

THE SOUTH AFRICAN EXPANDED PUBLIC WORKS PROGRAMME (EPWP) 2004-2014

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STRUCTURE OF PRESENTATION

1-South African Context

Important to understand the choices made in design of the EPWP

2- First phase of the EPWP 2004-2009

Consolidated the role of public works programmes

3- Second phase of EPWP 2009-2014

Steady Expansion

4- Some lessons learned to date

SOUTH AFRICA'S CONTEXT

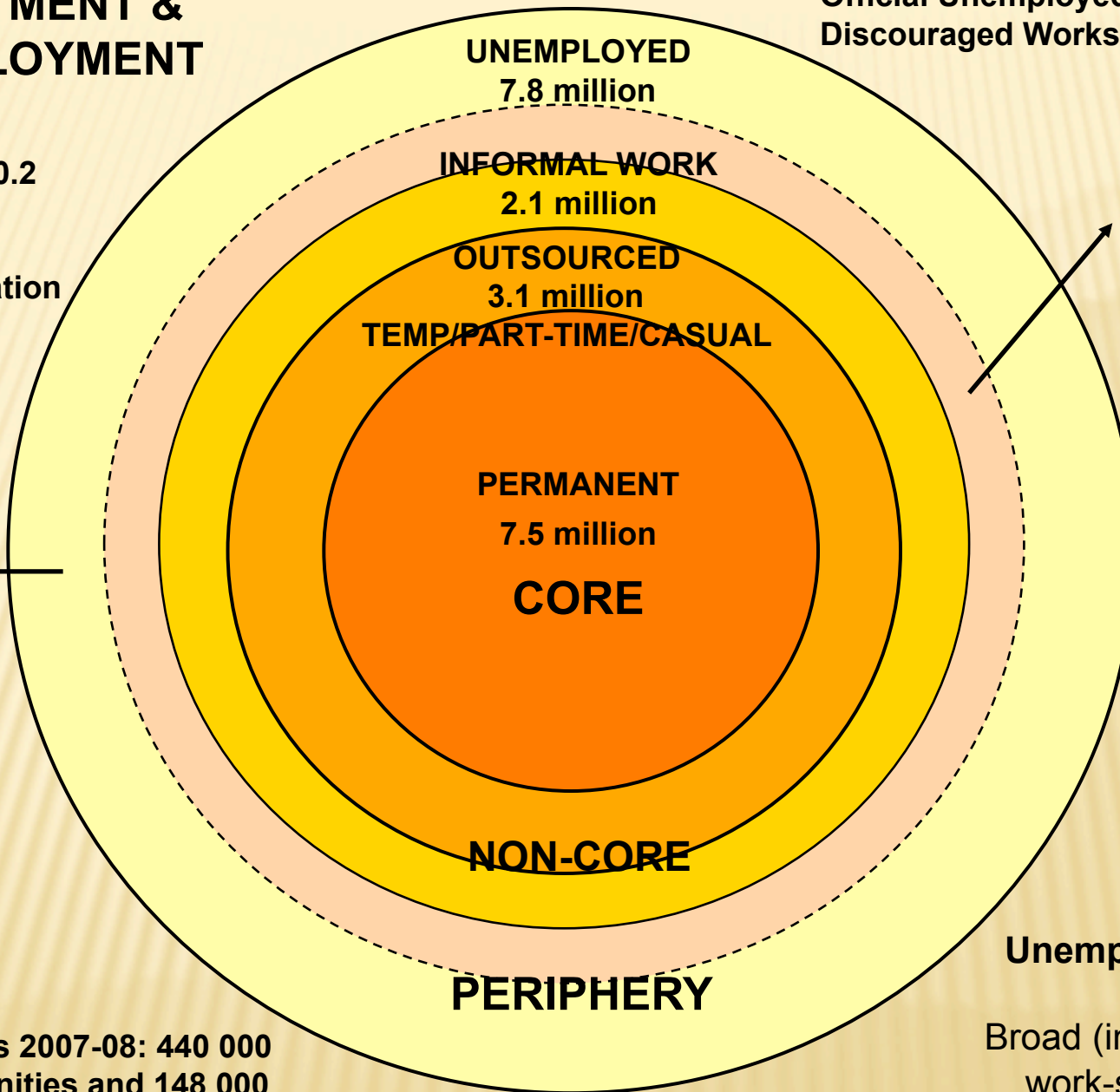
- Large areas and segments of the population were excluded from the economy and remain very poor til today
- Large proportion of the population remains poorly skilled, despite large investments in education since 1994
- This has resulted in
 - Extremely high unemployment rates along (23-40%) with
 - Low labour participation rate
- Main pillars of the economy (mining and agriculture) have become less labour intensive, partially due to rapid integration into global economy
- Job Creation programmes since 1994 have included the Reconstruction and Development Programme (94-99), Special Poverty Relif Allocation (99-2004) and EPWP (2004-2014 and beyond)

