

The South African Expanded Public Works Programme

**THE CITIZEN CITY INTERNATIONAL
SYMPOSIUM ON ELR
Rio de Janeiro, May 9 and 10, 2008**




Background

- Expanded Public Works Programme was launched in 2004 with target of reaching 1 million people in the first five years
- Structured as an expansion of existing public works programmes that were commenced by the new government since 1994
- Also includes new initiatives, in particular social sector activities
- In response to high levels of unemployment and rates of poverty in particular among unskilled and low-skilled people as well as lack of public services to the poor

Macroeconomic Context

- EPWP is being implemented in a period of sustained economic growth but with persistently high unemployment rates of above 25%, not during or in response to a recession
- As such EPWP was not designed to stimulate demand through increased government spending as was the case with the “New Deal” in the USA or more recently “Jefes” in Argentina (2002–03)
- India’s current Employment Guarantee Programme is closest parallel where large public works programme is initiated in times of high economic growth
- In some ways similar to current Brazilian situation
- This has implications around:
 - Capacity: Not the case that retrenched capacity is re-engaged (Particularly skilled/ management capacity)
 - The need to increase government expenditure when there is no need to “stimulate demand”

Activities & Sectors

- The programme consists of four sectors, defined by the various activities involved in each sector:
 - **Infrastructure:** projects and programmes that construct and maintain government funded infrastructure: roads, water, sanitation, social housing etc
 - Important focus on increasing the labour intensity of construction activities
 - **Environmental:** Programme that focus on environmental protection and rehabilitation: removal of alien vegetation, combatting soil erosion etc
 - **Social:** Programmes that involve providing social services and care giving: Child Care for poor (Early Childhood Development), carinf for sick and elderly, school feeding etc.
 - **Economic:** Programmes that support Small Enterprises providing services to government
 - Programme is not implemented through a centralised structure but by relevant departments, provinces and municipalities responsible for this function
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The Beneficiaries

EPWP Beneficiary profile


- Average age: 36.5
- Male/ Female Participation: 54%/ 46%
- Household income before EPWP R500–R900 (US\$75–US\$120)
- Household income during EPWP R900–R2000 (US\$120–US\$260)
- About half of beneficiaries were Head of the Household, (Typically other half supplementing the income of Head of Household)
- Average household size: 5.37 (Average 4.2)
- Average no. of children in household below 18: 2.23
- 7 % of beneficiaries had some employment before and left for better wages



▪ 32% of beneficiaries have completed high school



Selection and Recruitment

- No standard process for selection of beneficiaries: Code of Good Practice requires the use of local structures and identifying target groups:
 - *“respect to single and female-headed households, women, youth, people with disabilities, households coping with HIV/AIDS, people who have never worked, and those in long-term unemployment.”*
 - Local structures are used for recruitment:
 - Generally a projects steering committee is established consisting of officials, community leaders, community members and technical project team: they are responsible for the recruitment
 - Community Liaison Officer: responsible for communication between community and project team
 - Practice varies widely across per region and programme
 - Approach is to an extent self targeting: wage rates are low and only those willing to work for these rates will want to work
 - In some areas there is rotation of work: too many people want work and jobs are split between members
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Reaching the Unemployed: varies across the country

Province	EPWP work opportunities	No. unemployed "official" definition	EPWP work opportunities as % of unemployed
KwaZulu-Natal	115,628	882,000	13%
Western Cape	44,080	326,000	14%
Gauteng	27,637	1,085,000	3%
Eastern Cape	52,136	638,000	8%
Mpumalanga	16,739	352,000	5%
Free State	17,172	281,000	6%
Limpopo	20,133	365,000	6%
North West	13,891	339,000	4%
Northern Cape	9,399	123,000	8%
Totals	316,815	4,391,000	7%

Recruitment, Working Conditions and Wages

Employment Framework & Code of Good Practice for Special Public Works Programmes

- Code was negotiated through forum of Government Business, Labour and Community (NEDLAC) in 1998
- Creates special employment conditions for people on public works programmes and among others deals with:
 - Recruitment process
 - Targeting of beneficiaries
 - Duration of employment
 - Leave arrangements
 - Wage rates
 - Training
- Code was agreed in 1998 and there are discussions about reviewing it going forward



