

# **Policy Expectations and Programme Reality: The Poverty Reduction and Labour Market Impact of Two Public Works Programmes in South Africa.**

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# Acronyms

BIG	Basic Income Grant
CBPWP	Community-Based Public Works Programme
CDE	Centre for Development and Enterprise
CORD	Community Organisation Research and Documentation
CSG	Child Support Grant
CSSR	Centre for Social Science Research (UCT)
DD	Difference-in-difference
DFID	Department for International Development (UK)
DoL	Department of Labour
DoPW	Department of Public Works
DPRU	Development Policy Research Unit (UCT)
EPWP	Expanded Public Works Programme
ESAU	Economics and Statistics Analysis Unit
GDP	Gross Domestic Product
HSL	Household Subsistence Line
ILO	International Labour Organisation
ISRDS	Integrated Sustainable Rural Development Strategy
KZN	KwaZulu Natal
LFS	Labour Force Survey
MEGS	Maharashtra Employment Guarantee Scheme
NTC	National Technical Certificate
OHS	October Household Survey
PWP	Public Works Programme
RAL	Roads Agency Limpopo
RDP	Reconstruction and Development Programme
RRTF	Rural Road Transport Forum
SALDRU	Southern Africa Labour and Development Research Unit (UCT)
SETA	Sectoral Education and Training Authority
SMME	Small Medium and Micro Enterprises
SODS	School of Development Studies, University of KwaZulu Natal
SPWP	Special Public Works Programme
Stats SA	Statistics South Africa
UCT	University of Cape Town



# Executive Summary

This paper focuses on the question of state intervention to promote employment and reduce poverty through public works. Public works are a key component of the current social protection framework in South Africa, constituting the only form of social support for the able-bodied working-age population. Public works programmes are centrally placed in the conceptualisation of social policy space and are ascribed considerable potential in terms of addressing the core challenges of unemployment and poverty. Despite this policy prominence, the targeting of public works programmes (PWP) and their microeconomic and labour market impacts have not been studied systematically in South Africa, rendering evidence-based policy development in this area problematic.

This study explores the contribution of public works to social protection in South Africa, drawing evidence from two case studies, the Gundo Lashu programme in Limpopo and the Zibambele programme in KwaZulu Natal. It attempts to provide some initial responses to the question of the targeting of PWP and their microeconomic and labour market impacts in order to establish an evidence base for future policy development, and to identify some of the key policy lessons arising.

The study is put into context by a brief overview of poverty and unemployment, and the social protection policy framework in South Africa. Poverty and unemployment are the two key economic challenges in contemporary South Africa. Unemployment has been rising for 30 years, and reached a plateau in 2003 at extremely high levels, standing at 31% in March 2003 by the narrow definition, and 42% by the broad. It is concentrated in the African population. Major structural changes in the economy, arising from shifts in labour intensity and declining primary sector activity, are having a significant impact on both total employment levels and the composition of labour demand, leading to slow employment growth during the 1990s (McCord and Borat, 2003), and a significant decline in the demand for unskilled labour (Bhorat and Hodge, 1999). Economic growth rates are insufficient to absorb the growing pool of unemployed labour. Even in the most positive growth scenario it has been estimated that broad unemployment among the semi-skilled and unskilled would not fall significantly below 30% in the medium term (Lewis, 2001: 55). Unemployment is structural and will not be significantly reduced in the coming decades without major state intervention.

Of a total population of 45 million, 24 million live below the poverty line (Stats SA, 2000), and 13 million live in destitution, with income levels less than half the poverty line (Samson, 2002: 72). These poverty levels are closely correlated with unemployment, with the poorest experiencing unemployment rates of more than 70% (Samson *et al.*, 2003). The majority of households in the bottom 4 income deciles have no members in employment. Given the strong correlation between wage income and poverty in South Africa, responding to unemployment is clearly a key policy challenge.

Social protection and labour market policy in South Africa are limited, however, in terms of support for the working-age unemployed poor, for whom no social grants are available. Labour market policy is primarily focused on the promotion of GDP growth, with a small number of skills training interventions. The only other policy intervention accessible to the working-age unemployed poor is the national public works programme (the Expanded Public Works Programme or EPWP) which aims to provide between 100,000 and 200,000 short-term jobs each year. Given this limited number of short-term employment opportunities to be offered, it is crucial to examine which groups are likely to benefit from participation in such a programme, and the nature of the benefits accruing to them. Hence two PWP are examined in this study in order to evaluate the potential of public works to function as a social safety net and/or supply-side stimulus in the labour market. The case-study programmes were chosen for their differing design and implementation modalities, and their inclusion in the policy debate relating to the national EPWP. The Gundo Lashu programme, in particular, is being used as a model for the labour-intensive construction component of the EPWP.

The empirical component of the study is based on a household survey administered to current and former PWP employees and members of their households between June and September 2003, in rural areas of Limpopo and KwaZulu Natal, two provinces with similar unemployment and poverty profiles. The survey work was supported by qualitative focus group discussion work prior to and following implementation of the survey. In both provinces the research was carried out in partnership with the provincial authorities implementing the programmes, the Roads Agency Limpopo and the KwaZulu Natal Department of Transport.

The sample was selected from a sample frame including all employees recorded in both programmes, and the survey was administered to a total of 676 households (containing 4,792 individuals), on the basis of a one-stage random selection process in Limpopo, and a two-stage random selection process in KwaZulu Natal. The KwaZulu Natal sample was drawn from throughout the province in areas where the programme was operational, while the Limpopo sample was drawn from the two clusters within the District of Capricorn (Mankweng and Sekhukhune) where the programme was implemented. Two principles guided the design of the questionnaire: compatibility with the March 2003 *Labour Force Survey* which was used for comparative purposes, and the need to yield the information necessary to inform future public works policy and programme development.

The survey explored the demographic, labour market and socio-economic identities of participants in the two programmes, and the impact of programme participation on participants, using a range of poverty indicators. To assess the targeting of each programme the characteristics of the public works households and employees were compared with data for non-urban<sup>1</sup> populations from the two provinces, derived from the March 2003 *Labour Force Survey*, which was used as a control, and also with each other, where appropriate, in order to assess their relative socio-economic status on the basis of a range of income and other capability-related indicators. The two samples had significantly different demographic and socio-economic characteristics, with the KwaZulu Natal PWP workers being predominantly female, older, less well-educated and more likely to be part of female-headed households, while the Limpopo PWP workers were younger, more gender-balanced, and better educated. Given the similar profiles of the rural population in both provinces, the findings indicate that the two programmes were attracting different segments of the population in terms of the demographic characteristics of the PWP workers.

The survey also indicated a significant difference in the socio-economic status of the households in the two programmes. The Limpopo sample was less 'poor' according to a range of different socio-economic indicators, such as literacy and education level of workers, or asset ownership, and had greater levels of participation in education, better levels of nutrition (as evidenced by the incidence of skipping meals) and higher household income than the KwaZulu Natal group, which was highly impoverished by all poverty indicators. These differences reflected the differing targeting criteria and objectives of the two programmes, as well as their institutional and implementation modalities, and had a significant impact on their poverty and labour market outcomes.

The survey found unemployment rates among PWP household members which were 10% and 24% in excess of the broad provincial figures for Limpopo and KwaZulu Natal respectively, suggesting that unemployment within the PWP households may be greater than the provincial norms, and that the programme participants were appropriately targeted in terms of their employment status. The conclusion from these figures is that both groups are facing severe levels of unemployment, with the situation being particularly grave among the KwaZulu Natal non-PWP workers. Among household members who were employed in the programmes, employment was in the form of irregular casual labour for 21% of the Limpopo sample and 63% of the KwaZulu Natal sample. Both groups experienced a high degree of marginalisation from the formal regular labour market. This was particularly acute among the KwaZulu Natal households.

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<sup>1</sup> In the LFS the term non-urban includes the categories rural and peri-urban. For ease of reading, the term rural is used in place of non-urban throughout the following analysis, although it includes both rural and peri-urban.

In both groups 25% of PWP workers gave up alternative employment in order to participate in the programmes. The primary work forgone was informal sector employment, which was survivalist in nature with poor job security and low returns. In this context, security of employment was perceived as the core benefit of participation in the programmes, particularly the KwaZulu Natal programme which offered 'permanent' employment.<sup>2</sup> Workers stated that they would give up or refuse higher paid temporary work in favour of PWP employment, if engaging in higher paid temporary work entailed giving up the security offered by PWP participation. The key attributes of the KwaZulu Natal PWP which justified the preference for a lower, secure income over a higher temporary one were: the prolonged duration (enabling consumption smoothing and so facilitating improved household budgeting, saving, taking loans, etc.), the flexibility of working hours (enabling PWP participation to be combined with other household responsibilities or income-generating opportunities), and the household allocation of employment (with the employer sanctioning the employment being passed on to other household members in the case of sickness or death of the nominated worker). These unusual design elements meant that the programme maximised the potential for participation by the poor, and also the benefits derived from participation. Workers in both programmes preferred to maintain their employment in the schemes rather than engage in alternative casual (unpredictable) employment even if it offered higher remuneration, although this was only possible in the KwaZulu Natal programme, since the Limpopo programme offered exclusively short-term employment.

A key insight from the survey was that participation in the programmes did not move the majority of households out of poverty, on the basis of an adjusted per capita poverty line of R486 a month. Even with PWP income, 99% of the KwaZulu Natal households and 89% of the Limpopo households still fell below this poverty line. However, while participation in the PWP did not move these households above the poverty line, it did contribute to a reduction in the poverty gap, and hence reduced the intensity of poverty experienced in workers' households.

Despite the continued high levels of income poverty, in all cases positive impacts on various dimensions of poverty (ownership of financial and material assets, expenditure patterns relating to PWP income, education, and nutrition) were reported for both the Limpopo and KwaZulu Natal households, as a consequence of participation in the programmes. The initial situation of the KwaZulu Natal households was consistently found to be one of greater poverty than the Limpopo households; consequently benefits which were marginal for Limpopo households were more significant among KwaZulu Natal households. In the case of the KwaZulu Natal programme, there are indications that the sustained transfer is impacting significantly on factors which influence the reproduction of poverty, with a reduction in chronic under-nutrition and increased participation in education being major beneficial outcomes.

However, the impermanence of these benefits in the context of the short-term Limpopo programme was highlighted by the fact that, when asked whether participation in the programme had led to a sustained reduction in household poverty, only one-third of those who had completed a period of PWP employment replied positively. For the Limpopo workers the income benefit of programme participation had the characteristics of a 'wage shock' rather than a sustained increase in income, engendering different usage of the wage transfer as compared with the KwaZulu Natal workers for whom access to income was sustained.

Two issues emerge from the above discussion of the impacts of PWPs: (i) the anti-poverty impacts of PWPs may be marginal if they are not targeted to the poorest, and (ii) the duration of poverty-reducing benefits arising from short-term PWP employment may be limited to the period while the wage transfer is taking place. A short-term period of employment in a PWP is unlikely to have significant sustained social protection outcomes. If these are desired, a medium- to long-term intervention is required which will enable consumption smoothing and accumulation in the form of assets and/or savings, benefits which were discernible in the KwaZulu Natal programme, which

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<sup>2</sup> Employment was offered on the basis of a one-year renewable contract.

offered sustained employment, but less apparent in the short-term Limpopo programme. This represents a critical insight into the limitations of short-term public works as an instrument of social protection, and a challenge to the assumptions of the current policy discourse.

The survey yielded no evidence of improved labour market performance as a consequence of PWP labour market experience or training. This is not surprising, given the extreme levels of rural unemployment and the stagnant demand for unskilled and semi-skilled workers, and could in addition be related to the supply-side characteristics of the participants. Likewise, skills training was not seen by workers to contribute to improved labour market performance. While the Department of Public Works characterises the post-PWP employment options as 'graduating to employment under normal conditions', the evidence from the survey suggests that workers may rather graduate to 'unemployment' under normal conditions, returning to the *status quo ante* in terms of their labour market performance. The survey findings indicate that unemployment among former PWP workers in Limpopo was higher than among household members without PWP experience. Workers aspired to move up the labour market hierarchy into employment as contractors, but recognised that the lack of skills and of access to capital rendered this unlikely. Equally, micro-enterprise activity by workers using wage income as capital was also limited, largely due to capital constraints and the absence of complementary micro-finance inputs. In neither case was significant local economic development evident as a consequence of the wage transfer. The KwaZulu Natal programme did not appear to have had a significant impact due to the fact that the workers did not form a concentrated local market, and the bulk of their wage expenditure was made in local towns as a consequence of the payment modalities of the programme. The Limpopo programme did create local demand; however, the duration of this effect was limited to the period of the employment.

If programmes are to have a significant impact in terms of either social protection or employment, the study indicates that targeting and rationing of access to PWP employment are critical, given the level of excess labour supply. In the context of chronic mass unemployment and poverty, low prevailing rural wages, and the extremely limited employment opportunities offered through PWPs, the principle of 'less eligibility' appears to be an inadequate targeting tool and is compromised by the significant excess demand for PWP jobs. In the light of this, clearly defining programme objectives and ensuring the participation of the appropriate groups are essential. The Limpopo programme had both social protection and labour market objectives, and the study indicates that the existence of these dual objectives led to contradictions in the selection of participants. If the objective of the intervention was to promote labour market performance, the unemployed youth would have been an appropriate target (although, as the survey findings indicate, such an intervention may be of limited benefit, given the restricted nature of labour demand). If, by contrast, poverty alleviation or social protection was the objective, then older women or female-headed households in remote areas where poverty and unemployment were concentrated would have been most appropriate. The study indicates that the inclusion of dual objectives may lead to targeting errors, and a dilution of both the social protection and labour market benefits of the intervention.

Given the episodic and unpredictable nature of employment opportunities in the survey areas and the low prevailing wages reported in the focus group discussions, it is clear that, whether remuneration is set at the minimum wage, as in the KwaZulu Natal programme, or at the minimum wage less a negotiated margin, as in the Limpopo programme, the PWP wage is likely to be attractive to a large proportion of the rural workforce, and not just the 'poorest'. The study indicates that, even with the relatively generous effective wages offered in these programmes, the majority of participants remain below the poverty line, and hence to pay less than these rates would be unlikely to make a significant impact on poverty or employment performance, and may be problematic in moral terms.

The key policy implications arising from the study are:

- Programme objectives (social protection, employment, etc.) should inform programme design.

- There is a need to explicitly target and ration access to PWP employment, as self-targeting through the principle of 'less eligibility' via restricted wages is not adequate in the context of mass unemployment.
- Targeting criteria for beneficiary selection (youth, rural female household heads, etc.) should be developed in line with the intended programme objectives.
- The rationing process should be linked to the selection criteria (rather than first-come-first-served or lottery-based processes).
- Sustained employment is required for significant anti-poverty benefits to accrue.
- Investment in social development processes can enhance the poverty impacts of a programme and community ownership, but this can only be achieved through a sustained intervention.
- PWP participation alone is unlikely to significantly enhance labour market performance or increase net employment.
- Skills training offered to PWP participants should be appropriate in terms of local labour demand.
- PWP implementation should be linked to other development initiatives, such as microfinance, in order to promote sustainability and second-round benefits.
- Institutional modalities and incentives should impact on targeting performance.
- As currently conceptualised (for reasons of both design and scale), PWPs have no prospect of constituting an adequate policy instrument to address the social protection gap facing the working-age unemployed.

The report concludes that there is a fundamental tension in the conceptualisation of the role of public works in relation to the South African labour market. On the one hand, there is an explicit recognition by the government that PWPs have only a limited role to play in the context of entrenched and structural unemployment (ANC, 2002a). However, at the same time there is also a heavy reliance on PWPs as a key component of a comprehensive employment strategy (ANC, 2002b). Although there are a range of additional supply-side interventions, PWPs have almost come to dominate the current social protection and labour market discourse, representing, together with economic growth, the policy instrument of choice to address both poverty and unemployment. The analysis underlying this approach is predicated on the assumption that supply-side interventions can have a significant impact on poverty and unemployment among the low-skilled, an analysis which is problematic when the fundamental problem is the ongoing structural shift in the South African economy and the delinking of economic growth and employment.

While PWPs, if appropriately designed, can offer a partial response to the problems of poverty and unemployment, the findings of this study indicate that the gap between policy expectation and programme reality is significant, and that PWPs cannot offer an adequate social protection response to the growing problem of the working-age poor. There is an urgent need to open up the policy space to address this critical problem.



# Chapter 1: Introduction

This paper focuses on the subject of state intervention to promote employment and reduce poverty through public works. Public works form a key component of the current social protection framework in South Africa, constituting the only form of social support for the able-bodied working-age population. Public works programmes (PWP) are centrally placed in the conceptualisation of social policy space and are ascribed considerable potential in terms of addressing the core challenges of unemployment and poverty. Despite this policy prominence, there is little evidence available attesting to the effectiveness of public works, as currently designed in South Africa, to meet these objectives, or to inform programme design. The targeting of PWP and their microeconomic and labour market impacts have not been studied systematically in South Africa, rendering evidence-based policy development in this area problematic.

This study is a contribution to the development of an evidence base, drawing on two case studies to explore the core questions: (i) which segment of the population is participating in PWP?<sup>3</sup> and (ii) are PWP having a positive and sustained impact on poverty and employment? In the light of the responses to these questions, the study also considers whether public works are an appropriate instrument to address unemployment and poverty, and draws key policy implications from the findings.

The study is put in context by a brief overview of poverty and unemployment, an outline of the social protection policy framework, and a review of the history and development of PWP in South Africa. The broader labour market debate is also discussed, in terms of the apparent mismatch between analysis of the labour market problem and the core policy instruments selected in response. The key political and institutional constraints affecting programme design are then reviewed.

The empirical component of the report is based on a survey administered to a total of 676 households, including 4800 individuals, between June and September 2003, which was supported by pre- and post-survey focus group discussion work. The survey was conducted on two differently conceptualised PWP being implemented in provinces with similar unemployment and poverty profiles - Limpopo and KwaZulu Natal. Both have won national awards for provincial government innovation and both are cited in the policy discourse as exemplars for the Expanded Public Works Programme (EPWP), the national PWP currently under development. The programmes were chosen because of their high profiles, differing design and implementation modalities, and the use of components of them in the EPWP, with the Limpopo programme being used as a model for the labour-intensive construction component of the national EPWP. In both provinces the research was carried out in partnership with provincial authorities, the Roads Agency Limpopo and the KwaZulu Natal Department of Transport.

The study first examines the characteristics of the PWP workers and their households, in order to determine which segment of the population is participating in PWP and what targeting of PWP employment is taking place. The characteristics of the workers and their households are identified in terms of a number of demographic and socio-economic indicators, and compared with data for rural populations in the two provinces derived from the March 2003 *Labour Force Survey*, which is used as a control.<sup>4</sup> Where appropriate, the two groups are also compared with each other, in order to explore differences in the targeting and outcome of the two programmes. In one of the case studies, the inclusion of two sub-groups of public works employees in the survey, one comprising workers who had completed their employment, and the other workers still in employment at the time of the interview, enabled additional analyses to be made.

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<sup>3</sup> Little detailed baseline socio-economic data have been gathered on participants in PWP in South Africa, and so information regarding the characteristics of programme beneficiaries is scarce.

<sup>4</sup> March 2003 LFS data were selected since this was the closest data set in temporal terms to the period of the survey, which was available at the time of the analysis.

The impact of participation in the public PWP is then examined in terms of multiple dimensions of poverty, focusing on (i) income, (ii) consumption, (iii) ownership of material and financial assets, (iv) human capital in terms of nutrition and access to education, (v) the psychosocial benefits, and (vi) participants' own assessments of the medium-term impact of programme participation.

The income poverty impact is examined by assessing the values of both the public works wage transfer and income forgone, and calculating from this the net wage benefit accruing to households from participation. The total household income is then calculated and considered in relation to the poverty line. The discussion of consumption explores the primary uses of the public works wage, in relation to material and financial asset ownership, and the human capital discussion examines changes in investment in nutrition and education as a consequence of participation in the programme. Finally, psychosocial dimensions of programme participation are briefly reviewed, highlighting the role of PWP income in facilitating the observance of social norms and customs.

Next the impact of programme participation on labour market performance is explored, in terms of whether labour market 'exposure' and training led to improved employment performance, as anticipated in the policy discourse, and whether public works employment stimulated informal microenterprise and local economic activity.

In conclusion, an appraisal is made of the role of public works in addressing the critical issues of poverty and unemployment, and the key policy implications arising from the analysis are outlined.



## Chapter 2: Economic and Employment Context

### 2.1 Poverty and unemployment

Poverty and unemployment are the two key economic challenges in contemporary South Africa. Unemployment has been rising for three decades, and reached a plateau in 2003 at extremely high levels, standing at 31% (5.3 million) in March 2003, by the narrow definition, and 42% (8.4 million) by the broad, which includes those who report themselves available for work but are not actively seeking it.<sup>5</sup> Unemployment is concentrated in the African population, for whom the narrow unemployment rate is 37%, and the broad 49%, a labour market situation described by Kingdon and Knight in 2000 as 'catastrophic' (2000: 13).<sup>6</sup> The South African economy is undergoing a major structural transformation arising from shifts in labour intensity and declining primary sector activity, which has had a major impact on both total employment levels and the composition of labour demand, leading to slow employment growth overall during the 1990s and early 2000s (McCord and Borat, 2003) and a significant decline in the demand for unskilled labour (Bhorat and Hodge, 1999). Economic growth rates are insufficient to absorb the growing pool of unemployed labour, and even in the most positive growth scenario<sup>7</sup> it has been estimated that broad unemployment among the semi-skilled and unskilled would not fall significantly below 30% in the medium term (Lewis, 2001: 55). Unemployment is structural and will not be significantly reduced in the coming decades without major state intervention.<sup>8</sup>

Of a total population of 45 million, up to 50% live in poverty, although estimates of the number of people living below the poverty line vary significantly, ranging from 10 to 21 million, depending on the specification of the poverty line selected. There is no nationally agreed poverty datum line, and consequently the extent of poverty in South Africa, and shifts in poverty over time, remain contentious, and are highly sensitive to assumptions regarding under-reported income, estimation of the child cost ratio and household economies of scale, and the poverty line selected (for a full exploration of this debate and its implications, see Meth, 2004a). However defined, it is clear that poverty is a severe problem in South Africa, with approximately 13 million people living in households with income levels less than half the Stats SA 1995 poverty line of R800 per month per household<sup>9</sup> (Samson, 2002: 72), and up to 17 million living below the R214<sup>10</sup> a month individual income required to meet the \$1 a day poverty line (*ibid.*, calculated on the basis of Deaton, 1997).

While several different poverty lines are in use in South Africa, this report makes use of a version of the Household Subsistence Line (HSL) for analytical purposes.<sup>11</sup> The HSL selected is a measure of the theoretical monthly cost of basic needs derived from a basket of goods and services, comprising food, housing, fuel, light and transport. The figure for 2003 has been derived from the

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<sup>5</sup> The official or narrow rate of unemployment is calculated by Statistics South Africa (Stats SA) on the basis of those unemployed who a) did not work during the seven days prior to the interview, b) want to work and are available to start work within a week of the interview, and c) have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview, while the broad or expanded unemployment rate excludes criterion c). (Stats SA, 2002).

<sup>6</sup> However, recent research in South Africa indicates that self-employment, subsistence agriculture and casual employment may not always be considered as 'work' (see for example Adato et al., 2004). This may lead to a bias in survey-based estimates of unemployment.

<sup>7</sup> The positive growth scenario used by Lewis in this calculation was ten years with projected GDP growth of between 4% and 5% per annum.

<sup>8</sup> Abedian argues further that the more rapid the rate of economic growth, the more rapidly structural transformation of the economy will take place and demand for unskilled labour fall (Abedian, 2004).

<sup>9</sup> At 2002 prices.

<sup>10</sup> Also at 2002 prices.

<sup>11</sup> While recognising that the choice of a poverty line offers an inherently subjective definition of poverty, nevertheless the selection of a consumption-based HSL offers a useful insight into the material poverty of programme participants.

HSL for low-income households calculated by Potgieter (2003), and adjusted in line with revisions to this methodology by Meth (2004a), to arrive at a low-income HSL of R486 per adult equivalent.<sup>12</sup>

Poverty levels are closely correlated with unemployment, with the poorest experiencing unemployment rates of more than 70% (Samson *et al.*, 2003) and the majority of households in the bottom four income deciles having no members in employment, leading to the conclusion that most poor households are poor because of the absence of wage income (Nattrass and Seekings, 2001). These findings are supported by survey work which indicates that job creation is the priority demand households are making on the state, in terms of improving welfare levels (Klasen, 1997; Clark, 2000). Given the strong correlation between wage income and poverty in South Africa, responding to unemployment is clearly a key policy challenge.

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<sup>12</sup> This figure is derived for urban households, but, given the lack of a rural HSL for South Africa, it will be used as an approximate indicator of rural household poverty.

## Chapter 3: Public Works and the Social Protection Context

### 3.1 Social protection

The provision of adequate social protection creates a challenge for the South African state, given the scale of poverty and unemployment in the country, particularly in the context of the highly unequal distribution of income,<sup>13</sup> which 'has been entrenched... by the perverse working of South Africa's labour markets' (Meth, 2003: 123).

Current social protection in the form of social grants (cash transfers) is focused on children and pensioners through the provision of the child support grant of R160 a month for children up to 9 years of age<sup>14</sup> and the old age pension, a means-tested grant of up to R700 a month, for those of pensionable age.<sup>15</sup> There are, in addition, a limited number of social insurance benefits for those in formal sector employment,<sup>16</sup> and other transfers such as disability and foster care grants and the provision of emergency food rations. A number of other measures are also in place, collectively known as 'the social wage', which include free medical care, and electricity, water and housing subsidies, although the value of these benefits to the poor is currently a matter of debate and they are not sufficient to significantly address the problem of income poverty (Meth, 2004a). Hence there is a major gap in the social protection system as currently conceptualised, in terms of support for the able-bodied population of working age who are unemployed. This is indicative of a serious social protection problem, given the high unemployment rate and the dependence of households on formal sector income. The consequence of this policy lacuna is that there is no effective state support for poor households without pensioners or children.<sup>17</sup> The scale of the problem is illustrated by the existence of 1.2 million 'workerless' households, in which total household expenditure is less than R400<sup>18</sup> a month, with no access to either wage income, pensions or any form of remittances, which contain 3.9 million people, of whom 800,000 are unemployed (*ibid.*).

The significance of this gap was highlighted by the Committee appointed by the Ministry of Social Development in 2002 to examine the existing social protection provision and devise proposals for a comprehensive social security system (Department of Social Welfare, 2002). The Committee recommended revisions to the existing provision, including a universal income grant which would explicitly address the poverty of the able-bodied unemployed of working age. However, the matter was not resolved and the only social protection policy development which ensued to address the needs of this group was an extension of the small-scale national public works programme, the Community-Based Public Works Programme or CBPWP (for a critique of this programme see McCord, 2003), in the form of the Expanded Public Works Programme, which was introduced in early 2004. It is in this context that the potential of public works programmes to address poverty and unemployment is considered in this report.

### 3.2 State responses to unemployment

The dominant South African policy response to unemployment is the promotion of economic growth. This approach seeks to address mass unemployment and poverty reduction indirectly,

<sup>13</sup> The Gini coefficient was estimated to be 0.68 in 1999, rendering South Africa second only to Brazil in terms of the extent of its income inequality (Whiteford and van Seventer, 2000).

<sup>14</sup> The child support grant is being rolled out incrementally, starting with children under the age of 7 when it was introduced in 1999, and being extended ultimately to children under the age of 15.

<sup>15</sup> Pensionable age is 60 and over for women, and 65 and over for men.

<sup>16</sup> The unemployment insurance fund, for example, based on formal sector employment, is only accessible to 5% of the population (Department of Social Welfare, 2002)

<sup>17</sup> This situation has been neatly captured by Samson, who argues that 'South Africa's social safety net has a very loose weave' (2002: 73).

