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**‘ACTIVE’ LABOUR MARKET
POLICIES: LESSONS FOR
SOUTH AFRICA?**

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'Active' Labour Market Policies: Lessons for South Africa?

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Abstract

Commencing with an overview of current definitions of active labour market policies (ALMPS), policies aimed at ‘activating’ the unemployed, and some of the economically inactive currently receiving welfare benefits, this paper glances at the history of the transition from so-called passive to active benefit regimes, then looks at which of the many ALMPs ‘work’, and in what settings. The processes by which subjects for activation are selected are examined, and brief reference is made to the techniques for evaluating ALMPs. Attention is drawn to the coercion behind the discourse of rights and responsibilities that animates the ‘workfare’ and ‘welfare-to-work’ policies of the USA and UK, respectively. The progress of the UK’s ‘welfare-to-work’ programme, especially that for young people, is examined. Possible consequences for the programme of the crisis currently devastating the world economy are considered. Attention then turns to South Africa’s largest active labour market intervention, the Expanded Public Works Programme (EPWP). Its first five-year phase having been completed, a second phase, more ambitious by far than its predecessor, has recently commenced. Critical analysis suggests that contrary to the hype, the programme has thus far made little lasting impact on the poverty and unemployment it is supposed to address. Once past the EPWP, the equally large problem of what to do about the millions of young people in South Africa who are not in education, employment or training, is considered. The poor education that most of them will have had, places them in the category considered most difficult to ‘activate’. Lack of demand for simple undifferentiated (unskilled) labour, coupled with institutional weakness, is argued to make the ambition of launching anything more than some small proportion of young people into income-generating economic activity, using active labour market policies, a pipedream. The recently-formed National Youth Development Agency (NYDA), the body that is supposed to play the major role in ensuring “seamless integration, sustainability and responsiveness to the demands and aspirations of South Africa’s youth” will probably set back the development of youth, at least in its first years of operation. A little attention is then devoted to the question of the limits to ‘activation’ in South Africa, the chief of these being the lack of ‘suitable’ jobs into which people may be placed, and the weakness of the institutions that should be responsible for placing them, were such jobs to exist.

Acknowledgements

This work began life as a paper, commissioned by the Studies in Poverty and Inequality Institute (SPII). The first draft, under the title “Active Labour Market Policies: ‘Activation’ in South Africa, with passing reference to youth unemployment” was presented at the ‘Civil society conference towards a roadmap on social security’ in Johannesburg, 19th – 20th March 2009, convened by SPII. Since then, it has undergone extensive rewriting, much more than doubling in length. Although it is published with SPII’s permission, the views expressed in it are mine.



Many thanks to Isobel Frye, the director of SPII, for giving me the opportunity and encouragement (intellectual and financial) to make a foray into a field of considerable interest and importance.

Two large sections were added to the paper (it has now become a monograph!) after the first draft (Version 1) was presented at the SPII conference referred to above. The first of them, on the ideological climate within which reforms to the UK’s welfare system are being made, was prompted by the responses to an article in the *Guardian* on welfare reform. The loathing of benefit ‘scroungers’ expressed by so many raised the obvious question: how well-informed are these angry people? From a modest beginning of a few pages of commentary on the pervasiveness of negative stereotypes about recipients of unemployment benefits, the discussion began to assume the dimensions of a paper in its own right, one whose focus was moving away from a concentration on ALMPs *per se*. It made sense, therefore, to remove it from that constraint, and to allow it a separate existence (Meth, 2010).

The second addition to the paper, on the Expanded Public Works Programme (EPWP) in South Africa, was inspired and informed by the work done by Anna McCord. Her extensive knowledge and insights have helped to improve my understanding of the subject, and, I hope, to sharpen the critique offered of this, South Africa’s largest job-creating initiative. Needless to say, the errors in the paper are all my very own.

Abbreviations and acronyms

International

AFDC	Aid to Families with Dependent Children (USA)
ALMP	Active labour market policy
CTC	Child Tax Credit (UK)
DSCF	Department for Schools, Children and Families
DWP	Department for Work and Pensions (UK)
EGS	Employment guarantee scheme
ESA	Employment and Support Allowance (UK)
FTE	Full-time equivalent
GDP	Gross domestic product
HMRC	Her Majesty's Revenue and Customs
IB	Incapacity benefit (UK)
ILO	International Labour Organization
IMF	International Monetary Fund
IS	Income support (UK)
JCP	Jobcentre Plus (UK)
JSA	Jobseeker's Allowance
LFS	Labour Force Survey (UK and South Africa)
M&E	Monitoring and evaluation
NDYP	New Deal for Young People (UK)
NEET	Not in Employment, Education or Training
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics (UK)
PA	Personal Advisers (UK)
PES	Public employment service
PIRL	Progress in International Literacy Reading study
PRWORA	Personal Responsibility and Work Opportunity Act (USA)
SES	Socio-economic status
SNA	System of National Accounts
TANF	Temporary Assistance for Needy Families (USA)
TIMSS	Trends in International Mathematics and Science Study
TUC	Trades Union Congress (UK)
UK	United Kingdom
UNESCO	United Nations Education, Scientific and Cultural Organization
USA	United States of America
WFI	Work Focused Interview (UK)
WTC	Working Tax Credit (UK)

South Africa

ANC	African National Congress
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
BIG	Basic Income Grant
CBO	Community-based Organisation
CEC	Central Executive Committee (of Cosatu)
CHW	Community Health Workers
Cosatu	Congress of South African Trade Unions
CWP	Community Work Programme
DoL	Department of Labour
DoSD	Department of Social Development
DPW	Department of Public Works
ECD	Early Childhood Development
EPWP	Expanded Public Works Programme
GHS	General Household Survey
HCBC	Home and Community-Based Care
HSRC	Human Sciences Research Council
IDT	Independent Development Trust
Jipsa	Joint Initiative for Priority Skills Acquisition
MEC	Member of Executive Council [provincial]
MIG	Municipal Infrastructure Grant
MTEF	Medium-Term Expenditure Framework
NCOP	National Council of Provinces
Nedlac	National Economic Development and Labour Council
NPO	Non-Profit Organisations
NYDA	National Youth Development Agency (NYDA)
NYC	National Youth Commission
NYS	National Youth Service
OHS	October Household Survey
PCAS	Policy Co-ordination and Advisory Services
PIG	Provincial Infrastructure Grant (also referred to as IPG)
PSLSD	Project for Statistics on Living Standards and Development
QLFS	Quarterly Labour Force Survey
SALDRU	Southern African Labour and Development Research Unit
SETA	Sector Education and Training Authority
SMME	Small-, Medium- and Micro-Enterprises
SPII	Studies in Poverty and Inequality Institute
TIPS	Trade & Industry Policy Strategies
UIF	Unemployment Insurance Fund
UYF	Umsobomvu Youth Fund

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“The secret of being a bore
is to tell everything”
(Voltaire)

Introduction

Apart from the Introduction and the Conclusion, this work contains three sections. The first looks in general at active labour market policies (ALMPs) – why policy shifted from ‘passive’ to active; what ALMPs are; how the subjects for ‘activation’ are selected; how effective ALMPs are, and how this is measured. One aim of this section is to explore the meanings of the not uncontentious notion of ‘active labour market policy’, and of the process of ‘activation’, the term applied to the business of implementing ALMPs. The blurry distinction between ‘active’ and ‘passive’ labour market policies is explored, attention being drawn to the varying levels of coercion or compulsion that are one of the major factors distinguishing the latter from the former. This section of the paper also looks briefly at conditions in USA and UK, where much-trumpeted ‘workfare’² and ‘welfare-to-work’ ideologies (respectively) came to dominate social policy discourse from the 1990s onwards.

In previous drafts of the present work, the second section looked at two aspects of the ALMPs in the UK that formed the core of the welfare-to-work policies adopted by the Labour Party when it assumed power in 1997. The first of these was concerned with an aspect of the ideological climate within which policy is formulated, namely, the widespread dislike of ‘welfare scroungers’. The other topic addressed was that of youth unemployment in the UK, charting the initial success of the New Deal for Young People (NDYP) and its current travails as economic crisis unwinds gains made in previous years. Only the latter survives in the present paper. The discussion on the ideological climate – crudely, one that unites a large number of people who loathe benefit ‘scroungers’ (as they are popularly portrayed), with a government intent on reducing welfare ‘dependence’, using carrots and sticks to drive as many of the unemployed and economically inactive as is possible into paid employment – has, as noted above, been turned into a separate paper (Meth, 2010).

Most of the attention in the third section of the work is devoted to two aspects of the ALMP debate in South Africa. The first is the country’s Expanded Public Works Programme (EPWP), the (unsatisfactory) answer to the question of how to provide social protection for able-bodied

² The term ‘workfare’ is sometimes used to describe the welfare regime in the USA ushered in by President Clinton’s 1996 promise to “end welfare as we know it” (Handler, 2008, p.2). This saw Aid to Families with Dependent Children (AFDC) replaced by Temporary Assistance for Needy Families (TANF), under the Personal Responsibility and Work Opportunity Responsibility Act (PRWORA). The other way in which the term ‘workfare’ is used describes the practice of making welfare recipients work for their benefits. Proposed recently in the UK, such an approach is likely to cause the ‘wage’ received to fall well below national minimum wages. In what follows below, the term is used in both senses – the context makes it clear which meaning is intended.

unemployed adults. A critical analysis of the first five-year phase of the EPWP, based on recent EPWP reports, concludes that although the income generated by the employment offered to some of the unemployed is welcome, as are the assets created, the programme made no lasting impression on unemployment. A more ambitious second phase has been announced, amid boasts of the contribution it is to make to the goal of halving unemployment in the country. What little is known of the goals of Phase 2 of the EPWP is subjected to critical scrutiny, particular attention being paid to the potential contribution of the programme to government's goal of halving unemployment by the year 2014.

The problem of young people in South Africa who are not employed, and not in education or training (a group referred to in the USA and UK as NEETs), is then considered. The sheer size of the multitude that forms a potential target group for 'activation' gives an indication of the difficulties faced in trying to address this fearsome social problem. An attempt is made to identify some of the bodies responsible for addressing the problems of youth unemployment or economic inactivity, but the paper stops a long way short of a full investigation of what can be, what has been, and what is being done (not enough) about them. Among the possibly less daunting difficulties faced, is that of the form of the institutions required to deliver ALMPs. Even the job of creating these, however, is no easy task. Official sluggishness in developing an understanding of the magnitude of the problem, let alone tackling it, is brought to light.

A short conclusion warns against attempts to import policy concepts without first filtering them through the grid of local reality. That reality includes not only an absence of jobs into which to channel those who need to be 'activated', but also the institutional structures required to do so. Although some of these exist in embryo, scaling up is no simple matter.

An epilogue (in the form of a newspaper article by Jacob Dlamini)³ on developments in the struggle for control of the finances of the National Youth Development Agency (NYDA) has been added. If its author's analysis is correct, South Africa's youth will be even more ill-served by the newly-created NYDA than they were by its predecessors.

When a paper, in which current events bear heavily on content, takes a long time to write, decisions about keeping abreast of events must frequently be made. Some things may safely be ignored, while others simply insist on being taken into account, regardless of the effort involved. Work on the present paper in its various forms has extended over the period January 2009 to August 2010, with the bulk of it completed by about March 2010. Much has happened in that time. Apart from the international financial and economic crisis, getting into full stride as work on the paper commenced, the most momentous change, and one with major implications for welfare-to-work policy in the UK, is the accession to political power of the Conservative-Liberal Democratic coalition in May 2010. Up until that point, an effort was made to keep up with changes, including the welfare reform undertaken by the Labour government, in its last year in office. Although there are many continuities, the proposed dismantling by the new coalition government, of parts of the complex edifice built by Labour, will soon make much of what is described below, obsolete. There is little point (and much hard work) involved in trying to rewrite the paper to keep pace with

³ Permission to reproduce the article in full is gratefully acknowledged.

a still-evolving set of policy measures. No attempt will, therefore, be made to do so.

Comparing like with like?

The terms of reference for the original paper (of which the present work is the hefty offspring), called for some attention to be paid to active labour market policies and the problem of youth unemployment in South Africa. One way of demonstrating how difficult the implementation of such policies is, was to refer to experience elsewhere. The UK was chosen, not only because of the existence of a substantial literature in English, but also because a programme to tackle long-term youth unemployment by means of active labour market policies (the New Deal for Young People, NDYP) was one of the earliest sets of measures introduced by the Labour Party when it took power in 1997. That said, it has to be admitted that its problem was but a fraction of the size of that of its South African counterpart, while the resources (institutional and financial) available to address it, are several orders of magnitude larger than could be imagined in South Africa. Nevertheless, it was thought that there could be useful lessons to be learned from the comparison, and from the study of UK institutions and practices.

It could be argued that choosing to focus on two countries as diverse as the UK and South Africa in a study on problematic aspects of 'active' labour market policies, is a trifle odd. The scale of the poverty and unemployment challenges confronting the two countries differ so much in quantitative terms, that it may not be unreasonable to demand that they be treated as qualitatively different problems.⁴

By comparison with South Africa, the economy of the UK is highly-developed; although far from negligible, unemployment rates and levels are relatively low; there is a highly-skilled civil service, and up until fairly recently, the labour market has enjoyed a holiday for several years from severe disjunctions between the demand for, and supply of labour. Until

⁴ In the second quarter of 2008, before the recession began to bite, there were about 1.6 million people of working age unemployed in the UK. In the second quarter of 2008 in South Africa, by contrast, using a similar definition, there were 4.1 million unemployed. By the last quarter of 2009, unemployment in the UK appears to have peaked, having fallen ever so slightly from the previous quarter's total, to 2.46 million. The third quarter figure for South Africa was roughly constant at about 4.2 million. Source of 2008 UK unemployment figures: Office of National Statistics (ONS) Labour Force Survey: Unemployment Levels by Age, dataset: lfs8ac. Data downloaded 15th June 2009. ONS estimates for the last quarter of 2009 for the UK are from the WhitehallPages.net website <http://www.whitehallpages.net/modules.php?op=modload&name=News&file=article&sid=287614>, downloaded 28 January 2010. The rate for the three-month period to June 2010 was 7.8 per cent, while the number unemployed (the ILO measure) was 2.46 million. UK unemployment has been roughly stable for quite a while. See <http://www.statistics.gov.uk/cci/nugget.asp?id=12>, downloaded 22nd August 2010. SA 2008 figures: Statistical release P0210, 28 August 2008, p.v. The third quarter South African figures come from Statistical release P0211, 30 October 2009, p.vi. The March-June 2010 estimate of the number of officially unemployed in South Africa is 4.3 million and the rate of unemployment had risen to 25.3 per cent. See Statistical release P0211, 27 July 2010, p.vi.

the onset of the crisis in 2008, there was also quite buoyant demand for low-skilled workers.

Although South Africa's formal economy is substantial, a large proportion of the population has but tenuous links with it, being either unemployed or engaged in subsistence activities in the informal economy. Severe lack of capacity in the civil service (incompetence and corruption are major problems) has hampered delivery for years. The lack of demand (at almost any wage) for unskilled or low-skilled labour is the largest obstacle to be overcome in addressing the country's massive unemployment problem.

Despite the obvious and substantial differences between them, however, they share certain important characteristics, especially the commitment to 'rescuing' the poor through work. Although it is possible that there is as much, or perhaps more that could have been learned from the study of youth programmes in, say, the many Latin American countries that have experimented with these things, in the final analysis, the novelty of the UK experiment, and the sheer energy (and resources) devoted to what, in many respects, was a massive social experiment, settled the case in the UK's favour. Once into the task, some understanding of the refractory nature of mass unemployment in the UK, especially among the youth, and the obstinacy of poverty, particularly child poverty, begins to chip away a little at the differences between the two countries. In addition, as we shall see below, in 2005 the UK set itself the difficult task of achieving an 80 per cent employment rate by 2020⁵ (it stood at 72.4 per cent at the end of 2009) a job that could entail placing somewhere between two and three million economically inactive people in employment. Like South Africa's ambition to halve unemployment by 2014, this involves finding jobs for some of the most hard-to-place potential workers, many of them with multiple disadvantages. If nothing else, we would expect the kinds of discourses that such ambitious goals create among politicians to have certain common elements.

Now that the section on welfare 'scroungers' has gone – like an overgrown amoeba, it expanded until it had to be granted a home of its own (Meth, 2010) – the section on active labour market policies (ALMPs) in the UK in the study, is much reduced in size.⁶ The scope for analyses of discourses has shrunk *pari passu* – little other than the briefest comment on the matter is made below.

So much for the structure of the work – before commencing, it is necessary to say a few words on why the view of ALMPs that has emerged in the work is so pessimistic. We begin by positing an ideal world, then confront it with a world of the sort with which policymakers have often to deal. One conclusion that flows from this is that ALMPs are seriously overloaded in terms of the sheer range of social problems for which they are required to deliver solutions.

⁵ The 80 per cent aspiration was announced by the Department for Work and Pensions in February 2005. It was described as "a modern vision of full employment." (Kennedy and Morgan, 2009, p.13)

⁶ To say sooth, the exploration of the way in which the problem of welfare dependence and benefit abuse (fraud) was articulated in popular ideology, and of the apparent ease with which government could harness prejudice to the task of applying increasing social pressure on certain economically inactive groups to drive them into the labour market, was an indulgence (fruitful, I hope) in a long-standing interest of mine.

Social policy in an ideal world and beyond

In an ideal world, there would be almost no poverty; inequality would be optimally small; youngsters emerging from the education system would be well equipped to face the world of work; there would be high-quality, low-cost child care for all parents who wished to perform paid work rather than unpaid domestic duties and child-minding; there would be fulfilling jobs aplenty, and menial, unpleasant but necessary work would be well rewarded. In such a world, those making transitions into or within the labour market would be assisted by institutions that ensured that the most was made of their talents. Those unable to work, for whatever reason, would enjoy comprehensive and generous social protection. Social cohesion would mean that the delinquent element in society would constitute a tiny minority – communities would function in such a way that mutual monitoring shamed most would-be free-riders on the benefit system into desisting from such anti-social conduct.⁷ Officials would be held to account for any lapse in the quality of service, and citizens would participate in the shaping of policy.

In the real world, there is widespread poverty, even in prosperous countries; inequality is high, and in many places, rising; each year education systems discharge large numbers of functionally illiterate and innumerate young folk into a labour market that has little to offer them; child-care is costly and far from universally good; dead-end poorly-paid work, is all that is available to many. Menial work is often carried out by non-nationals, super-exploited and lacking any social protection whatsoever. In the real world, the expressed aspirations of the state would probably not differ substantially from those guiding the ideal state. Conditions in the real world, however, frustrate the major social engineering projects required to bring about the desired ends. With a significant proportion of the population poorly-prepared for the world of employment, remedial work, even when carried out on a large scale, often cannot undo the damage done in early childhood, with the result that many spend their lives on the margins of the affluent society, poor and insecure. Although buttressed by a wide variety of social services, the institutions required to deliver labour market services are faced with the dual problem of a clientele that is difficult to place in work, and a shortage of ‘decent’ work opportunities in which to place them, were they able to be rendered fit for such work. On top of this, perennial pressures on the fiscus impel the authorities to reduce the numbers of people dependent, for a variety of reasons, on social grants for their existence. Although many of those responsible for running the front-line institutions that seek to place the ‘difficult-to-place’ perform sterling work, fixing the fallout from ‘dysfunctional’ sectors of society is an unremitting slog. It is made even harder by the fact that economic crisis, such as that currently being experienced in many countries, can undo in a moment, the years of patient work done to reduce the numbers of long-term unemployed. Couple this with a freshly re-emerged problem of mass unemployment, especially among the youth, and it is clear that pessimism is not inappropriate.

Without further ado or explication, let us commence.

⁷ See Meth (2010) for a discussion of the consequences of the inability of societies to function in this way.

1 ALMPs – over-rated policy instruments?

Although the proponents of active labour market policies may be critical of many of the attempts to design and implement such policies, there seems not to be much dissent over the central claim that on balance, ALMPs are a good thing. Little effort is put, in what follows immediately, to engage critically with that proposition – the literature on the topic is huge – those wishing to review it have their work cut out for them. The aim here is modest, namely, to highlight something of the conditions in which policy is said to have switched from ‘passive’ to ‘active’, to probe beneath the apparently neutral language of ‘rights’ and ‘responsibilities’ to expose the asymmetrical nature of the relations between the state and the individual ‘customer’ who is the subject of ALMPs. Having done that, a few thoughts on the manner in which those subjects are selected are offered. The section ends with the briefest of overviews of which ALMPs ‘work’, and of the instruments for detecting this (monitoring and evaluation).

From ‘passive’ to ‘active’ labour market policy⁸

In countries (mainly, but not exclusively the much-developed economies of the OECD) where social protection against the income loss associated with unemployment and other contingencies such as illness is provided, it takes the form, at least initially, of social grants or social insurance, or some combination of the two. Where social insurance is the dominant form of social protection, benefit recipients (especially of unemployment benefits) are eligible for benefits by virtue of (a) having contributed to a social insurance scheme, (b) being unemployed, and (c) complying with certain conditions, such as registration with the public employment service (PES), and producing proof of job search activity.⁹ Apart from the fact of being non-contributory, social grants for the able-bodied unemployed, which are invariably means-tested, usually have attached to them, similar registration and job search conditions. The distinguishing characteristic of ‘active’ labour market policy is the insistence on steps aimed at getting beneficiaries into employment as rapidly as possible, and hence, the development of measures designed to achieve this.

⁸ There is an excellent account of the transition from passive to active labour market policies in a paper by Eichorst and Konle-Seidl (2008). The paper addresses the tendency, which the authors label ‘contingent’, for social protection systems to converge, thus throwing into doubt older taxonomies (e.g., Esping-Andersen 2000 [1996]) which made sharp distinctions between them. This is not to suggest that significant differences no longer exist, merely that a stronger emphasis on getting welfare beneficiaries, including many among the economically inactive, into work quickly, is much more in evidence.

⁹ The enthusiasm with which claimants are penalised varies across countries. In 1998, in the USA, when ALMPs were still relatively new, about 33 per cent of the average stock of benefit claimants suffered sanctions for failing to provide evidence of active job search, while a further 22 per cent of them were penalised for ‘administrative infractions’. Corresponding figures for Australia in 1997 were 1.1 and 11.4 per cent (Grubb, 2000, p.158).

Institutional arrangements in different countries vary enormously, but in general, social insurance as a form of protection against income loss caused by unemployment predates social grants. Distributed originally by labour exchanges, insurance benefits have from the outset only been paid if compliance with something like the two conditions spelled out above could be demonstrated. As institutions that put potential employers in touch with potential workers, 'labour exchanges' were thus early implementers of labour market policies. Depending on economic and other conditions, enforcement has doubtless slipped on occasion to the perfunctory, but there has probably never been a time when conditions of some sort did not form part of the regulations. As far as the unemployed are concerned, the less strictly the conditions described above (and others) are enforced, the more closely does such a regimen approximate to what is described (somewhat misleadingly) as a 'passive' policy. Ratcheting up benefit eligibility conditions, for example, by strict enforcement of a 'suitable job' criterion (beneficiaries are required to accept any job for which the authorities consider them fit), is a step on the way to the rigours of a fully-fledged ALMP.¹⁰

Income support in the form of social grants (as noted above) developed somewhat later than social insurance, and tended to be delivered by the agencies responsible for welfare more broadly, which not only provide grants for the aged, the very young, the disabled and so on, but which also supply or co-ordinate the provision of the services offered by social workers. Demographic changes such as ageing populations, leading to stress on welfare systems in some countries, alerted the authorities to the virtues of attempting to get not just the unemployed back into work, but also to encouraging certain groups of economically inactive people, particularly lone parents and the disabled, to seek employment as well. Hand in hand with this insight, came a growing awareness of the advantages (especially to the authorities) of unifying the labour exchange-type institutions, and those dispensing (at least some of the) welfare benefits – this has become another of the hallmarks of 'active labour market policy'. 'Active labour market policies' (ALMP) as we know them today are thus policies intended ultimately to shift the unemployed and certain other categories of economically inactive people off what has been characterised as a 'passive' benefits system, into (paid) employment.¹¹

Standard practice for decades in advanced social democracies such as the Scandinavian countries (Furåker *et al*, 1990; Scarpa, 2009),¹² ALMPs, of an increasingly coercive nature, began to be applied in earnest by the conservative regimes that emerged in the UK and USA after the crisis-ridden late-1970s. The nominally left-leaning or liberal governments that succeeded Thatcher and Major in the UK, and Reagan in the USA, pressed ahead energetically with policies variously known as 'welfare-to-work' and 'workfare', the primary aim of which is to shift people off welfare rolls, and into employment. There are, however, substantial differences between ALMPs and 'workfare'. As Handler (2008, p.30) points out:

¹⁰ Martin and Grubb refer to "... the obligation to accept suitable work and referrals to available slots on ALMPs ..." (2001, p.27).

¹¹ These sweeping generalisations distort history – they are intended only to convey a broad impression of the nature of what in reality was, and still is, immensely complex.

¹² For an evaluation of the effects of the generous benefits in the Swedish system, see Sianesi, 2004.

“Activation and ALMP embrace a wide range of measures ranging from voluntary training, human capital development, employment and wage subsidies, and job creation to compulsory work programs. There are combinations of carrots and sticks. Workfare is primarily sticks.”¹³

Before addressing the question of why there was a shift towards ‘activation’, it is useful to glance briefly at studies that make use of national statistics to see whether or not estimates of government expenditure actually reflect a significant shift of resources towards ‘active’ as opposed to ‘passive’ policy (and, of course, whether or not they do in relation to all other aspects of government expenditure). Discovering only slight, possibly pro-cyclical changes in the data on expenditures on active measures in OECD and some middle-income developing countries in the period 1985-2000, Martin and Grubb (2001) observe that:

“One possible reason for the limited success in switching resources into active measures over the past decade, despite the strong political rhetoric in favour of such a switch, may be related to doubts about the effectiveness of much of this spending. ... [T]he track record of many active programmes is patchy in terms of achieving their stated objectives. This has led many policymakers to be wary of authorising large spending increases on new or existing programmes.” (2001, p.9)

Those, of course, were early days – proportions of national resources devoted to activation may well have risen in recent times. The enterprise does, however, remind us of the weakness of relying too heavily on statistical analyses to understand social reality.¹⁴

A later paper by one of these authors (Grubb, 2005, pp.16ff), offers readers a brief history of a ‘slide into passive’ policy after 1961, a period marked by increases in the relative generosity of benefits in certain OECD countries (Nordic, Central Western and Southern Europe) but not others (all other European countries including the UK and Ireland). This continued into the mid-1980s, after which some countries began to introduce restrictive measures (e.g., shorter benefit durations), and to curtail benefits (e.g., abolition of earnings related benefits).

A 1964 Recommendation of the OECD Council on Active Manpower:

“... set out a programme of investment in adaptation, human resource development, encouraging geographical mobility, regional developing, forecasting of future occupational requirements, intensified measures to help marginalised groups into employment and development of income security programmes.” (Grubb, 2005, p.19)

Apart from manpower forecasting, now thoroughly out of fashion, (and the income security programmes, about which not much was done) many of the elements of today’s ALMPS are clearly visible in this recommendation. Debate about the proper relationship between public employment services and benefit dispensing agencies culminated in a

¹³ Handler’s concerns with the weaknesses of workfare in the USA will be addressed at greater length in the section of this report dealing with the issue of how to measure the success (or otherwise) of activation policy.

¹⁴ A chart in Betcherman *et al* (2004, p.9) has expenditure on passive policy as a percentage of GDP in OECD countries over the period 1990 and 2002, falling after 1993. Expenditure on active policy, a smaller proportion of GDP, also falls slowly after 1993. The two begin to converge by 2002.

1965 report which expressed “strong hostility” to connections between these two arms of social policy. Several governments moved to separate them:

“... adopting to a significant extent the idea that [employment services] should not be involved in monitoring eligibility for benefit.” (2005, p.19)

With the crisis in capitalism triggered by the oil price shock of 1973, the political transformations that were ultimately to see the emergence of conservative regimes in many countries, notably the UK and USA, commenced. As unemployment levels rose, both in response to the oil shock, and improvements in benefit entitlements, attitudes in the countries that experienced the worst increases in unemployment began to turn against benefit liberalisation. Viewing ‘excessively generous’ benefits as contributing to the breakdown of the inverse relationship between wages and unemployment, by 1976 the OECD:

“... invoked the principle, which underlies ‘activation’ strategies and the principle of “mutual obligation”, that “it is better to pay people to work than to be idle.” ”

Some countries moved to re-integrate benefit administration with public employment services (PES), while others began to acknowledge the error of having separated them (Grubb, 2005, p.19). Given high levels of unemployment in some countries (the UK, for example), ‘old’ activation strategies were no longer effective, and attention began to turn to the invention of new measures. From about the mid-1980s onwards, a changing attitude towards welfare and work in the UK began to make itself felt as a tightening up of conditions for benefit receipt. Policy trajectory is summarised by Freud (2007) thus:

“Passive labour market policies”, he writes, “gained ascendancy in the late 1960s as the UK, in common with many major economies, increasingly sought to achieve its goals through full employment fiscal policies. The requirement for labour market attachment was reduced, first in 1974 with the split of Jobcentres from Benefit Offices and the creation of the Manpower Services Commission. In 1982, with unemployment rising towards three million, the requirement to look for work while on benefit was removed entirely.

It was with the introduction of Restart interviews and a stricter availability test in 1986 that the UK made a clean break with the passive welfare state of the previous twenty years. This was the start of a long process of re-engagement with the long-term unemployed to give them a second chance at finding work. In the years that followed, the benefits regime for the unemployed has become increasingly active ...” (2007, p.12)

The Conservative government of the day lacked, however, a coherent programme of ‘activation’ of the sort that was later to form the basis of Labour government success (albeit short-lived), particularly in tackling long term unemployment.

Noting that in Europe by 1997, the idea that activation measures (ALMPs) to tighten benefit regimes and reduce unemployment “could and should” be used, Grubb (2005) nevertheless devotes some energy to finding explanations for why such awareness does not necessarily lead to rapid or reliable adoption. Not the least important of these is the fact that given

the multi-dimensional nature of policies, and long lags, impacts on unemployment cannot be determined with any ease (2005, p.20).

To illustrate, policy design is rendered difficult by the problems of measuring benefit elasticities of unemployment spell durations – i.e., the relationship between the percentage increase (decrease) in unemployment spell duration and a given percentage change in benefit ‘generosity’. An implication of this is that where the employment elasticity (of welfare benefits) is high, intensification of ‘activation’ measures is necessary (Grubb, 2005, p.20). Although estimates of the impact of, for example, tightening search criteria on unemployment duration abound (see Martin and Grubb, 2001, pp.19-20), quantifying the relevant variables is no simple matter, all of which makes it hard for the analyst to explain exactly what has happened, and why.

As if these economic questions were not vexing enough, there is an important set of issues that can only be addressed using the tools of political economy,¹⁵ where, sadly for those who venture into the terrain, the evidence is sometimes (but not always) even more elusive. Difficult though it is, we should not allow this to thwart our attempts to understand why the personal is so intensely political when it comes to the design and implementation of ALMPs.

ALMPS – governance, power relations and coercion

A feature of ALMPs that comes across in the literature, possibly less strongly emphasised than it ought to be, is that a benefit recipient (especially of unemployment benefits), drafted into an ALMP (i.e., someone with a ‘referral’ to an ALMP programme), moves away from the relative *laissez faire* of so-called ‘passive’ policy, into a setting in which the obligation to participate in a specified range of activities, or risk loss of benefits is, in many cases, absolute.¹⁶ Compulsion, it would seem, is one

¹⁵ By political economy is meant the study of the social laws of production and distribution, as opposed to the more limited discipline of ‘economics’ (often defined as the study of how people choose to use scarce resources to satisfy endless wants).

¹⁶ One of the more cogent defences of the USA’s workfare programme is that mounted by Lawrence Mead (2004). Of interest to us here is his use of the term ‘paternalist’ to describe a particular administrative style (Chapter 7 of his book is devoted to the topic). Here is the core of the argument:

“In several policy areas it appears that programs that combine assistance with oversight perform better than those that provide benefits more passively. Personalized direction apparently meets the needs of many poor adults. Research suggests that most poor people share the views of the larger society. They aspire to get through school, work, obey the law, and keep their children out of trouble. However, their actual lifestyle often falls far short of these values. School failure, unwed pregnancy and crime are common, and few adults work consistently. Social barriers such as low wage or racial bias do not suffice to explain this. More plausibly, the poor learn about mainstream values, but they fail to internalize them in early life with sufficient force to govern actual conduct. One reason probably is weak parenting and disorganized family life. Many poor adults seem to appreciate paternalism precisely because it provides the consistent, personalized direction they have been lacking.

of the defining characteristic of ALMPs. When labour market policy is 'active', the parties concerned, a bureaucracy on the one hand, and the benefit claimant on the other, enter into an arrangement in which the latter is obliged to make use of services designed to make entry or re-entry into work possible (Cockx, 2000, p.457; Martin and Grubb, 2001, pp.23ff). Often cast in terms of a social contract¹⁷ spelling out 'rights and responsibilities', the unemployed (and, increasingly, the economically inactive) have the right to expect assistance from the state in the search for employment, and financial support whilst doing so, and the duty to participate in all of the activities stipulated as being necessary to obtain employment.

A recent exploration of the concepts of rights and responsibilities in the UK social security system (Griggs and Bennett, 2009) covered a wide range of questions raised by the increasing prevalence of the 'contract/rights and responsibilities' language used by the Labour government in the UK, and elsewhere in the world. The report is a major contribution to the debate over the desired shape of the social security system. It is even-handed, pointing to the increase in rights (uneven) and responsibilities. It does, however, cast doubt on the validity of many cherished beliefs, such as the existence of a 'dependency culture', and the efficacy of increasing conditionality in tackling it. No attempt to summarise the report will be attempted here – we must content ourselves with the paragraph that ends the executive summary. It reads thus:

“Arguments about rights and responsibilities are usually framed within a contract model. But in the benefits system, the contract is rather one-sided. If a contract model is considered appropriate for some benefits, responsibilities could be thought of as being discharged over a lifetime, rather than at one point in time. In addition, moving further towards a fairer society should now take priority over further extensions of conditionality. The current economic and political climate may help in shifting the focus away from 'rights and responsibilities' towards issues of the adequacy of resources and the creation of a sustainable social security system supported by all.”

The one-sidedness to which the authors refer is visible in a growing literature. In it, there is an extensive debate about the nature of the governance structures that have emerged (and have continued evolving), since the mid-1990s, when 'activation' began in earnest to exercise the minds of policymakers. The key characteristics of governance are addressed under four broad headings: marketisation of service provision; decentralisation; inter-agency co-operation, and individualisation (van Berkel and Borghi, 2008). Clearly, within the last named, the central issue is that of the nature of the relationship between the 'client' or

If nothing else, case managers can explain to them social requirements that they often do not understand. That structure of attention makes it possible for them to achieve the orthodox values, such as work, in which they already believe. The defeatism of their lives is then relieved.” (Mead, 2004, p.158)

What the limits and dangers are of the 'tough love' style of implementing ALMPs, are not easy to establish – one danger must be the possibility of state intrusions into lifestyle choices, dictating behavioural change as a condition for benefit receipt.

¹⁷ The notion of a 'social contract' is one that occurs again and again in ANC discourses. Seldom are the terms of such arrangements spelled out, and even less frequently are the power relations inherent in them, aired in public.

‘customer’ as benefit claimants (and would-be workers) are now called, and the agencies of the state. Four approaches to the issue of individualisation are considered by van Berkel and Borghi. The last of these, referring to the political conceit that ‘service users, as ‘competent, reflexive citizens’ whom ‘services should support in realising individual life projects’ and who should be ‘in charge of the service provision process’, notes that:

“Even though traces of this discourse are present in policy rhetoric (‘empowering the user *vis-a-vis* service providers’, ‘taking the individual as starting point in service provision’, ‘putting customers in the driver’s seat’), in most cases the client is not in charge in this sense. This seems to point at a broader tension between new governance and activation policy rhetoric: whereas the former emphasises the voice and choice that policy users should have in service provision processes, the latter emphasises the obligations and individual responsibilities of unemployed persons in activation, which reduces rather than enhances their active involvement in service provision.” (2008, pp.398-399)

At issue, of course, as they point out, is the question of ‘who is in charge’? Their answer, as may be seen above, inclines towards the service provider. Similar conclusions emerge from another of the approaches to the issue of individualisation, when the absence of checks and balances, and the lack of institutionalised resources for ensuring that offers made to users in, for example, the much-vaunted British Jobseeker’s Agreement, leads to what is described as ‘illiberal contractualism’ (p.398).

