



## Evidence-based Employment Scenarios

# The Role of Expanded Public Works Programmes in Halving Unemployment

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# **THE ROLE OF EXPANDED PUBLIC WORKS PROGRAMMES IN HALVING UNEMPLOYMENT**

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*This is an excerpt from a longer paper that will be released in September 2007. This paper focuses on generating some scenarios for employment creation through EPWP. The final version will include more insights into institutional barriers to the scaling up of EPWP.*

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## **Acronyms**

DOL	Department of Labour
ASGISA	Accelerated Shared Growth Initiative of South Africa
CBPWP	Community-Based Public Works Programme
CEP	Community Employment Programme
CETA	Construction Education and Training Authority
DOL	Department of Labour
DPW	Department of Public Works (national)
DPW	Department of Public Works
DSD	Department of Social Development
<b>the dti</b>	Department of Trade and Industry
DTPW	Department of Transport and Public Works (Western Cape)
DWAF	Department of Water Affairs and Forestry
EPWP	Expanded Public Works Programme
EPWSP	Expanded Public Works Support Programme
ETWP	Expanded Public Works Programme
ILO	International Labour Organisation
LFS	Labour Force Survey
Logframe	EPWP Logical framework
MIG	Municipal Infrastructure Grant
PIG	Provincial Infrastructure Grant
PWP	Public Works Programme
RDP	Reconstruction and Development Programme

## **Executive summary**

The Expanded Public Works Programme (EPWP) was launched in 2003 as a short- to medium-term response to high unemployment and marginalisation. It aimed to provide work opportunities, training and a launch-pad for trainees into the labour market. All these activities were aimed at alleviating poverty among the unemployed. The existing public works stretched beyond infrastructure to include environment, social and economic sectors. This range of labour market and social objectives are unusual amongst public works programmes internationally. A million new jobs were targeted, to be created over five years.

The EPWP is not far off its job creation target as originally framed. It has generated approximately 716,400 work opportunities in three years, as against a target of one million over five years. However, these are very short-term opportunities: if the jobs are translated into the equivalent of a full-time job (that is, 230 hours per year), the five-year target would be stated as 650,000 jobs versus 220,000 generated over three years. If compared to the larger unemployment problem, the targets were set at a low level and the overall contribution to reducing unemployment is small. Currently, the EPWP reaches about 7% of those unemployed by the broad definition and about 4% by the official definition.

The South African government has adopted a target of halving unemployment by 2014. This would require that unemployment falls from about 26% in 2004 to about 13% by 2014. Altman (2006) estimates that employment would need to grow by 40% to meet that target, or by about five million net new jobs. Three plausible scenarios are offered, focusing on potential market-based growth if gross domestic product (GDP) were to rise by an average of 3%, 4.5% or 6% per annum between 2004 and 2014 (Altman, 2007b). The public service is seen to grow in proportion to GDP growth. EPWP represents the shortfall created between the combination of market-based and public sector employment, as compared to the unemployment target. That is, it is assumed that government steps in to ensure that jobs are offered to sufficient numbers of people so as to reach its target of halving unemployment.

Even in the best scenarios for economic growth of 6%, market-based employment and the anticipated growth in the public service might only expand enough to achieve an unemployment rate of about 16% if there were no EPWP. Therefore, at a minimum, almost 600,000 EPWP jobs would be needed, which is about 4.5 times what was generated in 2004 and about double that in 2006. By 2014, about R8-billion would be needed to cover the cost of social sector EPWP in particular.

In the worst scenario, with an economic growth rate averaging 3%, unemployment would rise to about 28% without EPWP. This would require about 2.8-million EPWP jobs to reach 13% unemployment. This is about 10 times that generated in 2006. This scenario would require an allocation of about R57-billion to social sector EPWP to ensure that unemployment is halved.

This paper reviews the extent that EPWP is contributing to livelihoods. It also reviews what sort of pressure there might be on the programme in meeting the objective of halving unemployment by 2014.

In 2006/07, approximately 300,000 people were engaged in an EPWP opportunity. This accounted for about 7% of the strictly unemployed or 4% of the broadly unemployed. Although still a small programme, it represented a large increase over that delivered in 2004/05 and 2005/06. However, it has not resulted in substantially more spent on wages. This is the result of the shortening length of work opportunities offered. For example, the average length of an infrastructure opportunity was 51 days in 2006/07. In addition, daily wages in the social sector programmes fell to about R30 per day by 2006/07.

