



Institute for **E**conomic **R**esearch on **I**nnovation

IERI WORKING PAPER

2008-003

**Where there are no jobs: The South African Challenge of Creating Jobs and
Incomes for Marginalized Rural Inhabitants**

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Abstract

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JEL Codes: E24; H54; P13; P125

Keywords: Cooperatives; Infrastructure; Rural; and, Unemployment

IERI Working Paper
ISSN 2070-5387

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1. INTRODUCTION

The problem of rural poverty, unemployment, lack of incomes, and marginalization has become an important area of policy concern in South Africa. The increased focus on the economic geographies of rural areas is in line with the envisaged role of the rural economies in the creation of jobs for rural inhabitants (Nel and Rogerson, 2005). More specifically, employment is seen as an important policy instrument through which the marginalized rural inhabitants can enter and participate in the broader national economy. It is not surprising, therefore, that this area of policy concern is increasingly receiving attention among policy makers and scholars.

The aim in this paper is to examine three specific strategies that are increasingly utilized to create employment and incomes for the marginalized rural inhabitants in South Africa, viz, the development and promotion of the rural small enterprise sector, the Expanded Public Works Programme (EPWP), and the promotion of cooperative businesses. The paper is organized into three sections of material. The first section explores the development and promotion of small enterprises (SMMEs). The second strand examines the expanded public works programme. The last section focuses on the promotion of cooperative businesses as local and community-based businesses.

2. THE DEVELOPMENT AND PROMOTION OF RURAL SMMEs

The development and promotion of rural SMMEs has increasingly attracted a number of researchers in South Africa. This is in light of their policy significance in terms of economic recovery and in creating increased employment opportunities for the rural inhabitants. In South Africa, the term 'SMME' is used to describe a diverse range of activities that differ in size, sector, ownership structure, and formality. In this paper the focus is upon the survivalist and micro enterprises due to their prevalence in the rural SMME economy.

Survivalist informal enterprises relate to a set of activities undertaken primarily by unemployed black people who are unable to find regular employment in the formal job market. In this group of enterprises the income generated is less than the minimum income standard or the poverty line, little capital is invested, skills training is minimal and there are scant prospects for opportunities for upward growth into a viable small business enterprise (Rogerson, 1997; South Africa, 1997). This group of enterprises is seen as 'pre-entrepreneurial' and consists of hawkers, vendors, and subsistence farmers. In the sub-sector as a whole, there are no paid employees and the asset value is minimal.

The most widespread research on the rural SMME economy across South Africa demonstrates the overwhelming survivalist character of the sub-sector. It is observed that the balance in the rural SMME economy is presently weighted heavily towards 'necessity entrepreneurship' rather than 'opportunity entrepreneurship' (Driver et al, 2001). It is apparent that the primary dynamic of rural SMME growth is as a product of supply-push forces rather than demand-pull forces. In several studies the major reasons for initiating rural SMMEs highlighted by entrepreneurs is due to circumstances of necessity in terms of search for means of household survival rather than launching SMMEs in terms of perceived business opportunities. Whilst new rural SMMEs are being created, the mass of these enterprises are existing at only barest levels of survival and tending to concentrate in activities, such as survivalist retailing. In detailed studies conducted on rural non-farm enterprises in Limpopo and North-West Provinces, Kirsten (1995) found that 77 percent of enterprises were retail or service enterprises, largely of a survivalist character. Her research, further, demonstrated that only a handful of enterprises were involved in value-added activities, such as manufacturing, processing or construction, showing that "there is a lack of diversity in the rural non-farm economy and a virtual absence of small-scale rural industries" (Kirsten, 1995, p. 203). The

lack of diversity and concentration of rural SMMEs in a somewhat narrow range of economic activities results in fierce local competition, 'overtrading' and low returns to entrepreneurs.