It is clear that to understand why some governance regimes are more or less user-friendly than others, the tools of political economy have to be brought into play. If politics is the art of the possible, then superficially, what is possible in a country like the USA is captured in the cliché (truism?) regurgitated by David Ellwood (architect of the workfare measures introduced by the Clinton administration) during a recent interview reported in *The Guardian*.¹⁸ Discussing the ‘fundamental problem of people being unwilling to see money they have earned being diverted through the fiscus to people who do not work’,¹⁹ he said that: “People are willing to give a hand up, but they are not willing to give a hand-out”. He went on to say that combining welfare with an obligation to work loosened the tax constraint, making greater resources available for welfare.

ALMPs cannot succeed if there are not sufficient work opportunities of the appropriate sort into which to direct programme participants. When this condition is not met, the ‘active’ part of the policy, with its connotations of strong, purposeful action, withers, at least for some of the target population. In other words, demand conditions in the labour market matter – if work opportunities do not exist, they have to be created. Unless these are meaningful in some sense, i.e., they are not just ‘make-work’ jobs (digging holes and filling them), but rather provide sufficient income, or training, or fulfil a useful social purpose, the policy goals are unlikely to be achieved.

¹⁸ See “Labour intensive. Interview: David Ellwood”, Julie Ferry, *The Guardian*, 11 February 2009.

¹⁹ This ancient impulse, subject of a growing literature which seeks to understand it in evolutionary terms (see, for example, Gintis *et al*, 2005), are embodied in the conceptual structure used in Meth (2010).

During the interview referred to above, Ellwood, discussing the difficulties that employer attitudes create for the disabled, acknowledged that:

“It’s much easier to get employer’s to look past their attitudes if they are looking for workers, so any kind of welfare to work programme is going to be tricky in a recession.”

Although Ellwood concedes that several of the features intended to protect ‘users’ that he wanted to see in the US workfare programme were not introduced, his overall tone is one of satisfaction.

At the opposite pole one finds Joel Handler (2003; 2008) whose critique focuses the mind on the many weaknesses of USA workfare, a system whose ‘generosity’ shows major regional variations because of decentralisation to state- and lower-level jurisdictions, where the scope for discretionary action is substantial. A glance at just one of them, the vastly increased privatisation of service delivery, shows how hard it is to make an objective assessment of the efficacy of the system. Working his way through the ‘reforms’ made to the system, amongst which the privatisation of what were previously functions of the state loom large, Handler comments that:

“Private contractors promise to reduce the [welfare] rolls. They control the data; besides, states do not have a burning desire to find out, as long as rolls and costs go down. Actual developments will become even more difficult to track.” (2003, pp.230-231)

In short, the more one reflects on the concept of ALMPs and the ‘activation’ they are intended to yield or foster, the more obvious the need becomes for a political economy approach to understanding these terms. As Handler (2003, p.217) reminds us, in England, the Statute of Labourers of 1342 “... prohibited the giving of alms to ‘sturdy beggars’”. Since that time, the problem of what to do about the able-bodied poor has exercised the minds of the authorities on innumerable occasions, often with disastrous consequences for the poor. The point is that the poor have always been expected to work – becoming the passive recipients of charity or state largesse for any length of time has never been an option (Griggs and Bennett, 2009, pp.7ff). From the very dawn of modern social protection systems, and with few interruptions, eligibility for unemployment benefits has been conditional on claimants being able to demonstrate (a) active job search, and (b) a willingness to accept any work for which they were held to be qualified, in the event of their being unable to find suitable employment by their own efforts.

In an economy like that of the UK (relatively high-income, relatively low unemployment, comprehensive social protection system), what has varied over time, is the vigour with which these provisions have been enforced,²⁰ and the quality of the institutions and practices intended to get the unemployed into work. There is a relationship between these variations, and the ability of the public employment services, upon whom falls much of the burden of assisting the unemployed back into work, to perform that role. That ability, in turn, is a function of the priority accorded in the budget to the problem of unemployment (and, in recent times, non-

²⁰ In South Africa during the 1980s, the ‘actively seeking work’ condition that applied to Unemployment Insurance Fund (UIF) benefits was suspended after a request from employers to save them from being inundated by desperate job-seekers, searching for jobs that did not exist and begging for proof of having attempted to do so.

employment), and, importantly, of economic conditions in general. Assigned a low national priority, one would expect to see benign neglect of unemployment benefit recipients. Enforcement of conditionality is likely to be lax, especially if vacancy rates are low. In the UK in the early 1980s, one saw the long-term unemployed, particularly those getting on in years, shunted into incapacity or disability benefit streams, with amorphous (albeit real) complaints such as back problems becoming the ticket to a modest income until the recipients qualify for (state) old age pension.

Political and ideological climates, and the material conditions in which they exist, change, and with them, the seemingly cosy arrangement described above, retrospectively labeled ‘passive labour market policy’. If we seek to understand why policy switches from active to passive and vice-versa, those climates and conditions need to be understood. It cannot be taken for granted, for example, that what seems to be a shared ideological stance will necessarily lead to similar policies in different countries. Comparing approaches in the USA and Europe (and, of course, there are major differences between the countries in the EU), Handler argues that:

“One can view the development of U.S. workfare and activation in other countries as a common neoliberal ideology – the way to reduce unemployment and poverty is through entry into the paid labor market. There is also delegation and privatization. However, at the next level, the policies are quite different. In the U.S. there is the “work first” strategy – move welfare recipients into the paid labor force as quickly as possible, with minimal human capital development low-wage, entry-level jobs, and the widespread use of sanctions. In Europe, there is much greater emphasis on human capital development, on moving people into better level jobs...” (2008, p.36)

We ignore, at our peril, the historical trajectories that help to determine the shape that social policy takes.

Summarising, it may be said that the essential pre-requisites for successful shepherding (or herding) of the target population into work (many of whom may want to work but lack the ability to find it unaided) are (a) the necessary work and/or training opportunities, and (b) the skilled personnel and appropriate institutional structures required to place fairly large numbers of unemployed or non-employed people, many of whom are disadvantaged in one or more ways,²¹ and (c) a credible threat of penalty (e.g., loss of benefits) for non-compliance, and last but by no means least, (d) a political and ideological climate congenial to the introduction of such policies.

Selecting the subjects for ‘activation’

In its most recent incarnation as an allegedly less dogmatic and more humble policy analyst and prescriber (Rodrik, 2006), the World Bank observes in a publication on the design of effective social safety nets, that:

²¹ The current recession has imposed such strains on Jobcentre Plus advisers that the quality of service to applicants must have suffered. Early in 2008, the typical caseload was 40 interviews per month. By February 2009 that had risen to 65. The expectation was that it would peak at 70 in June 2009. See McNeil, 2009, p.5.

“Active labor market programs are often targeted to the long-term unemployed; workers in poor families; and specific vulnerable groups with labor market disadvantages, such as young people, old people, and people with disabilities. Especially in industrial countries, the notion of activation of the working-age beneficiaries of transfer programs has received a good deal of attention in a renewed effort to reduce dependency on safety net transfers and counteract their possible labor disincentives.” (Grosh *et al*, 2008, p.147)

Although the unemployed are high on the list of intended beneficiaries of ALMPs,²² the goal of reducing the numbers of non-economically active is as important. Tracing the evolution of benefits for the latter group in the OECD countries, Carcillo and Grubb (2006, p.9) report that:

“The working-age population on non-employment benefits is, on average, over two times larger than working-age population on unemployment benefits. Reciprocity of nonemployment benefits increased quite rapidly until the mid-1990s. Since then, and despite growing awareness of the problem, the proportion of individuals of working age receiving a non-employment benefit has at best stabilized and may still be slightly increasing... In 2001, spending on disability, social assistance and lone parent core benefits totalled 2.4% of GDP, compared with 0.9% of GDP for unemployment benefits – on average in the seventeen countries for which data were collected.”

Incapacity (invalidity and sickness) beneficiaries in nearly all of the countries they examine exceed the numbers receiving unemployment benefits – in the UK in 2006/07, for example, expenditure on incapacity benefits was more than five times as great as expenditure on unemployment benefits (Freud, 2007, p.14). The fear that employment rates in the future could be low enough to push the tax burden of financing social security to unacceptable levels, has acted as a powerful motive force driving efforts to induce/encourage all those who are capable of working, to do so.

Encouraged by its relative position in international league tables, the UK government, as noted above, has adopted a goal of raising the employment rate²³ to 80 per cent by 2020 (the rate was about 74-75 per cent in 2006; it was close to 72 per cent by the end of 2009) by moving huge numbers of people who are currently economically inactive, into gainful employment. Prominent among those to be pushed (or pulled)

²² A significant difference between the economically inactive people discussed above, and the group recognised as being ‘unemployed’, is that to qualify for the latter status, they must express a desire to be employed. Many of those concerned may want jobs, but do not express this desire because they see no realistic prospect of ever becoming employed – many of them could be said to belong in a category of ‘ultra-discouraged’ would-be workers. One could thus describe some significant proportion of those in the target groups identified above as ‘structurally unemployed’. Never satisfactorily defined, the condition hinted at by the label is one of being difficult to employ, for any one or more of a number of reasons. However one defines them, it is clear that the policy of attempting to move these folk off welfare rolls and into jobs, leaves the UK with a problem remarkably like that of large-scale unemployment.

²³ There is some disagreement about how the employment rate should be defined and measured. On this, see the discussion in Freud, 2007, pp.48-49.

into the labour market are lone parents (mostly mothers), older workers (aged 50 years or more), and many of those currently on incapacity benefits.²⁴ A glance at the numbers involved gives an indication both of the ambitious nature of the enterprise and of its difficulty. Reducing the stock of economically inactive among the three key groups entails moving 300 000 lone parents, one million older workers, and one million of those currently on incapacity benefits into work (Freud, 2007, p.5). Many of them will be hard to place, suffering, as they do, multiple disadvantages.

In the Ministerial Foreword of the optimistically titled report on welfare reform in the UK by the Department of Work and Pensions *Ready for work: full employment in our generation* (DWP, 2007), the two sides of the 'rights and responsibility' contract are spelled out thus:

“The aim is to get British benefit claimants into British jobs to become British workers. Central to this challenging policy agenda is the contract between the Government and the people. We are clear about our side of it: we will develop a radical new strategy to extend, modernise and personalise the support we offer to people who often face multiple challenges to finding and keeping a job. We will ensure they have the right level of support to get a job and have the skills needed to progress into a career. We will make work pay through the National Minimum Wage, in work benefits, tax credits and other personalised support. In return, those who can work will be obliged to actively look for work and if they do not then they will be penalised.”

Fundamental to the implementation of welfare-to-work policies, is the claim (backed by research),²⁵ that for the individuals concerned, as well as for society, work is 'better' than welfare dependency. The notion that work is the best way out of poverty (see Handler, 2008, pp.29-30) is not unreasonable. If work can be made to pay, then it is clearly preferable to welfare. The extent to which it is so depends a lot on the sorts of jobs into which people are placed – many of those stuck in poorly-paid entry-level jobs will not escape poverty at all.²⁶

When to the task of 'activating' the inactive is added the effort required to address youth unemployment, and the difficult job of re-integrating the long-term unemployed back into the labour market, it is clear that authorities in Britain have their work cut out for them. In the long boom that led up to the 2009 recession, it was easy to boast of rapid absorption of all but a hard-core of the unemployed into jobs – how long it will take for such happy times to return is an open question.²⁷

²⁴ Their fate will be considered at somewhat greater length below.

²⁵ cf. Waddell and Burton (2006), cited in Freud (2007).

²⁶ See Handler (2008, pp.18-19) for a discussion of the trivial increases in income, often not sufficient to cover the additional costs of working, for former welfare claimants moved into employment. The contrast between the UK and USA approaches is clear in the commitment to 'make work pay', confirming that in European countries (treating the UK as part of Europe), 'activation' policy is more humane.

²⁷ The first paragraph of an article by Toby Helm and Rajeev Syal on the front page of the *Observer* on Sunday 8 February 2009, headed "Key Labour employment plan close to collapse", says it all: "The government's flagship policy to revolutionise welfare by paying private companies to find jobs for the unemployed was in crisis last night as firms said there were too many people out of work - and too few vacancies - to make it viable."

So much for the demand side of the equation – on the supply side, despite some (modest) successes, such as reductions in incapacity benefit caseloads from about 2003 onwards, and changes in the medical condition of incapacity benefit claimants – a shift away from:

“... the stereotype of middle-aged men in the industrial heartlands and towards a new generation with manageable mental health or musculoskeletal conditions...” (Freud, 2007, pp.28-29)

the task of encouraging/nudging the economically inactive into the labour market is going to require significant use of the stick in addition to the carrots dangled.

Among those to be cajoled into employment will be many who, for a variety of reasons, are difficult to place. It has become common practice to refer to those who ‘face multiple challenges’ as the ‘disadvantaged’, or even the ‘multiply disadvantaged’. While there is no doubting the severity of the challenges faced by many people, language of this sort gives rise to a certain discomfort, as does the unthinking use of the term ‘unemployable’, sometimes heard in discourses about unemployment and poverty in South Africa. Tying this discomfort to a rigorous theoretical edifice is no simple matter. The relevant literature would appear to be that on ‘deficit models’.²⁸ An admittedly cursory search turned up a few papers, mainly on education. One of them defines the deficit approach thus:

“Deficit theory, a remnant of colonial and imperial history holds that inequality is the result, not of systemic inequities in access to power, but of intellectual, moral, and spiritual deficiencies in certain groups of people Deficit theorists draw on stereotypes already well-established in the mainstream psyche” (Gorski, 2007, p.5)

It is, of course, inconceivable that social policy design in South Africa, at least, could be informed by such nonsense. It is not inconceivable, however, that employers could hold such views.²⁹ The matter is intensely sensitive, and not only in South Africa. In the UK, for example, among those with ‘no qualifications’, 80 per cent of whites aged 18-49 years are employed (or were at the time the Freud report was compiled). For ethnic minorities, the rate was about 55 per cent. Among these minorities, employment rates for lone parents, those in social housing and the disabled respectively were about 25, 37 and 22 per cent respectively. Corresponding figures for whites in those categories were 54, 60 and 48 per cent respectively (Freud, 2007, p.4). In a country that is avowedly anti-racist and multi-cultural, explaining such outcomes calls once again

²⁸ The problem of NEETs was referred to briefly above. In their treatment of this issue, Hayward *et al* argue that: “The term ‘NEET’ is unhelpful in two ways. First, it is a statistical residual category – literally those young people left over once all other respondents have been allocated to other categories (such as full-time education, training or employment) in the Labour Force Survey (LFS). Second, it leads to a deficit model of these young people as a problem (rather than as a potential asset), coupled with a policy emphasis on reducing numbers. Of course, a reduction in numbers is desirable, but the Engaging Youth Enquiry argues that a broader, more long-term focus on the young people would be more effective in supporting their sustainable trajectories into stable employment and continued learning.” (2009, p.6)

²⁹ *cf.* for example, the reference above by Ellwood to the difficulties faced in the labour market by the disabled.

for an approach rooted in political economy. While it is obvious that not everyone is equally endowed, and that some folk genuinely are ‘disadvantaged’ in the labour market, there is a lingering sense of dissatisfaction with the term ‘disadvantaged’ that can probably be traced to the weaknesses of an analysis that begins and ends with the ‘individual’.

Be all that as it may, it is primarily the ‘disadvantaged’ who are the target group for ALMPs, with the notion of what constitutes disadvantaged being subject to change over time. Among the ‘disadvantaged’ are many to whom the label ‘able-bodied’ (even though it is not much used these days) would apply. The tension between the two appellations is one possible reason why the latter term is no longer in common use.

Mechanisms for controlling eligibility

Once a particular group has been singled out by policymakers as being appropriate subjects for induction into ‘activation’ programmes, ways have to be found of creating administrative structures that can be used to elicit the appropriate behaviour from the subjects. The UK government’s aim of shifting large numbers of lone parents, people on incapacity benefits and ‘older’ folk from benefit-supported economic inactivity into work, was referred to above. An important step in the process was the scrapping of old benefits and their replacement by a new benefit called the Employment and Support Allowance (ESA). At times such as these, government has the opportunity to alter both entitlements and eligibility conditions.

Following Grubb (2000), it may be useful to offer a brief discussion of the distinction between entitlement and eligibility.

In the case of social insurance against say, unemployment, entitlement to benefits is governed by a set of rules, e.g., contribution to a fund for some stipulated period, compliance with which automatically lifts the claimant over the first hurdle on the way to benefit. For social grants, entitlements may also be created by specifying, for example, some minimum level below which income should not fall – once it has been established, by way, say, of a means test, that a claimant qualifies, the benefit may not be withheld. Although levels may be changed from time to time, in general, such stipulations or conditions are not subject to variability in their application by the authorities – the space for bureaucratic discretion is limited. Entitlements are thus binary in the sense that claimants do or do not qualify. Conditions for receipt of an insurance-based benefit are generally less onerous than those for a social grant, in that claimants for the former are not usually subject to a means test. This confers a degree of autonomy on the claimant, which is one of the reasons why the authorities prefer means-tested benefits.

Policy switches from ‘passive’ to ‘active’ are usually marked by a tightening up of, or introduction of new eligibility conditions. Differences between countries though, even in Europe, are quite marked (Grubb, 2000). There is wide scope for variation in the conditions for eligibility, beyond the simple requirement that claimants are:

“... “unemployed” roughly in the sense of the ILO definition of unemployment, *i.e.* not only out of work, but also able to enter work at short notice and undertaking active steps to find work...” (2000, p.148)

The list below, taken from Grubb's paper (2000, pp.177-181), without claim to being exhaustive, gives an indication of just how many instruments (conditions capable of being varied) are available to the authorities. Here they are – obviously, they do not all apply to all workers:

- Loss of work and its timing
 - Seasonal and intermittent work
 - Part-time work
 - Self-employment, unpaid family work and household production
- Voluntary quits
 - Suitable work-type criteria
 - Quit when moving home
 - Quit during trial period
- Availability for taking up work
 - Delay before taking up work and hours available for work
 - Family responsibilities and voluntary work
- Suitable work
 - Work conditions and type of work
 - Travel to work time and cost, geographical mobility
 - Occupation and wage protection
 - Conscientious and religious objections
- Independent job search
 - General legal obligation and specific reporting requirements
- Contacts with the Public Employment Service (other than in relation to job offers or job search)
- Individual action plans
- Variation of requirements
 - Older workers
 - Youth
 - Pilot schemes

Failure to comply with any of the conditions specified as an eligibility requirement for receipt of the grant in question, say, for example, the Employment and Support Allowance (ESA), can and does result in penalties of varying degrees of severity, ranging from delayed payments to rejection of claim application. As may be seen, the scope for creating incentive and disincentive structures is wide. Although not all of the variables lend themselves to easy manipulation, several do.

A recent example of the stiffening up of the 'travel to work time' variable in the UK made its way into a popular satirical magazine – the hypocrisy revealed is breathtaking. The report reads as follows:

“The time that a jobseeker is expected to travel from his home to his (*sic*) place of employment has increased from one hour to one and a half hours each way.” So boasts the government in one of its recent crackdowns on the workshy under minister for employment and welfare reform, Tony McNulty. Anyone who turns down a position on the grounds that this is too far to commute will instantly lose their £60.50 Jobseekers Allowance. The journey from Westminster to Mr McNulty's “constituency home” in Harrow takes around 45 minutes by

tube. This is, however, sufficient for him to be able to claim around £60,000 in “additional costs allowance” for the house, let his parents live there, and reside nine miles away in Hammersmith instead.” *Private Eye*, No. 1233, 3-16 April 2009, p.3.³⁰

It is common practice to exempt lone parents, most commonly mothers, from the requirement to enter the labour market, until the youngest child has reached a certain age. The temptation for policymakers to attempt to change the labour market status of lone parents living on social grants, on one or other pretext, e.g., to bring national practice into line with international ‘best’ practice, or simply to raise activity rates must, at times, be irresistible. Thus it is reduction of that age limit is being done in the UK right now (Freud, 2007, p.10),³¹ as part of a process of welfare reform, aspects of which we will consider further below.

ALMPs: what works?

Several attempts to assess the effectiveness of ALMPs internationally have been undertaken. One of the more useful of them was that by Betcherman *et al* (2004).³² Spread, as it is over 90 or more pages, the paper allows the authors to engage with the subject matter more fully than may be done in a journal article, and more conveniently than is possible in a book. The piece, its shortcomings notwithstanding (notably, an absence of political economy), is a valuable addition to the practitioner’s toolbox. Distilled from an analysis of nearly 160 evaluations in much developed, transition (former socialist), and developing economies, the authors offer the following typology and assessment of efficacy:

³⁰ The context in which the exposure of the mendacity of this particular ‘policymaker’ occurred, was one in which the expenses claimed by members of parliament were being shown to amount to gross abuse of the system. Leaked disclosures in the *Daily Telegraph* of suspect claims saw him depart. See the article “Tony McNulty resigns following expense shame” in the 5 June 2009 edition of that newspaper. Justice (of a sort) caught up with him in October when he was made to apologise and to repay £13 000. The event was well publicised – Patrick Wintour led the way with a piece headed “MPs’ expenses: Tony McNulty faces rebuke over second home claims”, in the *Guardian* on 28 October 2009. This was followed by an article by Hélène Mulholland in the *Guardian* on 30 October 2009 with the title “Tony McNulty: I did not fiddle my expenses”. Of McNulty’s apology, Simon Hoggart said that “It was one of those well-honed, carefully scripted, sort-of apologies we have become familiar with. He had been “careless”. He had been rightly admonished for his “informal” arrangements.” See “Two parents, half an MP and a full apology”, *Guardian* 30 October 2009.

³¹ In October 2008, any lone parent whose youngest child was 12 years of age or older, unless there were special circumstances, lost their automatic right to social grants, and became obliged to claim instead a Jobseeker’s Allowance. The intention is to reduce this age limit to seven years by October 2010 (DWP, 2007, p.37). The department states emphatically that “Lone parents will not be forced into jobs that do not suit their circumstances” (p.33).

³² Another well-known review was that by Martin and Grubb, 2001. Its coverage did not, however, extend much beyond the OECD countries.

- “*Employment services*. These services include counseling, placement assistance, job matching, labor exchanges, and other related services. They generally have positive impacts on participants’ postprogram employment and earnings. Costs are relatively low, so the cost-benefit ratio is often favorable. However, employment services, at least by themselves, are of limited use in situations where structural unemployment is high and demand for labor is lacking. The coverage and effectiveness of such services in developing countries where many labor market transactions are informal are questionable.
- *Training for the unemployed*. Participants often benefit from these programs in terms of higher employment rates, but not in terms of higher earnings. The few evaluations in developing countries paint a less favorable picture. Programs seem to work best with on-the-job training and active employer involvement. Results are more positive for women than for men.
- *Retraining for workers following mass layoffs*. These programs generally have no positive impacts, although exceptions exist. The few successful examples typically include a comprehensive package of employment services to accompany the retraining, but these are generally expensive.
- *Training for youth*. These programs are almost always unsuccessful in improving labor market outcomes, at least in developed countries. Investing earlier in the education system to reduce the number of dropouts and other schooling problems makes much more sense. While few studies for developing countries are available, evaluations in Latin America find positive impacts for programs that integrate training with remedial education, job search assistance, and social services.
- *Wage and/or employment subsidies*. Most of these do not have a positive impact on workers and introduce substantial inefficiencies. Effective targeting may help, but at the cost of reducing take-up rates.
- *Public works programs*. These can be an effective short-term safety net, but public works do not improve participants’ future labor market prospects.
- *Microenterprise development and self-employment assistance*. Some evidence suggests positive impacts for older and better educated workers; however, take-up is low.” (2004, p.ii)

Offering a narrower and more detailed view, Daguerre and Etherington (2009) present the following list of what seems to work best in OECD countries:

- “there is a need for activation programmes providing personalised support and early intervention for those in most need;
- adequate staff/client ratios are crucial for effective activation programme performance;
- specific effort must be devoted to support harder to help customers with care to prevent drop-out;

- subsidised work placements combined with on the job training and other appropriate measures achieve sustainable employment outcomes.” (2009, p.2)

One of the central tensions of welfare-to-work programmes, that of the need to coerce people in order to empower them (i.e., to enable them to move from the ‘indignity of welfare dependency’ into gainful employment), emerges from the discussion of the first of the bullet-points listed immediately above. Daguerre and Etherington observe that:

“... personalised assistance with job search and stricter conditionality regimes tend to be more cost-effective. Here the aim is to increase the client’s compliance with programme requirements while at the same time boosting their self-esteem and their capacity to make themselves attractive to prospective employers.” (2009, p.2)

In their concluding remarks, they refer to the difficulties of assessing the effectiveness of ALMPs for those who are most difficult to place in employment. Attempts to drive them off benefits and into work may simply give rise to what is known as the ‘carousel effect’, short spells of employment alternating with returns to benefits (Daguerre and Etherington, 2009, pp.21-22). Antidotes to this are expensive and uncertain to work.

All in all, a much-needed dose of realism (pessimism?) is provided by the Daguerre and Etherington findings – their results certainly make it easier to say what probably will not work in a developing country context. One lesson to be from the distilled OECD experience recounted above is thus, that few, if any, developing countries have, or can create the capacity to make social grants to work-seekers conditional upon compliance with strict rules. It is also unlikely that there will be many (if any) developing countries able to meet the ‘adequate staff/client ratio’ criterion. So, if the policy aim is that of getting the unemployed poor into employment, then an ALMP package that takes the form of social grants coupled with compulsory ‘activation’ measures, is unlikely to be cost-effective.³³

It is probably not yet possible to say with much confidence which ALMPs work best in developing countries. Betcherman *et al* conclude that although findings from much-developed countries apply “broadly to transition countries”, this is not always the case for developing countries. As one would expect, the relative size of the informal economy, and weak implementation capacity appear to be an important explanatory variables. Results for employment services and training programmes are less positive than those for OECD countries (although the sample of developing countries is still small – further studies are required). One apparent bright spot is the apparently greater positive impact of “some youth training programs”, which the authors attribute to skill shortages. In sum, they observe that:

“... the ingredients for successful interventions seem to apply for all countries. Comprehensive packages of services, programs that are oriented to labor demand and linked to real workplaces, and careful targeting are good design features. Finally, the evaluations underline the fact that program impacts are usually more positive when the economy is growing.” (Betcherman *et al*, 2004, pp.ii-iii)

³³ If, by contrast, the goal is one of poverty alleviation, then universal social grants would do the job simply and well (Standing, 2008).

Three obvious questions are prompted by the catalogue of interventions listed above:

- In what context did enthusiasm for ALMPs arise?
- By what criteria is the success of these interventions to be judged?
- Who are the subjects of the interventions described above?

The first of these has already been addressed briefly above – let us turn our attention to the second. The last of them, which we have touched on above, will be illustrated by examining aspects of the UK’s welfare-to-work policies as they apply to young people.

Judging the ‘success’ (or otherwise) of activation policy

ALMPs, if they are to be implemented properly, are costly measures. Given that resources for the implementation of such policies are scarce, monitoring and evaluation are absolutely necessary. This applies with even greater force in the developing country context, where awkward value judgements about the selection of candidates for assignment to programmes³⁴ have to be made (rationing, in a setting such as South Africa, would, for example, be unavoidable). The demands of monitoring and evaluation range from the simple to the highly complex.³⁵

Social policy in South Africa so far has been remarkable for the paucity of the attempts made to measure its efficacy. Despite years of huffing and puffing, government’s performance in this regard has been singularly unimpressive – it has proven difficult, for example, to secure agreement on the impact of social grants on poverty. In short, monitoring and evaluation is a field of endeavour where the performance of the South African government has been highly erratic. If a serious attempt to ‘activate’ some large proportion of the unemployed (and not economically active) were contemplated, this would have to change.

In the UK, things are very different. Given the high priority assigned by the “ ‘employment-first’ welfare state” to securing “ ‘employment opportunities for all” – New Labour’s “modern” definition of full employment... ” (Finn, 2003), and given its enthusiasm for ‘evidence-based policy formation’, it would have been surprising if monitoring and evaluation had not been an integral part of the project from the very moment that party gained power in 1997. In addition to officially commissioned studies (e.g., Beale *et al*, 2007),³⁶ ‘activation’ has attracted critical attention ranging from the parliamentary (HCWP, 2006; Kennedy and Morgan, 2009); to independent statutory bodies (Griggs and Bennett,

³⁴ A typical question that is raised is the following: should resources be concentrated on those most likely to succeed, or should they be spread evenly (and thinly). Under normal conditions, the advanced economies, where participation can be made compulsory (on pain of loss of benefits), do not face this particular nightmare.

³⁵ For a glimpse at some of the difficulties encountered in the exotic reaches of evaluation, where an understanding of the dynamics of policy is essayed, see Crépon *et al*, 2009.

³⁶ This is but one of the many studies (evaluations) commissioned by the Department for Work and Pensions. For a listing of such reports, go to <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>.

2008); the academic (Layard, 2001; Finn, 2003; Karagiannaki, 2006; Petrongolo, 2007; Finn and Schulte, 2008); to the polemical (Field and White, 2007 and 2009), to name but a few. Some of these will be glanced at below.

The techniques of evaluating ALMPs, and the obstacles to be overcome when attempting to do so, are fairly well understood. A large number of studies have been undertaken in the OECD countries, and by the time Betcherman *et al* came to compile their landmark study (2004), the number of usable studies from developing and transition economies had begun to mount as well.³⁷

Before proceeding, it is possibly worthwhile pointing out that one of most important results in the Betcherman *et al* review is the confirmation of an earlier finding that:

“... ALMPs are not a panacea for large-scale unemployment and that expectations must be realistic.” (2004, p.2)

For South African policymakers, this is probably the single most important statement in the Betcherman *et al* paper (the conclusion should also strike fear into the hearts of British and other policymakers).

As entrée to a necessarily brief look at monitoring and evaluation, let us begin with the statement by Betcherman *et al* (2004, p.6) that even though ALMPs have “economic, social and political objectives” the primary criteria by which activation programmes are judged are economic (the nature of the relevant indicators being implicit within the programme). This suggests that two things are required: the first is a glance at the standard tools used to test whether or not ‘economic’ criteria are being satisfied; the second is a brief examination of what is entailed in looking critically at ‘social and political objectives’, and why such ‘prying’ is likely to be contentious.

Monitoring and evaluation: Economic criteria

The Betcherman *et al* piece, although it claims only to provide a brief coverage of the more important aspects of evaluation (2004, p.13), manages to present a fairly comprehensive introduction to the pitfalls of the activity of monitoring and evaluation. They commence by distinguishing the following three activities:

- “ *process evaluations* these focus on how well a programme is delivered
- *performance monitoring* these focus on how well programme objectives are being achieved
- *impact evaluations* when properly carried out, these can identify the effects of programmes on participants. Coupled with cost information, they can disclose net benefits to participants, to government, and sometimes to the “broader labor market and society.”

Relatively simple to execute, even in countries with “low administrative and analytical capacity”, the first two measures are important for

³⁷ An earlier (1999) World Bank study had looked at 72 evaluations – the Betcherman *et al* review adds 87 studies, 39 of which were in developing and transition economies.

improving programme “effectiveness”. Reliable impact evaluations, however, “... require careful methodological design, good data, and, for some methods, sophisticated econometric techniques.” (Betcherman *et al*, 2004, p.13)

Noting that impact evaluations of ALMPs tend to focus on two questions, namely the future labour market effects on participants in various programmes, and the cost-effectiveness of programmes, the authors bemoan the fact that most evaluations focus on the first, with few giving adequate attention to the cost question.

Real net impacts of programmes cannot be established by tracking participant post-programme experience. The major difficulty confronting the analyst is that of attempting to determine a counterfactual, i.e., to answer the question of what would have happened if the participant had not taken part in a programme (to the participant and in the economy more generally). This may be illustrated by reference to the three well-known problems associated with wage subsidies. They are:

“Deadweight Loss: Program outcomes are no different from what would have happened in the absence of the program. For example, wage subsidies place a worker in a firm that would have hired the worker in the absence of the subsidy.

Displacement Effect: This usually refers to displacement in the product market. A firm with subsidized workers increases output but displaces output among firms without subsidized workers.

Substitution Effect: A worker hired in a subsidized job is substituted for an unsubsidized worker who otherwise would have been hired. The net employment effect is thus zero.” (Betcherman *et al*, 2004, p.16)

To get at counterfactuals, it is necessary to construct a control group of non-participants with similar characteristics to the participants in any particular programme or set of programmes. Essential for adequate evaluation, construction of this group is the major challenge, made more challenging still by the fact that certain characteristics are not easily quantifiable. Experimental and quasi-experimental techniques may be used. The first randomly assigns similar individuals to one or other status (participant, control). There are obvious limits to the feasibility of conducting large-scale experiments when new ALMPs are introduced, or existing ones revised.

For this reason, quasi-experimental techniques are more common. Typically, these draw on survey data to construct a control group of individuals with similar characteristics to programme participants. Steps to control for differences between the latter and the former groups must be taken to ensure that results are as free from bias as possible. This is not the place to discuss the numerous problems confronting the would-be evaluator – suffice it to say that potentially, obstacles are encountered at every step, from design to interpretation by the users for whom the studies are conducted.³⁸ Among the things that can be done by

³⁸ For a taste of the difficulties faced by researchers in constructing control groups, see Beale *et al*, 2007. Another paper worth looking at is that by Thomas (2008). Using Department for Work and Pension administrative data, the author claims some success for the exotic method developed, but warns that the strength of his findings should not be overstated (p.51). Applicability to other areas of the benefits dataset is probably very limited. See also Finn and Schulte, 2008, p.29.

governments implementing ALMPs is that of attempting to ensure that the national statistics offices collect data that reduces the difficulties of performing evaluations using quasi-experimental techniques.³⁹

Monitoring and evaluation: Social and political objectives

There is nothing in the nature of the three activities, process evaluation, performance monitoring and impact evaluation, that dictates that scrutiny of ALMPs should focus primarily on economic variables. And, of course, there are studies that do not do so, looking instead at institutional and individual or group behaviour. Could it be that economics, with its readily quantifiable indicators (not necessarily the most relevant, it must be said) dominates the field because of perceived ‘softness’ of political science, sociology and/or ethnography? Or is it that the latter are more likely to uncover unfavourable features of ALMPs? Whatever the reason, there are good arguments to support the proposition that the explicitly political, sociological or ethnographic dimensions of active labour market policies deserve the same weight as the economic dimensions, in any evaluation process.

There are several ways to approach this issue: two will be presented below. The first is from a moral or ethical standpoint, invoking principles of social justice. The second is instrumental or pragmatic, concerned as it is with policy design and implementation that achieves the legitimacy that is a major determinant of policy success (or failure).

As an instance of the first, there is the advice (unsolicited?) offered by White (2000) to the British government, a couple of years after the New Deal for Young People (NDYP) got under way. Arguing that if the policy:

“... were to become more than just another “modestly effective” employment programme then the strategy would need to establish a “fresh ethical code” for British employment policy... “ (White, 2000, p.285, cited in Finn, 2003, p.721).

Finn points out that White:

“... identified three criteria to help distinguish NDYP as an ethical as against an instrumental policy: that it is rights-based; that it prioritizes increased well-being for disadvantaged individuals or groups; and that some cost “trade-off” is acceptable between economic efficiency and equity.” (Finn, 2003, p.721)

All three are, of course, contentious – conservatives argue that the first of these should be limited to so-called ‘negative’ rights; the second has its roots in the work of John Rawls, not well-beloved of the conservatives, and the third is often dismissed as a ‘no-brainer’ by them, citing Okun’s conclusion that “... the conflict between equality and economic efficiency is inescapable.” (1975, p.120)⁴⁰ For anyone to the left of libertarians, the three criteria are (or at least, should be) unexceptionable, constituting as they do, part of the bedrock of social policy.

³⁹ This section relies heavily on Betcherman *et al*, 2004. For a more technical treatment of the subject, see Schochet and Burghardt (2007), an evaluation of the Job Corps programme in the USA, where such delights as propensity scoring are discussed.

⁴⁰ An interesting challenge to this seeming ‘inevitability’ was mounted by Blank, 2001 [2002].

