

EMPLOYMENT THROUGH GOVERNMENT PROCUREMENT

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1. Background

Government is committed to halving unemployment by 2014. In 2003, the unemployment rate was 28.5% - so the target would require an unemployment rate of about 14.3%. To reach that objective, the economy needs to generate 5 million net new jobs between 2003 and 2014 - an average of about 450 000 net new jobs every year. Compare this to an average of 120,000 jobs created annually between 1996 and 2002 (Altman 2004).

The formal economy is increasingly tending to greater capital intensity, and there are few existing labour intensive industries of a substantial size that are led by the private sector.

The “Leveraging Services Project” reviews possible approaches to intensifying labour use in the economy through the promotion of trade in services and strengthening human development. But this will take time. In the meanwhile, we must explore all possible options to address short and medium term job creation imperatives.

Government expenditure is a key lever to influence the nature and pace of the employment creation: this is especially possible in sectors where it is a provider or a procurer of services. Therefore, the “Leveraging Services Project” reviewed possible job creation that might be derived from:

- Intensifying employment created indirectly through procurement by Government and State Owned Enterprise
- Generating employment by meeting basic needs for social development services, and intensifying labour use in infrastructure programmes.

Four background papers were prepared, including¹:

- a review of Government procurement practices and behaviour
- the global context for social development programmes
- a review of SA policy in respect of social development programmes
- a review of the employment impact of Government generated employment

We review the interim findings in this paper.

¹ These were respectively prepared by: Kaiser Associates; Isaivani Hyman (UKZN); Nerishni Shunmugam; and Miriam Altman, Marina Mayer, Renette du Toit and Thabo Sefhiri. In the preparation of these papers, we particularly focused on the social development programmes as substantial work has already been done on the promotion of employment through infrastructure.

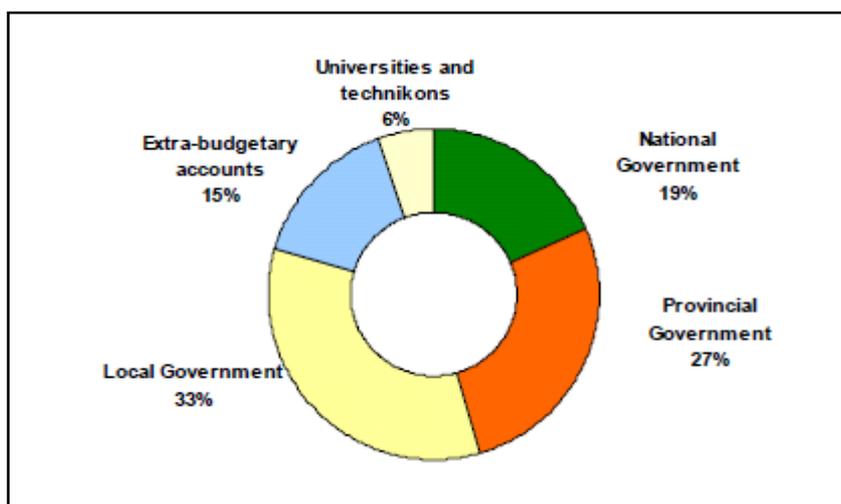
2. Government procurement

2.1 Quantifying Government Procurement

Procurement across all spheres Government amounted to about R 130 billion in 2003/4² of which about R0.655 billion is spent on social development services and about R25 billion on construction.

A high-level overview of procurement shows that Government spending is relatively decentralised, with provincial and local governments controlling the majority of expenditure, as shown in the figure below. This is particularly true for construction/infrastructure expenditure where the local tier of government procures almost 55% of total expenditure.

Figure 1: Procurement Spending across Government (2003/4)



Specifically, estimated procurement spend breaks down as follows:

- National government: R24 063m
- Provincial government: R34 513m
- Local government: R43 787m
- Extra-budgetary accounts: R19 421m
- Universities and technikons: R7 169m

Although, consistent figures are not available, comparisons with consolidated government accounts from recent years³ suggests that expenditure on procured goods

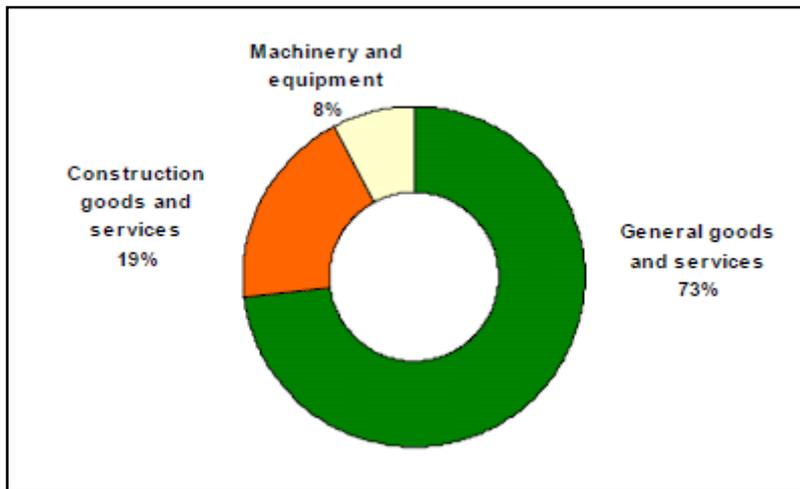
² Main Sources: Budget Review 2004; Intergovernmental Fiscal Review 2004.

and services has risen as much as 20% per annum in recent years, substantially above the overall budget growth rates.

In addition, the State Owned Enterprises (SOEs) spend as much as the rest of government combined. The largest SOEs (Eskom, Transnet, Telkom) spend R120-140bn on discretionary payments⁴.

The distribution of spending across product areas is presented in the diagram below.

