



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

Putting South Africa to work

An integrated approach for the working age unemployed

|

July 2022

Recap

This presentation responds to key questions raised in the previous discussion:

- How do we prioritise an “employment-first” approach, as opposed to simply expanding grants?
- What mechanisms are proposed to transition people into employment/encourage them to work?
- If extending the SRD Grant is not feasible/likely to be accepted, what alternative design is possible?
- How can we target grants to reach the poorest?
- How do we ensure that as more people enter public employment (and other forms of support), fewer people receive a grant?
- What is the interface between grants, public employment and livelihoods support?



The logic of the strategy: provoking a structural change in labour market outcomes

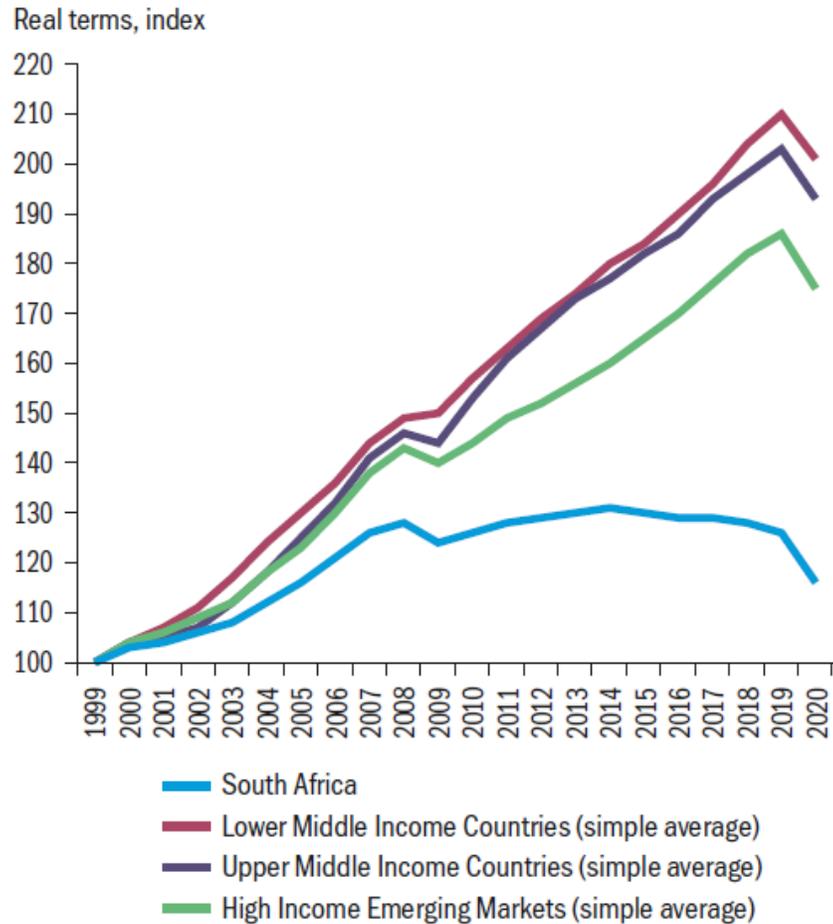


The challenge...

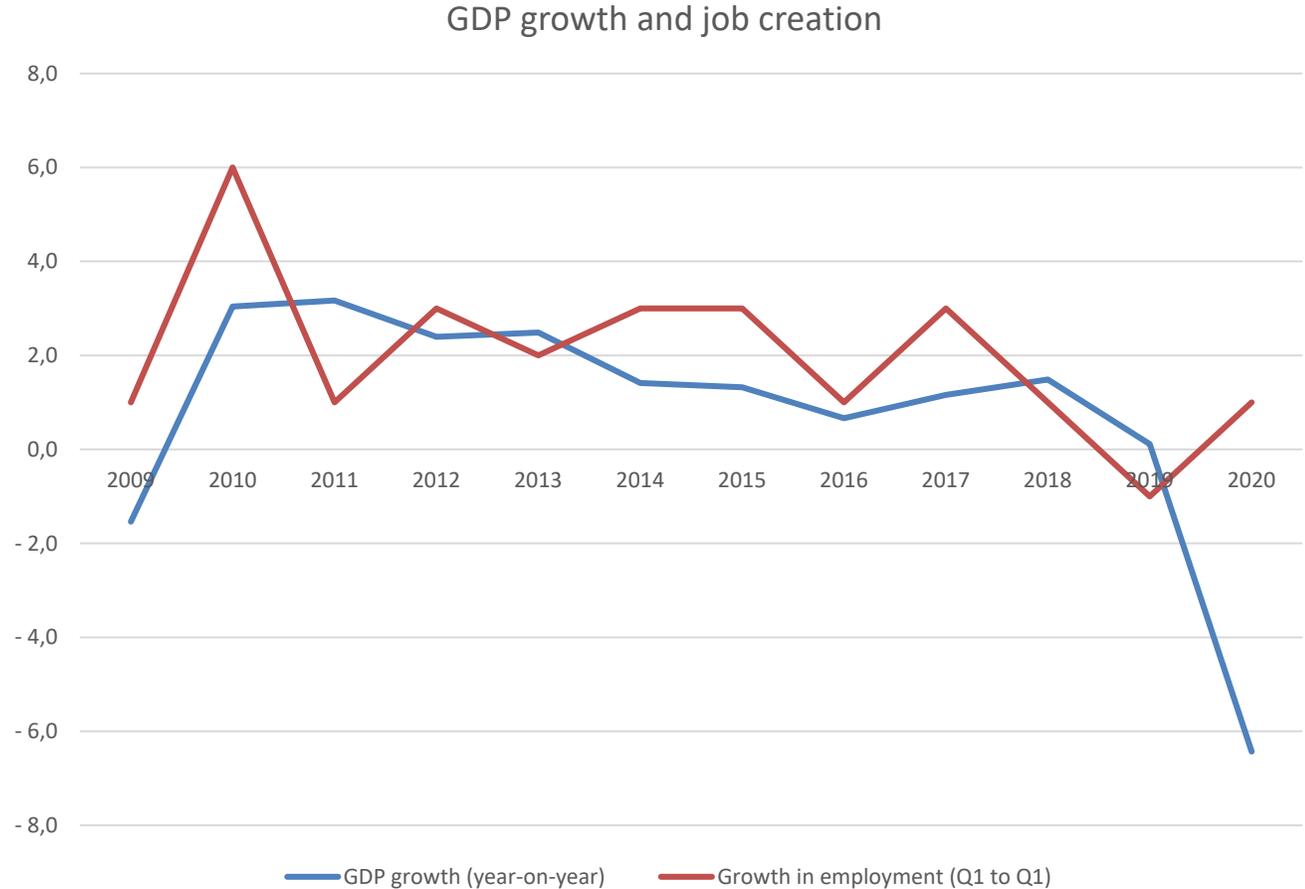
Exclusion, low growth, inefficient spending and poor outcomes.

- 1 South Africa faces a triple challenge of **poverty, inequality, and unemployment**. In addition to the divides of geography, race and education, COVID-19 has exacerbated the divide between those who are employed, have jobs, and are “included” in society; and those who are unemployed and are “excluded.” Women and young people have always struggled more in the labour market, and the pandemic has made them significantly worse off.
- 2 South Africa’s economy has been stuck in a **low-level equilibrium** with low GDP growth, stagnant fixed capital formation, and falling GNI per capita. The status quo will not self-correct: a “big push” is required to achieve a higher equilibrium.
- 3 SA spends significantly (across public and private institutions) on education and skills development with **very low returns on investment leading to poor impact**.
- 4 Youth unemployment is the greatest concern, with **two-thirds** of the more than one million young people entering the labour market each year **not in any form of employment, education or training**.
- 5 **Food poverty** has increased for several years, with almost one-in-five households reporting going hungry on a regular basis. This must be addressed in the short term while we achieve higher growth and employment in the long-run.

We need to achieve higher GDP growth, and a structural change in the labour intensity of growth



Source: World Bank, GDP per capita 1999 – 2020



Source: Stats SA, QLFS and GDP 2008-2021

Why is unemployment so high?

The causes of unemployment are structural, and need to be addressed at their source.

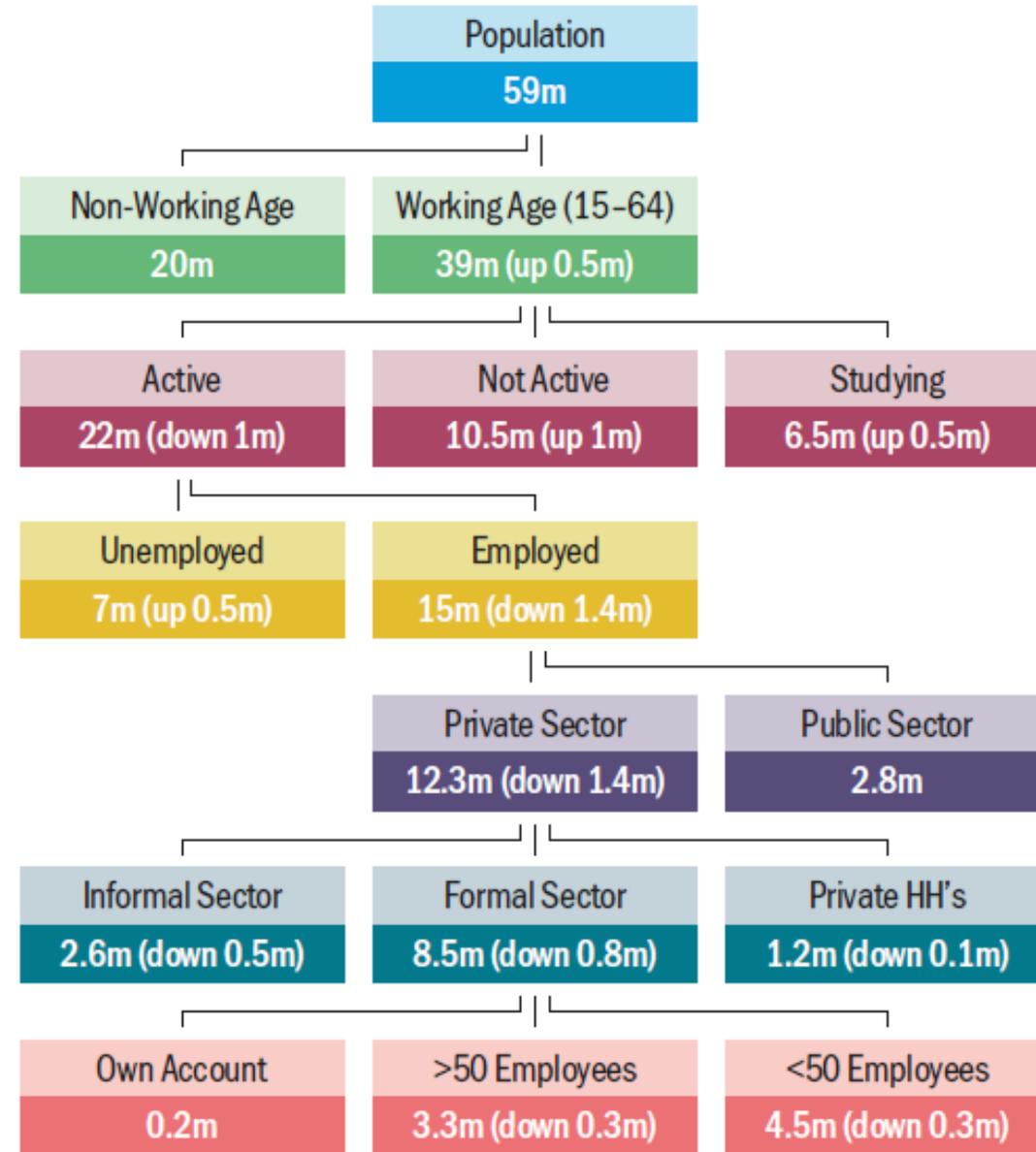
- **Sectoral structure** of the economy – our agriculture sector is unusually small for a developing economy, deindustrialisation must be halted and reversed
- **Concentration** of productive activity in a few firms within sectors, stifling small businesses and new entrants
- **Spatial distribution** of economic activity skewed
- Over-regulation of business activity and labour markets **stifles job creation**, especially for small businesses
- **High transaction costs** and inefficient network industries reduce competitiveness
- **Insufficient and poorly matched skills** mean that South Africa has a low skills base, while the structure of the economy is biased towards high skills – fewer jobs for the skills we have



Supporting small businesses and entrepreneurs

The greatest potential for job creation lies in small businesses and the informal sector.