<sup>18</sup> £32 (£1 = R12.4 at the time of writing).

mediated through increased GDP in the medium to long term, in a contemporary version of the contested 'trickle-down' approach. While this strategy has the potential to promote economic growth and skilled employment, it does not address the massive structural deficit in demand for unskilled labour, with actual growth rates falling far below the estimated 6% required for unskilled unemployment to decline even modestly to 30% within the next decade (Lewis, 2001).<sup>19</sup> Moreover, the co-existence of positive rates of economic growth and rising unemployment in recent years (see, for example, Meth, 2004a) also challenges the assumed axiomatic relationship between growth and employment in the South African context. In the light of this, direct policy interventions are urgently required to address the joint challenges of poverty and unemployment.<sup>20</sup>

The magnitude of this challenge has been recognised by the government, which has argued that there are no 'magic solutions or quick fixes':

It is clear that the fight against unemployment is our central challenge. The need for sustainable jobs is glaring, but we should have no illusions. There are no magic solutions or quick fixes. Unemployment in South Africa is a deep, structural problem, reflecting the large inequalities we inherited in ownership and skills. New jobs will not be generated overnight, at least not in the numbers we need. Fighting unemployment will be a long haul (ANC, 2002b: section 125).

The government has also explicitly argued that PWPs have only a limited role to play in the context of entrenched and structural unemployment:

Comprehensive public works programmes as part of a community development programme are useful short-term strategies but are not by themselves a long-term solution<sup>21</sup> (ANC, 2002a: section 126).

However, at the same time there is a heavy reliance on PWPs as a key component of a comprehensive employment strategy (ANC, 2002b: section 67). In July 2002 the Cabinet Lekgotla agreed that a 'massively expanded' PWP would form a key component of a comprehensive employment strategy, together with a range of complementary supply-side interventions, primarily focusing on training through the expansion of the SETA-based training programme.<sup>22</sup> Since that time PWPs have almost come to dominate the current social protection and labour market discourse, representing the policy instrument of choice to address both poverty and unemployment.

In this way public works has become the preferred policy response to unemployment,<sup>23</sup> and a major policy initiative, the 'Expanded Public Works Programme' or EPWP, was initiated in April 2004, and ascribed a range of objectives centring on poverty reduction, employment, infrastructure provision and growth (Department of Public Works, 2003). President Mbeki has described the EPWP as 'a nation-wide programme which will draw significant numbers of the unemployed into productive employment, so that workers gain skills while they are gainfully employed, and increase their capacity to earn an income once they leave the programme'.<sup>24</sup> However, it is questionable how realistic these policy aspirations are, given the chronic and

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<sup>19</sup> GDP was 3.4% in 2000/1 (South African Reserve Bank, *Quarterly Bulletin*, June 2002) and below 2% in 2001/2 and 2002/3 (South African Reserve Bank, *Quarterly Bulletin*, June 2004).

<sup>20</sup> The need to reconsider the role of the state, given the 'limitations of the market' in terms of employment provision, was recognised in the Employment and Growth Strategy Framework Paper, prepared by the Department of Trade and Industry in 2001.

<sup>21</sup> This understanding of the role of short-term PWPs is consistent with the characterisation of PWP interventions offered by the World Bank, which recognises the value of PWPs in situations of transient rather than chronic labour market crises, arguing that 'public works have been an important counter-cyclical intervention in developed and developing countries' (World Bank, 2004).

<sup>22</sup> The SETA is the joint industry, union and government training initiative.

<sup>23</sup> See, for example, the final report of the Growth and Development Summit (June 2003), and Finance Minister Trevor Manuel's Budget Speech, 18th February 2004.

<sup>24</sup> President Thabo Mbeki, Address to the National Council of Provinces, 11 November 2003.

structural character of unemployment in South Africa, a concern clearly articulated by the government elsewhere (see ANC, 2002a). Hence there is a critical tension in the policy discourse in relation to PWP; on the one hand, there is a recognition of their limitations, while, on the other, public works are being ascribed extremely ambitious objectives and taking centre stage in the policy debate.

In addition to these differing perceptions regarding the efficacy of short-term public works, there is also a tension regarding the nature of the labour market challenge South Africa is facing. While within government itself there is a recognition that the unemployment problem is chronic and structural, and not easily tractable by interventions such as short-term PWPs (*ibid*), within the Department of Public Works unemployment is characterised as an interim or transitory phase through which the South African economy is passing (an analysis also presented in CDE, 2003), and the nature of the policy response, the EPWP, has been shaped in accordance with this analysis. The labour market analysis underlying the development of the EPWP characterises unemployment as a transitional, rather than chronic, phenomenon. This is clearly set out in the Department of Public Works rationale for the EPWP, which assumes that economic growth will generate demand for the labour exiting from the EPWP:

The EPWP is one of an array of government strategies aimed at addressing unemployment. The fundamental strategies are to increase economic growth so that the number of net new jobs being created starts to exceed the number of new entrants into the labour market, and to improve the education system such that the workforce is able to take up the largely skilled work opportunities which economic growth will generate. In the meantime, there is a need to put in place short- to medium-term strategies. The EPWP forms one of government's short- to medium-term strategies (Department of Public Works, 2003).

Hence there is a fundamental mismatch between the government's analysis of the labour market and the poverty problem in South Africa, and the nature of the policy response. The EPWP offers short-term employment and training, on the premise that supply-side interventions are an appropriate and effective response to transitional unemployment – a policy approach that is consistent with the use of PWPs in contexts of temporary economic dislocation (World Bank, 2004). But the structural economic and labour market problems which characterise the South African economy are not transitional problems, and in the South African context supply-side interventions such as upgrading human capital have only limited potential to address the unemployment problem (see, for example, Kingdon and Knight 2000; Lewis, 2001;<sup>25</sup> and McCord, 2003).

Notwithstanding the apparent conceptual mismatch between the nature of the problem and the policy response, a serious empirical problem remains; there is little or no evidence base for assessing the efficacy of PWPs in addressing the central objectives of poverty or employment in South Africa. While various studies have examined the cost of effecting transfers through PWPs in South Africa (Adato *et al.*, 1999; McCord, 2002), no evaluation of the microeconomic outcomes, in terms of their poverty and employment impacts, has taken place. It is for this reason that the current study has been carried out, in order to contribute to the development of an evidence base to assess the efficacy of public works as a social protection instrument in South Africa.

### 3.3 Public works design options and constraints

The range of policy instruments which could be developed under the general public works concept of state employment is diverse. Internationally, policy responses range from large-scale

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<sup>25</sup> Lewis (2001) argues that while supply-side factors such as skills development and labour market inflexibility do impact on unemployment in South Africa, they are subordinate to demand factors relating to structural chance.

direct employment-creation schemes, on the one hand,<sup>26</sup> to more limited interventions focusing on supply-side issues and the development of a more skilled and experienced labour force through public employment, to match the changing characteristics of labour market demand.<sup>27</sup> Public works programmes may broadly be divided into three categories; large-scale medium- to long-term public sector employment and employment guarantee schemes (both demand-side interventions), and temporary public works employment at times of acute labour market disturbance, arising from natural or man-made disasters or short-term fluctuations in demand for labour resulting from shifts in the business cycle.

An example of large-scale public sector employment would be the PWP which was developed in response to the problem of 'poor white' unemployment arising from the depression and structural change in the South African economy in the 1920s (Abedian and Standish, 1986). Employment guarantee schemes are operational in several states in India, for example the well-documented Maharashtra Employment Guarantee Scheme (MEGS), (see, for example, Dev, 1995), which characterises access to employment as a constitutional right, and therefore offers a guaranteed minimum number of workdays to every job seeker on the basis of the creation of community assets. PWPs offering temporary employment at times of acute labour demand shortages, resulting from temporary disturbances in the employment cycle due to disasters such as drought or typhoon damage, are commonly implemented in southern Asia, and Sweden implemented a system of employment provision in response to labour demand fluctuations arising from the business cycle (Ginsburg, 1983).

The design of a public works instrument is thus contingent on (i) the nature of the unemployment problem, (ii) the desired outcomes of the programme, and (iii) the political ideology in which the programme is embedded, which affects the analysis central to (i) above. The main design considerations are schematised in Table 3.1, where the second and third columns represent the outer bounds of a range of options for each design consideration (for a more detailed discussion see McCord, 2002).

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<sup>26</sup> This approach is typified by the US response to the Great Depression in the 1930s, when massive state expenditure and public works programmes were undertaken to absorb up to 30% of the unemployed, in an attempt to stimulate consumer demand and prevent deepening of the economic recession.

<sup>27</sup> The UK and US responses to rising unemployment during the recession of the 1980s, and the current 'WorkFare' programme in the UK, characterise this type of supply-side response.

Table 3.1 Public works conceptual framework

Issues informing programme design		
<b>Nature of employment deficit</b>	Acute (e.g. natural disaster, cyclical unemployment)	Chronic (e.g. structural shift in economy)
<b>Economic objective</b>	Microeconomic	Macroeconomic (growth)
<b>Poverty objective</b>	Poverty alleviation/relief	Poverty reduction
<b>Intermediary objective</b>	Financial transfer	Skills transfer
<b>Timescale</b>	Short-term	Long-term
<b>Beneficiaries</b>	Targeted	Universal
<b>Programme concept</b>	Multiple job creation projects	Increase labour intensity of government expenditure
<b>Implementing agency</b>	State	Private sector

Conceptualisation of the nature of the unemployment problem is central to programme design, as it determines the programme's fundamental objective, for example whether the goal of a PWP is to train workers for employment in a labour market which they are unable to access owing to a mismatch between worker skills and labour demand in a rapidly changing economy, or to offer temporary social protection pending an economic upswing and drop in unemployment, or to compensate for a chronic and structural unemployment situation, offering social protection on a self-targeted basis (not through a payment entitlement for the unemployed, but in return for some form of work). Is the transfer to the unemployed through the PWP intended to stimulate economic growth (as in the United States in the 1930s), or is it to have a household-level social protection function? If a social protection outcome is the objective, is the intention to alleviate poverty, or to reduce it, and in the latter case, is the objective to do this directly, through the wage transfer, or by training workers for improved labour market performance? These considerations determine the secondary design issues such as programme scale and duration, and the selection of beneficiaries. Finally, the programme concept (for example, offering employment through multiple small-scale autonomous projects, shifting the factor intensity of government expenditure on infrastructure provision, or developing labour-intensive infrastructure maintenance programmes), and the selection of the implementing agency will also be conditional on the preceding design choices and objectives, together with the institutional capacity for implementation and delivery.

### 3.4 The South African Public Works Programme

#### *3.4.1 The ideological underpinnings of public works in South Africa*

Since unemployment is a structural and chronic problem in South African, long-term employment programmes would be the most appropriate response, offering sustained employment, since public works participants are unlikely to graduate into employment in the open labour market, given the limited demand for unskilled and low-skilled labour. With the high rates of poverty and the fact that the national unemployment rate exceeds 30% (reaching 70% among the poorest), a large-scale PWP would be needed to make a significant impact on poverty and unemployment. The existence of over 1.2 million unemployed people in workerless households living on less than R400 a month (Meth, 2004a) suggests that demand for employment in South Africa is considerable, and would be likely to exceed the scale of public works employment currently envisaged by the state (the EPWP anticipates providing employment for a maximum of 200,000 workers per annum). In this context a targeted programme would be required in order to ration

access to the employment available, with criteria developed according to the programme's objectives and intended impact.

However, the terms governing PWP employment are the outcome of prolonged tripartite negotiations between the union movement, the state and the private sector. The resulting conditionality has served effectively to prohibit both large-scale public works employment on a sustained basis and massive public sector employment, making short-term employment programmes, conventionally used only for addressing episodes of heightened unemployment arising from temporary labour market disturbances, the only 'acceptable' response. Large-scale public sector employment is excluded from the lexicon of possible PWP responses, since it would run counter to the ideology driving the major programme of public sector restructuring and retrenchment which took place during the second half of the 1990s. Given the ideological unacceptability of mass public sector employment on conventional terms and conditions, the union movement was anxious to prevent the emergence of a large body of 'second-class' public works employees for whom labour protection was waived, with reduced benefits and wages. The emergence of such a group of workers would contribute to the development of a two-tier labour market, potentially undermining labour protection more generally in South Africa. Given the government's unwillingness to accommodate the unemployed through state employment programmes on regular terms and conditions, organised labour's perspective served to reduce the policy space for discussion of a large and sustained PWP. The resulting conditions governing public works employment were set out in a Code of Good Conduct for PWPs (Department of Labour, 2002a and 2002b) which outlined a derogation from the minimum wage for PWP employees on the condition that (i) the employment offered under government schemes was of short-term duration, and (ii) workers were given training<sup>28</sup> in recompense for the reduced wage.

The consequence of this conditionality was that the implementation of an employment guarantee programme offering sustained employment, which would have addressed the social protection needs of the 'working-age poor', became inadmissible. Given the chronic nature of unemployment and the need for sustained work opportunities among the poor, this prohibition seriously undermined the potential of a public works approach to offer a significant response to poverty. This situation is indicative of the inherent tension between protecting the rights of those who already have access to work, and the development and implementation of a PWP which could function as an effective social protection instrument for those without access to employment, in the context of a government which is opposed to large-scale formal state sector employment.

Within these constraints, the remaining option was the creation of temporary employment programmes, similar to those which elsewhere have been a response to temporary labour market disruption or cyclical unemployment. The employment to be offered under such a programme was exempt from normal conditions of employment, and was implemented in the expectation that the private sector would subsequently absorb the experienced and trained PWP output in line with the logic of Say's law, that supply creates its own demand. If unemployment were a transient phenomenon, as characterised by the Department of Public Works above,<sup>29</sup> this approach would be appropriate, but given the mismatch between the nature of the problem in South Africa and the design of the policy instrument, the intervention is likely to be of limited impact.

### ***3.4.2 The objectives of a public works intervention in South Africa***

In this context, the critical issue is to establish the desired impact of public PWPs in South Africa. Multiple impacts have been ascribed to PWPs in the South African policy discourse over the past decade, often with conflicting implications for programme design (see McCord, 2003). The discourse remains unclear, somewhat amorphous and often contradictory. Compare, for example,

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<sup>28</sup> 2 days of training for every 20 days worked

<sup>29</sup> See also CDE (2003) for an analysis of unemployment in South Africa as a transient concern, and Mangum et al. (1992) for a global characterisation of mass unemployment as a transitional problem, and PWPs role in this context.



Abedian's characterisation of public works as the key social protection response to the challenge of the working-age poor who are 'unemployable' due to social or geographical isolation and low skills (Abedian, 2004)<sup>30</sup>, with the EPWP's characterisation of public works as a work experience and training programme to improve labour market access and performance, at the end of which workers will 'graduate' to employment under 'normal conditions' (Department of Public Works, 2004).<sup>31</sup> The likelihood of the EPWP achieving either of these outcomes in significant measure is unlikely, given the short-term, and extremely limited, scale of the employment expected from the programme. However, four broad areas of interlinked policy objectives are apparent in the PWP policy discourse: infrastructure provision, growth, poverty reduction and employment, which match the key micro- and macroeconomic challenges currently faced by the state, implying that PWPs may have the potential to act as both micro and macroeconomic silver bullets, simultaneously targeting the gamut of current policy challenges. In this way 'public works' are in danger of being conceptualised as a panacea, responding to the complex and heterogeneous set of labour market and social protection problems of the working-age poor. As a consequence, the policy space for alternative and complementary initiatives is reduced accordingly.

This paper focuses on an exploration of the performance of PWPs in relation to the two key microeconomic objectives ascribed to them in the policy discourse: poverty reduction and employment promotion. The potential of PWPs to deliver quality infrastructure and the implications of infrastructure delivery for growth are not considered in the paper, partly because these are contingent on external factors such as the effective selection of infrastructure and the quality of programme implementation, and partly due to the fact that when the programme is based on a shift in the factor intensity of a given funding allocation, as in the initial phase of the EPWP, it can be assumed that there will be no additional economic benefits from the production of the asset, which would have been produced with or without the implementation of the programme, and the benefit will reside exclusively in the transfer-related effects. Hence the direct and indirect contribution of PWPs to growth through employment and the benefits accruing through infrastructure provision will not be examined. For a discussion of the macroeconomic impact of PWPs see van Seventer and McCord (2004).<sup>32</sup>

Even if discussion is limited to the microeconomic impacts of PWPs some confusion of objectives remains in the discourse, with the goals of both poverty reduction and improved labour market performance frequently being ascribed to the same programmes, despite the fact that a response designed to address poverty should be quite different from one which is appropriate for promoting labour market performance, and should target different segments of the unemployed. The importance of distinguishing programmes designed to address poverty, and those to address labour market problems, is highlighted in McCord (2003) and explicitly recognised by the ANC:

We must be careful to separate out issues about poverty eradication and issues about the creation of sustainable jobs when considering the employment question. While these two objectives are linked they require different approaches (ANC 2002a, section 126).

Notwithstanding this warning, it is implicit within the current policy discourse that PWPs have the potential both to promote the labour market performance of participants by offering work experience and training (on the implicit assumption that supply will create its own demand), and

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<sup>30</sup> Bhorat describes as 'unemployable' the group comprising older unemployed individuals with very little formal education residing in deep rural areas, who are 'never going to find sustainable, long-term employment in their lifetimes' by virtue of their lack of skills and the remoteness of their rural location in relation to labour demand (2001: 40).

<sup>31</sup> The goals of the EPWP are 'using labour-intensive construction methods to provide employment opportunities to local unemployed people, providing training or skills development to those locally employed workers and building cost-effective and quality assets' (Department of Public Works, 2004).

<sup>32</sup> Van Seventer and McCord (2004) suggest that the impact of the labour intensification of R3 billion (£240 million) of infrastructure expenditure per annum as envisaged in the EPWP is likely to have only marginal impacts on growth and employment, raising GDP by 0.1%, and employment, on a temporary basis, by 1%.

simultaneously to contribute to poverty reduction.<sup>33</sup> The potential of PWP's to deliver on these two objectives will be explored through an analysis of the performance of the two case studies discussed below.

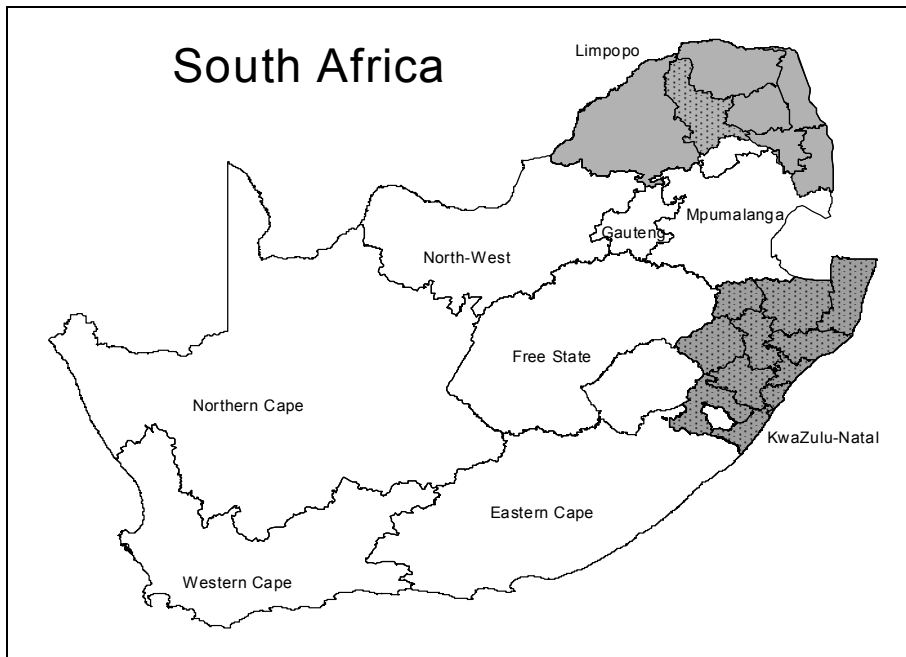
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<sup>33</sup> The objectives of the EPWP, for example, include poverty reduction and employment promotion, as well as infrastructure provision and growth (Department of Public Works, 2003).

## Chapter 4: Outline of the Two Case-Study Programmes

The two public works programmes to be examined are the Gundo Lashu programme in Limpopo, and the Zibambele programme in KwaZulu Natal.<sup>34</sup> The programmes were selected because of their high profiles, differing design and implementation modalities, and the use of components of the programmes in the EPWP, with the Limpopo programme being used as a model for the labour-intensive construction component of the national EPWP. The operational areas of the two programmes are illustrated in Fig. 4.1. The Gundo Lashu programme was implemented in Capricorn District, (shaded) while the Zibambele programme was implemented throughout the province.

Fig. 4.1 Location of case studies



### 4.1 The characteristics of Limpopo and KwaZulu Natal

Limpopo has a population of 5.4 million (12% of the total population of South Africa), and KwaZulu Natal has a population of 9.8 million (21% of the total) (Stats SA, 2004). Limpopo and KwaZulu Natal are two of the poorest provinces of South Africa, with the highest unemployment rates in the country, at 38% and 36% respectively by the narrow definition, compared with a national figure of 31% (Stats SA, 2003b). In both provinces employment is dominated by elementary occupations, which account for 33% of workers in Limpopo, and 25% in KwaZulu Natal. Both provinces have traditionally been highly dependent on agricultural employment and remittances from migrant labour, and the structural shifts in the national economy in recent decades have had a major negative impact on both poverty and formal sector employment. The historical nature of disadvantage in the two provinces is illustrated by the fact that, among those aged 20 and over, 33% of the Limpopo population have no schooling and 22% in KwaZulu Natal, compared with the national average of 18% (Stats SA, 2003c).

<sup>34</sup> 'Gundo Lashu' means 'Our victory' in Venda, and 'Zibambele' means 'Doing it for ourselves' in Zulu.

## 4.2 Programme objectives and modalities

The goal of the Gundo Lashu programme is the ‘improvement of livelihoods in rural communities in the Northern Province’, and the purpose ‘employment creation within the rural communities... skill transfer from private contractors to community members... [and] enhancement of livelihoods for those community members providing labour to the programme’ (Roads Agency Limpopo, 2003), which may be characterised as sustainable poverty reduction and improved labour market performance. The programme is implemented by the Roads Agency Limpopo,<sup>35</sup> with support from DFID and the ILO, and is focused on both employment creation and the training of contractors and consultants in labour-intensive road rehabilitation. It was initiated in 2000, and had employed a total of 1,700 labourers at the time of the survey.

The programme was implemented through private contractors who directly recruited PWP labour with support from social facilitation agencies which managed the contractors’ relations with the communities supplying the labour. The period of employment ranged between less than one month and four months, and labour was recruited on the basis of the Special Public Works Programme targeting objectives and conditions of employment. The SPWP Code of Conduct, gazetted in 2001, sets out participation targets (60% women, 20% youth and 2% disabled), prohibits employment exceeding 24 months in duration, and also allows for a derogation from the minimum wage in favour of a locally negotiated wage, in return for training inputs for workers of 2 days for every 20 worked. In the Gundo Lashu programme a task rate of R30 was negotiated, which in most cases translated into a daily wage of R30.<sup>36</sup> Wage payments were made directly to labourers by the contractors in cash, and training inputs were delivered by the Department of Labour.<sup>37</sup> Where PWP employment was oversubscribed, rationing was carried out using a lottery, with ownership of an identity card being the condition for consideration. Demand for labour exceeded the locally available supply during the construction of highly labour-absorbing components of the road, and at these times all available labour was employed, compromising any attempt at targeting, in the interests of the exigency of the construction process.

The Zibambele programme in KwaZulu Natal was also initiated in 2000, with the objective of ‘the creation of sustainable job opportunities for poor rural families through the maintenance of rural roads’ (KwaZulu Natal Department of Transport, 2002), which may be characterised as sustainable poverty reduction. It was implemented directly by the Provincial Department of Transport, and provided permanent employment through labour-intensive road maintenance (rather than construction, as in the Gundo Lashu programme) for 14,000 workers on a part-time basis (8 days per month). The programme targeted the poorest members of communities, particularly female household heads, who were selected by community representatives using community institutions developed over several years by the Department of Transport.<sup>38</sup> PWP employment is usually oversubscribed and selection is made on the basis of community identification of the poorest with no alternative forms of income or support. Workers were contracted directly by the Department of Transport, and paid at the minimum construction industry wage (R5.57 per hour) for the 60 hours a month they worked on the basis of twelve-month annually renewable contracts. Wage payment was made monthly through electronic transfers to the workers’ bank accounts in the nearest town,<sup>39</sup> and training was delivered on an ongoing basis by the Department of Transport and its social development consultants. The Zibambele contract was given to a household rather than to an individual, so that if the primary worker were sick or passed away, employment in the PWP would shift to another household member.

<sup>35</sup> The Roads Agency Limpopo is a parastatal with responsibility for the management of all provincial-level roads.

<sup>36</sup> It was possible to earn more than R30 if more than one task was completed in a day.

<sup>37</sup> It should be noted that the training package offered to the Gundo Lashu workers was recognised as not being optimal, and has subsequently been revised.

<sup>38</sup> These institutions are called Rural Road Transport Fora (RRTF), and are tasked with a range of transport-related tasks in addition to the selection of workers, including the selection of priority roads for maintenance, etc.

<sup>39</sup> Many workers without identity cards were helped to procure them by programme staff in order to open bank accounts.

## Chapter 5: Methodology

The research is based on a survey administered to public PWP participants in two case-study programmes in Limpopo and KwaZulu Natal, in order to review the targeting of public works employment and the anti-poverty impact of participation in the programmes. The survey questionnaire was developed in a format compatible with the *Labour Force Survey* (LFS)<sup>40</sup> in order to facilitate the use of LFS data for rural Limpopo and KwaZulu Natal as a control. The survey was field-tested and revised after focus group work with the respondents.

The lack of baseline data on PWP participants in the two programmes posed a serious methodological constraint. A 'difference-in-difference' (DD) methodology would have been the most appropriate way to evaluate the impact of the programmes, using as a control households with similar pre-programme characteristics to those of the households 'treated' by becoming PWP participants. However, this approach was not feasible due to the fact that the characteristics of PWP participants were not known *a priori*, rendering the inclusion of a non-treatment control group in the survey impossible; the identification of the characteristics of participants itself formed one of the critical questions which the study set out to examine. In the absence of a control group, the survey was conducted only on households with members who participated in the PWPs, the 'treated' group, and relied on a combination of recall questions in the survey and the use of non-urban provincial data from the *Labour Force Survey* as a comparator, in order to compensate for this limitation.

In all cases the PWP workers themselves were the sampling unit, and information was also collected on all members of their households. In the Limpopo survey all workers were interviewed in their homes, but in the KwaZulu Natal survey this was not always possible because of implementational constraints. When the interview took place at home, all household members present were invited to participate, and in all cases respondents were asked to provide information about absent household members.

The Gundo Lashu PWP worker population numbered 1,700, and the survey sample was based on a one-stage random selection from lists of programme participants. This approach was viable because of the concentration of all the workers in two small and easily accessible clusters within Capricorn District. The survey was carried out in May-June 2003 in collaboration with the Roads Agency Limpopo, by two social development consultancies. Of the 348 workers/households in the sample, only 268 were interviewed (77%), because of problems with unknown workers,<sup>41</sup> and of these 263 surveys were of sufficient quality to be used in the subsequent analysis.<sup>42</sup>

The Zibambele PWP worker population numbered 13,865, distributed throughout the province. Due to the large number of workers and their dispersion, a two-stage sampling methodology was used, with an initial random selection of 15 of the 31 Rural Road Network Transport Fora<sup>43</sup> in the province, and a subsequent randomised cluster selection of roads. A selected number of workers and their households from each of the selected roads were interviewed, with a final sample size of 413 workers/households.<sup>44</sup>

After a preliminary analysis was performed, focus group discussions were held with workers in order to verify and explore the initial findings. The insights arising from the focus groups were

<sup>40</sup> A national survey focused on employment, implemented twice yearly by Statistics South Africa.

<sup>41</sup> It is likely that the 23% failure rate is the consequence of a combination of 'ghost workers' (fictitious workers for whom wages were falsely claimed by contractors), and the employment of workers who were attracted from outside the area to work on the scheme, who then left the area once their employment was completed - a scenario which is likely since local labour supply was not always sufficient to meet the demand.

<sup>42</sup> This sample size resulted in a 95% confidence interval with a standard error of 5.4%.

<sup>43</sup> The administrative unit into which the KwaZulu Natal Department of Transport divides the province for the purposes of the PWP.