Figure 2: Major Categories of Government Procurement (2003/4)

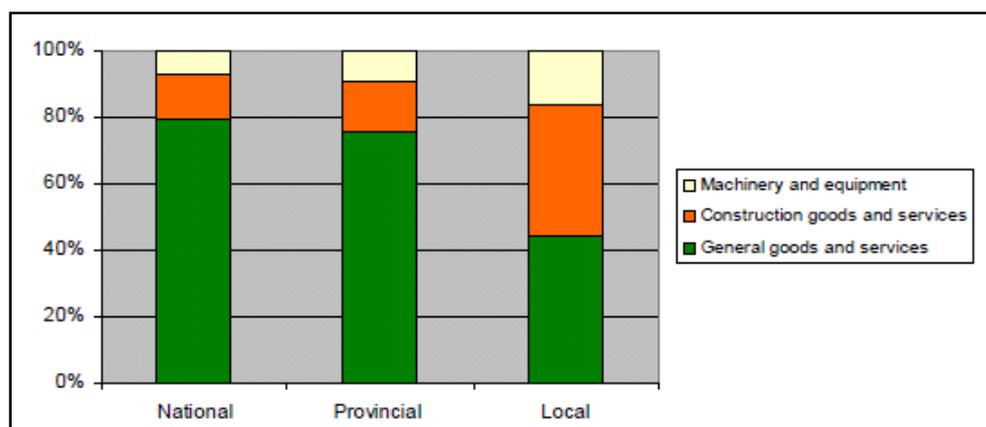


The pattern of expenditure varies substantially across the different tiers of government, as shown in the graph below. The significant role of local government in procuring infrastructure services has some positive implications in terms of supporting a wide geographical spread of employment opportunities, through such initiatives as the Expanded Public Works Programme.

Figure 3: Procurement Categories by Sphere of Government (2003/4)

³ Consolidated Expenditure by the Government Sector 2001/02 (Statistics South Africa)

⁴ To contextualise, it is estimated that JSE listed firms may together have procurement budgets of up to R 1 000 bn. This is nearly four times the level of government and SOE spend combined, highlighting the critical importance of also leveraging private sector procurement.



2.2 Constraints to Promoting Employment through Government Procurement

The following constraints to maximising employment generation through procurement have been identified through previous research⁵:

2.2.1 Purchaser constraints

- Inadequate and inconsistent implementation of preferential procurement policy across all spheres of government, inadequate capacity for supplier accreditation, inspection and procurement management
- Current local supplier preference is often based on place of registration rather than local content (direct and throughout supply chain) - as a result, suppliers designated as “local” may often be acting as wholesalers/distributors, providing limited employment
- Specification of exclusionary brands and technical specifications in tenders, preventing local supply
- Lack of awareness by purchasers of competitive and empowered local content suppliers
- Limited awareness within procurement organisations of the aim of employment creation and limited knowledge of what to do about it, exacerbated by high staff turnover
- Inertia in supplier relationships

⁵ Including the Fund for Research into Industrial Development Growth and Equity (FRIDGE) study into local procurement, BEECOM report, and a DPSA study into BEE procurement

- Inadequate planning and delayed payment make it very difficult for small businesses to successfully supply government without jeopardising their sustainability
- Potential future restrictions of procurement policy through bilateral trade agreements

2.2.2 Supplier constraints

- Inadequate local supplier capacity, in particular black-owned suppliers
- Inadequate cost and quality competitiveness, as well as scale of production of local suppliers compared to imported sources
- Unfair competition from “dumped” imports and trend of increased import percentage servicing domestic demand

2.2.3 Overall constraints

Data gathering and information management systems are not sufficient to enable monitoring and evaluation. Government should be able to trace spending patterns (nature of products and services, size of spend) and suppliers (BEE, women-owned, small business, local content used directly and through suppliers, technology and production choices/labour intensity, product/service range, capacity etc), along with inadequate monitoring and evaluation capacity

- Mismanagement, corruption and misrepresentation by both purchasers and suppliers

2.3 Opportunities for increasing the contribution of procurement

Potential opportunities for increasing the contribution of procurement include the following:

- Full utilisation of scope of procurement and supply chain legislation and regulation
- Extension of procurement impact through sector job summit and charter agreements
- Further use of local content and labour-intensive production throughout value chains (input, intermediate goods, finished goods)
- Utilisation of the momentum and visibility of “Proudly South African”

The table below sets out a framework for intervention to improve the impact of procurement on employment. It is recommended that a partnership approach between government and the private sector is taken where possible. This will increase the overall impact of interventions, be more efficient and promote greater mutual understanding between purchasers and suppliers. Government will nevertheless need to play a strong leadership role in driving interventions.

Table 1: Promoting employment through procurement area of intervention public sector private sector

Area of intervention	Public sector	Private sector
Information management	<ul style="list-style-type: none"> ▪ Agreement on common and consistent terminology and definitions for “local content” (rather than location of supplier), national content, employment, labour intensity, product and service categories, in addition to consistent application of existing definitions for BEE, women-owned and small business ▪ Development and dissemination of guidelines on non-discriminatory technical standards ▪ Development and dissemination of guidelines on labour intensive practices and appropriate technologies ▪ Monitoring and evaluation systems ▪ Education and training of procurement officials ▪ Information provision to institutions 	
Institutionalised coordination	<ul style="list-style-type: none"> ▪ Establishment of National Procurement Coordination Organisation mandate of: <ul style="list-style-type: none"> ○ Information-sharing ○ Monitoring and evaluation of procurement and supplier development practices ○ Dispute resolution ○ Promotion of best practices ○ Leadership in encouraging employment-generating 	

