



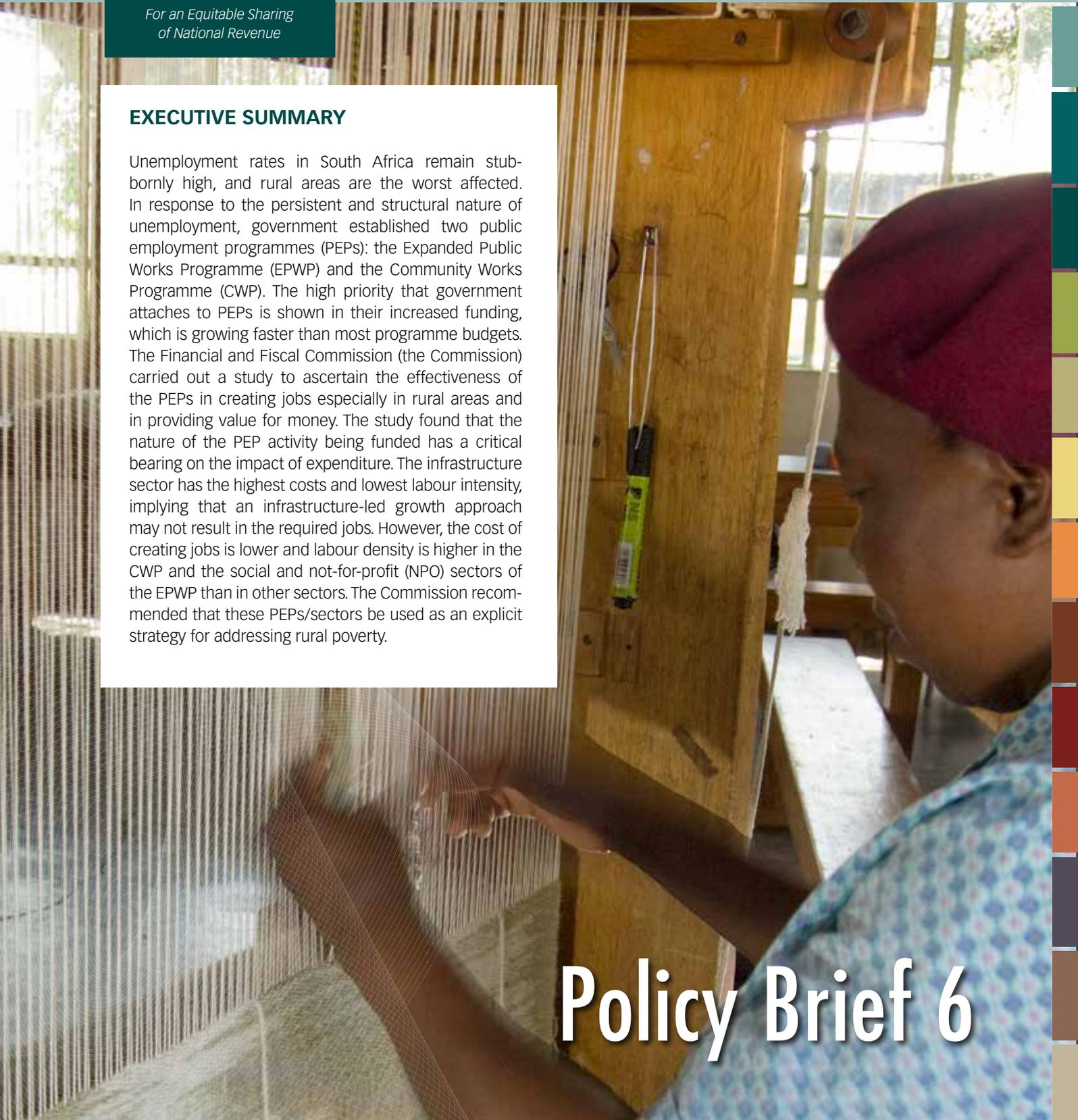
FINANCIAL
AND FISCAL
COMMISSION

*For an Equitable Sharing
of National Revenue*

Can Public Employment Programmes Create the Jobs Needed in the Rural Areas?

EXECUTIVE SUMMARY

Unemployment rates in South Africa remain stubbornly high, and rural areas are the worst affected. In response to the persistent and structural nature of unemployment, government established two public employment programmes (PEPs): the Expanded Public Works Programme (EPWP) and the Community Works Programme (CWP). The high priority that government attaches to PEPs is shown in their increased funding, which is growing faster than most programme budgets. The Financial and Fiscal Commission (the Commission) carried out a study to ascertain the effectiveness of the PEPs in creating jobs especially in rural areas and in providing value for money. The study found that the nature of the PEP activity being funded has a critical bearing on the impact of expenditure. The infrastructure sector has the highest costs and lowest labour intensity, implying that an infrastructure-led growth approach may not result in the required jobs. However, the cost of creating jobs is lower and labour density is higher in the CWP and the social and not-for-profit (NPO) sectors of the EPWP than in other sectors. The Commission recommended that these PEPs/sectors be used as an explicit strategy for addressing rural poverty.