<sup>44</sup> This sample size resulted in a 95% confidence interval with a standard error of 4.8%.

valuable in interpreting and understanding the data, in particular issues which were not obviously consistent with economic rationality, such as the selection of lower-paid PWP employment in preference to higher-paid alternatives. Further analysis of the data was then carried out and the descriptive statistics required to answer the key research questions extracted. Data were not weighted in either case, as both samples are assumed to be representative of their population.

This report presents an initial analysis based on these descriptive statistics, outlining the most important issues emerging from the survey, which are of particular significance in the light of the selection of PWPs as a core instrument in the social protection system, and their expected role in reducing poverty and unemployment. The goal is to put the key findings into the public domain as a preliminary evidence base for policy-making, offering insights into the identity of the beneficiaries of PWPs and the impact of PWPs in the key areas of poverty and employment. Further analysis of the information is desirable, as it represents a rich source of data on labour markets and poverty, and their relationship with different forms of PWP employment.

## 5.1 The Survey Findings

The two surveys covered 676 households containing PWP workers, comprising a total of 4,792 household members. Of these, 263 households were from Limpopo and 413 from KwaZulu Natal. The 263 households from Limpopo included 340 PWP workers, as some Gundo Lashu households had multiple PWP employees. The Limpopo sample included 132 current PWP workers and 208 workers whose PWP employment had been completed at the time of the interview. Of the 263 Gundo Lashu households, 149 (57%) had no current PWP workers at the time of the interview, and 114 had current workers (43%). The 413 Zibambele households included 415 PWP workers, all of whom were currently employed. Only two households had more than one PWP employee.

The characteristics of the public works employees and their households are explored in order to identify their demographic, labour market and socio-economic status. To assess their relative socio-economic status (whether they are 'poor' on the basis of a number of income- and other capability-related indicators), the characteristics of the public works households and employees are compared where possible with data for rural populations of the two provinces, derived from the March 2003 *Labour Force Survey*,<sup>45</sup> which is used as a control. Where appropriate, the two groups are also compared with each other, in order to explore differences in the targeting and outcome of the two programmes. In one of the case studies the inclusion of two sub-groups of public works employees, comprising, on the one hand, those who had completed their employment, and on the other those still in employment at the time of the interview, provided a source of internal variation which enabled additional analysis to be made.

Key findings from the two surveys are presented in chapters 6 to 12, with the objective of illuminating discussion on both targeting and the microeconomic impacts of PWPs in line with the policy concerns outlined above. Chapter 6 presents an overview of the demographic characteristics of the participants and their households in order to inform discussion on targeting, while Chapters 7 to 12 onwards examine issues relating to impact. Chapter 7 explores household labour market issues, and Chapters 8 and 9 discuss household income from various sources, while Chapters 10 and 11 examine the impact of programme participation on income poverty and on a range of non-income poverty indicators, with Chapter 12 exploring the labour market impact of programme participation. Conclusions arising from this analysis are drawn in Chapters 13 and 14.

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<sup>45</sup> The March 2003 Labour Force Survey was the seventh round of a twice-yearly household survey implemented by Statistics South Africa. The survey examines the extent of employment in the formal and informal sectors, and the extent of unemployment, gathering data from 69,000 adults aged between 15 and 65 from 30,000 dwellings around the country.

## Chapter 6: Targeting and the Characteristics of PWP Participants

Public works programmes are a major plank of government social protection policy, but little is known about the characteristics of those who benefit from participation in the programmes, making an assessment of the efficacy of PWPs as social protection instruments problematic. The primary mechanism, and sometimes the only mechanism used to ensure the participation of the 'poor' in PWPs, is the wage. By setting this at or below the minimum wage, it is assumed that only the poor will self-select for employment in public works at this wage, on the basis of the principle of 'less eligibility', a concept which implies that 'relief [social assistance] should be limited to an amount and administered in a manner which left the recipient worse off than the employed' (Barr, 1998: 17).

Given the extremely high percentage of the population living in poverty without sufficient income to meet their basic needs, estimated to be of the order of 50% (see discussion in Chapter 2), it is likely that even if PWP employment were randomly allocated in non-rural areas, the majority taking it up would be poor. However, in the context of mass unemployment and extremely low informal sector earnings, it is not evident that the principle of 'less eligibility' will ensure that a subset of this group, the 'poorest', who comprise the intended beneficiaries if PWPs are to have a social protection function, will succeed in accessing PWP employment. In the case of South Africa, access to public works employment is strictly rationed, due to the large scale of the unemployment problem (5.3 million according to the official definition, and 8.4 million according to the broad (Stats SA, 2003b), and the minimal scale of public works employment. Full implementation of the planned Expanded Public Works Programme would absorb less than 1% of unemployed workdays per annum (see McCord, 2003 for a full discussion of the mismatch between the scale of the policy response and the labour market crisis). In this context it is not obvious that the outcome of a random rationing process will be employment for the 'poorest'. Since public works programming is the only significant policy response to the social protection needs of the unemployed poor of working age, it is particularly important to examine its efficacy in reaching the poorest within this group.

In addition to the wage mechanism, the two case-study programmes each use an additional targeting mechanism. The Gundo Lashu programme uses the official PWP participation targets articulated in the Basic Conditions of Employment Act 1997 which governs employment under the Special Public Works Programme, and as such informs both the Community-Based Public Works Programme and the more recent Expanded Public Works Programme. The Act sets out quotas for the employment of women (60%), youth aged between 18 and 25 years (20%), and those with disabilities (2%) (Department of Labour, 2002b). It is interesting to note that membership of a broad demographic grouping, rather than poverty, is the criterion for inclusion in the programme, despite the programme's explicitly poverty-oriented objectives.<sup>46</sup> In the Zibambele programme, in contrast, poverty is explicitly used as the targeting criterion, and within the group identified as the 'poor', membership of female-headed households is used as a secondary criterion to reach the subset of the most disadvantaged. Hence while both programmes address poverty in their policy objectives, the Zibambele programme uses criteria which are more likely to ensure that it is the poor who participate.

In order to assess the outcome of these two approaches, which use 'less eligibility' as the initial targeting mechanism, and complement this with subsidiary targeting criteria, the characteristics of the PWP workers and their households are reviewed and compared with the averages for their respective provinces. By identifying the characteristics of participants and putting them in their

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<sup>46</sup> Everatt suggests that the expectation of positive poverty outcomes from programmes with limited or inconsistent definitions of poverty, and hence a limited poverty focus, may not be uncommon in the South African policy context (Everatt, 2003: 86).

respective provincial contexts, the targeting performance of the PWP can be reviewed, and their function as social protection instruments assessed.

## 6.1 Key demographic data

The basic demographic characteristics of the workers from each group are set out in Table 6.1.

**Table 6.1 Age and sex of PWP workers**

	Mean Age	Age Range	Aged <25 %	Aged >40 %	Female %
<b>Gundo Lashu</b>	35	14-61	22	29	48
<b>Zimbabwe</b>	45	19-63	2	72	93

The Gundo Lashu workers were significantly younger than the Zimbabwe workers, with 22% of the sample being under 25, compared with only 2% among the Zimbabwe workers, and while women comprised only 48% of Gundo Lashu workers, they were 93% of the Zimbabwe sample. This is consistent with the differing age and gender distributions which would be expected, given the programmes' respective targeting objectives. The Gundo Lashu programme explicitly included 'youth' as a target group on the basis of the Special Public Works Programme criteria, while the Zimbabwe programme focused on reaching poor female-headed households, having identified this group as the most vulnerable within the province<sup>47</sup>. This is further illustrated by a comparison of the location of workers within the household structure, see Table 6.2. Gundo Lashu workers were less likely to be household heads or spouses of heads than the Zimbabwe sample, and more likely to be the children of household heads. This suggests that the two programmes are attracting different sections of households as workers, recruiting workers of differing ages and positions within the household hierarchy, and consequently, it may be imputed, with different labour market functions and responsibilities.

**Table 6.2 Location of workers within household structure (%)**

	Household head	Partner of household head	Children of household head
<b>Gundo Lashu</b>	22	20	45
<b>Zimbabwe</b>	68	24	4

The Gundo Lashu programme broadly targeted youth, in line with the SPWP targets, but not explicitly the poor, while the Zimbabwe programme focused on poor rural women who tend to be older, since they are household heads. These conform to the two groups which Klasen and Woolard argued were finding the greatest difficulty in gaining formal sector employment: the unemployed youth with no labour market experience, and the poorly educated rural unemployed (Klasen and Woolard, 1998). Inasmuch as both groups are facing difficulties in terms of gaining access to employment, the targeting of public works employment to these groups is appropriate in order to address unemployment issues. However, the social protection discourse suggests that transfers to women tend to deliver greater human and social capital benefits to households than those to men (see, for example, Appleton and Collier, 1995: 563; or for a fuller discussion Hoddinott and Haddad, 1995). This supposition is supported with reference to South Africa by

<sup>47</sup> If age and sex are considered together it is evident that male PWP workers in the Gundo Lashu programme were concentrated in their twenties (43% of the total), while female Gundo Lashu workers were older, being concentrated in their thirties (38%). Both male and female Zimbabwe workers were concentrated in their forties (31% and 38% respectively), with 68% of women being in their forties and fifties. This also reflects the Zimbabwe policy of recruiting female household heads as their priority employees, as de facto female household heads are likely to be older.



Duflo (1999), who found that the welfare impact of pensions received by women had a significantly greater impact on household welfare than those received by men. This was confirmed during focus group discussions conducted among PWP participants in Limpopo and KwaZulu Natal where female participants argued that public works wage transfers received by men (and youth) had a more limited impact on household welfare than those received by women.<sup>48</sup> This challenges the limited participation target for women in the Gundo Lashu programme, given the objective of poverty reduction. It also highlights the potential tension between the objectives of poverty reduction and enhancing labour market participation among the youth (for a full discussion of this tension, see McCord, 2003).

While the age and gender profile of Gundo Lashu workers is likely to reflect the SPWP objective of recruiting 'youth', as discussed above, it may also be affected by the availability of labour in the Gundo Lashu programme areas, since the impact of targeting criteria is contingent on the recruitment process utilising the criteria as the basis for the selection process. During the implementation of the Gundo Lashu programme labour demand sometimes exceeded supply in a given area, drawing in mobile labour from outside the immediate programme area during the construction of highly labour-intensive components of the road, and at this point workers were selected on the basis of availability, with exigency overriding the more complex criteria set out in the SPWP.<sup>49</sup> Conversely, at times when labour supply exceeded demand, ownership of an ID card was the primary criterion for eligibility, with selection subsequently proceeding on the basis of a lottery.<sup>50</sup> In this case, the degree of targeting on special groups or the 'poor' was contingent on the size and composition of the available labour supply in relation to demand, and also the commitment, interest, and time invested in the recruitment process by the contractors and their supporting agencies. This finding has implications for both the institutional processes through which targeting takes place, and also the phasing and scale of labour demand in relation to supply in a given area, if targets are to be achieved.

These differing demographic selection criteria are likely to impact on the outcome of the programme. Inclusion of 'youth' is more likely to promote participation by workers who may have the mobility to use their skills and experience for seeking further employment or training away from home. However, it is likely to have a less beneficial impact on poverty, particularly in the case of male youth, given the weaker relationship between transfers to males compared with females in terms of increased household welfare through spending on issues such as education and nutrition.

## 6.2 Education and literacy among PWP workers

In order to assess the socio-economic location of PWP workers within the provincial distribution, one indicator which can be examined is the educational attainments of these workers.<sup>51</sup> The highest level of education completed for each group is set out in Table 6.3.

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<sup>48</sup> The reduced welfare benefits accruing to households where youth and males were the PWP participants were quoted by female participants in the Gundo Lashu programme during focus group discussions in Sekhukhune, Limpopo, in April 2003. Participants in the Zibambele programme also highlighted, during focus group discussions in Eshowe and Mapumulo, the more limited household benefits accruing from wage transfers to men rather than women household members, in February 2004.

<sup>49</sup> At these times of insufficient local labour supply, additional labour was recruited from outside the project areas, pers. comm., Mbongeni Mondlane, ILO Social Development Adviser to the Gundo Lashu programme.

<sup>50</sup> This process was reported by focus group participants in both the Gundo Lashu districts.

<sup>51</sup> While education level and literacy are not necessarily concomitant with income poverty, they are used as indicators to contribute to the socio-economic profiling of those participating in the PWPs in the two case studies.

Table 6.3 PWP worker education levels, with modal education level shaded (%)<sup>52</sup>

	Gundo Lashu	Zimbabwe
No education	6.2	31.1
Grades 1-4	5.1	27.9
Grade 5-7	19.9	22.6
Grade 8-10	35.6	15.3
Grade 11-12/Diploma without matric	31.8	3.2
Higher than 12 NTC I/Diploma with matric	1.5	0
Total	337	412

The Gundo Lashu workers had completed significantly higher levels of education than the Zimbabwe sample, with a modal education level for Grade 8 to 10, compared with 'no education' for the Zimbabwe workers. Given the similarity of Limpopo and KwaZulu Natal education levels (with 33% of the Limpopo population in aggregate having no schooling and 22% in KwaZulu Natal (Stats SA, 2003c)) the difference between the Gundo Lashu and Zimbabwe workers suggests PWP participation from different sections of the population.

Since the demographics of the two groups are different, however, the findings must be disaggregated by age and gender in order to control for age and gender effects, see Table 6.4.<sup>53</sup>

Table 6.4 Modal PWP worker education levels by sex and age

Age	Gundo Lashu	Zimbabwe	Gundo Lashu	Zimbabwe
	Male	Male	Female	Female
	Grade	Grade	Grade	Grade
Under 20	8	-	-	-
20-29	12	-	12	8
30-39	11	7	12	0
40-49	8	0	8	0
50-59	1 and 2	0	0	0
60-69	-	-	0	0

- denotes insufficient data

In every age cohort for which there are sufficient data, the level of education of Zimbabwe workers is lower than that of Gundo Lashu workers, indicating that for workers of a similar age the educational attainment of the Zimbabwe workers is lower than that of the Gundo Lashu workers.

In order to contextualise the educational attainment of each of the samples, they may be compared with their respective provincial norms by age (see Annex 2 for further details). If Gundo Lashu workers' education levels are compared with the modal education levels in rural Limpopo derived from the March 2003 *LFS* by age category, the educational attainment levels of both male and female Gundo Lashu workers are in general at or above the modal rural education levels for the province. In contrast, the attainment of the Zimbabwe workers was below the modal rural

<sup>52</sup> All tables refer to own calculations from the Public Works Project Data Set, unless otherwise specified.

<sup>53</sup> PWP worker education levels are disaggregated by gender in Annex 1.

education levels for the province. This analysis suggests that the two groups of workers come from different socio-economic population segments in terms of the rural provincial distribution of educational attainment, with the Gundo Lashu population approximating, or exceeding, rural provincial averages, and the Zibambeke population falling below these averages.

An alternative, outcome-based, measure of educational attainment is literacy. 92% of the Gundo Lashu workers were literate, 94% of male and 90% of female workers, compared with rural Limpopo literacy rates of 69% and 66% respectively (Stats SA, 2003a), indicating that the PWP workers' literacy rate was above the provincial norm. Among Zibambeke workers the literacy rate was 64%, 52% for males and 65% for females, compared with rural KwaZulu Natal literacy rates of 73% and 71% respectively (*ibid.*), indicating that Zibambeke literacy is below the rural provincial norm. When disaggregated by age as well as gender, Zibambeke workers have significantly lower literacy rates than the Gundo Lashu workers in all age categories. Since the rural provincial literacy norms are similar (slightly higher in KwaZulu Natal), this supports the indication, given by educational attainment levels, that the two groups of workers come from different socio-economic population segments, with the Gundo Lashu population approximating rural provincial means, and the Zibambeke population falling below these means (see Annex 3).

### 6.3 Public Works household characteristics

Having reviewed the basic demographic and educational characteristics of the PWP workers themselves, it is informative to examine briefly the PWP households, in order to understand the characteristics of the households benefiting from participation in the programmes.

The mean household size in rural Limpopo is 6, ranging from 1 to 19, and 7 in KwaZulu Natal, ranging from 1 to 27.<sup>54</sup> The Gundo Lashu households are marginally larger than the provincial rural mean, while the Zibambeke households conform to the provincial mean. 40% of the Gundo Lashu households were female-headed, compared with a 51% prevalence in rural Limpopo, and 70% of the Zibambeke households, compared with a provincial prevalence of 53% (Stats SA, 2003a). This indicates that among the Gundo Lashu households the proportion of female-headed households is lower than the provincial norm, and fewer female-headed households are included in the programme than would be expected if recruitment were random. Among Zibambeke households the proportion of female-headed households is significantly higher than the provincial norm, suggesting that the policy of targeting female-headed households was successfully implemented.

There was little reported migration from either set of households. 28% of Gundo Lashu households had members who were migrants in work and 24% had members who were migrants seeking work. Among Zibambeke households only 7% of households had members who were migrants in work and 15% had members who were migrants seeking work. The percentage of Gundo Lashu and Zibambeke households having at least one migrant worker is considerably lower than the nationally estimated figure of 36% for rural and semi-urban African households (Posel and Casale, 2003: 460, derived from the 1999 October Household Survey). This suggests that the rate of migrancy from the survey households is below the national norm, particularly in the case of the Zibambeke households, and that only a limited number of households in either group had the potential benefit of additional household income from remittances.<sup>55</sup> Posel and Casale estimate that 85% of households with labour migrants are in receipt of remittances (*ibid.*: 476), which indicates that access to remittance income among the Zibambeke households is likely to be particularly limited.

<sup>54</sup> In the survey some respondents specified a period of time exceeding 12 months in response to the question, 'How many of the last twelve months have household members been absent?' The household size figure used in these calculations has been adjusted to remove those reported away for 12 months or more per annum.

<sup>55</sup> Alternatively, these figures could be interpreted in terms of the rate of migrancy falling since 1999, but this would be counter to the trend identified in Posel and Casale, 2003.

## **6.4 Targeting conclusions**

The two programmes had significantly different demographic and socio-economic characteristics, with the Zibambele workers being predominantly female, older, less well educated and more likely to be part of female-headed households, than the Limpopo PWP workers, who were younger, more gender balanced, and better educated. Given the similar profiles of the rural population in both provinces, the findings indicate that the two programmes were attracting significantly different segments of the population in terms of the demographic characteristics of the PWP workers.

The households of PWP workers from both programmes were similar in size, but there was a higher concentration of female-headed households in the Zibambele sample, and lower rates of labour migration, characteristics which suggest greater poverty within the Zibambele households, and confirm the findings from the worker level analysis, that the Zibambele households were drawn from a poorer section of the population.

## Chapter 7: Labour Markets and PWP Households

In order to assess the employment profile of PWP households and so draw conclusions regarding both the labour market impact and the targeting aspects of the programme, labour market participation, employment and unemployment are explored in this chapter, together with the key constraints to labour market participation. A data table containing the participation and employment rates for different components of the sample population, discussed below, is included in Annex 5.

### 7.1 Labour force participation

The broad labour market participation rate among all members of Gundo Lashu households was 63%, and 56% if current PWP workers were removed.<sup>56</sup> For Zibambeke households the participation rates were 62% and 49% respectively.<sup>57</sup> The 13% difference between participation rates when Zibambeke workers are excluded or included is interesting in the light of the growing rate of female participation rate in the labour market documented by Casale and Posel (2002). This was noted in focus group discussions in KwaZulu Natal, where workers stated that the Zibambeke programme had made possible the entry of women into the labour market, when opportunities would otherwise not be available. The impetus for these increased female participation rates is explained by Posel and Casale in the following terms, 'Changes in household composition and marital rates, together with increasing job and income insecurity and rising levels of male unemployment, [...] placed increased pressure on women to earn or generate an income' (Posel and Casale, 2003: 469-70).

The overall participation rates may be compared with the national (broad) rate of 68% (Stats SA, 2004). For both groups the participation rates are marginally lower than the national figure when PWP employment is included, and significantly lower if it is excluded, particularly in the case of the Zibambeke households. In both groups the participation rate rises with the inclusion of PWP workers, which could be explained either in terms of those comprising the PWP workers having higher rates of participation within the household, reflecting a pre-existing labour market difference between PWP and non-PWP household members, or it could be an artifact of the fact that the PWP is actively bringing non-participants into the labour force. Since no baseline data are available on PWP workers, it is not possible to identify the primary cause. However, given the low levels of prior labour market engagement by Gundo Lashu PWP workers, 34% of whom had never been employed prior to engagement in the PWP, the poor post-PWP performance of former workers in the labour market (see section 12.1), and the focus group insights regarding increased labour market participation on the part of the Zibambeke workers, it looks likely that the PWP may be functioning to increase labour force participation in both cases.

### 7.2 Employment

The distribution of Gundo Lashu PWP employment was not equitably shared among households in the vicinity of the programme by being limited to one employment opportunity per household. Multiple PWP employment in a household was not uncommon, with 19% of households having 2 PWP workers and 5% having 3 or more members employed by the PWP. This implies a concentration of benefits from participation in a more limited number of households than would be the case if employment were rationed on a household basis. However, the supply of labour was

<sup>56</sup> Out of a working-age population of 911, 570 were employed or seeking work. If current PWP workers were excluded, out of a working-age population of 782, 441 were employed or seeking work (those for whom labour market data were missing were excluded from the analysis).

<sup>57</sup> For Zibambeke households out of a working-age population of 1500, 929 were employed or seeking work, and if PWP workers were excluded, out of a working-age population of 1105, 536 were employed or seeking work (those for whom labour market data were missing were excluded from the analysis).

insufficient to meet demand during certain episodes of the road construction process, which led to a tension between the objective of rationing household employment opportunities and that profit maximisation through efficient road production. Since all available local labour was absorbed during these episodes, additional labour was drawn in from outside the programme area.<sup>58</sup> Zibambele households were more homogeneous, with 99.5% having only one PWP worker.

The distribution of employment (both PWP and regular employment) among PWP households is set out in Table 7.1. 149 Gundo Lashu households had no members currently employed as PWP workers, as their PWP contracts had been completed prior to the interview. These are referred to as households with former Gundo Lashu workers in the text below.

**Table 7.1 Total number employed per household (including PWP employment)**

No. employed per household	Gundo Lashu		Zibambele
	Former	Current	
	% of households		
<b>0</b>	47	0	0
<b>1</b>	39	56	82
<b>2</b>	11	35	14
<b>3 or more</b>	3	9	5

Among households with former Gundo Lashu workers 47% reported no currently employed members, 39% one employed member, and 14% two working members or more, while among those with current PWP employment 56% of households had one person employed and 44% two or more employed. Among Zibambele households 82% reported only 1 working household member (only the PWP worker), with only 19% having two or more. This implies a heavy reliance on PWP employment within the Zibambele households.

The existence of both former and current PWP households within the Gundo Lashu sample provides the opportunity to investigate the household-level labour market impacts of participation in a public works programme, on the basis of the simplifying assumption that the distribution of non-PWP employment was identical for both former and households with current Gundo Lashu workers.<sup>59</sup> Table 7.2 suggests that participation in the Gundo Lashu public works scheme may not lead to a simple monotonic shift in the number of employed per household, increasing household employment by one additional worker<sup>60</sup> for each household.

<sup>58</sup> This finding highlights the challenge of using construction, rather than maintenance, as the core activity for PWPs, if poverty targeting and maximising the duration of employment are considerations. It also has implications for the modality and timing of construction activities in PWPs; an alternative approach would entail altering the phasing of construction in order to offer more sustained employment to a smaller and more targeted group of workers.

<sup>59</sup> It should be noted, however, that any comparison is only indicative, as the size of each sample is small, n=149 and 114, and not statistically representative of each sub-group.

<sup>60</sup> This is a simplifying assumption as the actual number of PWP employees per household was greater than one in 24% of Gundo Lashu households.

**Table 7.2 Expected and actual employed workers per Gundo Lashu household, assuming monotonic relationship between PWP employment and household employment totals**

No. of employed workers per household	Households with former workers	Households with current workers	Expected employment if PWP employment added to currently employed (no substitution)	Gap between expected and actual (substitution)
	% of households			
	A	B	A0=B1 (C)	C-B (D)
0	47	0	0	-
1	39	56	47	9
2	11	35	39	-4
3	2	6	11	-5
4	1	2	2	0
5	0	1	1	0
<b>n</b>	149	114		

This table indicates that the number of one-employee households may be significantly higher than would be expected if the percentage of PWP employment was simply added to the existing distribution of employment (D), i.e. higher than if there was no household-level behavioural response in terms of employment substitution to the attainment of PWP employment. Both the 2- and 3- employee households with public works employment are fewer than would be expected if a simple monotonic employment change were taking place. These findings indicate that shifts in employment activity are taking place within the household in response to PWP employment, with some employment substitution at household level. This is discussed in more detail below.

In the Gundo Lashu households 30% of all labour market participants reported having worked during the last seven days, in response to the question:

During the past seven days did ... work for Zimbabwe/Gundo Lashu, work on subsistence agriculture, on a kitchen garden or plot, work for wage income of any kind (regular or casual), or engage in any kind of self-employment or income-generating activity, however small?

Within the Gundo Lashu sample, however, there are three groups of workers: those currently engaged in PWP activity, those for whom Gundo Lashu employment has ceased, and those who have not had the opportunity to work in the PWP at all. These three groups may be considered separately in order to disaggregate the Gundo Lashu employment figure above.

Among workers currently employed on the PWP the response to recently working was 100%, as would be expected. However, only 21% of former Gundo Lashu workers had worked recently,<sup>61</sup> compared with 35% of labour force participants who were not PWP workers. This challenges the notion that participation in PWP activity will significantly enhance labour market performance, at least in the short to medium term. The reason cited by respondents for their poor labour market performance after participation in a PWP was primarily lack of demand for labour (75%). Of the non-PWP workers in Gundo Lashu households who reported working recently, 49% were engaged in regular wage labour, 26% in casual wage labour, and 12% in both subsistence agriculture and non-farm enterprises. Employment was similar across gender,<sup>62</sup> although higher percentages of

<sup>61</sup> It should be noted that exit from the programme was involuntary, resulting from the short-term nature of the employment offered under the Gundo Lashu programme, and as such does not represent a voluntary exit from the labour force.

<sup>62</sup> 53% of men and 43% of women were engaged in regular wage labour, and 24% and 28% respectively in casual wage labour.

women were employed in subsistence and non-farm enterprises, implying a greater degree of casual employment for women.

Only 18% of non-PWP Zimbabwe labour market participants reported working recently (21% of the men and 16% of the women), and of these 63% were engaged in casual wage labour, 19% in regular wage labour and 9% in non-farm enterprises. These workers faced a more casual employment situation than the Gundo Lashu household members, with only 19% of working Zimbabwe household members having regular wage employment, compared with 49% among the Gundo Lashu workers. If decomposed by gender, 21% of men and 15% of women were found to be in regular wage labour, with 67% and 56% respectively being engaged in casual wage labour. A higher percentage of female workers than male were active in non-farm enterprises, 15% as against 5%.

Interestingly, a small number of Zimbabwe workers (n=11) reported temporary work activity (RDP housing construction, factory work, temporary farm labour, domestic work and domestic production) which they carried out in addition to their PWP employment, as a reason for not finding additional 'employment'. This suggests that the extent of temporary or episodic employment may be greater than is captured in the survey, and would be consistent with the work of Adato *et al.* (2004) which characterizes much employment as episodic and short-term, and not considered by respondents as 'work'.<sup>63</sup>

The PWP survey revealed significant levels of engagement in subsistence agriculture at a household level, with 67% of Gundo Lashu and 87% of Zimbabwe households reporting domestic agricultural production. By contrast, the March 2003 *Labour Force Survey* recorded extremely low levels of engagement in subsistence agriculture, with less than 2% of household members aged 15 or more recording activity in this sector. This divergence is interesting, and may indicate that the survey has a greater sensitivity to livelihood activity than the *LFS* is currently achieving. These figures indicate that domestic household production was taking place in the majority of the households whose members engaged in public works employment, as a complement to both formal and informal sector waged employment.