<p>Procurement preference and processes</p>	<p>procurement</p> <ul style="list-style-type: none"> ○ Drawing the largest suppliers into this process ▪ Strengthening human resources and institutional systems of procurement offices ▪ Consistent application of local content preference and labour-intensity preference where possible within the principles of being fair, equitable, transparent, competitive and cost-effective ▪ Inclusion of requirements in contract execution terms where viable (e.g. requirements to use local materials, labour and labour intensive methods) ▪ Promotion of responsible planning cycles ▪ Promotion of shorter payment cycles ▪ Related performance measurement of officials as part of core performance indicators and PFMA/PPPFA/MFMA/Supply Chain Management Framework requirements ▪ Careful consideration of potential implications of trade agreements for procurement prior to conclusion 	<p>Integration of local content and labour-intensity targets into sector summit and charter agreements</p>
<p>Supplier development</p>	<ul style="list-style-type: none"> ▪ Coordinated database development capturing size, ownership, location (GIS), quality systems, competitiveness, direct use of local content, second tier supplier's use of local content (either development of single database or system of interlinkages and alignment between existing databases) ▪ Independent, compulsory and nationally accepted accreditation, inspection and "blacklisting" system with annual updates (potentially with voucher system/financing support to reduce cost of accreditation) ▪ Development of systems to improve supply chain transparency (to enable better assessment of local content and employment effects and linkages throughout supply chains) ▪ Identification of priority areas of supplier development (products, services and geographical locations) in accordance with sector strategies and feasibility assessments ▪ Development and dissemination of best practice guidelines for supplier and supply chain development e.g. technical and business skills, business development services, business linkages, clustering ▪ Coordination of public sector and corporate supplier development programmes ▪ Government incentivisation of corporate supplier development programmes 	

Key vehicles for driving these interventions could include:

- National Treasury Supply Chain Management Office
- National Procurement Coordination Organisation (potentially across public and private sector)
- Proudly South African campaign
- Sector summit and charter implementation and monitoring committees
- Small Enterprise Development Agency (SEDA)

3 Promoting employment through infrastructure & social development programmes

The expansion of government provided infrastructure and social services is likely to have the most impact in the short and medium-term on employment. The construction and social services sectors have relatively high employment coefficients, absorb a high proportion of unskilled and semi-skilled labour and rely considerably on government expenditure.

Enhancing employment in construction would be promoted through a more comprehensive construction industry strategy that optimises employment and output by public expenditure, including a review of economic opportunities linked to local development. Employment will already be enhanced as a result of the dramatic increases in public spending and the introduction of labour intensive methods in public construction projects.

The expansion of social development services would generate many jobs and also bridge a gap between first and second economies. Social development services bolster Government and society's ability to meet basic needs – they offer services such as early childhood development (ECD - ages 0-5 and Grade R), home/community based care (HCBC), community development workers (CDW), and food programmes. Alignment to institutional frameworks and social security programmes will enhance sustainability and impact.

It is recognised that while the social security system is rolling out, the social welfare programmes to support households are still small relative to the need. Indirectly, the roll-out of these programmes could create a large number of low and medium skill jobs. The EPWP Social Sector Plan 2004/5-2008/9 has for example been developed and proposed two areas in which there are immediate work and training opportunities: Early Childhood Development and Home/Community Based Care. Two additional programmes that could potentially create employment are the creation of a corps of community development workers and the food programmes. Given the scale of unmet needs in these areas and government's commitment to employment creation, there is some urgency to propose a strategic approach to a comprehensive framework for the social welfare programmes.

The social development programmes need to be developed in a way that recognises the distinct dynamics and needs in respective sectors. These services are often 'undervalued' because they are seen as 'women's work': where these services are offered, it is often on the basis of 'free' domestic work, or community volunteering. Therefore, issues such as skill and quality control are treated as unimportant – the common perception is that this is what mothers, aunts and grandmothers are available for and perform well naturally. If funding were available, it would be on a discretionary basis of special public, church or community led organisations. Yet, the sustainability and quality of these programmes will require regular streams of funding, organisational development, quality accreditation and training, alignment to social services programmes (such as education and health) and grants and strong monitoring and evaluation systems.

3.1 Context for Employment Creation through Government Programmes

In order to consider the potential of substantial employment creation through government programmes, the context in which they are operational should first be highlighted.

The focus of government programmes is not on employment creation

There is potential to generate substantial employment through Government programmes such as infrastructure and social development services, as quantified in the final section of this paper. However, these programmes are not specifically designed to create employment. The main focus is clearly on achieving social aims in the most cost-effective manner, and that takes into account capacity constraints. In recognition of capacity constraints, some important programmes are being designed to reduce employment and administrative burden. This also means that programmes are not necessarily being taken to scale in order to meet basic needs. Early Childhood Development, ages 0 –5, is a good example and is discussed below.

Quality of employment

Where programmes offer payment to participants, jobs tend to be low skilled and very low paying. This brings to the fore the trade-off between ensuring good jobs for fewer participants or more jobs but inadequate ones for a greater number of people.

Sustainability of employment

Most of these programmes do not consider sustainability and long term impact. For example, programmes are directed towards attaining short-term employment in the form of low quality jobs. In order to create sustainable employment, the notion of career pathing should be investigated, planned and established for the jobs that are created through these programmes. This will allow participants to exit these programmes to longer-term and sustainable employment.

Role of volunteers

Volunteering nurtures a community's social networks and makes an important economic contribution to society. Activities undertaken by volunteers would otherwise have to be funded by the state or by private capital. In South Africa the character of volunteerism, and its interplay with the emergence of paid work poses a particular challenge. Presumably, there is an intention to maintain some system of voluntarism, but in South Africa's context of high unemployment it should be seen as a means of drawing people into paid work opportunities. Volunteer opportunities often channel into skill and knowledge acquisition, which could make the transfer to gainful employment easier.