Policy Brief 6

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BACKGROUND

For the past 20 years, unemployment has remained stubbornly above 20% in South Africa. Rural areas are the worst affected by the negative social and economic costs that come with high unemployment rates. In response to the persistent and structural nature of unemployment, government introduced a safety net for the unemployed poor, in the form of public employment programmes (PEPs). In 2004, government introduced the first PEP, the Expanded Public Works Programme (EPWP), which provides short-term, temporary work opportunities, targeting the infrastructure, environment and culture, social and not-for-profit (NPO) sectors. In 2009, the second PEP was established: the Community Works Programme, which provides a minimum employment guarantee. The EPWP is funded by government departments, municipalities and a conditional grant, whereas the CWP is funded by the Department of Cooperative Governance and Traditional Affairs (COGTA) and implemented by agents overseen by COGTA. EPWP projects are sector-specific, while CWP projects are area-specific. Government attaches high priority to PEPs, as evidenced

by the growth in spending. Between 2009/10 and 2013/14, total government spending grew by a real annual average growth rate of 7%, but spending on the CWP and EPWP grew in real terms by 89% and 70% respectively.

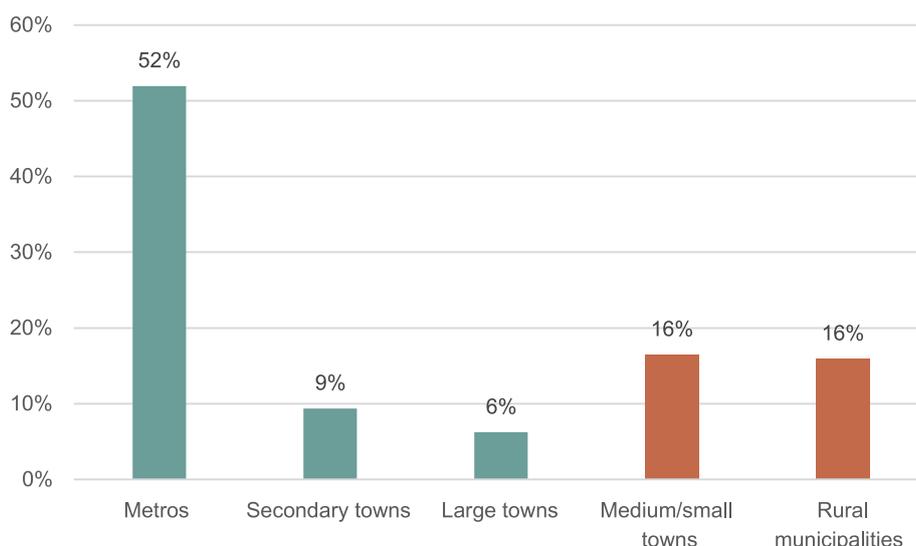
RESEARCH FINDINGS

Given the significant amount of public resources allocated to the two PEPs, the Financial and Fiscal Commission (the Commission) undertook a comparative study¹ to ascertain the extent to which taxpayers are getting value for their money. The key findings revolve around the issues of access and effectiveness of PEPs.

Access to PEPs

An analysis of the location of EPWP and CWP work opportunities over seven years (from 2008/09 to 2014/15) revealed that the CWP has a strong rural focus, whereas the EPWP is mostly in metros (Figures 1 and 2).

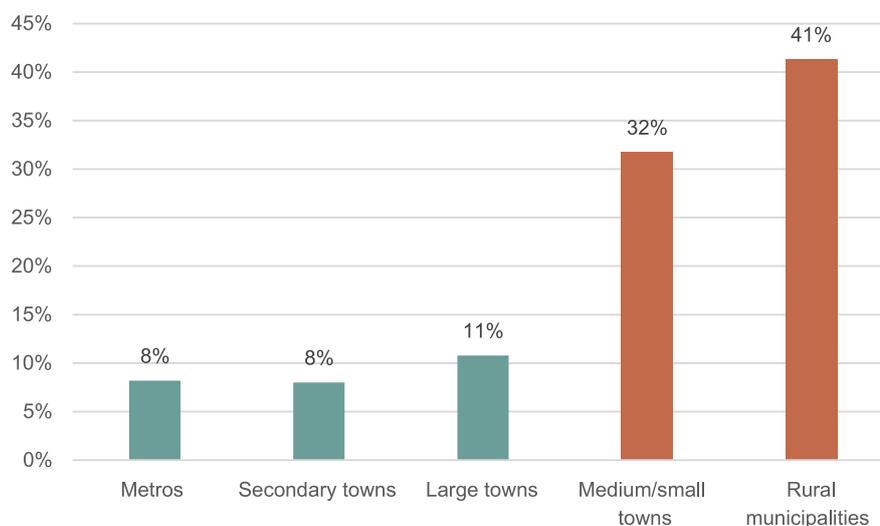
Figure 1. Work opportunities created through EPWP (2008/09–2014/15)



Source: Department of Public Works. 2015. *Employment opportunities created through Expanded Public Works Programme, disaggregated by municipalities*. [Data file]. Unpublished dataset, cited with permission.