As ever, the devil lies in the detail. So, while White's prescription can insist that to pass muster, ALMPs must satisfy these stipulations, the truth is that there is considerable scope for disagreement about 'how much' of each is appropriate. To narrow that down to a detailed set of outcomes that would enjoy universal approval would clearly be impossible – differences between 'welfare states' (a problematic notion) must be nearly as wide as those between citizens within them.⁴¹ The seemingly insurmountable obstacle that these disagreements constitute, however, begins to dissolve a little when we reflect on what it is, over and above competent design and implementation, that leads to policy success or failure. One answer is – legitimacy. This is proposed by Wallner as:

“...a further dimension to the evaluation and assessment of policy failure ...” (2008, p.421)

She goes on to argue that:

“The substantive elements of public policies and the procedural steps taken by authoritative decision makers during the policy cycle affect the perception of policy legitimacy held by both stakeholders and the public. *In substantive terms, policy content should align with the dominant attitudes of the affected policy community and, ideally, the broader public.* Procedurally, factors such as policy incubation, the emotive appeals deployed to gain support for an initiative, and the processes of stakeholder engagement shape the legitimacy of public policies and the governments who promote them.” (Wallner, 2008, p.421, emphasis added)

For evaluation purposes, the critical part of this passage is the sentence in italics – at very least, evaluation should disclose the extent to which policy is 'aligned' with the 'affected community' (a loose concept?), and the 'broader public'. Since policy implementation occurs in a dynamic context, implying that adaptations are likely to take place, evaluation needs to take account of the success or otherwise of policy as it is implemented over time.

It would be possible to continue delving into this matter at some length. Further digging into abstract aspects of monitoring and evaluation, though informative, will, however, profit us less at this point than a little scratching around among practical considerations such as what questions do get asked, and who asks them?

Reference was made above to the wide variety of evaluations made of the various aspects of the UK's 'welfare-to-work' programme, many of them studies commissioned by government. For many reasons, such studies tend to be less critical of government than work by independent outsiders. This does not mean that researchers who undertake work for government are automatically compromised – often, conditions like the close framing of terms of reference limit what can and cannot be said about particular programmes. Despite the constraints within which they operate, commissioned researchers frequently uncover less than flattering conditions.⁴² Nonetheless, one gains the impression (from a literature search that is admittedly not exhaustive) that government-commissioned

⁴¹ Although there is a tendency for welfare states to converge (Eichhorst, 2008), this should not be overstated.

⁴² Mitton (2009), is a case in point – see, for example, the discussion on pp.19ff on perverse incentives in the UK benefit system.

reports tend to be less critical (of government) than those produced by independent researchers.

Having said that, it must also be acknowledged that independent researchers looking at exactly the same phenomenon can, and do reach startlingly different conclusions. To illustrate, and to give an indication of the sort of variables that attract the attention of those bent on not performing analyses limited to economics, a brief visit to a disagreement on the performance of the USA's workfare programme will be made. This sees Joel Handler (2003; 2008) – workfare has failed a substantial number of the poor; pitted against Lawrence Mead (2004). For Mead, welfare reforms, developed originally in Wisconsin,⁴³ although they failed some people, have inspired change nationally and internationally. His book is an optimistic account of the achievements of dedicated reformers and civil servants, adopting a paternalistic (tough love) stance to drive/encourage people off welfare and into work. Handler, by contrast is thoroughly pessimistic. It is not necessary here to nail one's colours to either of their masts – all that is required is the sending up of a few flares to highlight the areas of disagreement. Here is Handler's main conclusion:

“There are workfare programs that have “worked.” They are, for the most part, small, well-financed, well-staffed demonstration projects run by committed people. But these programs are difficult to replicate. Large public programs are run by *ordinary, average* civil servants or employees of large NGOs or for-profit companies. Programs will concentrate on those with the most skills who are the most employable who take the least amount of caseworker time and energy to meet statistical goals and who will look like the programs are succeeding. Taking a realistic view of administrative capacities, I argue that work programs run serious risks for the most vulnerable of the poor, those who have multiple, significant barriers to employment.” (2008, pp.2-3, emphasis in original)

Handler's approach is to examine problematic aspects of the design and implementation of the workfare programme, then, by referring to case studies, to show where the programme has been found wanting. Some of the concerns raised and/or suggested by his paper (spread over pp.4-28), are presented below, in the form of a series questions. A few of these questions deal with institutional and/or procedural matters rather than being explicitly political or social – they are included because their answers cannot readily be expressed in terms of 'economic' indicators:

- To what extent is increasing the severity of conditionality for receipt of benefits consistent with citizenship rights?
- If a social policy programme whose success depends heavily upon the provision by the state of costly human resources, does the

⁴³ Paradoxically, the child poverty rate in Wisconsin “a leader in welfare reform”, rose by 38 per cent over the period 1994/1998-2004, the period during which workfare was introduced. The national child poverty rate for the USA was 19.9 per cent in 1996 – the rate in Wisconsin was about 13 per cent. By 2004 the national rate had fallen to 17.8 per cent, while that in Wisconsin had risen to 18 per cent (Rodgers and Payne, 2007, pp.2-4). Wisconsin's welfare plan was ranked in the top category ('Integrated') in terms of progressivity and comprehensiveness (Rodgers and Payne, 2007, p.5).

state have an obligation to specify what steps are to be taken if (when) fiscal constraints threaten the programme's funding?

- In the same vein, if the policy in question relies utterly on the existence of large numbers of vacancies for 'entry-level' employment, what contingency plans should be made for dealing with potential beneficiaries when economic crisis (such as that ravaging the world at present) causes the supply of jobs to evaporate?
- Under what conditions can monitoring and evaluation systems be sufficiently well designed to allow the reasons for substantial changes in case loads (caused by exits from and entries to a programme) to be understood?
- What safeguards can be created to ensure that in both the non-privatised and privatised agencies used by states to provide placement services to the workless, that their needs are always paramount?
- If a state introduces policies in terms of which the improper exercise of disciplinary powers can cause harm to the policy's intended beneficiaries (often the very poor, or disadvantaged), what institutions should be created to ensure that relief may easily be sought against such injustice?⁴⁴
- In general, the burden of sanctions for non-compliance falls most heavily upon the disadvantaged. If, as Handler (2008, p.13) points out, neither caseworkers (advisors) nor benefit claimants understand sanctions processes adequately, and if in, addition, benefit claimants cannot alter behaviour sufficiently to meet compliance requirements (some large proportion of the multiply disadvantaged, i.e., those facing the most significant barriers to employment), how should government respond?
- If private agencies are awarded long-term contracts to place the poor, how are the alleged efficiency gains from such a move to be safeguarded?
- How is the tendency for those facing significant barriers to employment to be placed in menial jobs, low-wage jobs that do not last very long (leading them back into claims for benefits) to be overcome?

A catalogue of this sort cannot possibly aspire to exhaustiveness – it merely offers a few suggestions, based on issues that have exercised the minds of those who write critically about ALMPS. Several of these issues will be raised in what follows.

⁴⁴ The UK system offers fairly elaborate appeal machinery to any claimant who feels aggrieved by an official sanction. See Finn and Schulte (2007, pp.20ff). These authors report that between 200 000 and 250 000 appeals against sanctions take place each year, many of which are successful.

2 ALMPs and young people in the UK

The aim of this section of the paper is to explore certain aspects of the problem of youth unemployment in the UK. It is not the intention to attempt to provide here, a comprehensive review of the welfare-to-work policy rubric under which this issue falls – sufficient detail of the workings of UK welfare to work policy⁴⁵ will be offered to make the arguments comprehensible, but not much more than that. As noted in the introduction, coverage is confined to the period up to May 2010, when the Labour Party that had governed since 1997 was voted out of office, replaced by a coalition of Conservatives and Liberal Democrats.

The structure of the section is as follows: after these introductory remarks, a statistical sketch is given of the UK's recent unemployment history. This is followed by an overview (in highly aggregated terms), of the youth unemployment problem. A picture of this sort that failed to highlight the NEET issue would be incomplete indeed – accordingly, an attempt is made to give some indication of the magnitude of this problem. Having provided a skeleton on which more detailed coverage may be draped (if so desired), attention turns to the policies and institutions intended to address the social evil of unemployment (and of certain forms of economic inactivity).

A succinct overview of UK “government policy on tackling worklessness” points to its “three core components”:

- ‘making work pay’ through the National Minimum Wage and tax credits system;
- mandating participation in welfare-to-work programmes, including the Flexible New Deal and Pathways to Work or other forms of work-related activities;
- tackling concentrated areas of worklessness through area-based interventions such as the Working Neighbourhoods Fund.

“These policies”, it is noted, “are underpinned by two key claims.”:

- worklessness is predominantly a supply-side phenomenon best tackled through a focus on improving employability.
- the ‘right’ to benefit has to be balanced with the ‘responsibility’ to look for work.” (Crisp *et al*, 2009, p.10)⁴⁶

⁴⁵ There are numerous detailed accounts of the workings of the Labour Party’s ‘employment first’ policies – the recent paper by Finn and Schulte (2008) is a case in point.

⁴⁶ On the same page, the authors note that while generally in agreement with Labour Party policy on tackling worklessness, Conservatives would also limit in-migration, and impose a three-year ban on benefits for any workseeker who refused a ‘third’ suitable job offer. This would add to the rigours of an already strict set of conditions. As Finn and Schulte (2008, p.239) point out: “British jobseekers now face one of the most demanding activation regimes in Europe, with elements of this approach being extended to lone parents and those with health conditions and disabilities, accompanied with new levels of administrative and bureaucratic discretion.”

About the first three of these ‘core’ components we shall have a little to say – tax credits are, after all, employment subsidies, a policy form with which the South African government has long flirted. Although interesting, nothing will be said about the third of them – the bulk of the attention will be devoted to the second – mandatory participation in welfare to work programmes.

The section ends with a brief overview of attempts to evaluate the performance of Labour’s initiatives. Government has been an important contributor (by way of commissioned research) to the stock of knowledge about the workings of its welfare to work programme, an active labour market policy package in operation. Partly on the basis of one of these reviews (Freud, 2007), significant reform of the welfare system is being attempted. Brief reference to this initiative, and to some of the hostility it has aroused, is made in the overview of the performance evaluation.

Unless otherwise stated, all of the unemployment statistics cited below are from the Labour Force Surveys conducted by the UK Office for National Statistics. There are two ways of looking at unemployment in the UK – one may either use claimant data or survey (LFS) results.⁴⁷ Both have their uses – for the purposes of the story told here, it is most convenient to make use of the survey figures (which use the standard ILO definition of unemployment). There is a debate, of ancient vintage,⁴⁸ about whether or not surveys do a better job of estimating ‘true’ rates of unemployment. The differences between the two series appear, however, to be systematic, and fairly well explained (see Machin, 2004) – the explanations, part of which turn on the fact that claimant figures take no account of those who have not applied for benefits, or of those who are not entitled to benefits (disqualified from receiving), are not of much consequence for what follows.

UK unemployment: The recent history

If it had been written three or four years ago, the tone of the discussion below on unemployment, and especially on youth unemployment, would have differed quite a bit from its present form. Then, there may have been cause for the celebrations (mainly smug pronouncements from

⁴⁷ In the bad old days in South Africa, before significant numbers of African (black) workers were eligible for Unemployment Insurance Benefits, the apartheid government used to dismiss suggestions that there was a serious unemployment problem in the country by referring to the low numbers of benefit claimants.

⁴⁸ Campbell (2000) reports that the 1998 Labour Force Survey in the UK found 450 000 more unemployed than were registered on the claimant records. Even that understated the full extent of the problem, because it ignored the large group of would-be workers (the non-searching unemployed) who were classified as ‘currently economically inactive’ for reasons ranging from current incapacity, to childcare/dependant problems or who wanted to work but had become discouraged. If the definition of unemployment were expanded to take account of them, Campbell (2000, p.23) reports that in 1998, their numbers would have reached some 2.3 million, as opposed to the 1.8 million ‘ILO’ unemployed. The parallels between this discussion and the debate over the two definitions of unemployment (‘official’ and ‘expanded’) in South Africa spring immediately to mind.

politicians and high-level functionaries),⁴⁹ that took place so frequently to mark the good performance of the UK labour market. They did not take place in the year 2009, nor are they likely to in 2010 – the vicious recession (the Chancellor of the Exchequer presciently stated in August 2008 that the UK economy “at a 60-year low”)⁵⁰ wiped out many of the gains of recent years, the fruit of meticulous planning, and (mainly) diligent implementation.

Notwithstanding the fact that the recession (depression?) in the UK was declared over after the output results for the fourth quarter of 2009 were released, the weakness of the recovery (initial reports put it at a mere 0.1 per cent increase in output after six successive quarters of negative growth), prompted several commentators to remark on its fragility. In March 2010, the recovery was regarded as being so frail that the International Monetary Fund (IMF) saw fit to warn against premature attempts to begin chipping away at the mountainous increase in public debt caused by the emergency response to the crisis.⁵¹ Upward revision of the growth figures (to 0.3 per cent) provided a slightly greater safety

⁴⁹ Before losing his job as Secretary of State for Work and Pensions, Peter Hain commented that: “Today Britain is recognised by the international community as a leader in promoting employment and tackling disadvantage in the labour market. The numbers on key out of work benefits are down by one million since 1997 and, for the first time in a generation, the numbers on incapacity benefits have been falling since the 2003 peak, having tripled between 1979 and 1997.” (DWP, 2007, Ministerial foreword)

The Freud Report said that: “The review concludes that the Government has made strong progress in its Welfare to Work agenda, but that further evolution is necessary. Welfare to Work and the New Deals have been a success as has been the creation of the Government’s main delivery arm, Jobcentre Plus.”

And a little further on that: “The Government has made strong, and in some respects remarkable, progress over the last ten years. Employment is up by 2.5 million; claimant unemployment is down by 670,000; ILO unemployment down by 350,000 to near its lowest rate since the 1970s; and those on the main out of work benefits are down by 900,000 to 4.4 million. The New Deals have been enormously successful - helping over 1.7 million people into work since 1998. The creation of Jobcentre Plus in 2002 extended the rights and responsibilities regime for people on all benefits (including those on lone parent and sickness benefits) and is widely seen as having been a model for effective public service delivery.” (Freud, 2007, pp.1-2)

⁵⁰ This is what the headline on the front page of the *Guardian* said on Saturday 30th August 2008, before the full horror of the crisis became apparent. The article’s heading is “Economy at 60-year low, says Darling. And it will get worse”, and it is sub-headed: “Exclusive interview.

Chancellor says Labour failing to communicate with voters”. He was criticised at the time for being alarmist – nobody says that any longer.

⁵¹ See the articles “Bank of England halts quantitative easing” by Ashley Seager in the *Guardian* on 4 February 2010; “Too soon to cut public spending, IMF warns”, by Larry Elliott, in the *Guardian*, 23 February 2010. On 26 February 2010, it was announced that the growth estimate for the last quarter of 2009 had been adjusted from 0.1 to 0.3 per cent. See the article “UK’s escape from recession stronger than first thought”, by Julia Kollewe, *Guardian*, 26 February 2010. The recovery is, however, still a tender shoot.

margin, but the dominant feeling is one of anxiety about the possibility of a double-dip recession.⁵²

Unemployment numbers, having receded to a low of about 1.4 million in 2004, reached 1.6 million early in 2006, hovered there until the second quarter of 2008, then rose rapidly once the recession took hold, reaching the two million mark in December 2008 (a level last seen in January-March 1995), and rising to 2.4 million⁵³ by the second quarter of 2009, amid predictions that they would exceed three million by 2010.⁵⁴ Somewhat to the surprise of all concerned, unemployment (according to the ILO measure) was reported not to have climbed much above the 2.4 million mark when the results for the fourth quarter of 2009 were released, leading to downward revisions of the anticipated peak unemployment levels. The indications are, however, that the labour market is likely to remain flat for some considerable time. Commentators celebrate or deplore small changes in both the ILO and the claimant measures of unemployment – the former, for example, fell for the last few months of 2009, rose in January to exceed the level last seen in April 1997,⁵⁵ then fell again in February. In the three-month period from August-October 2009 to November 2009-February 2010, unemployment fell (by 33 000), but so too did employment (by 54 000).⁵⁶

In the short- to medium-term, job prospects are for young people, the discouraged and the disadvantaged look glum. Analysing the most recent data, an editorial in the *Guardian* concluded that:

“... jobless recovery ... looks like a probable description of what lies ahead for the UK.”⁵⁷

It is perhaps worth noting that at the peak of the last major crisis to engulf the UK (February-April 1984), the unemployment rate reached 12.1 per cent, while the number of unemployed reached 3.2 million. Still under Conservative rule, the performance was repeated in 1992-1993 when the rate of unemployment rose to 10.9 per cent, and the number of unemployed climbed over three million yet again.⁵⁸ Given the severity of the recent financial crisis, where, without decisive action on the part of governments (following the lead of the UK government and the Bank of

⁵² See the article “UK’s escape from recession stronger than first thought”, by Julia Kollewe in the *Guardian*, 26 February 2010.

⁵³ Unemployment estimates are from ONS dataset ‘lfs8ac’ for the relevant periods.

⁵⁴ See the by Kathryn Hopkins in the *Guardian* “Unemployment nears 2 million”, Wednesday 11 February 2009. The article refers to a prediction that the ILO unemployment measure (the same, more or less, as South Africa’s ‘official’ definition of unemployment) that the number out of work would top 3.3 million in 2010, to give an unemployment rate of 10.5 per cent. Another article by the same author a week later gives a similar prediction from a different source. See “Unemployment forecast to reach 3 million before next election” – the *Guardian*, Monday 16 February 2009.

⁵⁵ See “Jump in unemployment rate casts new doubt on recovery”, by Kathryn Hopkins and Heather Stewart, in the *Guardian*, 17 February 2010.

⁵⁶ See Statistical Bulletin: Labour market statistics, March 2010, p.1.

⁵⁷ See “Unemployment: Skirting disaster”, the *Guardian*, 18 March 2010. Similar views may be found in an article with the title “This unemployment news is splendid on the face of it but ...” by Larry Elliott. It appeared in the *Guardian* on 17 March 2010.

⁵⁸ See (UK) Labour Force Survey datasets lfs8ac and lfs8df.

England), there was a danger of full-scale collapse into a 1930s-style depression, the success of the authorities in limiting unemployment to 7.8 per cent (2.46 million unemployed) is quite remarkable. This outcome is attributed to the fact that the budget deficit was allowed to mount, interest rates to plummet, and attributed as well, to the relatively flexible labour in which wage and work time reductions rather than retrenchments were an option for many firms and their workers.⁵⁹ A consequence, however, of the fact that the government spending stimulus was quite small, and of the fact that firms will be able to raise output levels when the upturn commences in earnest, is the aforementioned ‘jobless recovery’.⁶⁰ This is the context in which the UK’s youth unemployment is going to have to be tackled.

Youth unemployment in the UK

The aim of this section of the paper is simply to present the bare numbers that measure the extent of the problem of youth unemployment in the UK. Discussion of the New Deal for Young People (NDYP), the Labour Party’s flagship policy measure for addressing the problem of youth unemployment on its accession to power in 1997, is to be found in the following section. Clearly, mass joblessness among young people is cause for concern, especially as it is likely to be the disadvantaged (low or no qualifications, minority groups, those in social housing, disabled) who suffer most.⁶¹

Disagreements over what the age limits of youth should be, abound. There is a United Nations convention that defines youth as those aged between 15 and 24 years. Some countries (South Africa is a case in point) have a higher upper limit. Although interesting and important, the debate will be glossed over here, if only because the (readily) available data in the UK⁶² limits the discussion to two groups who make up the age cohorts 16-17, and 18-24 years. Labour market information is given for the groups 16-17, and 18-24 years. It makes sense to present the numbers in this way, because most of those in the younger group are ineligible for unemployment-related benefits, while the upper limit of 24 years also marks off those who qualified for the New Deal for Young People.

⁵⁹ This evoked praise from an unusual source – the Conservative spokesperson on welfare, Lord Freud. He publicly congratulated the Labour government for sticking to policies (mainly labour market flexibility) that “contributed to 500,000 people not losing their jobs”. See the article by Patrick Wintour in the *Guardian*, 3 February 2010, “Lord Freud praises government’s jobs policy during recession”. More importantly, Freud “... admitted the British experience of the recession has been much better than during the previous recession of 1992, which was overseen by John Major’s Tory government.”

An article by Martin Kettle in the *Guardian* of 22 January 2010, however, warned Labour ministers that voters were unlikely to be impressed by the tiny fall in the estimate of the number of unemployed (by the ILO measure) reported in the figures for the fourth quarter of 2009. Only one third of people polled recently gave Labour any credit, and only one third thought the recession over. See “Falling jobless stats won’t save Labour”.

⁶⁰ The analysis of prospects above is taken from the *Guardian* editorial “Unemployment: Skirting disaster”, 18 March 2010, referred to above.

⁶¹ See the article “Shadow of youth unemployment returns to the cities blighted in 1980s”, by Heather Stewart in the *Guardian*, 24 June 2009.

⁶² Obviously, more detailed data is available from the survey data sets.

In numerical terms, the 16-17 year-olds are not insignificant. In April-June 1997, about the time that the Labour Party took over the reins of government, there were 177 000 unemployed 16-17 year-olds and 488 000 18-24 year-olds. By October-December 2009, the corresponding figures were 198 000 and 725 000 respectively. For the purposes of what follows, it is probably safe, however, to ignore the 16-17 year-olds. The reason is that after one subtracts from the figures given above, the numbers who fall into the category “Unemployed in Full-time Education”,⁶³ what remains is a relatively small problem. In 1997, 94 000 of the 16-17 year-olds, and 75 000 of the 18-24 year-olds were classified thus. By 2009, the numbers were (coincidentally) 133 000 in each cohort. The ‘unemployed’ thus captured by the survey are students or school pupils seeking part-time employment.

Digging into the data, we observe that in the post-Thatcher era, youth unemployment in the UK peaked in 1993, then declined almost without interruption until 2001, held steady at a slightly higher level between 2002-2004, after which time it rose slowly again, reaching a plateau early in 2006. Steady once more until early 2008, it started to worsen rapidly. By November 2009-January 2010, the unemployment count among the under 25s had risen to the point where they numbered 200 000 16-17 year-olds, and 715 000 18-24 year olds, a fraction below the October-December 2009 results.⁶⁴ When Labour took over from the Conservatives in 1997, the claimant count among 18-24 year-olds was 421 000. By August 2001, this had declined to a low of 233 000. In January 2008, it was still only 245 000. Reaching a peak of 496 000 in October 2009, it had slipped a little, to 470 000 by February 2010.⁶⁵

To the dyed-in-the-wool progressive, an irritating aspect of the youth unemployment story is that in absolute terms, the reductions that took place during the last term of Conservative government (1992-1997) appear to have been larger than those in a decade of Labour party rule.⁶⁶ Table 1 tells the tale, by placing the results discussed immediately above, close to those for the Conservatives. What these suggest is that during the John Major era, the total number of unemployed young people fell by 212 000. This was associated with a fall in the unemployment rate of 2.5 percentage points. The number of 18-24 year-olds unemployed for more than 12 months fell by 102 000, and those out of work for more than 24 months by 21 000.

⁶³ Labour market statistics March 2010 (17 March 2010) informs users in Table 14 that: “People in full-time education are employed if they have a part-time job or unemployed if they are looking for part-time employment.”

⁶⁴ These figures are from Labour Force Survey dataset lfs7df.

⁶⁵ See <http://www.statistics.gov.uk/statbase/product.asp?vlnk=8274>, Statistical Bulletin dataset online, Table 11(1), accessed 20 March 2010.

⁶⁶ Field and White (2009, p.10) point out that: “The largest total fall in the worklessness count occurred under the last Conservative Government”.

Then they observe that:

“It is true that the Thatcher Government pushed unemployment to record levels, but the fall was equally startling and can be ascribed almost solely to the strength of the economy. One of the only proactive measures introduced by the Conservatives was the Restart interview, which compelled claimants to turn up after six months on benefit and present themselves at the benefit office.”

Table 1 Unemployment of 18-24 year-olds in the UK: 1992-2009

	All 18-24 year-olds		+12 months	+24 months	In full-time education
	No.	Rate (%)	No.	No.	
Apr-Jun 1992	700	15.6	214	72	31
Peak: Jan-Mar 1993	781	17.8			42
Peak: Aug-Oct 1993			268	122	49
Handover: Apr-Jun 1997	488	13.1	112	51	75
Net change: 1992-1997	-212	-2.5	-102	-21	44
Net change: Peak to handover	-293	-4.7	-156	-71	
Trough: May-Jul 2001	368	9.9			62
Trough: Apr-Jun 2002			45	13	
Pre-crisis: March-May 2008	494	11.8	104	38	82
Oct-Dec 2009	725	17.6	162	55	133
Net change: 1997-2009	237	4.5	50	4	58
Net Change: Trough to Oct-Dec 2009	357	7.7	117	42	71

Source: The source of these figures is the Office of National Statistics data sets: lfs7df and lfs22l, downloaded 16th February 2010, and 18th March 2010 respectively.

Note: With the exception of the unemployment rates in the second column, all the estimates in this table are in thousands.

Corresponding figures for Labour over a 12-year period were an increase in the number unemployed of 237 000, accompanied by a rise in the unemployment rate of 4.5 percentage points. The over-12 month unemployed rise by 50 000, and the over-24 months by 4 000. Offsetting this somewhat are the 100 000 young people in full-time education seeking part-time work. Although clearly a problem (caused partly by increases in fee costs at institutions of higher learning), this is obviously not of the same order as that constituted by poorly-educated youth from, say, economically blighted areas of the country.

Things do not look good when one compares Tory performance during the period when unemployment peaked (1993), to the point at which they hand over to Labour, with the latter's performance during the period when unemployment figures reach their lowest levels (2001-2002), to the very recent past (late 2009). For the Conservatives, total unemployment of 18-24 year-olds falls by 293 000; the unemployment rate falls by 4.7 per cent; the number unemployed for longer than 12 months drops by 156 000, and the number unemployed for longer than 24 months, by 71 000. The Labour figures – deteriorations from the 'best' 12-month period of June 2001-June 2002 to those for the most recent period (October-December 2009) – are +357 000; +7.7 per cent; +117 000, and

+42 000. Many of the hard-won gains are being lost as young vulnerable workers are retrenched.⁶⁷

Tempting though it may be for some political figure to capitalise on these results, the truth is that the comparison above is more than a little dubious – if only because of the difference in the lengths of the respective periods, and conditions at the end-points. The starting point in 1992 saw Conservative-ruled Britain heading for the economic crisis in which unemployment as a whole approached 11 per cent. In the recovery that followed, continued and vigorous application of the much stricter benefit regime that had been introduced towards the end of the 1980s, culminated in wholesale reversals of practice from the formerly ‘passive’ times. “[F]ront line officials”, for example, were granted discretionary powers to:

“... issue a ‘Jobseekers Direction’ requiring an individual to look for work in a particular way, to take other steps to ‘improve their employability’ or to participate in job search programmes or training schemes ...” (Finn and Schulte, 2008, p.11-12)

A few year’s good growth (1994-1997) combined with this new rigour sees the number of unemployed youth fall by nearly 300 000 from 780 000. Assuming that those still left on benefits (the Jobseeker’s Allowance had been introduced in 1996) when Labour took over included many of the difficult-to-place, the New Deal for Young People succeeds in getting the total down by about 120 000 (from 488 000 to 368 000) in about four years (it is worth noting that the difficulty of removing additional individuals from the welfare roll increases as the pool shrinks in size – those left in it are likely to have multiple disadvantages, i.e., the marginal cost of reducing unemployment rises). With relatively slow (but steady) economic growth (2-3 per cent per annum) the number of unemployed begins to rise thereafter, reaching 494 000 (or roughly the total in 1997 – with a slightly lower unemployment rate) just before the onset of the recent crisis. By 2008 (pre-crisis), the stock of long-term unemployed, having been all but eliminated a few years back, crept back to where it had been in 1997 (it must be disheartening in the extreme, to see years of work wiped out in a trice).

It is common cause that the recent recession is the worst to have hit the UK (and most of the other advanced economies since World War II). Given this, one remarkable result in Table 1 above is that the numbers of long-term unemployed are quite a bit lower than in the crisis of 1992/1993. In that event, the number unemployed for longer than 12 months was 268 000 – for the recent crisis it was 162 000. Corresponding numbers for those unemployed for more than 24 months were 122 000 and 55 000. Not only that, somewhere between 30-50 000 of the unemployed in 1992-1993 were in full-time education, as opposed to 133 000 in 2009. Taken together, this means that despite the greater severity of the recent crisis, the predicament of the young, whilst not enviable, was not as bad as it had been in the early 1990s.⁶⁸

⁶⁷ In the past, cyclical variation in unemployment levels has been known to be more extreme for the 18-24 year-old cohort than for the workforce in general (Blundell, 2002).

⁶⁸ During periods of relatively high economic growth the outflow from benefits to employment is quite rapid. Those left behind after a year or so, the difficult-to-place or multiply disadvantaged, probably number somewhere between 100 000 to 200 000 in good times. In an economic downturn as severe as the recent one, those, for example, without the

On balance, therefore, all though it may appear at first sight that labour market policies under Conservative rule saw greater reductions in the numbers of unemployed than those of the Labour Party, once one begins digging, it would seem that policies introduced since 1997 have been more effective at stopping young people from falling into the trap of long-term unemployment, a pit out of which it is difficult to assist anyone.

In sum, the Labour Party inherited from the Conservatives a rate of youth unemployment that had fallen steadily from 1992 to 1997. This was brought about, in part, by greater determination to shift people off reliance on social grants than had been the case up until about 1986. It is likely that those moved off benefits and into employment were less disadvantaged than those left behind. The Labour Party 'inherited' the latter in 1997, and promptly set about trying to 'rescue' them from long-term unemployment. Rewarded with success until early in 2004, the total number of 18-24 year-olds who were unemployed started to increase thereafter, as did the figures those unemployed for 6-12 months, 12-24 months and 24 months or more. It looks, however, as though long-term unemployment may not turn out to be as bad as it was in the worst days of Conservative rule – for the sake of the young people, let us hope it does not.⁶⁹

ALMPs have enjoyed some success, but there are limits to what they can achieve under conditions of extreme crisis – dealing with mass unemployment under conditions of the severe fiscal constraint that is the inevitable accompaniment to such events, is never easy. When demand for labour is slack or falling, public employment services will experience great difficulty in placing people, especially those who are disadvantaged in one or more ways.

Inundated with new claims from the hordes rendered jobless by the crisis, the Jobcentre Plus network swung into action in an attempt to ensure

skills required (particularly in information technology) for the jobs that are available, are likely to find themselves under increasing pressure to take any work on offer.

⁶⁹ By June 2009, when the number of unemployed among the under-25s had reached 928 000, the highest total for 14 years, the ringing of alarm bells rose to fever pitch. The lead story (by Ashley Seager) on the front-page of the *Guardian* on 13th August 2009, the day after the ONS released the August issue of Labour Market Statistics results covering the period April-June 2009, bore the headline "The lost generation: surge in joblessness hits young". The main article in the two-page spread on pp.4-5 of the paper (by Alan Travis) was headed "The jobless trap – fears grow for a generation locked out of work". It was sub-headed "Highest jobless rate in 16 to 24-year-olds since 1993". An article by Ashley Seager on p.5 with the title "Two figures: Two measures, one conclusion: it's bleak", explained why survey figures differ from claimant counts. This offered the opinion that "Overall we suspect that the ILO numbers [the survey results] are telling the more accurate story [than benefit claimant counts] and unemployment is still increasing relatively rapidly...". Then on the Comment&Debate page, David Blanchflower, under the heading "This lays bare the human crisis: What a terrible time to be young and jobless", writes that "2.5 million jobless mark is inevitable; three million fast approaches; 3.5 million is distinctly plausible". Finally, almost the entire editorial space is given over to piece headed "Unemployment: The mounting scrapheap". Once again, the problem of youth unemployment features prominently.

that service levels were maintained. The figures for the resulting increased workloads are staggering. Between August 2008 and August 2009, the number of claims for unemployment benefits grew from 924 000 to 1.6 million, a 73 per cent increase. In the 25 hardest-hit constituencies, claims for benefits rose by between 144-172 per cent (15 400 claims in August 2009 vs. 39 100 in August 2008, weighted average increase 154 per cent), while in the 25 constituencies least affected by the crisis, claims for benefits increased by between 23-42 per cent (73 400 to 99 300 claims, weighted average increase 35 per cent).⁷⁰

Once the downturn began to bite in earnest, media reports turned almost universally dismal. Criticisms of the Jobcentre Plus began to be heard with increasing frequency. The hardship caused for some, probably limited number of claimants, as a result of closures of what are perceived by the system's administrators to be non-cost-effective centres (too few claimants and too few resources), made excellent political capital for the opposition.⁷¹ More ominously, so many centres were overwhelmed by the demand for jobs that staff were pulled away from other vital services offered by the Department of Work and Pensions (*The Observer*, Sunday 15 March 2009). Much to the dismay of charity groups, 600 staff were borrowed from the Child Support Agency, and 300 from the Pensions, Disability and Carer's Service, to bolster employment services. By March 2009, there were ten jobseekers for every vacancy advertised in the UK. In some areas, this rose to 60. As usual, government could be relied upon to put a brave face upon matters, where possible.⁷² Commenting on the situation, the TUC general secretary said that:

“These shocking figures blow out of the water the government's claim that there are plenty of jobs available for people who are prepared to look.”⁷³

As so often happens in times of crisis, would-be employers operating on the fringe of the law take advantage of the hard times to drive wages down. In a chilling parallel with the kerbside labour markets one sees in South Africa, an article headed “At the mercy of gangmasters: the growing army of jobless”, shows that it is not only asylum seekers who will accept

⁷⁰ See Potton *et al*, 2009, p.28 (Change in Unemployed Claimants August 1997-2009 and August 2008-2009). The paper from which the results above are drawn is one of a series of reports prepared by House of Commons researchers each month. Members of Parliament are thus assured of the most up-to-date information on changes in the severity of the problem of unemployment in their constituencies.

⁷¹ See, for example, the February 16th *Guardian* article referred to above.

⁷² A pair of articles in the *Guardian*, Tuesday 17 March 2009, highlighted the differences in perception within the Labour Party of proposed reforms to welfare-to work system. John McNulty, then minister for employment and welfare reform, hailed the reform as “An enabling initiative”, while John McDonnell, chair of the Labour Representation Committee in Parliament dismissed it as “just another example of a government that has lost its way”. See both articles under the headline “A boost back to work – or workfare” on p.30 of the newspaper.

⁷³ The front-page article in the *Observer* (“Job centre crisis as ten bids for each vacancy” by Heather Stewart, Toby Helm and Rajeev Syal) from which this quote is taken, says that trade union research shows, for example, that in 12 inner London boroughs, there are 71 000 benefit claimants and just 4275 vacancies.

work at less than half the official minimum – they are now being joined by desperate British nationals.⁷⁴

Breezily upbeat about the success in delivering quality service to its ‘customers’ (the unemployed and firms that are retrenching them, or less commonly in these days, hiring workers), the Jobcentre Plus annual report for 2009, claims that the organisation coped with relative ease with a workload that almost doubled in a year. With the aid of new staff recruited (5000 between October 2008 and March 2009, DWP, 2009a, p.), internal re-assignment of workers, and borrowings from elsewhere in the civil service (such as those noted above), Jobcentre Plus boasts that:

“Every working day in 2008-2009 we received around 10,000 job vacancies from employers; conducted around 45,000 adviser interviews; processed around 18,000 new benefit claims; and answered over 90,000 calls to our contact centres.” (DWP, 2009a, p.19)

Considering the fact that unemployment according to the ILO measure reportedly rose from 2.0 million in October-December 2008 to 2.4 million October-December 2009, a 22 per cent increase, while employment fell from 29.3 to 28.9 million over the same period,⁷⁵ a 1.5 per cent decrease, one must conclude that many or most of the two million vacancies that came up over the year would have been filled by people moving from one job to another.⁷⁶

The Jobcentre Plus annual report leaves a lot to be desired as far as the usefulness of the information provided is concerned. It is long on smarmy management-speak, littered as it is with unctuous references to ‘our values’, but short on information of real interest such as a detailed breakdown of the outcomes of the daily events referred to above were filled (e.g., are the vacancies filled or not, and if so, who fills them?).⁷⁷

⁷⁴ The article is by Rajeev Syal, See the *Observer*, 15 March 2009, pp.8-9.

⁷⁵ Corresponding values for 18-24 year-olds were: unemployment up from 616 000 to 725 000 (an 18 per cent increase), employment down from 3.6 to 3.4 million, a 6.2 per cent fall. See ONS datasets lfs2ac and lfs8ac.

⁷⁶ The Chartered Institute of Personnel and Development reported that the labour turnover rate for the UK (where labour turnover is expressed in percentage terms as the number of leavers in a given period divided by the average number employed in the same period) for the year 2007 was 17.3 per cent and that it fell to 15.7 per cent with the onset of the crisis in 2008 (CIPD, 2009, p.3). That would suggest that somewhere in excess of four million people changed jobs in both years.