Institutional arrangements

There are a few institutional constraints that impede the implementation and expansion of programmes. Institutional mechanisms such as coordinating structures at national and provincial level need to be in place. The roles and responsibilities of all stakeholders should be clearly defined. Adequate human resources should be

committed to the programmes by respective departments in areas like management and monitoring. Dedicated capacity must be allocated to the management of programmes at national, provincial and local level.

Service providers

Non-profit organisations are critical in service delivery in the social services field and supporting overall community development in South Africa. But the capacity of NPOs has been reduced over the past 10 years, as leadership has moved into Government, Parliament and the private sector. The capacity of non-profit organisations to expand their services is unclear. Public and development agencies report that based on the poor quality of the majority of proposals from the civil society sector, most NPO organisations do not have the requisite capacity, infrastructure, or human resource capability to deliver should there be a mass expansion in social development services. The constraints on these different agents and the lack of capacity (to mobilize resources and meet the expanding need) to assume responsibility for a more significant proportion of service delivery warrants continued state involvement and support.

Training

Some of the programmes such as ECD and HCBC depend heavily on the delivery of sufficient, to scale and quality training in order to supply people with skills who are competent to deliver the service. The need for ongoing training and social support in the social services field is also apparent for what could be characterised as difficult and draining work. Many of the programmes do not guarantee this important component but the need for it is becoming increasingly apparent in order to ensure programme effectiveness. Sufficient and accredited training can also be the conduit to sustainable longer-term employment.

Monitoring and evaluation

Monitoring and evaluation will be an essential ingredient in a mass expansion of social development services. Monitoring importantly provides the information for management to review progress, identify problems, and make adjustments. Evaluation undertakings will provide information on the impact of the programmes regarding their contribution to alleviating poverty and reducing unemployment.

Standardized management and information systems have been identified as key to the success of programmes as it can be utilized to monitor and evaluate the programmes.

3.2 Identifying Social and Infrastructure Programmes

The task team that has been established for the “employment through government programmes” theme identified programmes that relate to basic needs, target a large number of unskilled unemployed, and promise the possibility of affordable employment creation. The programmes that were selected include Home Community Based Care, Early Child Development, Adult Basic Education and Training, School facility management, Food, and Infrastructure (building and construction – including housing).

We were specifically asked to review possible employment creating potential if programmes were designed to offer universal coverage, what such programmes might cost, and identify possible constraints to meeting these targets. Section 3.2 reviews the programmes, and section 4 offers a summary of the employment generating potential.

We put considerable emphasis on the social development services since they have received relatively less policy attention, and have high employment coefficients⁶. If successfully implemented, they are likely to yield the highest number of employment opportunities per Rand of expenditure. Moreover, in contrast to the other sectors, if the programme is taken to scale through the provision of additional government grants, the jobs created are likely to be sustainable.

3.2.1 Home Community Based Care (HCBC)

Unmet demand

Home/ Community Based Care is defined as the provision of comprehensive services including health and social services, by formal and informal caregivers in the home. In a context of high and growing levels of poverty and vulnerability that are exacerbated by the HIV/Aids epidemic, there is especially pressure on the Department of Social Development (DSD) to expand the social welfare net in terms of social grants and integrated community home-based care for those infected and affected by HIV/Aids. The HCBC programme has been prioritized as a cost effective response substituting for a significant proportion of AIDS related hospital care.

Projections by the Actuarial Society of South Africa (ASSA: 2000) were used in order to determine the demand for the service up to 2011 - the percentage of the population that will be affected by HIV/AIDS. The DoSD's suggested ratio of 1 caregiver for 20 households were applied to determine the number of jobs that could be created to meet the demand. A ratio of 1:10 was also applied to show the employment creation possibilities. The average cost to create a job opportunity as indicated in the Social Sector Plan⁷ was used to determine expenditure.

Pace of expansion

The following issues that could have and impact on the expansion of HCBC were highlighted by DoSD:

- Training

The pace at which training could be provided is crucial for expansion of this programme. The planned roll-out of anti-retrovirals will demand higher level training. Training will also have to be diversified in order to enable caregivers to care for a range of illnesses. This program will be critical to deliver holistic services, and will heavily depend on sufficient training in order to deliver effective services. The DoH

⁶ Social and community services generate 46 jobs per million rand of expenditure and hence has the highest employment coefficient in the SA economy (Lewis, 2001).

⁷ Social Sector Plan 2004/5-2008/9

has a mandate to provide a CHW for every 150 households. People will have to be equipped with the foundation skills to enter this programme.

- Funding

Much more funding is needed in order to roll-out this programme and realise the possibility of considerable employment creation. It is worth noting that funding would peak in 2011 as the need for the programme starts to diminish at that point.

- Exit strategies – career pathing

The notion of career pathing needs to receive high priority in order to address the issue of the sustainability of employment in the HCBC programme. A considerable effort is planned to establish efficient training. This money and time should not be wasted and should inevitably lead to longer-term opportunities for candidates.

Qualification level

The determination of the level of qualification of workers in HCBC is dependent on a process of 'Recognition of Prior Learning'. The HWSETA is now in the planning phase of this exercise. It is a consultative process and might take some time before it can be implemented. However, it was estimated by DoSD that 20% of the current workers are on Level 1 & 2, 40% on Level 3 and 40% on Level 4 – these estimates are rough but necessary in order to determine the cost per job.

Role of volunteers

According to DoSD it is estimated that about 21 000 volunteers are currently involved in HCBC. The total number of caregivers that receive a stipend is 4 403. About 16 500 volunteers could immediately be drawn into paid work if the funds were available.

3.2.2 Early Childhood Development (ECD)

Unmet demand

Early childhood development (ECD) refers to the process by which children from birth to at least 9 years old develop physically, mentally, emotionally and socially. The Department of Education (DoE) is tasked with the care of those in the 6 – 9 age group through the reception year (Grade R) and the primary schooling system. DoSD is responsible for providing care and education for those in the pre-reception year age group, i.e. 0 – 4 years.