Notwithstanding the high numbers of households reporting subsistence agriculture activity, levels of agricultural output were perceived to be limited. The main factor limiting agricultural activity among Gundo Lashu households was insufficient access to land (53%), followed by lack of cash to purchase inputs (18%), and lack of water (14%), this latter concern related to the occurrence of a drought during the two years prior to the interview. During focus group discussions this drought was raised as a serious concern, with the last significant harvest in the area having taken place in 2000. It is likely that this has seriously inhibited domestic agricultural production among the Gundo Lashu households. The same three factors were identified by the Zimbabwe households, but the order of importance differed, with lack of cash for inputs being identified as the primary constraint (33%), followed by insufficient access to land (31%), and then lack of water (10%). The implication of these findings is that access to cash through PWP wages could have a positive impact on domestic production by enabling the purchase of agricultural inputs.

### 7.3 Unemployment

The broad rate of unemployment will be used as the basis of discussion in this section since it is more appropriate than the narrow rate in a context where extremely high unemployment may lead even those who genuinely want work to become 'discouraged' and stop searching, as a rational response to the known unavailability of employment. The fact that workers are discouraged does not imply that their joblessness is of less policy concern, and hence it is appropriate to include this

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<sup>63</sup> This is also indicated by the spike in informal sector employment recorded in the *LFS* (February 2002), which was carried out subsequent to an additional survey on informal sector work, which shifted conceptualisation of informal work as 'work' in the minds of respondents.



group of workers within the category of the unemployed (see Kingdon and Knight, 2000; and Natrass, 2000).

The broad unemployment rate among all Gundo Lashu household members, including current PWP workers, is 54.2%, and the narrow rate 53.8%. These rates may be compared with unemployment rates for rural Limpopo of 39.6% (narrow) and 59.7% (broad) derived from the March 2003 *Labour Force Survey* (Stats SA, 2003a), see Table 7.3. It is interesting to note that the gap between the narrow and broad unemployment rates among PWP households is less than 1%, unlike the gap between the two rates for the rural Limpopo population as a whole. This may be an artefact of the way the question was asked in the survey, or alternatively it may reflect a strategic response to the description of their job search status on the part of the respondents.<sup>64</sup>

**Table 7.3 Rural Limpopo provincial unemployment (%)**

	Rural Limpopo (Stats SA)			All Gundo Lashu household members (including former and current PWP workers)	Gundo Lashu household members (excluding all PWP workers, former and current)	Gundo Lashu household members (excluding current PWP workers)	Former Gundo Lashu PWP workers
	<b>Total</b>						
	<b>All</b>	<b>Male</b>	<b>Female</b>				
<b>Narrow</b>	39.6	35.5	43.2	53.8	64.9	69.3	78.3
<b>Broad</b>	59.7	51.0	65.8	54.2	65.2	69.7	78.6

Source: Stats SA, 2003 (LFS, March 2003) and own figures

As would be expected, given the inclusion of PWP employment in these households, the broad Gundo Lashu unemployment rate of 54% is below the broad rate of 59.7% for the rural provincial population. However, the presence of current PWP employment in the labour market obscures the underlying unemployment rate among participating households, as it treats PWP participants as workers rather than members of the unemployed with temporary public works employment. If it is assumed that there is no substitution of employment (for example, swapping non-PWP employment for PWP employment, and shifting of labour and domestic work between household members), the prevailing unemployment rate in the PWP households can be calculated by excluding current PWP employment. In this case the broad unemployment rate among Gundo Lashu household members is 70%. Interestingly, this rate falls to 65% if all PWP workers (past and present) are excluded, since unemployment is higher among former PWP workers than non-PWP participants, (79% as against 65%). This suggests that the PWP workers themselves comprise a group which is less successful in the open labour market than their non-PWP household colleagues, and is an important area for future analysis. The critical insight emerging from this analysis is that the unemployment rate among former PWP employees is extremely high, at 79%, and is significantly above that of non-PWP participants.

In order to assess the impact of the programme on unemployment empirically, at both household and worker level, ideally the pre-PWP unemployment rate of household members should be used

<sup>64</sup> Kingdon, pers. comm., 2004, has suggested that this limited gap could be a consequence of the fact that household members perceived that jobs might be on offer in the PWP, and as a consequence discouraged labour force participants, who do not normally search for work, reporting themselves as looking for work in the survey. In this way the smallness of the narrow-broad gap could indicate that when people think jobs are available, they are more likely to report themselves as looking for work, and suggest that the broad unemployment rate is ultimately the right one in the high unemployment context of South Africa.

to indicate the unemployment rate without the implementation of a PWP. However, in the absence of a baseline study, this information has to be inferred from the recall data included in the survey. These data do not allow the complexity of intra-household labour shifts arising from PWP employment to be modelled, and so the 'without-PWP' unemployment rate can only be inferred. The survey indicates that 33% of Gundo Lashu workers were engaged in substitution of employment, having given up or reduced some form of alternative employment in order to participate in the programme (see section 8.5 below). On this basis it can be assumed that, in the absence of PWP employment, the aggregate prevailing unemployment rate among the members of PWP households would fall between the former PWP worker unemployment rate of 79% and the 65% of non-PWP workers. The fact that 34% of all PWP workers had no previous labour market experience, and the high level of unemployment reported among the former PWP workers (79%), suggests that this group may be less successful in the labour market than their non-PWP compatriots, pushing the unemployment rate without a PWP up above 65%, particularly since only one-third of the PWP workers reported employment substitution. This suggests that the prevailing unemployment rate in Gundo Lashu households in the absence of the programme would be between 65% and 79%, depending on the level of employment substitution, significantly above the provincial rural unemployment rate of 60% (Stats SA, 2003a).

While it is not possible to identify the impact of the programme in terms of unemployment among former PWP workers due to the lack of baseline data on their prior employment or labour force participation status, the extremely high unemployment level prevailing among former PWP workers fundamentally challenges the assumption that PWP participation has a significant beneficial impact in terms of subsequent employment performance.<sup>65</sup>

The broad unemployment rate among all Zibambeke household members was 47%. If PWP employees are excluded, the figure is 82%, which is 24% above the rural provincial mean, see table 7.4. Since only 28% of Zibambeke PWP workers reported employment substitution, having given up some form of alternative employment in order to participate in the programme (see section 8.5), and some were new labour market participants, it may be assumed that the unemployment rate prevailing in the programme areas falls towards the upper end of the range between the PWP and non-PWP unemployment rates, i.e. between 48% and 82%, higher than the provincial rural norm of 61%.

**Table 7.4 Rural KwaZulu Natal provincial unemployment (%)**

	Rural KwaZulu Natal (Stats SA)			Zibambeke household members (including PWP workers)	Zibambeke household members (excluding PWP workers)
	% unemployed				
	Total	Male	Female	Total	Total
<b>Narrow</b>	39.7	38.5	40.9	45.7	80.6
<b>Broad</b>	57.8	54.3	60.8	47.3	81.5

Source: *Ibid.*

In terms of previous work experience, among Gundo Lashu household participants in the labour force who were not PWP workers, 69% had never worked before and 13% had not worked for 3 years or more, while in Zibambeke households the figures were 67% and 11% respectively. Hence both sets of workers display similar labour market engagement profiles. For those with labour

<sup>65</sup> It should be noted that this finding implies poor labour market performance in the short to medium term, and that frictional unemployment may account for part of this high rate. The longer-term employment implications of PWP employment cannot be inferred from this study, as none of the former PWP employees interviewed had been unemployed for longer than 6 months. This finding indicates the importance of medium- to long-term tracking of the labour market performance of former PWP workers in order to assess their labour market impact in the long term.

market experience the modal period of unemployment was 3 years or more in both groups, 43% of Gundo Lashu labour force participants and 33% of Zibambebe. Among the former Gundo Lashu PWP workers, 34% had never been employed before engagement in the PWP, and 13% had not been employed for more than 3 years. This compares with 25% and 30% respectively among the Zibambebe workers. This higher percentage of Gundo Lashu workers without previous labour market experience is consistent with the greater focus of the programme on youth.

## 7.4 Unemployment discussion

In both instances the 'pre-PWP' unemployment rate is likely to fall between the inclusive figure, which takes into account PWP employment, and the exclusive figure, which assumes all PWP employment is additional. The actual extent of unemployment, whether it approaches the higher or lower bounds, is dependent on the extent to which labour substitution is taking place, and PWP employment is replacing market-based employment, and also the degree of homogeneity between the PWP and non-PWP worker groups in terms of characteristics affecting labour market performance. If PWP employment is excluded, the unemployment rates are 10% and 24% in excess of the broad provincial figures in the Gundo Lashu and Zibambebe programmes respectively, suggesting that unemployment in both case-study groups may be greater than the provincial norms, particularly in the case of the Zibambebe households. This accords with the expectation that the unemployment rate among PWP households would be greater than provincial and PWP area norms because of the likely self-selection of higher-unemployment households into PWPs. Unfortunately, however, with the data available it is not possible to extend this analysis to determine whether the programmes concentrated on individual households with higher than average unemployment levels in their area (household-level targeting), or on areas of higher than average unemployment (community-level targeting).<sup>66</sup>

Levels of unemployment among non-PWP participants were extremely high. Only 35% and 18% of Gundo Lashu and Zibambebe labour force participants respectively had worked recently, with 64% of Gundo Lashu household members being employed in regular wage labour, compared with only 18% of Zibambebe household members. Zibambebe labour market participants faced a more insecure relationship with the labour market than those from Gundo Lashu, as 63% of Zibambebe employment was in the form of irregular casual labour, compared with 21% of Gundo Lashu employment. This is linked to the more limited employment opportunities in the Zibambebe areas, with less access to agricultural sector employment than in the Gundo Lashu area.<sup>67</sup> Both groups experienced a high degree of marginalisation from the formal regular labour market, which was particularly acute in the Zibambebe households.

## 7.5 Constraints to labour market participation

Among labour market participants who had not worked recently 75% of Gundo Lashu and 65% of Zibambebe household members reported that the main reason for not looking for work was that no jobs were available in their area. This supports the argument for the use of the term 'discouraged unemployed' for this group, and suggests that their inclusion in the unemployment statistics is appropriate (see Kingdon and Knight, 2000). 25% and 15% respectively gave lack of money to pay for transport to look for work as the main reason, and, in addition, 12% of the Zibambebe group reported having lost hope of finding any kind of work.

Among Zibambebe PWP workers who answered the question about work-seeking activity, 63% stated that they were looking for work in addition to Zibambebe employment (n=329), while 29%

<sup>66</sup> Targeting in the Gundo Lashu programme was geographical, although not on the basis of poverty or unemployment characteristics, but according to road construction considerations, while the Zibambebe programme explicitly targeted the poor within communities.

<sup>67</sup> Access to alternative employment opportunities was discussed in focus groups with Gundo Lashu workers in December 2003, and with Zibambebe workers in February 2004.

stated that because of their Zibambele employment they were not seeking other work. 85% of the latter category gave reasons for their decision not to seek employment, the dominant answer being lack of employment opportunities in the area (28%). The second most frequent answer was 'family considerations/child care' (24%), which suggests that the Zibambele workers may not have the mobility to engage in work-seeking activity away from home, and that domestic responsibilities limit their ability to participate in the labour market. Ill health/disability was a frequent response, given by 22% of Zibambele respondents, suggesting that the Zibambele programme may be catering for those with physical infirmities which would preclude conventional labour market participation. The health and domestic care constraints on labour market participation highlighted here may have implications for the aspirations of national public works interventions, in terms of the progression of PWP workers from PWP employment to employment in the open labour market. It may be that those selected for participation in a PWP on the basis of their poverty face health, domestic responsibility or labour constraints which would limit their participation in the labour market, particularly if employment were not available in the immediate vicinity. This issue was explicitly explored in the survey.

Lack of labour mobility was also raised as a constraint to employment. Those who were not working but were available for work, were asked if they sometimes travelled away from home and stayed away from the household to look for employment. Among unemployed Gundo Lashu household members 54% sometimes did so, compared with only 36% of Zibambele household members. Among Zibambele PWP workers (who are 93% female), only 5% reported travelling in search of employment. The low mobility of Zibambele workers might be accounted for either by their PWP employment, or alternatively by their gender. Todes (2001), quoted in Posel and Casale (2003: 466), noted the impact of gender on migration in her study of migration in Newcastle, KwaZulu Natal:

It was rare for women to experience the freedom of movement that men did. Women's mobility varied according to their position in the household. Married women could not move at will - their husband's power in this regard was clearly apparent. Unmarried women were freer to move, but this depended on their position and conditions within the household. They were frequently constrained by their roles as care-givers - responsibility for children, the sick and disabled, and for old parents (Todes, 2001: 17-18).

In both sets of households a higher percentage of men than women reported travelling in search of work, confirming the findings of Todes (2001) and Posel *et al.* (2004).<sup>68</sup> For both sexes, travelling in search of work was significantly less frequent among the Zibambele unemployed than the Gundo Lashu, perhaps due to the greater inaccessibility of some remote rural Zibambele programme areas, compared with the Gundo Lashu area.

When asked why they did not travel in search of work, 61% of unemployed Gundo Lashu men and 52% of women cited lack of money for job search expenses as the main reason, while 27% and 25% respectively cited lack of work availability. For 20% of women, household responsibilities were the primary factor inhibiting job search, although this was the case for only 7% of men. Among the Zibambele unemployed, 53% of men and 50% of women also cited lack of money for job search as the major constraint to travelling in search of employment. 37% and 31% respectively cited lack of employment availability as the main constraint, and 3% and 7% household responsibilities. Among Zibambele PWP workers, however, the pattern differs, with household responsibilities being the main constraint to travelling in search of employment for 63% of women, and 43% of men. Lack of work availability was the main reason given by 22% and 15% of male and female Zibambele workers respectively, and lack of funds for job search 17% and 15% respectively. These responses again indicate that Zibambele workers may be combining domestic responsibilities with the PWP employment, in a way which would be impossible in the mainstream labour market. Appreciation of the availability of Zibambele employment in the workers' immediate vicinity was

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<sup>68</sup> Among the Gundo Lashu unemployed 59% of men travelled in search of employment compared with 50% of women, and in Zibambele households 42% of unemployed men compared with 32% of women.

also highlighted in the focus group discussions, and comparisons were made with alternative and less attractive employment opportunities, such as agricultural labour on sugar cane plantations, which might be at some distance from the home, and was therefore not accessible to women with infirmities or domestic responsibilities. This consideration was a deliberate component of the Zibambele programme design, which aimed to provide work for those in areas where other work might be inaccessible and which would require no worker to travel more than 2 km to her work station.<sup>69</sup>

In both cases financial constraints were the main factor inhibiting job search activity away from the home. If this is considered in relation to the perceived (and real) lack of employment availability, and the recognition that lack of social networks in urban areas limit both access to information about job availability and also help from 'contacts' who might facilitate access to jobs, a factor which emerged from the focus group discussions, it is clear that, even with the cash injection of the PWP wage, job search activity with an uncertain outcome was not seen as a rational use of scarce financial resources in the PWP households. This realistic assessment of labour demand, and of the critical role of social networks in securing employment, corresponds to findings by Natrass (2000), and suggests that high levels of unemployment and very limited access to labour market information for those in rural areas inform labour market choices and constrain job search activity.

Together with the mobility constraint of household obligations, which particularly affects female household members, and the high unemployment levels among former Gundo Lashu workers, these findings challenge the 'welfare to work' assumptions underlying PWPs in South Africa, which argue that participation in a PWP is a 'stepping stone' to employment in the open labour market (Department of Public Works, 2004). While unemployment rates remain high and the outcome of job search uncertain, the rational response may be to conserve scarce financial resources for immediate priority needs, rather than risking them on investment in job search, particularly when the inhibiting effect of lack of social contacts is well understood. In the focus group discussions workers in Limpopo also reported that the range of employment for which they might migrate was shrinking as a consequence of the introduction of the minimum wage for domestic workers, thereby reducing urban employment opportunities particularly for women. Interestingly a similar shrinkage of employment in the agricultural sector, which was also subject to the introduction of minimum wage legislation at the same time, was not noted, although an increase in the casualisation of employment, in order to avoid the wage legislation, was reported.<sup>70</sup>

These findings confirm the argument put forward by Bhorat (2001), highlighting the critical importance of considering labour mobility and the heterogeneity of labour market characteristics of the unemployed when designing labour market interventions. He argued, for example, that investment in technical skills training for older women in the deeply rural areas may be inappropriate in the light of their limited ability to migrate in search of employment, given the lack of labour demand in their areas of domicile, while for younger, more mobile labour market participants, such training may be more appropriate.

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<sup>69</sup> James Mlawu, Director of Policy and Programme Development, KwaZulu Natal Department of Transport, Presentation to EPWP Conference, Midrand, 25th February 2004.

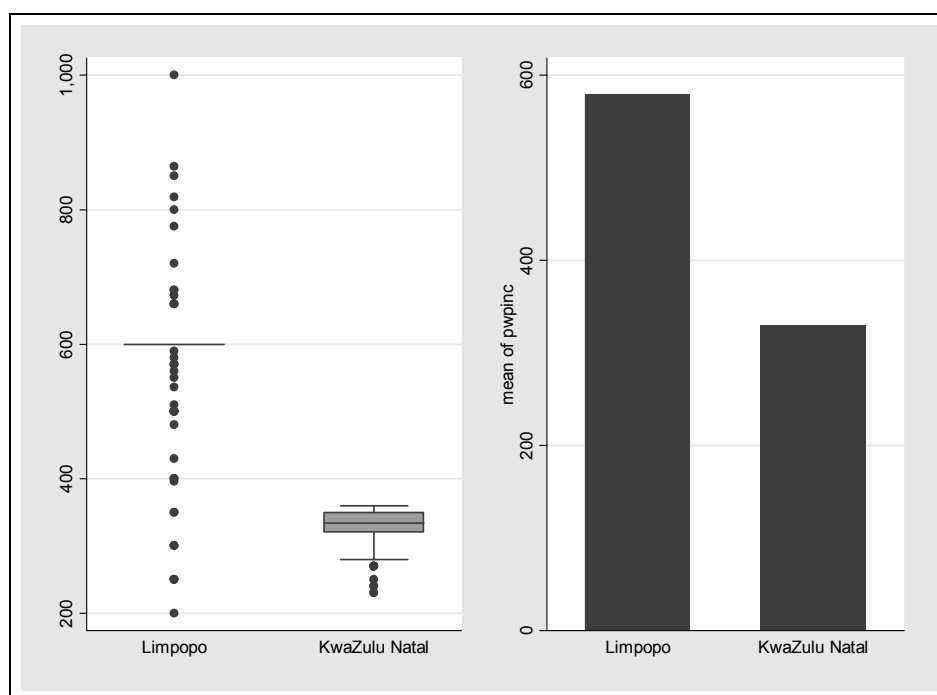
<sup>70</sup> The Gundo Lashu focus groups reported a decrease in contract-based agricultural employment by large agribusinesses, in favour of increased daily casual employment.

## Chapter 8: Income in PWP Households

### 8.1 The PWP wage

In order to assess the income impact of the PWP intervention, the wage derived from PWP participation will first be explored. The wages in both programmes are illustrated in Fig. 8.1.

Fig. 8.1 Distribution and means of PWP wages



The mean monthly PWP wage for current Gundo Lashu workers was R579, with a wide distribution of values made possible by the task-based payment modality, under which workers were paid per task, and also by the variable length of workers' contracts, with some working 24 days per month, and others working for shorter periods.<sup>71</sup> The mean monthly PWP wage for Zibambele workers was R330, with a significantly smaller distribution. The gross Zibambele wage was R334 a month for all workers, and the limited variation in the reported wage may be due in part to the smaller net amount available once bank fees of between R15 and R25 have been deducted.<sup>72</sup>

### 8.2 The non-PWP wage

PWP wage income is compared with wage income for non-PWP workers in Table 8.1. Total wage income is given for those PWP workers who reported income in addition to the PWP wage.

<sup>71</sup> The Gundo Lashu programme was designed with the objective of each worker completing one task per day in order to attain the daily work rate (R30). In some cases wage records suggest that workers were able to complete more than one task per day, and hence earn in excess of R30 per day.

<sup>72</sup> The loss of between 4% and 7% of the Zibambele wage on bank charges is problematic and indicative of the limited sensitivity of the banking sector in South Africa to the needs of poor customers.

Table 8.1 Total monthly wage income (Rands)

	Mean PWP worker wage	Range	Mean PWP worker wage with additional income	Range	Mean non-PWP worker total wage	Range	Former PWP worker wage	Range
<b>Gundo Lashu</b>	579	200-1000	886 <sup>a</sup>	750-1172	674	36-3960	597 <sup>c</sup>	100-2640
<b>Zibambele</b>	330	230-360	492 <sup>b</sup>	320-2140	327	40-2000	n/a	n/a

a) 7% of PWP workers; b) 28% of PWP workers; c) 17% of former PWP workers

As would be expected given that the Gundo Lashu employment was ‘full-time’<sup>73</sup> and physically demanding, participation in the programme left little time for additional income-generating activity, and only 7% of current Gundo Lashu workers reported additional wage income from other sources.<sup>74</sup> For these workers the mean total income from all employment was R886, 53% above the mean Gundo Lashu wage. 17% of former Gundo Lashu workers reported current employment, and for this group the mean wage was R597.

At R674, the mean wage was higher for non-PWP workers than for those who had participated in the programme. This is in line with the high unemployment rates and low levels of labour market experience of the former PWP workers noted above. This suggests that participation in the Gundo Lashu programme may not have led to improved labour market performance in terms of increased income for participants, and that it cannot be taken as axiomatic that participation in a PWP will lead to improved labour market performance. However, the caveat noted above applies, that without baseline data regarding the prior income of PWP workers, it is not possible to state definitively that participation in the PWP has not led to increased wage income; it is only possible to note the lowness of the wage of former PWP workers, compared with non-PWP workers.

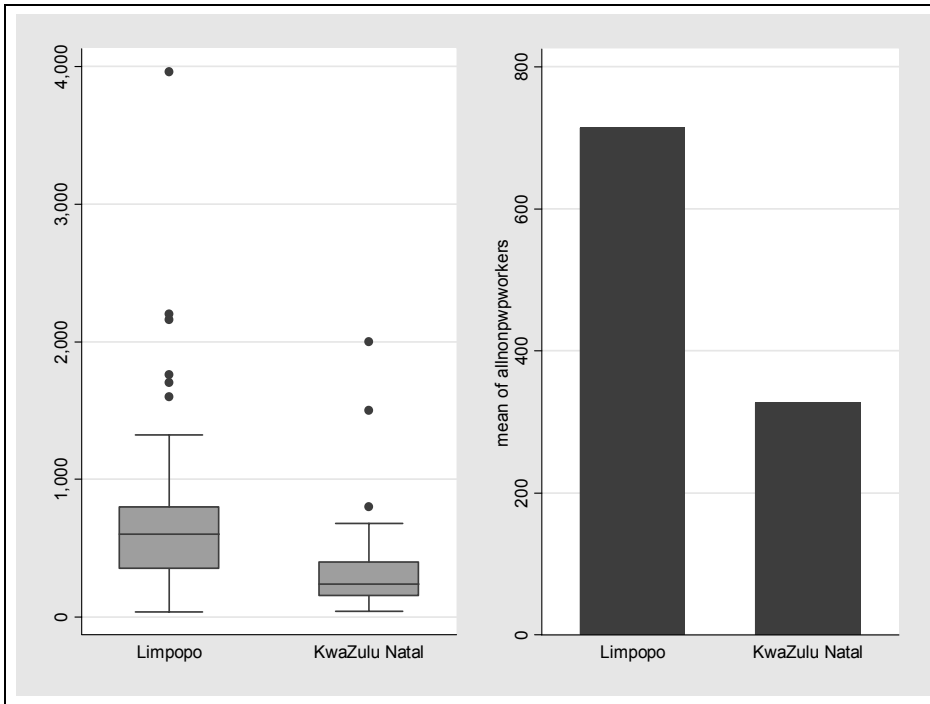
As would be expected given the part-time nature of the Zibambele employment, a higher percentage of Zibambele than Gundo Lashu workers recorded additional income, 28% compared with 7%, with a mean monthly wage income of R492, 49% higher than the mean PWP wage. In the Gundo Lashu programme, workers reliant on the PWP wage alone had a significantly lower wage income than non-PWP workers, while in Zibambele the wage income was similar for both groups. In both programmes, PWP workers who had additional wage income were better-off than non-PWP workers.

Fig. 8.2 illustrates the distribution of non-PWP worker income in the two programmes. It is clear that the distribution of incomes in the Gundo Lashu programme is more widely spread, with a mean which is twice that of the Zibambele programme, indicating that the Zibambele group is more homogeneous, and with significantly lower wage incomes. This is consistent with the demographic findings in Chapter 6, and the employment findings in Chapter 7, confirming that the Zibambele programme may be more poverty-targeted, and more focused on a poorer population sub-group than the Gundo Lashu programme.

<sup>73</sup> This is based on a norm of one task a day, which will take on average 5 hours to complete.

<sup>74</sup> This issue was highlighted in focus group discussions with PWP workers in Limpopo in December 2003.

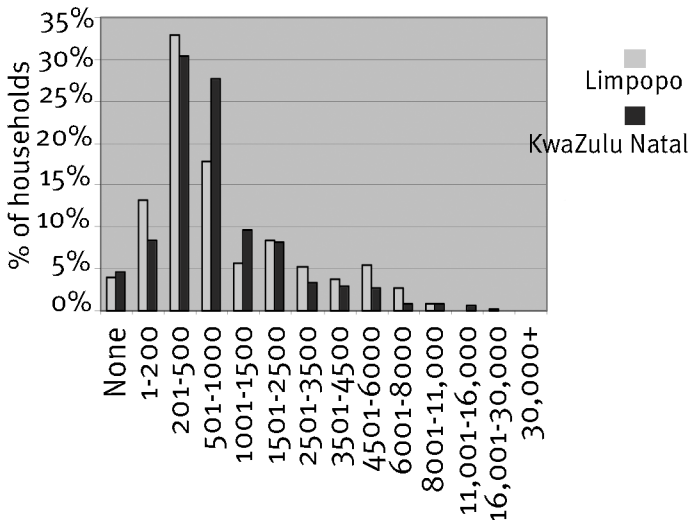
**Fig. 8.2 Distribution and means of non-PWP income**



### 8.3 The prevailing wage

The monthly PWP wage must be considered in the context of the distribution of main income for rural Limpopo and KwaZulu Natal from the *Labour Force Survey*, which is set out in Fig. 8.3 (for data table see Annex 4).

**Fig. 8.3 Main monthly rural income (Rands)**



Source: Stats SA (2003a)

In order to locate the PWP wages within the hierarchy of wages offered in the two provinces, the PWP wage may be compared with rural provincial wages for different sectors, drawn from the March 2003 *Labour Force Survey*, and the reported incomes of non-PWP survey respondents. Only main incomes are taken into consideration in this section, in order to be consistent with the information gathered in the *LFS*.

The mean monthly main wage income for non-PWP workers in Gundo Lashu households is disaggregated by work category in Table 8.2, together with the monthly PWP income and the mean



income for formal and informal sector workers and elementary workers taken from the 2003 *LFS* for rural Limpopo.

**Table 8.2 Main Gundo Lashu wage incomes with provincial comparators (Rands)**

Work Category	Mean	Range
Public Works	579	200-1000
Regular labour wage	774	200-2640
Casual labour wage	612	100-3960
Subsistence agriculture	218	36-400
Non-farm enterprises	446	40-1320
Formal sector <sup>a</sup>	1618	30-9000
Informal sector <sup>a</sup>	385	6-9000
Elementary workers <sup>a</sup>	549	6-5000

a) *LFS*, March 2003

When compared with the main income figures for rural Limpopo, the level of the PWP wage may be seen in the context of the provincial wage distribution, and the likelihood of self-targeting on the basis of 'less eligibility' assessed. The PWP wage of R579 is less than both the casual and the regular labour wages, but higher than the income earned from subsistence agriculture and non-farm enterprises. PWP workers may be compared with elementary workers in terms of their skill levels, and the *LFS* data show that the public works wage is 9% above the mean elementary worker income of R549, although the latter is far more widely distributed. The PWP wage falls between the mean formal and informal sector incomes (R1618<sup>75</sup> and R385 respectively),<sup>76</sup> although it should be noted that the PWP participants are mainly unskilled workers who would only be able to access unskilled formal and informal sector employment, which would tend to be at the lower end of the wage distribution for these sectors.