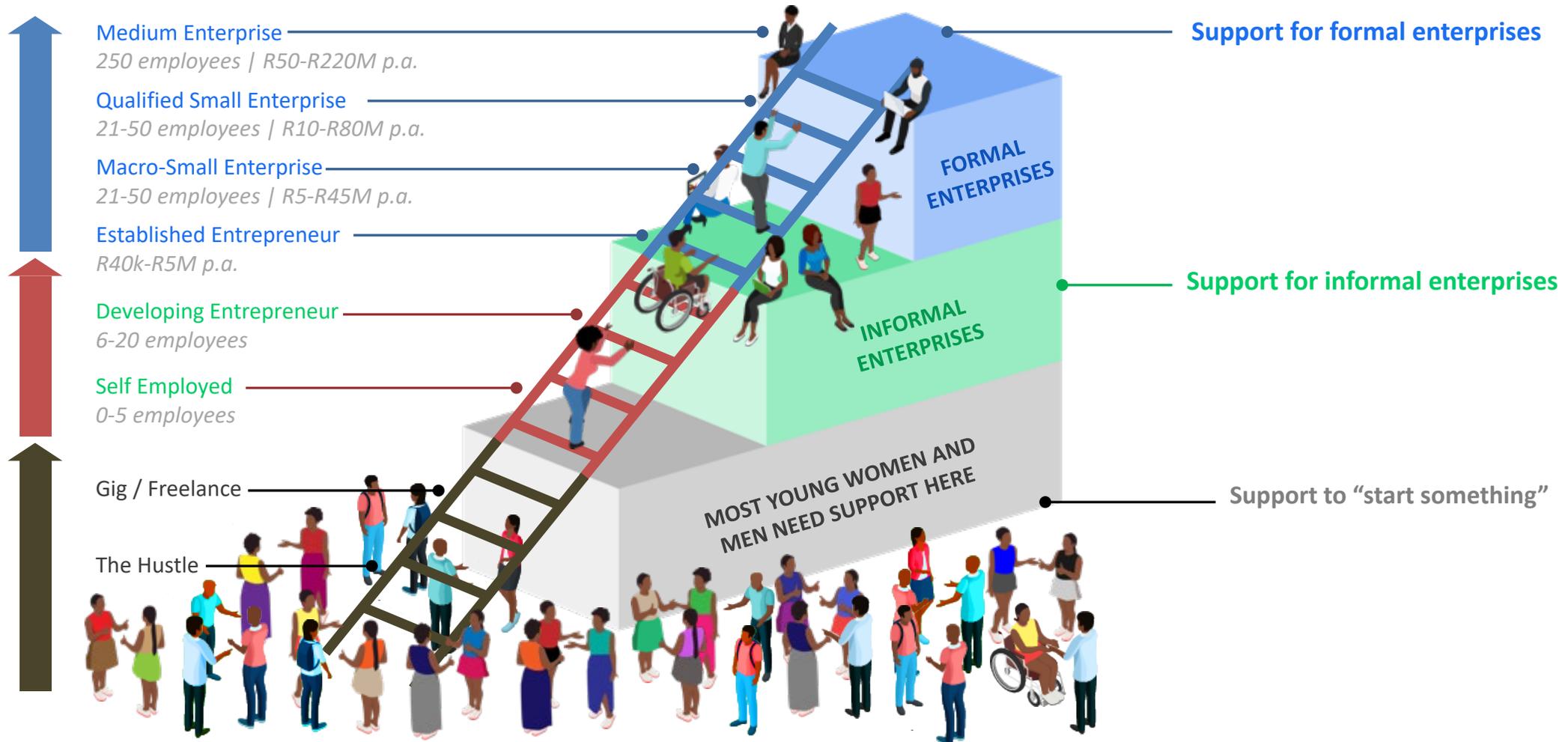
- The formal economy serves as the growth engine for the South African economy, contributing to 85% of economic output with relatively high productivity in all major economic sectors (~R4.3 trillion).
- However, self-employment represents only 10% of all jobs, compared to 30% in most upper middle-income countries such as Turkey, Mexico and Brazil.
- If South Africa were to match the self-employment rates of our peers, **we could potentially halve our unemployment rate.**



Note: figures from Q4 2020

The Enterprise Ladder

A range of interventions is required to support small businesses of different kinds, from survivalist to formal enterprises

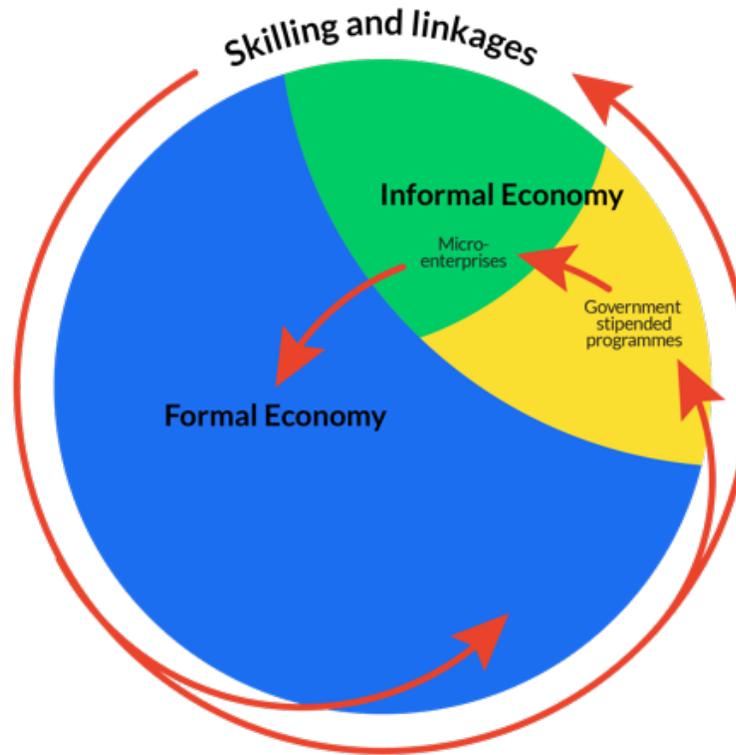


A whole-economy approach

The formal economy will always be the largest source of employment, but a whole-economy view is needed to create the broad range of opportunities required

Skilling and linkages are necessary to match skills development to demand in the economy, and to support the unemployed to access opportunities.

The formal economy serves as the growth engine for the South African economy and helps power the informal economy. It provides the highest quality opportunities for young people.



The **microenterprise** system consists of entrepreneurs and gig workers; it is fragmented and not as well understood as the formal economy, but can create many pathways to earning.

Government stipended programmes provide short-term earning opportunities and can serve as a (funded) entry point into the labour market for excluded youth.

So what do we
need to do?

A structural break in labour market outcomes would entail five major shifts:

- Shift towards **enabling private sector employment**, not over-regulating it
- Shift towards new, **labour-intensive growth sectors**
- Shift towards more **small businesses and entrepreneurs** by reducing the regulatory burden and supporting SMMEs
- Shift towards **demand-led skills development** that enhances employment outcomes
- Shift towards **lower input and transaction costs** to increase competitiveness



A portfolio of interventions to reclaim productive lives



Ending poverty, harnessing productive capabilities and creating new dynamism in the economy.

1

In the past, **difficult trade-offs** have not been made due to insufficient social consensus and a lack of urgency. Both of those conditions are now in place – more than ever before.

2

South Africa can significantly reduce food poverty by **expanding social protection** to reach those who currently receive no support, and who remain excluded from the economy. This approach recognises that it will take time to create employment, and state intervention is required in the meantime.

3

However, any expansion of social protection must be **accompanied by credible measures to boost economic growth** and support firms to expand – or else it risks an unsustainable fiscal burden. Messaging in this regard is important.

4

The **core focus must be on creating jobs**, both through stimulating private sector employment (supporting firms to expand) and through direct public funding for employment interventions. **Sustainable employment is the long term goal.**

5

A **range of interventions** is required to reach scale and to cater for diverse needs, ensuring that **all those who are unemployed receive some kind of support.**

...the opportunity

Four types of intervention

Diverse needs call for a portfolio of interventions that collectively achieve scale

The proposal outlines measures to stimulate private sector employment, alongside expanded public employment (delivered by a range of public and private actors) and social protection.



The success of these interventions relies on our ability to put forward a **credible growth story** and **improve the climate for job creation**, as state support is not a permanent solution to unemployment.

However, while the **structural reform agenda** remains the primary mechanism to revive growth, **a range of complementary actions** are needed to create jobs in the short term.



Measures to increase private sector employment

The *Putting South Africa to Work* strategy proposes a number of measures to increase employment in the private sector:

- Accelerated implementation of structural reforms through Operation Vulindlela, with a particular focus on addressing the energy shortfall (as the most significant constraint on growth)
- Supporting labour-intensive sectors with a high potential for growth and job creation, including the digital economy; agriculture; hemp and cannabis; the green economy; and the social economy (e.g. ECD and nursing).
- Reducing red tape through the Red Tape Reduction Initiative (now established in the Presidency), addressing issues such as the mining rights system, the work visa system and tourism transport licenses
- Easing labour market regulations for smaller businesses to encourage hiring
- Enabling high-growth start-ups through a range of measures, including regulatory changes and facilitating access to finance
- Expanding and/or redesigning the Employment Tax Incentive to stimulate private sector job creation, increasing uptake by smaller businesses
- Amending the BB-BEE codes, e.g. to include youth employment as a sixth pillar on the scorecard
- Enabling participation of smaller businesses in the Youth Employment Service (YES)



An effective strategy should prioritise employment, while providing a minimum level of support for those who cannot access work.