According to the Social Sector plan 2004/5-2008/9 the Department of Education provided for a conditional grant to train 4 500 Grade R teachers in impoverished areas between 2001/2-2003/4 - this grant terminated at the end of the 2003/4 financial year. In addition, the Department of Education provides limited subsidies via its MTEF funding to the 4 500 sites targeted for capacity building under its conditional grant programme. The Department of Social Development provides subsidies to 4 612 sites of between R4.20 and R6.00 per child in need per day. There are approximately 6.5 million children aged 0-6 years old. Of these 3.8 million (59.2%) live in circumstances of dire poverty. The development of these children is of concern to government. If all these children were catered for by ECD sites, a total of 60 000

sites would be needed with an average of 5 practitioners/ caregivers in each site. A Nationwide Audit of ECD provisioning conducted by the Department of Education and the European Union, commissioned in 1999 and published in 2001, found that only 16% of 0-6 year olds were in ECD provision in June 2000.

The most recent development in the field of ECD is the draft integrated plan for early childhood development in South Africa by the DoE⁸. The key aim of this plan is to bring greater synergy and coordination to current government programmes undertaken by various departments such as DoE, DoSD and Department of Health in the area of ECD. The plan emphasizes the important approaches to developing young children. This includes government providing a variety of services to children, training caregivers and educating parents, promoting community development, strengthening institutional resources and capacity, and building public awareness. The plan will target 4 million poor and vulnerable children –this is the projected number of poor children needing such a service by 2009/10.

About one million children between the ages of 0 - 5 already benefit from some centre-based early child development service provided by the Departments of Social Development and Education. The ECD proposals seek to strengthen current delivery within the centre based models, but then bolster the programme through home-based services, with roving community workers, to reach a further 3 million children. By 2009/10, 70,000 people would be working on an ECD (0-5) programme, at an annual cost of R 2.7 billion. This programme has sensibly been designed to reflect budget and capacity constraints.

However, its design does not reflect practices that would ensure sufficient impact or child supervision. The ratio of staff to children in the centre-based model is 1:25, which is fine for 5 year olds. However, children below age 4 would need a staff-child ratio of 1:10, and children aged less than one would need a ratio of 1:4. The home based model assumes that adequate day-time home environments are available, so that the support of 2 to 4 community workers per 10,000 households is seen as sufficient.

We offer a third scenario, which lies at the other extreme. Here all the children have centre-based places, with reasonable staff-child ratios of 1:10 for children under 4, and 1: 30 for children aged 5. In this scenario, 345,000 people are working in ECD (0-5) in 2009/10, but at a cost of about R 7 billion. (It is worth noting that these amounts would drop off after 2011 due to the reduced size of the age group – so Government is not forever tied into this level of expenditure). This programme would be far more expensive and administratively challenging. But it would also generate substantial numbers of career opportunities for low and medium skill women, and would offer a stronger service to young children and reduce stress on families. These projections are presented in Table 2.

Table 2: Cost of Early Child Development Services in 2009/10

Number of children	Number of staff	cost at full scale (million Rand)
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⁸ Tshwaragano Le Bana: An integrated plan for Early Childhood Development in South Africa. Draft, 2005-2010. The Social Sector Plan was used to determine expenditure.

Option 1			
Centre based	1 000 000	40 000	561
Home-based*	3 000 000	30 000	1 173
Total - option 1	4 000 000	70 000	1 734
Option 2			
all centre based - lower limit	4 000 000	120 000	2 244
Option 3			
Centre based - upper limit	4 000 000	345 182	7 339

Notes:

- by 2009, it is estimated that there will be approximately 1 million 5 year olds and 3 million children aged 0-4 that could require this assistance (calculated as 60% of total age cohort).
- the number of children in this age group declines thereafter, and therefore so does the pressure on the budget.

Option 1 assumes:

- currently have 1 million children in centre based care - these sites would simply be strengthened.
- all new services would be home-based
- ratio of 1 staff per 25 children in centre-based care, and 2 to 4 care givers per 10,000 home-care sites
- costs are inclusive, except that covers only EPWP type stipend, and does not include infrastructure
- the cost per child in home based care is R 391 per annum and in centre based care is R 561 pa.

Option 2 assumes:

- all services are provided in centres, with a ratio of 1:25 staff per child.
- costs are inclusive, except that covers only EPWP type stipend, and does not include infrastructure

Option 3 assumes:

- all children in centre based model
- ratio of staff to child is 1:10 for children ages 0-4, and 1:30 for 5 year olds. From a quality and supervision perspective, the experts say that an appropriate staff-child ratio is 1:4 for children younger than one. A ratio of 1:10 is appropriate for
- the cost per child is estimated at R 1835, due to the higher staff ratios.

Pace of expansion

A range of factors that have an influence on the pace of expansion was highlighted across the programmes.

In ECD the following obstacles were flagged:

- Clarification of roles and responsibilities of relevant departments

The integrated ECD plan involves DoE, DoH and DoSD. It was indicated that the success of the implementation of the plan is highly dependent on each department's understanding of their particular role and responsibility in this regard.

- Registration of Non-Profit Organisations

One of the biggest challenges for growth is the expansion of the pool of sites that deliver the service. These potential providers need to be registered. One of the major problems that exist is that many do not have the management capacity to meet the necessary requirements for registration.

- Budget implications

Capacity increase of ECD sites will escalate the demand for funding. This demand is currently not planned for.

- Capacity of existing training providers

Current assessment of training providers able to provide the relevant training indicates the urgent need for additional capacity. Almost half of the training providers are NGOs. Of

- The lack of monitoring and evaluation frameworks and systems

Weak monitoring and evaluation frameworks and systems prevent management to review progress, identify problems, and make adjustments to programmes. The shortfall is primarily ascribed to financial and HR constraints.