The following questions need to be considered in scaling up EPWP:

- How big should the EPWP be? The “worst” scenario is not a terrible economic outcome, and yet it would involve a very large budget allocation to EPWP that could crowd out other important state investments and social delivery programmes.
- Should EPWP shift its focus from short-term to longer term opportunities, in recognition of the structural and long-term character of unemployment? This could involve the provision of longer term work opportunities with a possible minimum contract of 100 days, based on the recognition of the serious structural character of unemployment in South Africa
- If the programme were operating at a very large scale, there could be a challenge in providing jobs that do not draw people away from market-based jobs but also do not pay ridiculously low wages. Public works programmes would normally pay “below market wages”. However, market-based wages are already extremely low, and the current rate of pay is quite similar to some sector minimums. Alternatively, the view that some programme participants should be drawn into a “career ladder” is particularly relevant for the social sector programmes. This will pose a challenge in that the lowest pay scales in the public service offer multiples of that offered in EPWP.
- Should the programme act as an active labour market policy to enable the provision of accredited training and improved access to market-based jobs (or “exit strategies”)? Or should it rather focus on offering very large numbers of job opportunities simply for the purpose of making available work-based income?

## **1. Introduction**

The South African Government has adopted the objective of expanding government-generated employment opportunities for marginalised work-seekers. This is the “Expanded Public Works Programmes” or EPWP, which has expanded beyond infrastructure to include social, environment and economic sectors. Although related programmes have been in operation for some time, the EPWP has raised the profile of these kinds of interventions. The EPWP is designed around service delivery projects that are needed, such as rural infrastructure, clearing of alien vegetation or community-based social services such as early childhood development or home community-based care. The EPWP is meant to intensify labour absorption in the delivery of these services and infrastructure. This is particularly important in the South African context with its high rate of long-term structural unemployment and marginalisation.

The EPWP is intended as one measure that addresses high rates of unemployment in South Africa and is particularly targeted at the poorest sections of the labour force. Its design must therefore take into account the following questions:

- Is the programme large enough to meaningfully reduce unemployment, at least for specified groups such as women, youth and disabled?
- Is the programme designed in a way that does target the most vulnerable?
- Is it displacing or complementary to market-based employment opportunities?

The context is one of high unemployment, slow employment growth, high earnings inequalities, low wages for low-skill workers relative to the cost of living and a level of human development normally associated with a poor country.

This paper reviews the impact of EPWP on unemployment to date. The paper then looks to its contribution in future, particularly in the context of government’s commitment to halving unemployment and poverty by 2014. Some of the challenges in scaling up to meet unemployment targets are outlined.



**Box 1 – Background to EPWP**

The EPWP was first announced by President Thabo Mbeki in his State of the Nation Address of February 2003, and the subsequent Growth and Development Summit (GDS) of June 2003 confirmed its launch. Initially, the programmes were intended to operate on the basis of existing available funding. Its funding had to be sought *within existing departmental budgets* which would plan projects within sectors and assign budgets to projects. These figures were then aggregated and recorded in the EPWP statistics – no additional resources were allocated. This approach was particularly relevant to infrastructure-linked Public Works Programmes (PWPs), which focused on labour intensification of projects already anticipated within the Medium-Term Expenditure Framework (MTEF). Working for Water, which focused on the extraction of alien vegetation, was already a well-established programme. Over time, additional funding has been made available to other areas, particularly the social sector programmes such as early childhood development and home-based care. However, the integration of EPWP in core programme budgets does obscure the contribution that might be additional to that already in place.

The EPWP is a programme with a wide-ranging set of objectives, including poverty alleviation, short-term job creation, training and the development of an exit strategy to provide access to further employment. Its multi-faceted nature demands a high level of inter-departmental co-ordination to succeed. The responsibility for its implementation has been given to the National Department of Public Works, which has set up an EPWP Unit to direct its work and record its performance.

## **2. Employment and incomes generated by EPWP**

SA has one of the highest rates of open unemployment compared to other stable economies globally, and the official measure of unemployment rate is about 25%. This problem has been developing for a number of years. It can be attributed to a range of causes, such as a rapidly expanding labour force, large jobs losses in mining and agriculture over the 1980s and slow job creation in other sectors between 1970 and now. There is a strong racial bias in the experience of joblessness and poverty, as the burden of unemployment falls largely on the African population, both in numbers and as a proportion of the population. The existing jobs for many African people are also largely low-wage, casual and without benefits.

