

## Columnists

Expanded Public Works Programme delivers only short-term benefits

### Steps to address poverty fall far short of mark

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In a country where 18 million people live in households with an income of less than R300 per person per month, the Expanded Public Works Programme (EPWP) is failing to achieve its objectives. It's time to consider alternative responses to South Africa's crisis of persistent chronic poverty.

One of the responses to chronic poverty in countries in Latin America, Asia and Africa is public works programmes. They are popular with donors and governments, but are they right for South Africa's unemployment context?

In the last year or two, unemployment has reached a plateau at about 26% by the official definition - or 39% in the expanded definition - which makes it one of the highest in the world.

Many international experts argue that South Africa should use the expanded definition rather than the official one, because there is a strong case to be made that it is inappropriate to spend time actively seeking work if you know there is no work available.

From a rational economic perspective, people who are no longer looking for work should still be considered unemployed.

In terms of the official definition, people who haven't actually sought work in the last few weeks are excluded from the unemployment calculation.

Unemployment has been increasing rapidly since the early 1970s for three main reasons: the liberalisation and globalisation of the economy; the shift from labour-intensive to more capital-intensive means of production; and a shift in the structure of the economy itself, away from the primary sector to the tertiary sector.

The rising level of unemployment is particularly acute among the lower skilled and concentrated in the black population.

Over the last few years there has been significant job growth, but this has been skewed towards people with high skills.

An estimated half a million jobs have been lost in the primary sector, mainly low and unskilled jobs. It's not just unemployment that is a problem, it's the nature of unemployment and where the burden falls, which is increasingly on the low and unskilled population.

We have heard that if we can reach a target of 6% growth we will be on route to a sustained response to poverty and unemployment.

The Accelerated and Shared Growth Initiative for South Africa (Asgisa) document says that with 6% growth social problems and unemployment will start to be resolved. However, two recent studies, one by the World Bank and the other by the UN Development Programme, argue that if we make projections on 6% growth with our current economic trajectory, there will still be levels of unemployment among the low-skilled and unskilled in excess of 30%.

That is one of the key factors to consider - even if we achieve Asgisa's ambitious growth targets we are still going to have an acute unemployment problem, and that is going to persist.

This is critical because of the particular linkage between unemployment and poverty in South Africa. In many other sub-Saharan countries there are cushions in the form of subsistence agriculture and a much more developed informal sector. Both of these are considerably smaller in South Africa for historical reasons. So losing formal employment is far more detrimental to household livelihoods than it would be in other countries in the region.

Even if, in the most positive growth scenario, there is chronic unemployment, what is society's obligation towards those people?

The term "surplus people", appropriated about 30 years for something different, is a useful way of thinking about marginalised people who are actually surplus to the requirements of our economy.

They don't have anything to offer because we don't want their labour, and they can't engage in economic processes because they don't have access to wage income. A huge proportion of our population are essentially marginalised from the economy, and economically surplus.

It is fair to acknowledge that the grant network has significantly reduced poverty. If you are under 16, or over 60 or 65 for men and women, you are covered by a sophisticated grant programme that is one of the best in the world, certainly in developing countries.

The problem is that 18m people are living in poverty - using a definition of those in households with an income of less than R300 per person per month - a shocking figure.

For all the advances made, and all the benefits of the grant system, there is a residual group of people who simply aren't able to benefit from any kind of grant.

Within this group of 18m people, a significant number of poorer households have no wage earners.

Poverty increases as the number of workers in a poor household decreases. For example, 8.5m people live in households with a total income of less than R400 per month, and 50% of those have no workers.

One of the targets the government has set itself in terms of the Millennium Development Goals is to halve unemployment by 2015. It has been estimated that if we are going to try and get unemployment down to 14%, we need to create between 3.5 and 5m new jobs. This is a big challenge, in just eight years.

The Expanded Public Works Programme (EPWP) is only one of the government's responses to unemployment and poverty, but it shares a disproportionate amount of space in the policy debate. Is this justified?