The fact that the Gundo Lashu wage falls above the informal sector mean, the elementary sector mean, the subsistence agriculture mean and the non-farm enterprise mean should lead to excess demand for PWP employment, compromising the effectiveness of the wage as the primary instrument for rationing access to employment, in terms of the principle of 'less eligibility'. It is likely to draw workers from alternative employment, rather than attracting only those with limited access to income. This is problematic if targeting the poorest is an objective of the programme, as the poorest are less likely to succeed in accessing rationed employment than those with superior socio-economic status and social capital. The characteristics of the PWP employees in the Gundo Lashu programme outlined above suggest that this crowding out of the poorest may be occurring in this case, where the PWP participants' characteristics approximate the mean provincial characteristics, (see Chapter 6), rather than those of the poorest. In this instance, the adoption and implementation of additional eligibility criteria would be required to ensure that the programme included those for whom it was primarily intended. It should be noted, however, that the wage levels for some forms of alternative employment in the Gundo Lashu area were reported by Gundo Lashu workers to be as low as R6 a day, and so attracting labour out of prior employment into PWP employment may not *de facto* be considered undesirable.

It is, however, the effective value of the Gundo Lashu wage which needs to be considered when making comparisons with other sources of income. Since Gundo Lashu employment is designed to require 5 hours of labour inputs per day, the PWP wage is received for less than a full day's

<sup>75</sup> As less than 1% of all values were greater than R10,000, these outliers have been removed in both the Limpopo and KwaZulu Natal data.

<sup>76</sup> According to the *LFS*, in non-urban Limpopo of those who specified the nature of their employment 59% were in the formal sector, and 31% the informal sector.

labour, rendering the effective wage higher than that which is received for a full day's work. In order to explore the question of the effective PWP wage in more detail, further analysis of the hours of work required for the various levels of remuneration outlined above and reported in the *Labour Force Survey* would be required. However, in the absence of such an analysis, it should be noted that the limited working hours of the Gundo Lashu programme are likely to render the effective wage higher in comparison with prevailing wages, and to further undermine the self-targeting impact of the programme on the basis of the principle of 'less eligibility'.

The mean monthly main wage income for non-PWP workers in Zimbabwe households is disaggregated by work category in Table 8.3, together with the monthly PWP income and mean incomes for formal and informal sector workers and elementary workers taken from the 2003 *LFS* for rural KwaZulu Natal.

**Table 8.3 Main Zimbabwe wage incomes with provincial comparators**

Work Category	Mean	Range
<b>Public Works</b>	330	230-360
<b>Regular labour wage</b>	523	40-2000
<b>Casual labour wage</b>	303	44-800
<b>Subsistence agriculture</b>	-	-
<b>Non-farm enterprises</b>	107	60-190
<b>Formal sector<sup>a</sup></b>	1072	50-8000
<b>Informal sector<sup>a</sup></b>	422	30-5000
<b>Elementary workers<sup>a</sup></b>	R493	30-5000

- Denotes insufficient data available

a) *LFS*, March 2003

The Zimbabwe wage was above the incomes reported for casual wage labour and non-farm enterprises, but below the mean regular wage labour income, suggesting that the risk of undermining the principle of 'less eligibility' is less significant in the Zimbabwe programme than in the Gundo Lashu, and that consequently the problems of over-subscription by the non-poorest and the distortionary effect of the programme on the labour market in terms of inducing labour market substitution, by drawing workers out of prior employment, are likely to be of less concern.<sup>77</sup> The PWP wage is significantly below the *LFS* figure for mean formal sector income in rural KwaZulu Natal (R1072) and below the informal sector figure of R422.<sup>78</sup> For elementary workers in KwaZulu Natal the mean wage was R493<sup>79</sup>, considerably above the Zimbabwe wage. However, as with the Gundo Lashu programme, the effective value of the Zimbabwe wage also needs to be considered, as the PWP wage is paid for only 8 days (60 hours) of labour, leaving 22 days per month for other activities. Hence the principle of 'less eligibility' is also challenged within the Zimbabwe programme, as the effective wage is likely to be higher than for other available employment, where more than 60 hours labour would be required for a similar wage. As a consequence, self-targeting through the 'less eligibility' criterion is also likely to be undermined.

It is important to note that the focus group discussion confirmed findings by Adato *et al.* (2004) regarding the episodic and fragmented nature of labour market participation and the unpredictability of wage income. This implies that there may be an important qualitative

<sup>77</sup> However, such is the extent of unemployment in KwaZulu Natal in relation to the size of the Zimbabwe programme, that significant oversubscription and consequently rationing of employment takes place, and hence additional targeting criteria are required in addition to the 'less eligibility' function of a low wage.

<sup>78</sup> For those who reported income and specified the nature of their employment, 61% were in the formal sector, and 39% the informal (Stats SA, 2003a).

<sup>79</sup> Outliers over R10,000, totalling less than 0.2% of the sample have been excluded from this analysis.

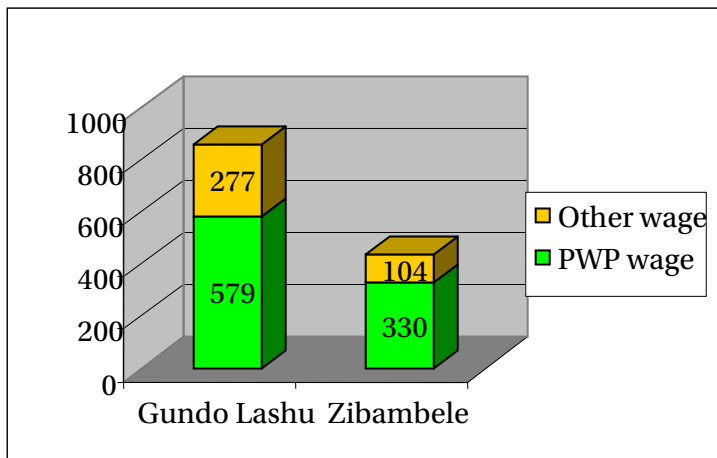
difference between a higher but unpredictable and unsustainable wage, and a lower but sustained public works transfer. The value ascribed by public works participants to the certainty of the wage transfer for a given period was highlighted by Dev (1995), who argued that, even when transfer benefits are small, income stabilisation can pre-empt acute distress, and in such cases the insurance or 'risk benefit' function of a transfer may be as important as its transfer function.<sup>80</sup> This finding was vehemently confirmed in focus group discussions with Zimbabwe workers.

## 8.4 Total household wage income

For households with current Gundo Lashu workers the mean monthly household wage income is R856, ranging from R200 to R5029. For households without current Gundo Lashu employment, 61% report zero wage income. It is assumed that these households are dependent on non-wage income in the form of remittances, transfers, and contributions from within the community (see Chapter 9). If these households are removed, mean wage income in Gundo Lashu households without current PWP workers is R787, ranging from R100 to R2640. It is interesting to note that, for households reporting income, the difference between households those with current and with former PWP workers is only 8% of household wage income. This indicates that, for those households with access to work, monthly wage income is not significantly altered by participation in PWPs. The mean total wage income for Zimbabwe households is R434, ranging from R230 to R2740. This is 51% of that of Gundo Lashu households.

The contribution of PWP income as a percentage of the total household wage is shown in Fig. 8.4.

Fig. 8.4 PWP wage as contribution to total monthly household wage (Rands)



For Gundo Lashu households with current PWP workers, the PWP wage represented 68% of total household income, and for 78% of households was the only reported wage income. The Zimbabwe wage represented a mean of 76% of the total household wage, ranging between 12% and 100% of total household income.

It may be appropriate for an adjustment be made to compensate for the anticipated under-reporting of wage income in household surveys (see Deaton, 2003) in order not to overestimate the value of the public works wage as a percentage of total wage income. There is no formal estimate of the level of income under-reporting in South Africa, but drawing from the 1996 census and the 2000 Income and Expenditure Survey, Simkins has proposed that the actual income may be approximated by inflating reported income by a factor of 1.6<sup>81</sup>. If this inflator is used the PWP wage

<sup>80</sup> Dev argues that for the large-scale Maharashtra Employment Guarantee Scheme in India, the risk benefit is of greater significance in promoting household welfare than the value of the transfer itself.

<sup>81</sup> Simkins, pers. comm., 2003, cited in Meth (2004a).

forms 57% and 66% of the total wage income for the Gundo Lashu and Zibambebe programmes respectively, still a highly significant proportion of overall wage income.

#### ***8.4.1 Adult equivalent per capita total wage income***

In order to promote comparability between households of differing size and demographic composition the ‘adult equivalent’ size of a household may be calculated, and an adult equivalent per capita income derived for both Gundo Lashu and Zibambebe households. Using this method, the consumption needs of a household may be calculated, with children ‘converted’ to adult costs by the application of a child cost ratio and household economies of scale factored into the calculation. Here a child cost ratio of 0.5 is used and an economies of scale parameter of 0.9, following Woolard and Leibbrandt (2001: 54).<sup>82</sup> On this basis the mean number of ‘adults’ is 5.5 in Gundo Lashu households and 5.4 in Zibambebe households. This is converted into adult equivalents in terms of household consumption by the application of a household economy exponent of 0.9, and an adult equivalent figure for each household is constructed. On the basis of this calculation a mean household adult equivalent figure of 4.8 is derived for Gundo Lashu households, and 4.5 for Zibambebe households.

61% of Gundo Lashu households with former PWP workers reported no wage income,<sup>83</sup> but for those which did report wage income the mean adjusted per capita wage was R174 (ranging from R17 to R655),<sup>84</sup> and for those with current PWP workers the figure was R194 (ranging from R31 to R801).<sup>85</sup> Hence among households with PWP employment, the mean adjusted per capita wage was on average only R20 higher for those with current PWP participation than for those without, a difference which is not statistically significant. This indicates that receipt of the PWP wage did not raise the income of Gundo Lashu households significantly above the mean income of working households. However, it provided an income to households without alternative income which approached the per capita income mean of working households.

In Zibambebe households the mean adjusted per capita wage income was R108, significantly lower than the Gundo Lashu household figure of R194, reflecting the larger wage transfer in the Gundo Lashu programme.

### **8.5 Income forgone**

In order to assess the wage impact of participation in a PWP in the context of a complex and dynamic process of labour substitution at household level, it is necessary to take into account wages forgone, a consideration which has frequently been omitted from previous evaluations of the impact of public employment programmes (see Van de Walle, 1998). This is an omission which warrants serious criticism of the evaluation of this genre of social policy interventions. Wages forgone represent a directly measurable private opportunity cost for programme participation, which is particularly relevant when considering the net labour market and income impacts of PWPs as a component of social protection.<sup>86</sup>

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<sup>82</sup> The equivalence scale is of the form  $E = (A + K)$ , where  $E$  = the number of adult equivalents,  $A$  = number of adults,  $\alpha$  = the child cost ratio,  $K$  = number of children, and  $\beta$  the household economies of scale factor (Leibbrandt and Woolard, 2001: 40). For the purpose of this calculation children are those under the age of 18. For a discussion of the arbitrariness of values assigned to the child cost ratio and household economies-of-scale factor, and the significance of their sensitivity implications, see Meth (2004a).

<sup>83</sup> It is assumed these households are dependent on non-wage incomes, see Chapter 9.

<sup>84</sup> An outlier of R1940 adjusted per capita income was removed from this group

<sup>85</sup> Two households among the currently employed also reported zero income. However, this was due to missing data and as such these households have been excluded from the analysis.

<sup>86</sup> Datt and Ravallion (1994) also suggest the possibility of examining utility forgone, assessed in terms of time allocations. However, the income approach alone is used in this analysis.

33% of current Gundo Lashu PWP workers, and 19% of former workers, reported that they had forgone income in order to participate in the PWP. The mean value of employment given up was reported to be R391 for current workers, and R280 for former workers. This difference is significant, although the range was similar, between R30 and R1000 in the case of those currently working, and R30 to R1500 in the case of those no longer employed on the PWP. The figure for the currently employed is likely to be more accurate as poor recall among former workers may lead to less robust results. 13% of those who reported income forgone reported levels of income forgone at or above the modal PWP income of R600. For this sub-group the mean income forgone was R827, ranging from R600 to R1500, as compared with R262, ranging from R30 to R520, for those whose income forgone was less than PWP income. From one perspective those who gave up an income greater than the PWP income confound economic rationality, but the focus group discussions revealed that the work available in the area tended to be sporadic and irregular, varying in terms of availability and duration of employment, as well as remuneration and certainty of being paid for work performed.<sup>87</sup> For these reasons, forgoing uncertain, but sometimes higher paid, employment in favour of an opportunity for lower paid employment of potentially weeks' or even months' duration was a rational deployment of labour.<sup>88</sup>

28% of Zibambeke workers reported values for income forgone in order to participate in the PWP,<sup>89</sup> the mean value of income given up was R158, ranging from R30 to R800. Only 3 of the 114 values were above the mean Zibambeke monthly wage.<sup>90</sup> However, the focus group discussions confirmed that the incidence of income forgone exceeding PWP income may be more widespread in reality than was captured in the survey, since a high premium was placed on the value of permanent employment, over higher wages for a temporary period.

The similarity between the Gundo Lashu and Zibambeke employees in the percentage of PWP workers giving up work in order to participate in the programme (24% and 28% respectively) is surprising, although the amount of income forgone is significantly different, R337 compared with R158. Zibambeke employment is only part-time, while Gundo Lashu employment is full-time, which would have suggested that a larger amount of work would be forgone among the Gundo Lashu workers who would find it harder to maintain concurrent alternative employment. One explanation for the similarity in reported work forgone may be the more limited work opportunities available to Zibambeke workers, which would mean that there were fewer work opportunities for them to forgo.

This explanation was supported in the focus group discussions which revealed extremely limited employment opportunities in both the formal and informal sectors for Zibambeke workers, particularly in areas where access to agricultural employment or raw materials for domestic production (grass and clay) was limited. Only informal short-term employment, frequently paid in kind, was available within many Zibambeke communities, and access to wage labour was extremely limited and ad hoc, confirming Muller's characterisation of employment in the informal sector - 'employment in South Africa's informal sector is frequently viewed as survivalist, offering poor job security and yielding low returns' (Muller, 2003: 1). In this context security of employment was perceived as the core benefit of participation in Zibambeke. Workers argued that they would give up or refuse higher paid temporary employment in favour of PWP employment, if engaging in such temporary work entailed giving up the security offered by PWP participation.<sup>91</sup>

The key attributes of the PWP which justified the preference for a lower, secure income over a higher temporary one were: prolonged duration (which enabled planned consumption smoothing

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<sup>87</sup> The difficulty in ensuring payment for informal work carried out within the community was raised as a concern among some of the PWP workers.

<sup>88</sup> Since this response was not anticipated in the survey design, the issue was not explored further in the survey, but only in the supporting qualitative focus group work.

<sup>89</sup> One of these households did not record PWP income information, and therefore was excluded from the analysis.

<sup>90</sup> The values for these are R410, R700 and R800.

<sup>91</sup> Focus group discussions, Eshwe and Mapumulo, KwaZulu Natal, February 2004.

and thus facilitated improved household budgeting, saving, taking loans, etc.), flexibility of working hours (which enabled PWP participation to be combined with other household responsibilities or work opportunities), and the household allocation of employment (with the employer sanctioning the employment being passed on to other household members in the case of sickness or death of the nominated worker). These unusual programme design elements meant that the programme maximised the potential for participation by the poor, and also the benefits derived from participation. Recognising this, workers were keen to maintain their employment in the scheme rather than engage in alternative employment even with higher remuneration.

Among male Gundo Lashu workers the mean monthly value of employment forgone was R412, ranging from R50 to R1500, while for female workers the figure was R264, ranging from R30 to R800, only 64% of the male figure. However, conversely, among male Zibambebe workers the value was only R123, ranging from R50 to R300,<sup>92</sup> while for female workers the corresponding figure was R158 (with a similar range), or 128% of the male figure. It is interesting that among the Gundo Lashu workers the value of women's income forgone was lower than the male value, while among Zibambebe workers it was higher. One explanation for this may be that, in the Zibambebe PWP employment group, men have less access to wage-earning opportunities than women, and hence are giving up less wage income to participate in the programme, and vice versa in the Gundo Lashu area. The issue of increased male marginalisation from access to wage labour opportunities and rising male unemployment was raised by Zibambebe workers in the Zibambebe focus groups, and identified as a factor behind the changing gender balance of labour market participation and a factor pushing women into the labour market, as argued by Casale and Posel (2002).

## 8.6 Net income gains

In the light of the significant levels of labour market substitution and income forgone discussed above, the net income gain to workers from participation in a PWP can be calculated, taking into account the wage forgone. The net income gain has been calculated by subtracting income forgone from the PWP wage, and deriving from this a net financial benefit ratio, that of the net income gain to the size of the PWP income transfer. This indicates the net financial benefit accruing to participating households from the PWP wage transfer.

For the 67% of current Gundo Lashu workers who reported no income forgone, the net income gain was the full amount of the transfer, and the net financial benefit ratio was unity. However, for current Gundo Lashu employees who reported income forgone and supplied a PWP wage value (31% of current PWP workers), the mean net income gain was R189, ranging from -R464 to R550.<sup>93</sup> For these workers the mean net financial benefit ratio was 0.33, ranging from -0.87 to 0.95. The financial benefit ratio was 0.19 for men and 0.46 for women, suggesting that men may have benefited less in direct financial terms from participation in the programme, due to the greater values of income forgone. It is important to treat this finding with caution, however, because of the small numbers of data points, (n=21 for men and n=20 women). 22% of these workers, 3% of the total Gundo Lashu workforce, reported income forgone which was greater or equal to their PWP income, resulting in zero or negative net income gains. In these cases employment offering a higher remuneration than the PWP wage had been given up in order to participate in the PWP. Focus group discussions in Limpopo revealed that the reason for this was that the regular and certain employment offered by the PWP was considered superior to the more uncertain and discontinuous employment otherwise available to the participants, and this may account for the giving up of more highly paid, but less consistent work opportunities.

If the group for whom income forgone equalled or exceeded PWP income are excluded from the analysis, the mean net financial benefit ratio rises to 0.51, ranging from 0.02 to 0.93.<sup>94</sup>

<sup>92</sup> It should be noted that n=7 for this group, with men constituting only 7% of the total Zibambebe workforce.

<sup>93</sup> Six of the forty-one values were negative.

<sup>94</sup> The household-level processes resulting in levels of income forgone which exceed PWP income are not discussed further in this report.

Disaggregated by sex the ratio is 0.42 for women and 0.58 for men, with the same caution regarding the small number of data points (n=14 for men and n=18 for women). In monetary terms the mean net income gain from participation in the PWP for this group was R292, ranging from R10 to R550. The mean net income gain for men was R242, and R330 for women.

The survey findings suggest that labour market substitution occurred as a consequence of the introduction of the PWP, with 33% of workers moving out of alternative employment, fully or partially, in order to participate in the Gundo Lashu programme. In the focus group discussions, participants stated that many Gundo Lashu workers had worked on an informal basis immediately prior to participation in the programme. This would suggest that the group of workers experiencing income forgone may actually be a larger proportion of the Gundo Lashu group than the survey response rate would indicate. Focus group discussion indicated that this substitution is related to the extremely low wage levels prevailing in the area, in both the local informal sector and the informalised component of the agricultural sector,<sup>95</sup> and the relative ease with which workers can move in and out of low-paid informal sector work.

Among the Zibambele workers who reported income forgone (28% of all Zibambele workers), the mean net income gain was R172 (ranging from -R470 to R320), which represents 52% of the total transfer, or a mean net financial benefit ratio of 0.52. Among this group the mean income forgone by men was R123, and by women R158, although n=7 for the male value (due to the small number of men employed in the Zibambele programme). The benefit incidence of the PWP wage transfer was 0.61 for men and 0.51 for women, the greater transfer value for men being due to the higher values of income forgone for women. The mean net monthly income gain for men participating in the Zibambele programme was R199, and for women R171, compared with the gross reported PWP income of R321 for men and R328 for women. Four workers reported a negative net income gain after participation in the PWP, and two a zero income gain. If these six workers, representing 5% of the 114 workers reporting income forgone, are removed from the analysis, the net income gain is R190, ranging from R10 to R320, and the wage benefit ratio 0.57.

The issue of forgone income exceeding actual PWP income was explored in the focus group discussions and found to be a common phenomenon among the workers, who unanimously agreed that they would prefer regular Zibambele employment, at R350 per month, to a significantly higher wage on a temporary, short-term or uncertain basis. One worker stated that she had rejected temporary employment valued at R700 a month, as it would have entailed terminating the Zibambele contract, with its attendant benefits.<sup>96</sup> In the Mapumulo focus group this issue was again explored, and workers reported that they would reject temporary employment remunerated at R800 per month if it were to entail termination of Zibambele employment.

The degree of labour market distortion in terms of substitution of one form of employment for another, is likely to be larger than the figure represented in the survey, due to a) many respondents not considering 'piece work' or casual work to be 'work' and worthy of reporting (see Adato *et al.*, 2004) and b) a concern lest admitting to prior work participation should lead to exclusion from the employment programme. Focus group work confirmed that these factors were likely to lead to a bias in the results and the under-reporting of work forgone. This would lead to an exaggeration of the income benefit ratio of PWP projects. The availability and quality of local work opportunities in terms of levels of remuneration would play a significant role in determining the ratio, which in aggregate would fall between the 0.52 ratio of the 28% who reported income forgone and the unity ratio of those 72% who reported no labour market substitution.

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<sup>95</sup> The introduction of the minimum wage in agriculture was perceived as having little impact on the highly casualised lower end of the agricultural sector, in which workers are recruited and paid daily on a task basis, with no employment registration or documentation of their employment. Wages in this sector were reported to be as low as R6 per day.

<sup>96</sup> Focus group discussions, Eshowe, KwaZulu Natal, February 2004.

### 8.6.1 The nature of work given up (paid and unpaid) to participate in PWPs

81% of Gundo Lashu and 72% of Zibambebe workers reported giving up or reducing alternative work in order to participate in the PWP programme,<sup>97</sup> and it is interesting to review the nature of work given up, both paid and unpaid, in order to understand the nature of the changes in household labour allocations taking place. The results are indicated in Table 8.4.

**Table 8.4 Work forgone; % of workers answering yes to each category**

Category of work forgone	Gundo Lashu	Zibambebe
Regular wage employment	5.8	0
Casual wage labour	15.9	24.0
Subsistence labour	10.0	21.0
Non-farm activity	12.8	13.8
Domestic activity	34.6	25.1

*Note:* Numbers do not add up to 100% as categories were not exclusive.

Among Gundo Lashu workers one-third reported giving up domestic activity, compared with between 10% and 16% reporting giving up casual wage labour, non-farm activity and subsistence, and only 6% giving up regular wage employment. The pattern was different for the Zibambebe workers, for whom domestic and casual wage labour and subsistence labour were the dominant categories of work forgone (between 21% and 25%), with no workers reporting giving up regular wage employment in favour of PWP participation.

The pattern of work given up is highly gendered in both groups, see Annex 6 for details. Among Gundo Lashu workers only a small percentage of either sex reported giving up regular wage labour, reflecting the limited access to regular wage employment in the area. For men the most frequent kind of work forgone was casual wage labour, with 27% of those who gave up work reporting this as an activity forgone, while only 6% of women reported work forgone in this area. For women the most significant area of work forgone was non-remunerated domestic work, which 50% mentioned, compared with only 17% of men. The second most important category for women was non-farm income-generating activity, which was given up by 17% of women, compared with only 8% of men. This gendered division of work forgone by Gundo Lashu workers is likely to reflect the gendered allocation of labour within the households of participating workers.

Unlike Gundo Lashu workers, no Zibambebe workers of either sex reported giving up regular wage employment. This was due to the lack of availability of regular wage opportunities in the area. The relatively low remuneration of Zibambebe employment would not compensate for the loss of regular wage employment, and it is unlikely that if a Zibambebe worker had had regular wage employment this would have been given up for Zibambebe employment. Casual wage labour is the area of work where most remunerated activity was reduced among female Zibambebe employees (25%), but similar numbers also reported reducing subsistence agriculture (21%) and household domestic activity (26%). For the small number of male Zibambebe workers, subsistence agriculture was the main area of reduced activity (21%), with 17% reducing casual wage labour activities.

<sup>97</sup> The response rate to the question regarding 'work given up' was 78% among Gundo Lashu workers, and 88% among Zibambebe workers. Not all those who reported reduced work activity reported a monetary value for this work.



## Chapter 9: State and Private Grants and Transfers

In addition to employment-derived income, state and private transfers play a critical role in household welfare. These include state grants, transfers and social insurance, and a range of community- or family-based transfers such as remittances, loans and gifts within the community, and transfers marking events such as marriage or the birth of a child. These are explored below.

### 9.1 State transfers, grants and social insurance

The linkage between access to grants and household poverty in South Africa has been well documented, with households in receipt of higher-value grants (such as the old age pension) by definition falling outside the poorest decile by virtue of the value of the transfer (see Leibbrandt and Woolard, 2001 for a discussion of the impact of pension receipt on poverty). State payments may be divided into two categories: grant transfers which are sustained over a prolonged period, and social insurance payments which are paid on a temporary or short-term basis. The state old age pension, disability grant, child support grant, care dependency grant and foster care grant are the main sustained state transfers reported by respondents. Of these the state old age pension and child support grant are technically means-tested; however, the means test is not rigorously adhered to as a criterion for eligibility in either case.<sup>98</sup> The main non-sustained state social insurances are the Workers' Compensation Fund and the Unemployment Insurance Fund, and their incidence is extremely limited.

In order to capture the value of state transfers received in the PWP households, each household was asked what grants were received by household members.<sup>99</sup> The number of recipients and value of the transfers are set out in Table 9.1.

Table 9.1 State grants and insurances

	Gundo Lashu		Zimbabwe	
	n	Mean value (R)	n	Mean value (R)
<b>Child support grant</b>	169	160	161	167
<b>State old age pension</b>	98	701	38	692
<b>Disability grant</b>	8	700	13	685
<b>Workers' compensation</b>	1	-	5	-
<b>Foster care grant</b>	0	-	3	500
<b>Care grant</b>	2	400	0	-
<b>Unemployment insurance</b>	1	300	0	-

The transfer accruing to the largest number of household members was the child support grant which was received by 169 children in the Gundo Lashu sample, and 161 in the Zimbabwe sample, going to 7% of Gundo Lashu and 9% of Zimbabwe households. The state old age pension was the only other widely received transfer, received by 98 Gundo Lashu household members and 38 Zimbabwe members. All other state grants and insurances were received by a negligible percentage of the sample. The low take-up of the foster care grant is noteworthy, given the high HIV/AIDS prevalence rates in these provinces and the incidence of orphans being absorbed into the extended family; the grant was received by no Gundo Lashu households and only two Zimbabwe households.

<sup>98</sup> S. Jehoma quoted in Meth (2004a) and T. Guthrie, pers. comm.

<sup>99</sup> There were 919 such household members in the Gundo Lashu survey, and 1306 in the Zimbabwe survey.

The incidence of social insurance was extremely limited, with workers' compensation payments reported by only six people, and Unemployment Insurance Fund payments reported by only one, confirming the extremely limited penetration of this contributory insurance, the only formal social protection instrument designed to support the working-age unemployed.

### ***9.1.1 Child support grant discussion***

49% of Gundo Lashu households and 28% of Zibambeke households received child support grants. Gundo Lashu households contained 256 eligible children<sup>100</sup> and received 169 grants (66% take-up), while Zibambeke households had 462 eligible children and received 165 grants (36% take-up). Hence the take-up rate among the Zibambeke households was considerably lower, again conforming to the thesis that the Zibambeke households were from a differing, and lower socio-economic grouping than the Gundo Lashu group. The lower take-up rates among Zibambeke households are ironic, given the higher eligibility of the Zibambeke households for the grant, if the means test were applied rigorously as a criterion.

These take-up rates may be compared with provincial take-up rates of 48% in Limpopo and 62% in KwaZulu Natal in February 2003 (Guthrie, 2003).<sup>101</sup> Hence among the Gundo Lashu households take-up is higher at 66% than the provincial average of 48%, and among Zibambeke households take-up at 36% is significantly lower than the provincial norm of 62%.<sup>102</sup> Given the link established between grant income and poverty, this low grant take-up rate serves as an indicator of the poverty of Zibambeke households in relation to the provincial mean, reinforcing the indication that the Gundo Lashu PWP participants may be at or above the provincial socio-economic norm, while the Zibambeke participants may fall below it.