Qualification level

A Nationwide Audit of ECD provisioning conducted by the Department of Education and the European Union in 2001, found that 23% of the existing caregivers have no training and nearly 90% require additional training. Almost half (43%) have received training through NGOs and are consequently holding qualifications that are not recognised by DoE. 13% have received training in technical or teacher training colleges, while only 12% at university level.

3.2.3 ABET

Within the context of education, Adult Basic Education and training (ABET) is a central constituent to improve the qualifications of previously disadvantaged individuals in order to make it possible for them to access employment opportunities.

Broad estimations by DoE indicated that there are about 20 000 practitioners currently, who have educated about 300 000 people over the past 2 years. The Census 2001 data was used to determine the expected demand for ABET services over the next 5-6 years. The individuals with "no schooling" and "some primary schooling" from the age cohort of 15-64 were selected. DoE estimated the current budget of R275 million. The department has a mandate to reduce the proportion of the adult

population at these qualification levels by about 50% over the next 5 years. This figure was used to establish the number of practitioners that will be needed.

3.2.4 Food Programmes

Unmet demand

According to the Department of Health, 6.1 million children suffer from malnutrition. The national primary school nutrition programme reaches 4.6 million school children, leaving out about 1.4 million children. It is projected that in 2011 there will be about 9.1 million in these age categories. Approximately 67% of these children will be in need of feeding. If the ratio of the DoE of 1:300 is used to determine the number of volunteers, it seems that in 2006 the demand would be for 20 046 volunteers and in 2011, 20 430. This does not allow for any expansion, as there are currently a total of 17 372 people (including suppliers and volunteers) who prepare and serve food to children.

The programme received a conditional grant valued at R832 million for the financial year 2003/4. From this amount provinces are allowed up to 7 percent for administration and management costs which is about 58 million rands. This leaves R774 million for the programme. If a ratio of 1:150 is used, the number of job opportunities double. However, the potential of this programme to create jobs in comparison with HCB and ECD is limited.

Pace of expansion

The primary school nutrition programme has been managed by the Department of Education since April 2004. It was indicated that expansion of the programme depends on the capacity of the provinces to implement the new reclassification system. However, there is optimism that the reclassification will be done by next year and will be reviewed every two years as part of the monitoring process. The greatest challenge remains spending and managing the conditional grant efficiently.

Funding was also mentioned as an obstacle to expansion. A motivation letter is ready for presentation to national treasury to lobby for more funding to cover needy schools currently not on the programme to the tune of R234 million. Therefore, the potential pace of expansion will also depend on whether treasury will be willing to set aside more funds for this programme.

An important enabler for the expansion of the programme includes the provision of training to volunteers in food management through learnerships.

Qualification level

The delivery of the actual food to children in schools (preparation and serving) is undertaken by volunteering unemployed women from local communities who are unskilled. The skill level of service provider's (i.e. suppliers and distributors) range from semi-skilled to highly skilled.

Role of volunteers and conditions of employment

More than two thirds of the people involved in the food programme are volunteers - currently this programme employs a total of 17 372 people, 5 728 are employed as suppliers and distributors and 11 644 as voluntary workers. The agreement of engagement with the volunteers for most provinces is 3 months, but in one province it is rotational. That is, volunteers rotate on a three months basis. This gives many unemployed people the opportunity for paid work. Service providers have one-year contract.

Future expectations are to have a coordinated approach between other government departments such as DoSD (social grant), DoA (vegetable gardening in schools and communities) and local governments. This can ensure an integrated approach in dealing with food security, and to try and draw volunteers into community-based organisations.

3.2.5 School facility management

School facility management is currently, except for farms schools, handled mostly by the institutional professional management services under the leadership of the school governing bodies. This entails building environment management, accessing for maintenance, and overseeing of maintenance activities. According to DoE it is therefore already adequately covered in many schools. The current practice is to use local people to render these services. However, there are some limitations in poorer places – a gap was identified. This gap will not be addressed unless a new budget line is provided supplementary to the current one.

3.2.6 Infrastructure

Infrastructure is an important avenue for employment creation because of its employment generating capability and because government expenditure has a large influence on its expansion or contraction. It is estimated that an increased output of one million Rand, results in the creation of 9 jobs directly and 8 jobs indirectly (Lewis, 2001). There are few other sectors in South Africa that have this kind of employment impact, particularly in relation to the employment of semi- and unskilled labour. The challenge confronting all tiers of government is how higher budgetary allocations for infrastructure expenditure can be translated into the delivery of high-quality infrastructure in a manner that creates employment.

Our estimates of possible employment created incorporates spending projections made available by The Budget Review. We estimated that about 5 jobs are created per million Rand spent in 70% of Government construction spending and 10 jobs per million Rand in 30% of project of Government construction spending. To arrive at EPWP impact on employment, we assume that labour intensity will double in 30% of project spending by 2011.

Pace of expansion

There is still a need to address backlogs in maintenance and roads construction to improve access to rural areas. These are particularly important since the EPWP is targeting maintenance and construction of access roads because they provide opportunities to increase labour utilisation.

The complexity of the transport sector requires a well integrated intergovernmental system to deliver on its mandate. To this end a number of laws aimed at bringing about institutional reforms that will support integrated planning have been introduced. The challenge is ensuring that they are implemented effectively and this is depends on the three tiers of government working together effectively and plan in a coordinated way for the delivery of an efficient transport system. Under spending still remains one of the major problems for expansion.

In restructuring the electricity industry institutional changes have been suggested such as the formation of at least six Regional Electricity Distributors and should be operational by June 2005. To meet this deadline stakeholders need to expedite processes to finalise outstanding policies and legislation on governance and financial issues related to the establishment on functioning of REDs. Furthermore, municipal buy-in would be necessary to ensure their successful implementation.

