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PROMOTING GENDER EQUALITY THROUGH STIMULUS PACKAGES AND PUBLIC JOB CREATION

Lessons Learned from South Africa's Expanded
Public Works Programme

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Introduction and Policy Context

The current global economic crisis has highlighted quite starkly some disturbing realities. Beyond any doubt, the belief that financial liberalization would bring market efficiency has been shattered; decoupling expectations for emerging markets are gone, with the slowdown in growth and trade affecting every single country; above all, the crisis of joblessness, even in the face of economic recovery in the near future, is spreading worldwide. Yet, we must not lose sight of the fact that while these recent events are reversing trends in prosperity enjoyed by some, for the vast majority of the world's population they are simply adding insult to injury: poverty and inequality have shown remarkable persistence over the last decade, and reducing them has remained elusive—including in countries experiencing healthy growth rates.

As a result, the role of the government in stabilizing the unstable economy is currently receiving renewed attention, and the search for prudent policies is on. In this context, *employer of last resort* (ELR) is a policy recommendation that deserves serious consideration, and is particularly

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relevant for groups of people whose economic suffering is based largely on a chronic and severe lack of employment opportunities. Its main feature is that when markets are unable to generate sufficient numbers of job openings, the government steps in with public service job creation and provides a job to anyone willing and able to work, at a minimum wage.¹ At its core, therefore, ELR is a policy instrument that proposes an “employment benefit”—“employment insurance,” if you will. When set up as a *permanent* institutional feature of the economy, from a macroeconomic point of view it actually becomes an automatic stabilizer.

This is not a novel suggestion. There are many such country-level experiences from which to draw on, and as such, they lend useful lessons.² Historically, though, such job opportunities have been created primarily in the construction and maintenance of physical infrastructural assets. Often bypassed are equally meaningful jobs that enhance social service delivery, a subject this policy brief is dedicated to examining.

The results presented here originated in a Levy Institute study undertaken by myself and colleagues to appraise the macroeconomic consequences of scaling up South Africa’s Expanded Public Works Programme (EPWP), a job creation initiative introduced in 2004. Our proposal meets several policy objectives: income and job generation, provisioning of communities’ unmet needs, skill enhancement for a new cadre of workers, and promotion of gender equality by addressing the overtaxed time of women. An *ex ante* evaluation of a policy scenario for South Africa’s EPWP demonstrates that the orders of magnitude involved are indeed compelling, and we hope they are useful in motivating discussion for other countries.

Background on South Africa

While many positive developments have taken place in post-apartheid South Africa, unemployment and poverty remain serious challenges. During the past decade, the country’s official unemployment rate has been very high, and at the time this study was conducted, in 2006, it stood at 25.5 percent. When discouraged workers are factored in, that rate expands to 37.1 percent, reflecting the vast numbers of predominantly unskilled and low-skill workers without jobs (SSA 2007). These figures correspond to 4.4 and 7.1 million unemployed workers, respectively. What makes joblessness even more intractable is the fact that, compared to countries at a similar socioeconomic level of

development, self-employment and the size of the informal sector in South Africa remain surprisingly small.

To redress the serious problem of chronic unemployment, South Africa introduced the Expanded Public Works Programme, among other measures, in 2004. The program provides a paid work entitlement to the unemployed, with a target of creating one million jobs within five years. The main goal of EPWP is to address economic empowerment through job creation. EPWP projects are primarily focused on labor-intensive infrastructure, such as the construction and maintenance, with a mandate to substitute, to the largest degree possible, labor for machines. In many respects, the program has set deeply transformative objectives, which are difficult to achieve in the short term and with small budgetary allocations. Midterm reviews and independent research have revealed that budgetary allocations are incommensurable with the problem at hand, and that job opportunities are too few and too short in duration to have a substantial impact. Hence, at the time of this study, discussions were under way to scale up EPWP.

