budgets
- Fighting corruption and reviewing tender systems