The long-term unemployed live in desperate conditions; as much as 61% of those that are unemployed have been looking for work for over a year, and often for more than three years (Labour Force Survey, September 2005). Unemployment hits the youth more forcefully: about 37% of those aged 15 - 34 were unemployed by the strict definition in 2005 (Labour Force Survey, September 2005). Although the rural population is highly marginalised, the majority of unemployed are actually located in the urban areas: in 2003, 67% of the strictly unemployed (and 55% of the broadly unemployed) were living in urban areas. As a result of urban migration, the unemployment rates in urban and rural areas were almost the same.

It is generally agreed that there is great urgency in meeting the crisis of structural unemployment, particularly as those who suffered most intensely under *apartheid* are those who have benefited least in terms of greater employment in the recent past. In terms of the official definition there were 4.4-million unemployed in September 2006, and of this, African people constituted 3.9-million. African people constitute the largest proportion of those classified as 'discouraged' work-seekers, who number 3.2-million (Labour Force Survey, 2006). In total there are at least 4.4-million people actively seeking work who could benefit from the Programme and another 3.2-million who are discouraged from seeking work who could also benefit – a total of 7.6-million people making up the numbers of the 'broad' definition of unemployment (Labour Force Survey, 2006).

To what extent does the EPWP substantially address marginalisation associated with unemployment and poverty?

### **2.1 Contribution to employment creation**

The EPWP brought together under one umbrella a combination of the public works projects carried out before 2004, particularly in KwaZulu-Natal and Limpopo, and a range of environmental and poverty relief programmes funded from a number of sources. The social sector programmes were a new addition and required the implementation of newly designed programmes. These were largely focused on delivering community-based early childhood development for children under five and home community-based care.

The EPWP is not far off its job creation target as originally framed. It has generated approximately 716,400 work opportunities in three years, as against a target of one million over five years. However, these are very short-term opportunities: if the jobs are translated into the equivalent of a full-time job (that is, 230 hours per year), the five-year target would be stated as 650,000 jobs versus 220,000 generated over three years. If compared to the larger unemployment problem, the targets were set at a low level and the overall contribution to reducing unemployment is small. Currently, the EPWP reaches about 7% of those unemployed by the broad definition and about 4% by the official definition.

Table 1 shows that the work opportunities grew from 174,845 in 2004/05 to 316,814 in 2006/07. The advance has, however, been uneven. In the second year of the Programme, infrastructure and economic sectors declined, while the environment and social sectors expanded. The social sector started from a very small base but more than doubled its numbers every year. It is of concern that the most well-established programmes, namely in infrastructure, have shown uneven results.

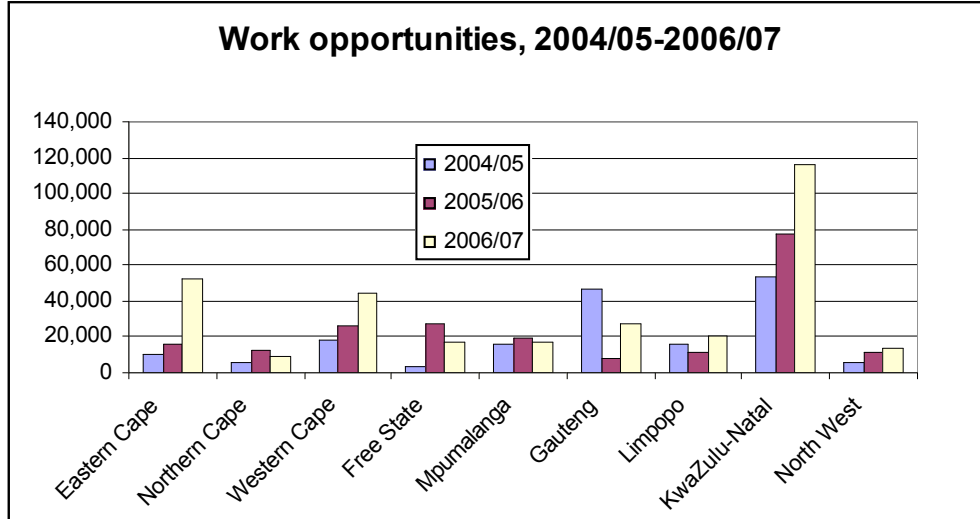
**Table 1 – Work opportunities created by sector, 2004-07**