This study joins in efforts to broaden the policy dialogue on scaling up EPWP. We propose an expansion of public job creation within the social sector, and explore the economy-wide implications of such an expansion for unemployment, growth of output, fiscal space, and poverty reduction. Two focus areas have been identified: early childhood development (ECD) and home- and community-based care (HCBC). We consider these areas of social service delivery particularly important from a gender equality perspective.

Across the world, especially among poor households that cannot purchase such services from the market, it is the unpaid work of women that fills public sector care gaps. Overall, we find that in South Africa, time spent on unpaid care work is higher for women, increasing with poverty and unemployment. In contrast to adult men, women perform 75 percent of the total unpaid work. Unpaid work performed by poor women includes care for the sick and permanently ill, such as malaria and TB patients and people living with HIV/AIDS; as well as care provisioning, with meager means and under impoverished conditions, for children during their early childhood developmental stages. In South Africa, the two care areas of ECD and HCBC are critically interconnected. As a result of the high HIV/AIDS prevalence rates among those in the middle age ranges, older children and older women become the primary caretakers of orphans, and of children living in households with HIV patients.

Case Study on Scaling Up the Social Sector: EPWP

Evaluation documents have noted that the social sector has been primarily focused on facilitating skill upgrading through learnership programs.³ In contrast, the expanded EPWP jobs program we propose provides full-time, year-round employment based on service delivery targets. It is meant to create jobs while providing services that reach infants, young children, and the sick members of vulnerable households. While the present study addresses the particular context of South Africa, this research project develops a methodology applicable to a variety of other policy experiments that, with appropriate modifications, can be adopted for use in other countries.

The two pillars of our analysis are a gender-disaggregated social accounting matrix (SAM) and time-use satellite accounts that we developed for the South African economy. Our methodology visualizes the macroeconomy, with gender, race, income, and poverty structures highlighted. We based our policy experiment on a suggested budgetary allocation of approximately R9.2 billion. The proposed fulltime, year-round jobs primarily reach unskilled workers who are members of ultrapoor and poor households. Wages are stipulated at R500 per month, with some jobs requiring higher skill levels and paying up to double that amount. The labor supply response is presumed to be the same for all households below the poverty line. It must be noted that the R9.2 billion injection is allocated not only to providing wages for newly hired beneficiaries but also to covering all other associated costs, ranging from training fees to food and materials used to administrative costs. The key simulation findings are:

- The injection of R9.2 billion corresponds to the creation of 571,505 new full-time EPWP social sector jobs. Approximately 540,000 of these are allocated to unskilled members of poor and ultrapoor households, and the remaining to skilled supervisory workers. Should the entire injection be dedicated to paying wages exclusively, our findings indicate that 1.2 million jobs can be created.
- Almost 60 percent of these jobs are estimated to be filled by women, of which 56 percent are unskilled positions and 3 percent skilled. Unlike all other sectors and occupations in the economy, including unskilled ones, monthly wages received by both women and men are identical, at R500 for most workers and R1,000 for those with some level of skill.
- For every three job opportunities directly created through EPWP, another job becomes necessary within the formal mar-

ket sector, for a total of 772,000 new work opportunities overall.

- In 2000 prices, the R9.2 billion corresponds to 3.5 percent of government expenditures, or 1.1 percent of GDP.
- The total impact on GDP growth is of the order of 1.8 percent, or R15 billion. In 2000 prices, the GDP growth rate increases from 4.2 to 6 percent with an implied multiplier of 1.6 (R15 billion ÷ R9.2 billion).
- New direct and indirect taxes are generated equal to about R3 billion, which will reduce the overall cost of the intervention by one third (assuming no unanticipated leakages).
- The resultant growth is pro-poor. The overall *incremental* change in income is 9.2 percent for ultrapoor households, 5.6 percent for poor households, and 1.3 percent for non-poor households.
- All EPWP-participating ultrapoor households cross the ultrapoor poverty datum line, and depth of poverty is reduced by 60–80 percent. Poor households, previously located anywhere between the ultrapoor and poverty datum lines, are lifted above poverty.
- Overall, social sector job creation is more labor intensive than the infrastructure sectors of EPWP. Therefore, from a policy perspective it is crucial to note that budgetary allocations in the social sector result in higher levels of job creation and greater depth-of-poverty reduction.