⁷⁷ In defence of the DWP it should, however, be said that for those who know where to find it, there is a wealth of statistical information available. The DWP Quarterly Statistical Summary contains key aggregates, and the web addresses of the repositories of all, or nearly all of data one could wish to examine. Table 1.4 on p.12 of the August 2009 edition of the Summary informs us, for example, that since the inception of the New Deal for Young People, 1.45 million young people entered the programme, 875 000 of whom obtained jobs. Current participants in the programme in May 2009 numbered 101 000. The data are from a “New Deal Evaluation Database”. It is important to note that: “Job figures include sustained and unsustained jobs. A sustained job is where the jobholder does not return to New Deal for 13 weeks.” (Kennedy and Morgan, 2009, p.108)

Also significant by its absence is any reference to the punitive measures⁷⁸ used by the DWP to discipline those ‘customers’⁷⁹ who abuse the system, although there is much discussion of benefit fraud (DWP, 2009a).

When all is said and done, what the report tells us is that by dint of re-organisation (pulling staff out of other jobs considered to be less urgent), re-allocation of training resources, plus staff increases, Jobcentre Plus staff were able to ‘cope’ with the flood of new claimants. Coping means that within some acceptably short period, claimants were interviewed and started receiving benefits – jobs were much harder to come by.

On the job front, two measures to assist unemployed young people were announced by the chancellor, Alistair Darling, in the April 2009 budget: a £1.2 billion ‘Future Jobs Fund’ whose aim it was to create 150 000 jobs for them in “local communities and across the voluntary sector”, and the Young Person’s Guarantee, that would have offered people 18-24 year-olds either a job or training. On the former, government’s promise was that by January 2010:

“... every 18 to 24 year old who is approaching 12 months unemployment or more will be guaranteed a new job, training or paid work experience place.”

In addition to the 150 000 Future Jobs Fund places, the Young Person’s Guarantee will also offer:

- “support to take an existing job in a key employment sector – we intend to offer up to 100,000 places with funding for sector-specific training, recruitment subsidies and training on the job
- a work-focused training place, lasting up to six months, with providers incentivised to secure job entries
- a place on a Community Task Force, which will be contracted provision focused on improving individuals’ employability and delivering real help in local communities.”⁸⁰

⁷⁸ In 2001/2002, 285 000 people had their benefits cut for one reason or another. See de Koning *et al*, 2004, p.18. From a recent (12 August 2009, p.11) edition of the DWP Quarterly Statistical Summary, we learn, that among claimants for the Jobseeker’s Allowance (JSA) that: “In the quarter ending May 2009 there were 159 thousand decisions made, of which 95 thousand were adverse decisions (i.e. a sanction or disallowance was applied). Of these ... 70 thousand were disallowance decisions.” A disallowance decision means that the entitlement to benefits is ended. On the same page, there is evidence of a strong decline in the number of varying length sanctions (anything up to 26 weeks loss of benefits) applied to claims, from the end of 2002 onwards. This is heavily outweighed by the increase in the number of disallowance from 2004-2005.

⁷⁹ The term ‘customers’ has now gained universal currency in government as a substitute for jobseekers – even travellers are no longer passengers, they too are ‘customers’. It would be interesting to know where this odious usage originated.

⁸⁰ See the DWP Press Release dated 22 April 2009, downloaded on 9th July from http://campaigns.dwp.gov.uk/mediacentre/pressreleases/2009/apr/em_p081-220409.asp. See also the Future Jobs Fund page on the DWP website with the heading “Young Person’s Guarantee” (updated 2 June 2009) at

In a paper with the provocative title “Sticking plaster or stepping stone”, the research and policy institute Centre for Cities (Shaheen, 2009) casts doubts on the efficacy of the proposed guarantee. Noting that the number of 18-24 year-olds out of work for more than 12 months had already reached 130 000 by April 2009,⁸¹ the paper predicts that this total will approach 350 000 by December 2011.⁸² The burden of the argument in the paper is that the Future Jobs Fund initiative is hastily conceived ‘sticking plaster’ (2009, p.1). Certainly, youth unemployment has grown rapidly, and will continue to do so, as 300 000 graduates and 400 000 school-leavers join those looking for work at the end of the academic year (Shaheen, 2009, p.2). Whatever the case, in the 2010 Budget, the Chancellor renewed the pledge of funding for the Future Jobs Fund initiative, providing an extra £450 million to extend it until March 2012.⁸³

Apart from anything else, the current crisis is an unpleasant reminder of the fact that a switch from ‘passive’ to ‘active’ labour market policy in capitalist countries, cannot be taken to mean that the problem of providing comprehensive social protection has been solved. Capitalist economies are far too volatile to permit such complacency – although hardcore free-marketeters are unrepentant, the freewheeling practices they espouse have suffered a blow from which recovery will be slow. Unfortunately, for the most part, they will not pay the price of their folly – that will be borne by those whose livelihoods have disappeared as the crisis has taken its toll. If the experience of the past few years is anything to go by, getting the unemployed, especially the disadvantaged long-term unemployed into jobs is going to be an arduous task.

When we come to look below at the problem of youth unemployment in South Africa, we do so with the 2009 UK figures – about 600 000 18-24 year-olds to place, of whom 162 000 have been unemployed for longer than 12 months – firmly in mind. As we shall see, the UK problem, although substantial, is not remotely like that in South Africa. One rather obvious lesson for those responsible for the relevant policy design in South Africa, is that if addressing the issue in the UK is difficult, then doing so in circumstances where resources and job opportunities are even more scarce, and the number that needs to be accommodated is many times larger, is going to be even more so, and by several orders of magnitude. On that note, let us look briefly at the institution designed by the Labour government to tackle unemployment, and particularly youth unemployment when it took power in the UK in 1997.

<http://research.dwp.gov.uk/campaigns/futurejobsfund/youngpersons.asp>. Downloaded 9th July 2009.

⁸¹ There were also 21 000 16-17 year-olds who had been out of work for more than 12 months. See Labour market statistics June 2009, Office for National Statistics Statistical Bulletin, 17 June 2009, Tables 9(1).

⁸² Actual labour market performance to date suggests that this forecast is too pessimistic.

⁸³ See the article “Budget 2010: Jobs pledge for under-24s extended by a year” by Kathryn Hopkins, the *Guardian*, 25 March 2010. One political party’s meat is another’s poison – among the first of the casualties of the new Conservative government was the Future Jobs Fund. See the article “Budget 2010: what we already know”, by Katie Allen in the *Guardian*, 22 June 2010. For anecdotal evidence of the success of the Fund, see “Budget case study: Labour’s scheme was a ticket out of bed”, by the same author in the *Guardian* that day.

New Deals for the unemployed: Evaluation, reform and reaction

For the unemployed, at present, the 'active benefits' regime begins as soon as an individual loses their job, or fails, for whatever reason, to make the transition from not economically active (e.g., school-leavers) to employed. Once in the system, they move through a graded set of interventions over time, appropriate to their circumstances. Qualification for unemployment benefit (the Jobseeker's Allowance, JSA) is contingent upon the individual co-operating at each stage.⁸⁴ Given the relatively rapid return to employment of most claimants (when economic conditions were favourable), initial interventions for most of the unemployed took the form of assistance with placement (formulating an Action Plan and checking availability for work).⁸⁵ Those thought to be at risk of long-term unemployment – people with numeracy and literacy problems, people with disabilities, lone parents, victims of large-scale redundancies, are singled out for more intensive measures, with attempts being made to take their individual needs into account. After the unemployed have been on benefits for a certain period – the period differs in length depending on age, they used to be channeled into a New Deal for their particular group (under 25s, over 25s, over 50s and so on).⁸⁶

Of the six 'New Deals' that existed to assist the unemployed (and currently economically inactive) in various categories into work, the first was that for Young People "... introduced in 1998 and initially funded by the windfall tax on privatised utilities' profits..." (Kennedy and Morgan, 2009, p.106). From then onwards any young person claiming benefits who had been unemployed for longer than six months was ushered through a 'Gateway' where they would undergo intensive counseling with a personal advisor. After four months, they should be in regular employment or in one of the following options:

- "a subsidised job with a regular employer (secured by a 6-month subsidy of £75 a week)
- work experience in the voluntary sector (receiving benefit plus £15 a week)
- work experience in an environmental project (ditto)
- full-time vocational education (receiving benefit)"

All the options include training for at least one day a week." (Layard, 2001, p.4). That is the carrot – the stick is the withdrawal of benefits and support unless the claimant complies with all conditions – the 1997 Labour Party Manifesto made it clear that: "there is no fifth option".⁸⁷

⁸⁴ The report by de Koning *et al* (2004) called 'Policies for Full Employment', spells out in greater detail the steps through which the unemployed go at the Jobcentre Plus.

⁸⁵ According to the Freud report (using 2006 data), the outflow rate from the benefit system after three months was about 60 per cent. At six months it reached 80 per cent, and by nine months it approached 90 per cent (Freud, 2007, p.60). It is unlikely that such rates have been maintained.

⁸⁶ The reforms outlined in the DWP report *Ready for work: full employment in our generation* argued for the separate New Deals to be subsumed into a single 'flexible' New Deal. See DWP, 2007, p.51.

⁸⁷ This slogan was repeated in Labour's first Budget Speech by Gordon Brown, then Chancellor of the Exchequer. See Hansard, 2 July 1997, col. 303-316. Cited by Field and White, 2007, p.7. One of the tensions the

As Finn and Schulte point out:

“The core principle of Labour’s ‘New Deal’ for the unemployed is that individuals are ‘guaranteed’ intensive employment assistance after a particular duration of unemployment and at that point all JSA claimants must be placed in a job or participate in a full time employment activity (where they are no longer classified as unemployed). The only alternative to the New Deals for the unemployed has been in Employment Zones (EZs), which are primarily aimed at those aged over 25 and wholly delivered by private sector organisations” (2008, p.24)

Young people who pass through the ‘Gateway’ meet their Personal Adviser (PA) every two weeks, and attend a compulsory job search course. For the PA, the goal is to place the unemployed person in an unsubsidised job if possible. Failing that, they must take up one of the options listed above (Finn and Schulte, 2008, pp.24-25). New Deals for the other unemployed (for the 25 year and over, and for those aged 50 years plus) differ somewhat, but the underlying principles are similar.

Over the years, a number of verdicts have been delivered on the effectiveness of the New Deals – these are far from unanimous. Early on in the life of the New Deal for Young People, an assessment was performed (Layard, 2001), which was as enthusiastic as a later review (Karagiannaki, 2006) was lukewarm. The Layard report declared that the New Deal for Young People was a success.⁸⁸ This was on the basis of its apparent ability to (a) reduce the numbers of unemployed, especially the long-term unemployed youngsters on claimant rolls, and (b) to yield favourable fiscal outcomes (reduction in social grants and increases in tax revenues gathered). The recession’s misery has wiped out many of the hard-won gains of the past five years or so since Jobcentre Plus overcame its most serious teething problems, and began to deliver ‘activation’ services (the New Deals) that possibly deserved, if not the more outrageous compliments, then at least a pat on the back for a job reasonably well done. Snippets from the Freud Report (2007), cited above, appear to support Layard’s optimism. Is this justifiable? Kennedy and Morgan (2009, pp.108-109) cite a 2008 government report on the New Deals which points out that the number long-term unemployed young people fell from 85 000 to less than 7 000. There are, however, as they point out (p.110), criticisms made of the New Deals. One of these is that in period of relatively rapid economic growth, unemployment would have fallen anyway. Another is that the programmes are costly (up to £6000 per ‘customer’ in 2001-2002). Yet another critique, that by Field and White (2007), at which we shall glance further below, is altogether more emphatic in its criticism of the New Deal for Young People as having had results that are “modest, to put it mildly” (2007, p.12).

In terms of impact on welfare policy and the New Deals, the government-commissioned Freud Report (2007) is by far the most significant of the reviews conducted to date. The stream of welfare policy innovations introduced by the Labour government after taking power in 1997, of

New Deal programme is not able to overcome is that between its role as ‘enabler’ for the unemployed, while ‘policing’ the benefit system. On this, see Finn, 2003, p.710.

⁸⁸ For a more sophisticated approach to assessing impact of the New Deal for young people, and one that is much less upbeat, see Beale *et al*, 2008.

which the New Deals are the centrepiece,⁸⁹ have gradually coalesced into the grand aim of reducing economic inactivity and raising the employment rate, the dimensions of which have been referred to above. Freud's review of the welfare system marked the start of a determined effort by government to remove all obstacles to the achievement of its vision.⁹⁰

At the time the Freud report was written, the UK economy was buoyant – placing over two million people may not have seemed such a tall order. With the collapse of economic growth, however, and the unlikelihood of employment growth picking up before 2010 at the earliest, the target looks more formidable than it did when Freud made his estimates. By October-December 2009, the employment rate had dropped to 72.4 per cent – while the number of economically inactive reached a record high of 8.08 million.⁹¹ Of particular concern among the economically inactive is the group of young people referred to above as NEETs – not in employment, education or training. The problem looms terrifyingly large in South Africa, but even in the UK, absorbing the NEETs into the labour market is a formidable challenge. In the fourth quarter of 2009, in the age category 16-24 years, they numbered about 900 000, a level around which they had hovered since 2005 (the total in the fourth quarter of that year stood at 840 000). Although politicians may attempt to scrape some crumb of comfort from this finding, the failure to make a significant dent in the NEET problem over the two-and-a-half years that preceded the current crisis,⁹² points to the extreme difficulty, even in a well-resourced, advanced economy, of getting the non-economically active into the labour market, let alone into jobs.⁹³

⁸⁹ A comprehensive overview of the New Deals may be found in Appendix 1 in Kennedy and Morgan, 2009, pp.106ff.

⁹⁰ One step on the way to an aspirational single benefit for all working age persons was the creation of a new benefit, the Employment and Support Allowance (ESA) which replaced both the incapacity benefit (IB) and the income support (IS) formerly paid. From October 2008 onwards, no new claims on grounds of incapacity were allowed by the DWP. An impact assessment of the recent Welfare Reform Bill (Bill 8 of 2008-09) describes income support as a "... largely passive benefit that expects very little from its recipients, doing nothing to prepare them for a life after benefits." (DWP, 2009b, p.40). A little further on, it is said that "The overarching principle of ESA is that everyone should have the opportunity to work and that people with an illness or disability should be provided with the help and support necessary for them to engage in appropriate work, if they are able." (p.44)

⁹¹ See the ONS release published at <http://www.statistics.gov.uk/cci/nugget.asp?ID=12>, on 17th February 2009. The inactivity rate of 21.3 per cent was lower than the record of 23.1 per cent recorded in 1983.

⁹² The total falls below 800 000 only once (in the fourth quarter of 2007) – by the third quarter of 2009 it was over one million. See NEET Statistics – Quarterly Brief, February 2010. Downloaded from <http://www.dcsf.gov.uk/rsgateway/DB/STR/d000913/NEETQBQ42009final.pdf>, 26 February 2009.

⁹³ Although the travails of these good folk are not lightly to be dismissed, the numbers involved in 'normal' times are well below those of the population targeted for movement out of economic inactivity (benefit dependence) and into employment. For the more than two million people concerned, the mixture of carrot and stick (rights and responsibilities) is a matter of crucial concern.

The Freud report was followed in July 2008 by the Green Paper, *No one written off: reforming welfare to reward responsibility* (DWP, 2008a),⁹⁴ and in December 2008 by the White Paper, *Raising expectations and increasing support* (DWP, 2008b). After the initial comments and responses had been made and analysed, government presented the *Welfare Reform Bill* in January 2009.

As Kennedy and Morgan (2009, p.4) point out:

“A central theme running through the Bill and the preceding White and Green Papers is the need for an increasing focus within the welfare system on benefit claimants’ obligations to seek work or to prepare for work: the White Paper stated that the latest phase in the Government’s reform programme was based on the idea that ‘virtually everyone should be required to take up the support that we know helps people to overcome barriers to work’. This links in with the Government’s long-term aspiration to reach an employment rate of 80 per cent.”

Present in that second last sentence is one rationale for increasing the intensity of conditionality – progressive though the Bill may be in some respects, it contains a number of highly controversial provisions, all intended to increase compliance. To illustrate, one of the proposed changes would see some of those who have received the JSA for two years, shifted into a mandatory ‘work for your benefits’ programme. That, as objectors have pointed out, would see recipients being paid about £1.70 per hour, £4 per hour less than the minimum wage (Kennedy and Morgan, 2009, p.24).⁹⁵ Although only a small number of people would be affected, these and other similarly insensitive measures have given rise to a storm of protest.

A hesitant U-turn saw the newly-appointed Work and Pensions Secretary, Yvette Cooper in the Labour government, abandoning or softening a few of the Bill’s more odious provisions.⁹⁶ One of these would have compelled victims of domestic violence who are claiming JSA to seek work within three months of signing on for benefits – it has been scrapped by Cooper. She also removed the threat of sanctions against lone parents who do not comply with the regulations for getting into work if “no appropriate or affordable childcare is available”.⁹⁷

⁹⁴ The Green Paper excited howls of protest. See, for example the article “Hain ‘wielding big stick’ to force 300,000 lone parents into work”, by Patrick Wintour in the *Guardian*, 19 July 2007.

⁹⁵ The Labour Party often stands accused of imposing Conservative Party policy proposals on a hapless electorate. The ‘workfare’ trick, proposed in the Reform Bill, although apparently not taken directly from the Conservatives, comes straight out of the centre-right think-tank Policy Exchange. The 2004 paper in which this proposal is aired is cited by Kennedy and Morgan (2009, p.110).

Frank Field, former Minister of State in the Department of Social Security as it then was, came out strongly in favour of workfare for 18-24 year-olds. Field’s views on the New Deal for Young People are discussed further below. See the article “Field calls for workfare system to force the young to earn benefit” by Patrick Wintour in the *Guardian*, 27 February 2009.

⁹⁶ See the article “Lone parents to be offered better pay incentives to work”, by Patrick Wintour in the *Guardian*, 5 July 2009.

⁹⁷ There are excellent arguments in favour of assisting lone parents into work where possible. Adopting a sledgehammer approach to the goal of

It is perhaps worth noting that prior to the Reform Bill being published, conditionality in the UK welfare system was already regarded as tough. In the concluding paragraph of a review of activation policies in the UK, Finn and Schulte write that:

“Finally, it is worth reflecting on the balance of ‘rights and responsibilities’ in the new British model of social citizenship. There has been a strong policy emphasis on individual’s responsibility to support themselves and their family through employment, so that the right to welfare on the basis of need is balanced against their responsibility to work. *British jobseekers now face one of the most demanding activation regimes in Europe, with elements of this approach being extended to lone parents and those with health conditions and disabilities, accompanied with new levels of administrative and bureaucratic discretion.* In this context the checks and balances that exist in national and European law may need reform to both reduce the arbitrary and unfair exercise of the authority of the state and ensure that new ‘active’ citizenship rights are more than rhetoric and that vulnerable people are not denied access to the financial support and services they need.” (Finn and Schulte, 2007, p.44, emphasis added)

Attention was drawn earlier on to Betcherman *et al* (2004, p.6) conclusion that evaluations tend to concentrate on economic, rather than social or political dimensions of ALMPs. This can lead to economic analysis whose results are contentious, being used to ‘tighten the screws’ on claimants. Designing unemployment benefit schemes entails making a tradeoff between the more ‘generous’ benefit conditions that allow people to search for work most suited to their abilities, and the need to get people off benefits as fast as possible, a need that is met by limiting the ability of beneficiaries to reject job offers. Research into this question is clouded by the fact that the impact of “higher search requirements on average search intensity is theoretically ambiguous” (Petrongolo, 2007, p.2). Her survey of the literature suggests that there is “no compelling” evidence in support of a positive earnings effect of benefit ‘generosity’, also there appears to be some likelihood that increasing the required intensity of search effort required to qualify for benefits will lower the reservation wage (2007, pp.4-6).⁹⁸

When the Jobseeker’s Allowance (JSA) was introduced in 1996, it was argued to have had the effect, for some small proportion of claimants,

raising economic activity rates among this group is likely, however to cause harm. In an otherwise sensible speech, former Works and Pensions Secretary, John Hutton, articulates some of the pros, then promptly undermines himself by making a promise that his government cannot possibly fulfill – if it could, the entry into work of many lone parents would be greatly eased. Here it is: “Mr Hutton outlined advances in childcare provision, saying that by 2010 there would be a childcare place for all children aged between three and 14 from 8am to 6pm each weekday, including school holidays.” See the Press Association article “Hutton warned not to use ‘big stick’ on lone parents”, in the *Guardian*, 30 January 2007.

⁹⁸ Machin and Olivier (2004) point to the likelihood that following the introduction of the JSA, areas that had more ‘sanctioned’ individuals experienced increases in crime rates, as ‘marginal’ individuals who had been excluded from the benefit system turned to other means to secure a livelihood.

that they would either move from unemployment into Incapacity Benefit spells, or would be slightly less likely to have positive earnings a year later. Petrongolo also suggests that:

“... while tighter search requirements were successful in moving individuals off unemployment benefits, they were not successful in moving them onto new or better jobs, with fairly long lasting unintended consequences on a number of labor market outcomes.”
(2007, p.1)

It may well be the case that for many individuals, not only are personal freedoms increasingly circumscribed, but also that this is done under the rubric of a social goal, that of freeing people through work, that is fundamentally unattainable. The omens are not good – more privatisation of employment services, for example, recommended by Freud (2007) and embraced by government, is likely to erode ‘rights’ still further.

Criticism of the New Deals and the proposed reforms has come from all over the political spectrum. The trades unions movement, sometime leader of struggles of the poor, although it lacks the power to confront the prejudice that stigmatises many hundreds of thousands of unemployed people, nonetheless protested when the reform proposals were made.⁹⁹ Opposing them are the strongly-held views of (small c and big C) conservatives who argue cogently for a much more parsimonious approach to social welfare. Yet another view is powerfully articulated in the polemic of Field and White.¹⁰⁰ Although it is not the intention to address alternative views at any length, avoiding the analysis altogether simply would not do. Accordingly, we glance at a few of the highlights(?) of the 2009 paper by Field and White, published under the engaging title “Help. Refashioning welfare reform to help fight the recession”.

Launched on the day the Welfare Reform Bill had its first reading in Parliament, Field and White begin the executive summary of their paper thus:

“MPs might as well have today off rather than discuss the Welfare Reform Bill. It promises sanctions for those who refuse to seek work – but those sanctions are toothless and will do little to end the culture of “the right to benefit” among young claimants who have never worked.”

They go on to point out that:

“The Government’s pioneering New Deal has cost a staggering £75 billion over the past decade. But benefit claimants have fallen by only 400,000, despite the creation of over three million new jobs. The

⁹⁹ The TUC (Trades Union Congress) convened a Social Policy Forum on 3rd July 2009, at which cogent criticisms from concerned activists of the left exposed the nastiest aspects of the Reform Bill. Despite the eloquence, it is difficult not to detect signs of defeatism in the proceedings. Absent was any sense of an ability to sound a clarion call to ‘rolling mass action’ against yet another betrayal by New Labour. Misguided though such appeals often are, they do at least signal a willingness to mobilise and fight. See <http://harpymarx.wordpress.com/2009/07/03/tuc-social-policy-forum-welfare-reform-bill/> downloaded 6th July 2009.

¹⁰⁰ It derives at least a modicum of empirical support from the analysis of the British Social Attitudes Survey carried out by Hills (2002).

number of foreign workers entering the UK in the past decade – now making up one in nine of the total working population – shows that there are jobs available.”

The cause of this, they argue, is the absence of time-limits on benefits, and the misuse of training, a valuable activity, as a sanction. Their proposed remedy has four elements: it calls for the benefits of those who turn down a ‘reasonable’ job offer to be stopped; it calls for decentralisation, granting much greater autonomy to local Jobcentre Plus offices; it calls for the value of training to be restored, and finally, it proposes higher unemployment benefits for those with long service (2009, p.4).

The merits of these proposals will not be debated here – my interest in the paper lies mainly in the shocking evidence it offers on the performance of the New Deal programme, Labour’s flagship welfare-to-work policy. The Field and White (2007) paper, it will be recalled, is critical of the New Deal for Young People for having produced results that are “modest, to put it mildly”. Demonstrating that this is so, involves several steps. The **first** of them is a refutation of the claim made by Minister for Employment and Welfare Reform in February 2007 that “Youth unemployment has been virtually abolished” (Field and White (2007). To do so, Table 2 in their paper presents a set of results similar to those in Table 1 above.¹⁰¹ Although their paper was written before the onset of the current recession, with its ballooning unemployment rates, they have no difficulty in showing that the government claim is false.

The **second** step shows that the programme has a large number of what are referred to as ‘retreads’ – youngsters who go through the New Deal programme, are placed in employment, but who fail to meet the criterion for having found sustainable employment (having worked continuously for at least 13 weeks). They then find their way back into the system, and go through the New Deal programme a second, or sometimes a third, or even fourth time. In the period from the start of the New Deals (1998) until August 1996, 1.1 million youngsters made a first start on the New Deal; 307 000 made a second start; 88 000 a third, and 25 000 a fourth or more (Field and White, 2007, p.15).¹⁰²

The **third** step presents estimates of the numbers of NEETs, young people not in employment, education or training. These were shown to be greater (in winter 2006/07) than the number Labour inherited from the Conservatives in 1997 (by 131 000), and greater by 246 000 than the total at the low point in 2001 (Field and White, 2007, p.20).

The NEETs are made up of two groups, one of which is officially unemployed, while the other is economically inactive. The **fourth** step reveals that the number of economically inactive (also not in the education system) has risen as well.

The assessment of the New Deal for Young People in the Field and White 2007 paper, is summarised and repeated in the 2009 paper. In addition, the later paper looks at the New Deals for the over-25s and over-50s. The

¹⁰¹ I drew up Table 1 quite a while before I discovered the Field and White (2007) paper. Presenting the figures in that way is, of course, the obvious thing to do.

¹⁰² Similar results are reported by Finn (2003, p.720). Finn and Schulte (2007, pp30ff) refer to ‘retreads’ by the less pejorative label of ‘repeaters’ in their discussion of the problem.

later paper says that while half of the intake of the first New Deal for Young People (1998) managed to meet the criterion for having found sustainable employment (being employed for 13 weeks), by 2005, two-thirds of those who passed through the programme failed to do so. Those that did not drop out altogether re-appeared as 'retreads' (Field and White, 2009, pp.7-9).

On New Deals for other groups, this is what they have to say:

New Deal 25 Plus: one third of this prime working age group repeat the scheme. 25 per cent of them leave Jobseeker's Allowance (JSA) to claim Incapacity Benefit (IB) rather than find employment.

New Deal 50 Plus: while this programme has been good in attracting people onto the scheme it has not been good at finding them jobs. In August 2006 only 0.3 per cent of participants found work.

The New Deal for Lone Parents: at the last count nearly half of all participants, 42.2 per cent, were repeating the scheme.

The New Deal for Disabled People: only 6.2 per cent of IB claimants take part in this New Deal, thus prompting the question as to whether it has played any role in improving claimants' employment chances.

The New Deal for Partners: since 1997 there has been a net increase of 11,000 childless couple households with at least one member working. However, since 2005, 27,000 households with children have joined the workless rolls." (Field and White, 2009, pp.9-10).

Little wonder then, that they conclude that:

"It is difficult to see any discernable (*sic*) fall in the workless total that can be ascribed to the introduction of any part of Labour's welfare strategy." (p.10)

The chasm dividing the competing claims¹⁰³ of those who argue that the New Deals are a (qualified) success, and those of the likes of Field and White,¹⁰⁴ who describe them in the 2009 paper as a fiasco (p.6), is deep and wide. If language alone were the basis for adjudicating between them, then the measured tones of Beale *et al* (2008), tentatively pointing to what appear to be positive outcomes of the New Deal for Young People, while acknowledging that the disadvantaged are often left behind, would probably attract more support than the strident, occasionally entertaining views of Field and White. If only it were as simple as that – truth is that even if things are only half as bad as they suggest, the DWP is still going to have to overcome some fairly formidable obstacles.¹⁰⁵ The demands on

¹⁰³ At first sight, the fact that the Freud Report (2007) makes no reference to the Field and White (2007) paper appears to be interesting. On closer inspection it would seem that the latter was published too late (May 2007) to find its way into the Freud document (.pdf file dated 5th March 2007).

¹⁰⁴ An apparently more balanced assessment of the strengths and weaknesses of the NDYP, based on four case studies, is that in Finn (2003). The paper offers energetic criticism where this is necessary, but goes to some lengths to highlight the programme's achievements.

¹⁰⁵ Government is apparently persuaded of the virtues of moving to a regime of 'personalised conditionality' along the line suggested by Gregg (2008) in a report commissioned by the Department for Work and Pensions. Pity the poor officials if they have to begin innovating at such a

Jobcentre Plus staff, already onerous before the current crisis, will not slacken in the near future. The mismatch between the demand for workers and the excess supply of labour, particularly among the under-25s, will be a headache for years to come, promises of government action notwithstanding.

Working tax credits

At the start of this section on unemployment in the UK, reference was made to the “three core components” of “government policy on tackling worklessness” by (i) ‘making work pay through a minimum wage and tax credits’; (ii) mandating participation in welfare-to-work programmes, and (iii) tackling concentrated areas of worklessness. Some attention has been devoted above to tackling the second of these. The third, although interesting and important, is not directly relevant to the issues being addressed here. The ‘tax credits’, however, in (i) deserve attention because they constitute a wage subsidy of sorts.

To begin, it may be useful at this point to recall the conclusion reached by Betcherman *et al* (2004, p.ii) after ploughing their way through 160 evaluations, to the effect that:

- “*Wage and/or employment subsidies.* Most of these do not have a positive impact on workers and introduce substantial inefficiencies. Effective targeting may help, but at the cost of reducing take-up rates.”

Hand-in-hand with the Working Tax Credits (WTCs), go Child Tax Credits (CTCs). Introduced in 2003 to replace a “patchwork” of other benefits (including a forerunner of the WTC, the so-called Working Family Tax Credits)¹⁰⁶, the WTCs and CTCs, according to the 2002 Budget, are aimed at:

- “supporting families with children, recognising the responsibilities that come with parenthood;
- tackling child poverty, by offering the greatest help to those most in need, such as low-income families;
- helping to make sure that work pays more than welfare and that people have incentives to move up the earnings ladder.” (HMRC, 2009, p.2)

Although as instruments for reducing poverty, these two credits are of immense importance – nearly 20 million individuals benefit from them, of whom ten million are children (HMRC, 2009, p.2)¹⁰⁷ – for the purposes of

desperate point in history – as the months rolled by, the flood of new claimants that augmented the stock of individuals requiring ‘intensive care’ to assist them into employment, magnified the difficulties of service delivery according to existing protocols – devising and implementing a new regime under such conditions is likely to test systems to breaking point.

¹⁰⁶ For a summary of the components of the ‘patchwork’, see Mulheirn and Pisani, 2006, p.1.

¹⁰⁷ The article “Labour’s tax and benefit strategy has closed the income gap, thinktank says” in the *Guardian*, 25 March 2010, refers to a paper by the Institute for Fiscal Studies (IFS) which reports a 13 per cent increase in household incomes, while those in the top decile of households saw incomes fall by “almost 9%”. Although I could not find

the present paper, it is only the last of these that is of interest (about one-third of the total payout is for WTCs).¹⁰⁸

Strictly speaking, the WTC is a not wage subsidy. This is because in determining the size of (and eligibility for) the benefit, household size (numbers of adults and children), as well as household income (earnings of other workers in the household) is taken into account. Apart from this, however, it is similar in character to wage (or employment) subsidies, even though it takes the form of a tax credit paid by the Treasury. In allowing the Treasury to give out “a subsidy to low paid work”, a task that looks as though it should have been carried out by the Department for Work and Pensions, it appears that government was persuaded by the arguments of advocates for a benefit similar to the US Earned Income Tax Credit, one of whom argued that:

“... as a tax credit rather than a welfare benefit, it would reduce the stigma currently associated with claiming in work support; it would prove more acceptable than social security benefits to most claimants and taxpayers as a whole; paid through the wage packet it would reinforce a distinction between the rewards of work and remaining on welfare ...” (Taylor, 1998, p.22, cited in Godwin and Lawson, 2007, p.2)

By all accounts, the WTC and CTC have been an administrative disaster from the word go. Commenting on the host of difficulties that have beset the WTC and CTC since their inception, Godwin and Lawson observe that:

“There is widespread agreement that the system requires too much fine tuning for every change of job, number of children and adults and cost of accommodation. While much of the problem comes from the policy design, some comes from the use of the Customs and Revenue in a novel role of benefits agency, and that in turn comes from two sources: first the desire to call the mix of welfare benefits and wage subsidies tax credits: perhaps to raise take-up rates by pretending they were really tax repayments; and second to pay some of them through employers – which has now been abandoned, significantly reducing their compliance costs.” (2007, p.8)

A more devastating critique of a policy initiative than that offered by Godwin and Lawson of the WTC is difficult to imagine. Overpayments and underpayments of a magnitude wholly unanticipated by the Treasury plagued the WTC from the start – in 2005-06, for example overpayments could have accounted for more than 30 per cent of final payments (2007, p.3). Fraud and error are endemic (2007, p.4),¹⁰⁹ while differential take-up (eligible claimants in certain categories not claiming benefits) is also common (2007, p.5). Prior to their believing relieved of the responsibility for distributing the benefits, compliance costs for employers were high (2007, p.6). For claimants, they remain very high, mainly because of the complexity of the reporting process – information on changes in 20

the report referred to, an IFS study by Brewer *et al* (2009) confirms that the poverty headcount in the UK fell from 10.8 million in 1996-1997 to 6.4 million in 2007-2008 (see Table 4.8 on p.52).

¹⁰⁸ In the *Guardian* article referred to immediately above, it is noted that “Figures from the budget showed the combined bill had reached £20bn by 2008-09 and this year is expected to reach £23bn.”

¹⁰⁹ Government has set Treasury “... a challenging target to reduce the level of error and fraud in the tax credits system to no more than 5% by March 2011.” (HMRC, 2009, p.3)

variables has to be provided within 30 days of such changes taking place. This has led directly to a torrent of complaints (2007, p.6). Such are the difficulties of solving the overpayments problem that Treasury solved part of it by retrospectively turning them into legitimate benefits. This was done by raising the earnings disregard (“... the amount by which a claimant’s income can rise before reducing the value of the award ...”) from £2500 to £25 000 (2007, p.7).

On what, it may be asked, should an economic evaluation of the WTC concentrate? The stated aim of “helping to make sure that work pays more than welfare and that people have incentives to move up the earnings ladder” provides some, but not much help. Some evaluations have, however, been carried out.¹¹⁰ One such, done by Mulheirn and Pisani (2006), a pair of economists employed by the Treasury is executed with a degree of analytical rigour that makes the policy design and implementation faults referred to above look even sloppier. It is not the intention to summarise their theoretical argument here; suffice it to say that deploying the standard tools of labour economics, they give a good account of what may be known *a priori* and what is theoretically indeterminate (Mulheirn and Pisani, 2006, pp.2-8). Here, for example, is a situation in which the outcome (will the household increase its supply of labour?) is indeterminate:

“Working Tax Credits increase the incentives to work for first earners in a couple while decreasing the incentives to work for the second potential earner. This comes about because Working Tax Credit is only available to households with at least one earner but is then means tested against the income of both adults.” (Field and Cackett, 2007, p.25, cited in Godwin and Lawson, 2007, p.5).

Once past the theoretical analysis, the empirical work that Mulheirn and Pisani carry out takes the form of a natural experiment made possible by the extension of in-work benefits to people without children in 2003. Before and after comparison, suitably corrected for possible macroeconomic change (pp.8-15) is done (the workings provide an indication of the dangers of adopting a cavalier attitude to the difficulties of such enterprises) leads to the conclusion that the extension of the WTC had a small positive effect on employment probabilities of between 1.1 and 1.8 percentage points (Mulheirn and Pisani, 2006, p.18). Overall, their conclusion is that the “.... WTC is encouraging eligible people to enter work.” (p.26)

When natural experiments of the type described above cannot be performed, the difficulties of specifying counterfactuals increase, and with them, the difficulties of performing evaluations. If to the sheer technical complexity of evaluations is added the dangers of separating economic from political and social analysis (the Mulheirn and Pisani piece is devoid of any reference to either, precisely what one would expect from two Treasury economists), then it would seem that the chances of any evaluation influencing political decision makers, one way or another are slight.

Searching for lessons for South Africa in this story, one finds a few candidates. One is that well-intentioned policies can easily founder on the rocks of poor design and implementation. Trying, for example, to address the problem of social stigma by indirect means, had a series of unintended consequences for the WTC that were little short of disastrous.

¹¹⁰ For examples, see the list of references in Mulheirn and Pisani, 2006.