Micro enterprises are very small enterprises often involving the owner, some family members and at most hire one to four employees. Examples of micro enterprises would include spaza-shops, minibus-taxis, and home-based producers. This group of businesses frequently lack the trappings of formality in terms of licences or formal premises. Moreover, whilst micro entrepreneurs often have only rudimentary business skills or training, many of them, though not all, are assumed that they will make the transition into viable formal small businesses. The problems facing micro enterprises in South Africa relate to access to finance, particularly lack of credit and working capital; lack of access to markets and too many competitors; and, information to help them graduate into small enterprises (Nobanda, 1998).

Nevertheless, the SMME economy is accorded considerable significance in terms of meeting several of the core objectives for post-apartheid reconstruction. In particular, great optimism attaches to the fact that SMMEs are generally associated with more labour-absorptive capacity (Kesper, 2001). The rural SMME economy is, therefore, seen as a major sphere for both employment creation and for fostering sustainable livelihoods in rural areas. It is sometimes the only terrain in which the rural poor are able to create their livelihoods and support their families.

The high poverty and unemployment rates in rural areas, however, suggest that the stimulation of small business activity needs to be linked to poverty alleviation, employment creation, and broader rural development initiatives. One recent investigation suggested that at least two-thirds of entrepreneurial activity among Black South Africans is necessity driven and in rural areas, which exhibit the highest levels of poverty in South Africa, the proportion of necessity entrepreneurship rises to almost 83 percent (Driver et al, 2001, p. 51). It is observed that despite its acknowledged significance for addressing the goals of reconstruction and sustainable development, reliable information is lacking on the size and contribution of SMMEs to South Africa's economy, particularly in terms of accurate data on the informal sector, the largest segment of SMMEs. In the recent analysis, it was concluded that there are between 1.6- 3 million SMMEs with the largest numbers sectorally found to be involved in retail activities (Berry et al, 2002).

By far the majority of the population working in South Africa's SMME economy are unable and unlikely ever to make a transition away from everyday struggles for meager survival as they are constrained by a number of factors which constantly reinforce their position at the bottom of the pile. Worst affected are those groups of survivalist women entrepreneurs, constrained by patriarchy and the responsibilities of child care and household responsibilities, which limits their choice of income options, skills, and their capacity to pursue training opportunities. The inevitable consequence is the feminisation of the lowest echelons and least remunerated areas of SMME work in South Africa, namely of survivalist enterprises. In a recent study, it was observed that most necessity entrepreneurs, especially those in rural areas, are survivalist of a last resort which provide the desperately needed incomes and without the resource and skills at their disposal to pursue a high growth business venture (Driver et al, 2001).

In terms of contributions towards national economic growth and employment creation, it is clear that the majority of South Africa's SMMEs are micro and survivalist enterprises with few signs of enterprise growth. By contrast, it has been shown that the most dynamic group of SMMEs and those most responsible for new employment are medium-sized rather than formal small or micro-enterprises. These dynamic SMMEs, however, represent only the smallest segment of South Africa's SMME economy as a whole. As a consequence of these factors, it is clear that the contribution of SMMEs to national growth is expected to remain limited.

A critical factor in determining the positive contribution towards poverty reduction that might be made by the SMME economy, especially of micro and informal enterprises, is the policy and support environment offered by local and national governments. It is argued that policy support and a less hostile attitude of local governments can allow greater informal income and livelihood opportunities, thus making the lives of the poor a little less poor (Mead, 1999). Indeed, for survivalist enterprises, women entrepreneurs and rural SMMEs, the most effective level of policy intervention and support is at the local level rather than the national scale of government. Local governments can enact a range of measures to support survivalist enterprises as part of the local economic development initiatives for poverty alleviation.