Fiscal Space

Financing for the proposed EPWP social sector expansion of R9.2 billion (R13.3 billion in 2007 prices) can take place through one of three venues, or a combination thereof—an expansionary fiscal stance, higher tax rates, and increased tax revenues due to the resultant economic growth (Pollin et al. 2006):

- *Deficit financing.* The government budget surplus of R26.6 billion in fiscal year 2007–08 could fully finance the proposed expansion. Positive multiplier effects of the program would increase tax revenue and thus reduce the ratio of budget deficit-to-GDP, by 0.2, to minus 2.0 percent.
- *Tax financing.* Financing solely through tax revenue would be achieved by increasing the tax-revenue-to-GDP ratio from 27.8 to 28.4 percent. A 1 percent increase each in the value-added tax rate, and in the corporate income tax rate may be enough to finance expansion of the EPWP social sector.

- *Growth dividend.* The estimated 3.7 percent growth in real GDP during the 2008–09 fiscal year alone could bring in an additional R20 billion. In addition, the projected Keynesian multiplier effects of this specific intervention program could finance up to one third of the proposed government spending.

Finally, it is also worth considering the strong linkages between a jobs initiative such as EPWP and realization of the Millennium Development Goals (MDGs), including eradication of extreme hunger, poverty, and HIV/AIDS; improved child and maternal health; and the promotion of gender equality. Although not a panacea, a well-designed public employment guarantee strategy can go a long way toward the achievement of MDGs. A good place to start would be to include a public employment component for all MDG-related projects aimed at physical and social infrastructural asset creation.

Conclusion

This study joins the efforts of others who consider public job creation to be part of the policy mix needed to address unemployment and poverty. One of the concerns in implementing such initiatives is that scarce resources may be wasted in meaningless types of projects. We have proposed job creation that addresses such concerns. In evaluating the desirability, feasibility, and sustainability of such a policy, the multidimensional benefits that can accrue must be kept in mind. Drawing in marginalized segments of the population via the creation of jobs in the social services sector has the strong potential to contribute to many policy objectives, including reversing outward migration and crime trends, revitalizing marginalized communities, increasing human capital, and promoting social inclusion. Moreover, by reducing the unpaid care burdens of poor women, the specific jobs we have proposed would contribute toward the goal of achieving gender equality.

Notes

1. Examples include India, Argentina, Korea, Morocco, and Australia, among others. See Antonopoulos (2007).
2. For a comprehensive review of policy initiatives, visit www.economistsforfullemployment.org.
3. A learnership combines work-based experience with structured learning, and results in a qualification, registered

within the National Qualifications Framework by the South African Qualification Authority, that signals occupational competence and is recognized throughout the country.

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About the Author

Research Scholar RANIA ANTONOPOULOS is director of the Levy Institute’s Gender Equality and the Economy program. She specializes in gender and economics, and international competition and globalization. She is an expert adviser for the United Nations Development Programme (UNDP) and, since 2002, a principal investigator for and coordinator of the GEM-IWG Knowledge Networking Program on Engendering Macroeconomics and International Economics. In 2007, Antonopoulos oversaw the launch of a website as groundwork for the knowledge-sharing initiative Economists for Full Employment; EFE seeks to link and mobilize a global community of economists, academics, public policy advocates, and nongovernmental organizations, with the principal objective of placing decent job creation at the center of development and macroeconomic strategies. She more recently headed up a team of Levy Institute researchers studying the impact of public employment guarantee schemes (EGS) on pro-poor development and gender equality. The project, supported by a grant from the UNDP Gender Team, consisted of a pilot study exploring the synergies between EGS and unpaid work—including unpaid care work—in India and South Africa.

Antonopoulos holds a Ph.D. in economics from the New School for Social Research.