- The *Putting South Africa to Work* strategy recognizes that the only solution to unemployment in the long term is to achieve higher and more inclusive economic growth. If economic reforms are not implemented to address the binding constraints on economic growth, employment will not grow and additional social spending will not be sustainable.
- In the immediate term, however, unemployment has devastating consequences – to the extent that it may threaten social stability, in a vicious cycle that would undermine the prospects for future growth.
- The aim of the strategy is therefore to identify a range of measures that can collectively reach all 10.6 million South Africans who have previously received the SRD Grant through some form of support, recognising that no single intervention is likely to do so on its own.
- The first priority is to increase employment: to create as many opportunities for work as possible, whether in private sector or in publicly funded programmes. The second priority is to ensure that support is provided to those for whom work is not available, to increase opportunities for productive livelihoods and social security.

An “employment-first” approach



An integrated approach: public employment, social protection and productive livelihoods



Reiterating the core elements of an integrated approach

An integrated approach requires multiple interventions to address different needs, while linking social protection to employment.

- An integrated approach that recognises a spectrum of forms of support for the working age unemployed, that includes grants, public employment, ALMPS, livelihood support and other incentives.
- Disaggregation within the NEET population to target interventions appropriately, which means a portfolio of programmes
- Strong integration of sustainable livelihoods and support to entrepreneurial pathways linked to both grants and PEPs.
- Recognition of the desirability of limiting the scale of any grant to target the poorest.
- A focus on optimizing links to sustainable pathways.

Illustrating how some of what is already proposed meets the concerns raised last week – with some new proposals too.



The need for an integrated approach that disaggregates the poor and unemployed

All 10.6 million SRD Grant beneficiaries (at peak)



- R350 grant

Mitigating desperation as a necessary pre-condition for social and economic inclusion

- Create links to livelihood support
- Enhance rural focus – subsistence farmers
- Success enabled by a ‘package of support’, including micro-finance, group formation, skills interventions (see interventions in Pillar 4: Livelihoods Support)

- R350 grant

For those not in programmes listed below

- A PEP portfolio targeting different needs: EPWP/CWP/PES
- Plus enhanced focus on PEPSLs – PEPs with integrated focus on livelihood support and ‘hustling’:
 - Social employment
 - Youth Service
 - CWP (scope for asset transfers)
- Livelihood and enterprise support

- R350 grant

For a sub-set of this group not in programmes below

- ETI (wage subsidy)
- PEPs as ALMPs focused on quality of work experience
- NYDA/SEDA/SEFA-type entrepreneurship support to SMMEs
- YES (work experience + training)
- TVETs/SETAs (technical + on-the-job training)

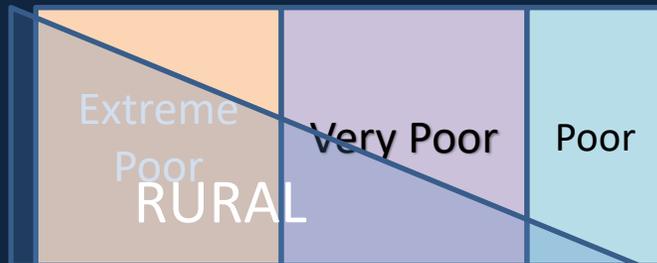
Job seeker support and intermediation: SAYouth/ESSA & DEL/NYDA

Extreme poor

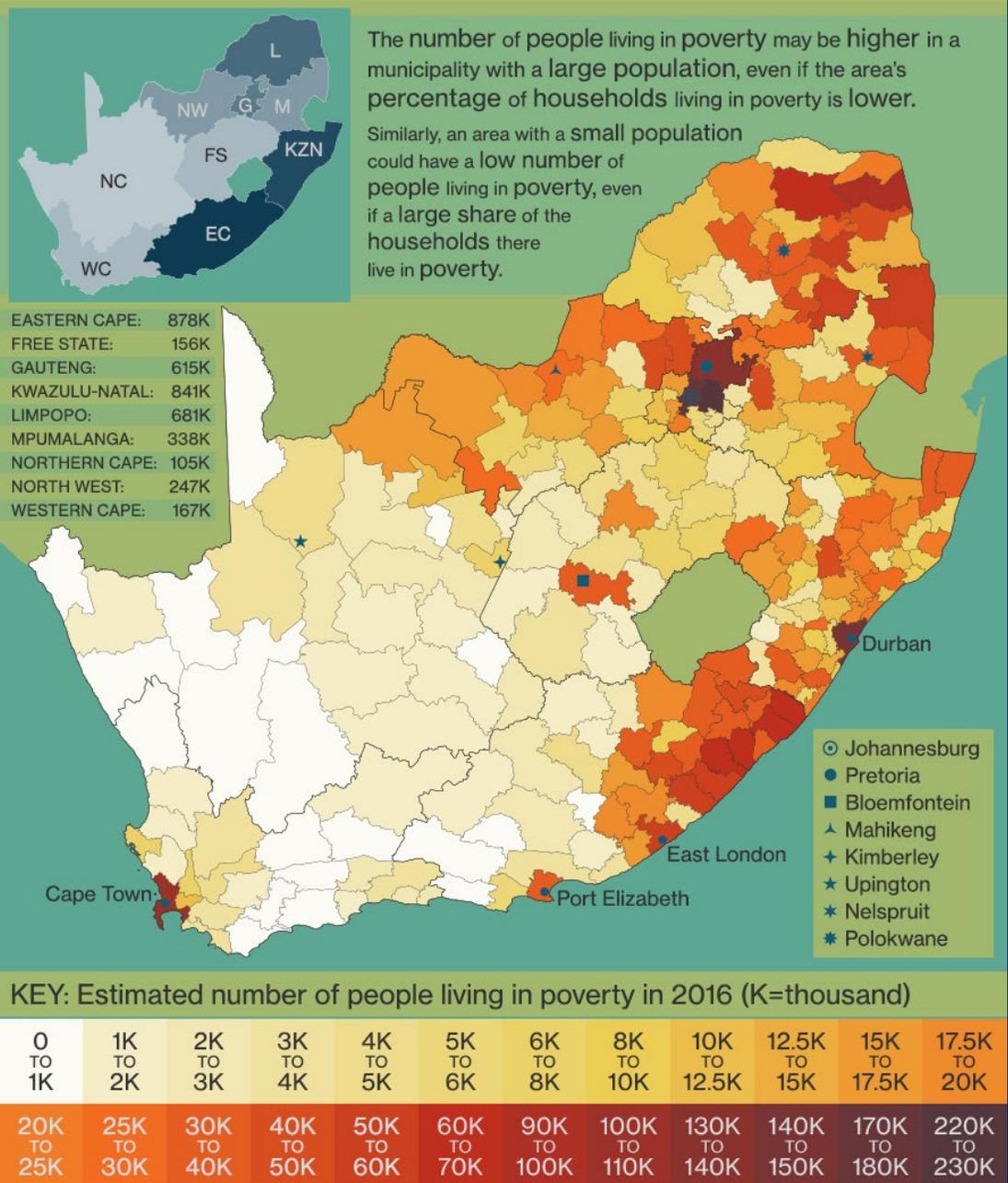
Significant constraints in labour market access or self-employment

Focus on addressing hunger and strategies for economic inclusion

Strong spatial dimension



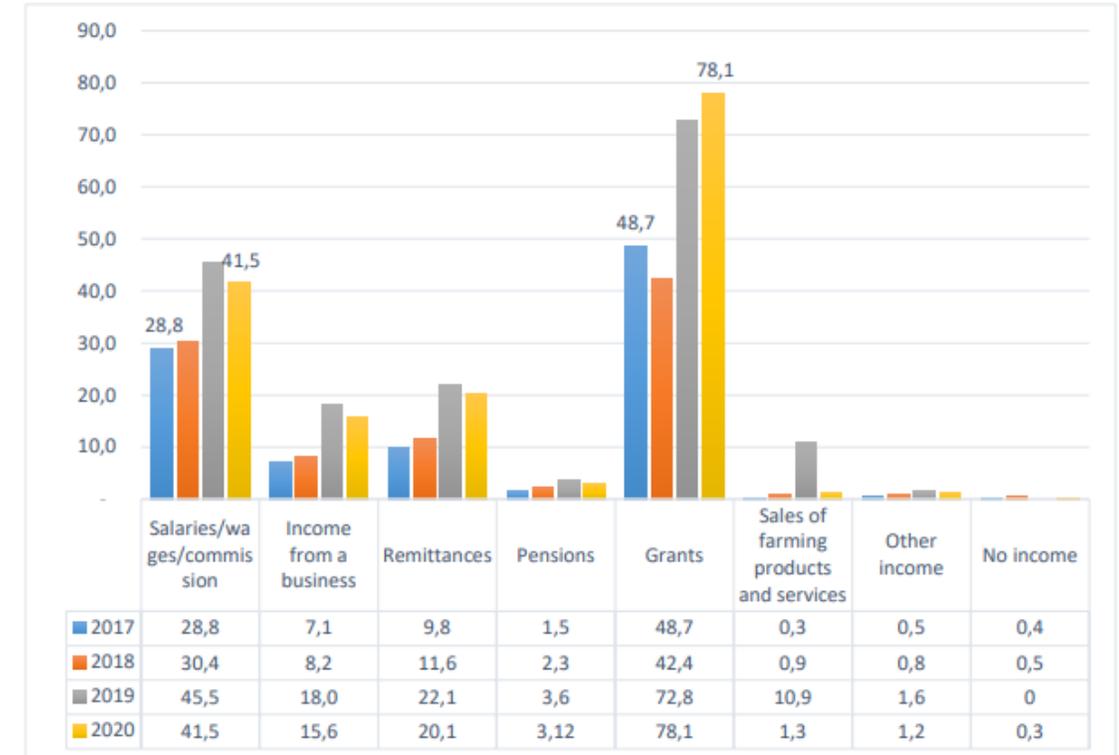
Poverty estimate: South African people living in poverty



Subsistence farmers are engaged in livelihood activity – but are still extremely poor

- 78% of people involved in agricultural production activities reported **grants as their main source of income**.
- In 2020, only 1.2 % of those engaged in agriculture reported their main source of income as being sales of farming products.
- These are our 2.3 million subsistence farmers.
 - They are not *passive* recipients of grants
 - They are engaged in non-market economic activity
 - But their agricultural activities are not lifting them out of poverty
- The strategy must be to enhance the outcomes of their effort through support and market access

Figure 5.3.4: The proportion of households involved in agricultural production activities by main source of income in 2017–2020