The strange form ultimately taken by the WTC seems to be at least partly the result of a lack of open debate. Locating responsibility for benefit administration in a government department with little previous experience of such work has predictable ill-effects. The attempt to match benefit size to household conditions, admirable in equity terms, leads to compliance problems of a serious nature. The high levels of analytical capability require to understand complex benefit packages militates against the consideration of such things when the requisite skills are in short supply. In sum, if an ALMP in the form of a wage or employment subsidy is contemplated in South Africa, then a thorough examination of its equity and multifarious efficiency dimensions is an absolute necessity.

With that introduction to few of the obstacles in mind, let us take leave of the UK to consider some of the even bigger problems thrown up by unemployment in South Africa, which problems, the authorities seem to believe, are capable of being addressed by means of a combination of ALMPs, and job-creating economic growth.

3 ‘Comprehensive’ social security and ALMPs in South Africa

As is well-known, South Africa, unusually for a middle-income developing country, dispenses huge numbers (about 13.4 million in 2008) of means-tested categorical social grants. Most numerous among the recipients are the caregivers of children (the Child Support Grant); followed by the aged (State Old Age Pensions), and then by the disabled (Disability Grants). Social protection in the form of social grants or social insurance, is not available for the working poor and most of the unemployed.¹¹¹ The primary object of this section of the paper is to examine the largest of the substitutes devised by government to fill the gap in the social protection system, namely, the Expanded Public Works Programme (EPWP).

Underlying welfare-to-work policies is the proposition that most people would prefer paid employment to social grants as primary source of income.¹¹² As long as the work is ‘decent’, and those the policy seeks to ‘activate’ are capable of surviving in the world of work, it is difficult to disagree with the argument. Whether or not the means used to encourage (or coerce, as the case may be) people to make the transition from unemployed or non-employed into employment, are found to be ethically acceptable, depends on a variety of factors, which, although both interesting and important, need not concern us here because in South Africa, the implementation of welfare-to-work policies such as one finds in the UK is impossible. This is so by virtue of (a) the absence of the jobs into which the unemployed and economically inactive may be placed, and (b) the absence of the resources (institutional and human) to place them, even if such jobs existed.

Inspired by the UK’s welfare-to-work policies, but unable, for the reasons given above, to introduce them, the ANC ‘in conference’ (the final arbiter of South African government policy) has nevertheless abjured social grants for the working age poor, unless such grants can be made conditional upon the recipient becoming economically active.¹¹³ A recent articulation of this view may be found in the Commission Reports and Draft Recommendations drawn up at the ANC National Policy Conference held in June 2007, where it is argued that:

“36 We are building a developmental state and not a welfare state given that in welfare state (*sic*), dependency is profound

¹¹¹ At any given moment, among the four million or so officially unemployed, there are perhaps 250 000 recipients of Unemployment Insurance benefits.

¹¹² Strong emphasis is placed upon this aspect of social policy reform in the UK. The Freud Report, for example, citing evidence that ‘work is good for your health and well-being’ (Waddell and Burton, 2006), argues that a failure on the part of government to overcome a past reluctance to engage with ‘those furthest from the labour market’ could be viewed as a dereliction of duty (Freud, 2007, p.5).

¹¹³ The ANC’s distaste for social grants as a means of addressing the poverty caused by unemployment is not new – in the very first State of the Nation address in the new South Africa, former President Mandela said that: “The Government is determined forcefully to confront the scourge of unemployment, not by way of handouts but by the creation of work opportunities.” (Presidency, 2004a)

37 Our attack on poverty must seek to empower people to take themselves out of poverty, while creating adequate social nets to protect the most vulnerable in our society.

This results in, among others, a draft resolution to the effect that:

44 Grants must not create dependency and thus must be linked to economic activity”¹¹⁴ (ANC, 2007b)

There was no mistaking the mood of the policy conference – *grants must be linked to economic activity*.¹¹⁵ There is, however, little indication, of the means by which this injunction is to be translated into practice. As far as the alleged dependency-creating character of ‘welfare states’ is concerned, the ANC makes no attempt to distinguish between those states in which dependency is a problem; i.e., where the design of benefit structures creates disincentives to take up gainful employment, and those where this is not the case.¹¹⁶

Despite an obvious distaste for giving social grants to the working age poor (whether unemployed or not), the persistence of poverty and continuing high rate of unemployment has made it necessary for the ANC (in government) to investigate the possibility of doing so. Accordingly, calls for tenders were made by the Department of Social Development (DoSD) for research to be conducted into the possibilities and costs of making grants to certain identifiable groups, and to a catch-all category of

¹¹⁴ The phrasing of this draft resolution is ambiguous – the officially unemployed (those engaged in job search) are ‘economically active’. One assumes that in drawing up the resolution, its framers did not intend that achievement of the status of officially unemployed would be sufficient – rather, one assumes that by ‘economic activity’ they meant income-generating activity.

¹¹⁵ This draft recommendation was accepted at the Polokwane conference. See paragraph 17 in the section “On Social Security and Broad Social Development”, ANC, 2007c.

¹¹⁶ Evidence in support of the likelihood of such dependence arising is, however, most remarkable for its absence. Despite this, warnings about the dangers of ‘dependency’ are common in ANC documents. Here is an example from the social transformation discussion document that informed deliberations of the 2002 ANC national conference. The following statement was made under the heading “Challenges of implementation”:

“63. This conference should therefore discuss this issue of poverty eradication and locate it within our perspective of the South African state as a developmental state, with the ANC and its allies leading that development, and mobilising people at large to lend a hand for a better life for all. Any discussion of social security that does not bear this in mind is likely to reduce our people to victims that must wait for handouts from the state in order to live. (emphasis added)

64. The ANC should therefore concern itself with two strategic objectives in the area of social security. Firstly we must ensure that all those who need to get the existing grants, do get them. Our campaign in the next few years must be to ensure that all obstacles to the people receiving their grants must be removed. Secondly we must intensify the programme to improve service delivery.

65. We must make sure that all departments who have anti-poverty programmes deliver them timorously (*sic*) and efficiently. Particular attention must be paid to ensuring that programmes target the most destitute people in rural areas as well as in urban areas.” (ANC, 2002).

those not among them. The groups that could (relatively?) easily be identified contained:

- Young unemployed people between the ages of 18-24 years,
- Caregivers in families that are recipients of the Child Support Grant, and
- Former recipients of Unemployment Insurance Fund (UIF) benefits, whose entitlement to benefits had been exhausted

The catch-all group consisted of “able bodied adults who face the challenge of gainful employment (*sic*)”, apart from those who fell into any of the three categories listed above. For the catch-all group, the researcher was required to specify conditionalities, which were to include participation in educational programmes, and special employment programmes (DoSD, 2008).

In the research project looking at UIF benefit ‘exhaustees’ (which fell to my lot – see Meth, 2008b), the conditionality stipulation was worded thus:

“The attachment of appropriate conditions to achieve necessary labour activation for long-term unemployment [for] social assistance beneficiaries.” (DoSD, 2007)

Since jobs into which to insert most potential beneficiaries do not exist, none of the researchers involved in any of the projects listed above could recommend much more than what has been described as ‘soft conditionality’ (registration with the Public Employment Service, for example), it is clear that a strict interpretation of activation as meaning gainful employment, could not be maintained.

Decisions on any of the proposed grants have not yet been made, so the working age poor are left with the following sop:

“To respond to the plight of the poor who do not qualify for social assistance, government has set up Public Works Programmes to draw the unemployed into productive and gainful employment while also delivering training to increase the capacity of participants to earn an income once they leave the programme.” (ANC, 2007a, p.4)

So inadequate is this poor substitute for the truly comprehensive social protection system to the creation of which the South African government regularly commits itself (and which it is bound, in terms of the Bill of Rights in the Constitution, to provide), that it is worth sauntering into EPWP territory to look at some of the hype surrounding the use by government of this costly policy measure.¹¹⁷

The EPWP – South Africa’s largest ALMP (by far)

Under the heading “ALMPs: what works?”, it was noted above, that after scouring through almost two hundred evaluations of ALMPs, Betcherman

¹¹⁷ The programme is supposed to be more or less self-financing in that most of those employed are to be paid from existing funds set aside for infrastructural and other projects. The intention is that the labour-intensity of work undertaken be raised. In practice, during Phase 1 of the EPWP, many municipalities have been reluctant to embark on such a course because of uncertainties about the cost implications of doing so.

et al concluded that public works programmes could be: "... an effective short-term safety net, but public works do not improve participants' future labor market prospects" (2004, p.ii). In view of this, the South African government's insistent use of the measure as one of the major tools for tackling mass, long-term unemployment, and the income poverty with which that is associated, is intriguing, to say the very least.¹¹⁸

In fiscal year 2004/2005 Phase 1 of a five-year Expanded Public Works Programme (EPWP), the vehicle for making good the claim to be providing an income source for those who do not qualify for social assistance, was launched.¹¹⁹ The programme is located in the Department of Public Works (DPW). The first phase, one of whose goals was that of creating one million job opportunities between 2004/2005 and 2008/2009, came to an end in March 2009.¹²⁰ In one of the programme's founding documents one finds this statement:

"Although not explicitly stated as such, the EPWP programme is clearly part of an active labour market policy to promote economic participation amongst marginalized work seekers." (DPW, 2005a, p.10)

Whether or not the EPWP is an 'active' labour market policy in the strict sense in which the term is used in OECD countries is open to debate. It has been suggested above that the defining characteristic of an ALMP is that it is able to steer (coerce) the unemployed into 'suitable' employment after a spell on 'benefits'. Although participation in the EPWP in South Africa is voluntary, the absence of any other social protection against unemployment could be argued to amount to implicit coercion – accept an EPWP job opportunity or go without. On the other hand, although it is one of the largest programmes aimed at the unemployed in South Africa, as well as the largest single programme that targets youth,¹²¹ even in its Phase 2 guise, it cannot possibly offer job opportunities to anything other than a small minority of the unemployed. In the absence of an EPWP offer, the unemployed have nothing. The absence of 'suitable' jobs thus means that the EPWP is not a 'true' ALMP. Given government's insistence

¹¹⁸ This is all the more so in view of the fact that government itself long ago acknowledged the superiority of social grants over public work programmes as a means for alleviating income poverty (PCAS, 2003, p.19). The sentiment has not changed over time – when it is uttered, however, it invariably has tacked onto to it, the need to link grants to economic activity. Here it is articulated by President Zuma in the State of the Nation address on 3rd June 2009:

"While creating an environment for jobs and business opportunities, government recognises that some citizens will continue to require state social assistance. Social grants remain the most effective form of poverty alleviation. As of 31 March 2009, more than 13 million people received social grants, more than 8 million of whom are children.

We are mindful of the need to link the social grants to jobs or economic activity in order to encourage self-reliance amongst the able-bodied." (Presidency, 2009a)

¹¹⁹ It represented a scaling-up of a number of small projects.

¹²⁰ The one million goal was reached by March 2008, a year ahead of schedule (DPW, 2009, p.3).

¹²¹ The intention is that 30 per cent of the job opportunities created should be filled by people aged between 15 and 35 years (DPW, 2009, p.3), a target regularly exceeded in recent years.

on 'activation' as a condition for receipt of public funds, the EPWPs could, however, be regarded as ALMPs in spirit.¹²²

Phase 2 of the EPWP was recently unveiled by the Minister of Public Works.¹²³ Referring to government's halving unemployment goal, the minister reportedly told Reuters on 4th April 2009 that "It's going to take a lot of work, it needs a lot of dedication and energy but I think it's achievable by 2014, I'm confident..."¹²⁴ The basis (or part of the basis) of the minister's confidence is apparently government's plan to create 4.5 million public work opportunities (the newspaper article refers to them as 'jobs') over the next five years. By 2014, it is intended that 1.5 million work opportunities, each lasting 100 working days, on average, will be provided by Phase 2 of the EPWP.¹²⁵

Asked if the timing of the "... launch was politically opportunistic before a general election on April 22", the minister said that:

"If somebody doesn't like us doing it before the election that's tough. I am saying there are people that don't know what they are going to eat tonight. There are children going hungry and I cannot allow a situation where we dilly-dally until whenever..." (*Mail & Guardian* online, 6 April 2009)

¹²² It is possible that here, I am being excessively nice. Writing about direct employment programmes in Latin America, for example, Reinecke (2005, p.166) says simply that: "Active labour market policies may be defined as those that directly address the labour market. Their principal objective is to reduce unemployment and to provide access to productive work for the greatest possible number of workers. Passive policies, by contrast, address the labour market only indirectly, by increasing aggregate demand in the economy or providing income for those who lose their jobs."

¹²³ Part of this section of the paper was written shortly before the general election in South Africa on 22nd April 2009. The Minister of Public Works (Geoff Doidge) was one of very few ministers who were re-appointed by President Zuma, making it unnecessary to edit the paper to make him the former minister.

¹²⁴ See the article "SA on track to halve unemployment by 2014" by Wendell Roelf, in the *Mail & Guardian* online, 6 April 2009.

¹²⁵ This, the article points out, amounts 610 000 full-time equivalents, the number one would obtain if a full working year is assumed to number 246 days. This is quite a long working year – it includes only ten public holidays, and a five-day vacation. The number of working days that make up a full-time year must have been specified in some EPWP document – I have not, however, come across any references to it. The Code of Good Practice for EPWP workers stipulates that their employment is governed by the relevant provisions of the Basic Conditions of Employment Act (DoL, 2002, Section 3.2). This means that EPWP workers, in addition to being paid for any public holiday that occurs during their spell of employment, must also be allowed to take one day's paid leave for every 17 days worked. Under such conditions, a full working year would number about 230 days. For the purposes of the investigation conducted in this section of the paper, that will be assumed to be the length of a working year.

Since Phase 1 was due to be completed by the end of March 2009 (DPW, 2009, p.3), the timing was coincidental.¹²⁶ It is too much, however, to expect that an opportunity to boast about the achievements of Phase 1, and to raise hopes by reeling off the even bigger things planned for Phase 2, would be wasted by government, as, of course, it was not. Part of the aim of the analysis that follows is to determine, if possible, how secure the basis is on which these boasts rest. The analysis is in four parts: the first glances briefly at the surveys put forward as data sources for evaluating the EPWP during Phase 1; the second is concerned with aspects of the performance of EPWP Phase 1; the third considers aspects of the increases proposed in the scope of EPWP Phase 2, of the way in which these have been communicated, and of the way in which they are to be funded, while fourth the looks at the possible contribution that this second phase could/may make to the goal of halving unemployment by 2014.

Before diving into the analysis, it will be useful to list briefly some of the activities tackled under the rubric of the EPWP; the institutions responsible, and a few of the major features of the programme. Projects originate in all three spheres of government; national, provincial and municipal, and (a much smaller number) in the non-state sector (not-for-profit organisations, CBOs, NGOs). Projects fit into one of four categories, listed below:

- **Infrastructure**:- minor roads (construction and maintenance), pipelines, stormwater drains, sidewalks
- **Environmental**:- alien plant elimination, coastline rehabilitation, Working for Water, Working on Fire, Working for Wetlands,
- **Economic**:- income-generating projects and programmes to utilise government expenditure on goods and services to provide the work experience component of small enterprise learnership and/or incubation programmes, (one target of Phase 1 was to create 400 SMMEs)
- **Social**:- creating work opportunities in public social programmes, e.g. Home and Community-Based Care (HCBC) workers, Community Health Workers (CHW) and Early Childhood Development (ECD) workers (DPW, 2009b, p.22)

Also important to recognise are the limits of the contribution of the EPWP to the goal of reducing unemployment. Unlike ANC politicians and sundry hacks, EPWP management is usually at pains to dispel the perception that the EPWP is a “panacea” for “the unemployment problem of the country...” (DPW, 2007) A typical warning notes that the EPWP:

- “is but one of a range of government interventions
- not designed to address demand for work, but is supply led: amount of work depends on government line function budgets

¹²⁶ As is usual with politicians the world over, when pressed, they become evasive. Instead of answering the question, the minister avoided doing so by a display of compassion for the suffering of the poor, which although it may have been sincere, was irrelevant – his concerns about people not knowing where their next meal is coming from, and about children going hungry, are shared by almost everyone. Announcement of his intentions does not feed them – it is implementation that counts (for the fortunate few among them). The simple answer to the reporter’s question, is that Phase 2 was announced when it was, because Phase 1 had come to an end a few days before.

- [and that,] different design required if EPWP is to meet demand for work from unskilled labour” (DPW, 2007)

Of particular importance, the second of these bullet points makes it clear that the number of work opportunities is a function of budgetary allocations. These go to a few departments for execution of projects at national level, while the bulk of the remainder is allocated through the provinces and municipalities.¹²⁷ The Department of Public Works has little or no direct say over allocation. Total budgetary allocation falls a long way short of the sum required to provide work for all of those without jobs who declare themselves willing and able to work. Thus although the EPWP has taken to describing itself as an “employer of last resort” (DPW, 2009c; 2010), this comes on top of an acknowledgement elsewhere that it cannot offer employment to anything more than a small fraction of the unemployed.¹²⁸ But enough now of the major characteristics of the EPWP – there is much ground to cover, so let us go to it.

A weak link in the EPWP monitoring and evaluation programme?

It is widely accepted that monitoring and evaluation are crucial elements of policy. A little unusually for South African government departments at the time, at least during the design phase, the EPWP team appears to have given this important task the attention it deserves. It is not the intention here to reproduce a summary of a document that is freely available – the purpose rather, is to look into the fate of one of the evaluation instruments proposed by the designers of the monitoring and evaluation strategy (DPW, 2005a).

Drawn up in collaboration with the Human Sciences Research Council (HSRC), the document informs us that the proposed evaluation techniques are as follows:

- **Cross-sectional surveys** of contractors, implementing agents, beneficiaries, communities and government departments, to be conducted in years 1, 3 and 5.
- **Longitudinal surveys** of beneficiaries six months after their exit from the EPWP, and six months thereafter, to be conducted in years 1, 3 and 5.
- **Case studies and completion reports** assessing the quality of assets and services, and quality of infrastructure against accepted benchmarks, to be conducted in years 1-5.
- **Poverty impact analysis** using secondary data and data derived from “surveys utilised” to be conducted in years 3 and 5.
- **Aggregate impact analysis** to be done using a computable general equilibrium model in years 3 and 5. (DPW, 2005a, Table 2, p.vi).

Looking into the proposed monitoring and evaluation framework, its compilers begin their discussion of the survey tools to be used with an

¹²⁷ Financing arrangements vary – large programmes such as provincial and municipal infrastructure were required to fund additional employment (increasing labour intensity) from the Provincial Infrastructure and Municipal Infrastructure Grants (PIG and MIG). This particular form of funding, as we shall see, has led to problems.

¹²⁸ An interim report noted that the EPWP reached a mere 11 per cent of the officially unemployed, or six per cent of the unemployed according to the ‘broad’ definition (DPW, 2008).

examination of the Labour Force Survey (LFS) (DPW, 2005a, Section 4.1.1, pp.21ff). The commentary offered below is restricted to a consideration of what this particular instrument has (had) to offer.

Having cast an eye over the number of EPWP participants likely to be included in the LFS, the authors of the proposal argue that:

“[It has] a sufficiently large sample to permit analysis of the impact of the EPWP on employability, as well as to provide information about the household income and structure of beneficiaries. *It should be noted that deep analysis of the programmes will not be possible through the LFS, as the survey is not geared to that purpose. It will enable high level, macro-impact analysis.*

Not only will the inclusion of employment on EPWP projects in the LFS enable users of this data to clearly identify this category of employment, thereby preventing distortions of time series data, it will also be a cheap method of collecting information about the beneficiaries of EPWP projects and their households. Ultimately, once the scope and coverage of data collected in this way is assessed, it may be possible to reduce the scope of the other evaluation techniques, or even replace them with data from the LFS.” (DPW, 2005a, p.21, emphasis added)

One question that springs immediately to mind when looking at the survey questions and the responses they have elicited, is that of why, if ‘deep analysis’ is not possible, the questions in the LFS were designed in such a way as to look as though they could yield the kind of information required for ‘deep analysis’ of certain aspects of the programme, or if not ‘deep analysis’, then certainly micro-analysis? Without talking to those concerned, this question is not readily answered – it is not known what the EPWP management and its analysts have made of the data currently available. If we want to know what contribution the LFS data sets could make to an analysis of the performance of the programme, it is going to be necessary to do a little digging.

Collection of data on the EPWP commenced in the March 2005 LFS. The questionnaire was revised for the September 2005 LFS (questions increased in number from three to eight), and data were duly collected in five successive rounds of the survey (September 2005–September 2007). Table 2 below reproduces six of the eight EPWP questions in the LFS.¹²⁹

Why it was felt to be necessary to ask both questions 5.2 and 5.3 is not clear. One’s intuition, since the EPWP is a ‘government job creation programme’, is that question 5.3 would call forth more respondents than question 5.2. From the table it transpires that this is not what happens – why, is not easy to fathom. What one does find is that the sum of ‘Yes’ and ‘No’ responses in each category in questions 5.6 and 5.8 is 505, while the sum of ‘Yes’ and ‘No’ responses in questions 5.7 is 508, roughly the number who respond with a ‘Yes’ to question 5.3.

The sum of the folk who could identify the project or programme they worked on (question 5.4) is a bit lower – the coding instructions for the handwritten responses collected by interviewer are to use EPWP codes. Most participants chose ‘Other’. Question 5.4 looks like a waste of

¹²⁹ Question 5.1 wanted to know if people had ever heard of the EPWP, and Question 5.5 asked for provincial locations of EPWP job opportunities.

everyone's time – it identifies only three programmes or projects where the number involved (population-weighted response total) was greater 10 000, the cut-off point below which sample number is too small to provide reliable estimates.

Question 5.6 on skills is also a waste of time, energy and money, despite throwing up some quite big numbers (like the 85 000 EPWP participants who acquired skills in construction-related programmes). Apart from the fact that skill levels are notoriously difficult to measure, the trivial lengths of the average training periods disclosed in the analysis further below, especially in construction, could mean little more than, say, a worker has been taught to mix cement.¹³⁰

The interesting information in the survey is that gathered in response to questions 5.7 and 5.8. Since the sum of participants who claim to have obtained work, either temporary or permanent, or to have started a business, exceeds by a long way, the number who are not still working in the programme (175 000 vs. 102 000), one must assume that those still on it are included amongst those who have obtained employment or started a business.¹³¹ This result, if correct, is the news that the EPWP ought to be bragging about – if this performance were repeated in the following half year, then about 40 000 permanent jobs will have been created, and roughly the same number of businesses started. Certainly, the achievement is way over the target level of the 14 per cent it was hoped would be able to earn income after participating in the programme (DPW, 2005a, p.v).¹³²

A cursory search of cyberspace did not reveal any trace of the pointed boasting of the sort one would find if it had been discovered (via the LFSs) that the EPWP was generating jobs or businesses at a scale large enough to affect unemployment levels. There are several possible reasons: the EPWP management may not yet have analysed the LFS data along lines suggested above, or they may have looked at the figures and concluded, along with international experts that:

“Whatever the outcomes of interest, the real net impacts of a program cannot be answered by simply tracking the post-program experiences of participants. This approach will not reveal anything about what would have happened to these workers if they had not taken the program (i.e., the “counterfactual”). Since it is not possible to observe this counterfactual directly, a scientific evaluation must approximate what would have happened to workers had they not participated.”
(Betcherman *et al*, 2004, p.13)

Simply adding up the number of people who report in each round that they have participated in the EPWP tells us very little – what we need is work histories. As a quasi-panel study (20 per cent of households were

¹³⁰ McCord (2009, p.178) concludes that there is no evidence to suggest that the lifeskills training that constitutes the bulk of training in the infrastructure sector “will have a significant impact on labour market performance...”

¹³¹ This is easy to check – all it requires is that one dips into the data set available from Statistics South Africa. The answer is not relevant for our purposes here.

¹³² The success rate in obtaining employment or starting a business is also considerably higher than that reported in the studies examined by McCord (2009, pp.257ff).

'rotated' out of the LFS sample at each round), the survey was, in principle, capable of tracking individuals from survey to survey for at least four rounds, thus making possible the building up of labour market participation profiles. There are limits to what the survey could reveal – it cannot give durations for those who are only in an EPWP project for a short while, but it should register if someone appears in four successive rounds of the survey. It should also be able to tell us a little about participants who obtain employment (or fail to do so).

Table 2 Responses to EPWP questions in LFS 12 (September 2005)

	N	Nw
Q5.2 Has participated in any EPWP programme or project during the past six (6) months?	712	273 839
Q5.3 Did work in any government job creation programme or project during the past six (6) months?	529	208 193
Q5.4 What is the name of the programme or project that Worked/participated in during the past six (6) months?		
Named EPWP project	222	90 220
Other	258	96 955
Q5.6 Which of the following skills (if any) did acquire during participation in any of the programmes or project mentioned in Q5.4?		
Variable Q56aCons : Construction related	232	85 653
Variable Q56bHome : Home based care	43	19 865
Variable Q56cChil : Early childhood development	16	13 513
Variable Q56dFore : Forestry	31	10 552
Variable Q56eAgri : Agriculture and animal husbandry	71	19 353
Variable Q56fNume : Numeracy /literacy	8	2 518
Variable Q56gHiva : HIV/AIDS awareness	45	23 237
Variable Q56hCare : Career awareness	38	19 750
Variable Q56iBusn : Business related	69	34 369
Variable Q56jOthr : Other skills	43	21 686
Q5.7 Is still working/participating in the programme or project?		
Yes	275	98 390
No	233	101 504
Q5.8 What, if any, were/are the benefits of participating in the programme or project mentioned in Q5.4?		
Variable Q58aSust : Got a permanent job	54	22 299
Variable Q58bStar : Started own business using skills and experience acquired	58	22 211
Variable Q58cFurt : Opportunity for further training	124	52 196
Variable Q58dTemp : Obtained temporary work	243	89 323
Variable Q58eOthr : Other benefits	27	11 183
Source: Responses to LFS 12, Downloaded from http://interactive.statssa.gov.za:8282/webview/ , 20 th April 2009.		
Note: N = number of responses (sample estimate), Nw = Population weighted estimate.		
Universe - All members of the households in selected dwelling units aged 15 years and above (73 847 respondents in total).		

The drawback, and it is no small matter, is that in order to perform longitudinal analysis using the data, respondent records have to be matched (linked from survey to survey). Only Statistics South Africa is allowed to carry out this task. Unless there has been a major change in recent times, it is unlikely that the official statistics producer is anywhere

near being up-to-date with this onerous task. It is thus unlikely (although not impossible) that the EPWP has performed any analysis of that sort, in which case, we (and they?) are in the dark. As a potential source of data for evaluating the performance of the EPWP, the Labour Force Surveys left more than a little to be desired.

When the Quarterly Labour Force Survey (QLFSs) was introduced in 2008, the EPWP questions were moved to the (2008) General Household Survey (GHS). Questions 5.2 and 5.3 were condensed into one, making it impossible to separate EPWP work opportunities from other government employment creation projects (if any?). Questions 5.6 and 5.8 were retained,¹³³ while 5.4 and 5.7 were dropped. Getting rid of the latter puts paid to the possibility of separating ‘proper’ jobs from ‘temporary government-sponsored’ employment in the labour market. Despite the fact that (a) EPWP work opportunities do not last much longer than 70-90 working days on average, and that (b) the periodicity of the GHS is 12 months, instead of the LFS’s six months (and the QLFS’s three months), the combined question on participation in an EPWP project or other government scheme still asks whether this has taken place in the past six months. It is not clear why the shift has taken place – before it did, there was a chance, admittedly slender, of some longitudinal analysis being performed on the data. That is now gone, damaging further, the already impaired ability to conduct “high-level, macro-impact analysis” on the basis of the questions asked in the surveys.

Phase 1 of the EPWP: what did it achieve?

Under the heading ‘Judging the success (or otherwise) of activation policy’ in Section 1 above, there is a brief discussion of some of the techniques used to measure outcomes of ALMPs. Although the monitoring and evaluation programme (M&E) glanced at immediately above stopped short of performing all the recommended steps, it was nonetheless fairly comprehensive. The extent to which the EPWP management has adhered to the more complex parts of the proposed M&E programme (especially the longitudinal survey) has not been made public. Regularly published quarterly reports do, however, permit the simple ‘performance monitoring’, noted above by Betcherman *et al* (2004) as making it possible to see “how well programme objectives are being achieved”. Table 3 below does this for the five years of Phase 1 of the EPWP).

The top three panels in Table 3 present estimates of the number of work opportunities (in thousands) to be created (target and achieved) in the various ‘sectors’ into which the EPWP is divided; the numbers of person-days of training, and the numbers of person-years of work, including training. These figures are taken directly from the recent EPWP *Five Year Report* (DPW, 2009b), covering all of Phase 1 of the programme. Estimates of mean numbers of days worked, by sector, appear in the bottom panel of the table. These have been estimated on the basis of the assumption that a work year consists of 230 day’s work. Some of the problems involved in such estimations are discussed immediately below.

¹³³ These became question numbers 2.19; 2.20 and 2.21 in the 2008 GHS. In the 2009 GHS, the number of questions was reduced to one only (Question 1.46) – “Has Participated in a Government or municipal job creation programme or expanded public works programme in the last six months?”

Dividing the numbers of work opportunities by the numbers of person years of work, as is done in the fourth panel of the table gives one a crude estimate of person years of work per job opportunity (assumed to be filled by one person). These may be expressed in person days in several ways. The first of these, obtained by multiplying the number of person years of work per job opportunity by 230, tells us how many days paid work, on average, each person who has a job opportunity, enjoys.

Table 3 Performance of EPWP, Phase 1

Net work opportunities – (1000s)	Targets	Achieved	%
Infrastructure	750	955	127
Economic	12	20	170
Environment and culture	200	468	234
Social	150	174	116
Overall	1 112	1 618	145
Person days of training (1000s)	Targets	Achieved	%
Infrastructure	9 000	3 398	38
Economic	39	56	143
Environment and culture	2 005	1 651	82
Social	4 535	2 082	46
Overall	15 579	7 186	46
Person years of work incl. training (1000s)	Targets	Achieved	%
Infrastructure	250	312	125
Economic	18	5	26
Environment and culture	200	114	57
Social	200	120	60
Overall	650	551	85
Person days work (per person)	Targets	Achieved	%
Infrastructure	77	75	98
Economic	345	54	16
Environment and culture	230	56	24
Social	307	158	51
Overall	134	78	58

Source: DPW, 2009b, Table 27, p.110

The other method, obtained by multiplying by denominators related to the periodicity of survey instruments such as the Labour Force Surveys (LFSs), or their successor, the Quarterly Labour Force Surveys (QLFSs), could potentially help in the difficult business of guessing at how long the calendar period is during which the person would be categorised as employed. If it could be estimated, the latter piece of information may have been useful for attempting to guess at the impact of EPWP job opportunities on unemployment levels. Since the QLFSs no longer collect EPWP data, and the GHSs are only conducted once yearly, the issue is academic.

Without access to records in a comprehensive data base, estimating work durations from total numbers of work opportunities and total numbers of person days worked is a hazardous business. This means that the figures in panel 4 of the table are only rough approximations. If one wishes to estimate average durations of actual employment in a population that is both depleted by those who have completed their work spell, and replenished by new entrants into the scheme, and, as is the

case of the EPWP, the rate at which job opportunities is increasing (or decreasing), one must obviously only use completed cases. Although the inaccuracies involved in looking at five-year data may be a lower than those that result from playing with six-month data, the increases in size of annual intakes over the years, and the possibility of increasing durations, could still create a misleading picture. If the data for the most recent period in Phase 1 include some large number of incomplete records (those of people who have not yet completed their spells of work), the crude means estimated for the period as a whole could be quite different from those achieved in the last year of operation of Phase 1 of the programme.

A search through EPWP documents, admittedly not exhaustive, failed to disclose any reference to a central data base for Phase 1 of the EPWP (which does not necessarily mean, of course, that one did not exist). There are, however, a few references to difficulties in collecting data (at which we shall glance below) from the bodies (provincial and municipal) responsible for executing the projects designated as EPWP activities. Given that, one cannot simply round on the EPWP's management, and accuse them of failing to recognise that employment durations are key indicators. If a proper data base existed, it would have in it the information necessary to estimate mean durations of all completed spells accurately – only those still in the pipeline would be omitted. Since no trace of such information could be found, it is important, when using the figures in panel 4 of Table 3 to bear in mind that they could be out by some significant margin.¹³⁴

Turning to the results themselves (finally), it may be seen that as measured by net work opportunities created overall, Phase 1 over-achieves fairly significantly, a performance that has been celebrated by politicians on a number of occasions.¹³⁵ They have been somewhat less

¹³⁴ To put this potential error into perspective, however, it is worth noting that even if it were of the order of, say, 25 per cent (a very large error) it would still imply that the mean duration of employment (person days of work) was only 100 days.

¹³⁵ One example of a politician bragging, worth quoting length, is to be found in the statement issued by South African Government Information on 18th July 2008, under the heading: "Expanded Public Works Programme (EPWP) exceeds set target". The statement was based on a speech made at an awards ceremony the evening before by the then Minister of Public Works, Ms Thoko Didiza.

This is what the statement reported about the Minister's remarks on the EPWP's job opportunities target:

"Government's ambitious poverty eradication initiative, the Expanded Public Works Programme (EPWP), has reached and surpassed its target a full year before the set deadline.

When the programme was launched in May 2004, it aimed to draw significant numbers of the unemployed into productive work with an objective of creating a million job opportunities by 2009.

However by the end of April this year, the programme had already created 1 077 801 job opportunities, way ahead of its scheduled 31 March 2009, time limit, says Public Works Minister Thoko Didiza.

"With another twelve months left in the lifespan of the programme, I can confidently say we have outdone ourselves in implementing this important national programme," Didiza said.

forthcoming on the training target, and as far as I can determine, silent on the number of person years achieved against those targeted.

In absolute terms, Infrastructure is way ahead in the work opportunity and person-years of work created, easily exceeding targets for both.¹³⁶ Best performer in the work opportunities stakes (in relative terms) was Environment and Culture. Five core programmes: Sustainable Land Based Livelihoods; Working for the Coast; People and Parks; Working for Tourism, and Working on Waste, make up the sector. If we ignore the tiny Economics sector of the EPWP, then Environment and Culture also apparently does best on training, scoring over 80 per cent of target. Congratulations need to be tempered, however, because by exceeding the job opportunities target so handsomely, the training has to be shared among more than twice as many people.

For the same reason, the performance of the Environment and Culture sector of the EPWP on the duration measure was also poor. The target for person years of work was 200 000, the same as that for job opportunities, giving a targeted mean duration of one year. Actual performance work-years recorded were 114 228, to give an unadjusted performance of about

The training target was missed by miles, but instead of explaining this and suggesting ways in which the problem could be addressed, all the statement (and the Minister) had to say about the matter was: “With regard to training, which forms a critical part of the programme, Didiza said per-person (*sic*) days set aside for training during 2007/08 were 2 082 155, achieving about 54 (*sic*) of the annual target of at least (*sic*) 3 800 000. [The minister does not make these errors in her speech]. In terms of the Codes of Good Practice for Special Public Works Programmes as gazetted by the Department of Labour, beneficiaries should receive at least two days of training out of every 22 days worked.” The minister also announced that: “... her department was busy working on proposals for the implementation of the second phase of the programme, which will influence the adaptation of the programme and set targets for the next five years to 2014. “Cabinet has given us the go ahead to develop these proposals and to present the details by January 2009,” she explained.”

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[The speech by the Minister of Public Works is reproduced in a Media Statement issued by The Presidency, in which the then Deputy-President Phumzile Mlambo-Ngcuka congratulates all concerned. Ms Didiza’s speech also drew attention to the fact that 40 per cent of participants were youths, instead of 30 per cent target. Media Statement Downloaded from \[http://www.epwp.gov.za/downloads/Ministers_speech.pdf\]\(http://www.epwp.gov.za/downloads/Ministers_speech.pdf\), 19th April 2009.](http://www.search.gov.za/info/previewDocument.jsp?dk=%2Fdata%2Fstatic%2Finfo%2Fspeeches%2F2008%2F08080511151001.htm%40Gov&q=(+works+north+west+)%3CAND%3E(+Category%3Cmatches%3Es+)&t=+Didiza+on+Expanded+Public+Works+Programme+(EPWP), 19th April 2009.</p>
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¹³⁶ Making sense of EPWP documents is not always the easiest of tasks. The section on ‘Objectives’ in the Monitoring and Evaluation chapter of the Five Year Report informs us that: “At the time [2005], it was estimated that the breakdown of work opportunities for the various sectors would be as follows: Infrastructure – 8%; Environment and Culture – 10%; Social – 40% and Economic – 30%.” (DPW, 2009b, p.58). It is not obvious how one reconciles this with the numbers in Table 3 above.

