

It is a real pleasure to have the opportunity to raise some of these issues and discuss them in this context. I am going to look at one particular response to chronic poverty – public works programmes. If you look globally at responses to chronic poverty in Latin America, Asia, Africa, there tends to be a focus on public works programmes, which are very popular with donors and with government.

Recently, I examined the appropriateness of public works as a response to chronic poverty. What you have in South Africa is a response to chronic poverty and unemployment that is very typical of the policy responses throughout sub-Saharan Africa. I want to question whether that is an appropriate and adequate response.

First, I would like to establish a few facts – and I am sorry that these are quite crude, but I make no apologies for that because I think it is quite useful to set the scene using income indicators of poverty.

If we want to assess the role and impact of the public works programme, we need to examine the unemployment context. In the last year or two, unemployment has reached a plateau at about 26% - that is the official definition – or 39% if we use the expanded definition, which makes it one of the highest in the world.

It is interesting to note that many international scholars have argued that in South Africa we really should be using the expanded definition rather than the official one, because there is a strong case to be made that it is quite inappropriate to spend your time actively seeking work if you know there is no work available. From a rational economic perspective then, people who

**It is not just unemployment that is a problem; it is the nature of unemployment and where the burden falls, which is increasingly on the low and unskilled black population.**

are no longer looking for work should still be considered unemployed. If we use the official definition, people who have not actually sought work in last few weeks are excluded from the calculation of unemployment.

Unemployment has increased rapidly since the early 1970s and there are three main reasons for this. One is the liberalisation and globalisation of the economy, opening up to international competition. Another is technological change, shifting from labour-intensive to more capital-intensive means of production. And the third is the 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 level and unskilled, and particularly 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. There is a real change in the nature of employment in South Africa. It is not just unemployment that is a problem; it is the nature of unemployment and where the burden



**If we make projections on 6% growth with the current economic trajectory, there will still be levels of unemployment among the low-skilled and unskilled in excess of 30%.**

falls, which is increasingly on the low and unskilled black population.

We have heard that if we can reach a target of 6% growth we will be en route to a sustained response to poverty and unemployment. The ASGISA [Accelerated Shared Growth Initiative for South Africa] document reiterates the point that with 6% growth social problems and unemployment will start to resolve themselves.

However, two influential studies carried out recently, one by the World Bank and the other by the United Nations Development Programme, argue that if we make projections on 6% growth with the 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 in this debate, because even if we achieve these ambitious growth targets of ASGISA, we are still going to have a really acute problem of unemployment, and that unemployment is going to persist.

When we are looking at policy responses to that kind of chronic unemployment, we have to look at a long-term response. It is no good having a transient response, a response that offers employment for a number of months or years. This is

actually a chronic problem, which needs a long-term response.

The reason this unemployment problem is so critical in South Africa is because of the particular linkage between unemployment and poverty here. In many other sub-Saharan countries there are cushions – subsistence agriculture and a much more developed informal sector. Both of these are considerably smaller in South Africa for historical reasons, largely because of the whole process of development over the last 100 years. So losing formal employment is far more significant and detrimental to household livelihoods here than it would be in other countries in the region. This link between unemployment and poverty is very specific to South Africa and particularly problematic.

This raises the question that, if even in the most positive growth scenario we have this problem of chronic unemployment, what is society's obligation towards those people? I know the term 'surplus people' was appropriated about 30 years for something different, but it is a useful way of thinking about this group of marginalised people who are surplus to the requirements of our economy. They do not have anything to offer because we do not want their labour, and they cannot engage in economic processes because they do not have access to wage income. They are a huge proportion of our population who are essentially marginalised from the economy, or economically surplus.

It is fair to acknowledge that the grant network has actually has a major impact in reducing poverty. Certainly, if you are under 16, if you are over 60 for women or 65 for men, you are covered by quite a sophisticated grant programme.





It is probably one of the best in the world, certainly in developing countries.

But the real problem is that 18 million people are living in poverty – using a definition of people living in households where the income is less than R300 per person per month. That figure is really shocking and concentrates the mind. So for all the advances that have been made, and all the benefits of the grant system, there is a significant residual group of people living in poverty.

If you try to unpack the 18 million you find that a significant number of poorer households actually have no wage earners within them. It is notable that poverty increases as the number of workers in a household decreases. For example, there are 8,5 million people living in households with a total income of less than R400 per month, and 50% of those have no workers. This is a critical problem – and this is where income indicators, for all their inadequacies – are useful, because they give a really clear insight into the nature of the problem.