The EPWP has multiple objectives. They entail providing a wage transfer to address poverty immediately, but also skills development. In the policy rhetoric there is discussion about the EPWP being a "ladder between the first and second economies", promoting people's ability to shift between these two economies. But can the EPWP achieve this? Some of its shortcomings are overlooked. This matters because when a programme is presented as a response to a problem, there is no imperative to seek alternative responses.

The EPWP presents itself as creating a million new jobs.

The reality is that at any one time the objective is to create 200 000 temporary jobs. And these aren't cumulative, so the best we can expect is 200 000 temporary jobs in any given year.

When you compare that to the levels of unemployment, and the numbers of jobs that we need in order to meet the Millennium Development Goals, you can see its inadequacy in terms of size, even if it performs optimally. Even 200 000 jobs would be 4% of the jobs we need to create to meet the Millennium Development Goals.

Is the EPWP addressing income poverty? The average duration of EPWP employment is four months and it's a one-off bite at the cherry.

As a beneficiary, you get one episode of employment for a four-month period. This simply isn't a sustained response to chronic poverty. There's no opportunity to accumulate assets which would enable you to climb the ladder between the first and second economy.

In such a limited time, it's very unlikely that you will have sustained human capital benefit either. It is very difficult to ensure your children's participation in school in the long run if the wage transfer is only for a four-month period.

So in terms of income transfer, the EPWP is a disappointing story.

Let's look at skills transfer. The training most people receive is eight days (two days for every month worked). Clearly, in eight days the skills you can gain aren't enough to differentiate you from other people in the labour market who haven't received that training.

Most participants say the training is of little value in finding subsequent employment. We have heard about learnerships, but only 3% of participants in the EPWP are going to access learnerships.

The key insight is that the wage transfer under the EPWP isn't going to have a significant impact on reducing poverty, there is no significant skills transfer and no reason to think that participation in an EPWP is in any significant way going to enhance people's ability to climb from the second economy to the first economy.

If one did want this to happen - and public works programmes have worked elsewhere in this context - then you need to have a really large-scale programme which can guarantee employment to people at times they need it. A good example is the Maharashtra employment programme in India, which is based on the right to work.

Anyone in rural areas who requires work at a low wage has the right to have that work from the local authority. And if the local authority can't provide the work, they will then provide income insurance instead. So there are examples of this kind of mass employment, but that is very different from what we have here.

The other issue is that employment needs to be not just large-scale but ongoing.

There are one or two examples of programmes that provide ongoing public works employment in South Africa. One is a programme run by the KwaZulu-Natal Department of Transport, which offers part-time employment for women on a yearly basis - you work for a year and then it is renewed for another year.

What we found was that although the value of the programme was quite low, the impact was quite significant. Some 90% of the beneficiaries remained in income poverty, but there were significant changes in the nutritional status of children and their regular participation in school. The fact that the transfer was ongoing meant that people started making investments that they couldn't make if it was just a one-off wage transfer.

It becomes worth investing in education if you know that each month you will be able to continue that investment and see your children right the way through school.

So there are some imaginative responses using public works as a response to chronic poverty. But what we are seeing in the national programme doesn't seem to be ongoing or large scale. The final question is whether it is appropriate for the state to tie up large amounts of financial resources, but also scarce administrative resources, in public works programmes that offer small periods of employment, or would it be better to look at alternative forms of social protection?

Is it not more appropriate to consider something much simpler, cheaper and more feasible to roll out on a large scale - a kind of cash transfer programme, as was recommended by the Taylor Commission?

The commission looked very carefully at these issues and concluded that a basic income grant was far more viable and affordable on a large scale than public works programmes.

With major questions over the EPWP, it is clear that we need something far, far greater in its impact.

There is now a real need to open up debate about how we tackle people living in chronic poverty who aren't being assisted by the current grant system.

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