<b>Sector</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Infrastructure	109,712	105,571	146,974
Economic	4,687	1,833	3,483
Environment	58,796	81,186	129,251
Social	1,650	18,308	37,106
<b>Total</b>	<b>174,845</b>	<b>206,898</b>	<b>316,814</b>

*Source: Data assembled from the Quarterly Reports of the EPWP and Annexures containing data and information for the period 1 April 2004 to 31 March 2007*

More than one-third of the work opportunities are created in KwaZulu-Natal, as shown in Figure 1. The lead established by the KwaZulu-Natal EPWP is one which is consistently demonstrated in work opportunities each year and this has, to a lesser extent, been the case in the Eastern and Western Cape and in the North West. In other provinces such as Gauteng, Limpopo, the Free State and the Northern Cape there has been uneven expansion of work opportunities, with rises and declines over the years.

Figure 1 – Work opportunities by year and province, 2004-07



Source: Data assembled from the Quarterly Reports of the EPWP and Annexures containing data and information for the period 1 April 2004 to 31 March 2007

The status of the EPWP is assessed largely in terms of its potential impact on the mass unemployment experienced in South Africa. Even though this is not the specific measure mentioned in its original Logframe and senior officials have expressed caution about such comparisons, this is how politicians have expressed the objective of the EPWP (in terms of a “massive” expansion of public works to alleviate poverty) and how the Programme is perceived by those who hope to benefit.

These factors will be considered first against the “big picture” of unemployment and then through analysis of the capacity of sectors and provinces to turn resources into work opportunities. In its founding statements and policy, the EPWP includes the aim of drawing “significant numbers of unemployed people into productive work, accompanied by training, so that they increase their capacity to earn an income”. To what extent has the Programme had this “significant” effect?

**Table 2 – EPWP employment relative to unemployment, 2006/7**

Province	EPWP work opportunities	No. unemployed 'official' definition	Proportion of EPWP work opportunities as proportion to the no. 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%
	<b>316,815</b>	<b>4,391,000</b>	<b>7%</b>

*Source: 4<sup>th</sup> Quarterly Report 2006/07 and LFS 2006; columns ranked by number of work opportunities*

In Table 2, the data on EPWP employment and the numbers of unemployed by province are presented. As noted, the EPWP reaches about 4% of unemployed by the broader definition and 7% of those unemployed by the “official” definition. Therefore at present, the EPWP is only reaching a small fraction of the unemployed.

Table 2 compares the number of EPWP work opportunities against the total number of unemployed by province.<sup>1</sup> KwaZulu-Natal has the highest number of EPWP work opportunities, and has the second highest number of unemployed people. KwaZulu-Natal seems most capable in providing additional public works opportunities in proportion to the high numbers of unemployed in the province, with long experience particularly through its Department of Transport. The province creates more than twice the number of work opportunities than the next province in rank. On the other hand, Gauteng, with the largest number of unemployed people, fared poorly in its delivery of EPWP opportunities, reaching only 3% of its unemployed.

From this it is difficult to say if there is any particular connection between the delivery of EPWP opportunities and need, whether identified in terms of the concentration of unemployed, or a rural/urban bias. Alternatively, the expansion of EPWP may simply depend on the presence of a strong champion in the province. The EPWP is not evenly spread throughout the provinces and work opportunities range from the 115,628 opportunities created in KwaZulu-Natal to the 9,399 created in the Northern Cape in 2006/07. This is not necessarily a reflection of differing population densities; the Western Cape comes closest (at 14%) to providing short-term work opportunities

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<sup>1</sup> This, it needs to be understood, is not a measure of the extent to which EPWP work opportunities have relieved the numbers of unemployed in the second column.

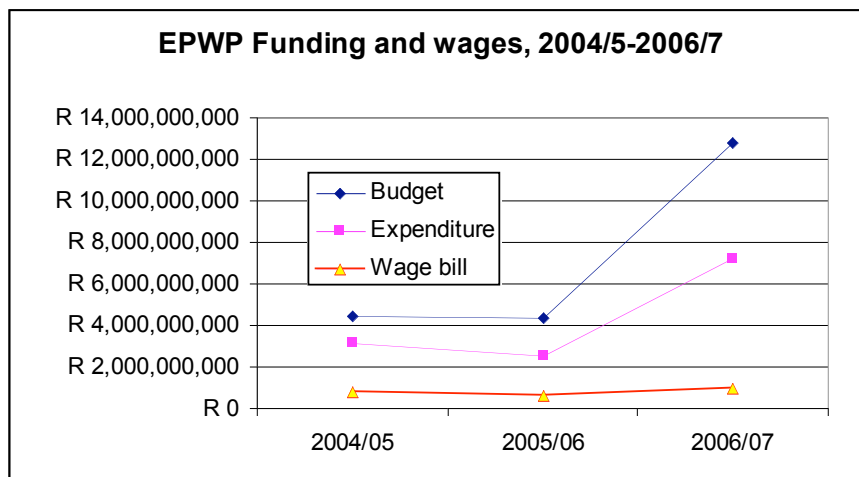
as against numbers of unemployed calculated through the rigorous “official” definition of unemployment. On the other hand, the North West generates work opportunities equivalent to the needs of 4% of those “officially” unemployed in the province.