57 per cent. When this is distributed over the number of opportunities actually created, actual mean as a percentage of target work days falls to 24 per cent (see panel 4 of Table 3). The fact that the EPWP was able to get people to work in these socially useful areas is cause for celebration – training is clearly a problem, as is duration, but this does not necessarily cancel out the positive effects of the policy intervention.

Although the Infrastructure sector (component) of the EPWP deserves a pat on the back for meeting the job opportunities and work years targets (assuming that the reports by participating authorities are to be relied on), its training performance was abysmal. Training is supposed to be the very heart of the programme – as the founding document referred to above points out:

“The central objective of the EPWP is to alleviate poverty through training of poor unemployed people.” (DPW, 2005a, p.31)

When one looks at the training proposed for those who fill the majority (about two-thirds) of the work opportunities – workers in infrastructure – one cannot help feeling that it is appropriate for the EPWP’s documentation to express such a low expectation of participants finding future employment (14 per cent are expected to be able to earn income in the future).

The legal document laying down the code of good practice for special public works (DoL, 2002b) stipulates that participants must be given two day’s training for every 22 days worked (Section 15.2). As the programme’s designers acknowledge, because job opportunities in infrastructure projects last between four and six months, not much can be accomplished in 8-12 training days. An agreement was therefore struck with the Department of Labour to create a “generic 10-14 day training course” that would consist of:

“accredited unit standards on:

- General Life skills,
- Awareness of HIV and AIDS
- Labour markets and the world of work.” (DPW, 2005b, p.9)

By way of explanation for the failure to deliver this relatively minor service (2.6 million days achieved out of a target of 9 million in the infrastructure sector of the EPWP), the quarterly¹³⁷ report (for the period April-September 2008) says that:

“The overall number of person-days of training that has been provided since the commencement of the EPWP is *at least* 5,9 million training days. The project has achieved 38% towards its 15, 5 million person-days of training target. Due to the delays with funding training from the Department of Labour, the training days targets will not be met.” (DPW, 2009a, p.5, emphasis added¹³⁸)

This adds to the misfortunes of the target group, and bodes ill as well for the future of the EPWP. One would imagine (hope) that issues of this kind are being addressed in Phase 2 of the EPWP. The Social Transformation discussion document prepared for the 2007 ANC

¹³⁷ Oddly, the ‘quarterly’ reports cover six month periods.

¹³⁸ It is difficult to imagine what purpose that ‘at least’ is supposed to serve, if not to evoke the reader’s sympathy.

conference at Polokwane, trotted out some pious cant about the EPWP increasing “the capacity of participants to earn an income once they leave the programme” (ANC, 2007a). Even if delivery problems are sorted out, the ability of training of such an elementary nature to achieve this must be close to zero.¹³⁹

Returning once more to the performances reported in Table 3, we fix our attention for a moment on the results in panel 4. Keeping in mind what was said above about the difficulties of estimating mean employment durations, we note that when actual work opportunities are translated into days worked (the 230 day year), that the longest mean duration of employment is in the Social sector, followed by Infrastructure. The 75 days achieved was more or less what was targeted.¹⁴⁰ Without this, performance, as measured by mean duration of work opportunity, would have been truly dismal. As it is, overall performance (78 days out of a targeted 134) is 42 per cent short of what it should have been. One obvious question comes to mind, namely, are the Infrastructure results real, or are they a mixture of unknown/unknowable proportions of reality and creative accounting?

In preparation for Phase 2 of the EPWP, as part of the critical analysis carried out by the DPW, the department prepared what appears to be a presentation to the members of the “Second Economy Strategy Project” in TIPS (the Trade & Industry Policy Strategies research institution). Dated 29 September 2008, and headed “Overview of EPWP Phase 2”, the PowerPoint presentation contains a tantalising set of critiques of all sectors of the programme. The page dealing with the Infrastructure sector is reproduced immediately below.

- Meeting job targets but jobs are too short
- Use of labour-intensive methods remains contentious and seen as high risk
- Mobilisation of local government who (*sic*) has the portfolio with the greatest potential difficult (*sic*)
 - Competing priorities (Spending, backlog eradication)
 - Weak institutional processes, procedures and structures
 - Overall capacity constraints
- Distinction between EPWP and non EPWP projects remains a difficulty
 - Large projects with small LI [labour intensive] Components being reported as EPWP
 - DPW has no **authority** to enforce compliance
 - No **incentives** for public bodies to increase labour-intensity significantly (DPW, 2008) (emphasis in original)

¹³⁹ For a critical analysis of the limited efficacy of the EPWP training programmes, see McCord, 2007a.

¹⁴⁰ Sometimes the numbers produced by the EPWP are truly bizarre. For the 2008/2009 year, for example, the Five Year Report informs us that in Infrastructure, ‘Gross work opportunities’ created at Municipal, National and Provincial levels, were 218 490; 39 739 and 140 551 respectively. Corresponding durations were said to have been 67; 5 and 67 days respectively. This generates a total of 398 780 work opportunities. From these figures, the EPWP manages to estimate an average duration of work opportunity for the sector of 32 days – surely it should be 61? See DPW, 2009b, Table 29, p.112.

None of the problems listed can come as a surprise. Rather than comment on them all, let us content ourselves with noting that the claim in the first bullet point is confirmed by the findings reported in Table 3. Having done that, we can focus our attention on the last bullet-point. Earlier on, the absence (or poor quality) of a work opportunity data base was lamented. In the final bullet-point above, the reasons why data are scarce and unreliable become clear. If municipalities and provinces can manipulate results (by manoeuvring in the grey area about what constitutes an EPWP project), then the boasting about targets achieved in any sector, particularly Infrastructure, needs to be taken with a grain of salt. More important than political point-scoring, however, is the damage likely to be suffered by attempts to measure the progress (or otherwise) of the programme. As I have pointed out elsewhere (Meth, 2009b, p.29) the section on the monitoring and evaluation exercise carried out for Phase 1, published in the EPWP *Five Year Report*, is “deeply disappointing”.

Judging by the scattered references in the EPWP documents, data quality is a perennial problem. At a 2007 briefing of the Public Services Select Committee of the National Council of Provinces (NCOP), the Chief Director in the DPW responsible for monitoring and evaluation, discussed problems of:

“... quality, accuracy and urgency of the data the Department was receiving from municipalities and provincial governments.” (DPW, 2007)

Steps taken to address this problem (glanced at in next section of the paper) have yet to take effect, as a recent (17 August 2010) overview on Phase 2 of the EPWP, clearly shows. Having observed that: “Data capturing capacity was lacking, to report properly on implemented projects”, the DPW official conducting the briefing, commenting on the poor performance of municipalities, said that this:

“... was due to a range of reasons, such as poor reporting, inaccurate capturing of data, poor planning by the implementing body and lack of technical expertise.” (DPW, 2010)

In answer to the question ‘what did Phase 1 of the EPWP achieve?’ the most sensible response must be that nobody can say for sure. It would be useful if some eager PhD candidate could lay their hands on all the data collected by the EPWP (by means of freedom of information application?), and subject it to careful analysis. On that wishful note, let us take leave of Phase 1 of the EPWP at this point, to look at aspects of the recently announced Phase 2.

Phase 2 of the EPWP: What is on offer?

By any standard one cares to adopt, EPWP Phase 2 is an ambitious undertaking. Even after the ‘work opportunities’ have been converted to full-time equivalents (FTEs), the numbers are still large. Before the launch in April 2009, fairly detailed estimates of the numbers of work opportunities, and sums of money involved, were available. A Department of Public Works (DPW) presentation to the Parliamentary Portfolio Committee on Public Works in February 2009, for example, offers a breakdown of the numbers of work opportunities (and FTEs) by

sphere of government, for each year of the programme.¹⁴¹ Estimates differ slightly from source to source, but the differences are not significant.

Table 4 below has been constructed on the basis of the estimates published in the *EPWP Five Year Report*. This contains numbers of 'work opportunities' and the number of full-time equivalent jobs (FTEs) that they represent, for each year of Phase 2 of the programme (DPW, 2009b, p.139). Also provided, are estimates of the distribution of 'work opportunities' (and FTEs) by sector for the 2009-2014 period (DPW, 2009b, p.141). The figures from the *Five Year Report* are highlighted in bold font – they appear in the first two panels of the table. Below that in the third and fourth panels, are the results of an attempt to estimate the annual numbers of work opportunities in the Infrastructural and Environmental sectors that may become available.

The estimates in panels 3 and 4 have been produced using the assumption that the proportional distribution of opportunities between sectors shown in the first panel, holds good for the whole of the five year period. This may not have been the way the projections were constructed, but as may be seen, the total numbers of work opportunities over the five-year period generated in this way are similar to the totals given in the first panel. For our purposes here, they are therefore, good enough.

In the last two columns of the table, estimates of the mean durations of job opportunities, and mean training durations if the code of good practice (2 days for every 22 days worked) is followed, are presented. In the first panel, a row that sums Infrastructural and Environmental job opportunities has also been added.

The bulk of the work opportunities (72 per cent) and full-time equivalents (FTEs – 62 per cent) are concentrated in the Infrastructure and Environmental sectors. Should the programme deliver what these figures suggest, then employment duration in the former will average about 87 days, and in the latter, 70 days. If the code of practice recommendation on training (DoL, 2002) is to be met, then training would average eight days in Infrastructure, and seven days in the Environmental sector.¹⁴²

It is common cause that training periods of short duration, offered to people performing mainly routine tasks, have little or no impact on employability. Since training was a major failure in Phase 1, one imagines that when detailed information on Phase 2 is released, a clear statement of intent about training will be made. In the absence of guidelines and directives, it is likely that training will be neglected by many authorities.

There is, it could be argued, a case for abandoning attempt to provide formal training (along the lines spelled out above) in the Infrastructure and Environmental sectors – in these sectors, most workers could get by

¹⁴¹ Details of the proceedings are available on the Parliamentary Monitoring Group website. The February 2009 briefing of the Portfolio Committee by the Minister of Public Works may be downloaded at <http://www.pmg.org.za/report/20090211-phase-2-expanded-public-works-programme-briefing>.

¹⁴² Estimates of the number of FTEs into which the work opportunities listed in Table 4 translate, differ slightly from those given in the national expenditure estimates (National Treasury, 2010b, p.12). The differences are minor.

with only the on-the-job training required to enable them to carry out the elementary tasks which they are employed to do. If the ethical problems involved in concentrating resources on a minority (favouring them) could be overcome, consideration could be given to the provision of more extensive training to a select group who are likely to profit by it. One hopes that the evaluations cast light on this difficult question.

Next up for consideration are the estimates of the numbers of work opportunities to be created. Plotting the figures in the second panel of Table 4, suggests that the experience of Phase 1 was simply extrapolated into the future, with relatively slow growth between year 1 and year 2 giving way to faster growth in succeeding years. This raises the suspicion that a goodly measure of thumb-sucking has taken place. It is possible that this is not the case, but if that is so, it would be interesting to know something about the basis on which the estimates have been made. The possibility that the figures are helped along by guesswork is heightened by the fact that using an assumption of roughly equi-proportional growth in the Infrastructure and Environmental sectors yields estimates of total growth that are similar to the totals given in the *Five Year Report*.

Table 4 Phase 2 work opportunities

Sector	Work opportunities	Full Time Equivalents	Mean duration (days)	Training duration (days)
Infrastructure	2 374 000	900 000	87	8
Environmental	1 156 000	350 000	70	6
Sub-Total	3 530 000	1 250 000	81	7
Infrastructure + Environmental				
Social	750 000	500 000	153	14
Non-state	640 000	280 000	101	9
Total (approx)	4 920 000	2 030 000	95	9
Yearly targets: Total				
Year 1	500 000	210 000	97	9
Year 2	600 000	260 000	100	9
Year 3	850 000	360 000	97	9
Year 4	1 200 000	500 000	96	9
Year 5	1 500 000	680 000	104	9
Total (approx)	4 650 000	2 010 000	99	9
Yearly targets: Infrastructural				
Year 1	241 000	93 000	89	8
Year 2	290 000	115 000	92	8
Year 3	410 000	160 000	90	8
Year 4	579 000	222 000	88	8
Year 5	724 000	301 000	96	9
Total (approx)	2 244 000	891 000	91	8
Yearly targets: Environmental				
Year 1	117 000	36 000	71	6
Year 2	141 000	45 000	73	7
Year 3	200 000	62 000	71	6
Year 4	282 000	86 000	70	6
Year 5	352 000	117 000	77	7
Total (approx)	1 093 000	347 000	73	7

To claim that figures for a project stretching well into the medium-term contain some element of guesswork can surely occasion no surprise – everybody knows that forecasting is difficult. What is of interest here is

thus not the question of how much guesswork there is in the EPWP calculations, but rather, what likelihood there is of outcomes in 2014 anything like those depicted in Table 4, coming to pass. Two imponderables bar the route to (relative) certainty in this matter, both of which we have already met. The first is technical (i.e., it is concerned with production functions), the second, institutional-political. The two are intertwined.

Our cue comes from the performance figures given in the EPWP Phase 1 *Five Year Report* and reproduced in Table 3 above. It may be recalled that with the exception of Infrastructure and Social work opportunities, and Infrastructure person-years of work, few of the 'achievements' was anywhere near the 'targets'. As has been shown above, EPWP management has long been aware of the problem of poor data capture, and the difficulties of distinguishing EPWP from non-EPWP projects. In short, there are reasons to doubt the performance figures, especially those for Infrastructure.

The requirement for Phase 2 of the EPWP is twofold; one is to make the data more reliable, the other is to reduce the 'distances' between 'target' and 'achieved'. The question is: how? From the EPWP *Five Year Report*, and from the various briefings and presentations referred to above, it is clear that a great deal of soul-searching, sector by sector, has gone into trying to work out what went wrong. It is not the intention here to examine those analyses – my interest is in the most significant measure adopted in Phase 2 to push performance closer to plan, namely, the performance-related incentive payments that have been introduced. Before looking at those payments, it may be useful to spend a few moments looking at the branch of economics concerned with the substitutability of factors of production. Doing so, enables one to make some broad predictions about the areas where problems may be expected.

Conventional economics is fond of teasing students with diagrams depicting lovely smooth isoquants, along which the factors of production, capital and labour, may be substituted until an equilibrium, determined by relative factor prices is reached. The discipline is not so silly as to fail to recognise that fixed factor proportions are at least a possibility, so a decidedly prickly looking isoquant, with a corner solution to the allocation question, may be found lurking in some texts.

Surprising though it may seem to some that such abstract considerations have any relevance to the EPWP, it is the problems of allocation highlighted by this simple model, that are at the heart of the difficulties of those trying to predict future outcomes of the programme. A *leitmotif* of the EPWP, the need to increase labour intensity of production, relies for its applicability precisely on the extent to which labour may be substituted for capital. This approach opens the way to a rigorous understanding of the possibilities of the programme. This may be illustrated by reference to a few EPWP projects – take early childhood development (ECD), for example, in the Social sector. If this is to be provided by way of nursery schools, then factor proportions are relatively fixed – a suitable building, and qualified staff required. No more than a certain number of children can safely be admitted, and there are norms for the ratios of children to staff. Equipment may be more or less elaborate, as may the building itself, but that is all that can be varied. Community care, by contrast, requires trivial capital outlays, relying almost entirely on trained staff. Administrative capacities will probably have to be strengthened as numbers of carers increase, but this is likely to occur in stepwise fashion, rather than in any close relationship to the

size of the carer workforce. Clearly, in both cases, talk of increasing labour intensity is inappropriate – either these activities are given priority or they are not. Investigation of why either had not come up to scratch would focus not on labour intensity, but rather on post-budgetary allocation processes.

Infrastructure, by contrast, especially road-building, offers scope for a wide variety of production techniques. Minor roads can be constructed almost entirely by hand using the simplest tools. That includes the classic prison-labour task of producing the equivalent of crusher run, using hand-held hammers, as well as excavation by pick and shovel. When choice of technique widens, uncertainty enters, and economics begins to stumble. Moving out of a world of workers with known productivities and market-determined wages into one in which neither condition holds, the temptation to stick to tried and trusted capital-intensive techniques is strong, particularly when management is dominated by engineers. The responsibility of delivering on time and within budget is a powerful disciplining force. It does not require 20/20 hindsight to claim that inducing the awarders of contracts (provinces and municipalities) to increase the labour intensity of infrastructure projects was always going to be a difficult task. The weaker the municipality, in terms of technical capacity, the less one would expect it to be able to confront capital-intensive bias.¹⁴³

Although the Infrastructure work opportunity and person-years of work targets were both allegedly met in Phase 1 of the EPWP, with the largest contribution to the total coming from the municipalities (see DPW, 2009b, Table 29, p.112), there have been indications over the years that the goal of increasing labour intensity is not viewed with great enthusiasm. The 2007 briefing referred to above noted that:

“... contribution from the municipalities was lacking...” (DPW, 2007)

The 2008 overview, as we have seen above, commented that:

“Use of labour-intensive methods remains contentious and seen as high risk”

and that there are:

“No **incentives** for public bodies to increase labour-intensity significantly...” (DPW, 2008) (emphasis in original)

The 2009 Ministerial and departmental briefing pointed out that:

“Both Provincial and Municipal entities needed to be reminded that the projects were intended to be labour-intensive.” (DPW, 2009d)

The *Five Year Report* commented that:

“During EPWP Phase One, municipalities did not significantly adopt labour-intensive approaches to infrastructure implementation.” (Presidency, 2009b, p.57)

¹⁴³ According to the EPWP Five Year Report, labour intensity in the Social sector was more than twice as high as it was in the Infrastructure sector. See DWP, 2009b, Figure 19, p.113.

Despite being in its sixth year, the programme's managers said in the PowerPoint presentation in August 2010 that:

“Labour-intensity of projects implemented not being optimized by Provincial Departments and Municipalities.” (DPW, 2010)

Facing the EPWP as it enters Phase 2 is a large array of challenges, to which a wide variety of responses has been devised. Increasing labour intensity, if not the most difficult of these to overcome, is certainly the challenge which has attracted the largest budgetary allocation – performance-related incentive payments referred to fleetingly above. The remainder of this section is devoted the presentation of a few of the details of the incentive scheme.

EPWP watchers (if any such there be) would have been able to pick up an early warning about impending changes in the about-to-be-launched Phase 2 of the programme, in the “Overview of Phase 2” that appeared on the TIPS website (referred to as DPW, 2008). That presentation informed its audience that:

“On 25 June 2008 Cabinet approved the continuation of the EPWP for a second period of five years and the broad proposals for scaling up the programme further.

- These proposals contained two new elements: an incentive/ performance based allocation for the EPWP to drive the further expansion of existing government implemented programmes and the expansion of the EPWP into non-State as well as increasing regular predictable employment programmes (100 days)”

In essence, the incentive scheme is simplicity itself – if the authority responsible for implementing an EPWP project meets an agreed target for the creation of work opportunities, it qualifies for an incentive payment. As ever, the devil lies in the detail. Obviously, care in the design of the proposed incentives is necessary to prevent them from sliding into municipal coffers and being diverted to other purposes.

To qualify for the proposed incentive – an amount of R50 per person-day of work created – eligible municipalities will have to meet (or exceed) formal targets for work opportunity creation. The intention is to stimulate enthusiasm in municipalities, which have much of the responsibility for the implementation of the EPWP, for the programme's original aim of increasing labour intensity. The proceeds are to be spent by municipalities on increasing the number of work opportunities beyond those specified in the agreed targets – that, it is hoped, will provide a boost that will help to achieve the massive increase in the EPWP employment numbers listed in Table 4.¹⁴⁴

The sums of money involved are large – the AsgiSA annual report for 2007/2008 (published in mid-April 2009), reported that:

“From 2009 to 2012, R4.2 billion has been allocated to Phase Two of the EPWP. This will include a new EPWP grant incentive for municipalities aimed at providing them with incentives to increase the number of employment opportunities on infrastructure projects.

¹⁴⁴ Early indications that the incentives may work, are favourable. See the article “New grant boosts EPWP project” by Samantha Enslin-Payne in *IOL (Independent online) Business Report*, October 14, 2010.

During EPWP Phase One, municipalities did not significantly adopt labour-intensive approaches to infrastructure implementation.

The extension of this programme targets 400 000 full-time equivalent longer-term jobs in the social and municipal services sectors, home-based and community care, as well as project-based employment in infrastructure and environmental protection, in adult literacy initiatives and in programmes delivered through non-governmental organisations.” (Presidency, 2009b, p.57)

In Phase 1 of the EPWP, little direct funding was made through the Department of Public Works (DPW), the department with overall responsibility for the programme. In the financial year 2009/2010 for example, in a budget of R5.7 billion, more was allocated to administration (R690 million) than to the EPWP (R510 billion). Funding went instead through other departments, and other jurisdictions, e.g., municipalities. With the introduction of the incentive scheme, this changes dramatically. In 2010/2011, the DPW expenditure allocation to the EPWP increases (to R1.5 billion). It reaches a projected R2.5 billion 2012/2013 (National Treasury, 2010c, p.90).¹⁴⁵

For a government, many of whose officials are notable neither for their probity nor their competence, the EPWP is an awfully large project to tackle. Consider, for example, the range of bodies through which incentives have to be distributed. According to the August 2010 incentive update:

- “The Infrastructure sector incentive is applicable to Provincial Departments and Municipalities.
- The Environmental sector incentive is applicable to National Departments through their appropriations from National Treasury.
- The Non-state sector grant is paid to Non-Government Organisations (NGOs) and Non-Profit Organisations [NPOs] through the Independent Development Trust (IDT) which was appointed as the intermediary.
- The Social sector grant has been paid as a schedule 5 grant to Provincial Departments of Social Development and Education.” (DPW, 2010)

Requiring bodies that malfunction much of the time, bodies which earn qualified audits year after year, to improve performance to the point where they can qualify for the payments, is in itself a major undertaking (no payment is supposed to be made in the event of non-compliance). Even with the help of the additional data capturers hired through the EPWP (90 of them) and the engineers at head office available to advise and assist, it is not clear how the transition is to be achieved.

¹⁴⁵ Over the Medium-Term Expenditure Framework (MTEF) period 2009-2012, the expenditure estimates in the 2009 Budget for the National Public Works Programme, have amounts of R353 million in 2009/10, R954 million in 2010/2011, and R1.9 billion in 2011/12 set aside for ‘Transfers and subsidies to Provinces and municipalities’. About R730 million over the period 2009/12 will also be transferred to ‘non-profit institutions’ (National Treasury, 2009, Table 5.6, p.13). Note that the expenditure downloads of the expenditure estimates on the Treasury website are all in small files. The page number given here will thus not be the same as the page number in the paper publication.

To end this section, a long extract from a speech made in September 2009, in the Eastern Cape to award incentive cheques, follows. The incentive is supposed to function as a reward for meeting a target. What the passage below suggests is that for many of the institutions or authorities concerned, where, for whatever reason, the parties are unable to agree on a target, the target is set to zero, and the incentive is paid, on what basis it is not specified. Zero-thresholds appear to apply mainly in municipalities likely to lack capacity. Here (in italics) is the passage:

Report monthly on the EPWP MIS [management information] system

After the public body has submitted the EPWP quarter report an audit will be done and the money will then be transferred to the public body's account by treasury if it has met the threshold.

The EPWP incentive grant can only be used for job creation programmes, nothing else. Public bodies are compelled to sign the wage incentive agreement, committing themselves in implementing EPWP and achieving the targets as set. All eligible public bodies within the province have signed except for Ingquza Hill Municipality.

Program Director tonight we are here to award these ceremonial cheques to the public bodies that are eligible for the EPWP incentive grant as a symbol of commitment in accelerating and taking the fight against poverty and unemployment to greater heights. Our province is greatly affected by the current global recession, mines are closing down forcing the mine workers to migrate back home as unemployed people. The automobile sector that we have heavily relied on is seriously affected resulting in high retrenchments and other companies closing down. Note how many 'zero thresholds there are among the public bodies eligible for the EPWP incentive grants:

Provincial departments:

- *Department of Roads and Transport is eligible for R26,9 million and the threshold is 18 720 work opportunities*
- *Department of Health: R1,1 million and has a threshold of 3 468 work opportunities*
- *Department of Social Development: R607 000 and has zero threshold*
- *Department of Sport, Recreation, Arts and Culture: R351 000 and has a zero threshold*
- *Department of Economic Affairs and Environment: R911 000 and has a zero threshold.*

Municipalities:

- *Nelson Mandela Metro is eligible for R334 000 and has a threshold of 5 616 work opportunities*
- *Buffalo City: R333 000 and has a threshold of 5 946*
- *Amathole District Municipality: R8,3 million and has a zero threshold*
- *Tsolwana municipality: R1,4 million and has a zero threshold*
- *Lukhanji: R333 000 and has a zero threshold*
- *Intsika Yethu: R414 000 and has a zero threshold*
- *Emalahleni: R738, 000 and has a zero threshold*
- *Sakhisizwe: R662 000 and has a zero threshold*
- *Chris Hani District Municipality: R7.9 million and has a zero threshold*

- *Ukhahlamba District Municipality: R3,8 million and has a zero threshold*
- *Ingquza: R333 000 and has a zero threshold*
- *Alfred Nzo District Municipality: R28,7 million and has a zero threshold*¹⁴⁶

Without knowing what period the funds cover, or how the allocations were decided, it is difficult to comment on the figures. One thing though, does strike one rather forcibly, and it is the sole reason for reproducing the numbers, and that is the number of municipalities that have zero thresholds. All but R666 000 of the R53 million disbursed goes to such municipalities.¹⁴⁷ The threshold is supposed to function as a gateway to the incentive pot – if the zero threshold criterion causes that to fall away, what, one wonders, will the effects be on the programme? Will the monitoring structures be able to cope with poor record-keeping?

Some portfolio and review committees, aware of their power, exercise it in ways that are acutely discomfiting for the minister, the deputy ministers and senior civil servants alike. Scanning the minutes of the meetings (reviews, reports-back, briefings) referred to above, at which the EPWP has explained what it does, and why, does not overwhelm one with a sense that the members often ask questions that put the EPWP team on the spot. One can only hope that the monitoring and evaluation systems for Phase 2 are not as ineffectual as those for Phase 1 give the impression of being.

What effect will Phase 2 have on unemployment?

Government's boast that unemployment will be halved by 2014 has attracted surprisingly little critical attention. Apart from Miriam Altman of the HSRC,¹⁴⁸ mine seems the only mind to have been sufficiently exercised by the 'halving' boast to want to challenge it. Several papers, the first of them (Meth, 2004) published not long after the 'halving' goal was announced, have followed. The most recent of them (Meth, 2009b) argued once more that barring some miracle, neither the unemployment halving goal, nor its companion, the commitment to halve poverty by 2014, would be achieved. To the best of my knowledge, no-one in government has ever responded to these claims. Great was my surprise, therefore when I stumbled across a set of scenarios prepared by the National Treasury, on the basis of which it is concluded that:

“The moderate recovery outlined in the budget forecast is projected to create just over 1 million jobs in the next five years, and would result in only a marginal decline in the number of unemployed and the unemployment rate by 2014.” (National Treasury, 2010a, p.46)

¹⁴⁶ The speech is headed “Eastern Cape MEC for Roads and Public Works Pemmy Majodina presenting Expanded Public Works Programme (EPWP) incentive grant cheques”. Dated 30 September 2009, it was downloaded on 22nd August 2010 from: <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=6040&tid=6185>.

¹⁴⁷ Provinces are likely to differ significantly in the proportion of funds going to zero threshold municipalities.

¹⁴⁸ See, for example Altman, 2009. In that paper, she attempts to update an earlier set of employment forecasts to take account of the global economic crisis.

The Treasury scenarios are reproduced in Table 5 below.

Table 5 Employment scenarios, 2010-2019

	Growth (%)		Change in employment		Employment (thousands)		Change in unemployment (1000s)		Unemployment rate (%)	
	2010 - 2014	2015 - 2019	2010 - 2014	2015 - 2019	2014	2019	2014	2019	2014	2019
Scenario A	3.2	3.5	1085	1274	14 058	15 332	-122.7	-311.4	22.6	19.8
Scenario B	3.4	4.0	1147	1470	14 120	15 590	-184.9	-507.2	22.2	19.8
Scenario C	3.5	4.5	1189	1667	14 162	15 829	-226.5	-704.1	22.0	17.2
Scenario D	3.7	6.0	1251	2266	14 224	16 490	-288.9	-1303.1	21.7	13.8

Source: National Treasury, 2010a (*2010 Budget Review*), Table 3.6, p.46

In the general melee of the 2010 Budget, the Treasury speculations have been almost entirely overlooked. Yet they are of great significance, contradicting, as they do, the official line on unemployment halving, trotted out repeatedly by high-ranking ANC politicians and civil servants.¹⁴⁹

Given their official provenance, the Treasury scenarios offer an obvious base on the strength of which to construct a set of estimates of the possible contribution of Phase 2 of the EPWP to goal of halving unemployment. It is clear from the tone of the statement made by the Minister of Public Works upon announcing the inception of Phase 2 of the EPWP that there is an expectation that the programme will make a substantial contribution to government's goal of halving unemployment by 2014.¹⁵⁰ Yet how substantial this may be, seems not to have been the topic of any serious analysis – the present paper tries to fill part of the resulting void. In earlier versions of the present paper, I made use of my own estimates for performing this task – the publication of the Treasury figures opens the way to a somewhat different approach (and a refreshing change from regurgitating estimates, even if only in summary form, I have published elsewhere).

They are used as the basis for a set of speculations on the possible impact of Phase 2 of the EPWP on unemployment. It is not clear whether or not the Treasury figures take into account the EPWP job creation effort. For the purpose of the exercise conducted below, it is assumed that they have not. As may be seen, even in the most optimistic of the scenarios, the unemployment rate does not fall below 20 per cent by 2014, a long way from the 'halving' goal's 14 per cent – that is achieved only by the year 2019. At most, the number of unemployed in 2014 falls by less than 300 000 (from its 2009 level of about 4.1 million).

Apart from the growth rates specified in the first two columns of the table, the other assumptions Treasury used to generate the unemployment rates in the last two columns, are an employment elasticity of growth (percentage change in employment divided by percentage change in output growth) of 0.5; a participation rate of 55 per cent over the whole period, and a growth rate of one per cent per annum for the working-age population. Both the employment elasticity and the participation rate assumptions are a little suspect – in particular, the latter. It is extremely unlikely that the rate will not respond quite rapidly to changing economic conditions, with significant implications for unemployment levels.¹⁵¹ Our

¹⁴⁹ A particularly craven example is that of the official responsible for the EPWP monitoring and evaluation in the DPW, who said (in the presence of his Minister) that: "... that Government had adopted targets to halve unemployment and poverty between 2004 and 2014, but this should be viewed as an interim target only, as the aim was to improve upon these figures." (DPW, 2009d)

¹⁵⁰ See the article "SA on track to halve unemployment by 2014" by Wendell Roelf, in the *Mail & Guardian* online, 6 April 2009.

¹⁵¹ In my work, the participation rate was allowed to take up a wide range of values, to cover a variety of possible responses by the potentially economically active. In that work, I allowed the employment elasticity to depend on guesstimated numbers of jobs created. Assumed economic growth rates (from a variety of medium-term forecasts reported in the press) were then used to guess at employment elasticities. These ranged from about 0.6 to 1.2. The latter outcome, implying falling national productivity, results from the combination of fast growth in the economically active population in response to relatively rapid economic

business here was not, however, to develop a critique of the Treasury model, rather it was to speculate a little, as has been done above, on what the figures suggest could happen in the future.

Using a survey instrument such as the Quarterly Labour Force Survey, two distinct sets of effects of the pursuit of the 'halving' goal may be distinguished: the first of these, the macro-picture generated by the survey results, is concerned with the more conventional estimates of unemployment, namely the rates and numbers of people unemployed; the second of these, the number of days that people spend classed as 'officially unemployed', opens the door to a micro-examination of the socio-economic impacts of the EPWP. They are considered below in that order.

How much can EPWP Phase 2 reduce unemployment rates and levels?

To produce the estimates, it is necessary first to replicate the Treasury figures. Since they do not give the origins of the base data they used, a little guesswork has been necessary – I have used the working age population, employment and official unemployment figures from the QLFS for the fourth quarter of 2009 (Statistical release P0211, 9 February 2009, p.vi). No divergence is larger than 20 000 or so (most are much smaller), well within the limits of experimental error for an exercise of this sort. Clearly, since the Treasury has opted to allow the growth rates to increase monotonically in the narrow range of 3.2-3.7 per cent per annum, it is not necessary, when performing the calculations, to do so for the two intermediate values. The estimates in Table 6 are therefore based on growth rates of 3.2 and 3.7 per cent per annum, respectively. Estimates of the numbers of FTEs – full-time equivalent 'jobs' – to be created by Phase 2 of the EPWP are available for the years 2009/10 to 2013/14.¹⁵² The 2013/14 figure is 680 000 FTEs. To take the results up to the end of calendar year 2014, it is assumed that a further 600 000 EPWP FTEs (not 'work opportunities') are created.

In order to gauge the significance for the unemployed of Phase 2 of the EPWP, it is necessary to compare the outcomes in Tables 5 and 6. If we assume that the Treasury model does not include the EPWP work opportunities (converted to FTEs?), then, under the most optimistic of the Treasury assumptions (Scenario D), the unemployment rate in 2014 would be about 18 per cent when the EPWP work opportunities are taken into account, as opposed to about 22 per cent when they are not. Corresponding numbers of unemployed are 3.25 and about 3.85 million.¹⁵³ Phase 2 of the EPWP causes the number of unemployed to fall by 900 000 or so, as opposed to the 290 000 drop that occurs in its absence.

To object that exercises of the sort that generate the results presented in Tables 5 and 6 are too mechanistic to allow much reliance to be placed in them, would not be entirely unreasonable. Certainly, the assumptions

growth in the economy, with employment creation through the EPWP and the Community Work Programme (CWP) added to that associated with economic growth. See Meth, 2009b, pp.19ff.

¹⁵² The figures were published in the EPWP Five Year Report. See DPW, 2009, p.139.

¹⁵³ The latter figure is not given in Table 5, it is taken from the spreadsheet used to generate the results.

used by the Treasury are too constricting to allow for the wide range of possible outcomes of an uncertain future. The significance of the Treasury scenarios lies not in the possibility of any of them being fulfilled, but rather in the fact that they constitute, as noted above, the first acknowledgement by a government department of the probability that the unemployment halving goal will not be achieved.

Table 6 Impact of EPWP Phase 2 on unemployment rates and levels

Treasury Scenario A	EPWP FTEs	Revised employment (1000s)	Revised unem-employment (1000s)	Revised Rate (%)	Change in unem-employment (1000s)
2009/2010	210	12 974	4165	24.3	0
2010/2011	260	13 455	3911	22.5	-254
2011/2012	360	13 779	3760	21.4	-405
2012/2013	500	14 147	3568	20.1	-597
2013/2014	680	14 559	3333	18.6	-832
Rest of 2014	600	14 715	3356	18.6	-809
Treasury Scenario D	EPWP FTEs	Revised employment (1000s)	Revised unem-employment (1000s)	Revised Rate (%)	Change in unem-employment (1000s)
2009/2010	210	12 974	4165	24.3	0
2010/2011	260	13 474	3891	22.4	-274
2011/2012	360	13 818	3721	21.2	-444
2012/2013	500	14 207	3507	19.8	-658
2013/2014	680	14 641	3251	18.2	-914
Rest of 2014	600	14 819	3251	18.0	-914

Having taken this preliminary step, it is to be hoped that Treasury will in future put some effort into increasing the sophistication of their basic model to allow for the inclusion of other job-creation efforts, such as the Community Work Programme (CWP), for which R1.5 billion has been allocated in the 2010 budget.¹⁵⁴ Until such time Treasury offers a set of scenarios built on assumptions that pay greater respect to the radical unknowability of the behaviour of some of the variables involved, especially the changes in the participation rate, I prefer the set of results presented in Meth (2009b), if only because they pay greater respect to the uncertainty of what the future holds.

How much can EPWP Phase 2 reduce unemployment person/days?

Estimates of the potential contribution of the EPWP to the unemployment 'halving' goal have been considered above. Despite the narrowness of the Treasury scenarios, they will still be used as the basis of an attempt to translate the estimates of potential impacts of Phase 2 of the EPWP on the severity of unemployment, as measured by proportional reductions of the anticipated total numbers of days of unemployment experienced by the workforce as a whole.

¹⁵⁴ See Treasury (2010a, p.127). On the same page, reference is made to R52 billion set aside for Phase 2 of the EPWP. This must be an error – it should surely be R5.2 billion?