Wage rate and duration of employment

- Currently no National minimum wage rate for EPWP, Code of Good Practice allows it to be set by the local implementing government body
- Wage rates vary significantly in EPWP:
 - Range between R35–R80 per day (US\$ 5 to 12 per day)
 - Rates vary across and sectors: infrastructure highest, social lowest
 - Rates also vary from rural to urban areas
- Duration of employment generally short in the infrastructure & environmental sector (project based)
- Longer duration in social sector (long term care programmes)
- Maximum duration of 2 years in accordance with Code of Good Practice

Providing income: amount of wages paid to beneficiaries

	Wage bill (Rands)	Wage bill (US\$)
2004/05	823 million	109 million
2005/06	636 million	84,7 million
2006/07	917 million	122,3 million

Programme financing and funding

Programme Financing

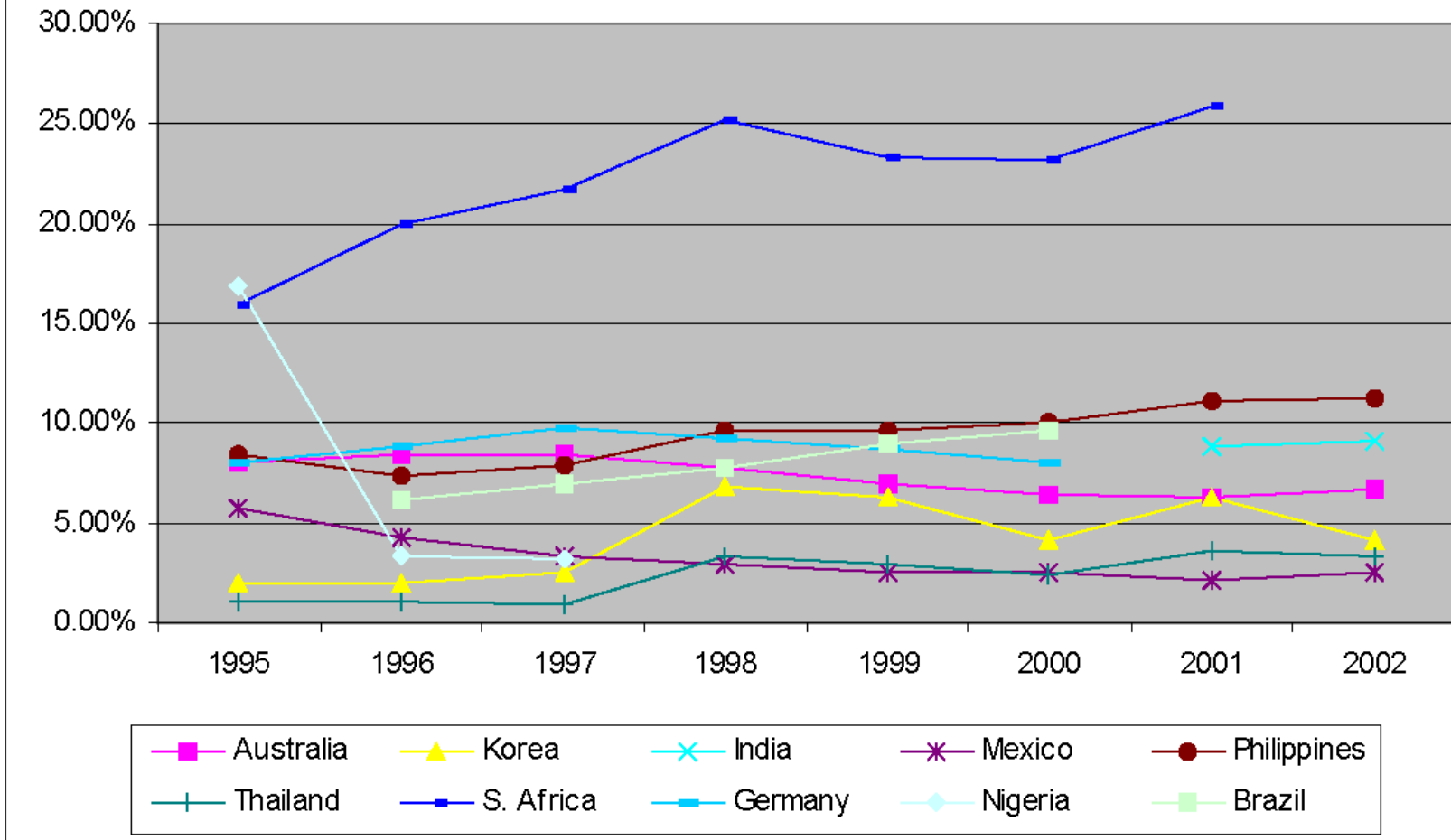
- Programme is largely financed by the National Government some provinces and municipalities complement national funding with their won budgets
- For infrastructure projects, funds are included in infrastructure grants that national government gives to provinces and municipalities to improve infrastructure for the poor
- EPWP programmes make funding bids through the existing annual budget process of government