EMPLOYMENT & UNEMPLOYMENT

Working age population: 30.2 million,
Economically Active Population 20.5 million

Unskilled =5.4 million
(incomplete Secondary School)

EPWP outputs 2007-08: 440 000 work opportunities and 148 000 person-years of employment



Official Unemployed: 4 350 000
Discouraged Workseekers 3 503 000

Skilled: 2.4 million
(High School or above)

Unemployment rates:
Official: **25.5%**
Broad (incl. discouraged work-seekers): **38.3%**

CASH TRANSFERS IN SOUTH AFRICA

Large system of social grants to individuals in place in South Africa (Note 1USD=+- R10):

- ✖ Disability grants R940 (includes those too sick to work because of AIDS)
- ✖ Old Age pensions R940 (all over 65 being reduced to 60)
- ✖ Child Support Grants: R220 (for every child up to 15)
- ✖ Foster Care Grants: R650 for foster parents taking in children/ orphans

13 million beneficiaries out of a population of 47 million

All the Social Grants combined in 2008-09 are budgeted at **R69 billion**.

This represents **2.4% of GDP** and **10% of the total government budget**

Excludes housing subsidies, free water and electricity, school feeding programmes etc.

Considerable resistance to more social spending

PRECURSORS TO EPWP

Reconstruction and Development Programme (94-99):

- ✗ Main programme of the new government in 1994
- ✗ Serious difficulties with institutional design: unclear where RDP ended and normal government functions began: Eg: Was Housing an RDP programme or a programme of the Ministry of Housing
- ✗ Institutional confusion led to the closure of the RDP office and Ministry

Conclusion: These functions to be run by respective mandated departments and parallel functions don't work

Special Poverty Relief Allocation (99-04)

- ✗ Departments bid for special funds for poverty relief projects that fall within their mandate
- ✗ Limited impact because of size of allocation
- ✗ Limited use of normal Departmental budgets poverty and employment programmes despite large potential

Conclusion: Poverty and Employment programme to be mainstreamed into normal mandates and not-treated as an "aside"

EPWP 1 (04-09): CAUTIOUS NEW APPROACH

- **New:** no more separate budgets, but employment creation projects to be funded from line budgets
- **Cautious** in the sense that it was widely recognised that EPWP was small in relation to size of the problem, but there was skepticism if new public works approach could work

Key issues influenced the design:

- Experiences, especially institutional difficulties over 1994–2004
- Any increases in budgets to be motivated together with line function departments
- Nature of work: Work must address large government prioritised deficits in infrastructure and social and environmental services (in line with line budgets) without fueling fears of displacement within and casualisation of the public sector

KEY DESIGN FEATURES OF EPWP 1 (04-09)

1. Decentralised all of government programme: national, provincial and local government are expected to contribute to the 1 million target over 5 years
2. Objective was to provide income and training to enable people to move into other work (exit) through provision of infrastructure and services
3. Use of Special Employment Framework to distinguish from public service and other formal employment: maximum duration of employment, allowance for lower wages, training entitlement, no unemployment insurance
4. No special budgets: additions to existing budgets and conditional intergovernmental mechanisms and mobilisation for provincial and municipal government to use their own budgets as well:
 - a) *Employment creation to be mainstreamed in core function of government, not a parallel/ peripheral function*
 - b) *Limit establishment of separate/ parallel institutions for implementation*
 - c) *Focus on maintaining productivity and limit risk of make work-programmes*

KEY DESIGN FEATURES OF EPWP 1 (04-09)