## 2.2 Contribution to household income

The EPWP is meant to bolster incomes of the most marginalised households. Below we unpack the contribution of EPWP to wages.

As an initial indicator, we look at the extent to which EPWP spending has been allocated to wages. In the largest programme, namely infrastructure, it would be anticipated that labour intensification would lead to a greater proportion of project budgets being directed to wages. The expansion of social sector opportunities would see budgets and wage payments rising in unison.

**Figure 2 – Amounts budgeted and spent on EPWP, 2004/05 - 2006/07**



*Source: Data from Annual Reports summing expenditure over the period 2004/05 - 2006/07*

Figure 2 presents trends in budgetary allocation, expenditure and the wage bill<sup>2</sup>. Although the budget and spending were slow to get going, there was a dramatic improvement in 2006/07. However, spending on these programmes has not resulted in a substantial expansion in the wage bill relative to 2004/05. Table 3 shows that in real terms, there was only a slight increase in the wage bill of 2.8% over the three-year period 2004/05 to 2006/07. This is surprising since an expanded wage bill would be

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<sup>2</sup> The difficulties in differentiating between “EPWP” and infrastructure spending as normally budgeted need to be highlighted. There are no specific EPWP budgets. Instead, specific infrastructure projects listed as such in the national budget are earmarked for labour intensification. Therefore, not meeting expenditure targets may reflect on the EPWP, or it may simply reflect on the pace of infrastructure roll-out upon which some parts of EPWP depends.

expected to cover the additional 140,000 work opportunities created. The EPWP is therefore not bolstering incomes of the most marginalised households.

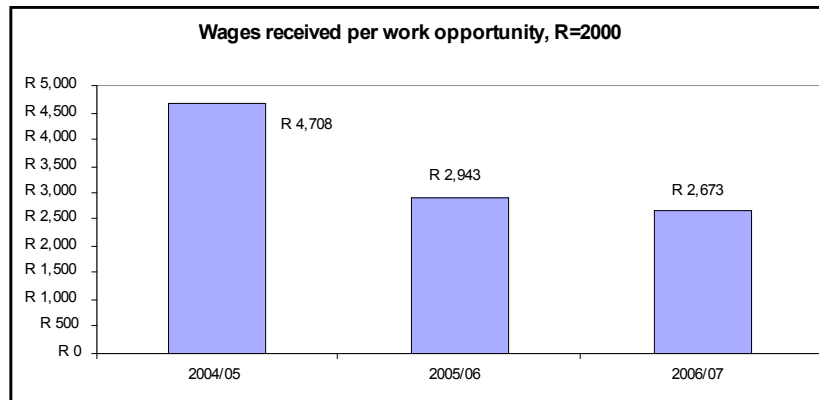
**Table 3 – Wage bill for all EPWP sectors**

	Wage bill	Real terms (R=2000)
2004/05	R823,202,981	R823,202,981
2005/06	R635,652,856	R608,955,436
2006/07	R917,520,088	R846,871,041

*Source: Data assembled from the Quarterly Reports of the EPWP and Annexures containing data and information for the period 1 April 2004 to 31 March 2007*

In Figure 3, the average income per work opportunity is presented. This income, adjusted to reflect 2000 values, is shown to decline over the years, from R4,708 in 2004/05 to R2,673. Although there has been an appreciable increase in work opportunities over time, this decline is a result of a falling proportion of wages in expenditure, short-term contracts and stagnant average wages. This will be further discussed in section 3.1 of this paper, and is shown in Figure 4.