For both groups, take-up rates decreased as the number of children eligible increased (see Annex 7); in Gundo Lashu households take-up was 72% when one child was eligible, falling to less than 17% full take-up when 3 or more children were eligible, while among Zibambeke households take-up rates were 40% when one child was eligible, falling to less than 6% full take-up when 3 or more children were eligible.<sup>103</sup> The issue of grant take-up was explored in the focus group discussions which revealed that, while most participants were aware of their rights in terms of eligibility for the child support grant, discouragement during the application process as the result of bureaucratic delays was the primary factor limiting grant take-up.

### ***9.1.2 State old age pension discussion***

Receipt of a pension is a critical determinant of the depth of household poverty in South Africa, and has been found to have a significant impact on welfare (see, for example, Duflo 1999).

<sup>100</sup> For the purpose of this study the simplifying assumption is made that all appropriately aged children are eligible for the child support grant. In fact the rural means test criteria is parental income of less than R800 per month, however this is not rigorously applied (T Guthrie, pers. comm., February 2004) and so has been ignored for the purpose of this study. Were the test to be rigorously applied, 88% of households with former Gundo Lashu workers, 68% of households with current Gundo Lashu workers and 95% of Zibambeke households would be eligible on the basis of a total household income ceiling of R800. It should also be noted that at the time of the study the CSG extension to the age of 9 had not yet been rolled out in the research areas. Those who reported receipt of a grant where children were not appropriately aged have been excluded from the analysis.

<sup>101</sup> These figures apply to take-up rates among 'poor' children, defined as those living below a poverty line of R400 per month in 2002. 99% of the sampled Zibambeke households, and 93% of Gundo Lashu households, fell below the HSL of R473 in 2003, and so the simplifying assumption has been made that it is appropriate to consider all the children in the sample poor for the purpose of comparison with national-level take-up of the CSG. Using an alternative poverty line, derived from the 2000 Income and Expenditure Survey, and January 2003 SOCPEN data, Samson et al. (2003) find similar provincial take-up rates, 58% for KwaZulu Natal, and 56% for Limpopo.

<sup>102</sup> The 36% rate of take-up among Zibambeke children is consistent with recent findings in rural KwaZulu Natal by Case et al. (2002) who found a 33% take-up rate.

<sup>103</sup> Take-up rates for the Child Support Grant by number of eligible children are set out for the two programmes in Annex 7.

Households in receipt of a state pension fall outside the parameters of the poorest decile, and so identification of pension receipt in PWP households is a useful proxy indicator of household economic status. The number of pensioners in the Gundo Lashu households was significantly higher than in the Zibambeke households, with 0.45 pensioners per household as against 0.15 for the latter.<sup>104</sup>

A higher percentage of Gundo Lashu households included pensioners than the regional norm, with 38% of Gundo Lashu households containing members of pensionable age compared with the rural Limpopo figure of 33% (Stats SA, 2003a). By contrast, only 14% of Zibambeke households included pensionable members, compared with a provincial rural norm of 39% (*ibid*). This suggests that the Zibambeke households had significantly fewer pensionable members than the rural norm for the province. Since the absence of a pensioner in a household is a key determinant of poverty, this indicates successful poverty targeting in the Zibambeke programme.

The pension take-up rate was 80% in Gundo Lashu households<sup>105</sup> and 58% in Zibambeke households,<sup>106</sup> with 32% of Gundo Lashu households receiving state pensions compared with only 9% of Zibambeke households. While household size was similar in the two groups, the Zibambeke households had both lower numbers of members of pensionable age, and also a lower rate of pension take-up. These findings indicate that the Zibambeke households are likely to be poorer than the Gundo Lashu group. This also reflects the greater emphasis on poverty targeting in the Zibambeke programme, where receipt of a state transfer is a criterion for exclusion from the programme. In the focus group discussion in Eshowe it was reported that one Zibambeke worker had been invited, by the community who had previously selected her for participation, to step down from the Zibambeke programme upon receipt of a pension by a household member, on the grounds that she no longer conformed to the poverty selection criterion, since her household now had access to an alternative form of income. This is indicative of the effective community ownership and commitment to the programme's purpose and the objective of selecting the poorest for participation. Hence the low rate of pensioners and pension take-up among the Zibambeke group is indicative of the programme's successful targeting. The high incidence of pensioners and take-up among the Gundo Lashu group indicates less of a poverty focus in this programme.

The low grant take-up rate among the poor is paradoxical, as is the implication that poorer households in the sample have lower take-up rates than the better-off, although when considered in the context where receipt of a transfer, such as a pension, or multiple child support grants, is sufficient to move a household above the poverty line, this effect is not surprising. This research suggests that the low grant take-up among the poor is the consequence of both supply-side problems such as bureaucratic delays and demand-side problems such as lack of documentation among the poor. Kingdon has suggested that an additional explanation could be the under-reporting of grant income in poor households in the hope of promoting eligibility for PWP employment, particularly given that in the Zibambeke programme receipt of a state transfer is a criterion for exclusion from the programme.<sup>107</sup> However, given the close community scrutiny of income flows within Zibambeke households indicated above in the focus group discussion, this explanation does not seem likely in this instance.

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<sup>104</sup> In total, 178 household members of pensionable age were included in the survey. 136 old state old age pension grants were recorded in the survey, although of these 7 were found to be received by ineligible households, and so these have been removed from the incidence component of the analysis, suggesting a take-up rate of 129/178 =72. The reporting of 7 pensions paid to ineligible household members represents 5% of the total number of pensions reported. This compares to a pension targeting error of 10% reported in Case & Deaton (1998), in which 10% of pensions in South Africa were found to be paid to those who do not fall within the prescribed age criteria.

<sup>105</sup> While 98 pensions were recorded and 118 household members were of pensionable age, 4 of those who reported pension receipt were not eligible, and so were excluded from the analysis, see Case and Deaton, 1998, and Ardington & Lund, 1995, for a discussion of the payment of old age pensions to non-eligible recipients.

<sup>106</sup> 3 of the 38 reported as receiving pensions were not eligible and were therefore excluded from the analysis.

<sup>107</sup> Pers. comm. G Kingdon, May 2004.

In terms of the effect of grant receipt on labour market participation, the assertion that the receipt of social grants contributes to reduced household activity in the labour market is sometimes posited.<sup>108</sup> Samson (2002), however, cites research suggesting that the effect of grants may be positive rather than negative, and recent work by Posel, Fairburn and Lund (2004) also challenges the causality inherent in the above assertion. In South Africa grants are set at such low levels that the likelihood of their receipt inducing recipients to withdraw from the labour market may not be assumed on the basis of the evidence available to date.

## 9.2 Private transfers

Private transfers also play an important role in household survival strategies, contributing to the diversified income base of the poor, although they are rarely captured in conventional surveys. Several forms of private transfers were captured in our survey, including bride price (*lobola*) and compensation for illegitimate children, injury or theft. Those with the highest incidence were private maintenance grants for children or spouses and workplace pensions or retirement benefits (see Table 9.2).

Table 9.2 Main private transfers

	Gundo Lashu		Zimbabwe	
	n	Mean value	n	Mean value
Private maintenance	21	R189	13	R122
Workplace pension/benefits	6	R670	5	R1772

Monetary values were given for only a limited number of private transfers (5 in Gundo Lashu households, and 10 in Zimbabwe). The number of transfers reported, due to the social redistributive processes outlined above (birth, death, marriage, etc.) is low, given the size and demographics of the sample, and for this reason is likely to indicate under-reporting of such transfers. However, these findings are indicative of the value of such exchanges within the household economy, in the context of the household income levels of the sample.<sup>109</sup>

## 9.3 Remittances

Remittance income was deliberately included in the survey, in order to take account of as many of the diverse sources of household income prevalent in South Africa as possible. This information is often omitted in current national household survey work and for this reason there is little direct comparative data (see Posel and Casale (2003) for a full discussion of the constraints to analysis of remittance behaviour in current household survey instruments). Even when included in a survey, however, remittance income may frequently be under-reported due to (i) problems of recall and (ii) the inclusion of goods in kind, which may be hard to remember and to value in monetary terms, and may as a consequence lead to a reduction in the recorded contribution of remittances to household income.

Notwithstanding these concerns, 28% of Gundo Lashu households reported remittance income from household members, and 12% of Zimbabwe households. These figures may be compared with the percentage of households with migrant workers, which in the case of Gundo Lashu is 28%,

<sup>108</sup> Pers. comm. J Roberts, May 2004.

<sup>109</sup> The reasons for private transfers in Gundo Lashu households included two insurance payouts for deceased husbands from employers (R3000 and R7200), and a *lobola*, or bride price, payment (R800). The value of these transfers ranged from R450 to R7200. The Zimbabwe transfers included compensation for women for illegitimate children from the fathers (three in the form of cows, valued at between R700 and R3000, and others in the form of cash payments of R1000, R1700 and R2000), an inheritance of R3000, gifts of chickens from a neighbour valued at R150, and selling of livestock (cows and goats) valued at R1500 and R450 respectively. The value of these transfers ranged from R150 to R3000.

and in the case of Zimbabwe 7%. In both cases this represents a high rate of remittance receipts, given the number of migrants, and suggests that remittances are also being received from those who were reported as looking for work, as well as those 'in work'. Given the fluidity and casualisation of the labour market, there may be no clear distinction between the categories of 'looking for work' and 'being in work'.<sup>110</sup>

Of the Gundo Lashu households which reported remittance income, 44% (n=33) gave details of the amounts remitted over the prior twelve-month period. The mean value of remittances was R3041, ranging from R250 to R12,000. 39% of the Zimbabwe households reporting remittance income gave values (n=19); the mean annual value of these remittances was R615, ranging from R40 to R1500. These latter figures are considerably less skewed than the Gundo Lashu figures, indicating a more homogeneous population with fewer outliers.

## 9.4 Community contributions

In order to explore the issue of horizontal intra-community transfers, and complete the review of potential sources of household income, households were asked whether they were in receipt of contributions in the form of financial or non-financial gifts from non-household members of their community (community contributions).<sup>111</sup> This information is not normally collected in national surveys in South Africa, and is interesting because it sheds light on households' coping strategies under conditions of extremely high unemployment.

Among Gundo Lashu households with current PWP employment, only 7% reported contributions, while the figure was 20% among households with former Gundo Lashu workers. This suggests that household receipts from community members may be lower during the period of PWP employment than when PWP employment is not available. The mean annual value of these contributions for households receiving contributions while in PWP employment, was R1471, ranging from R200 to R4000, or R123 per month. Among the households without current PWP employment the mean annual value was R665, ranging from R50 to R2,400, or R55 a month. For the Gundo Lashu with former PWP employees households the mean receipt from community contributions was only 45% of the value of those with PWP employment. This suggests that a higher proportion of Gundo Lashu workers without current PWP employment received transfers from the community than with PWP employment, but that the value of the transfer was significantly less, at R665 as against R1471. Gundo Lashu households without current PWP employment report significantly lower levels of community support in absolute cash terms, but a greater percentage receive assistance. It is likely that there are multiple explanations for this pattern, which may be indicative of different types of horizontal transfer processes within the community, contingent on regular wage income and repayment potential. This is an area for further research; it will not, however, be explored further in this paper.

28% of Zimbabwe households received community contributions, indicating a greater reliance among Zimbabwe than Gundo Lashu households on community support even during programme participation. For these households the mean annual value of community assistance was R307, ranging from R10 to R3848, or R25 per month. The Zimbabwe figure is significantly lower than the Gundo Lashu value, so while a higher percentage of Zimbabwe households receive help from the community, the level of assistance is lower. This may be linked to the fact that, even when participating in the programme, 99% of Zimbabwe workers were still under the poverty line (see Chapter 10), and hence in need of ongoing support from the community.

The main benefactors of both groups were neighbours and relatives who were not members of the household, which suggests that the majority of horizontal transfers within the community were

<sup>110</sup> These distinctions would have been significantly clearer prior to the abolition of the influx controls governing 'non-white' labour flows.

<sup>111</sup> This question was answered by only 255 out of a total of 363 Gundo Lashu households (70%), and 408 out of 413 Zimbabwe households (98%).

based on social networks and flow through relatives and neighbours rather than other formal institutions. The survey findings are consistent with findings by Moller (1992) and Hofmeyr (1985), cited in Natrass (2000), which highlight the critical role of gifts from relatives and neighbours in the survival strategy of the poorest.

PWP households also played a role as donors of community contributions. 24% of Gundo Lashu households reported giving financial or material support to non-household members,<sup>112</sup> and 28% of Zibambeke households. The mean annual amount given by Gundo Lashu households was R531, and by Zibambeke households R218. The main recipients of this assistance are outlined in Table 9.3.

**Table 9.3 Recipients of community contributions from PWP households**

	<b>Gundo Lashu households</b>	<b>Zibambeke households</b>
	% of households who give to each group	
<b>Absent household members</b>	6	3
<b>Relatives not in household</b>	16	5
<b>Neighbours</b>	11	22

Table 9.3 suggests that significant horizontal redistribution is taking place, with households focusing their gifts on relatives and neighbours. The Zibambeke households focused more exclusively on assisting neighbours, reflecting focus group discussions in KwaZulu Natal where former workers stated that they perceived it as being both their responsibility to assist other community members since they were receiving PWP income, and also a matter of social pride, that they were now able to give support to other community members, rather than being in the position of mendicants themselves, as they had been prior to PWP employment. These findings suggest the operation of community-level mutual insurance against risk of unemployment; during periods of unemployment and financial hardship the Zibambeke workers received support from the community, and when they had access to employment they reciprocated with gifts to others in the community, both those in need and those who had assisted them in their times of hardship.

## **9.5 Total transfers received by households**

The total mean monthly value of state and private transfers to Gundo Lashu households was R645, ranging from R100 to R2360, and to Zibambeke households R469, ranging from R50 to R5000. In both cases the data were skewed by a small number of high private transfers (private maintenance, pensions, and other transfers). 67% of Gundo Lashu households, and 37% of Zibambeke households, received state transfers. The mean Gundo Lashu household state transfer was R620, ranging from R130 to R2360, and the mean Zibambeke transfer was significantly lower at R416, ranging from R100 to R1560.

## **9.6 Total household income**

Total household income can be calculated aggregating income from all the sources discussed above. Among Gundo Lashu households with current PWP employment, the mean total monthly income was R1346, ranging from R320 to R6469. Among the 149 former PWP households, 8% reported no income, with the remainder reporting a mean total income of R849, ranging from R4

<sup>112</sup> Interestingly the data indicate that PWP employment status does not make a statistically significant difference to the number of Gundo Lashu households acting as donors, with 23% of households with current PWP employment making contributions compared with 28% of former PWP households.

to R3368.<sup>113</sup> For Zibambele households the total mean income was R626, ranging from R230 to R5517, indicating a highly skewed sample, with high value outliers.<sup>114</sup>

These income levels indicate a mean adult equivalent per capita income of R181 (ranging from R14 to R671) for households with former Gundo Lashu workers and R292 (ranging from R49 to R942) for households with current PWP workers. The mean per capita figure for Zibambele households is R145, ranging from R37 to R848, with a median of R115.<sup>115</sup>

Unfortunately these figures cannot be directly compared with the distribution of total income reported in the *Labour Force Survey* control group, as the *LFS* collects data only on primary income, and excludes remittances and community contributions. However, the survey figures indicate the total cash income received by the PWP households, and give an impression of the diversity of income sources within poor households.

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<sup>113</sup> The existence of 8% of households without any form of income suggests that not all forms of income or income in kind may be being picked up in the survey. The lack of income data is thought to represent a failure to disclose rather than a total lack of either earned income, transfers or remittances, in cash or kind, since while it is possible that the households were surviving solely on household domestic production, this is unlikely, given that the survey was conducted during the drought period of winter 2003 in Limpopo, and there was very little agricultural activity or agricultural stocks due to the poor harvest the previous year.

<sup>114</sup> Extreme outliers comprising less than 2% of the overall sample have been removed from both groups in the following analysis.

<sup>115</sup> An extreme outlier of R2028 has been removed from the analysis (the next largest total is R848).

## Chapter 10: The Impact of PWP Participation on Income Poverty

Total income in the PWP households can be reviewed in the light of the poverty line, and some conclusions drawn regarding the role of PWP income in reducing poverty. Several poverty lines are in use in South Africa, offering differing estimates of the proportion of the population living in poverty, and for this analysis a version of the Household Subsistence Line (HSL) was selected. The HSL is a measure of the theoretical monthly cost of basic needs derived from a basket of goods and services comprising food, housing, fuel, light and transport. The figure for 2003 was derived from the HSL for low-income households (Potgieter, 2003), and is based on the 2002 low-income HSL (Meth, 2004a), inflated to 2003 prices. This results in a low-income HSL of R486 per adult equivalent, which will be used as an approximate indicator of household poverty. Foster-Greer-Thorbecke indices are used to estimate the incidence and depth of poverty within the sample groups.<sup>116</sup>

### 10.1 The incidence of poverty

Using the adjusted household equivalents figure, a headcount estimate of poverty within the sample groups may be calculated. Even with PWP income, 99% of Zimbabwe households and 89% of households with current Gundo Lashu workers still fell below the monthly adjusted per capita HSL poverty line of R486 by a significant margin. Participation in the PWP has not moved workers in these households out of poverty. However, since the net benefit ratio of participating in the programme is positive in income terms for 98% of the total sample, it is possible to conclude that PWP participation has reduced the poverty gap, and hence reduced the intensity of poverty of PWP workers' households. In the case of the Gundo Lashu programme, a comparison of the poverty gap experienced by the two groups of households (former and current workers), suggests that participation in the programme has achieved a significant reduction in the poverty gap. 89% of households with current Gundo Lashu workers fall under the per capita HSL of R486 and 96% of households with former Gundo Lashu workers.<sup>117</sup> This difference is statistically significant and if these two groups are considered to represent treatment and non-treatment groups,<sup>118</sup> the figures suggest that the percentage of Gundo Lashu households below the poverty line, prior to receipt of PWP employment, may be significantly higher than the percentage of those with current PWP employment, and that the headcount poverty rate is significantly reduced as a result of the PWP income. Ideally the adult equivalent income for the same households before and during PWP employment should have been used for this analysis, rather than inferring the poverty impact of the PWP from currently and formerly employed households. However, the lack of baseline data made the inclusion of a non-treatment control group in the survey impossible, since the characteristics of PWP participants were not known *a priori*. The use of former PWP households as a proxy for the non-treatment group has therefore been adopted as a second-best option in this case.

These findings make it clear that, with all sources of household income taken into account, participation in neither programme brings the majority of workers' households above the poverty line.

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<sup>116</sup> The Foster-Greer-Thorbecke (FGT) indices are based on  $PA = (1 - Y/P) A$ , where P is the poverty line, Y is income, PO measures the incidence of poverty, P1 is an index of the poverty-gap, and P2 is a weighted index of the poverty-gap.

<sup>117</sup> The outliers noted above are also excluded from this analysis.

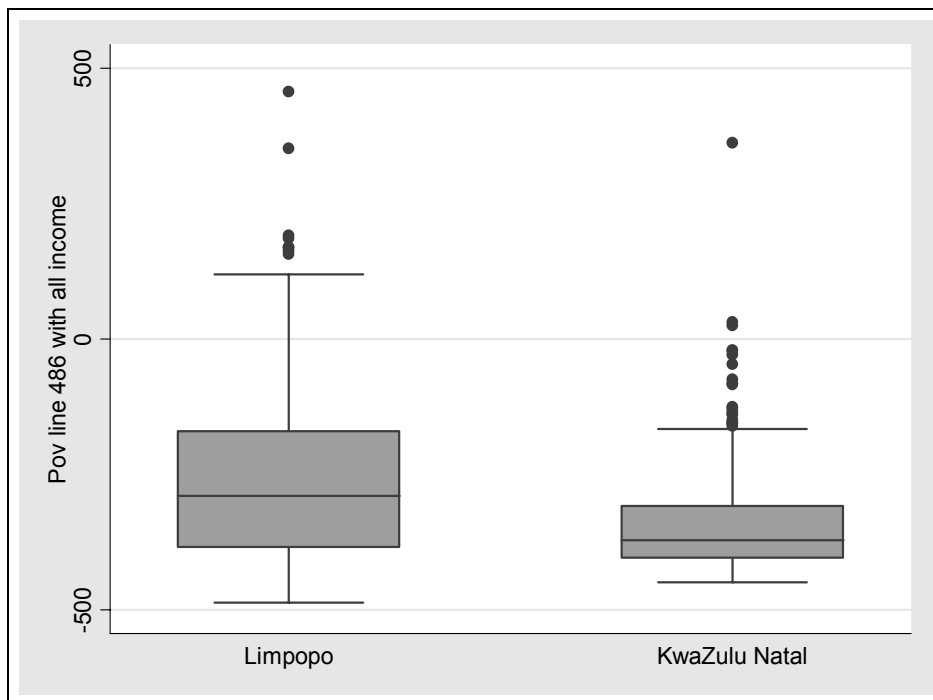
<sup>118</sup> This simplifying assumption is problematic, and is based on the assumption that PWP households return to the income status quo ante after completion of PWP employment.



## 10.2 The depth of poverty

The depth of poverty of the sample groups may be assessed by examining the poverty gap. For households with current Gundo Lashu workers the mean shortfall for those beneath the poverty line is R227 per adult equivalent per month (ranging from R424 to R11), and for households with former Gundo Lashu workers it is R322 (ranging from R473 to R0.3). For Zibambele households the mean shortfall beneath the HSL poverty line is R332 per person per month, ranging from R436 to R7. The distance between household income and the poverty line is illustrated in Fig. 10.1, which indicates that a greater proportion of the Zibambele sample fall further below the poverty line, with a greater mean shortfall beneath the poverty line than the Limpopo sample, and that they have a more concentrated distribution of income.<sup>119</sup>

**Fig. 10.1 Shortfall between per capita income and the poverty line: Total per capita household income minus the poverty line (R486)**

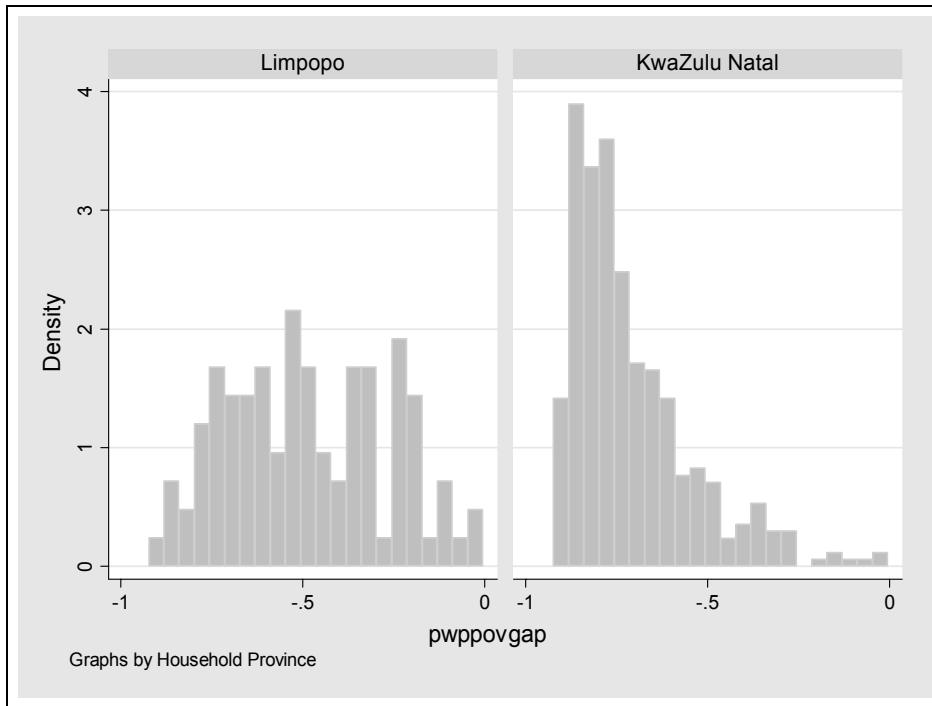


Foster-Greer-Thorbecke indices may be used to explore the depth of poverty further, with the poverty gap for the two groups represented as an index ( $P_1$ ).<sup>120</sup> For the Gundo Lashu households with current PWP employment the mean poverty gap is 0.48, while for Zibambele households it is 0.72, indicating a greater depth of poverty among Zibambele households. The distribution of the poverty gap is illustrated in Fig. 10.2.

<sup>119</sup> For Limpopo the standard deviation is 124.6 and for KwaZulu Natal 81.2.

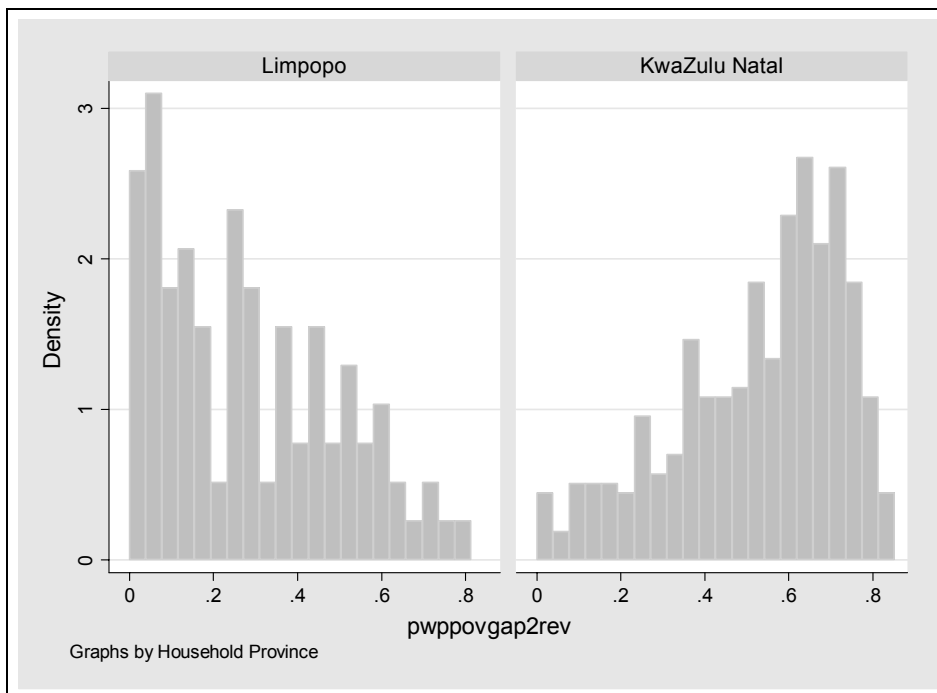
<sup>120</sup>  $P_1$  = per capita household income - HSL/HSL

**Fig. 10.2** The depth of PWP household poverty ( $P_1$ )



The figure illustrates that Zibambele households are concentrated at the lower end of the index, indicating that poverty is deeper among this group than among Gundo Lashu households with current PWP employment. The poverty gap may also be squared ( $P_2$ ) to give a higher weight to greater shortfalls from the poverty line and illustrate the intensity of poverty, see Fig. 10.3.

**Fig. 10.3** The intensity of PWP household poverty ( $P_2$ )



The figure illustrates the intensity of poverty experienced by PWP households, even while having PWP employment. The greater intensity of poverty experienced by the Zibambele workers is evident from the concentration of higher values of the  $P_2$  index.

### **10.3 Income poverty conclusion**

Even with PWP income, the Zibambele sample were significantly poorer than the Gundo Lashu sample, with a greater incidence and intensity of poverty. A key insight from these findings is that participation in the programmes did not move the majority of households out of poverty, on the basis of an adjusted per capita poverty line of R486 a month. Even with PWP income, 99% of the KwaZulu Natal households and 89% of the Limpopo households still fell below this poverty line. However, while participation in the PWP did not move these households above the poverty line, it did contribute to a reduction in the poverty gap, and hence reduce the intensity of poverty experienced in workers' households.