5. Four sectors focusing on different areas of implementation:
 - a. *Infrastructure: mostly provincial and local infrastructure suitable to the use of labour-intensive methods; roads, water provision, sanitation, schools, parks, sport fields*
 - b. *Environmental: Removal of invasive alien vegetation (Working for Water), Fire protection, wetland rehabilitation, greening, coastal cleaning etc.*
 - c. *Social: Early Childhood Development, Home and Community Based Care*
 - d. *Economic: Small Enterprise Development through government procurement*
7. EPWP Unit in Department of Public Works responsible for
 - a. *Programme design*
 - b. *Coordination and Mobilisation*
 - c. *Monitoring and Evaluation*
 - d. *Communication*
 - e. *Technical Support*
 - f. *Reporting back to Cabinet*

LINKS TO MDGS

Part of the design impact of the EPWP was not to separate the EPWP from MDG related investments

- ✘ Conditional infrastructure grants are meant for basic infrastructure, as well as education and health facilities (MDG 2,4,5)
- ✘ ECD and HCBC activities contribute to health, education and gender equity objectives of the MDG's (MDG 2,3,4,5 & 6)
- ✘ Environmental sector programmes promote environmental sustainability (MDG 7)

EPWP to complement and add weight to MDG related investments:

EPWP supports motivations in budget increases:

Infrastructure grant budgets: 04-05: R 7.7 billion ==> 09-10: R20.3 billion

Expenditure:

Social Sector: 04-05: R 19 million ==> 07-08: R 630 million

Environmental sector: 04-05: R 643 million ==> 07-08: R1.3 billion

All EPWP Expenditure: 2004-05 R3.2 billion ==> 2007-08: R 13.6 billion

EPWP BENEFICIARY PROFILE

- Average age: 36.5
- Male/ Female Participation: 54%/ 46%
- Household income before EPWP R500-R900 (US\$ 50-US\$90)
- Household income during EPWP R900-R2000 (US\$ 90- US\$ 200)
- 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 number of children in household below 18: 2.23
- More than 30% have an education level of grade 12 or above
- 73% were unemployed before EPWP, 12 % left part time/ casual employment, 4% left full-time employment, 7% were students

WORK OPPORTUNITIES AND UNEMPLOYED 07-08

| Province | EPWP work opportunities | No. unemployed "official" definition | EPWP work opportunities as % of unemployed |
|---------------|-------------------------|--------------------------------------|--|
| KwaZulu-Natal | 109,273 | 938,000 | 12% |
| Western Cape | 49,584 | 368,000 | 13% |
| Gauteng | 67,363 | 926,000 | 7% |
| Eastern Cape | 83,281 | 449,000 | 18% |
| Mpumalanga | 26,245 | 292,000 | 9% |
| Free State | 24,745 | 267,000 | 9% |
| Limpopo | 20,133 | 331,000 | 6% |
| North West | 25,241 | 270,000 | 9% |
| Northern Cape | 16,549 | 105,000 | 16% |
| Totals | 440,246 | 3,945,000 | 11% |

Big differences in performance between provinces, even bigger between municipalities!

Expenditure on EPWP: 0.7% of GDP, 2.4% of Government Expenditure

SIGNIFICANT BUT NOT ENOUGH

REVIEW OF EPWP 1

- Duration of work opportunities is shorter than anticipated: **less income per beneficiary** & less work experience, especially in areas with high unemployment rates where there is pressure to rotate jobs
- Training targets and objectives were **difficult and ambitious**
- In the current framework DPW has very **limited authority** or means of providing incentives to lead growth of the programme
- Integrating EPWP into line function budgets sometimes **reduces appetite for risks**: making things more labour intensive sometimes perceived as higher risk
- Non **uniform wage structure & employment conditions** create operational difficulties
 - Social sector institutional issues: public sector/ formal/ informal/ permanent/ temporary
- Capacity of some implementing bodies, **especially in those areas of need** is limited technical support and and capacity building should not be underestimated:
 - Importance for success of programme
 - Costs of providing support
 - Difficulties for making support effective and efficient

WHO SUPPORTS THE EPWP IN SOUTH AFRICA?