One of the problems faced by would-be analysts of the EPWP is that of attempting to discover, from the publicly available material, what the labour market status was of those who are fortunate enough to obtain a work opportunity.¹⁵⁵ In the absence of such knowledge, the conservative (if dubious) assumption to use is that the opportunities are collared by the officially unemployed (this will have the maximum impact on the unemployment rate). It is trivially obvious that the EPWP reduces the number of unemployed by reducing the number of days they spend being idle during the year. Expressing the total number of EPWP work days as a percentage of the total number of days of 'official' unemployment experienced by the workforce as a whole, gives us the figures reproduced in Columns 2 and 3 of Table 7 below.

Table 7 The impact of the EPWP Phase 2 on unemployment days

	No of officially unem- ployed (1000s) if no EPWP jobs Col. 1	No of days unem- ployment (millions) if no EPWP jobs Col. 2	Total No of EPWP work days (millions) Col. 3	% reduc- tion in unemp- loyment days Col. 4	No of Infra- structure and Environ- ment work days (millions) Col. 5	% reduction in unem- ployment days Col. 6
Scenario A assumptions						
Year 1 – 2009/10	4165	958	48	5.0	30	3.1
Year 2 – 2010/11	4184	962	60	6.2	37	3.8
Year 3 – 2011/12	4147	954	83	8.7	51	5.3
Year 4 – 2012/13	4108	945	115	12.2	71	7.5
Year 5 – 2013/14	4067	935	156	16.7	96	10.3
Rest of 2014	4025	926	138	14.9	85	9.2
Scenario D assumptions						
Year 1 – 2009/10	4165	958	48	5.0	30	3.1
Year 2 – 2010/11	4151	955	60	6.3	37	3.9
Year 3 – 2011/12	4081	939	83	8.8	51	5.4
Year 4 – 2012/13	4007	922	115	12.5	71	7.7
Year 5 – 2013/14	3931	904	156	17.3	96	10.7
Rest of 2014	3851	886	138	15.6	85	9.6

Because these figures ignore the distribution of work opportunities among the unemployed, they tell us little about the welfare effects of the Phase 2 programme. A more nuanced understanding of these effects can be gained by looking at the sectors into which prospective workers will be drafted. In the 2010 national expenditure estimates the EPWP is supposed to create the following 'jobs' by March 2014:

- 2 374 000 work opportunities (904 000 FTEs) in the infrastructure sector
- 1 156 000 work opportunities (326 000 FTEs) in the environment sector
- 750 000 work opportunities (513 000 FTEs) in the social sector

¹⁵⁵ This could not be determined from LFS and GHS questions reviewed above – what one needs to see is the longitudinal surveys.

- 640 000 work opportunities (278 000 FTEs) in the non-state sector (National Treasury, 2010c, p.96.)¹⁵⁶

Simply dividing the number of FTEs by the number of 'work opportunities' shows that durations of 'jobs' in these sectors will be very short, providing neither income security for any great length of time, nor much opportunity for training, even of the most rudimentary kind. As a matter of interest, mean durations of the work opportunities in the four sectors are 90; 51; 157 and 100 days respectively. This yields an overall (weighted) mean of about 92 days.¹⁵⁷ Obviously, the place to be, if one can get there, is the social sector. On the face of it, the least desirable area is the environment sector, despite the social value of such projects as Working for Water. The figures in Columns 5 and 6 tell us how much of the reduction in unemployment will be due to the contribution of the infrastructure and environment sectors, the sectors in which work opportunity duration is (nominally) shortest.

In year 1, the percentage reduction in employment days is small but not insignificant. By year 5, although fairly substantial, the EPWP does not even reduce the time that the officially unemployed spend out of work by one fifth. As one would expect, the Infrastructure and Environmental sectors are responsible for most of the slight improvement observed.

So much for the bald numbers – the socio-economic effect is more difficult to decode. Let us approach the problem by spelling out two extreme scenarios. In the first of these, we assume that each participant is only allowed one work opportunity, and that they are not offered another work opportunity until all other unemployed who wish to take up the EPWP opportunity have enjoyed at least one work opportunity. In all, somewhere between 4.6 and 4.9 million people would be processed through the system in five years, enjoying on average some 92-95 days of work. If we treat as eligible only those who are classified as officially unemployed, then somewhere after year 3 has commenced, depending on how fast the economy has grown, some of the unemployed will become eligible for a second spell of work. If we include the discouraged unemployed, by the end of the five-year period there would still be some among them who had not enjoyed a spell of EPWP work. Under these assumptions, with the possible exception of Social sector participants, training makes little sense, and the wage can be fixed at some minimum. Not much attention needs to be given to benefits.

That is the one extreme – the other is that once into the system, those filling the EPWP slots are re-appointed as each work opportunity is completed. This is tantamount to EPWP participants becoming permanent quasi-government employees. If this were to happen, although it would not affect the figures in Tables 6 and 7, the socio-economic effect on the unemployed would be very different from that in the previous scenario. Instead of, say, a few million unemployed experiencing almost a year's work at least once during the five-year period, at the start of the period, 210 000 people would enter full-time

¹⁵⁶ The same figures (referred to above in connection with Table 4) appear in the expenditure booklet (National Treasury, 2010b, p.12)

¹⁵⁷ Despite a commitment to making EPWP 'jobs' more worthwhile, it appears that like the Phase 1 'jobs', Treasury acknowledges that mean duration of employment for Phase 2 will not be much more than 100 days (National Treasury, 2010a, p.51). Clearly, this is because more than three quarters of the 4.5 million work opportunities to be provided will be in the Infrastructure and Environment sectors.

employment. They would remain in those jobs, being joined by new recruits each year, until the number grew to 680 000 people at the end of the five-year period. Under such conditions, training becomes a viable proposition. In addition, wage levels and associated benefits would have to receive more careful attention.

Rather obviously, neither of these extremes represents a likely outcome of Phase 2 of the EPWP – that is likely to lie somewhere between them. Although it is not possible to say what that is likely to be, the compilers of the business plan should at least, present their speculations as to what the likely outcomes could be. In practical terms, it is of vital importance to the design of the training programme, the single most important failure of Phase 1. In welfare terms, it forms a basis for judging the efficacy of the programme.

Despite its importance, little is known about government's intentions as far as the duration of EPWP work opportunities is concerned. Let us spend a few moments looking at areas where clarification of policy intent would assist in understanding the socio-economic (as opposed to statistical) impact of the EPWP.

Potentially, the EPWP may contribute to a reduction in unemployment by three means. The first of these is the work opportunities provided directly by the programme. Although the mean duration of EPWP jobs is (to be) about 90-100 days, it could well be much longer – the “Code of Good Practice for employment and conditions of work for Special Public Works Programmes” (DoL, 2002) stipulates in Section 7.3:

“No person may be employed for more than 24-months within a 5-year cycle, except in circumstances where no other local labour is available.”

It does not say, however, that the 24 months cannot be continuous (i.e., must be punctuated by ‘rest’ periods). A clear statement of government's position on this question is necessary.

The second contribution to reducing unemployment happens when some of the EPWP participants succeed in obtaining employment elsewhere (or in starting their own businesses) after going through the EPWP programme. In the founding document referred to above, the EPWP revealed as an objective, the goal of increasing:

“... the potential for at least 14% of public works participants to earn future income by providing work experience, training and information related to local work opportunities, further education and training and SMME development” (DPW, 2005a, p.11)

Information from the monitoring and evaluation programme on the progress of the EPWP towards the achievement of this target (in propaganda terms, one of its most important), is urgently required – it should be placed before the public without delay.

The last arises because the EPWP also creates some jobs that may be regarded as permanent.¹⁵⁸ In Home and Community Based Care (HCBC), for example:

¹⁵⁸ The 41 000 learnerships (37 000 in the social sector) proposed for Phase 1 of the EPWP (McCord, 2009, p.175) would also resemble permanent jobs.

“... job opportunities will be provided for relatively long periods, ranging from 12 to 24 months. Hence a high number of person years (170,000) will be created from the 120,000 work opportunities.” (DPW, 2005a, p.17)

Here again, the results of the monitoring and evaluation programme need urgently to be placed before the public. In a country that is desperately short of community service workers, programmes of this sort are of self-evident importance. More than just numbers, however, need to be provided. If it is regarded as essential to monitor the quality of assets created under the infrastructure sector programme, how much more so is it necessary to know about quality, when it is a service that is being provided to those who are incapable of fending for themselves.

Boasts about the numbers of work opportunities created by the EPWP may sound impressive. Until the information necessary to make a proper assessment of the socio-economic effects of the EPWP is made available, doubts will continue to be expressed about the ability of the programme to meet whatever its goals are.

EPWP Phases 1 & 2, and ‘unemployment halving’: Recommendations

Clear statements expressing government’s belief (faith?) that unemployment will be halved by 2014 are common – they have been trotted out over the years by several high-ranking politicians and party members. By contrast, statements that the EPWP is there only to hold the fort until economic growth takes over and solves the unemployment problem, are not common at all. One example (doubtless there are others) may be found on the EPWP website, where, under the heading “Introduction”, one finds the following:

“The EPWP is one of an array of government strategies aimed at addressing unemployment. The fundamental strategies are to increase economic growth so that the number of net new jobs being created starts to exceed the number of new entrants into the labour market, and to improve the education system such that the workforce is able to take up the largely skilled work opportunities which economic growth will generate. In the meantime, there is a need to put in place short to medium-term strategies. The EPWP forms one of government’s short to medium-term strategies.”¹⁵⁹

In line with this view is the acknowledgement that:

“The EPWP will not solve the structural unemployment problem. It is merely one element within a broader government strategy to reduce poverty through the alleviation and reduction of unemployment.”¹⁶⁰

By the time 2014 comes around, the EPWP will be celebrating its tenth birthday. Although short-, medium-, and long-term are not periods with precise boundaries, a decade must surely qualify at least as medium-

¹⁵⁹ Downloaded from <http://www.epwp.gov.za/index.asp?c=About#Introduction>, 18th April 2009.

¹⁶⁰ Statement downloaded on 12th July 2009 from the EPWP website home page: <http://www.epwp.gov.za/index.asp?c=Welcome>.

term? (short-term = 2-3 years?). If the speculations above about the likely size of the unemployment problem in 2014 are roughly correct, and if government perceptions do not change, the EPWP would be required for at least another decade, because in addition to the three million or so officially unemployed, there will also be some large number of discouraged workseekers to accommodate. By no reasonable standard can a policy that is likely to stretch out for twenty years or more be described as 'short- to medium-term' – to do so would be to engage in self-delusion of a high order.

Sooner or later, government is going to have to admit that jobs for some large number of people who lack even the most rudimentary skills are not about to be created by economic growth. If government continues to insist that social protection for the able-bodied poor is going to be through provision of 'job opportunities' in 'public work', then some sort of employment guarantee scheme (EGS) is probably going to be necessary. The EPWP already has some of the features of such schemes – and government is known to be flirting with the EGS idea (a couple of pilot schemes are underway). My first reading of the reference in the AsgiSA annual report cited above about a "new modality for delivery ... the Community Work Programme..." (CWP) was that it possibly heralded a ridding of the elements that prevent the EPWP from being turned into an EGS.¹⁶¹ The CWP turns out, however, to be an ambitious project, which, if successful, could see some substantial number of the unemployed absorbed into, if not full-time employment, then at least regular paid work. Some idea of the numbers being spoken about is given in Meth (2009b). There is a danger of CWP's being seen as a panacea – to avert this it is desirable for government to engage in open dialogue with civil society about social protection. That, unfortunately, is unlikely to occur while government clings so desperately to its prejudices about social grants for the able-bodied poor.

From the foregoing analysis, a number of imperatives emerge – they are listed below:

EPWP management should make public a full report of the results of its attempts to monitor and evaluate Phase 1 of the EPWP. This should include a description of the M&E programme, and the ways in which this differs, if any, from that proposed in DPW (2007a). It should also include publication of an un-edited version of the mid-term programme review, which reportedly recommended the severing of the 'employment opportunity' and 'training' aspirations of the programme.¹⁶²

An interim poverty impact analysis of the EPWP should be undertaken as recommended in DPW (2005a, pp.31ff) – it was suggested that this be done in years 3 and 5 of the programme. It would have been useful if the outcome had been compared with the effects of introducing social grants for unemployed adults.

EPWP management should produce reliable data on durations of employment spells of those who participate in the EPWP. Data on the

¹⁶¹ Employment guarantee schemes, of course, are not without problems of their own – but that is another matter altogether, and not one that will be considered here. A World Bank paper by Murgai and Ravallion (2005) suggests that the poverty reduction aims of the job guarantee schemes for India's rural poor could possibly be more effectively achieved by means of social grants.

¹⁶² An unpublished report by McCord (2007b) formed part of this review.

numbers who enjoy more than a single ‘work opportunity’ should be made available, preferably by area and sector of employment.

An analysis of all the data generated by the LFSs (both cross-sectional and longitudinal) should be undertaken. One point of this exercise should be to determine which questions in the LFSs were rubbish.

A formal statement from Statistics South Africa on the reasons for shifting the EPWP survey questions from the LFS to the GHS at the time the QLFS was introduced, is required. Some comment on the implications for analyses would be of assistance in helping to decide whether there is any point at all in collecting the information.

The Department of Public Works should have placed before the public a draft of the EPWP Phase 2 strategy, so that comment could be offered. If the figures being bandied about are to be believed, the programme is truly massive – a government truly committed to democracy would have encouraged participation in the design of Phase 2 from an early stage.¹⁶³

An explanation of how the manifest weaknesses in Phase 1 of the programme, especially those relating to training and employment duration, were to be addressed, should be provided. The question of whether or not it is sensible even to attempt to link training with short-term employment creation needs to be thoroughly aired.¹⁶⁴

Government should make known the basis of its conviction that the unemployment halving target can be met. Any models used in arriving at this conclusion should be submitted to full scrutiny.

Given that the combination of EPWP ‘work opportunities’ and jobs created through economic growth cannot solve the unemployment problem in the medium-term (a decade or more?), government should be required to spell out how it proposes to deal with the poverty of the millions of able-bodied adults who are without income.

Until such time as government places before the public much more information than is presently available, the statements it chooses to make about addressing the problem of mass unemployment, whether by way of economic growth, or of the contribution of the EPWP to the goal of reducing unemployment, should be treated with the utmost circumspection.

What do policymakers have in store for South Africa’s youth?

Although direct references to ‘activation’ with respect to youth do not appear in ANC policy documents, the policies intended to usher the youth (in ANC circles that includes all those between the ages of 15 to 35 years), into the labour market, with the exception of conditionality, take the standard form of labour market policies everywhere. There are learnerships, training, placement, the Expanded Public Works Programme, the National Youth Service (NYS), volunteers who perform socially useful work, subsidies (more on this below), assistance in becoming self-employed, or starting small enterprises – the list is long. All that is missing is the compulsion associated with ALMPs in, say, the

¹⁶³ The EPWP website, although filled with interesting documents, gave very little information on Phase 2, at the time this section of the paper was first drafted (July 2009). In any case, the website is not readily accessible to all members of the public.

¹⁶⁴ A starting point for addressing this question may be found in McCord (2009, Chapter 7).

UK. Given this, it does not seem unreasonable to treat (at least some of) South Africa's youth as the target population for 'activation', with the proviso that compulsion is absent from the relevant policies.

It should be possible to tell from the way in which the terms 'coercion' and 'compulsion' are used above, that their place at the core of ALMPs is not viewed as a cause for celebration. There is, however, one aspect of compulsion that is less than undesirable, and that is that under such a regime, nobody who qualifies is excluded. Thus while we might look with distaste at attempts to push single parents (usually mothers) with young children, or the disabled, into work, as a matter of principle, energetic attempts are made to place all those among the target groups who do not make their way into employment unaided by the welfare-to-work bureaucracy, onto a career path (at least, that is the aspiration of activation programmes in North West Europe and, to a lesser extent, the UK).¹⁶⁵ In practice, many of them end up in meaningless 'Macjobs'. When such a goal is pursued deliberately, as in the US, this is known as a 'work first' approach (Eichorst and Konle-Seidl, 2008, p.8). Activation policies of the 'work first' type, not backed up by training and placement assistance tend to leave the vulnerable exposed to oscillating between poorly-paid work and spells on benefits, especially in areas of low demand for labour (Finn, 2003, p.710).

If, as in South Africa, compulsion is not possible, then, given very scarce resources (and lack of suitable job opportunities), access has to be rationed. The question is: on what basis? Simplistically, an economist's response to this might be an attempt to answer the question: what course of action would lead to the greatest excess of marginal cost (of placing people) over marginal benefits (income generated)? That would suggest a policy of identifying those who are likely to be most easy to place, and focusing most attention on them. The risk attendant upon such an approach, is that of incurring deadweight losses – i.e., those admitted to the activation process would possibly have found employment in the absence of any state intervention. At the other pole from what is sometimes dubbed 'picking the low-hanging fruit', is a policy of concentrating all resources on the most disadvantaged (one could call this a Rawlsian approach). Here, there is a likelihood that resources will be frittered away in a vain attempt to place youngsters who are so lacking in the characteristics desired by employers as to be virtually unemployable. Somehow or other, a course has to be steered between these two extremes.

Everybody knows that finding ways to facilitate the meaningful entry of young people into gainful economic activity is difficult. They know as well, that failure to address this challenge adequately will have consequences, many of them dire, that will be felt for decades. Given this, it is salutary to observe that some fourteen years after democracy was achieved, so-called 'stakeholders' could still be found, waffling about the crucial institutional structures required to facilitate youth development. The *Fifteen Year Review*, refers for example, to a parliamentary review of the commissions on human rights, gender equality and youth (statutory bodies all) in 2007, which concluded that the: "democratic government has been instrumental in changing the lives of women, children, persons with disabilities and youth for the better." Unable to operate "optimally", the "co-ordination and integration"

¹⁶⁵ In the US, and to a lesser extent, the UK, the focus appears rather to be on pushing youngsters into low-paying entry-level jobs as fast as possible – i.e., into the 'Macjobs' referred to above.

necessary for meeting the needs of the target groups had “yet to be consolidated.” (PCAS, 2008, p.90)

Further on in the *Fifteen Year Review*, where the compilers are drawing up their report card on government’s success in raising growth and development levels to meet the challenges of poverty and unemployment, one finds the following:

“The challenges proved more deep-seated than recognised, and success brought new challenges. The state had to learn new ways of doing things as it implemented, but was it decisive and flexible enough? (PCAS, 2008, p.115)

Trying to understand how anyone can have failed to recognise how ‘deep-seated’ the challenge of tackling unemployment among the young was going to be, does stretch the imagination somewhat. Not only is there a substantial literature on the difficulties of doing just that, for much of the time the South African economy, and with it, job creation, was growing very slowly.

No reasonable person would have anticipated that poorly-educated youth were going to prove desirable to employers – on the contrary, there was ample evidence that unskilled entrants to the labour markets, lacking the most rudimentary capacities, would be last in the queue,¹⁶⁶ unless some way could be found to undo the years of damage done to them by bantu education and its successor.

Although some line departments of government claim that much of what they do is aimed at addressing poverty (several via employment creation), apart from the Anti-Poverty Strategy document, still in draft form (Presidency, 2008; 2010a), government’s approach to this, the most important of all problems in South Africa, can hardly be regarded as coherent. The problem of youth development (including unemployment) is a little different in that at least some effort has been put into constructing a policy framework document (Presidency, 2004b) that tries to see the issue ‘holistically’, to use the horrible term so beloved of development practitioners. After years of consultation and deliberation, a bill for the creation of a National Youth Development Agency (NYDA) was passed by Parliament in December 2008.¹⁶⁷ The intention was to give effect to an ANC conference resolution to:

“... ensure seamless integration, sustainability and responsiveness to the demands and aspirations of South Africa’s youth...”¹⁶⁸

Our task here is not to engage with the details of the bill nor the Act of Parliament which flowed from it,¹⁶⁹ rather it is to suggest that if, instead

¹⁶⁶ The Taylor Report (2002, p.70) noted that of the 3.34 million ‘expanded’ unemployed who had never had a job, 1.27 million were younger than 25 years.

¹⁶⁷ There is a fairly comprehensive history of the twists and turns of policy to foster development of youth in the policy discussion document on Social Transformation, prepared for the 2007 Polokwane Conference. See ANC, 2007a, pp.15ff.

¹⁶⁸ See Statement by [former] Minister Manto Tshabala-Msimang (she of beetroot fame). Downloaded from <http://www.gcis.gov.za/media/minister/2009/090120.htm>, 16th March 2009

of hinting in the policy framework document at the magnitude of the problem by citing a few percentages (2004, pp.12-13),¹⁷⁰ its compilers has gone to the trouble of spelling out the absolute numbers of numbers of young people whose 'demands and aspirations' were to be met, a greater sense of urgency might have informed the process.

Let us do, therefore, what the ANC appears not to have done – attach a few numbers to the problem so that we can begin to gauge its extent in terms more comprehensible than a shower of percentages – in short, let us count the people, and look at some of their salient characteristics.

How big is the problem in numerical terms?

Quite a bit about the problems facing youth was known when the ANC took power in 1994. Fieldwork for the Project for Statistics on Living Standards and Development (PSLSD)¹⁷¹ was conducted in 1993, and the cleaned data it generated was placed in the public domain a few years later. Nationally representative October Household Surveys were undertaken from 1995 onwards, as were Income and Expenditure Surveys. Although results sometimes took long to appear, by the time the year 2000 approached, a large body of information was available to anyone interested in delving into social issues.

With the introduction of the bi-annual Labour Force Surveys (LFSs) at the start of the 21st century, the stream of labour force information began to swell. By September 2001, the LFS was telling us that among Africans in the 15-24 year cohort, using the official definition, there were 1.15 million unemployed, 600 000 of them, women. Among 25-34 year-olds, there were reportedly 1.7 million unemployed, the majority once again (940 000) being women (Statistical Release P0210, 26 March 2002, Table 4.1.1). By the time the last of the old-style LFSs was released (that for

¹⁶⁹ In a paper with the title “Why waste money on Quarterly Labour Force Surveys? Waste in on Youth Development instead!”, (Meth, 2009a), I have attempted to trace the sad history of the National Youth Development Agency (NYDA), an institution charged with the impossible task of implementing the ANC conference resolution referred to above. The NYDA, I argue, is likely to perform as indifferently as one of its predecessors, the National Youth Commission, now rendered defunct by the passage of the NYDA act. Maybe it will not be quite as impotent, but the chances of its making a significant difference, in its mooted form and with its present remit, are slender indeed.

One catalogue of the achievements of the National Youth Commission (NYC) is to be found in a press release issued by the Commission about the programme it had organised to commemorate the 30th anniversary of the Soweto uprising. See <http://www.info.gov.za/speeches/2006/06053010451002.htm>, downloaded 13th April 2007. The other achievement of course, is the National Youth Development Policy Framework document (referred to as Presidency, 2004b), the document that forms part of the foundation of the NYDA.

¹⁷⁰ The ANC discussion document on social transformation referred to above, states for example that “... of the approximately 30% unemployed people, 70% of these are young people and this therefore means South Africa’s socio-economic problems and challenges are essentially pertaining (*sic*) the youth of our country.” (ANC, 2007a, p.15)

¹⁷¹ A joint project of the World Bank and SALDRU (Southern African Labour and Development Research Unit) in the University of Cape Town.

September 2007), the numbers had declined a little. There were still 1.16 million 15-24 year-olds officially unemployed Africans (roughly the same number of men and women), while the number of 25-34 year-olds had fallen to 1.43 million, of whom 780 000 were women (Statistical Release P0210, 27 March 2008, Table 5.1, p.39). How much self-delusion is required for this not to be seen as a 'deep-seated problem'?

Results of the attempt to supply some of the relevant numbers are presented in Tables 8 and 9 below. This pair of tables, which should be read jointly, shows in starkest relief, the different worlds inhabited by African and white youth, respectively. Almost two-thirds of young Africans are in the bottom expenditure category (all below a modest poverty line of R462 per capita per month in 2006).¹⁷² Among white youth, by contrast, nearly 90 per cent are in households where per capita monthly expenditure was at least four times as great as that poverty line.

In a companion piece to the present paper, where I considered the problem of youth unemployment and/or economic inactivity using the official South African definition of 'youth' as those aged between 15 and 35 years (Meth, 2009a), the question of whether or not to use the acronym 'NEET' was addressed. This catchy label (unfortunately with nasty, conservative connotations, especially in the US) is used in the UK mainly to describe school-leavers aged 16-18 years who are not in employment, education or training.¹⁷³ Arguing that to stretch this concept so that it included all those between 15 and 35 years who fell into this category, would be unreasonable, I navigated around the problem by simply identifying those who were officially unemployed (actively seeking employment); those who had 'chosen' for one reason or another not to engage in economic activity, and those who were not-economically active, but unwillingly so (e.g., discouraged former workseekers). Because school-leavers in South Africa are, on average, quite a bit older than their counterparts in the UK, the use of the category 'NEET' for the age cohort 18-24 years does not seem so inappropriate.

In Tables 8 and 9 an attempt is made to whittle down the total number of all those who are not in school or some educational institution (the number potentially able to work), to what is labelled the 'idle population'. The term is not used pejoratively, rather, it is assumed that most members of this group would work if they could, but have little hope of doing so under current conditions. To get to an estimate of the 'idle population' (and it can only be a very rough approximation) one subtracts (obviously) those who are employed, then those with a 'valid' reason for 'choosing' not to be economically active (e.g., home-makers, those who are ill or pregnant), and finally, those who are officially unemployed. The latter are taken off because active employment search is regarded as economic activity, even though the distinction between them and the discouraged is often spurious.

¹⁷² This is the unpublished Statistics South Africa poverty line (Babita *et al*, 2003), of R322 per capita per month in 2000 prices. It was placed in the public domain by Hoogeveen and Özler (2004). A correction factor of 1.75 has been applied to all estimates of household expenditure, to compensate for under-reporting in the survey (the 2007 GHS) from which the distributions presented here have been estimated. Per capita expenditures are obtained using the (unsatisfactory) assumption that expenditure is equally distributed within households.

¹⁷³ For a comprehensive and sympathetic overview of the NEET problem in the UK, see the 'Engaging Youth Enquiry' (Hayward *et al*, 2009).

Before proceeding, a word of explanation for the use of 'old' General Household Survey statistics, will be in order. Data from the 2007 GHS form the basis of the analysis offered below because Statistics South Africa embarked in August 2008 on an extensive process of revising the surveys. In addition, the results of previous surveys were to be re-benchmarked. The revised numbers (and data sets, including those for 2008) became available some time after the 2009 GHS was released in May 2010.¹⁷⁴ Since the work on that part of the present manuscript was completed before the release date, the only alternatives to the 2007 numbers were even older. It would be possible to re-estimate the numbers in Tables 8 and 9, but given the slow rate at which distributional changes occur, the effort involved in digging out what are, after all, only orders of magnitude, is simply not justified. If anything, the problem outlined below is likely to have been exacerbated by the crisis from which the economy is only now beginning to emerge.

And so, to the results – in Tables 8 and 9, many of the cells contain only asterisks. These indicate that the numbers of respondents with the characteristic in question that the survey detected were so small as to be wholly unreliable (all results below 10 000 appear as an asterisk). Although the African youth are heavily concentrated in the expenditure categories above R923 per capita per month (twice the poverty line), there are still a few asterisks in the lower half of the table. Among the results for white youth in Table 9, no statistically reliable number of respondents were located in the bottom category, and only a handful were found in the category R462-923. Most cells in the bottom half of Table 9 are filled with asterisks.

For the 2.1 million potentially economically active Africans in the bottom expenditure group (R0-461 per capita per month, i.e., all those below the poverty line), the employment rate was a tiny 16 per cent. More than 70 per cent of the 340 000 who were employed had not finished secondary school.

About 310 000 of 1.7 million young folk who were not in school (or tertiary education), were not being trained and were not employed (NEET), were either ill, married, performing housekeeping (home-making) duties,¹⁷⁵ or had fallen pregnant. This leaves a total of at least 1.4 million people available to work. Among them were 770 000 who were officially unemployed. Almost three quarters (73 per cent) of them (560 000) had never been employed. Of the 200 000 or so who had previously been employed, 70 000 had been unemployed for more than one year, while a further 40 000 had been unemployed for between six and 12 months. The idle population (those whom the survey could not discover doing anything that could be defined as socially useful) in the bottom expenditure category thus numbered about 660 000.

¹⁷⁴ The 2009 GHS (Statistical release P0318) was released on 6 May 2010.

¹⁷⁵ It is likely that many of many of those engaged in such activities would prefer paid employment if they had the choice. Attempts to remedy the weakness of the System of National Accounts (SNA), the official rules by which national accounts are constructed, in terms of which housework and care work (mainly done by women) are not treated as 'work' in the main accounts, but are relegated instead to satellite accounts, have not enjoyed conspicuous success. There are, however, several studies available in which attempts are made to value non-SNA work. A recent example that looked at care work in six countries may be found in a paper by Budlender (2008).

Table 8 Economic status of young people (African), 18-24 years old, 2007

African	Per capita household expenditure in 2007 - R/month							Total
	R0-461	R462-923	R924-1385	R1386-2771	R2772-5081	R5082-9999	R10 000+	
No. in group	3 471	1 070	432	293	92	62	55	5 473
No. in school	1 265	246	84	45	16	11	14	1 685
Nos. in higher education								
No. in college	59	47	28	23	15	*	*	177
No. in technikons	30	20	21	19	*	*	*	101
No. in university	28	28	26	24	16	22	*	148
Total in higher education	117	95	75	66	35	31	14	426
Potentially available to work	2 089	729	273	182	41	20	27	3 362
No employed	343	304	146	107	28	20	14	964
Employment rate (%)	16.4	41.7	53.5	58.8	68.3	100.0	51..9	28.7
No. employed - incomplete secondary	245	197	85	54	*	*	*	594
NEET - not in employment, education or training	1 746	425	127	75	13	*	13	2 398
Not economically active because:								
Pregnant	94	13	*	*	*	*	*	115
Got married	19	*	*	*	*	*	*	21
Family commitments	130	22	*	*	*	*	*	161
Illness	66	15	*	*	*	*	*	87
Sub-total	309	52	15	*	*	*	*	384
NEET minus family, etc or illness	1 437	373	112	67	11	*	11	2 014
Officially unemployed	774	205	72	46	10	*	11	1 124
Officially unemployed – never worked	563	132	52	36	*	*	*	801
Officially unemployed >12 months, prev. employed	69	29	*	*	*	*	*	110
Idle population	663	168	40	21	*	*	*	890

Note: Own calculations on data set for 2007 General Household Survey (GHS)

Note: Cells marked with an asterisk contain less than 10 000 individuals. Columns may not sum to 100 per cent because of rounding. A few results have been adjusted to take account of problems caused by rounding. The numbers involved are trivially small.

Table 9 Economic status of young people (White), 18-24 years old, 2007

White	Per capita household expenditure in 2006 - R/month							Total
	R0-461	R462-923	R924-1385	R1386-2771	R2772-5081	R5082-9999	R10 000+	
No. in group	*	16	30	116	95	77	59	395
No. in school	*	*	*	10	10	*	15	50
Nos. in higher education								
No. in college	*	*	*	*	*	*	*	19
No. in technikons	*	*	*	*	*	*	*	10
No. in university	*	*	*	22	23	36	16	100
Total in higher education	*	*	*	30	31	40	24	129
Potentially available to work	*	*	23	76	54	29	20	216
No. employed	*	*	10	61	50	28	20	179
Employment rate (%)		*	43	80	93	97	100	83
No. employed - incomplete secondary	*	*	*	10	12	*	*	29
NEET - not in employment, education or training	*	*	13	15	*	*	*	37
Not economically active because:								
Pregnant	*	*	*	*	*	*	*	*
Got married	*	*	*	*	*	*	*	*
Family commitments	*	*	*	*	*	*	*	*
Illness	*	*	*	*	*	*	*	*
Sub-total	*	*	*	*	*	*	*	15
NEET minus family, etc or illness	*	*	11	*	*	*	*	22
Officially unemployed	*	*	*	*	*	*	*	24
Officially unemployed – never worked	*	*	*	*	*	*	*	15
Officially unemployed >12 months, prev. employed	*	*	*	*	*	*	*	*
Idle population	*	*	*	*	*	*	*	*

Note: Own calculations on data set for 2007 General Household Survey (GHS)

Note: Cells marked with an asterisk contain less than 10 000 individuals. Columns may not sum to 100 per cent because of rounding. A few results have been adjusted to take account of problems caused by rounding. The numbers involved are trivially small.

As one moves up the age cohorts (not shown in the tables), the problem diminishes in severity, suggesting that its apparent magnitude may be inflated by the fact that some of those concerned have not been out of school long enough to have found employment (one cannot determine from the surveys how long it is since the respondents left school). In this regard there are two things to be borne in mind – first is the fact that even the ‘newest’ school leavers among the ‘idle’ will have left school at least seven months before the survey took place. In the OECD economies it is conventional to treat any youth who is unemployed more than six months after leaving school as being in danger of joining the ranks of the long-term unemployed. Second is the fact that although the picture is less bleak the older the cohort, the improvement in the age cohort 25-29 years is not all that marked. In the 2007 GHS, the total number of officially unemployed in that cohort was about 900 000, 64 per cent of whom were in the bottom expenditure category (as opposed to 69 per cent of the 18-24s). The proportion of unemployed 25-29 year-olds in the bottom expenditure category that had never been employed was about 55 per cent (as opposed to 71 per cent among the 18-24 year-olds). The high proportion of 25-29 year-olds who have never had jobs tends to bear out the warning about the dangers of long-term unemployment.¹⁷⁶

One would also expect the situation to improve as income (expenditure) rises, and it does. Nevertheless, the ‘idle’ among the African population numbered almost 900 000 in 2007. Although smaller in absolute terms, the problem among coloured (mixed race) youth is almost as acute. Summing up, it would seem that among the African 18-24 year-olds, not only do jobs have to be found for the 1.1 million who report that they are searching actively for employment (800 000 of whom have no previous record of employment), somehow or other, 900 000 youngsters who have been described above as idle (many, against their inclination), must be gainfully incorporated unto the labour market.

To say that the prospect of addressing social ills of this magnitude is a daunting (or whatever superlative one cares to use) undertaking, is to state the obvious. As has been shown above, the Labour Party government in the UK, deploying vast resources, tackling a much smaller youth unemployment problem (500 000 in total in 1997, when they took office), succeeded in getting reducing it by a couple of hundred thousand in four of five years, only to see the total number of unemployed youth creep close to the 900 000 mark by the end of 2009 (DSCF, 2010, Table 1b).

For the white youth in Table 9, the story told is the polar opposite of that for African youth. None of the whites were in households where per capita expenditure was below the poverty line. Among the 180 000 or so young whites in the expenditure categories above R1385 per capita, at least 80 per cent of those who are capable of being employed (available to work) are employed. Among those in households where per capita monthly expenditure exceeded R2772 (six times the poverty line), the employment rate is well above 90 per cent. About 16 per cent of all those employed had not completed at least a secondary school education (as opposed to more than 60 per cent of young African folk). It is likely that among whites in poorer households, there would have been some who fitted the definition ‘idle’. The survey cannot detect them, however – as

¹⁷⁶ Although for both the 18-24 year-olds and the 25-29 year-olds, the proportion of ‘never employed’ falls when the unemployed in all expenditure categories are taken into account, it does so by only a couple of percentage points.

may be seen in Table 9, the number of officially unemployed plus the number without obvious reason for not being economically active, is greater than the number of NEETs (because of rounding). The proportions in the white population of those who are unemployed, or of those without obvious reason for not being economically active, among those potentially capable of working, while not negligible, are nowhere near those in the African population.

As though unaware of the extent of the problem,¹⁷⁷ the Presidency put a brave face on matters – the *Fifteen Year Review* (possibly the closest government comes to laying out a coherent approach to a development strategy), says that:

“Women, youth and persons with disabilities have been the chief beneficiaries of internships, learnerships, youth-service programmes, the EPWP, entrepreneurships and small business initiatives. Minimum basic wage sectoral determinations have protected the rights and increased the income of domestic and farm workers, most of whom are women. The Unemployment Insurance Fund provides an additional social security net. However, there remains a challenge to ensure employer compliance and effective government monitoring and enforcement mechanisms.