Source: GHS 2017–2020

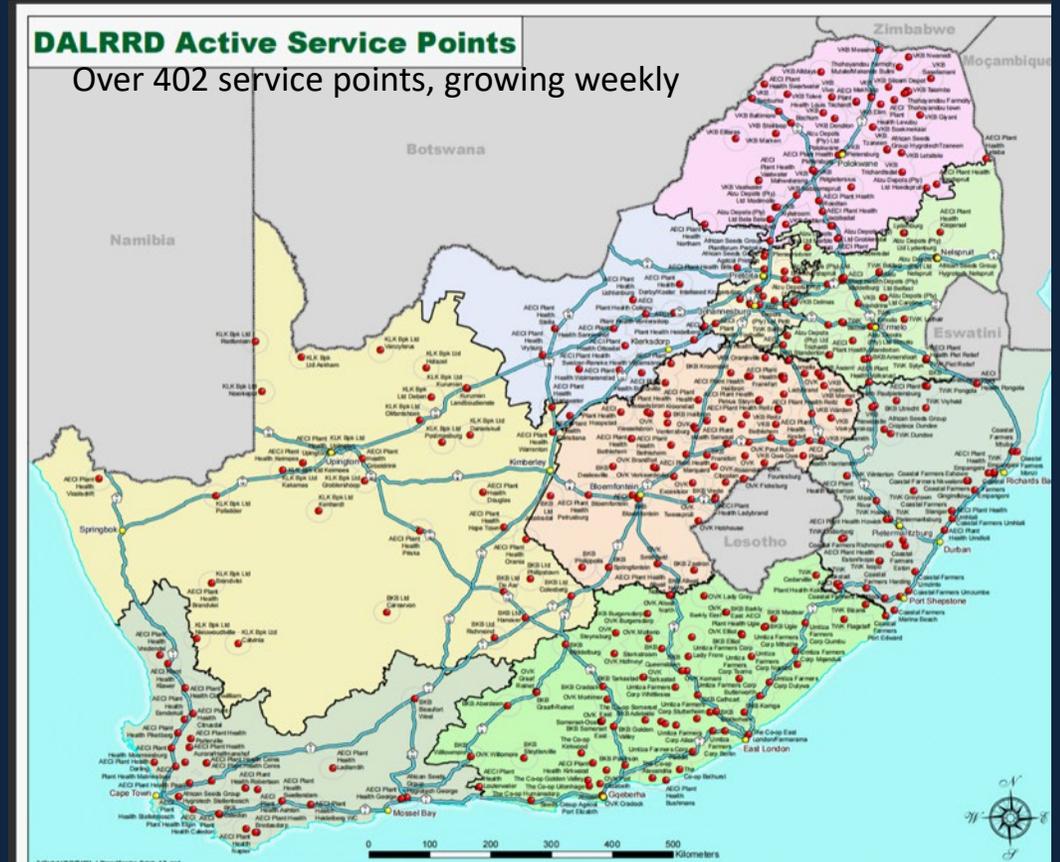
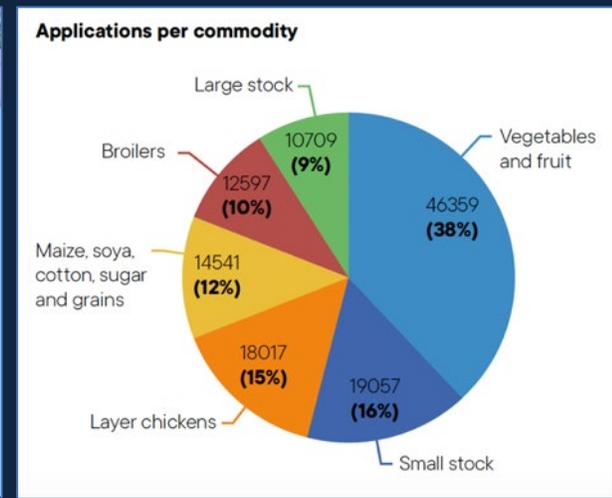
Example: Production Input Vouchers for Subsistence Farmers

- Through the Presidential Employment Stimulus, the groundwork has been laid for a significant expansion of support to subsistence farmers
- Proposing to integrate greater element of asset transfer – e.g water tanks
- Through USSD application process, over 178,00 subsistence farmers geo-spatially located for the first time in Phase 1 – with the numbers growing
- Over 402 supplier service points, growing weekly.
- DALRRD is working with the CSIR to use satellite imagery; potential to partner with e-incubators to utilize youth drone enterprises.
- Tracking outcomes and seeing advances in production outputs

This PES programme is also a market-development stimulus for the entire agricultural sector in marginalized areas

- Massively boosting demand for agricultural inputs – highlighting gaps in supply
- With volumes creating conditions for rural supplier enterprise development: Seedlings, chicks, feed, fencing, water-tanks, drone services etc.

The systems are in place to go to scale: outcomes would be enhanced by a wider package of measures.



Example: Work from Waste

A concept for economic activation of SRD recipients

- An SRD Grant recipient who collects recyclables to the value of e.g. R200 in a month could receive an incentive – taking income closer to FPL while encouraging income generation.

HOW?

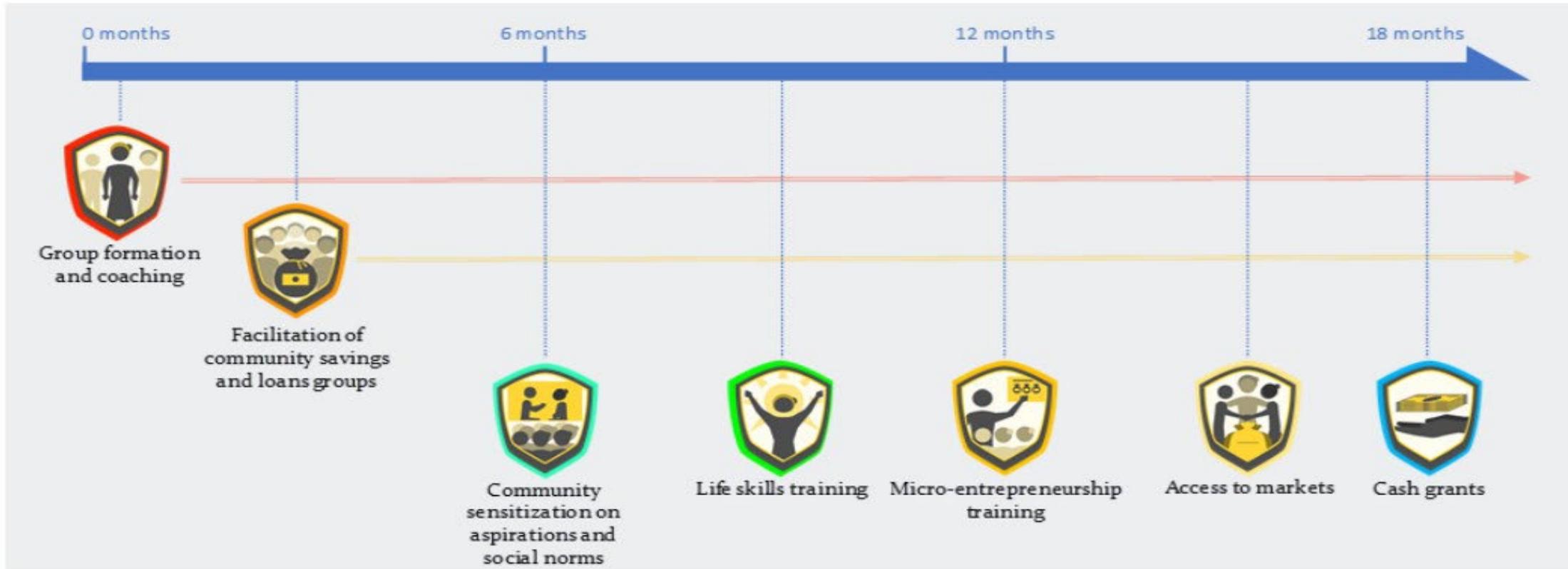
- Buy-Back Centers enter an ID code on a system. When an SRD Grant recipient reaches R200 cumulatively, they receive a cash voucher on their phone, e.g. R50.
 - Maximum once per month and 8 times per person
 - Only necessary to incentivize initially, for a time-defined period, to mobilise awareness and participation – with the expectation of continued income generation after the voucher incentive ends
- **Mobile Buy-Backs are an enterprise opportunity:** this approach could create the volume supply they need to be viable in townships and informal settlements, with financing for a social franchise model.
- Scope to test in Mpumalanga as part of the just transition?
- Building on waste innovation in the PES from COGTA, DFFE, DSI and metros



Global evidence:

Outcomes from economic inclusion interventions are enhanced by **layered and sequenced support packages** over several years.

Important additional elements include **savings and micro-finance, group formation, financial literacy, marketing support and much more** – as outlined in Pillar 4 of the *Putting SA to Work* strategy.



Very Poor

Constraints to labour market access

Often less than matric, without work experience

Limited exposure to work in the home

New acronym alert:
PEPSLs

Priority: access to formal employment.

- Job seeker support and intermediation: SAYouth, ESSA, NPMN
- But without work experience – access for this group is rare

Failing which:

Access to PEPs and PEPSLs at as great a scale as possible

- Break the cycle of unemployment
- Structure, capabilities, networks, skills: key to labour market entry
- Social and economic inclusion, hope, agency: key to livelihood pathways
- With a set of PEPs facilitating transitions to self-employment as part of design (e.g. the part-time work model)
 - *SE success enhanced where linked to the support framework of PEPs*
 - *Success rates also higher with work experience*
- PES has demonstrated conditions in which the PEP portfolio can scale significantly: not limited just to programmes in the PES.
- *EPWP, CWP, PES: time for new/common branding...*

Other pathways to self-employment, hustling

Failing which:

R350 grant



PEPs
supporting labour
market transitions

- Lack of work experience and/or long term unemployment makes people *unemployable* – lack or erosion of work skills
- Work experience is at a premium in the SA labour market – because of the costs of getting people “work ready”
- Qualifications and skills are **not** a strong “signifier” – we have to break this cycle
- Skills not used are lost – have to create opportunities to apply them

PEPs
supporting livelihood
and SME activity

- The success rate of livelihood activity, self-employment and SMEs is enhanced when people have work experience
- Work skills, networks, capabilities
- Part-time work: a de-risking function for early stage EI activity
- The PEP provides a group context, peer support, platform for entrepreneurship education

But PEPs only have these effects IF:

- (a) The work experience provides meaningful work skills: efficiency, team-work, accountability, task management skills etc.
- (b) The outcomes of the work are of high quality

Otherwise, PEPs just model unproductive behaviour, compounding productivity challenges we already have.

And DO NOT function as a labour market indicator of quality work experience for employers.

They can even stigmatise participants, rather than enhancing employability.

New frontiers of innovation: transitioning PEP *jobs* (not just participants) into sustainable ones...

Creating Work from Waste
How can we use carbon markets to support
sustainable jobs?