In the next five years the challenges faced by government's housing delivery include are to:

- Improve the institutional and administrative capacity in the housing sector, which will include education and training in housing support institutions, delivery agents, etc.
- Investigate ways to address fraud and corruption and misadministration.
- Introduce capacity building programmes for local authorities.
- Promote urban efficiency and renewal, and racial integration.

4 Impact on unemployment⁹

How much employment could be generated by social development services and infrastructure programmes. What might be the impact on unemployment?

We estimate that 5 million net new jobs would be needed to halve unemployment by 2014.

Infrastructure, Social Welfare Programmes, and EPWP

It is estimated that approximately 500 000 new employment opportunities could come from social development and infrastructure programmes. This would happen if there were a commitment to meeting the need for these programmes, and if they were implemented using labour intensive models. This commitment would add R 12 billion to annual expenditure by 2011 – spending would peak in that year (see Table 3). Employment and spending might begin to fall incrementally thereafter, as it is expected that the pressure from younger age groups and HIV/AIDS lessens.

As illustrated in Table 3 and 4 below, this estimate includes home community based care, early child development (ages 0-5), adult basic education and training, infrastructure and housing. It would be further enhanced with greater attention to infrastructure backlogs.

Table 3: Contribution of government programmes with maximum number of jobs attainable according to real demand

Programme	Current empl.	Jobs in 2011	Diff	Additio- nal exp p.a.	Empl coeffi- cient	% Total jobs target
HCBC	31 565	100 477	68 912	2 618	36	1.9
ECD	54 503	325 218	270 715	6 400	47	7.6
ABET	20 000	42 161	22 161	304	30	0.6
Infrastructure	370 000	492 541	122 541	3 000	10	3.4
Total	476 068	960 397	484 329	12 322		13.5

HCBC, ECD and ABET calculated on basis of:

- *Demographic projections to 2011 (real demand)*
- *Delivery ratios*
- *Estimates on cost per job*

⁹ Based on document prepared by Dr Altman for DTI: Appendix – Reaching 2014 employment targets. 19 Nov 2004.

Table 4: Contribution of government programmes with less ambitious target for ECD

Programme	Current empl.	Jobs in 2011	Diff	Additional exp p.a.	% Total jobs target
HCBC	31 565	100 477	68 912	2 618	1.9
ECD	54 503	70 000	15 497	940	3.0
ABET	20 000	42 161	22 161	304	0.6
Infrastructure	370 000	492 541	122 541	3 000	3.4
Total	476 068	795 179	229 111	6 862	8.9

* if 1 million children are in centre-based care at a ratio of 1:25 and 4 million children receive home-based support (2 – 4 staff per 10,000 households).

The main contribution to employment would be ECD (ages 0-5), as it is currently the least provided service. If a less ambitious target for ECD is applied, it is estimated that approximately 229 000 new employment opportunities could be established, if an additional R6.8 billion is spent annually (see Table 4).

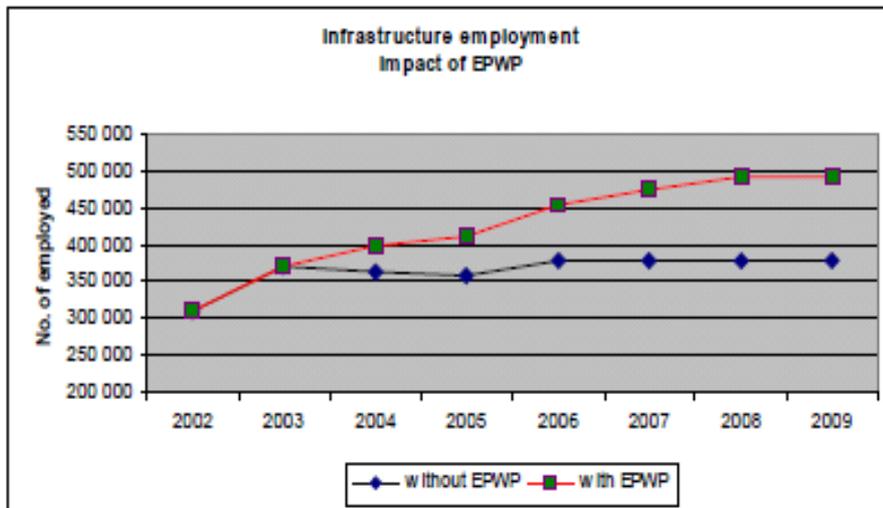
Approximately 180,000 new construction jobs would be created: more than 100,000 of these opportunities would be generated as a direct result of the EPWP's labour intensification drive.

The maximum contribution of government programmes is about 13.5% of total jobs needed by 2011 (and about 10% of the jobs needed by 2014). Figure 4 illustrates the potential incremental growth in EPWP type jobs (including all additional infrastructure spending) between 2004 and 2014. It shows how up to 487 000 more people could be working in infrastructure, housing, and social development services if the programmes do roll out in such a way that policy meets the social need. The most benefit comes from the highly labour intensive social programmes, but also assumes additional expenditure of R 12 billion per annum by 2011 (in 2004 Rand).

Figure 4: New jobs through the social sector and infrastructure



Figure 5: Impact of EPWP (infrastructure employment)



The estimates for programme expansion are designed around a real need for infrastructure and social development services. As such the programmes will be costly, and will generate substantial employment opportunity. By 2014, more than a million people would be working on a government infrastructure or social development programme – with an additional 500,000 people working in these sectors. This contributes to about 10% of the job creation target.

