

TERMS OF REFERENCE

HIGH-LEVEL REVIEW OF THE SOUTH AFRICAN LABOUR MARKET

1 BACKGROUND

South Africa is a middle-income country, with a gross domestic product (GDP) of R73, 061 per capita in 2015.¹ It is by far the most industrialised country in Africa.

While the importance of the South African economy within the African continent is undeniable, it has struggled considerably to benefit a large share of the population. The World Bank ranks South Africa as one of the most unequal societies with a staggeringly high GINI coefficient of 0.64. Furthermore, unemployment is widely recognised as one of South Africa's greatest challenges. For the working-age population rate as a whole, the official rate is 26.6%. The official rate implies that more than a quarter of all those who want to work and have recently actively looked for work could not find it. Worst affected among those are youth, about half of whom are unemployed according to official statistics.

A direct reflection of this inequality and unemployment are the consistently high levels of poverty, which are at odds with the country's status as an upper-middle income country. Statistics South Africa's recalculations of the poverty line in 2011 suggested that 37% of the population was poor when using the lower-bound poverty line (R501 in 2011 Rand after the recalculation) used in the National Development Plan. More recent research at the University of Cape Town points out that households are only likely to meet their food needs at the upper-bound line (R779). The university research also comes up with higher poverty lines after correcting for perceived methodological weaknesses. The resultant estimates suggest that 39% of the population was poor in 2011 using the lower-bound measure, and 63% using the upper-bound one.

Yet, unemployment is not the only reason for high rates of poverty. In addition, many of those who are employed earn inadequate incomes. A 2015 study estimated that 5.5m South Africans are 'working poor', based on a poverty line of R4125 (per month). In 2014, median monthly earnings for employees were estimated at R3,033, leaving half of all workers earning at this level or lower. The median was even lower, at R2,600, for women, as against R3,500 for men. One in every ten employees reported earning R700 per month or less, and one in every five earned R1,574 or less.

To stem South Africa's triple challenge of inequality, poverty, and unemployment, substantive changes in the economy and labour market are required. The National Development Plan (NDP) stipulates that, "Transforming the economy and creating sustainable expansion for job creation means that the rate of economic growth needs to exceed 5 percent a year on average." Unfortunately, this target has only been achieved in the years 2004 – 2007, and with growth rates before and after routinely falling (often well) below 3%, especially in recent years. In fact, growth turned negative in 3rd quarter 2016 (-0.3%) and 1st quarter 2017 (-0.7%), whilst per capita growth has been stagnating or negative since 2014. Thus, the economy has been locked in a low-growth state.

In this context of low growth and continued socio-economic challenges, the question is how the country can achieve its ambitious objectives by 2020 and 2030, as set out in the NDP. It stipulates that by 2020, the

¹ Calculated from Statistics South Africa. GDP Statistical Series 2010-2015, and mid-year population estimates.

unemployment rate should fall to 14%, and to 6% by 2030, in turn requiring the creation of 11 million additional jobs.

To achieve development goals will include a complement of:

- Reducing the cost of living, through market reforms and the social wage. In a context of high unemployment and low wages, this raises the probabilities of the majority achieving a decent standard of living.
- Remove the most pressing constraints on growth, investment and job creation
- Drive greater dynamism in goods and services industries
- Strengthen the ability to leverage state owned enterprise
- Broaden the expanded public works programme (EPWP), especially into community based services
- Strengthen the functioning of the labour market
- Strengthen the education and skills and their link to employment and livelihoods

The specific proposals on the labour market include:

- ▶ The labour market needs to be adaptive and responsive to the changing needs of workers and the economy. This means:
 - Sufficient flexibility that enables firms to make critical business decisions
 - Enabling for workers and work-seekers to participate
 - Respecting human rights and fair labour practices
- ▶ More specifically the proposals include:
 - Improving access to lifelong learning and career advancement
 - Improving labour market matching and transitions
 - Experimenting with various youth labour market interventions
 - Stabilizing the labour environment, improving dispute resolution and shop-floor relations
 - Clarifying dismissal and retrenchment provisions in the Labour Relations Act (1995) Code of Good Practice and its management
 - Strengthening the labour courts, bargaining councils and resourcing the Commission for Conciliation, Mediation and Arbitration (CCMA)
 - Reviewing regulations and standards for small and medium sized enterprise
 - Identify route to more equitable wage determination in the private sector
 - Public sector labour relations conducive to delivery; public sector salary structure supportive of long term public sector objectives

A number of these initiatives arguably have been implemented to variable extent, such as the installation of the Employment Tax Incentive (ETI), a minimum wage and some attention to conflict resolution, to name only a few.

At the same time, the South African labour market is understandably subject to heated debate, which sometimes is fought along political and ideological lines. One of the main sticking points appears to be the question whether 'full employment' or 'decent work' are the primary objectives, and – especially – which of the two is the prime mover in solving the labour market challenges. In other words, should the creation of (any) jobs, or the protection of workers be South Africa's primary concern in its fight against the triple challenge? While ILO's position on such a debate would be clearly defined by the stipulations of the Decent Work Agenda – employment creation, standards and rights at work, social protection as well as social

dialogue are equally necessary conditions – it appears as if this ongoing debate in South Africa might hinder progress with regard to formulating and implementing effective labour market and employment policies.