**Figure 3 – Wages received per work opportunity (2000 Rand)**



*Source: Data assembled from the Quarterly Reports of the EPWP and Annexures containing data and information for the period 1 April 2004 to 31 March 2007. Earnings per work opportunity are derived by dividing the wage bill from all sectors by the number of work opportunities.*

### **3 Challenges in scaling up EPWP**

There will be a number of challenges faced in scaling up EPWP in a way that impacts on the objectives set for the programme. Here we focus specifically on its objective to generate employment.

#### **3.1 What is an EPWP “job opportunity”?**

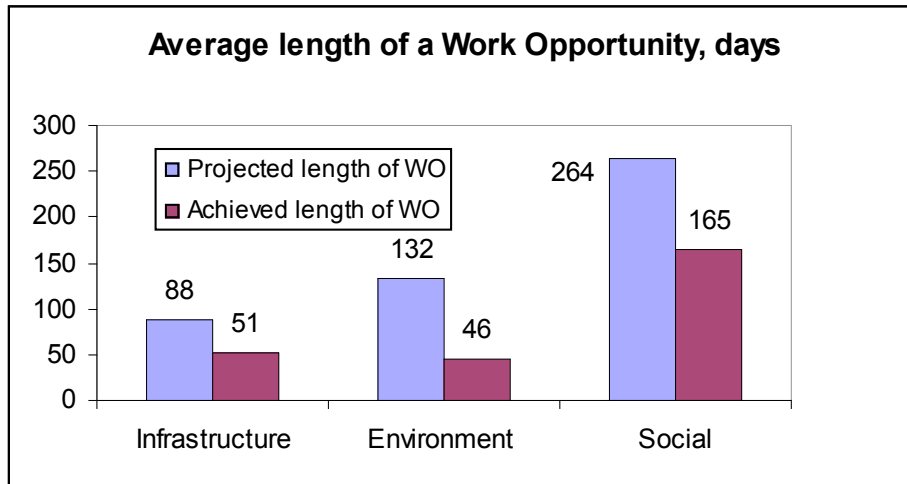
There is considerable debate as to whether EPWP opportunities could really be called “jobs”, particularly where they last for a few months. Calculations are then done to see how many “full-time equivalents” have been created. However, it is worth noting that the official definition (adopted from the ILO definition) of employment is not very onerous. According to the Labour Force Survey, a person is considered employed if they were engaged in any kind of economic activity for at least one hour in the previous week. This includes unpaid family workers and subsistence farmers.

Measuring employment in terms of “full-time equivalents” or FTEs might make comparison with other forms of employment difficult. Perhaps a way forward would involve counting the opportunities created, as done now, whilst ensuring that the quality of work, as measured in the length of opportunity and rate of pay, also be presented.

The quality of job can be measured in a number of ways, such as length of opportunity or amount paid. These qualities matter more in a context of extremely high structural unemployment.



Figure 4 – Average length of a work opportunity, 2006/07 (days)



Source: Projected number of days derived from Hirsh, 2006 and Annual Report of DPW, 2005/06, p43. Months have been converted into days at the proportion of 22 working days per month. The average length of days worked has been calculated by dividing the total number of days worked by the number of work opportunities in each sector.

The average length of work opportunity over the period of the EPWP is presented in Figure 4. The public information provided on the length of a work opportunity explains that there are on average four months provided in infrastructure and six months in environment projects<sup>3</sup> (approximately 88 days and 132 days, respectively). The actual achieved days derived from EPWP statistics are, however, considerably shorter – by a factor of 37 days in infrastructure and 86 days in environment. These days are a function of the nature of work being carried out. In a construction project there are different phases of work, for instance, in building a road, the clearing, bridge building, storm-water drainage, sidewalks and trenching are the most labour-intensive activities.

Employment is determined by the phases of a project, and even though a project may be of 18 months duration, a worker’s contract may be only for two to three months. The construction industry is characterised by a system that is much differentiated, fragmented and loose. The short-term nature of construction projects makes integration difficult, as each project has unique features. Since it is hard to standardise the processes in varying terrains and requirements (although the final product is governed by industry norms and standards), it is difficult to become more cost and time efficient. This raises the question as to how public works linked to these project cycles can provide short term but not ultra-short term employment and how this can be managed by contractors.

<sup>3</sup> DOW Annual Report, 2005/06, page 43.

The average days employed on a work opportunity in South Africa is much less than that of countries experiencing deeper levels of poverty and having less capacity in implementation. In India, for instance, the Employment Guarantee Act guarantees 100 days of employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work at the minimum wage rate prescribed by the state. (EPWP, September 2006: 4). There is doubt among specialists in the field that any shorter period can achieve the benefits to the individual, households and communities that public works programmes are intended to achieve.