There is wide support for the EPWP, but all with caveats:

- Business: YES (But with concerns about budget deficits/ social spending)
- Upper and middle class: YES (But with skepticism that government can deliver and it will not just be make work)
- Fiscal conservatives in government: YES (But as long as it aligns with other fiscal priorities)
- Labour (unions): YES (But as long as it does not erode wages and working conditions or displaces members)
- Progressives: YES (But it is far too small, jobs are not “sustainable/ decent”)
- Poor/unemployed: YES (But we want more)

In addition the discourse has often been framed as a “choice” between EPWP and a Basic Income Grant for working age adults rather than how these could complement each other

EPWP 2: (2009-14)

- New Five Year Targets

| | Annual Targets | Cumulative Targets |
|-------|---------------------------|-------------------------------|
| 09/10 | 500 000 | 500 000 |
| 10/11 | 600 000 | 1 100 000 |
| 11/12 | 800 000 | 1 900 000 |
| 12/13 | 1 100 000 | 3 000 000 |
| 13/14 | 1 500 000 | 4 500 000 |

- Increase average duration to 100 days per work opportunity
- Introduce national minimum wage level Include wider range of activities
- Focus only on training required to do work
- Expand to Non-State (NGO's and CBO's) to contribute to employment creation
- Introduction of a “intergovernmental wage incentive” to speed up growth and incetivise other spheres of government

EPWP 2 DESIGN FEATURES: (09-14)

- Introduction of a “Intergovernmental Fiscal Wage Incentive” to drive programme growth and work duration:
 - All implementing government bodies can claim R50 per person-day of work created in all sectors and activities
 - If they pay a higher wage they pay difference from their own funds
 - Not allowed to pay a below R 50 or claim for wage above R126
 - Once received, use of wage incentive “discretionary”
- Wage incentive to be made available to
 - Not for Profit sector with limited restrictions on type of activity
 - Community Works Programme that provides regular and predictable work & income through programmes with stronger prioritisation and organisation by local communities
- Wage incentive is managed by EPWP unit with the view of increasing their authority as well as providing a real “carrot” to other implementing departments and levels of government
- Helps address risk of making infrastructure projects more labour-intensive

EPWP 2 DESIGN FEATURES: (09-14)

- Structured with stronger focus on employment (Less emphasis on training, exit strategies and enterprise development)
 - Training only provided by EPWP where important to maintaining service standards/ enables people to do work
 - Link to other training programmes of government being explored
 - Exit strategies requires exit opportunities.....
- Involving Not for Profit and Community Works Programme:
 - Mobilise capacity outside the State to manage and organise work
 - Recognition of importance of work done through non-profit and community organisations
 - Anticipated faster growth, because of fewer bureaucratic restrictions
 - Being piloted as getting the interface between government and non-government right is critical for long term credibility

EPWP 2 DESIGN FEATURES: (09-14)

- Introduction of a national EPWP minimum wage based on following principles
 - If someone is full time employed should get above poverty line
 - Should be equal to or higher than government disability grant paid to those unable to work
 - Should not exceed existing legislated minimum wages
 - Unfortunately these 3 principles contradict each other in SA
- In addition it considered
 - Projected fiscal allocations which cause higher wages to reach fewer people and vice versa
- This process resulted in a proposed rate of R60 per day which is currently going through consultations/ social dialogue processes
- Discussion on how to structure an improved employment framework for the Social Sector still underway

KEY LESSONS SO FAR

The EPWP is a highly decentralised programme that:

- 1- leverages budgets (budgets have multiple objectives) and
- 2- has implementation responsibilities devolved to implementing national departments, provinces and municipalities

Advantages:

- Ability to draw on existing, much larger budgets
- EPWP projects are aligned to provincial and municipal plans
- Uses implementation capacity of all of government
- Ability to mobilise provinces and municipalities their own budgets to supplement grants from national government

Disadvantages:

- EPWP Unit has limited control and authority over programme
- Difficult to enforce conditions on grants with multiple objectives (multiple accountable departments)
- No incentive to prioritise EPWP as budgets are already secured
- Performance varies widely between public bodies

KEY LESSONS SO FAR

- Technical support and capacity building critical: requires a long term view and strong financial and institutional commitment
- Self targeting (low wages) generally works in reaching target groups
- Combining work creation and training for exit strategies was extremely difficult, especially at a large scale
 - Beneficiaries with vastly different backgrounds
 - Impossible to train all workers coming through: what to train on?
 - Institutional: Different departments responsible for training
- Trade-off between quality of service delivery and growth in terms of employment creation needs to be managed:
 - High growth in employment : risk that service standards decline
 - Service standards maintained: employment growth is slow
- Better delineation between work in formal public sector versus work in EPWP required as tensions likely to increase as programme gets bigger
- Better alignment/ Intergration with cash transfers to be explored