## Chapter 11: The Impact of PWPs on Non-Income Indicators of Poverty

Having reviewed the income implications of PWP participation, the impact of participation on a range of non-monetary and socio-economic indicators will now be examined, with a focus on asset ownership, access to grants, expenditure, education, nutrition, and psycho-social well-being. Research in this area was subject to methodological limitations due to the lack of baseline data on participating households, and as a result the survey questions informing this chapter were largely phrased in terms of current and previous experience, and hence were reliant on recall rather than panel information for the same households over time. This may introduce a degree of error into the findings. It should also be noted that PWP employment may not be the sole or even primary causal factor informing the changes reported, and exogenous factors, such as the increased roll-out of social protection grants (see Guthrie, 2003), may also influence the welfare of households during the PWP employment period. However, the effect of transfer income is unlikely to be significant for the Gundo Lashu workers during the limited period of PWP employment, and should not be overstated for the Zibambeke households, who showed a low level of grant take-up. In the light of this, where positive changes have taken place in socio-economic indicators over the period of PWP employment, it may be assumed that these changes are indicative of a causal relationship, although exclusive causality cannot be assumed.

### 11.1 Use of income and asset ownership

Prior to reviewing the reported impact of PWP participation, it is useful to identify the material asset base of the households, and their main uses of the PWP income, in order to provide a context for the subsequent analysis.

Households were asked to report on ownership of a list of eleven items, and their responses are outlined in Table 11.1. The table indicates that Gundo Lashu households owned a greater number of the listed items than Zibambeke households overall, and had significantly higher levels of ownership of the high-value items, such as vehicles, televisions, radios and sofas. This supports the contention outlined above that the Gundo Lashu households were less poor.

Table 11.1 Household asset ownership

Asset	Gundo Lashu	Zibambeke
	% households reporting ownership	
Vehicle	9	1
Motorcycle	2	0
Tractor	2	0
Plough	16	2
Television	40	14
Radio	80	57
Bed	83	77
Watch/clock	74	60
Books	73	66
Sewing machine	21	7
Sofa	41	22

All respondents were asked about the main use of the additional income earned through PWP employment in their household. Food purchase was the main use of additional income in both groups, accounting for 79% of Gundo Lashu households and 100% of Zibambeke households. The

other main uses of PWP income among the Gundo Lashu households were clothing (13%), and education (4%).

Both groups of households reported considerable differences in terms of their 'non-principal' use of PWP income, with over 50% of Gundo Lashu households reporting expenditure on clothing, and over 40% reporting expenditure on transport and burial societies. For Zibambeke households, by contrast, the predominant uses of the income were clothing and education (over 80%), with transport costs and debt repayment being the next most frequent at 54% and 49% respectively (see Annex 8 for full details of non-principal income use). The fact that more Zibambeke than Gundo Lashu households reported expenditure on clothing, education and agricultural inputs, suggests that in Zibambeke households expenditure might have been more focused on basic household inputs than in Gundo Lashu households, while Gundo Lashu households reported more use of PWP income to fund 'non-survivalist' expenditure, such as improvements to their accommodation, or burial societies, which were seen as unaffordable but were desired by many Zibambeke workers.<sup>121</sup> The low level of reported expenditure on agricultural inputs in Limpopo (6% for Gundo Lashu, compared with 31% among the Zibambeke households), is likely to be due in part to the chronic drought prevailing in the Limpopo PWP areas at the time of the survey. The most significant spending differences between the two groups were in the categories of education and burial clubs. Here it is interesting to note that the additional PWP income was reportedly used to pay for education by 82% of Zibambeke households and only 37% of Gundo Lashu households, indicating a greater prior shortfall in Zibambeke education expenditure (see the following section for further discussion of this issue). The fact that only 13% of Zibambeke households spent the PWP income on burial societies, compared with 42% of Gundo Lashu households, was investigated in the focus group discussions, where Zibambeke workers reported investment in burial clubs as an aspiration rather than a current option, given their income levels.<sup>122</sup> They reported that, in the absence of formal burial club membership, mutual self-help was their primary coping mechanism, derived from the increased social capital arising from membership of a local Zibambeke road maintenance team.

In conclusion, the material asset base and spending patterns of the two groups indicate (i) that the Zibambeke group owned fewer and lower-value assets, and (ii) that the main expenditure item for the Zibambeke group was exclusively food, whereas expenditure was more diversified within the Gundo Lashu group. In the light of this context, household perceptions of the change in their asset bases can be reviewed.

Households were asked to compare their current situation, in terms of ownership of financial assets (formal or informal savings, insurances, etc.), with their situation prior to joining the PWP.

Among households with current Gundo Lashu workers, 36% reported increased financial assets, compared with only 18% among households with former Gundo Lashu workers.

Among the Zibambeke households, by contrast, 64% reported an increase in financial assets since joining the Zibambeke PWP programme. Although the transfer was significantly smaller, the sustained duration of the employment resulted in a greater increase in financial assets. Also, the analysis above suggests that the Zibambeke households were from a poorer socio-economic stratum than the Gundo Lashu households, and, consequently, the impact of the transfer is likely to have been greater. The linkage of payment modalities to formal sector banking in the case of the Zibambeke workers is also likely to have promoted a growth in ownership of financial assets (in terms of holding a bank account), which may previously have been extremely limited. The focus group discussions also revealed that one consequence of the social capital constructed between the workers as a result of sustained employment and social facilitation by the Department of

<sup>121</sup> Focus group discussion, Mapumulo, KwaZulu Natal, February 2004.

<sup>122</sup> This confirms findings by Ardington and Leibbrandt calculated from the October 2000 IES and the September 2000 LFS, which show that the proportion of households with insurance increases with income, and that in the lowest deciles very few households have funeral insurance (including burial society membership), Ardington and Leibbrandt (2004: 11).

Transport was increased informal savings activity (for example, through *stokvels* and insurance 'self-help' clubs) among groups of workers. These groups offered informal financial assistance at times of financial stress, for example by providing the goods required for funeral ceremonies.

In terms of material assets (cooking implements, furniture, etc.), the results mirror the changes in financial asset ownership among Gundo Lashu households. Only 20% of households with former PWP workers reported an increase in material asset ownership, while among households with current PWP workers the figure was 35%. This implies that those in current PWP employment reported a limited, but more positive, programme impact in terms of financial asset ownership than former PWP workers and suggests that either the benefit itself, or the perception of the benefit, decreased after the period of employment and the associated wage income. Among Zibambeke households 65% reported an increase in material asset ownership.<sup>123</sup>

This may illustrate the positive impact of sustained employment on accumulation (in terms of both financial and material assets), although it needs to be considered in the light of the lower socio-economic status of the Zibambeke households, and the fact that as a consequence their initial asset ownership status was likely to be lower.

## 11.2 Education

A key area of expenditure reported by both Zibambeke, and to a lesser extent Gundo Lashu workers, was education. In order to examine the impact of programme participation on children, the extent of regular school attendance by all children in the PWP households was explored in the survey. Each household was asked whether all school-age children attended school regularly<sup>124</sup> at the time of the survey, and prior to PWP employment. The results are presented in Table 11.2.

Table 11.2 Regular school attendance

	Households with former Gundo Lashu workers	Households with current Gundo Lashu workers	Zibambeke workers
	% of households in which all school-age children regularly attended school		
<b>Prior to participation in PWP</b>	95	93	67
<b>At time of interview</b>	96	98	90

98% of Gundo Lashu households with current PWP employment and school-age children reported that all the children went to school regularly at the time of the interview, while for households with former PWP workers the rate was 96%, rising from 93% and 95% respectively prior to PWP employment. These attendance rates are not statistically different for current or formerly employed Gundo Lashu households, and there is no indication of a change in attendance after PWP participation.

For Zibambeke households, however, the impact of PWP participation on education is significant. Participation in the PWP raised the percentage of households with regular school attendance by all children from 67% to 90%, a statistically significant improvement in attendance rates. Moreover

<sup>123</sup> One worker reported using the PWP wages to purchase a cooking pot to replace the discarded tin can previously used for cooking the family meal, and others commented on the fact that they were able to buy 'decent' clothes and were no longer ashamed of their impoverished appearance. These were identified as major benefits from participation in the programme (Mapumulo focus group, KwaZulu Natal, February 2004).

<sup>124</sup> The regularity element was included in the question in order to identify regular and consistent participation in education, as distinct from the erratic participation at times of income availability reported in focus group discussions prior to the survey development (Mankweng cluster, Limpopo, March 2003).

26% of households where only some children used to go to school, shifted into regular school attendance for all children subsequent to PWP employment (not illustrated in Table 11.2).

The findings suggest that for Gundo Lashu households regular school attendance levels were high prior to employment in the PWP, and PWP participation did not have a significant impact on raising them further. However, in Zibambele households where the initial levels of attendance were considerably lower, attendance rates rose significantly after PWP employment.

The reason given for children in Gundo Lashu households not regularly attending school prior to participation in the PWP was the cost of school materials (uniforms, text books, pencils, etc.) and the need for children to engage in domestic or paid work to support the household. Likewise, in Zibambele households the lack of money for school materials was mentioned as the key constraint, while hunger and the need for children to work or look after the family were reported as the main constraints in 7% of households.<sup>125</sup> This indicates that poverty remains a serious constraint on school attendance, notwithstanding the policy of fee waivers for the poor. The reason for the continued non-participation in education for some children even after PWP employment in Gundo Lashu households was lack of money for school equipment, while in Zibambele households, it was a combination of lack of funds for school materials and the need for children to work to earn income to support the family.

These findings were borne out by focus group discussions in Mapumulo among Zibambele workers. While households can sometimes earn money through casual work to pay for school fees, they are often unable to afford the other consumables, such as stationery or uniforms, and in these instances children are required to leave school after a period of grace. Equally, hunger was associated by mothers with poor school attendance. One reported boiling a pot of water on the fire before sending the children to school, in order to encourage them and give the impression that there might be food upon their return, despite their having gone to school with empty stomachs.

### 11.3 Nutrition

In the same way that households were asked about education, so three questions exploring nutrition were posed, concerning household nutrition prior to PWP participation and at the time of the interview. The first asked about the frequency of adults skipping meals because of lack of funds, the second explored an indicator of more severe poverty - the incidence of adults not eating for a whole day due to lack of funds -, and the third explored the impact of lack of funds on the provision of meals for children.

The findings were similar for all three questions, and responses to the first question regarding the frequency of adults skipping meals due to lack of funds are set out in Table 11.3 (see Annex 9 for the full set of results).

**Table 11.3 Frequency of adults skipping meals due to lack of funds**

		<b>Before PWP</b>	<b>After PWP</b>
		<b>(% of households reporting this behaviour)</b>	
<b>Current Gundo Lashu</b>	<b>Most of the time</b>	13	7
	<b>Never</b>	53	75
<b>Zibambele</b>	<b>Most of the time</b>	49	1
	<b>Never</b>	10	81

<sup>125</sup> In one of the few areas where detailed 'other' responses were recorded by the interviewers, the surveys contained specific quotations from the respondents including; 'Children did not have enough food', 'Children were hungry and preferred not to go to school', 'They were hungry and preferred not to go', 'They were hungry', and 'Hunger to children'.

Table 11.3 indicates that the percentage of households with current Gundo Lashu workers in which adults skipped meals frequently due to lack of funds fell from 13% before participation in the PWP to 7% subsequently, and the percentage with adults never skipping meals rose from 53% to 75%. The percentage of Zibambebe households in which adults frequently skipped meals fell from 49% to 1% subsequent to PWP employment, and the percentage in which this never occurred rose from 10% to 81%. In all cases there was a statistically significant improvement subsequent to programme participation, although the impact was marginal among the Gundo Lashu households.

Responses to all three questions indicated a positive correlation between improved household nutrition and PWP participation. This effect is particularly striking among the Zibambebe households where the initial nutrition situation was significantly worse than among the Gundo Lashu households, and less marked among the Gundo Lashu households which were less financially constrained in terms of food consumption prior to PWP participation, and indicated significantly lower levels of food restriction. It is noteworthy that the Zibambebe households reported adult nutritional behaviour which is characteristic of chronic under-nutrition, prior to participation in the programme, with adults reporting a high incidence of skipping meals for whole days (49% of households reporting this occurring frequently) and not eating for whole days (40%), while 34% of households reported reducing the size of children's meals. The significant reported impact of participation in the programme on nutrition is consistent with the primary use of PWP income being food for the Zibambebe households. This finding indicates the significant and positive impact of even a low level transfer (R350 a month) at household level.

#### 11.4 Psycho-social well-being

Psycho-social programme impacts were raised by participants in both the Gundo Lashu and Zibambebe focus groups. Participants reported that prior to participation in the programmes they had engaged in activities of which they were ashamed, such as begging for food, sending children to school hungry, and wearing ragged clothes. They were not able to pay school fees on a regular basis, and even when the fees were waived in many cases, children were eventually excluded from school because of their inability to purchase the materials and uniforms required.

In the Zibambebe focus groups, women reported that their poverty had prevented them from participation in social processes, such as activities which represented an expression of their belief systems, including performing appropriate burials, making spirit offerings, and holding the ceremonies required to mark the anniversary of family deaths. The consequence of the failure to observe these customs was social stigma and shame, conforming to the social dimension of poverty characterised by Sen in terms of social 'functioning'. Sen defines this class of functionings as 'achieving self-respect or being socially integrated' (Sen, 1993: 31), and argues that they are of greater complexity than elementary functionings, such as being adequately nourished or in good health. Subsequent to their PWP employment the workers reported giving food to the poor in their communities, which they regarded as an illustration of their changed social as well as economic status within the community.

The Zibambebe focus groups also reported the growth of social capital as a consequence of the organisation of the workers into workgroups, with co-workers offering mutual support at times of economic stress, such as funerals, and establishing informal savings clubs, in place of formal institutional savings clubs<sup>126</sup>. The focus group discussions also revealed a high degree of community ownership of the programme, and illustrated how social capital can support and reinforce the poverty focus of the programme, in terms of rationing access to income opportunities. Both focus groups reported that, if a member household started to receive a pension, the 'community' (as represented by a local chief or the Rural Road Transport Forum) would invite them to step down from the PWP in order to make way for another 'needier'

<sup>126</sup> The women noted that insurance to cover all family members through participation in formal burial clubs was not affordable for them.



participant without access to social grant income. Likewise, one group reported that, once recruited into the Zibambele programme, a worker who had previously been granted income-generating opportunities in terms of selling snacks in the local school had been invited to give up this privilege in order to allow another community member, without access to PWP wage income, to make a living through school-based microenterprise. This represents community management of the Zibambele income as part of a strategy to optimise the distribution of income opportunities among the poor.<sup>127</sup> Such a degree of participation in the distribution and rationing of PWP opportunities is only possible with a high level of community ownership, and resulted from investment in the community development component of the Zibambele programme over several years. Such an investment is problematic if the PWP intervention is only short-term, particularly if the programme is implemented by the private sector, which has little incentive to promote effective targeting or the community ownership which would facilitate and regulate it.

### 11.5 Access to grants

One further indicator of welfare explored in the survey is access to grants. Since joining the PWP programme, 15% of Gundo Lashu households reported increased access to government grants, compared with 28% of Zibambele households. In part this reflects the successful efforts of the Department of Social Welfare to promote grant take-up (see Guthrie, 2003). However, the differing incidence of increases in grant take-up may also be attributable in part to the different design components of the two programmes. One design factor contributing to the significant increase in grant take-up among the Zibambele households was likely to be the payment modality, with workers paid almost exclusively through bank transfers. This payment modality required workers to hold bank accounts, which in turn required possession of an identity document, and the programme included assistance in acquiring identity documentation. An additional benefit of identity document ownership was an increased opportunity to claim grants which were previously inaccessible (McCord, 2002).

In the Gundo Lashu programme, by contrast, ownership of identity documentation was a prerequisite for eligibility, with ID books being used as the basis for the employment lottery process, implying that those without identity documents were implicitly excluded from the selection process.<sup>128</sup> Hence the initial levels of grant take-up were likely to differ, with the Zibambele workers having lower levels of take-up due in part to their lack of documentation. Also, the social facilitators working with the Zibambele group provided information informally on grant eligibility and access, an input which was not included in the Gundo Lashu programme. It is interesting to note that, notwithstanding this 28% increase in grant take-up, the levels of take-up of pensions and child support among Zibambele workers remain below average (see Guthrie, 2003). This is partly due to the fact that those in receipt of the larger grants, such as pensions, may as a consequence be invited to leave the programme.

### 11.6 Conclusion

Despite the continued high levels of income poverty, with the majority of PWP participants remaining below the poverty line despite their participation in the programme, in all cases statistically significant positive impacts on various dimensions of poverty were noted for both Gundo Lashu and Zibambele households as a consequence of programme participation. The initial situation of the Zibambele households was consistently found to be one of greater poverty

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<sup>127</sup> Here the term 'community' is used in the sense of a local unit; there is no implication that this action was necessarily directly mandated by community members in a democratic or consultative sense; it may have been determined by local formal or informal power elites. However, it is clear that community-level allocation of resources was taking place to prevent the concentration of a limited number of revenue-generating opportunities.

<sup>128</sup> It should be noted, however, that no reports of exclusion from the programme due to lack of identity documentation were noted by Gundo Lashu management, M Mondlane, pers. comm., May 2004.

than for the Gundo Lashu households, whichever dimensions of poverty were explored, and consequently benefits which were marginal for Gundo Lashu households were more significant among Zibambebe households.<sup>129</sup>

In the case of the Zibambebe programme, there are indications that the sustained transfer impacted significantly on factors which influence the reproduction of poverty, with reduction in chronic under-nutrition and increased participation in education being major beneficial outcomes.<sup>130</sup> However, the findings question the sustained impact of benefits accrued under the Gundo Lashu programme. This is highlighted by responses to a question concerning the sustained impact of participation in PWP employment on poverty, subsequent to the ending of PWP employment.<sup>131</sup> Gundo Lashu households were asked whether participation in the programme would lead to a sustained reduction in household poverty, after the programme was completed. Among households with members currently employed by the PWP, 45% of respondents stated that programme participation would lead to a sustained reduction of poverty, but among those for whom PWP employment had been completed this figure fell to 33%. This indicates that after completion of the PWP employment only one-third of participants in the programme were confident that employment in the PWP would have sustained anti-poverty benefits. For these workers the income benefit of programme participation had the characteristics of a 'wage shock' rather than a sustained increase in income, engendering different usage of the wage transfer compared with the Zibambebe workers for whom access to income was sustained.

Where significant benefits were identified in terms of material and financial asset ownership, human and social capital improvements, and perceptions of sustained poverty reduction, these were concentrated in the programme offering lower remuneration but greater employment security and, most importantly, extended employment duration. These findings are consistent with the international literature on public works, which consistently highlights the importance of sustained employment for addressing the challenge of chronic poverty (see, for example, Dev, 1995).

Two issues emerge from the above discussion of PWPs: (i) the anti-poverty impacts of PWPs may be marginal if not targeted on the poorest, and (ii) the duration of poverty-reducing benefits arising from short-term PWP employment may be limited. A short-term period of employment in a PWP is unlikely to have significant sustained social protection outcomes, as the income is primarily used for consumption purposes. If social protection outcomes are desired, a medium- to long-term intervention is required which will enable consumption smoothing and accumulation, in the form of assets and/or savings - benefits which were discernible in the KwaZulu Natal programme which offered sustained employment, but less apparent in the short-term Limpopo

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<sup>129</sup> It is interesting to note that the significant impacts of the PWP wage in terms of nutrition and education etc. discussed above were achieved with a per capita transfer which is below the level of the proposed Basic Income Grant of R100 (see Samson, 2002). In the light of this the poverty-related impacts noted for the Zibambebe transfer above may serve to approximate a lower bound for the impact of a basic income grant. This offers a challenge to the argument frequently asserted by the South African government that a transfer of R100 would not have a significant impact on poverty; following the July 2003 Legkotla President Mbeki was quoted as saying that 'if you give everybody a R100 a month (sic) it will not make a difference [to poverty]' (Weekly Mail and Guardian, 1st-7th August 2003:6), sentiments echoed by Minister Trevor Manuel who argued that 'someone had to explain how R100 a person would make a difference to the lives of the poor' (Business Report, 25th August 2003:12) and reiterated in July 2004, when Mbeki was quoted as arguing that a grant set at this level would not have a significant impact on poverty, in an article entitled 'Mbeki rejects "much vaunted" grant' (This Day, 13th July 2004). The findings above indicate that while this might be true in terms of reducing headcount poverty, the number of people living beneath a given poverty line, this level of transfer would reduce the intensity of poverty, and could have a significant impact on critical dimensions of poverty such as education and nutrition.

<sup>130</sup> It is interesting to note, however, that it is unclear in the context of mass unemployment whether education does have a significant role to play in reducing poverty. For example, see Keswell and Poswell (2003) for a critical discussion of the applicability of assumptions of Mincerian returns to education in the context of mass unemployment in South Africa, and a suggestion that, to the contrary, the rate of returns to education may be negative for certain levels of education.

<sup>131</sup> This question was only asked of Gundo Lashu households, out of sensitivity to the anxiety expressed by Zibambebe workers regarding the potential termination of the programme.

programme. This represents a critical insight into the limitations of short-term public works as an instrument of social protection, and a challenge to the assumptions of the current policy discourse.

## Chapter 12: The Impact of PWP Participation on Labour Market Performance and the Local Economy

Having explored the poverty-related impacts of PWP participation and found that the impact may or may not be significant, depending on the targeting of the resources, and that the poverty-related benefits accruing from participation may only be temporary in nature, with a duration as long as participation in the programme, the second key policy goal ascribed to public works employment will now be considered, namely, employment.

### 12.1 Employment

In the current policy discourse work experience and training is seen as one of the key benefits of participation in the PWP in terms of improved labour market performance.<sup>132</sup>

In order to assess the employment impact of participation in the programme, the employment trajectories of PWP workers were explored in both the survey and the focus group discussions. In both the Gundo Lashu and Zibambebe focus groups, workers stated that the experience of working in the PWP, and the skills gained through participation did not significantly enhance their employment prospects, due primarily to the high rates of unemployment and lack of demand for labour with the skills they had gained during participation in the PWP. This corroborates the survey finding that former PWP workers in Gundo Lashu households had no greater chance of employment than other household members, with only 19% of former PWP employees working at the time of the interview, compared with 17% of Gundo Lashu household members without PWP employment experience.<sup>133</sup> If the broad unemployment rate among former Gundo Lashu workers is taken into consideration, this picture becomes increasingly stark, with unemployment rates of 80% among former PWP employees, compared with 65% among non-PWP participants, and a mean rate of 60% among the rural Limpopo population (see Table 7.2). This represents a rate of unemployment among the former PWP employees which is significantly worse than for those who had not participated in the programme, and suggests that, contrary to the objectives ascribed to PWP participation in the policy discourse, employment in a PWP may not lead to a significantly enhanced subsequent employment performance. This poses important questions regarding the labour market characteristics and 'employability' of those participating in the programme, a sensitive issue central to the debate on the function and objectives of PWP programmes, which requires further research.

In terms of the impact of PWP income and experience on household-level employment performance more generally (mediated through improved information networks, increased resources available for job search, transport, etc.), only 8% of households with former Gundo Lashu workers reported that one or more family members had found work since a household member had joined the PWP, and 6% of households with current Gundo Lashu workers. However, it is not clear in either case that this employment is a consequence of either a household member participating in the programme or the additional household income available for job search. The focus groups revealed that extremely low-paid work, primarily informal agricultural work,<sup>134</sup> is seasonally available in parts of the Limpopo survey area, if workers choose to take it up, implying

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<sup>132</sup> An example of this is the conceptualisation of the EPWP as a 'work experience and training period', at the end of which workers graduate to employment under 'normal conditions'. Post-PWP employment options are characterised as 'moving to a new employer, further education, better equipped job seeking, remaining with the same employer under normal employment conditions, or self-employment' (Department of Public Works, 2004).

<sup>133</sup> It is possible that the two groups have significantly different labour market characteristics, and hence a direct comparison between the two may not be instructive. This is an area for further analysis of the survey findings. It is, however, clear that at 19% the absolute level of employment among former PWP workers is low.

<sup>134</sup> Wage levels of as low as R6 were reported for some of the 'available' work in Limpopo, packing fruit on a casual basis.

that there may be a choice between very low-paid wage employment, with remuneration at below subsistence wages, and unemployment. This would distort analysis based on the assumption that employment will necessarily be preferable to unemployment. Of the Zibambele households, only 4% had household members who had found work since a household member joined the PWP.

## 12.2 Training and employment performance

In the public works policy discourse training is presented as the key to improved labour market performance. In order to question this assumption, workers' perceptions of the impact of training were explored in the survey. PWP workers were sometimes uncertain as to whether they had received training or not, and had poor recall of the content, suggesting that the significance ascribed to this input by the participants was limited. Overall, 38% of Gundo Lashu workers and 81% of Zibambele workers reported that they had received training. The subjects in which these workers reported training are set out in Table 12.1.

**Table 12.1 Training received by PWP workers**

	<b>Gundo Lashu</b>	<b>Zibambele</b>
<b>Subject</b>	<b>Workers recalling training in specific areas as a % of those reporting receiving training</b>	
<b>Technical road maintenance/construction</b>	27	99
<b>Supervision</b>	13	15
<b>Entrepreneurship</b>	74	13
<b>Life skills</b>	8	3

It is noteworthy that the majority of the Gundo Lashu workers reported no training in areas of technical skills. It is also interesting that, despite the very different percentages explicitly trained in entrepreneurship (74% of Gundo Lashu workers, and 13% of Zibambele workers), the reported outcome, in terms of microenterprise, is similarly low, with only 13% of workers in both programmes reporting increased micro-enterprise activity (see following section). The impact of training on labour market performance was explored through a direct question in the survey, 'Has this training enabled the worker to find additional wage employment?' Only 6% of formerly employed Gundo Lashu respondents and 4% of Zibambele respondents responded positively, implying that for 95% of PWP workers the training had not had an impact on labour market performance. This challenges the assumption frequently made in relation to public works in South Africa, that participation in PWPs will allow workers to 'gain skills while they are gainfully employed and increase their capacity to earn an income once they leave the programme' (President Mbeki, announcing the launch of the Expanded Public Works Programme, 11 November 2003).

The primary explanation given by workers for why the training had not enabled them to find employment, was lack of employment opportunities (given as the primary reason by 61% of Gundo Lashu and 82% of Zibambele respondents) and lack of resources for job search (given by 29% of Gundo Lashu and 7% of Zibambele respondents). The emphasis on lack of employment represents a realistic analysis of their labour market prospects on the part of the workers, given the levels of unemployment in rural KwaZulu Natal and Limpopo.<sup>135</sup> The optimism regarding the potential for PWP participation to promote employment in this context is problematic at two

<sup>135</sup> The 3% fall in narrow unemployment indicated in the September 2003 Labour Force Survey coupled with the stagnation in the level of broad unemployment and a drop in participation rates by 600,000, gives an indication of the impact of chronically high levels of unemployment, and sustained lack of employment opportunities in terms of promoting a withdrawal from participation in the labour market.

levels: firstly, it is questionable whether a meaningful skills transfer can occur within the limited period of employment offered in a short-term programme, and secondly, PWPs are promoting labour skills in a sector which has been stagnant or contracting for the last decade (McCord and Bhorat, 2003) and is therefore unlikely to offer significant levels of increased labour demand or absorption capacity for former PWP employees. The critical issue is that no skills shortage has been identified for the genre of skills acquired by workers through participation in a construction or maintenance-based PWP; these are not the skills for which a significant unmet demand is apparent.<sup>136</sup>

### 12.3 Generating SMMEs and microenterprise

Another aspect of the perceived beneficial impact of PWPs on labour market performance is that, as a consequence of labour market exposure, workers may become contractors, moving up the hierarchy of the labour market, once they have their 'foot on the employment ladder' (Department of Public Works, 2004). In order to explore this question, workers were asked whether they had aspirations to become contractors. 58% of Gundo Lashu and 72% of Zibambebe workers stated that they would like to set up as contractors, with 39% and 24% respectively preferring to remain as labourers.