In the past, local governments in South Africa did not play a significant role in economic development. They only existed as administrative instruments of the apartheid government. Nevertheless, since 1994 there has been a remarkable transformation in local governance from an era of managerialism, which focused primarily on the local provision of services and facilities, to one of entrepreneurialism which stresses a focus by local state on the speculative deployment of local resources to mobilize investment by private capital. The appearance of local authority economic intervention tends to be prompted by a need to tackle local economic and social problems or to manage processes of economic restructuring. In terms of rural SMME development, local authority initiatives can be linked to economic regeneration in the context of economic crises evident in many rural localities. The closure of gold mines have added pressure to already collapsed rural economies, with many migrant labourers returning home without any employable prospects in rural areas. In light of the policy significance of local authorities in economic development, the role of local government has been highlighted in a number of policy documents. For example, the DTI White Paper on SMMEs (South Africa, 1995) highlights the vital institutional role for local governments in small enterprise promotion. In addition, the Local Government Transitional Act stresses the importance of having local authorities playing a pro-active role in economic development.

Lack of infrastructure in rural areas has been observed as a constraining factor in the development of rural SMMEs. For example, transportation problems are compounded by the bad condition of the road networks in many rural areas which are impassable in bad weather. Again, the lack of running water and electricity limits the production capacities of rural entrepreneurs. Evidence from many parts of rural South Africa points to the provision of electricity as a potential input for upgrading the condition of the rural SMME economy (Rogerson, 1997). Access to electricity makes it possible for enterprises to engage in many activities which are electricity dependent and is seen as a vital stimulus to rural business start-up. The provision of infrastructure is viewed as offering significant benefits particularly to women entrepreneurs who often have to combine business tasks with household duties. Typically, the focus now turns to the second strategic intervention, ie, expanded public works programme.

3. THE EXPANDED PUBLIC WORKS PROGRAMME

South Africa has experienced economic growth that did not necessarily translate into the creation of new jobs. The marginalized and poor people could not benefit from such a growth. In particular, a large number of those with low levels of skills and education remained excluded from the active economic life in the country. Accordingly, the expanded public works programme has been launched as government initiative that is aimed at drawing significant numbers of the unemployed into productive work, and these workers acquire skills while they work, and therefore, take an important step to get out of the pool of those who are marginalized and unemployed. The EPWP was launched as a transitional measure which will

provide support to those who are economically marginalized. In particular, it is a government-led intervention aimed at addressing unemployment and poverty. It focuses on the unemployed, able-bodied but unskilled adults who are not being reached by other social security programmes of government, such as pension grants. The programme, reduces the number of people that are dependent on social welfare and increases the number of people that rely for their livelihood on normal participation in the economy.

The programme draws its strengths from a number of factors:

- clear and consistent political support and multi-year budgeting
- strong institutions to manage and coordinate the programme
- linking the speed of implementation to the pace of capacity building
- establishing quantifiable specific objectives
- creating effective monitoring and evaluation systems

The focus of the EPWP is on the creation and maintenance of social and economic infrastructure while simultaneously creating employment. More specifically, the four sectors that are targeted by the programme are infrastructure, environment and cultural, social and economic sectors. Consequently, the programme reduces the alienation amongst the unemployed while providing them with exposure to the workplace and benefiting from skills development. The use of less-capital intensive methods in the programme are aimed at reducing barriers to access for emerging contractors. As a result EPWP is set to make a significant contribution to black economic empowerment in the construction sector.

The programme has the following objectives:

- ability to earn an income either through the labour market or through entrepreneurial activities
- work experience
- training and skills development

The duration of employment ranges from three to six months. In its first year the programme had a target of creating between 44000 and 53 000 employment opportunities through the maintenance of public buildings. The programme beneficiaries are entitled to two training days per month for the duration of the employment period. The beneficiaries will acquire skills that are critical in the programme particularly the maintenance of public buildings. The two elements of training are basic life skills for all programme beneficiaries and technical skills for a small number of beneficiaries. The technical skills acquired in the programme lead to a certified qualification in the building sector. More importantly, the trainees are linked to a potential exit strategy in the form of pursuing skills programmes or exiting to form own construction or maintenance companies. Those who exit to form own companies could still be assisted through construction and training authority programmes aimed at developing construction companies.