How can productive work in projects drawing in labour from local communities be extended to at least 100 days or the full 230 work days regarded by EPWP as constituting a working year? This has been achieved in the Zibambele road maintenance programme in KwaZulu-Natal, but there is a need for further research to answer criticism of labour intensity and robust debate in the sector. The environment sector possibly has to work in a similar context. In the social sector there is an average of 165 days of work achieved and the rationale of early childhood development and home community-based care is that there is continuous service throughout the year, which would imply more days being worked.

Longer work opportunities that are more frequently available would have more impact on regularising incomes and addressing poverty.

### **3.2 EPWP and the low wages**

Particularly where a large public works programme is planned, there is a view that wages should be set at below market-related rates. The reasoning is that these jobs are aimed at the most marginalised who have difficulty finding opportunities, or may even be seen as “unemployable”. If the rate is the same as that offered in the market, the opportunities may compete with market-based opportunities. This could cause the informal sector to grow more slowly and bid up formal sector wages.

The EPWP has an open-ended approach towards the level of wages, and the NEDLAC agreement allows for wages to be below those of minimum wage determinations. The average wages paid on EPWP projects have essentially stayed within a wage band of about R40 to R55 per day since its launch in 2004. By 2006/07, the initial wide variations paid in the economic and environmental programmes converged around R45 per day. Inexplicably, the social sector payment has fallen to R30 per day as it has expanded. Participants in the infrastructure programme were earning R60 per day by 2006/07, although it should be remembered that their participation was for a much shorter period than the other programmes.

The rates paid in EPWP are quite similar to those paid in the market. High rates of wage inequality, partly explained by South Africa’s *apartheid* history, have translated into the persistence of extremely low pay for un- and semi-skilled work. In 2004, 65% of the workforce earned less than R2,500 per month, and 39% earned less than R1,000 per month. In the context of dependency ratios in low-income households, these amounts work out to the equivalent of just over the Millennium Development Goals (MDG) targets of US\$2/day and US\$1/day (that is, that their dependents live on these amounts or less).

Table 4 shows that about 18% of the workforce earned less than R500 per month – these are mostly in the informal sector. In this context, it is hard to imagine what a “below-market” stipend might be.<sup>4</sup> R500 per month works out to about R25 per day. This is surely lower than what is being planned for EPWP?

**Table 4 – Wages earned in the private sector, 2004**

Wages per month, 2004	Daily equivalent	% of working people
R 500 or less	Up to R 25	17.7 %
R 501 – R 1000	Up to R 50	18.2 %
R 1001 – R 1500	Up to R 75	10.6 %
<b>Total</b>		<b>46.5 %</b>

*Source: Stats SA: Labour Force Survey, September 2004*

Table 4 presents information on low wages in the private sector, showing that some 36% workers earn a daily equivalent of between R25 and R50 a day. There is demand for work at these levels which somewhat approximates to those paid by EPWP sectors.

The problem that arises is whether an extremely large EPWP programme might draw people away from market-based opportunities. On the other hand, in a context of extremely high rates of long-term unemployment and limited opportunities, this may not be as much of a concern.

### **3.3 Scale of programme and programme cost**

The South African government has adopted a target of halving unemployment by 2014. Altman (2006) estimates that employment would need to grow by 40% to meet that target, or by about five million net new jobs. Table 5 below presents a number of scenarios from Altman (2007b). Three plausible scenarios are offered, focusing on potential market-based growth if GDP were to rise by an average of 3%, 4.5% or 6% per annum between 2004 and 2014. The public service is seen to expand in proportion to GDP growth. EPWP represents the shortfall created between the combination of market-based and public sector employment, as compared to the unemployment target. That is, it is assumed that government steps in to ensure that jobs are offered to sufficient numbers of people so as to reach its target of halving unemployment.

Table 5 shows that in the best scenario, about 600,000 EPWP opportunities would be needed, which is about 4.5 times what was generated in 2004 and about double that in 2006. By 2014, about R8-billion would be needed to cover the cost of social sector

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<sup>4</sup> In the case studies undertaken of EPWP projects, however, some workers in an ECD project were paid a stipend of R100 a month and volunteers no stipend at all.