Work from Waste	ECD	Ecological Infrastructure Fund
<p>A range of strategies to transition from PEP models to sustainable recycling enterprises, including income streams from carbon credits</p> <p>COGTA/MISA</p>	<p>In partnership with DBE and the sector, a strategy to support informal ECD practitioners to upgrade and upskill to the level required to access the ECD subsidy, enabling their sustainability beyond the PEP as social franchises.</p> <p>DBE</p>	<p>Catchment management yields economic benefits for diverse users – water boards, mines, private sector, subsistence farmers.</p> <p>Strong PEP history – but platforms for payments for value created never made.</p> <p>Fund to use PEPs to seed ‘payments for environmental services’ model in which the work is paid for eg from the water tariff and other users.</p> <p>DSI/DWS</p>

All build on prior work and established proofs of concept.

Poor and/or Unemployed

This group has the best chance of entering the labour market, but still faces constraints.

For this group, the emphasis is on (a) ALMP interventions supporting labour market access and (b) self-employment and enterprise.

The biggest range of support programmes currently exist for this group.

The more they are supported to transition, the more 'space' for those following (and the fewer reliant on grants).

National Pathway Management Network, ESSA

- Job Seeker support
- Labour market intermediation
- CV support

Public Employment Programmes

- Focused on work experience with a pathway into the labour market
- For graduates: work experience often the main barrier
- Getting them to work contributes to economic growth: skills for the economy

YES

- Placements in the private sector

Employment Tax Incentive

- Placements in the private sector

Learnerships, internships

- Placements in the public and private sector

SMME development, start-ups, hustling

- The full suite of NYDA, DSBD and other SMME support programmes

The PES as an “innovation sandbox” augmenting scale and delivering quality outcomes: 900,000 opportunities created from Oct 2020 to June 2022



Production input vouchers for subsistence farmers

Social Employment

Youth Service

Innovation in City PEPs

Waste

Enviro, tourism

Teachers Assistants

Graduate programme 26 universities

Water Graduates, DPWI CSIR, WRC DSI, Health, DSD

BPO sector placements

NYDA youth enterprise

Testing new models Implemented by departments. Building the institutional architecture for scale.

- Livelihoods/enterprise
- PEPs
- PEPs

Support to ECD

Creative Sector Stimulus

Eco-System Manager: National Pathway Management Network

Recap: what has the SRD Grant achieved?



Potential number of eligible recipients based on employment status

Table 1: Number of potential SRD Grant recipients by household income per capita, by age range and by decile

HH income pc decile	Individual Special Covid Grant recipients			HH income pc (R)	
	(Age 18-59)	(Age 21-59)	(Age 25-59)	(decile min)	(decile max)
1	1,390,849	1,104,197	872,753	56	492
2	1,332,701	1,088,026	818,693	493	710
3	1,361,278	1,103,169	877,203	710	957
4	1,429,819	1,187,912	931,830	957	1,298
5	1,530,509	1,237,649	957,912	1,298	1,698
6	1,574,202	1,328,349	1,049,559	1,699	2,322
7	1,606,244	1,353,902	1,140,689	2,322	3,281
8	1,660,352	1,513,681	1,231,625	3,282	5,216
9	1,571,823	1,389,835	1,179,465	5,216	11,036
10	1,655,460	1,451,310	1,304,473	11,044	682,543
Totals	15,100,000	12,800,000	10,400,000		

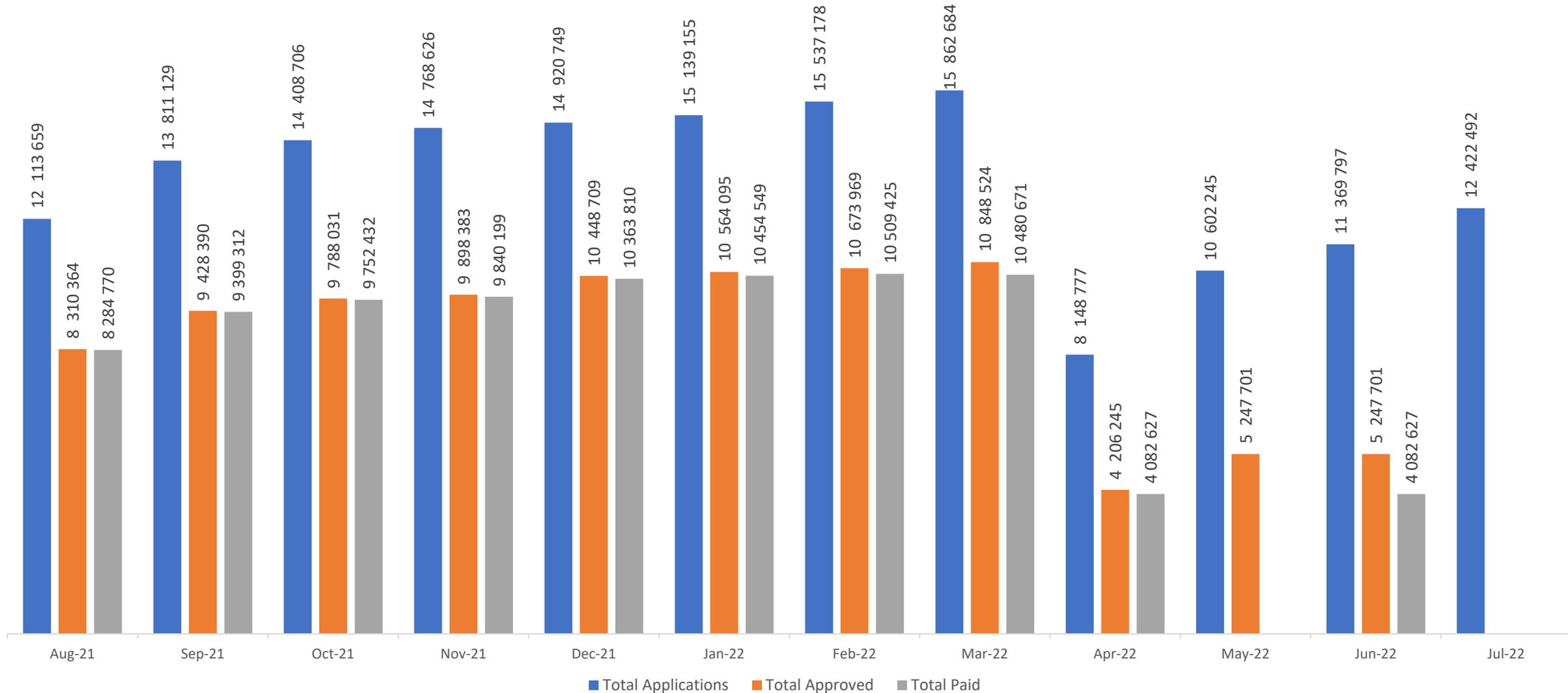
Table 2: Mean monthly per capita income by population decile, in February 2020 Rands

Decile	1	2	3	4	5	6	7	8	9	10
Monthly Income	R352	R603	R829	R1,127	R1,497	R1,983	R2,737	R4,107	R7,473	R25,214

Source: Bassier, Budlender, Leibbrandt, Ranchod and Zizzamia, 2020

Reach of the SRD350 Grant – SASSA data

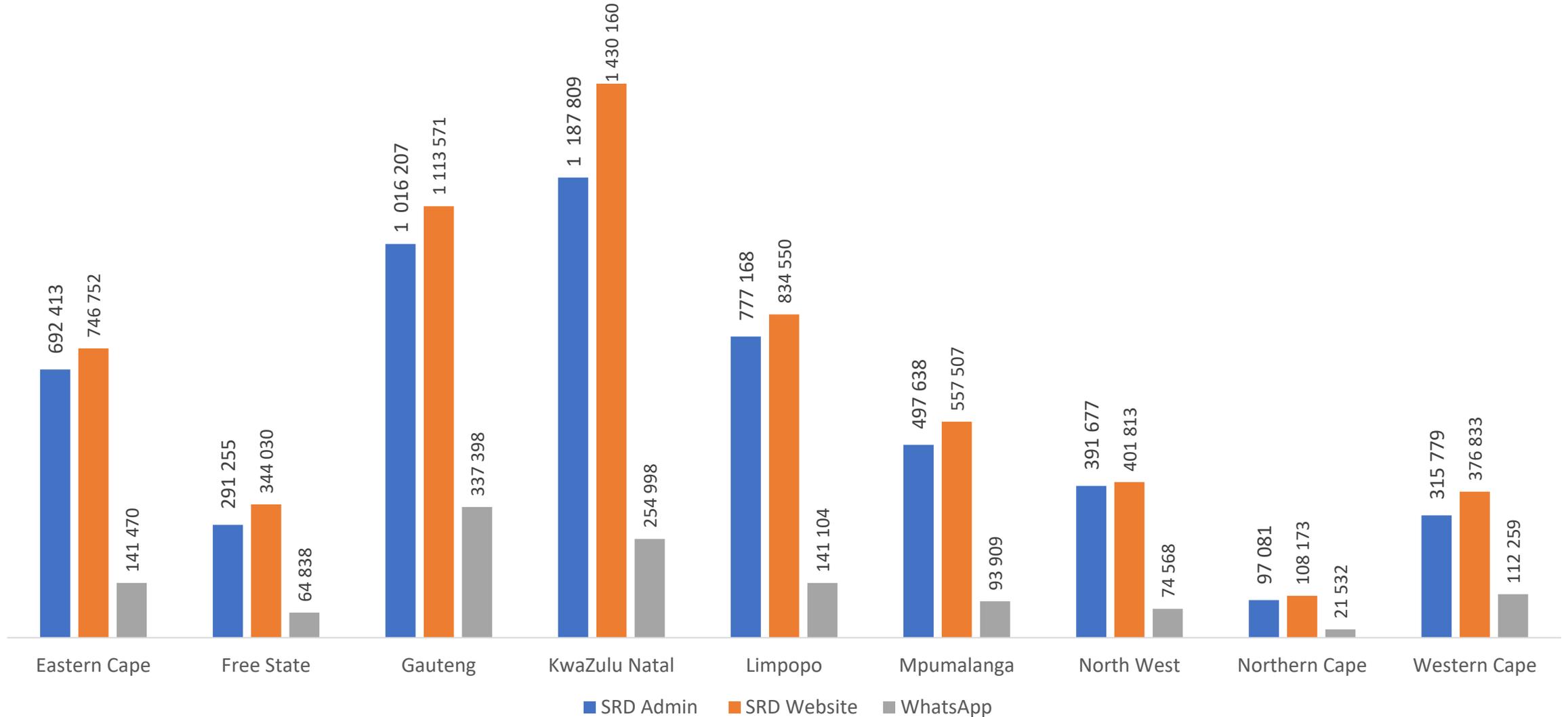
Figure 1: Total SRD350 grant applications, approvals and grants paid from April 2021 to July 2022



Source: SASSA, 2022

Reach of the SRD350 Grant – SASSA data

Figure 2: Total SRD350 applications by channel as at 12 July 2022 (for June 2022 applications)