There are other examples of cases where public works schemes have functioned as a social safety net by directly increasing unskilled labour demand and making direct wage transfers to participants(see McCord 2002):

- during the Great Depression public works schemes in the US absorbed up to 30% of the unemployed (Rifkin 1996)
- in Tunisia and Mauritius similar programmes accounted for between 20 and 40% of the unemployed during the early 1970s
- the Maharashtra Employment Guarantee Scheme in India absorbed up to 75% of available person days in rural Maharashtra State (Maxwell 1978, quoted in Reynolds 1984).

This is still an option if no short term alternative can be identified to meet the employment gap. These programmes generally require less design than the other programmes. In such cases, one looks for some service that is easily replicable. Keeping in mind that it is a labour market intervention to enable access to opportunity, some training should be incorporated.

The task team on Employment and Government Procurement did debate whether a larger mass employment creation programme should be created as a result of the employment shortfall. This idea was rejected. Instead, the recommendation is to seek all possible ways of intensifying labour absorption through the social development programmes, infrastructure spending and procurement more generally.

5 Conclusions and recommendations

Government procurement is a major source of demand in the SA economy. Government's ability to develop and implement an effective strategy to promote employment through procurement would be greatly enhanced by comprehensive research into spending behaviour of all public, parastatal and major corporate entities, with compulsory submission for all public and parastatal entities¹⁰. Despite a number of recent investigations on public procurement, there is little information on buying practices, local content or possible local sourcing options. In addition, research should be conducted to strategically assess likely future trends in public and large corporate procurement spending, based on policy decisions and major projects (e.g. transformation of SOEs, Expanded Public Works, PPPs) in the pipeline. Benchmarks should be identified to enable comparisons to successful approaches in comparable countries. The approach to supplier development should be intensified and larger private corporates, especially the main suppliers to Government and SOEs, should be drawn into the procurement process. Furthermore, once definitions of local content, national content and labour intensity have been agreed, comprehensive baseline data gathering on public procurement over one year of spending, with compulsory participation by all public and parastatal entities could be undertaken. Investigation into prioritised supply chains to assess feasibility and cost-benefit of expansion of sustainable employment creation is also recommended.

In the medium term, government could create a large number of jobs through construction and social services. Social services are a very large part of government spending, primarily through personnel budgets. Government is going to be challenged in meeting its targets in reducing poverty and meeting basic needs. This emphasizes the strategic role for social welfare programmes in areas such as ECD, HCBC, and food programmes. The South African Social Security Agency is due to be operational by April 2005. It is hoped that the reduced burden on provinces should enable the mobilisation of human resources to strengthen the roll-out and management of the social development programmes.

Currently most of the social services programmes suffer from unstable funding - government funding is still allocated in small amounts on a discretionary bases, relative to the real demand. The expansion and maintenance of these programmes rely heavily on substantial and continuous funding – once the programmes end, the service and the jobs are gone.

Most of the programmes are also not designed to specifically create employment. The main focus is clearly on achieving social aims in the most cost-effective manner, and that takes into account capacity constraints. It will not be possible to take these programmes to scale until the capacity constraints are addressed. Investing in stronger strategic partnerships could for example do this.

¹⁰ All previous efforts to gather this data from government entities have met with limited success due to limited participation. The importance of accurate and completed submissions would therefore need to be stressed and enforced, and ideally integrated into official reporting requirements in terms of e.g. the PFMA ,PPPFA or MFMA

Some of the social service programmes such as ECD and HCBC depend heavily on the delivery of training at a sufficient scale and quality to enable competent service delivery. The need for ongoing training and social support in the social services field is a priority. Work in this field is difficult and creates stress due to the nature of it – caring for people with HIV/AIDS for example. Apart from providing people with sufficient skills to be able to provide the required service in the programmes, accredited training can also be the conduit to sustainable longer-term employment. The training initiative that is proposed in the Social Sector Plan 2004/5-2008/9 – training through learnerships for ECD and HCBC - is a good strategy to link the development of people working in the social services field to the National Skills Development Strategy.

The fragmentation of services through these programmes has been recognised and the need for complementarity has been emphasised. This will require inter-sectoral collaboration and collective working. **Given the scale of expenditure, the primary aim should be to identify optimal complementarity of grants, social services and social development services.** This includes an assessment of appropriate delivery models. From there, it is possible to assess the institutional interventions required, budget implications and potential job creation. Effective monitoring and evaluation will be required if the programmes should be taken to scale.

Key partnerships are important for the success of the delivery of services. NPOs and CBOs are critical in service delivery in the social services field and supporting overall community development in South Africa. Questions have been raised about the requisite capacity, infrastructure, or human resource capability to deliver against targets. The constraints on these different agents and the lack of capacity (to mobilize resources and meet the expanding need) to assume responsibility for a more significant proportion of service delivery warrants continued state involvement and support. A more strategic set of partnerships is therefore required between Government and the NPO sector. It is important that the interface between Government and NPOs should be sufficient and strategic so that joint planning can be made.

Monitoring and evaluation will be a critical component in programme design and roll-out. Monitoring provides the information for management to review progress, identify problems, and make adjustments. Evaluation will provide information on the impact of the programmes regarding their contribution to alleviating poverty and reducing unemployment. Government first needs to set benchmarks, and then develop and utilize effective monitoring and evaluation systems if these programmes are taken to scale. As they interface with people, they can be dangerous unless proper guidelines, benchmarks and monitoring systems are put in place.

Approximately 500 000 jobs could be created through incremental increases in government employment and procurement if government commits to pursuing the maximum number of jobs attainable through government programmes - based on real demand. It is not yet possible to estimate the impact of an enhanced domestic-orientation of public procurement.

This would take care of about 10% of job creation required to meet Government's target. Unless a more ambitious plan is implemented, then the remaining 4.4 million jobs would be required from the formal and non-formal private sectors by 2014.

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7 Interviews

The following people were interviewed during the preparation of this report.

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