

# **Section 2: Enhancing labour market competitiveness in township environments**

## **Labour Market Interventions**

# Introduction

- One way to increase the flow of money into and circulating within townships is through increased employment of township residents.
- This requires a three pronged approach:
  - *Increasing the overall demand for labour and identifying the relative attractiveness of township labour to increase its share of total city labour demand,*
  - *Optimising labour supply by aligning skills of township labour pools with the city's economic sector growth, and*
  - *Reducing transaction costs by facilitating information flows and providing cheap and efficient transportation links between the township and the*

# The current situation (1)

- Education levels are relatively low, which means township residents are literate but can only occupy low or semi-skilled jobs.
- However, demand is usually for more skilled labour - interventions are needed to increase the overall skill level appropriate to the growth sectors of the city's economy
- The education and training system within townships is not adequate to produce skilled labour.
- Limited computer skills, and ability to speak English, and limited instruction to address this inhibits employment opportunities

# The current situation (2)

- Many township workers are involved in informal employment, which is less secure and does not provide opportunities for increasing qualifications and recognised skills.
- Most townships are, by design, located adjacent to, rather than as part of the logical development pattern and not connected in a meaningful way to these urban systems which are conduits for economic and social opportunity.
- They therefore have limited access to employment and retail opportunities
- A small proportion of the labour force of townships works in the area, and residents spend a relatively high proportion of their monthly incomes on transport

# Conceptual Framework (1)

- The labour market consists of three components:
  - *Demand* for labour
  - *Supply* of labour (especially appropriate skills & experience, wages)
  - *Transaction costs* (including transport costs and search and information costs).
- To stimulate township labour markets, the economy both within the township and external to it need to be considered.

# Conceptual Framework (2)

- Labour market competitiveness relates to both individual workers and overall access.
- How does a person access jobs? - needs information about available jobs, skills required to do these jobs, how to acquire such skills, and being able to get to those areas where there are jobs available.
- Thus enhancing labour market competitiveness in the townships needs to address :
  - ***Structural issues of access (transport and access to information)***, and
  - ***Individual issues such as skills***, linked to the education system.

# Interventions

- Aligning skills of township labour with the city's economic growth trajectory
- Ease and facilitate information flows between labour pools and employers
- Reduce costs e.g. by focusing on more affordable transportation costs
- Other aspects such as labour's productivity and health

# Improving skills & qualifications

## (1)

- Needs to address *access* to education, and the *quality and relevance* of training. Provision of *bursaries* and *information on education opportunities* can increase labour market competitiveness.
- *On-the-job training, mentorship, internships and apprenticeships*, can build a competitive advantage for workers.
- *Flexible ways of providing skills*, such as part time classes, training conducted locally, can overcome many constraints.
- Long term skills-related interventions should *improve basic education and provide access to tertiary education* to prepare township residents for employment in the knowledge economy/high-value add manufacturing industries.



# Improving skills & qualifications

## (2)

- Municipalities can assist workers to identify and access appropriate training to improve their ability to compete in the market. *Provision of a data base* with current employment opportunities, and requirements, can be used to develop skills placements programmes to enhance labour market competitiveness. Employees can also be assisted to apply for job opportunities on the data base.

# E.g. Job Shop, INK

- Objectives : to
  - Provide opportunities for the unemployed to be better marketed
  - Facilitate the accessibility of knowledge and opportunities
  - Co-ordinate the acquisition of appropriate & relevant skills
- Provides the following:
  - Database on the unemployed as a source for potential employers and mobilisation of community to register
  - Career counseling(and Annual Career Guidance programme)
  - Training
  - Access to employer database
  - Access to technical support
  - Access to information on bursaries and educational opportunities
  - Mentorship opportunities (e.g. Partnership agreements with local organisations, that will offer their expertise in mentorship, capacitation, tutoring and counselling and life skills programmes for almost 2000 INK youth)
  - Education and expectation management
- Two clear outcomes :
  - providing township residents with relevant information around employment,
  - marketing township residents more effectively to potential employers in the city

# Improving skills & qualifications

## (3)

- Local governments can play a major role in increasing the relative competitiveness of township labour by developing or supporting a range of interventions related to skills development and enhancement, bursaries and scholarships to residents, and facilitating the provision of opportunities to increase work experience.
- With regard to training and skills development, *municipalities can work with the private sector* to ascertain what skills and qualifications are needed in the area, and *liaise with tertiary institutions* to develop appropriate programmes to address these, and with other spheres of government to develop or fund the necessary programmes.

# **E.g. South Durban Basin ABM**

- Skills development agency,
- SMME fair,
- Project Recruit, which works with business in the area, - NQF Level 3 Automotive Component Manufacturing and Assembly Qualification,
- Partnership with Mondi to fund local learners to participate in the Maths, Science and Technology Programme.

# E.g. Furniture skills development

- INK officials identified the furniture industry as a potential growth sector and have developed a skills development programme targeted at this.
- This is linked to the recent development of KwaMashu town centre, and Bridge City, increasing demand for furniture
- Key outcomes of the project are:
  - Technical and business skills provision (targeting 60 people from unemployed and existing businesses)
  - Business incubation programme (targeting 5 existing survivalist businesses for a two-year business incubation support programme)
  - Existing business enterprise improvement and development (targeting 10-15 businesses)
  - New venture creation (targeting 5 start-ups) for a two-year business incubation support programme

# Facilitating information flows and Reducing transaction costs

- Labour's competitiveness is linked to the ability to access jobs, skills and information. This includes *geographic or spatial access* (transportation infrastructure), and *virtual access* (IT connectivity, data bases etc).
- Interventions to reduce transaction costs need to focus on both to develop a spatially and virtually integrated city.
- This means reducing the amount households spend on transport into the city, by improving the road and rail infrastructure, and improving the public transport system, and promoting corridor development.
- Developing 'soft' interventions including increasing access to IT and related services, training of SMMEs, and providing career advice are important aspects of reducing transaction costs and increasing workers' knowledge of, and access to, work opportunities

# **Other issues relating to labour competitiveness**

- Health
- Bargaining power

# Conclusion

Key considerations when assessing employment creation in township labour markets include:

- The city economy is the most significant source of demand for labour. *City wide growth strategies must take account of, and be linked to, employment growth in townships, and vice versa.*
- Townships need to supply appropriately skilled and experienced labour to meet the demands of the key growth sectors in the economy. Thus *appropriate and flexible programmes* need to be implemented to increase skills and experience.
- Transaction costs need to be minimised, and opportunities maximised, through *improved and cheaper transport links, improved electronic connectivity, databases and employment centres.*
- *Business formalisation* can create additional employment and the resources necessary to improve competitiveness.
- Municipal officials can play a role in facilitating greater labour competitiveness through *increased access to skills training opportunities and jobs available.*