



Communication and Marketing Department
Isebe loThungelwano neNtengiso
Kommunikasie en Bemerkingsdepartement

Private Bag X3, Rondebosch 7701, South Africa
Welgelegen House, Chapel Road Extension, Rosebank, Cape Town
Tel: +27 (0) 21 650 5427/5428/5674 Fax: +27 (0) 21 650 5628

www.uct.ac.za

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UCT research shows positive stimulus effects of a South African public employment programme

New research by the University of Cape Town (UCT) indicates that the largest component of South Africa's Presidential Employment Stimulus (PES) programme is beneficial to economic growth as it also has an indirect positive effect on non-programme employment and wages.

The study, which was commissioned by the Presidency, investigated the domestic factor income effects of the Presidential Youth Employment Initiative – Basic Education Employment Initiative (PYEI-BEEI). It was carried out by the UCT-based Southern Africa Labour and Development Research Unit (SALDRU).

The COVID-19 pandemic has exacerbated already high levels of unemployment, deepening poverty and heightening levels of hunger and food insecurity in South Africa. Youth unemployment is particularly alarming as it is estimated that 45% or 4.7 million youths aged 15–34 were unemployed in 2023 (Statistics South Africa). To mitigate the combined health, social and economic crises stemming from the COVID-19 pandemic, South African President Cyril Ramaphosa announced, in April 2020, a range of support measures, including emergency social protection and employment stimulus measures.

Established in October 2020, the PES aims to create jobs and strengthen livelihoods, supporting meaningful work while the labour market recovers and augmenting existing commitments to these outcomes. It provides funding for several Presidential Youth Employment Intervention (PYEI) components, and directly delivers employment opportunities for the youth.

The BEEI is part of the Presidential Employment Stimulus programme. It is run through the Department of Basic Education and targets 18 to 35-year-olds. High school graduates are eligible to apply as education assistants – about two-thirds of participants – to help teachers in classrooms, and those without a high school qualification are eligible as general school assistants, about one-third of participants, to help with miscellaneous school tasks such as infrastructure maintenance.

Direct and indirect stimulus effects

The research paper titled "Stimulus effects of a large public employment programme" focuses on the domestic factor income effects of the PYEI-BEEI payments, characterising

the “first stage” of a possible multiplier mechanism of the PYEI-BEEI programme. It was funded by Agence Française de Développement (AFD) and the European Commission through the EU-AFD Research Facility on Inequalities, and was undertaken by SALDRU.

UCT researchers characterised the spending and factor income effects of the PYEI-BEEI programme. In partnership with the privacy-preserving data collaboration firm Omnisient, they matched securely anonymised participant IDs with anonymised weekly individual-level sales data from one of the country’s largest retailers and estimated the treatment effect on participant spending at the retailer.

The researchers found a sharp increase in spending of 15,4% explained by increasing consumption expenditure. They also found that this direct effect on consumption and spending was sustained for the duration of the PYEI-BEEI, and then decreased to about 4% in the months after the programme.

They extrapolated the effects of the increase in retailer sales on domestic factor incomes and suggested that this phenomenon implied benefits to value added, job creation and wages in the local areas in addition to the actual payments of the PYEI-BEEI programme. Indeed, their estimates show that the PYEI-BEEI programme would create around 1 800 additional jobs per month and would increase local community incomes by around R13.3 million in addition to the actual PYEI-BEEI payments.

The researchers conclude that domestic factor income effects may be important in evaluating the economic efficiency of government spending programmes and may help reconcile some of the perceived trade-off in public objectives between poverty reduction and private sector jobs. Finally, they suggest that the sales to domestic factor income conversion estimated in this paper for the PYEI-BEEI programme implies that other public spending, social grants for example, may have similar initial stimulus effects.

This research and a related study were presented and discussed at a public hybrid event hosted by SALDRU and the AFD at UCT on Wednesday, 7 February 2024.

[Read the study.](#)

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Issued by: UCT Communication and Marketing Department

Thami Nkwanyane

Media Liaison and Monitoring Officer
Communication and Marketing Department
University of Cape Town
Rondebosch
Tel: (021) 650 5672
Cell: (072) 563 9500
Email: thami.nkwanyane@uct.ac.za
Website: www.uct.ac.za