The various employer bodies have been approached to identify employment opportunities that can be linked to the objectives of the EPWP, namely on-the-job training. The placement of exiting beneficiaries to various employer bodies is handled by the Employer Skills Development Agency (ESDA) that is responsible for the placement of beneficiaries to various construction enterprises in order to gain further experience through on-the-job training in the chosen fields of qualification. In the case where the beneficiaries do not have adequate scope in one employer, an opportunity is created for such beneficiaries to rotate with various employers so that they can acquire the required skills and complete their qualification in the chosen field.

The national Department of Public Works assumed the overall responsibility for the implementation of the programme. The department has also established an EPWP Unit with a responsibility for the coordination of the infrastructure sector. At the provincial level, the Independent Development Trust (IDT) is the Programme Implementing Agent of the EPWP. It has the overall responsibility of planning, management and implementation of EPWP projects in all the nine provinces. The IDT has established working relations with various provincial Departments of Public Works, the Construction and Training Authority (CETA) and various employer bodies in order to facilitate on-the-job training opportunities for programme beneficiaries. The IDT has also established Programme Offices to manage and coordinate the implementation of EPWP projects in the nine provinces. Each Programme Office has a duty to mobilize the required management and technical capacity to be able to manage the implementation of EPWP in the province. Further, the IDT appoints beneficiaries from the database that are allocated to various projects as and when required as per the duration of the of the implementation of the projects. Finally, the IDT is fully responsible for the cost, quality, time, and other performance indicators with regard to the implementation of the programme and will account to two levels. First, to the Provincial Department of Public Works, secondly, to the EPWP Unit.

Overall, the EPWP is a government intervention aimed at creating new jobs for the marginalized unemployed people who have low levels of skills and educational achievements. It is aimed at reducing unemployment and provide livelihoods for the poor people. The programme provides employment, incomes, and vital infrastructure. The built infrastructure enhances access to basic services and improve delivery of services. The programme recognises the potential significant role of public works-led initiatives in the creation of livelihoods and social inclusion of the marginalized communities. The implementation of EPWP optimises employment while developing skilled productive communities that can access other economic opportunities in the construction sector. In the next section, the focus turns to the examination of the development and promotion of the cooperative businesses.

4. THE PROMOTION OF COOPERATIVE BUSINESSES

Cooperatives are increasingly being recognized as policy instruments that can contribute to addressing poverty and creating employment opportunities for the marginalized and financially excluded people (South Africa, 2004). They are increasingly being implemented in both rural and urban areas. The local governments implement the development of coops within their local economic development frameworks. Such initiatives are also supported by the Social Plan Grant from the national government. The grant provides funding to support planning and implementation of job creation and poverty alleviation projects within the municipalities. Its measurable outputs relate to estimated number of jobs created; number of business infrastructure developed; number of economic regeneration studies in selected municipalities; number and quantum of financial and other support measures implemented and directly impacting on SMMEs, youth, women, and people with disabilities. The allocation criteria focuses on contribution to poverty alleviation; alignment with urban renewal programme or integrated sustainable rural development; contribution to the economic development framework of the municipality and integrated development plan (IDP).

Poverty and employment creation are more vital policy focus areas of the initiative. The targeting of low income and marginalized communities adds a pro-poor focus to the initiative. Overall, cooperatives and LED share the objective of promoting business development and business development opportunities that are rooted in and fully benefit the

local community. The aim of developing and promoting the cooperatives is to provide livelihoods to rural inhabitants.

In the case of the Ekurhuleni Local Council, the social background to the initiative is that the majority of the council wards in the area have an unemployment rate of between 40 and 50 percent. This is an indication of lack of jobs in the formal economy. The challenge is that of using coops to support the priorities of development. In particular, the strength of the coops is seen in terms of boosting production and household incomes through job creation, improving conditions of employment, and creating livelihood opportunities for the local citizens to engage in productive economic activities. Central to the initiative is the recognition that economic growth is crucial for sustainable improvements in services and incomes.