Reach of the SRD350 Grant – SASSA data

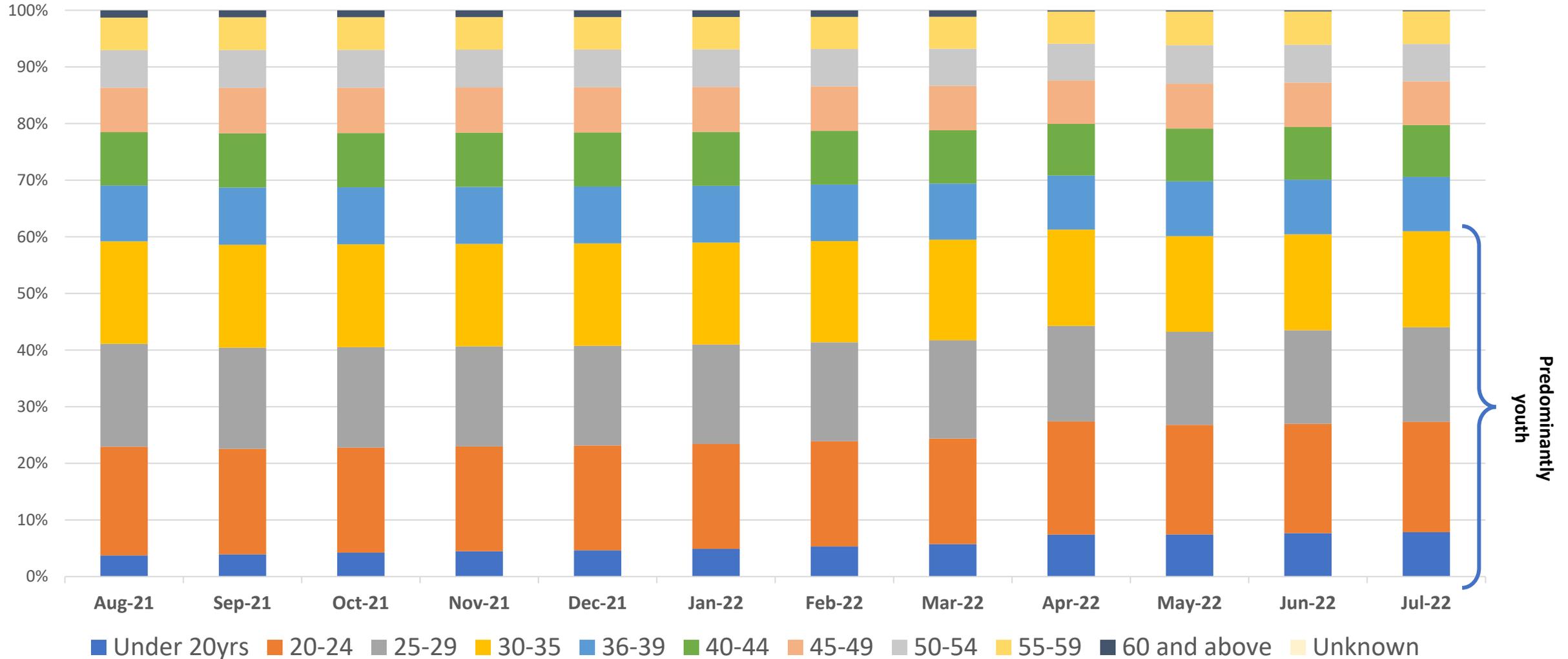
Table 3: Total SRD350 applications and approvals by gender as at 12 July 2022 (for June 2022 applications)

Province	Female		Male		Total	
	Applications	Approvals	Applications	Approvals	Applications	Approvals
Eastern Cape	921 688	365 493	658 947	353 341	1 580 635	718 834
Free State	404 197	168 249	295 926	150 119	700 123	318 368
Gauteng	1 354 234	476 387	1 112 942	479 618	2 467 176	956 005
KwaZulu Natal	1 673 013	659 105	1 199 954	594 538	2 872 967	1 253 643
Limpopo	1 021 508	373 787	731 314	363 028	1 752 822	736 815
Mpumalanga	672 921	257 368	476 133	223 993	1 149 054	481 361
North West	496 850	185 529	371 208	187 934	868 058	373 463
Northern Cape	126 960	45 230	99 826	47 350	226 786	92 580
Western Cape	474 480	169 067	330 391	147 565	804 871	316 632
Total	7 145 851	2 700 215	5 276 641	2 547 486	12 422 492	5 247 701
Percentage	58%	51%	42%	49%	100%	100%

Source: SASSA, 2022

Reach of the SRD350 Grant – SASSA data

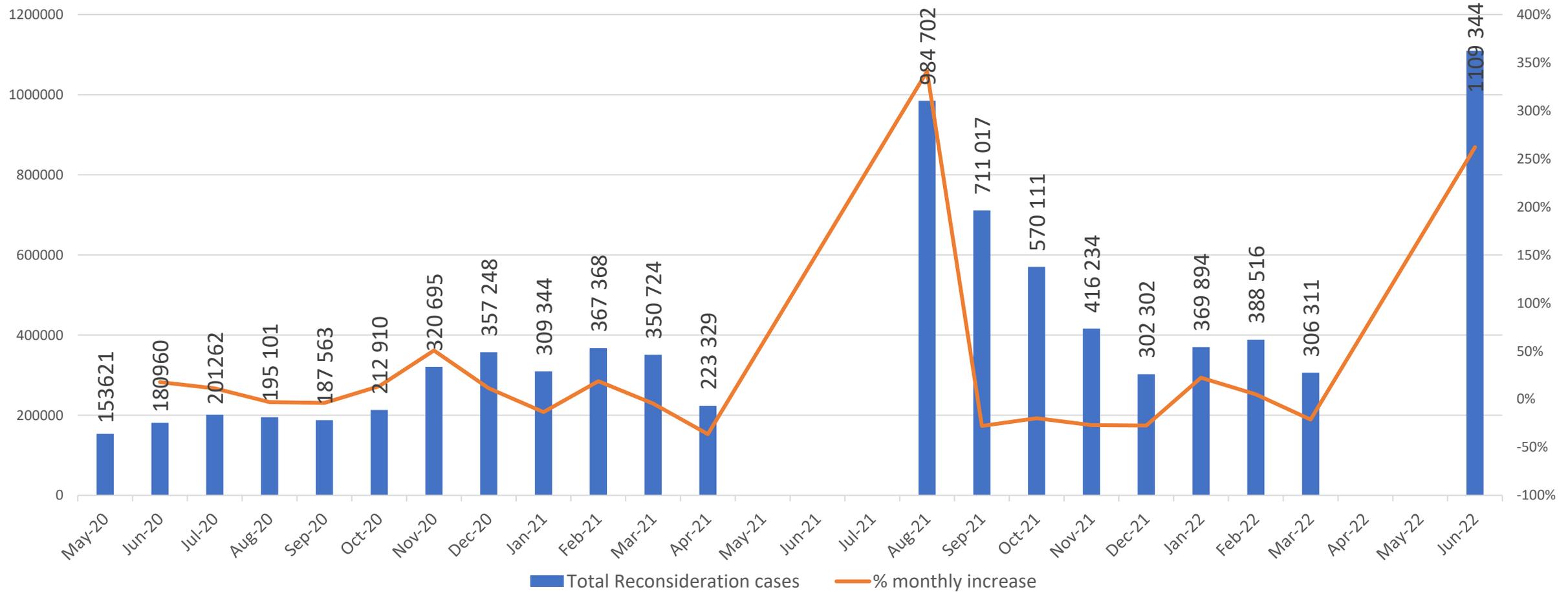
Figure 4: Total SRD350 applicants by age group



Source: SASSA, 2022

Reach of the SRD350 Grant – SASSA data

Figure 5: Total SRD350 reconsiderations applications since the inception of the grant

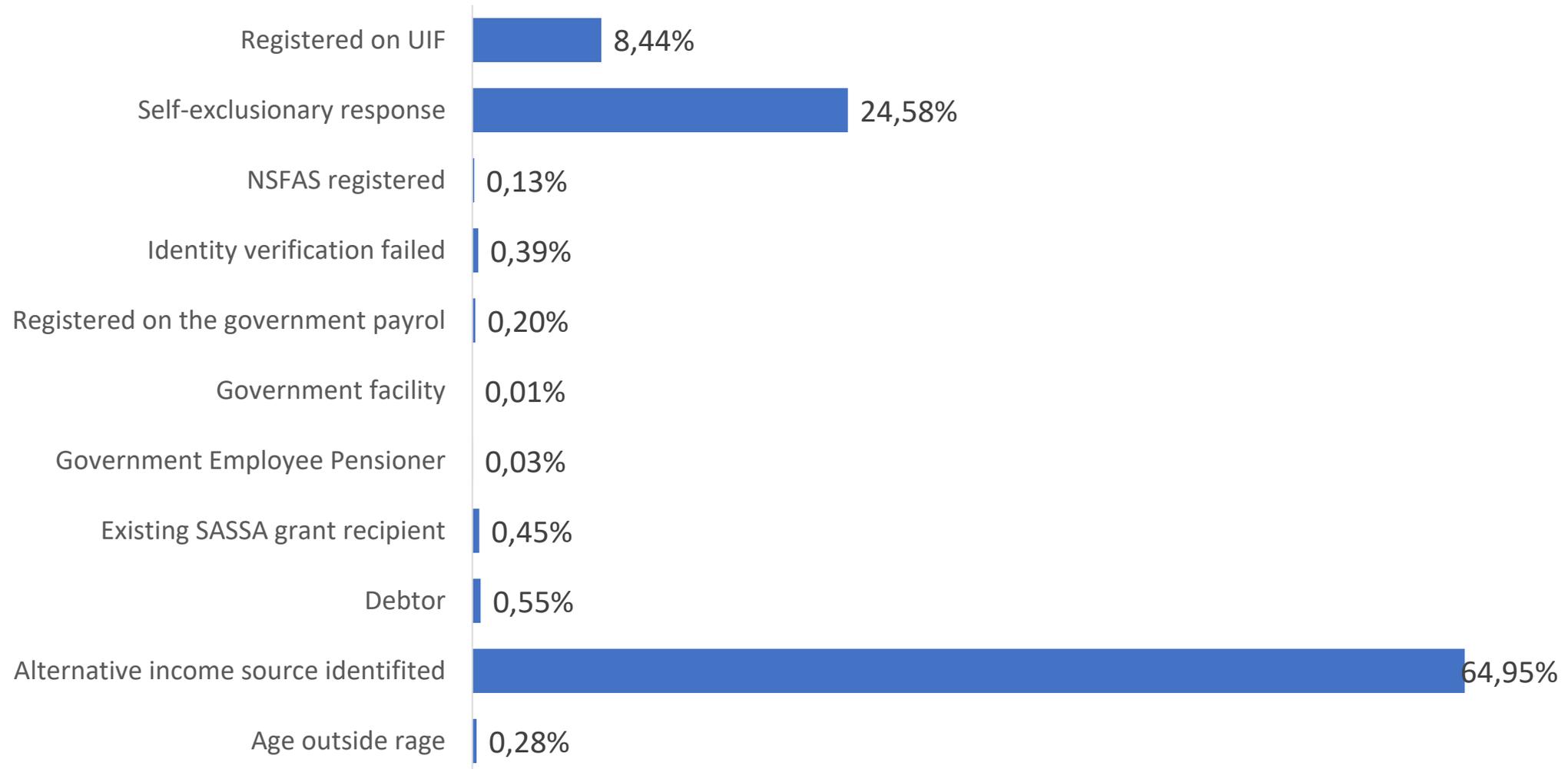


	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	Aug-21	Sep-21	Oct-21	Nov-21
% declined	14%	12%	12%	13%	14%	14%	20%	19%	20%	29%	29%	43%	29%	28%	28%	27%