What are government's responses to the problem? 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 reduce unemployment to 14%, we need to create between 3,5 and 5 million new jobs. With just eight years to go, this starts looking like a big challenge.

In this context I want to briefly discuss the Expanded Public Works Programme (EPWP). This is only one of the government's responses to unemployment and poverty, but it shares a disproportionate amount of space in the policy debate. If you look in newspapers and academic journals,

there is a great deal of focus on the EPWP. I want to ask whether that kind of focus is justified, and what we can expect from this kind of programme. The EPWP has multiple objectives, including providing a wage transfer to address poverty immediately and skills development. The intention is to have an immediate benefit of the wage transfer, but then have more sustained benefits by building up people's skills. 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 is the EPWP an adequate instrument to achieve these outcomes? Some of the shortcomings of the EPWP are overlooked in the policy debate. This matters because if you have a programme that is presented as a response to a particular problem, then there is no imperative to seek alternative responses. I would argue that the EPWP is an inadequate response and that it is blocking the policy debate, debate in forums like this, in academia and certainly within the government.

First of all, the EPWP presents itself as creating one million new jobs. The reality is that at any one time the objective is to create 200 000 temporary jobs. These are not cumulative, so the best we can expect from the EPWP 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 Goals, you can start to see its inadequacy in terms of size, even if it performs optimally. Suppose it did create a total of 200 000 jobs at any one time – that would be 4% of the jobs we need to create to meet the goals.



If you look at the wage transfer, is the EPWP going to address income poverty? The average duration of EPWP employment is four months and it is a one-off bite at the cherry. As a beneficiary, you get one episode of employment for a four-month period. If you think critically about reducing income poverty, this simply is not a sustained response to chronic poverty. There is no opportunity to accumulate assets which would then enable you to climb the ladder between the first and second economy, and also, if you are

**Under the EPWP, the wage transfer is not 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 likely to enhance people's ability to climb from the second economy to the first economy.**

offering wage income for such a limited time, it is very unlikely that you will have sustained human capital benefit. 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 us look at the idea of skills transfer within the EPWP. I have done a number of studies in the Western Cape, KwaZulu-Natal and Limpopo, and found that, with the average employment being just four months, the training people receive is

mostly eight days. Clearly, in eight days the skills you receive are not enough to differentiate you from other people in the labour market who have not received that training. We have heard about learnerships, but only 3% of participants in the EPWP are going to access learnerships. For most people all they get are the eight days of training. Most people say this training is of no value in finding subsequent employment, because we have this vast pool of surplus labour.

To conclude, the key insight is that the wage transfer under the EPWP is not 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 likely to enhance people's ability to climb from the second economy to the first economy.

If one did this 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 of this 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 provided by the local authority. And if the local authority cannot provide the work, they will then provide unemployment benefits instead. So there is a guarantee of either a wage transfer or an unemployment benefit, if the local authority cannot give you employment. So there are examples of mass employment programmes, but they are very different from what we have here.

The other issue is that you need to have ongoing employment, not just large-scale, but also





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 that offers part-time employment for women on a yearly basis: you work on the basis of an annually renewable contract. What we found was that although the value of the programme was quite low, the impact was quite significant. 90% of the beneficiaries remained in income poverty, but we saw significant changes in terms of 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 could not 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.

What we are seeing in the national programme does not seem to take into account the necessary conditions of being ongoing and large scale. If you did want to have a large-scale programme, how would that work? Either it would have to be funded through the private sector or it would need to be a large-scale government employment programme. Those are your two options, in terms of having an employment guarantee programme in South Africa. It would be interesting to discuss whether either one looks like a viable alternative. Clearly there would be ideological problems were the government to launch a major public sector employment creation programme, given the recent ideological profile of the government

reducing state employment. There is also the question of how attractive it would be to the private sector to fund these kinds of activities.

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. Would it not be appropriate to look at alternative forms of social protection for this group, which currently is not being supported through the grant system? Here the question would have to be, is it not more appropriate to think in terms of something which is much simpler and cheaper, and which is actually feasible to roll out on a large scale, some kind of cash transfer programme, for example a basic income style programme, as was recommended by the Taylor Commission? The Commission looked 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. It is interesting to note that despite that recommendation, we are sticking with this public works model, despite some major inadequacies.

It is hard to do justice to the subject in such a limited time, but I hope you can see that there are some major questions over the EPWP, its appropriateness and its desirability to address chronic poverty. I would argue that it is a very imperfect instrument and that we need something far, far greater in its impact. As long as people are not aware of the realities of the EPWP, there is a risk that the policy space will remain closed. There is a real need to open this up debate about how we meet the needs of the working age unemployed. ■