The development of coops is about reaching out to areas where unemployment is high by providing opportunities for job creation and sustainable development, facilitating an economic environment that promotes job creation. Overall, the development of cooperatives occurs within the context of the LED. It is an initiative that is aimed at increasing local production to meet local needs; eradicate food insecurity; and, facilitate sustainable local economic development.

The vision is that local savings, skills, land and other resources should be used to meet the needs of the community. The intervention is set to facilitate the participation of women in the local economy. The specific objectives of the initiative include the formation of assets among the poor and marginalized; realize black economic empowerment; skills development; and link the marginalized people with the mainstream economy. As a result, it has become important to set up linkages with community organizations involved in economic development; facilitate involvement of communities in economic development; review legislation to include coops; develop linkages with national and provincial government programmes to facilitate access to finance, information, and marketing.

In the specific case of the Ekurhuleni Local Council, the coops are being promoted within an industrial hives project. A number of factors were considered to ensure the sustainability of the industrial hives, including the level of skills among members, group dynamics, business selection, marketing, professional support and funding. It was observed that the setting up of industrial hives as viable entities would require an investment in equipment and seed funding.

During the process important factors were considered: the unemployment rates, poverty indicators and the assessment of the type of skills available in the wards including skills verification. Meetings were organized by the LED department in the clustered wards and involved ward councillors and the community. The meetings focused on the following: identifying appropriate municipal buildings where industrial hives would be set up; encouraging residents of the wards who are jobless to participate in cooperatives as a means to economic activity and sustainable livelihoods; ascertaining the skills and capacity of the residents to engage in economic activity such as plumbing, electrical work and manufacturing of steel and allied products; recycling waste; services provided by the municipality such as maintenance and repairs; and linking the groups to key programmes of the local government infrastructure development.

Workshops were held during November, December 2003 and January 2004. The three groundwork workshops were held over five days, facilitated by COPAC a consulting company, which focused on the following- education on the cooperative concept; a concept design with a focus on sustainable local manufacturing and micro finance; a business prospect and participatory feasibility assessment. The objectives of the workshops were: to understand the contextual aspects of poverty and its challenges; to develop a collective response or answer to poverty; clarify the needs of participants that are necessary for survival

and basic existence; design a model of sustainable business development; develop an appropriate business plan; contribute to implementing the LED policy in the locality. It was emphasized that the cooperatives are initiated to promote sustainable local manufacturing in the local economy. The initiative involves local manufacturing to meet the needs of the community; use of appropriate technology that fits the situation and the scale of the community; supporting livelihoods and autonomous work; that worker-owners will be self-employed and will generate income using their capabilities, assets and local opportunities; utilization of local resources in the form of raw material, labour, finance, land and buildings, waste materials; to mobilize the demand side through community mobilization; to promote peace; and, ensure that people live and work in the same space

It has been observed that in instances where the ward councillor is actively involved in the project, the process moves faster. For instance, the process of identifying buildings started in July 2003. Until September, when the ward and portfolio councillors got involved in assisting the department, the process was slow. Between October and December 2003 a total of 31 buildings were identified for the purposes of housing coops. During April 2004, four buildings were obtained to house the cooperatives and later more buildings were obtained for use in industrial hive project.

Overall, the industrial hives project is organized around a local economic development programme that is people centred and that addresses the challenges of poverty and job creation.

5. CONCLUSION

It is has become clear that many rural citizens, especially those that are unskilled and with low levels of education do not benefit from economic growth. To address this problem, a number of initiatives have been taken, including rural small enterprise development and promotion, the expanded public works programme, and the promotion of the cooperative sector. More specifically, employment is seen as an important policy instrument through which the marginalized rural inhabitants can enter and participate in the broader national economy. These strategic interventions have been described in this paper as ones that are increasingly utilized to create employment and incomes in South Africa.

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