Against this backdrop, the National Planning Commission (NPC) has requested the support of the ILO to undertake a high-level review of the labour market, in order to take stock of implementation of NDP's action points, as well recommend a sound way forward that will allow South Africa to achieve the NDP's targets by 2020 and 2030, respectively.

For this, ILO seeks to recruit the services of a team of consultants (international and national) to undertake the high-level review of the labour market as detailed below.

2 PURPOSE AND SCOPE OF WORK TO BE PERFORMED

2.1 Purpose and scope of work

The key purpose of this assignment is to undertake a high-level review of the labour market in South Africa. To achieve this, the team of consultants will develop a report that details on the state of the labour market, related policies, and their current status of implementation. More concretely, the review should include:

- A review of the implementation of labour market proposals stipulated in the NDP, with a view of tracking progress and gaining insights on possible gaps;
- An assessment of South Africa's labour market policy agenda, relative to NDP goals;
- A benchmarking exercise against similar countries;
- A set of recommendations for policy action to solve the countries labour market challenges.

To arrive at such a report, the team of consultants will be required to perform the following tasks;

- I. Review existing policy documents and background studies, engage in further desk literature review, analyse available quantitative data/statistics, and undertake qualitative primary research (incl. key informant interviews and focus group discussions with national stakeholders and social partners) with the aim of:
 - a. Developing an up-to-date profile of South Africa's labour market, in order to take stock of the current status vis-à-vis the implementation of the NDP's proposals and achieving of its objectives;
 - b. Understanding the main gaps with regard to NDP implementation;
 - c. Analysing South Africa's set of policies and their level of implementation towards achieving NDP goals;
 - d. Proposing possible explanations of the underlying causes and bottlenecks that may have led to any underperformance (across ILO's 'tripartite plus' constituents) with regard to policy development, policy implementation, and achieving NDP labour market and employment goals;
 - e. Achieving a benchmarking exercise that compares South Africa's labour market performance and interventions with those of relevant comparable countries (not limited to BRICS);
 - f. Arriving at a set of recommendations for policy actions and interventions that may contribute to solving the countries current labour market challenges and increase the likelihood of achieving the NDP labour market goals.
- II. Develop a draft report that clearly sets out these findings in a coherent and widely comprehensible manner. Such a report should describe the findings and recommendation in

full detail (incl. qualitative and quantitative analyses/synopses in appropriate annexes), but should also summarise them in an executive summary.

- III. Present the draft report at a national validation workshop, and record/document in detail all contributions and outcomes of said workshop.
- IV. Based on the combined findings of the draft report and workshop, finalise the report and its main findings and recommendations for presentation to the ILO, the NPC, DPME, as well as NEDLAC constituents.

2.2 Methodology

The National Consultant will be part of a team that adopts a consultative approach in the development of the respective deliverables, through repeated detailed consultations with key national stakeholders from government, organized business and workers, as well as other relevant actors. Necessary research activities will combine desk-based literature reviews with qualitative primary interviews and focus group discussion, as deemed appropriate and in collaboration with ILO officials. Furthermore, feedback will be elicited through a consultative/validation workshop that will bring together key stakeholders from government, academic and research communities, business community, trade unions, development partners and civil society groups.

2.3 Required qualifications and competencies

The National Consultant will hold an advanced university degree (preferably doctorate level) and possess at least 10 (preferably 15) years of expertise in labour economics, labour law, or other relevant social sciences, with a focus on labour market, employment and/or policy analysis, particularly with previous experience of the South African labour market. In-depth knowledge and familiarity on the institutional landscape and political economy of South Africa will be required. Experience in conducting value chain/sectoral assessments as well as impact evaluations will be an advantage. Demonstrated analytical ability and excellent communication and report writing skills.

3 DELIVERABLES

The National Consultant will contribute to project deliverables as instructed by the lead consultant. These include:

1. An Inception Report interpreting the ToR's, outlining the main documents to be reviewed, as well as presenting a draft outline and methodology/time plan for the labour market review.
2. Draft report of the labour market review that fulfils the requirements as per section 2 above.
3. Participation at national validation workshop and presentation of draft report. Act as main rapporteur at workshop, recording/documenting in detail all contributions and outcomes.
4. Finalised report (as above), that duly incorporates all comments and feedback received.

4 CONTRACT PERIOD AND REMUNERATION

This assignment will be implemented over **25 work days** at a rate of **USD 500 per day**.

Accommodation and transport costs during potential data collection sessions, for consultative meetings and or workshops shall be provided by the contracting organization in line with UN DSA guidelines.

5 MANAGEMENT OF THE CONSULTANCY

ILO DWT/CO Pretoria will oversee the overall work of the team of consultants, and they will present their work to the ILO Pretoria office. Technical backstopping of this assignment will be led by Mr Bernd Mueller (mueller@ilo.org), Employment Specialist.

5.1 Schedule of Payment

Payment shall be made against deliverables in three instalments following the below schedule:

- a) First payment (30%) upon delivery and acceptance of the inception report.
- b) Second payment (30%) upon delivery and acceptance of the first draft report.
- c) Third payment (40%) upon delivery and acceptance of the final report.