Source: SASSA, 2022

Reach of the SRD350 Grant – SASSA data

Figure 5: Total SRD350 applications declined by reason as at 12 July 2022 (for June 2022 applications)



Reach of the SRD350 Grant – SASSA data

Table 4: Total SRD350 applications and approvals by education level as at 12 July 2022 (for June 2022 applications)

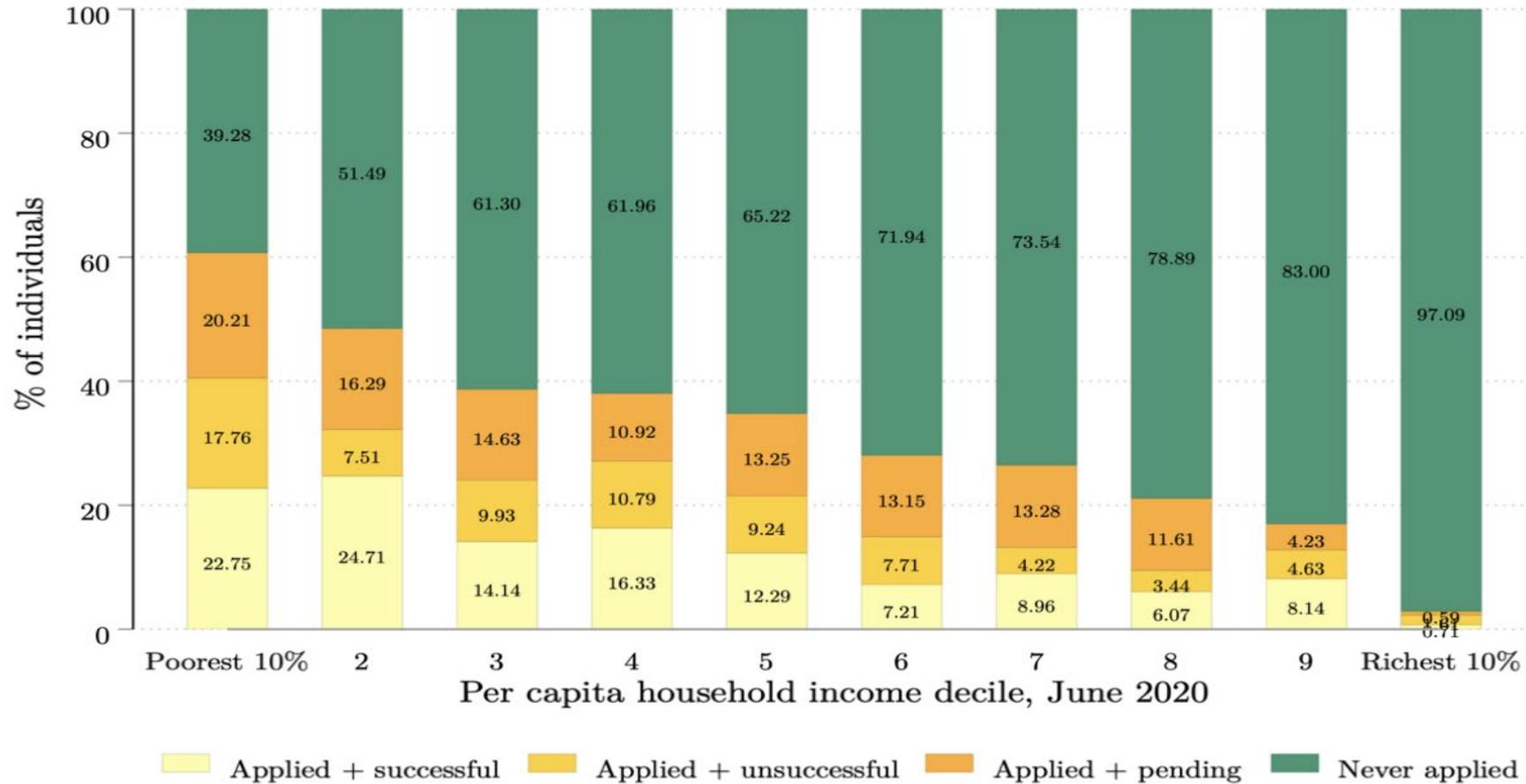
	No schooling		Primary school		Grade 10		Grade 12		Tertiary	
	Applications	Approvals	Applications	Approvals	Applications	Approvals	Applications	Approvals	Applications	Approvals
Total by education level	843 682	408 689	982 246	4 99 279	4858728	2195171	5092407	1974735	645429	169827
% of Total	6.8%	7.8%	7.9%	9.5%	39.1%	41.8%	41.0%	37.6%	5.2%	3.2%
% of applicants	48%		51%		45%		39%		26%	

Table 5: Total SRD350 applications and approvals by education level as at 12 July 2022 (for June 2022 applications)

	Currently working	Working less than 3 months	Working between 3 and 6 months	Working between 6 and 9 months	Working between 9 months and 1 year	Working 1 to 3 years years	Working 3 to 5 years years	Working more than 5 years	Never employed	Grand Total
Total	307 474	999 109	383 082	263 942	1 594 924	627 319	598 008	1 091 270	6 557 364	12 422 492
%	2%	8%	3%	2%	13%	5%	5%	9%	53%	100%

Poverty impact and progressive targeting

Figure 6: Application for the SRD350 grant across the household income distribution (DPRU, based on NIDS-CRAM)



Beyond the SRD Grant: options for social protection for the working age unemployed



Cash grants support employment

International evidence demonstrates conclusively that cash transfers can encourage and enable work

Cash grants help people to search for work

- 7 studies of CCTs (small, regular) in 6 countries with 46,000 adults (Banerjee et al. 2017)
- Child support grant increases job search (Tondini, 2021), increases labour force participation and employment (Eyal & Woolard, 2010)
- In Bangladesh, recipients are more likely to migrate for work (Bryan et al. 2014)

Cash grants help people to set up businesses

- Evidence from cash transfer programmes for the very poor in Africa (Daidone et al., 2019)
- In one study in Kenya, a grant of \$0.75/day (R388/month) for 2 years increased enterprise ownership, revenue and profit (Banerjee et al. 2020)

Cash grants improve schooling and reduce hunger

- Cash grants are very likely to reduce secondary school dropout and may improve cognitive skills (Orkin et al 2022)



Cash grants support employment

Local evidence shows that the SRD Grant has played an important role in reducing labour market inactivity, enabling participation and ultimately aiding labour market recovery.

A DPRU paper by Haroon Borhat and Tim Kohler finds robust results that:

- “COVID-19 grant receipt increased the probability of job search by **more than 25 percentage points** relative to comparable non-recipients – significant at the 1% level. ... the COVID-19 grant has played an important role in reducing labour market inactivity and enabling participation – ultimately aiding the recovery of the labour market.”
- This is corroborated by SASSA data, which shows that **53% of applicants have never been employed**; only 10% have worked between 1 and 5 years and 9% have worked for more than 5 years. As per the DPRU report, these beneficiaries are informally employed and typically earn less than R350 p/m.
- The grant is nearly 1.4 times that of the median per capita monthly household income amongst the poorest 20% of households, but just 6% of that of the richest 20%.



Four options to consider

1

Continue the SRD Grant

- Targeted at those aged 18 to 59 who are unemployed, not receiving any other form of support (including public employment), and below FPL income threshold
- No conditions attached

2

Replace the SRD Grant with a Jobseekers Grant of similar value.

- Same eligibility criteria, but recipients required to register on an integrated database
- Various forms of support targeted at grant recipients, including opportunities for skills training (through SETAs), counselling, job search and matching to opportunities

3

Implement a Jobseekers Grant as well as a Caregivers Grant.

- Jobseekers Grant as above, but recipients are required to be available for work and must accept opportunities that are available (e.g. in public employment, training)
- Recipients aged 18-24 must be in school/second chance matric if they have not completed secondary education
- Caregivers Grant provided to all unemployed caregivers who are not able to work (subject to FPL income threshold that includes spousal income) – replace work requirement with school enrollment for child beneficiaries up to age 18

4

Implement a Minimum Income Guarantee to combine all interventions.

- All applicants required to register on an integrated database (subject to same eligibility criteria above)
- Minimum income of R350 per month guaranteed if no other form of support (including work opportunities) can be provided
- Must be available for work and/or other opportunities except in defined circumstances, e.g. if the recipient is a primary caregiver

Weighing the options

Grant	Core eligibility criteria	Value	Conditions	Administrative burden
SRD Grant	18-59 Unemployed Income (+ spouse) below FPL Not receiving other support	R350	None	Low
Jobseekers Grant	18-59 Unemployed Income (+ spouse) below FPL Not receiving other support	R350	Must register on integrated database Provided with information and targeted support	Medium
Jobseekers Grant + Caregivers Grant	Jobseekers Grant 18-35 Unemployed Income (+ spouse) below FPL Not receiving other support, including CSG Caregivers Grant Same as above, and CSG recipient	R350	Jobseekers Grant Must register on integrated database Must update profile/answer questions on a regular basis (e.g. quarterly) Must be in school/second chance matric if aged 18-24 and without matric Must be available for work Caregivers Grant Child enrollment in school	High
Minimum Income Guarantee	18-59 Unemployed Income (including spouse) below FPL Not receiving other support	R350	Must register on integrated database Must be in school/second chance matric if aged 18-24 and without matric Must be available for work, except in defined circumstances (e.g. caregiver)	High

Updated modelling of scenarios

Scenario 1	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
Grants									
No of jobseekers	9 100 000	9 555 000	10 032 750	R68 141	R75 125	R82 826	R40 131	R44 244	R48 779
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grant recipients	10 600 000	11 130 000	11 686 500	R79 373	R87 509	R96 478	R46 746	R51 537	R56 820
PEPSLs	1 000 000	1 500 000	2 000 000	R20 489	R32 415	R44 110	R20 489	R32 415	R44 110
Total beneficiaries (grants less PEPs)	9 800 000	9 930 000	10 086 500	R93 871	R110 489	R127 379	R63 707	R78 396	R93 151

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Grants at peak level of SRD Grant applications (i.e. realistic expectation of number of recipients based on past trend)
- PEPSLs scale up to 2 million additional jobs and livelihood opportunities over the MTEF, *additional to current EPWP targets*

Updated modelling of scenarios

Scenario 2	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
Grants									
Jobseeker lower deciles only	7 500 000	7 875 000	8 268 750	R56 160	R61 916	R68 263	R33 075	R36 465	R40 203
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grants	9 000 000	9 450 000	9 922 500	R67 392	R74 300	R81 915	R39 690	R43 758	R48 243
PEPSLs	750 000	1 000 000	1 000 000	R15 367	R22 055	R24 107	R15 367	R22 055	R24 107
Total beneficiaries (grants less 80% of PEPSLs)	8 400 000	8 650 000	9 122 500	R78 266	R90 065	R99 418	R52 411	R62 109	R68 461

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Enhanced targeting reduces scale of grants to lower deciles (e.g. through effective income threshold that includes spousal income)
- PEPSLs scale up to 1 million additional jobs and livelihood opportunities over the MTEF, *additional to* current EPWP targets

Updated modelling of scenarios

Scenario 3	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Grants	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
Jobseekers lower deciles only	7 500 000	7 875 000	8 268 750	R56 160	R61 916	R68 263	R33 075	R36 465	R40 203
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grant recipients	9 000 000	9 450 000	9 922 500	R67 392	R74 300	R81 915	R39 690	R43 758	R48 243
PEPSLs	1 000 000	1 500 000	2 000 000	R20 489	R32 415	R44 110	R20 489	R32 415	R44 110
Total beneficiaries (grants less 80% of PEPSLs)	8 200 000	8 250 000	8 322 500	R81 891	R97 280	R112 817	R56 651	R70 617	R84 574

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Enhanced targeting reduces scale of grants to lower deciles (e.g. through effective income threshold that includes spousal income)
- PEPSLs scale up to 2 million additional jobs and livelihood opportunities over the MTEF, *additional to* current EPWP targets.