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¹ For the full study, see Dawood G, Ntaka P and Peters, S. 2016. *Assessing government's fiscal instruments to fund public employment programmes in rural areas*. Chapter 7 in FFC. 2016. 2017/2018 Submission for the Division of Revenue, Technical Report. FFC: Midrand.

Figure 2. Job opportunities created through CWP (2012/13–2014/15)

Source: COGTA. 2015. *Employment opportunities created through Community Works Programme, disaggregated by municipalities. [Data file]. Unpublished dataset, cited with permission.*

Effectiveness of PEPs

To assess the effectiveness of PEPs, the study looked at the cost of creating one full-time equivalent (FTE)² and the extent of labour intensity. As Table 1 shows, the NPO sector has the lowest FTE cost and highest labour intensity, followed by CWP and the social sector. Therefore, as a strategy for

addressing rural poverty, government spending on the CWP and the EPWP's social and NPO sectors would be most effective (government would get more "bang for the buck"). The infrastructure sector has the highest FTE cost and lowest labour intensity, which has implications for South Africa's adoption of infrastructure-led growth as a means for reigniting economic growth and enhancing employment.

Table 27. Effectiveness of EPWP and CWP (2011/12–2013/14)

	2011/12	2012/13	2013/14
Cost per FTE (Rand)			
<i>EPWP</i>			
Infrastructure	153 141	N/A	119 387
Environmental and culture	39 051	N/A	35 602
Social	27 491	N/A	28 649
NPOs	13 591	N/A	17 370
<i>CWP</i>	18 799	24 470	26 771
Labour intensity			
Infrastructure	12%	N/A	16%
Environmental and culture	40%	N/A	53%
Social	37%	N/A	58%
NPOs	70%	N/A	89%
<i>CWP</i>	59%	59%	59%

Source: Commission's calculations based on National Treasury. 2016. *Estimates of National Expenditure 2016*; Department of Public Works. 2015. *Employment opportunities created through Expanded Public Works Programme, disaggregated by municipalities. [Data file]*; The Presidency and COGTA. 2015. *Implementation Evaluation of the Community Works Programme.*

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² As per the 2015 EPWP Guidelines for the Implementation of Labour Intensive Infrastructure Projects, one FTE is equivalent to "employing one person for one year of 230 effective working days".

CONCLUSION

The EPWP and CWP are key government interventions aimed at providing work opportunities for the unemployed poor. The EPWP is mostly used in the urban areas, while the CWP has a more rural focus. The study found that the type of activity funded by the PEP determines the effectiveness of spending on job creation. The cost of creating job opportunities through infrastructure is higher than in any other sector, and more jobs can be created with fewer resources, if more funds are directed to the CWP, and the social and NPO sectors of the EPWP. This raises a concern around the prudence of infrastructure-led growth as the best vehicle for enhancing job creation.

With respect to creating conditions for rural job creation from PEPs, the Commission recommends that:

- Government, through the dti, National Treasury, the Department of Social Development and the Department of Public Works, consider narrowing the focus of PEPs and using the CWP, and the social and NPO sectors of the EPWP, as an explicit strategy for addressing rural poverty. Job opportunities created in these sectors are the most cost effective and labour intensive, and easily implementable in rural areas.
 - Ways of reducing the costs of rural participation in PEPs should be explored, including easier accessibility to services such as banks and re-registration processes.
- Priority be given to unemployed individuals without access to a grant, as PEP funding is insufficient to cover all unemployed. At present, many participants either receive a social grant or are employed elsewhere. Government should also carefully balance the need to improve the conditions of employment and the need to expand PEPs.
- The Department of Public Works and National Treasury ensure that EPWP grant frameworks in the Division of Revenue Act include an explicit condition that appropriate training of recipients is mandatory (especially in skills that promote self-employment), given that only a small portion of EPWP beneficiaries transition into formal sector jobs. An assessment of microenterprises in rural areas that are viable self-employment options should be conducted and inform the roll-out of training programmes to EPWP beneficiaries.
- Funding of job creation initiatives is viewed in an integrated way, with priority given to programmes that absorb unemployed poor individuals, especially if they are targeting high unemployment nodes in rural municipalities.

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