*The role of Expanded Public Works Programmes in halving unemployment*

EPWP in particular, as shown in Table 6. In the worst case scenario, about 2.8-million EPWP opportunities are needed, which is almost 10 times that generated in 2006. This scenario would require an allocation of about R57-billion to social sector EPWP to ensure that unemployment were halved.

It should be noted that these scenarios focus on halving official (or strict) unemployment. To halve broad unemployment, six million jobs would have to be created between 2004 and 2014. In other words, one million more jobs would be needed, over and above those described in these scenarios. This is a critical point, since discouraged work-seekers can be seen as amongst the most marginalised in the workforce.

**Table 5 – Some employment scenarios**

	2004	2014		
		Worst scenario	Middle scenario	Best scenario
Market-based jobs	9,788,000	11,899,441	13,121,354	13,805,444
Public service	1,500,000	1,828,492	1,996,388	2,199,109
Infrastructure	110,000	370,000	370,000	220,000
Environmental	60,000			
Social sector	2,000	2,487,115	1,098,485	359,503
<b>Total</b>	<b>11,628,000</b>		<b>16,588,152</b>	

*Source: Altman, 2007b*

**Table 6 – Cost of EPWP scenarios**

Sector	2004	2014		
		Worst scenario	Middle scenario	Best scenario
Infrastructure	110,000	370,000	370,000	220,000
Environmental	60,000			
Social sector EPWP	2,000	2,487,115	1,098,485	359,503
<b>Cost of expanding social sector EPWP opportunities</b>				
Total cost of EPWP @ R50 pp pd x 230 days pa	R 2.8 bn	R 57.2 bn	R 25.3 bn	R 8.3 bn

*Source: Scenarios sourced from Altman (2007b)*

*Assumptions:*

- No new expenditure needed on construction EPWP.
- If properly implemented, existing plans for infrastructure spend should cover this cost.
- Social sector EPWP jobs are just a residual that ensures target of halving unemployment met.
- It is not a full-time equivalent.
- Cost of social sector opportunity is approximately evenly divided between EPWP wages and programme costs.

## 4 Conclusions

This paper reviewed the extent to which the EPWP is contributing to livelihoods. It also reviewed what sort of pressure there might be on the Programme to meet the objective of halving unemployment by 2014.

Currently, the programme is not far off its targets for creating work opportunities. In 2006/07, approximately 300,000 people were engaged in an EPWP opportunity. However, it has not resulted in substantially more spent on wages. This is the result of the shortening length of work opportunities offered. For example, the average length of an infrastructure opportunity was 51 days in 2006/07. Daily wages in the social sector programmes fell to about R30 per day by 2006/07.

To what extent might EPWP contribute to halving unemployment by 2014? This would require that unemployment falls from about 26% in 2004 to about 13% by 2014. Altman (2007b) shows that even in the best scenarios for economic growth of 6%, market-based employment and the anticipated growth in the public service might only expand enough to achieve an unemployment rate of about 16% if there were no EPWP. Therefore, at a minimum, almost 600,000 EPWP jobs would be needed. In the worst scenario prepared in her paper, with an economic growth rate averaging 3%, Altman (2007b) finds that unemployment would rise to about 28% without EPWP. The EPWP would be one of the only remaining ways of further reducing unemployment to 13% in 2014. At a maximum, about 2.8-million EPWP jobs would be required.

The following questions need to be considered in scaling up EPWP:

- How big should the EPWP be? The “worst” scenario is not a terrible economic outcome and yet it would involve a very large budget allocation to EPWP that could crowd out other important state investments and social delivery programmes.
- Should EPWP shift its focus from short-term to longer term opportunities in recognition of the structural and long-term character of unemployment? This could involve the provision of longer term work opportunities with a possible minimum contract of 100 days, based on the recognition of the serious structural character of unemployment in South Africa
- If the programme were operating at a very large scale, there could be a challenge in providing jobs that do not draw people away from market-based jobs but also do not pay ridiculously low wages. Public works programmes would normally pay “below market wages”. However, market-based wages are already extremely low, and the current rate of pay is quite similar to some sector minimums. Alternatively, the view that some programme participants should be drawn into a “career ladder” is particularly relevant for the social sector programmes. This will pose a challenge in that the lowest pay scales in the public service offer multiples of that offered in EPWP.

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- Should the programme act as an active labour market policy to enable the provision of accredited training and improved access to market-based jobs (or “exit strategies”)? Or should it rather focus on offering very large numbers of job opportunities, simply for the purpose of making available work-based income?

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