Updated modelling of scenarios

Scenario 4	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Grants	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
No of jobseekers	9 100 000	9 555 000	10 032 750	R68 141	R75 125	R82 826	R40 131	R44 244	R48 779
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grant recipients	10 600 000	11 130 000	11 686 500	R79 373	R87 509	R96 478	R46 746	R51 537	R56 820
PEPSLs	750 000	1 000 000	1 000 000	R15 367	R22 055	R24 107	R15 367	R22 055	R24 107
Total beneficiaries (grants less 80% of PEPSLs)	10 000 000	10 330 000	10 886 500	R90 247	R103 274	R113 981	R59 467	R69 888	R77 037
Assumes 80% of PEPSL participants qualify for SRD									

Assumptions:

- Grants at peak level of SRD Grant applications (i.e. realistic expectation of number of recipients based on past trend)
- PEPSLs scale up to 1 million additional jobs and livelihood opportunities over the MTEF, *additional to current EPWP targets*

Next steps



Next steps

Further work to be done:

- Confirm budget envelope and target scale for PEPSLs so that budget adjudication can proceed
- Link to the budget process to ensure that proposals are considered in sufficient time
- Model numbers of beneficiaries, costs and poverty impacts with different permutations of the SRD Grant (while SALDRU only examined the SRD in its current form, the tools they set up could be used to analyse modifications proposed) – **WORK IN PROGRESS**
- Estimate the likely number of successful grant applicants if targeting were done as sensibly as possible given the data (this would improve the predictions of the future cost of the grant) – **WORK IN PROGRESS**
- Model job search benefits of modifications to the SRD as well as impact on food poverty – **WORK IN PROGRESS**

Proposed way forward:

- ❖ Detailed proposal on grant design completed by **19 August 2022**
- ❖ Briefing for principals by **26 August 2022**
- ❖ Incorporate feedback into final proposal by **9 September 2022**



Annexure: targeting mechanisms (*work in progress*)



Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Income test threshold at R350 (means testing)	Tests the income of a household	ID of individual sent to the 8 banks who test whether any income (salary, transfers from family, etc.) are paid into the bank account	Has reduced the current numbers to approximately 5 million individuals	<ul style="list-style-type: none"> Systems have been developed by SASSA and the banks to test this, with the big 8 banks only. Excludes cash, mobile payments and the other smaller banks 	<ul style="list-style-type: none"> Current cost is 2 cents per ID number confirmed Banks will raise this to R1,51 going forward. SASSA hopes to negotiate this to R1 Cost = R113,3 m per annum 	<ul style="list-style-type: none"> Moves low income earners out of the banking system Counter productive on the digitisation of G2P Promotes cash and the hidden economy
Income test threshold at R350 (means testing)	Tests the income of a household	ID of individual sent to the 8 banks who test whether any income (salary, transfers from family, etc.) are paid into the bank account	Will increase the numbers to approximately 7,1 million individuals	<ul style="list-style-type: none"> Systems have been developed by SASSA and the banks to test this, with the big 8 banks only Excludes cash, mobile payments and the other smaller banks 	<ul style="list-style-type: none"> Current cost is 2 cents per ID number confirmed Banks will raise this to R1,51 going forward. SASSA hopes to negotiate this to R1 Cost = R162,4 m per annum 	<ul style="list-style-type: none"> Moves low income earners out of the banking system Counter productive on the digitisation of G2P Promotes cash and the hidden economy

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Spousal Income testing at R350	Means tests the income of the spouse as well as the individual	ID of individual and their spouse on the DHA database will be sent to the 8 banks who test whether any income (salary, transfers from family, etc.) are paid into the bank account	Will further reduce the numbers. It is assumed that the numbers will decrease by a further 25%, to 3,7 million individuals	<ul style="list-style-type: none"> Systems have been developed by SASSA and the banks to test this, with the big 8 banks only. SASSA means tests the income of spouses for the Old Age Pension Grant 	<ul style="list-style-type: none"> Current cost is 2 cents per ID number confirmed Banks will raise this to R1,51 going forward. SASSA hopes to negotiate this to R1 Cost = R84.9 m per annum 	<ul style="list-style-type: none"> Moves low income earners out of the banking system Counter productive on the digitisation of G2P Promotes cash and the hidden economy Huge unintended impact on female-headed households or single parents, who cannot afford to get divorced or whose spouses have abandoned them. Assumes no errors on the DHA system, which we know is not true

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Spousal Income testing at R662 at the food poverty line	Means tests the income of the spouse as well as the individual	ID of individual and their spouse on the DHA database will be sent to the 8 banks who test whether any income (salary, transfers from family, etc.) are paid into the bank account	Will further reduce the numbers. It is assumed that the numbers will decrease by a further 25%, to 5,4 million individuals	<ul style="list-style-type: none"> Systems have been developed by SASSA and the banks to test this, with the big 8 banks only. SASSA means tests the income of spouses for the Old Age Pension Grant 	<ul style="list-style-type: none"> Current cost is 2 cents per ID number confirmed Banks will raise this to R1,51 going forward. SASSA hopes to negotiate this to R1 Cost = R121,8 m per annum 	<ul style="list-style-type: none"> Moves low income earners out of the banking system Counter productive on the digitisation of G2P Promotes cash and the hidden economy Huge unintended impact on female-headed households or single parents, who cannot afford to get divorced or whose spouses have abandoned them. Assumes no errors on the DHA system, which we know is not true

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Airtime purchases (i.e test applied in Rwanda)	Test purchases of airtime of the individual	Mechanism to be developed with Mobile Network Operators to test the value of income at a certain threshold, i.e. R150 per month at the R350 value or R2500 per month at the R662 value	Added threshold to the means test threshold. Would reduce the numbers and might even reduce them too much due to increased exclusion error	<ul style="list-style-type: none"> Requires negotiation with MNOs and systems to be developed to do so. Will take time to implement 	<ul style="list-style-type: none"> Systems development costs on both the SASSA and MNO side Only a few MNOs so would be easier to do. Like the banking sector, would cost in the region of R1,51 per transaction. Together with the banking means test raises the cost of means testing to R3,02 per transaction 	<ul style="list-style-type: none"> RICA needs to be enforced where there is one ID to one mobile number. Currently, there are multiple IDs used to apply for the SRD350 grant, which would increase the exclusion error and raise the number of appeals faced by SASSA

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Insurance policy purchases	Test purchases of insurance policies of the individual	Mechanism to be developed with the Insurers, like with the banking sector. Means value to be determined for the means test at R350 and R662	Added threshold to the means test threshold. Would reduce the numbers further.	<ul style="list-style-type: none"> Requires negotiation with insurers and systems to be developed to do so. Will take time to implement. 	<ul style="list-style-type: none"> Systems development costs on both the SASSA and insurers side Like the banking sector, would cost in the region of R1,51 per transaction. Together with the banking means test raises the cost of means testing to R3,02 per transaction 	<ul style="list-style-type: none"> Might force people not to take out basic insurance policies like funeral cover.

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Employment test	Tests employment off the latest SARS (and UIF databases)	Requires the EMP501 to be repeated on a monthly basis rather than a 6 monthly basis which means that the SARS declaration of employment information is not available real-time (but has a 6 month delay)	Will only reduce the numbers by approximately 10 to 15 percent	<ul style="list-style-type: none"> • Currently testing for employment through the UIF but the data is not current or up to date. • Requires development to do so and SARS is reluctant to burden businesses with onerous reporting requirements. • Long-term benefits for the UIF and Compensation Fund as well. 	<ul style="list-style-type: none"> • Development cost on SARS side to implement an updated EMP201 information registry. 	<ul style="list-style-type: none"> • Malicious reporting compliance by employers with large errors in the data reported to SARS

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
Work-seeker's test	Tests whether individual has looked for work in the last month, conducted any training or skills or participated / applied for work	<ul style="list-style-type: none"> Linkages with existing systems like ESSA, Harambee, EPWP, CWP, PES and other employment databases 	<ul style="list-style-type: none"> Likely to decrease the numbers due to better testing Likely to introduce a large exclusion error especially for the informal sector 	<ul style="list-style-type: none"> Easy to link up with ESSA, Harambee and government programmes. Linking up with employers is complex, other than using the UIF or SARS EMP201 as discussed above. 	<ul style="list-style-type: none"> Costly to implement and will take time, unless rely on the UIF and SARS databases (that are made current) Development cost. Cost per transaction could be between R1,51 and R3,00 due to the size of databases 	<ul style="list-style-type: none"> Only tracks formal employment Likely to introduce a large exclusion error especially for the informal sector Likely to result in audit findings – how does government validate that individuals has been looking for work, other than self-reporting

Proposed Targeting Mechanisms

Targeting Mechanism	Description	Mechanism to test	Impact on the numbers	Ease of Implementation	Cost associated with Implementation	Unintended Consequences
ALMP participation (conditionality to participate in ALMP if unemployed)	Test employment within government programmes	<ul style="list-style-type: none"> Test with various government departments involved in EPWP, CWP and PES 	<ul style="list-style-type: none"> Self-exclusion conditionality that could reduce the numbers by 25% (of the unemployed which represent about 50% of the total applicants) 	<ul style="list-style-type: none"> Easier to implement and link up with current government databases. Problematic to implement within municipalities 	<ul style="list-style-type: none"> Development costs to link up databases on SASSA and other government departments 	<ul style="list-style-type: none"> Links public employment to grant Self-selection to not apply for the grant as may be too discouraged to work (long-term unemployed)