Programme Funds

- Total value of projects: R3 to R4 billion per annum (US\$ 400 to US\$ 530 million)
- Projects budgets are about 0.15 % of GDP in 2006–07 and 0.6% of overall government budget
- No dedicated funds or centralised funding/ implementation agency: budgets are provided to normal implementing/responsible departments for the respective activity for example:
 - municipalities for municipal infrastructure
 - Provinces (states) for social programmes and provincial roads
 - National departments for some environmental programmes

Unemployment Situation in South Africa

Unemployment



The rate has gone down since
and was 23% in 2007

Latest Results (for end of 3rd year)

Labour Force Survey Results:	March 2007 30,195 million 15-65 yrs	EPWP Results for Year Ending March 2007
Participated – past 6 months	296,000	313,331

- So Programme new reaches about 300 000 people per annum and target of 1 million in first five years will be exceeded
- However the number of people estimated to be willing to work in EPWP (at current wage rates) is about 3 to 4 million

DRAFT RECOMMENDATIONS FOR PHASE 2 (Second period of Five Years)

Key issues informing the recommendations

- Recognises limits of current programme design
- General recognition that the programme should and can be bigger than the current scale
- Recognises concerns around potential for programme costs to rise dramatically which may become difficult to maintain
- Believe that a level of dedicated funding will give an impetus to the programme but that ability to leverage existing budgets is beneficial
- That there should be alignment between EPWP and other government activities programmes and processes, and should not be structured too much as a stand alone programme



Introduce an EPWP “Public Sector wage incentive”

- Incentives not common within government, mostly used for private sector
- National government through a special allocation would reimburse wage costs of projects/ activities that create employment for the EPWP target group
- This would create incentive for public bodies to increase their contribution to the EPWP as reimbursement would increase their budgets
- Would also create incentive to increase labour intensity of projects
- Would still leverage other government (and possibly other) budgets and maintains current budgeting and prioritisation processes
- Total amount of wage incentive is reviewed and adjusted annually to take into account overall unemployment rate and targets of government



Introduce more Programmes with regular and predictable work

- Many activities, especially maintenance related ones, lend themselves to be structured around regular and predictable work
- Beneficiaries in such programmes are better positioned to engage with established training programme
- Regular and predictable work also complements other livelihood strategies of the poor
- Examples of good provincial road maintenance programmes do exist
- “Lets get to work” programme is piloting additional projects and activities that lend themselves to regular and predictable work

Also provide wage incentive to non-State driven activities

- It is anticipated that the state alone would not have the capacity to implement a programme of the required scale
- It is proposed therefore that the wage incentive is also open to NGO's, CBO's and non profit activities
 - Mobilise additional capacity for job creation activities
 - Apply same principle: fund only the wage component but leverage existing budgets going into the sector
 - Use existing funding streams to match the wage and non-wage costs to minimise overheads and administrative costs

Fiscal Implications

- Proposals are for a wage incentive of R40 (US\$5.33) per person day of work created to be reimbursed to implementers
- If a wage incentive of R40 (2006) per day was provided with the objective of reaching between 1.5 and 3 million people per annum for an average of 100 days per annum (On average 2 days per week for the year)
 - A worker would on average earn R4000 per annum (US\$ 533) from EPWP R330 (US\$ 44) per month if regular and predictable work)
 - Estimated incentive and EPWP wage bill by 2014 will be between US\$800 and US\$1.6 billion
 - This represents 0.6 % of GDP [07/08 estimate] and 2.5% of Government Budget
 - Target and allocation would be increased gradually building up to desired targets for 2014 and beyond