Young people who are employable and not studying are the targets of specific programmes concerned with skills development and training, and are intended to provide work experience. They include the Work Placement Programme of Jipsa, the JOBS programme of the Umsobomvu Youth Fund (UYF), the South African Graduate Development Association, HE South Africa and School to Work Programme. These placement programmes improve young people’s productivity, making them more attractive to employers. More than 20 000 offers per year have been made locally and more than 700 placements were made internationally.” (PCAS, 2008, p.77)

These numbers are, however, a drop in an ocean of unfulfilled lives. If instead of prattling about the ‘way forward’, ‘transformation’, ‘holistic’, ‘stakeholders’, ‘shared growth’, and various other buzz words, a serious attempt were made to find out how bad things are, maybe someone in authority would recognise the powder keg waiting to be ignited.¹⁷⁸

¹⁷⁷ That government is, however, aware of how little progress has been made, becomes clear further on in the *Fifteen Year Review* where one finds the comment that: “South Africa could continue along [a path that barely dents] structural ills such as massive unemployment among the youth and unskilled workers...” (PCAS, 2008, p.115). The argument made in the passage from which that statement is made is commented on in the conclusion to the present paper.

¹⁷⁸ The National Youth Development Policy Framework (Presidency, 2004b, p.8) proposed an age bracket of 15-28 years for ‘youth’ (not 35 years). The focus for the youngest (aged 15-19) would be on education and training; for the 20-24 year-olds, it would be on the transition from school to work; while among 25-28 year-olds, the focus would be on training and learnerships, and self and direct employment creation. As noted above, the statistical picture on pp.12-13 of the Framework document of the magnitude of the problem in the framework document is all in percentage form. The plan for economic absorption appears on pp.17-18 – the most one can say of it is that it is depressing.

Quantification of this multi-faceted problem, as a first step in the direction of an attempt to discover what resources are going to be required to address it, is long overdue. The problem for African youth may be (slightly) less severe than is depicted above, because of job growth and the fall in unemployment that occurred between 2007 and 2008, and because of revision to the unemployment estimates. As far as the latter are concerned, revised (downward) estimates for the years 2001-2007 (the March surveys) were published in Statistical release P0210, 28 August 2008. The March 2007 figure was revised downwards from 4.336 million to 4.119 million. The 2007 GHS figure (for the month of July) was 4.199 million.¹⁷⁹ There is so little difference between these figures that it does not seem wise to be over-enthusiastic about attempting to 'correct' them (a) because it does not look as if all that much progress has been made since 2007, and (b) because Statistics South Africa has not released revised data sets for the revised LFS figures, so we do not know what the 'new' distribution is of the unemployed. Whatever the case, the financial crisis that began to sweep the world in 2008, will have things much worse. If it was appropriate to argue that from a policy-making perspective, as far as the poor are concerned, it is probably better to exaggerate their plight somewhat, than it is to under-estimate its severity, then it is almost certain that modest exaggeration will have been overtaken by events.

In July 2007,¹⁸⁰ the GHS found 1.4 million officially unemployed people between the ages of 15 and 24 years of age, roughly the same as the July-September 2008 QLFS.¹⁸¹ It is possible that some young folk from the bottom end of the income distribution succeeded in obtaining jobs in the year 2007-2008. What role the EPWP and other such schemes played in this if it did occur is not known – given the poverty of the training disclosed above, it seems unlikely that participants in such programmes would stand much chance of competing successfully against the better qualified (and better networked) – the poor (and poorly-educated) are not much prized in the market for labour, often because they simply lack access. There is a fair possibility that some of the officially unemployed among the 'NEETs' identified above could have drifted into discouraged work-seeker status, and from there into being economically inactive. In the meanwhile, the stagnation that South Africa is experiencing as a result of the international crisis, will add to the numbers of young people without much hope of breaking successfully into the labour market. The fact that we do not know what has happened is an indictment of a government that claims the poor as its first priority.

Preparedness for work

If preparedness of young people for work can be measured by educational outcomes, then there is cause for a great deal of alarm. For years now, researchers, insisting that one of the goals of schooling is preparation for the world of work, have claimed that South Africa's school system is failing to prepare the majority of those passing through it, for that

¹⁷⁹ See Statistical Release P0210, 28 August 2008, p.5, and Statistical Release P0318, 10 July 2008, p.23.

¹⁸⁰ Own estimate from 2007 GHS data set.

¹⁸¹ See Statistical release P0211, 28 October 2008, p.20. The number has remained roughly constant – the figure for the second quarter of 2010 was 1.397 million. See Statistical release P0211, 27 July 2010, p.26.

world.¹⁸² An article by Taylor (2006), discoursing on the [Calvinist?] qualities with which a good schooling should endow 'learners' (why are they not pupils any more?), a "strong work ethic", the "ability to perform under pressure", a "sense of initiative and responsibility", had this to say:

"Without these habits of mind and knowledge skills, school leavers do not have the wherewithal to make a contribution to society; consequently, they are easy prey to a life of unemployment, crime or corruption. South Africa's great tragedy at the present time is not poverty, high levels of crime or rampant inefficiency in the civil service. Profoundly problematic as these issues certainly are, they are manifestations of a deeper problem underlying our society – the inability of most schools to provide young people with the attitudes and intellectual skills required to build a modern state." (Taylor, 2006, p.65)

Earlier, van der Berg (2005), commenting on the significance of socio-economic status (SES) as the major determinant of school performance in South Africa (i.e., arguing that inequality matters), concluded that: "... the great majority of our schools are dysfunctional" (2005, p.67). He claimed that:

"Even middle-income South Africans, with all the advantages that means, get dragged down by their schools, rather than being provided with opportunities by them. Truly transformational education should mean that schools are able to turn around the effects of the lower SES and counteract some of the effects of poverty on education. We are far from this state." (2005, p.67)

A recent polemic by Paul Hoffman from the Centre for Constitutional Rights in the F.W. de Klerk Foundation, asserted that:

"The most frightening statistic ... to emerge from the [educational] system as it has functioned in the last 12 or so years relates to the rate of functional literacy of Black matriculants who have been subjected to the current educational system. In round numbers: of the 1,560,000 six year olds who entered the first grade of our public school system 12 years ago only two thirds reached grade 10 and a third made it to matric at the end of last year. Of these, some 360,000 passed. On being tested for their functional literacy in English (their preferred language of learning) it was found that only 15% of the 278,000 Black matriculants are functionally literate. The gross number is 42,000 Black school leavers with the potential to hold down a skilled job. Put differently, each province on average produced only 4600 functionally literate Black matriculants in 2007.

The situation portrayed by these figures is a national disgrace. Unpacked and made digestible they mean that only 1 in 29 (i.e. 3.5%) Black children entering the school system emerge with matric certificates in a state which enables them to enter the realms of trainability, skills acquisition, higher education and employability in an economy in which skills are in short supply. Menial workers are no longer needed in any great numbers due to globalization, mechanization and a labour dispensation that discourages their employment. Our school drop out rate is 77% over the twelve years of

¹⁸² Standing (2008) warns of the dangers of too narrow a focus on education as a means of preparing young people for the world of work.

schooling. According to UNESCO figures, the international norm is 21%.” (Hoffman, 2008).

Alarmist these may well sound, but they are corroborated by the bad showing of South African schoolchildren on standardised international tests. Their poor mathematics performance in the 2003 Trends in International Mathematics and Science Study (TIMSS) – a score of 264 against an international average of 467, and Botswana’s 366, (Reddy *et al* 2006, p.19) results from having 87 per cent of results in the lowest category and about three per cent in the advanced and high category, as opposed to international averages of 22 per cent in the lowest category and 25 per cent in the two top categories (2006, p.26). Their performance in the science tests was equally bad (2006, pp.33 and 40).¹⁸³

Similarly poor showings in literacy tests (Progress in International Literacy Reading study – PIRL) place South Africa miles below the international median. About two per cent of South African schoolchildren were above the boundary marking off the advanced; six per cent above the ‘high’ benchmark, 13 per cent above the intermediate, and 22 per cent above the low benchmark. The international figures were 7; 41; 76 and 94 per cent respectively (Mullis *et al*, 2007, p.70).

One may want to search for explanations for these abysmal outcomes in problems with the language of instruction or of testing, but whatever the case, learners leaving school with an ‘education’ like that described above, can expect to find nothing except the most menial of jobs. The problem with this, as has been pointed out so many times, is that jobs of that sort, if not disappearing, are in short supply in today’s economy. The problem is far from being unique to South Africa – in the UK the most difficult to place (the most disadvantaged) are the unskilled and unqualified (Freud, 2007, pp.3-4)

The limits to ‘activation’ in South Africa

Although the set of programmes available for tackling employment problems like South Africa’s, is wide, it is not infinitely so. The most common of them are listed in Table 10 below. The table, extracted from Betcherman *et al* (2004) highlights particular problems in an economy, specifies the standard policy package, and identifies the intended beneficiaries. With the exception of wage subsidies, most are being, or have been tried in South Africa – how effective they are is a matter of some dispute. Criticisms of each of the programmes abound, especially of those designed to ‘reduce structural imbalances’ and those aimed at ‘supporting disadvantaged or at risk workers’. Training, through the Sector Education and Training Authorities (SETAs) is a case in point. Although a few of the SETAs have performed reasonably well, the majority of them have been a failure. Discussing some of the changes being made to rescue the SETAs, *Budget Review 2010* reports that:

“A 2008 review found that the system suffers from weak reporting requirements, underdeveloped capacity, lack of effective management, and inadequate monitoring and evaluation, limiting the ability of SETAs to serve as primary vehicles for skills development.” (National Treasury, 2010a, p.50)

¹⁸³ For whatever reason, South African schoolkids did not participate in the 2007 TIMSS. See Mullis *et al*, 2008, p.16.

Another programme that has not enjoyed great success is the training layoff scheme¹⁸⁴ hammered out by the ‘social partners’ in the National Economic Development and Labour Council (Nedlac) to help workers retrenched during the recent global crisis. Despite the large number of job loses, according to the National Treasury, “take-up has been low” (2010a, p.47).

Notable because of its position as the first of the programmes listed in Table 10 is public works, where it is categorised as appropriate for addressing ‘moderate cyclical downturns’. This reproduces the conventional wisdom of the matter, namely, that they are not suitable instruments for dealing with mass, non-cyclical unemployment. Yet when it comes to programmes currently under way in South Africa, the big numbers are in the EPWP, and in the future, these will be bigger still. It could be argued that if government were prepared to grasp the nettle and create (second-tier, i.e., poorly-paid) public sector employment on a large scale, some headway could be made. The obstacles to be overcome in doing so (e.g., the politically explosive issue of two-tier labour markets) ensure that this is not a social policy area for the faint-hearted. As was pointed out above, when Phase 2 of the EPWP comes to an end in 2014, the programme will be ten years old – clearly, it falls well outside of the boundaries of what is generally conceived of as an event of relatively short duration. Maybe it is time for all concerned to seek clarity on what goals public works programmes might plausibly seek to achieve, and what the lifetimes of such programmes should be under conditions in which market failures defy most other attempts to tackle the resulting unemployment (McCord, 2009).

Some groups of ‘disadvantaged or at risk workers’ have been argued to be poor candidates for successful ‘activation’. A paper by Natrass, for example, concluded (harshly) that:

“A scheme to address youth unemployment is not an appropriate component of a social welfare net in South Africa because a higher proportion of older unemployed people are poor.¹⁸⁵ Age is a very blunt proxy for inexperience (and associated labour market disadvantage) in South Africa. Placement programmes may help individuals find work, but the overall welfare impact is undermined by substitution effects. Training programmes should not be seen as an answer to the unemployment problem (although it (*sic*) may help address some labour market problems). Training programmes for the unemployed are often weakly connected with the skill requirements of employers and can easily lead to an over-supply of specific skills. Given the difficulties involved in targeting the relatively disadvantaged amongst the unemployed, one has to ask whether resources are better spent elsewhere.” (Natrass, 2002, p.207)

¹⁸⁴ Recall here the Betcherman *et al* (2004, p.ii) finding that “Retraining for workers following mass layoffs ... generally [has] no positive impacts, although exceptions exist”.

¹⁸⁵ This conclusion presumably depends on the use of the definition of youth as those aged 18–24 years, instead of the 18–35 years commonly used in South Africa (see, for example, Burns *et al*, 2010, p.15). As a matter of interest, the 15–24 year-olds made up 31 per cent of the unemployed in 2009, while the 25–34 year-old cohort accounted for a further 42 per cent (National Treasury, 2010a, p.42).

Table 10 Tailoring Programs to Objectives

Objective	Program orientation	Targeting orientation
Moderate cyclical downturns	<ul style="list-style-type: none"> • Direct job creation (e.g., public works) • Wage subsidies • Training (subsidies or grants to workers or employers) • Self-employment support 	<ul style="list-style-type: none"> • Vulnerable groups (with least resiliency) • Hard-hit regions and Industries
Reduce structural imbalances	<ul style="list-style-type: none"> • Employment services (e.g., information, search assistance, mobility assistance) • Training • Wage subsidies 	<ul style="list-style-type: none"> • Proximate regions, industries, or occupations
Improve general labor market functioning	<ul style="list-style-type: none"> • Employment services • Training (e.g., apprenticeship, school to work transition) 	<ul style="list-style-type: none"> • All
Enhance skills and productivity	<ul style="list-style-type: none"> • Training and retraining (including in-service, apprenticeship) 	<ul style="list-style-type: none"> • At risk or disadvantaged worker categories (especially for retraining)
Support disadvantaged or at risk workers	<ul style="list-style-type: none"> • Employment services (counseling, job search assistance) • Training (e.g., grants, subsidies) • Wage subsidies 	<ul style="list-style-type: none"> • At-risk or disadvantaged worker categories

Source: Reproduced from Table 1 in Betcherman *et al*, 2004, p.8.

One may wish to take issue with her, but her claims are not to be dismissed out of hand. Brutally honest, Natrass raises ethical issues others prefer to gloss over – in particular, the thorny question of whether scarce resources should be used to propel those most likely to succeed into employment, or whether those most in need (and least likely to find employment) should be the target group instead.

Recent work by Burns *et al* (2010) arrives at slightly more optimistic conclusions than Natrass. The final paragraph of their paper reads as follows”

“Ultimately, however, wage subsidies should not be regarded as permanent solutions to unemployment, nor are they necessarily the first best solution to the true underlying sources of unemployment. These subsidies do not overcome the various constraints to economic growth and job creation, which are best addressed through long-run initiatives that enhance the absorptive capacity of firms and that improve workers’ skills and education. Subsidies only temporarily lower the cost of employing low-skilled workers, when in reality labor market rigidities and low productivity levels are significant contributors to high unit labor costs. Wage subsidies also do not directly address the signaling problems faced by employees, which is ultimately indicative of the education system’s failure. What is

required is a comprehensive overhaul of South Africa's education and vocational training institutions; this overhaul would also contribute to the goal of broadening the overall skills base. Nonetheless, a wage subsidy scheme may be an indirect way of stimulating employment while complementary growth, education, and labor market policies with a longer-run focus are being implemented." (Burns *et al*, 2010, p.20)¹⁸⁶

Their analysis of the youth unemployment problem casts the spotlight on the usual suspects, of which two are of particular note: employer's need to use education as a screening device in the absence of any other indicator of potential productivity, confounded as they are, on one side, by a mass of often functionally illiterate and innumerate would-be workers, and on the other, by rigidities in labour market legislation that prevent the easy dismissal of unsuitable employees. The first of these amply justifies the argument above about subsidies not being 'first best solution to the true underlying sources of unemployment', while the second raises the thorny issue of the political reality of a powerful grouping, the trades unions, firmly opposed to what they see as attempts to introduce two-tier labour markets. Although Burns *et al* endorse wage subsidies for youth, the set of qualifications with which their recommendation is surrounded, many of them about the nature of complementary services and institutions, makes for anxious reading. Past attempts by government at providing 'joined-up' solutions to social problems do not encourage the belief that anything other than a patchy system could be created, with local bureaucratic competence being the major determinant of success.

Whether or not a wage subsidy will be introduced in the near future, is a matter of some doubt. Wage subsidies have hovered just below the horizon since the very dawn of the new South Africa. Among the early proponents were Heintz and Bowles (1996). Little seems to have happened in government until about 2007, when a flurry of activity commenced on the project of redesigning South Africa's social security system. At about the same time, the Harvard expert group appointed by the National Treasury to look at constraints to growth, was also active. As one of its recommendations the paper by Levinsohn (2008), suggested a mechanism for subsidising the wages of young workers. Tentative in nature, rather than a firm, worked-out proposal, the suggestion appeared, if the scattered remarks made by leading politicians at the time are to be believed, not to find favour in government.¹⁸⁷

As part of the redesign of the social security system, wage subsidies, conceived of as complementary to the payroll-tax based system under consideration, received their due share of attention. In *Budget Review 2008*, the National Treasury reported that:

"An extensive modelling exercise has been undertaken to test the links between social security reform, employment, wage subsidy options, household income and poverty reduction. Preliminary projections suggest that a broad-based subsidy that partially offsets social security contributions for employees earning less than the personal income tax threshold would cost about R25 billion, and increase

¹⁸⁶ There are not many evaluations of subsidy programmes in developing countries – one of them, of the not very successful Proemplo experiment in Argentina, is to be found in Betcherman *et al*, 2004, p.42.

¹⁸⁷ A review of the modest proposals offered by Levinsohn (2008), appears in a paper I wrote on the basic income grant (Meth, 2008a).

employment by about 350 000 in the first five-year period. The combined effect of the subsidy and social insurance would be an estimated 20 per cent reduction in head-count poverty over the same period.” (National Treasury, 2008, p.104)

Treasury’s proposed payroll tax coupled with a subsidy for low-income workers appears to be on ice at the moment. Wage subsidies are, however, still flavour of the month, at least at the Treasury, and the Department of Labour. For a while, they also enjoyed the support of the President. In his State of the Nation address on 11th February 2010, he stated that proposals would be: “tabled to subsidise the cost of hiring younger workers, to encourage firms to take on inexperienced staff.” (Presidency, 2010b) In his 2010 Budget Speech on 17th February 2010, the Minister of Finance announced that:

“Under the leadership of the Department of Labour, initiatives are in progress to improve information services to help young people access jobs and training opportunities. We propose to support these reforms through a subsidy to employers that will lower the cost of hiring young people without work experience. Under consideration is a cash reimbursement to employers for a two-year period, operating through the SARS payroll tax platform, and subject to minimum labour standards. It will be available to tax-compliant businesses, non-governmental organisations and municipalities. Our preliminary estimate is that about 800 000 people will qualify. The aim is to raise employment of young school-leavers by a further 500 000 by 2013.

Our intention is that young people should benefit from this initiative by early next year. A discussion document setting out further details of the youth wage subsidy proposals will be tabled by the end of March.” (National Treasury, 2010d, p.10)

At the time of writing (August 2010), the discussion document has yet to put in an appearance. As expected, Cosatu wasted no time in objecting – condemnation of the proposal came after a meeting of the Cosatu CEC (Central Executive Committee) on 1-3 March 2010. The press release given out after the CEC meeting, noting that the non-unionised sector, with its informal workers, contractors and casual already constitute a super-exploited and oppressed second tier, stated that:

“Government’s *threat* to introduce a wage subsidy to encourage employers to employ young people will mean creation (*sic*) of a third category of the super-super exploited workers.” (Emphasis added)¹⁸⁸

Cosatu’s objections apparently stopped the project in its tracks. Towards the end of May, Ebrahim Patel, Minister of Economic Development, told a “youth jobs summit organised by the Young Communist League” that:

¹⁸⁸ Downloaded on 18th August 2009 from www.cosatu.org.za/show.php?include=docs/pr/2010/pr0304d.html&ID=3012&cat=Central%20Exec. Insisting that “... Alliance Summit resolutions must form the basis of government policy...”, Cosatu gave notice in the press release that it would be reviving the campaign against poverty and unemployment launched in 1999. One of the steps it would be taking would be to seek a meeting with ANC leadership: “...to discuss in particular our rejection of the wage subsidy policy for youth employment. In this meeting we will take the opportunity to explain why we reacted angrily to the budget speech policy framework, which undermined the spirit of the Alliance Summits.”

“... government was exploring a range of options to tackle the “stubborn” problem of youth unemployment, including a voluntary scheme where young people would get an allowance from the state...which could present a way out of the deadlock likely to emerge from rejection of the state’s proposed wage subsidy.... ”¹⁸⁹

One week later, the opposition Democratic Alliance called on the President to break the deadlock, reportedly claiming that:

“... it appeared that Economic Development Minister Ebrahim Patel was championing Cosatu’s effort to block the wage subsidy proposal.

As if buckling to this pressure, President Zuma, in a reply to a parliamentary question last week, reduced the wage subsidy policy to a conceptual debate, rather than the firm policy proposal which was put forward in the state of the nation address and in minister Gordhan’s budget speech... ”¹⁹⁰

There, for the moment, the matter rests. Even if escape from the political imbroglio can be managed, it is possibly worthwhile recalling what Betcherman *et al* had to say about wage and/or employment subsidies, namely, that:

“Most of these do not have a positive impact on workers and introduce substantial inefficiencies. Effective targeting may help, but at the cost of reducing take-up rates.” (2004, p.ii)

Institutional capacity

A major difference between the much-developed countries of the OECD, and middle-income countries like South Africa, or Latin American countries where ALMPs have been tried, is that when and if such policies are implemented, the ability of the authorities to apply sanctions as a condition for receipt of benefits is not extensive. Where income protection in such countries takes the form of social insurance, coverage is limited – a typical figure is Argentina’s, where, for example, insurance covers only 5-7.5 per cent of the unemployed (Iturriza *et al*, 2007, p.7). This is because the proportion of the unemployed covered by social protection is restricted to a minority who formerly worked in the formal economy. Benefit coverage in South Africa is not much different – it may be recalled that currently, among approximately four million officially unemployed, roughly 250 000 may be in receipt of Unemployment Insurance Fund (UIF) benefits at any moment in time.

It is one thing to turn around an organisation such as the UIF, so that it can service its 200-300 000 ‘clients’ effectively (as has been done in the past few years) – getting millions of unemployed into jobs is another matter altogether. For argument’s sake, let us assume away the problem of a ready-made supply of jobs, and look at the hypothetical slog involved in getting a stock of a couple of million ‘customers’ (as they call them in England) into work. Let us assume that the ‘customers’ in question are the two million NEETs identified in Table 8, plus their counterparts from

¹⁸⁹ See the article “Patel Suggests Allowances for Jobless Youth”, by Karima Brown in *Business Day*, 21 May 2010.

¹⁹⁰ These statements are in an article by Linda Ensor in *Business Day* on 1 June 2010. See “DA Urges Zuma to Act on Youth Wage Subsidy”.

the Coloured and Indian/Asian communities, numbering about 2.2 young people in total. Assume further that the goal is to get as many of them as possible into employment – even those who are currently making no effort to find work themselves. Assume, modestly, that each ‘customer’ has to see a counselor/advisor at least twice a year (in some countries interviews with advisors, typically lasting 30 minutes, take place at least five times a year).¹⁹¹ The 2.2 million customers would thus make 4.4 million visits per annum. Suppose, for convenience sake, that a year is effectively 44 weeks long (52 minus three-four week’s leave, minus training, minus sick leave). Each week, the counsellors would have to deal with 100 000 ‘customers’. If each counsellor sees 30 young people per week (six each day),¹⁹² then 3300 counsellors would be required to mop up the existing stock of customers. If we assume that replenishment of that stock is relatively constant, then there will always be a backlog of 12 months for some ‘customers’ (which poses the normative question of who goes to the head of the queue). On top of that, administrative staff would be required, as would training institutions – the army for dealing with this throng could number more than five thousand. If it were considered desirable to reduce the stock of NEETs, that number would have to increase. Similarly, if it were hoped to offer more ‘intensive care’, the number of advisors would double or triple.

Of course, the jobs into which to squeeze all these young folk are not available, nor are they likely to become so in the foreseeable future (the EPWP notwithstanding). Even so, the work on creating the specialised machinery for getting at least some of the hard cases (those, for example, with disadvantages severe enough to preclude the likelihood of their ever obtaining employment by dint of their own efforts), into jobs should long since have commenced. We are not talking here about learnerships or relatively simple interventions of that kind, but rather the type of approach that, for a time, was successfully used in the UK’s New Deals, including those for Young People.

¹⁹¹ Daguerre and Etherington (2009, p.10). They note that in the UK, benefit recipients have to engage in job search ten times per month. The authorities require “proof of three job search actions per fortnight” (p.9). Other countries have even more demanding requirements.

¹⁹² In countries that may be said to be taking ‘activation’ seriously, as measured by the proportion of GDP devoted to it, case loads are relatively low – in 2004, Germany, for example, had just over 40 registered unemployed per agent, while the UK had 43, and Norway, a mere 26 (Freud, 2007, p.133). Finn and Schulte (2007, p.27) report that in the UK, “The 9,300 PAs [Personal Advisers] employed by JCP [Jobcentre Plus] conducted 10.8 million WFIs [Work Focused Interviews], about 200,000 a week ... PAs conducted about 28 interviews per week and had an average active caseload of 30-40 customers...”

Conclusion

Concentrating on the South African side of the study, a fundamental conclusion is that if the ‘activation’ promised by ALMPs is to happen, certain vital pre-conditions have to be met. Probably the two most important of these are that (i) a sufficient supply of jobs must exist into which to propel the unemployed and economically inactive, and (ii) the institutional structures, and the qualified personnel to populate them, have to be available. ALMPs are blunt instruments, required, as was noted in the Introduction, to address the end-results of a wide array of socio-economic problems. It is thus almost inevitable that a certain degree of coercion is required to shift many among the target groups off benefits, and into work. Another pre-condition for the successful implementation of ALMPs (or welfare-to-work, if one prefers to call it that) is that tax structures must not create perverse incentives among welfare recipients to avoid work at all costs. Finally, a repeated finding from the international experience, is that the poorly-qualified are the most difficult to place. As we have seen above, many, if not most of those needing jobs in South Africa fall into that category. It is far from clear that the remedial measures currently being instituted are anywhere near being adequate.

By sad coincidence, policy discourse in South Africa is awash with calls for activation at precisely the time when crisis in the international economy has demonstrated, yet again, that capitalism is as capable of destroying livelihoods as it is of allowing for the appropriation of great riches. The painful experience of the jobless in the UK, whose government not long ago boasted that in Jobcentre Plus it had “one of the best back to work agencies in the world” now begins, in some respects, to parallel that of the jobless in South Africa. While the jobless in the UK are infinitely better off, in that ultimately, they can fall back on social grants, they nevertheless are beginning to experience the indignity of scrambling in their tens, and in many areas, their hundreds for the few jobs that are available.¹⁹³ Kerbside markets for those forced to suffer super-exploitation are now attracting British nationals – personal accounts tell of former workmates torn apart by the fact of their being forced to compete for the little work that is on offer. Tips abound on how to hang onto self-esteem in these troubled times. How long this misery will last, no one can say. There is, however, broad agreement that the worst is yet to come.

The point of this peroration is not to take comfort from the suffering of others, rather, it is to insist that crucial though the need is to assist people into work, elevating ‘activation’ to a goal that transcends all others (e.g., welfare in the form of what are disparagingly referred to in South Africa and elsewhere as ‘handouts’) is wrong. In OECD countries ALMPs work when metaphorically, the wind is in the right direction. In South Africa, they cannot work in that way at all – the pre-conditions for their doing so do not exist. Policymakers (and the ANC elite) who are besotted with ‘activation’ to the point where it drives out any suggestion of social grants to support the able-bodied poor, are living in a phantasy world. Repackaging the EPWP (which features on almost everyone’s list of ALMPs) until it comes to be regarded as a successful form of ‘activation’,

¹⁹³ The Daguerre and Etherington piece cited above is apprehensive about the ability of ALMPs to pass the severe test to which they are going to be subjected by the current crisis (2009, p.22).

is no substitute for the social protection needed by so many millions. The brief encounter in the present paper with the training component of the EPWP suggests not that even in the modest form stipulated, can it be delivered. More disturbing is the likelihood that much of the training programme is hopelessly ill-conceived – the Minister of Public Works deserves strong censure for failing to explain how government intends to remedy this situation in Phase 2 of the EPWP.¹⁹⁴

Of course, the programme, appropriately scaled, must continue, as must many of the myriad interventions currently underway. That must be done, however, without any pretence that ‘activation’, as it understood in the OECD, can be emulated.

So-called ‘soft-conditionality’ (e.g., obliging UIF benefit recipients to register at a Labour Centre, and to indicate willingness to accept any suitable employment), can be imposed in certain conditions, but for those most in need, conditionality is a non-starter. Conditionality, it should be recalled, is at the very heart of ‘activation’.

The truth of the matter seems to be that other than being seduced by the positive connotations of the concept of ‘activation’, policymakers and analysts in South Africa have done precious little to understand what it entails. This ignorance is paralleled by the absence of a comprehensive and coherent plan for addressing the problem of the able-bodied poor. If the glimpse above into the travails of South Africa’s youth, and the dithering around the ‘framework’ which is going to: “ensure seamless integration, sustainability and responsiveness to the demands and aspirations of South Africa’s youth” is anything to go by, it is going to be a very long time before many of them get ‘activated’.

Neither the history of attempts to transform the lives of the ‘targeted groups’, nor the portents for the future are encouraging – the *Fifteen Year Review* puts it like this:

“Unforeseen global and domestic developments have the potential to check progress and keep the country’s development within its present constraints.

South Africa could continue along this path, barely denting structural ills such as massive unemployment among the youth and unskilled workers, the structure of the economy, inequality, poor quality in some social services and trends in violent crime. With this, society would plod along with occasional social instability and periodic spurts of growth.

Is there a possibility for a big push based on broad national consensus and focused on a few catalytic national initiatives, propelling the totality of national endeavours towards better social impact? Can the current severe environment serve as a basis for such consensus? Needless to say, the answer to these questions depends on the agency of various social actors.

One thing though is clear: success in this regard will require a decisive state with even higher levels of legitimacy, and a more cohesive society, together prepared to pursue a common vision and to make the

¹⁹⁴ Standing (2008, p.18) is particularly scathing about the “hype and hope” of training, which, he points out “is often regarded as the definitive “active” labour market policy”.

necessary adaptations and choices between priorities when the need arises.” (2007, pp.115-116)

There are no ‘catalytic national initiatives’ that can be taken to address the problems faced by so many millions, that do not require massive resource commitments. In the meanwhile, government will blunder along, reluctantly acknowledging, as is done above, the dire predicament of so many, blustering about ‘working together we can do more’,¹⁹⁵ while spinning the precious few achievements into a success story that can be replicated into a solution of the problems of the able-bodied poor. Institutionally, the creation of the National Youth Development Agency (NYDA) – a body with a chief executive officer who will probably be paid more than cabinet ministers – is as likely to hinder as it is to help efforts to ‘develop youth’. The agency’s impossibly wide remit, and the tension-ridden position it will come to occupy between government line departments, jealous of terrain, are a quagmire through which no safe passage is at present visible. The mare’s nest wrought by the organisations intended to represent the youth, notably the National Youth Commission, looks suspiciously like a botched attempt to involve the ‘people’ in the process of policy formation (Meth, 2009a). Young people in South Africa deserve better.

¹⁹⁵ Election time is a season platitudes and promises, as the spectacle of former Minister of Finance Manuel being wheeled out to drum up support among the youth, demonstrates. Addressing young black professionals on 18th March 2009, he is reported to have said that: “It’s about ensuring that the people who will be absorbed in the economy have the skills ... because part of what we have to do is to understand what is happening in the world and if we don’t focus on our greatest asset, young people, and ensure that they are skilled and absorbed into the economy ... if we don’t do those kinds of things then what we see now in this global economic crisis would suck us in and destroy our vision, destroy our future...” Urging the youth to vote, and telling them that the ANC would not take their vote for granted, he drifted into a discussion of how voting would be the beginning of “a different kind of relationship” between the party and the people, emphasising the party’s election slogan: “together we can do more.” Downloaded from *Mail & Guardian* online, 19th March 2009. The distance between the promise of a new beginning, and government’s dim perceptions of the reality of a couple of million NEETs, is terrifying.

Epilogue

One of the hazards of writing about social policy as it unfolds is that of being overtaken by events. The references in the present paper about the National Youth Development Agency (NYDA), and in a recently published article (Meth, 2009a) that predicts a dire future for the agency, are cases in point. Since these were written, the beginnings of a critical analysis of the political manoeuvring behind the formation and funding of the agency, and its mini-clones in other spheres of government has begun to emerge. The newspaper article reproduced below, gives a sense of what may lie ahead. Lacking the facilities (and the political connections) to verify any of the claims made in the piece, it is placed before readers without any guarantees as to its reliability. For my own part, however, I must admit that it has about it the ring of (a terrifying) truth, the date of its publication notwithstanding.

“Youth agencies abound – and demand to be fed”, by Jacob Dlamini¹⁹⁶

Published in *Business Day*, 1 April 2010

President Jacob Zuma finally got around to acting, er, presidential the other week. He defended Gwede Mantashe, secretary-general of the African National Congress (ANC), and Finance Minister Pravin Gordhan from attacks by Julius Malema and the ANC Youth League. Zuma said an attack on Mantashe was an attack on the ANC and that the denigration of Gordhan amounted to a denigration of Zuma himself.

It was stirring stuff, the kind of intervention that made one think about the lack of principled leadership in SA.

Zuma did not say anything about the attacks themselves or why they were taking place. To do that would have upset the false but comforting fiction of a principled ANC united behind his leadership. The president spoke out against the attacks because he could not do anything else to cut Malema down to size. He had to sound presidential because, well, that was all he could do. He could not do more because, quite frankly, he does not have the power to herd the feral cats that make up the Zuma ANC. So what then is the source of the attacks on Mantashe and Gordhan? Why has the youth league been so unrelenting in its attacks on the two men?

There are two separate but interconnected explanations. The first, involving Mantashe, has been canvassed in public by the youth league and sections of the media. The second, involving Gordhan, has been hinted at in several reports but not fully laid out.

However, both explanations are linked not just to each other but also to the political project that Malema was putting together until his recent derailment by scandal.

In the case of Mantashe, Malema has said explicitly that he wants to topple Mantashe as ANC secretary-general so that Fikile Mbalula, the

¹⁹⁶ Permission from the author and from *Business Day* to reproduce this piece is gratefully acknowledged.

man whose support Malema bought, can take over the position. You control the office of the secretary-general, you control the engine room of the ANC. This is the office that handles membership lists, is responsible for “deployments” and the overall health of the organisation. It is the most important position in the ANC, more important than the position of president, even.

Malema often complains about Mantashe’s allegedly divided loyalties as ANC secretary-general and South African Communist Party chairman. But that is simply cover for what is essentially a grubby self-serving enrichment scheme intended to benefit Malema and a number of cronies. If successful, this scheme would destroy the ANC more than it would the state.

In the case of the attacks on Gordhan, though, we have a project that would, if successful, destroy the state. On the face of it, Malema and the youth league have been attacking Gordhan and, by extension, the Treasury for the latter’s refusal to allocate R1bn to the National Youth Development Agency. The reason for this is that the agency has become another trough at which Malema and others are feeding. Malema and his allies have packed the agency and its provincial and municipal variants with cronies. They need the agency well funded so they can make it an attractive “deployment” destination for the minions who need it as a reward for supporting Malema.

The reason why Malema and the youth league wanted R1bn for the agency is that there are more minions to deploy than there is money to throw their way. This would not be a problem if the agency were designed to be self-funding and to pay its own way over time. But that is not the case. The agency is intended to benefit Malema and his associates and it is meant to do so by siphoning money from the state. However, do not think that central government is the only source of funding for this trough. Take Gauteng.

In addition to the National Youth Development Agency (with its own staff and offices in Midrand), there is also a Gauteng provincial youth development agency, with its own staff and offices in Johannesburg. But it does not end there. There is also a municipal youth unit within the City of Johannesburg with, you guessed it, its own staff and offices. It is the same in Ekurhuleni, the metro in which my township falls. There too we have a youth unit. All these agencies and units are staffed by youth league apparatchiks who owe their positions to their membership of the league (don’t bother asking what it is exactly that these agencies and units do). If the youth league is the ANC youth at play, the youth agencies and units are the league at “work”. It is classic party political machine stuff.

But the youth league’s political machine can only work if it is constantly well oiled by things such as a R1bn endowment from the Treasury. To its credit, the Treasury has not played along with the youth league or even succumbed to Malema’s threats. In truth, Malema’s attacks on Gordhan are as much a display of frustration over Malema’s inability to browbeat Gordhan into submission as they are a threat.

Malema’s bombast and his political project have been checked by the scrutiny to which he has been subjected since late last year. However, this does not mean that the beast that is Malema’s tender networks has had its appetite satiated. His cronies still expect to be fed. They still look to the youth agencies to finance their lifestyles.

Zuma might have quietened Malema for now. But expect Malema to go on the attack again as soon as his cronies start demanding their share. Will Zuma have it in him then to act presidential again?

Jacob Dlamini is author of *Native Nostalgia* (Jacana 2009).

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