It is noteworthy that while the majority of workers in both programmes aspired to become contractors, lack of access to finance and lack of technical knowledge were given as constraints to the realisation of this ambition. Given the lack of availability of both capital and skills training in contractor development for the workers, their aspirations are unlikely to be met as a result of PWP participation alone. It is also interesting to note that between one-third and one-half of workers did not aspire to move up the labour hierarchy, but preferred to remain as labourers. Both these findings challenge the assumption of current policy that workplace participation will promote the development of small to medium and micro enterprises in the construction sector.<sup>137</sup>

The spontaneous development of micro-enterprise activity, as the result of increased availability of cash at the local level, is another outcome often ascribed to the implementation of PWPs. In order to assess the extent of micro-enterprise activity resulting from PWP participation, households were asked whether they had used PWP income to set up or expand small business enterprises. 14% of Gundo Lashu households and 12% of Zibambebe households responded positively. The income-generating activities initiated among Gundo Lashu households were primarily focused on small-scale trading (54%), service provision (30%), agricultural production (9%) and household production (7%). Among the Zibambebe households small-scale trading was also the most common (50%), followed by agricultural production (26%), service provision (12%), and household production (10%). Focus group discussion among the Zibambebe workers revealed that limited markets for micro-enterprise outputs were a significant constraint to the development of enterprise in their areas, and for all households the main factor preventing the development of microenterprise was reported to be lack of credit/capital, highlighted by 83% and 87% of respondents respectively, followed by lack of business/technical skills, which was seen as the primary constraint by 12% of Gundo Lashu and 6% of Zibambebe respondents.

The limited levels of investment in microenterprise found in the survey are consistent with findings by Devereux (2000), who argued that the poor use incremental income first to satisfy basic consumption needs, then to invest in human capital (education and health) and social capital, and only thereafter to invest in income-generating activities and seeds. In this way the public works wage impacts on productive investment only if it is large enough to cover consumption needs.

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<sup>136</sup> The government has identified the key areas of skill shortages in the economy as 'financial service and information and communication technology skills', which it describes as 'mid-level skills accessible to matriculants and diplomats' (PCAS, 2003). It is interesting to note that these are not the skills accruing from participation in PWPs.

<sup>137</sup> Given the stagnation of this sector, it is not certain that the market could absorb a significant increase in construction oriented SMMEs.

Devereux found that ‘high value transfers are associated with higher propensities to invest in agriculture, social capital, (including in financial assistance to relatives), education and acquisition of productive assets’ (*ibid*: 4), while low value transfers, by contrast, are mainly consumed in the form of food and clothing. The survey findings conform with this stepped model of the impact of a wage transfer, indicating increased expenditure on basic consumption needs and human and social capital, but no significant increase in income-generating activity.

The focus group discussions indicated that where a micro-finance component (group savings and micro-enterprise training) had been added to the PWP package, subsequent to the implementation of the survey, enthusiasm for microenterprise increased significantly, with the workers explaining this in terms of the fact that, while they had considered their individual savings too small to be of use in terms of developing an enterprise, group-level savings would increase the feasibility of the purchase of stock, equipment, etc. While these putative group projects have not yet been realised, and so cannot be evaluated, it is clear that micro-finance inputs have the potential to shift the perceptions of workers, in terms of their estimate of the feasibility of investing in viable business ventures. This insight is supported by findings from the public works component of the Social Action Fund in Malawi, which indicate that inputs in areas such as micro-finance, credit, savings, group formation, and enterprise development may play a critical role in the stimulation of microenterprise, which cannot be achieved through PWP wage transfer alone (DFID, 2003).

## 12.4 The local economy

The broader economic impact of the programmes on the local economy was also reviewed. In order to gain an indication of the extent of income flows to the local economy arising from the PWP wage transfer, respondents were asked where they purchased most of their food, the major item purchased with the PWP income. 67% of Gundo Lashu respondents reported purchasing most of their food from local shops, 23% from shops in town, and 10% from local informal traders or neighbours, implying that almost 80% of the PWP households injected their PWP-funded food expenditure into the local economy. By contrast, 91% of Zibambele respondents purchased most of their food in town, with only 9% buying most of their food in local shops or from informal traders and neighbours. This reflects the fact that the Zibambele wage is paid through the commercial banking sector, and therefore wages are accessed in the local towns. This indicates that the means of payment can be a critical determinant of the location of spending and of resulting multipliers. In the case of Zibambele, the expenditure of the PWP wage is unlikely to stimulate local informal sector growth by increased demand, since so little of the wage income enters the local economy. However, the Zibambele workers reported significant savings both from the economies of scale inherent in being able to purchase food in bulk, due to increased access to cash, and also due to purchasing in towns where prices were reported to be up to 50% lower.<sup>138</sup>

The focus group discussions revealed that local microenterprises sprang up around the substantial Gundo Lashu work teams, for example small businesses selling snacks to workers at break times,<sup>139</sup> and small markets which arose spontaneously on pay day, similar to those noted by Ardington and Lund around pension points on pay day (Ardington and Lund, 1995). However, these were reported to have ceased trading once the period of employment was completed. Zibambele workers reported no such growth of enterprise to service them. This difference is probably attributable to the fact that the Zibambele workers were working part-time flexible hours and individually or in small groups, and not concentrated into work teams in a particular area, like the Gundo Lashu workers.

The other vector through which PWPs have the potential to stimulate the local economy is the economic benefits accruing from the asset created. This impact is contingent on (i) the strategic

<sup>138</sup> Zibambele focus group discussion.

<sup>139</sup> For example, the marketing of ‘vet koeke’ or fried dough balls, reported in the Gundo Lashu focus group discussions.

value of the asset created, and (ii) the quality and durability of the asset. These factors are related to the asset selection processes and the management of asset production, which is reliant on local government performance, and the quality of district Integrated Development Plans, the blueprints identifying local expenditure priorities and economic development strategies.<sup>140</sup> However, neither of these factors is considered in this report, which only examines the direct impact of wage income, on the simplifying assumption that the infrastructure will be constructed or maintained irrespective of the implementation of the PWP, with the PWP simply introducing a shift in the factor intensity of asset production, replacing capital with labour.<sup>141</sup> Consequently, the indirect economic benefits arising from the provision of infrastructure are excluded from this analysis, an approach sanctioned by Ravallion and Datt who go so far as to assert that ‘it is theoretically possible that a workfare scheme dominates alternatives [social protection instruments], even if the assets created or other indirect effects have no value’ (1995: 436), highlighting the primary importance of the direct impact of such programmes in terms of their social protection function.

## 12.5 Conclusion

While the Department of Public Works characterises the post-PWP employment options as ‘graduating to employment under normal conditions’ and a choice between ‘moving to a new employer, further education, better equipped job seeking, remaining with the same employer under normal employment conditions, or self-employment’ (Department of Public Works, 2004), the evidence from the survey suggests that workers may rather graduate to ‘unemployment’ under normal conditions, returning back to the *status quo ante* in terms of their labour market performance. The survey findings indicate that unemployment among former Gundo Lashu workers is higher than among household members without PWP experience. The training received by workers appears to have had little impact on employment, largely due to the fact that there is limited demand for semi-skilled construction workers in the programme areas. The majority of workers aspire to move up the labour market hierarchy to develop SMMEs, but recognise that lack of skills and access to capital renders this unlikely. Equally, micro-enterprise activity by workers using wage income as capital is also limited, again largely due to capital constraints and the lack of complementary social development and micro-finance inputs. The Zibambele programme appears unlikely to have created significant local secondary employment, owing to the fact that the workers do not form a concentrated local market, and that the bulk of their wage expenditure is made in the local town as a consequence of the payment modalities of the programme. The Gundo Lashu programme was found to create local demand, both in terms of local food purchasing, and also in terms of creating an additional workplace consumer demand. However, the duration of these benefits was limited to the period of employment. In neither case was significant local economic development evident as a consequence of the wage transfer.

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<sup>140</sup> The contingency of indirect positive social and economic outcomes from infrastructure provision on a range of linked institutional factors is illustrated in Mashiri and Mahapa (2002).

<sup>141</sup> This shift in the factor intensity of infrastructure expenditure is the fundamental innovation of the EPWP.



## Chapter 13: Discussion and Policy Implications

In this chapter lessons and conclusions regarding both the targeting of public works and their role in addressing poverty and unemployment are discussed, and the key policy implications arising from the descriptive analysis in this report are outlined.

### 13.1 Rationing and targeting

The two case studies illustrate different forms of targeting and rationing. In the Gundo Lashu programme ownership of an identity card served as an initial (informal) criterion for accessing employment, and subsequently the broad generic criteria set out in the SPWP were used, with excess demand, when it occurred, being addressed through a lottery. The first criterion may have excluded some of the poorest from participation, as those without identity documentation tend to be among the poorest, being those unable to access any form of social grant. In the Zibambeke case recruitment was carried out through a community selection process, using poverty criteria agreed between the implementing department and the local community. The majority of the resultant beneficiary group in the Gundo Lashu programme fell below the income poverty line (R486 per capita), but had the characteristics of the mean rural provincial population in terms of a range of other indicators (such as literacy and educational attainment), and enjoyed higher levels of participation in education, better levels of nutrition (as evidenced by the incidence of skipping meals) and significantly higher household income than the Zibambeke group, which was below the rural provincial mean and highly impoverished by all indicators of poverty.

Given that the distributions of poverty, income, and unemployment are similar in Limpopo and KwaZulu Natal (Stats SA, 2003a), the significant differences between the two sample groups suggest that different segments of the population were being targeted in each programme. Also, the demographic characteristics of the PWP workers differ in the two programmes, with the Zibambeke workers being predominantly female, household heads, and significantly older than the Gundo Lashu participants, who tended to be the children of the household head, and of equal gender proportions. Also, while the Zibambeke households had only one PWP worker, multiple PWP employment was common in Gundo Lashu households, implying that the employment was not spread to as wide a beneficiary base as possible.

These differences are consistent with the targeting and rationing methods used in each case, and the fact that the Zibambeke programme was explicitly (and *exclusively*) poverty-targeted, while the Gundo Lashu programme was more plural in its objectives, aiming to address both poverty and labour market issues through the same intervention.<sup>142</sup> The effectiveness of the community targeting mechanism in the Zibambeke case was contingent on significant investment in social development by the implementing agency over a period of years, which was possible because of the extended duration of the programme and hence the sustained nature of the relationship between the workers, the programme, and the community institution managing the programme at the local level.<sup>143</sup> It is not clear whether such issues can be addressed in the context of short-term employment projects, particularly when they are implemented by the private sector, and when neither targets nor incentives for targeting the poor are in place, particularly given the additional expenditure on social development required. The limited poverty focus of the Gundo Lashu programme is illustrative of this problem, confirming research on the Maharashtra Employment Guarantee Scheme in India which has also found evidence of the negative implications for poverty

<sup>142</sup> For a discussion of the conceptual and implementational difficulties and inefficiencies arising from PWP programmes with plural objectives, see McCord (2003).

<sup>143</sup> A further indication of the community ownership of the programme was the social regulation of the distribution of the scarce resource of labour market opportunity within the community.

targeting of private sector implementation, due to the inherent tension between profit-based incentives and the social investment required to ensure the inclusion of the poorest.<sup>144</sup>

The survey findings illustrate that the rationing of access to employment in PWPs is critical, given the level of excess demand for employment. In the context of chronic mass unemployment and poverty, with low prevailing rural wages and extremely limited public works employment opportunities, the principle of 'less eligibility' is compromised by the significant excess demand for employment, and is rendered an inadequate targeting tool in terms of the objective of providing a safety net for 'the poorest'. In the light of this, rationing and targeting become key considerations, and the strategies adopted to address them are highly contingent on the primary policy objective of the programme, i.e. whether labour market or poverty reduction outcomes are the priority. Clarifying the primary objective of the programme will, in turn, determine the intended beneficiary group (unemployed youth, female-headed households, the 'poorest', etc.), taking into account the heterogeneity of the unemployed working-age poor (see Klasen and Woolard, 1998),<sup>145</sup> and differentiating policy accordingly.

If the objective of the intervention is to offer labour market exposure in order to promote employment performance, the unemployed youth should be targeted, although the survey findings indicate such an intervention may be of limited benefit, given the restricted nature of labour demand. If poverty alleviation or social protection is the objective, then older women or female-headed households in remote rural areas are likely to be the most appropriate target (see Hoddinott and Haddad, 1995). This group forms a subset of those characterised as the 'unemployable' by Bhorat (2001), by virtue of factors such as their age, lack of mobility, distance from employment centres, etc., and the likelihood of members of this group achieving subsequent success in the 'normal' labour market as a consequence of PWP participation is negligible, rendering them an inappropriate target group for a policy with increased engagement in the formal labour market as its primary objective. Interestingly, the survey and focus group findings indicate that it was the unusual conditions of employment in the Zibambebe programme (proximity of work location to domicile, part-time nature of the employment, flexibility of working hours, and provision for intra-household labour substitution), which enabled increased labour market participation among those who would be excluded from the conventional labour market because of domestic responsibilities and mobility constraints. However, the social protection benefits of the participation of this group in a PWP are likely to be significant. Failure to distinguish between labour market and social protection objectives in both policy and implementation, is liable to lead to critical errors in targeting and programme design, inefficient allocation of resources, and ultimately to a mismatch between policy rhetoric and outcomes.

If the scale of the PWP employment were sufficiently large in relation to the number of the unemployed, targeting interventions over and above the self-targeting aspect of 'less eligibility' would not necessarily be required in order to reach the 'poorest'. However, given the disjuncture between the size of the problem and the scale of the response,<sup>146</sup> and the fact that PWPs are the only social protection instrument for the majority of the unemployed working-age poor, additional targeting and rationing mechanisms are critical to ensure that the most vulnerable are included. Targeting criteria need to reflect more than crude generic group identity criteria, such as youth, women and the disabled, which together would render approximately 70% of the population eligible for participation and conflate the target groups required for poverty and labour market outcomes, leading to the inefficiencies and mis-targeting discussed above.

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<sup>144</sup> S Pellissery, Department of Social Policy and Social Work, Oxford University, pers. comm., July 2004.

<sup>145</sup> Klasen and Woolard (1998) identified six categories of unemployed in South Africa; the youth unemployed with no labour market experience the largest group, the poorly educated rural unemployed, the poorly educated urban unemployed, those with labour market experience and some education, the long-term unemployed with no labour market experience, and finally the highly educated unemployed poor.

<sup>146</sup> If fully implemented the proposed EPWP would offer 100,000 temporary employment opportunities each year, absorbing less than 1% of unemployed workdays per annum, and reaching less than 2% of the unemployed (see McCord, 2003).

The low level of wages prevailing in the programme areas (focus group discussions indicated remuneration of between R200 and R300 a month for full-time employment, for example as a domestic worker, or cane cutter, conforming to the wages reported in the *Labour Force Survey*), together with the episodic and unpredictable nature of employment, indicates that, whether remuneration is set at the minimum hourly wage rate, as in the Zimbabwe programme, or at the minimum wage less a negotiated margin, as in the Gundo Lashu programme, the PWP wage is likely to be attractive to a large proportion of the rural workforce, and not just the 'poorest'. However, to pay less than these rates may be problematic in moral terms since, even when receiving the relatively 'generous' effective wages offered in the PWP programmes, the majority of participants remain below the poverty line. Moreover, a lower wage would be extremely unlikely to make significant impacts on sustained poverty reduction or employment.

### **13.2 Impact on poverty**

The survey indicates that both the Zimbabwe and Gundo Lashu programmes had limited impact in terms of reducing the headcount level of poverty, with 99% of Zimbabwe households and 89% of Gundo Lashu households remaining below the poverty line even when receiving the PWP wage. However, given that 98% of respondents reported a net income gain from participating in the programme (once income forgone was taken into account), it is likely that both programmes were successful in terms of reducing the poverty gap, and hence the depth of poverty experienced by participating households.

The survey indicated that participation in both programmes had a beneficial impact on all the dimensions of poverty examined, whether measured by income, asset ownership, access to services, or the capabilities or psycho-social aspects of poverty. However, despite a higher wage, some benefits were marginal in the case of the Gundo Lashu programme, where the depth of poverty of the participants was less severe than in the Zimbabwe programme. Also, the benefits in the case of the Gundo Lashu participants were limited by the short duration of the employment. For these workers the benefit would have the characteristic of a wage shock rather than a sustained wage increase, a consideration which would engender different economic behaviour and use of the wage transfer compared with the Zimbabwe workers with sustained access to income.

### **13.3 Impact on labour market performance**

The survey gave no evidence of improved labour market performance as a consequence of PWP labour market experience or training. This is not surprising, given the extreme levels of rural unemployment and the stagnant demand for low- and semi-skilled workers, and may also be an artefact of the supply-side characteristics of the participants. Likewise, skills training was not seen as a contributor to improved labour market performance by workers. It is not clear that either on the job experience or formal training would enable the transfer of sufficient skills to impact significantly on labour market performance, particularly given the limited time investment allocated to training in both programmes, and the limited duration of employment in the Gundo Lashu programme.

It is an interesting paradox that a derogation from the minimum wage was accepted in return for 'training benefits in the Gundo Lashu programme, in conformity with the terms of the SPWP conditions of good conduct' (Department of Public Works, 2004), when the training was perceived by participants to be of limited value in terms of improved labour market performance. Workers were paid 75% of their regular PWP wage while being trained, on the basis of an imputed value to the participants of the training. However, this was questioned by several respondents, who expressed a preference, both in the survey and the focus groups, to remain working on the PWP, earning a full wage, rather than participating in training activity which they did not consider

valuable, and undergoing what they perceived as a 'wage deduction' for doing so.<sup>147</sup> In recognition of the negligible value of limited skills training, 'life skills' training was introduced into the Gundo Lashu programme in place of formal skills training, subsequent to the survey. 'Life skills' training has also replaced technical skills training in the EPWP, and the 25% wage 'reduction' has been waived. The value of such an intervention in terms of promoting either labour market or social protection outcomes is not yet apparent.

Among both groups of workers, the focus group discussions revealed problems of asymmetry in labour market information, expressed as a perception that lack of labour market information and of social networks was problematic in terms of accessing employment opportunities (the contribution of social capital to labour market performance is discussed in Nattrass, 2000). This indicates that labour market information would be an appropriate component of a training package for PWP workers. However, this would only serve to reduce frictional inefficiencies, rather than increasing the net amount of employment available. Workers also highlighted a need for information and access to micro-finance institutions, the formal banking sector, and means to access funds for microenterprise, factors which could be addressed through the training component of PWP programmes. A third potential area for training inputs would be grant eligibility and access procedures. The relatively low levels of grant take-up, although not inconsistent with the national picture, indicate that many of those eligible were not receiving the protection to which they were entitled under the existing social protection system.

### 13.4 Labour market distortion

It is evident from the discussion on income forgone that some employment substitution is occurring as a result of the PWP employment both within the household and also in terms of moving out of alternative employment to the PWP programme. The survey findings indicate that not all PWP workers were formerly unemployed, and that in some instances workers shifted from less attractive employment to PWP employment; however low the remuneration for PWP employment might be, there is clearly work available to households which are even less 'eligible'.<sup>148</sup> The fact that labour is in some instances attracted out of alternative employment is not, however, problematic *de facto*, given the extremely low wage levels and/or temporary and unstable nature of the employment forgone. There is evidence that the implementation of mass public works employment programmes can cause significant labour market distortion, as in the case of the Maharashtra Employment Guarantee Scheme, where the scale of the employment provided in relation to the labour supply was sufficient to drive up the prevailing wage (Dev, 1995). However, there is no evidence of the case-study programmes leading to labour market distortion in terms of either reduced labour availability or increased wage rates in the programme areas. This is primarily because of the limited amount of labour absorbed in the PWPs, and also, in the case of the Gundo Lashu programme, the short duration of the programme, in the context of mass unemployment.

### 13.5 The value of employment created under a PWP

In some instances where labour was attracted out of alternative employment, income forgone exceeded the PWP wage. This challenges the assumption that labour behaviour is primarily a function of the wage rate, and was explored further in the focus group discussions. The workers

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<sup>147</sup> It is interesting to note that the 'beneficiaries' of the programme were unable to exercise their consumer power in this instance, in terms of (i) choosing training relevant to their own analysis of their labour market potential, and (ii) selecting who from within the household would be able to maximise returns from training. Several respondents in the survey reported using PWP income to fund training in specific areas where they had identified work opportunities; one had paid for a family member to be trained as a security guard, another had paid for a son to have driving lessons.

<sup>148</sup> The extremely low casual wage rates reported in the survey and focus group discussions indicate non-compliance in the agricultural sector with the minimum wage legislation which came into effect in 2003, prior to the survey.

argued that their labour market decisions were not driven exclusively by the goal of maximising the current wage, but also by consideration of the security of their income stream over time, and the quality of the employment. The fact that quality and duration of employment play such a key role in informing labour behaviour, offers a critical insight into the household labour dynamics informing PWP participation. In the focus group discussions workers highlighted the high value they attributed to the quality of the employment, in terms of the stability of the income flows offered, over income. This was particularly the case among the Zibambele workers who defined the attributes they valued in the PWP employment as (i) the regular wage, (ii) stable wage level (predictable), (iii) permanent income employment (long-term), (iv), flexibility (allowing the labour-constrained household which might not otherwise be able to participate in full-time employment, or employment with set hours of participation, to benefit), and (v) acceptance of substitute labour (flexibility in terms of accepting substitute household labour if the contractor is absent, sick or deceased, reinforcing the stability of the benefit even at times of household stress).

These findings confirm the arguments of Devereux (2000) and Dev (1995) that predictability of income flows may be more important than the net amount of the transfer, with a stable income flow enabling improved household-level financial planning (consumption smoothing through saving, borrowing, etc.), which is denied to poor households for whom income is erratic (as described by Adato *et al.*, 2004). Drawing on experience from the Maharashtra Employment Guarantee Scheme (MEGS), Dev argued that it is the stabilisation effect rather than the immediate transfer which has the most significant impact on sustained poverty reduction, stating that ‘reducing fluctuations in income can be as important to the poor as raising average incomes’ and that ‘reduction in income fluctuations can prevent acute distress to the poor and preclude the need for costly forms of adjustment, such as selling productive assets’ (Dev 1995: 126 and 136). He goes on to assert that ‘even if the increase in income is not very large compared with the aggregate need, the existence of any form of income or employment insurance could be quite significant’.

These findings confirm the need to include the quality of the employment when estimating the value of employment in order to model economic behaviour and to inform appropriate policy responses to unemployment. This is particularly important, given the episodic and uncertain nature of employment in rural South Africa.<sup>149</sup> Hence the insurance function is as important as the amount of the transfer itself, although a PWP can only exercise this insurance function if PWP employment is available on a sustained basis offering an ongoing and regular income source, as required. This poses an interesting policy dilemma, given the chronic and mass nature of unemployment in South Africa, since, if public works were to perform such a social insurance function in this context, the distinction between public works and social grants would become increasingly blurred.<sup>150</sup>

### 13.6 Key policy implications

The fundamental implication of the survey findings is to question the potential of PWPs to deliver sustained benefits in terms of poverty reduction and labour market performance, particularly short-term PWP employment programmes, such as the Gundo Lashu, or by extension those envisaged under the EPWP which are based on this model. The main policy concerns arising fall into two broad categories, relating, on the one hand, to the analytical assumptions regarding the nature of the labour market crisis and the potential of supply-side interventions to address the problem, and, on the other, to issues of programme design and implementation.

<sup>149</sup> See Dias (2000) and Walker (2003) for discussion of the job security - income trade-off in the South African context.

<sup>150</sup> The problematic nature of public works as a mass social protection instrument in the context of South Africa is explained by Barr, who asserts that ‘Private insurance requires, first, that the probability of the insured event for any individual is independent of that for anyone else. This condition is necessary because insurance depends on the existence in a given period of a predictable number of winners and losers. If, in the extreme, individual probabilities are completely linked, then if one person suffers a loss so does everyone else. Thus actuarial insurance can cope with individual shocks but not with common or systemic shock’ (Barr, 1998:114).

At the conceptual level, the key problem is inconsistency in terms of the characterisation of the labour market problem as chronic or transient. This leads to inconsistency in the assessment of the potential of supply-side interventions to have a significant impact on unemployment, and ultimately to a mismatch between the nature of the public works policy response, the associated expectations, and the likely outcomes.

In terms of programme design and implementation the key policy issues arising from the survey are: (i) programme objectives and design in the light of the economic context, (ii) the management of access to PWP employment, (iii) promoting labour market impact, (iv) ensuring sustained anti-poverty impacts and (v) the potential of public works to address the social protection needs of the working-age poor.

It is important to clarify programme objectives *ab initio*, and identify the priority policy outcome desired (social protection, employment, etc.). This initial choice should then inform the subsequent programme design. Whether the desired outcome is social protection or is employment-oriented, there is a need to target explicitly and ration access to PWP employment, since self-targeting through the principle of 'less eligibility' by means of restricted wages is not sufficient in the context of mass unemployment and poverty.<sup>151</sup> This problem is exacerbated if the scale of the PWP programme is minimal in comparison with the scale of the problem, and the programme is intended to serve a social protection function among the poorest. In the light of this, targeting criteria should be developed in line with intended programme objectives (for example, youth *or* rural female household heads). Conflating the target groups for different objectives is likely to undermine programme efficiency through errors of inclusion by involving inappropriate participants for whom the anticipated benefits are unlikely to be significant. Even with targeting criteria, it can be assumed that there will be excess demand for PWP employment, and in this context a rationing process will be required, which should be coherent in terms of the programme objectives. In this instance a first-come first-served or lottery-based approach is unlikely to be appropriate for a programme with a social protection objective.

If positive labour market impacts are to be maximised, it should be recognised that temporary PWP employment does not *de facto* create a sustained increase in employment, and that secondary employment benefits arising from labour-intensive construction are minimal.<sup>152</sup> Given the stagnation of employment in the construction sector, work experience is unlikely to improve the subsequent labour market performance of PWP workers, and if it does this will be achieved by replacing alternative, less experienced, labour, rather than generating additional employment, thus representing a zero net employment benefit to the economy. In the light of this, training should be appropriate in terms of local labour demand and microeconomic opportunities and informed by the perceived employment opportunities of the PWP workers themselves, rather than representing a package of externally determined inputs. In this way additional informal sector income-earning opportunities would be more likely to accrue from the PWP process.

The introduction of information on access to grants, aspects of micro-finance, and labour market information may be a valuable addition to the package of training inputs received by PWP workers, as well as the explicit linkage of PWPs with development initiatives in an area, rather than the implementation of PWPs in isolation from rural development processes and inputs. For example, integration of PWP implementation with the Integrated Sustainable Rural Development Strategy (ISRDS)<sup>153</sup> would be an appropriate way of promoting both horizontal inter-departmental and civil society institutional linkages which could improve the performance of PWPs, in terms of both protection and also employment. In particular, the linkage of PWPs with micro-finance initiatives

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<sup>151</sup> With up to 50% of the population living in poverty, 'poverty targeting' alone is an excessively blunt instrument.

<sup>152</sup> The survey findings are confirmed by the results of a recent CGE macroeconomic simulation of the implementation of a large-scale public works programme in South Africa, Van Seventer and McCord, 2004.

<sup>153</sup> While the ISRDS itself has considerable operational limitations (see, for example, Everatt, 2003), it is nonetheless the most appropriate instrument for the co-ordination of PWP implementation and the promotion of links with complementary development interventions.

would have the potential to improve not only employment, but also poverty impacts by promoting sustainability and second-round benefits from PWP employment.

Sustained PWP employment is the key, if significant anti-poverty benefits are to accrue; programmes of short duration are unlikely to have a significant impact on poverty since they do not permit the accumulation of sufficient capital to move out of poverty. Investment in social development processes can enhance the poverty impacts of a programme and community ownership, but this can only be achieved through a sustained intervention, and is not viable in the context of short-term employment programmes. Institutional modalities also impact on the social protection function of a PWP. Programmes implemented by the private sector are unlikely to focus on poverty targeting and the promotion of sustained anti-poverty outcomes, or co-ordination with ongoing development processes, unless such outcomes are explicitly monitored and incentivised.

The Zibambele programme was found to offer sustained anti-poverty benefits and have the potential to address some of the factors leading to the reproduction of poverty, thereby providing significant social protection for participants. However, the relevant design components of this programme (duration of employment, poverty targeting, the focus on maintenance rather than asset creation, etc.) have not been incorporated into the national public works programme which reflects many of the design components of the Gundo Lashu programme, with its significantly more limited social protection outcomes. This becomes important when the scarcity of human capital in the form of administrative capacity for programme development and implementation is taken into consideration. Given this scarcity of human capital, it is important that programmes achieve maximum impact in terms of their policy goals, and the research findings suggest that the implementation of short-term interventions with limited social protection and employment benefits may not be the most efficient way to use either the available financial or human capital.<sup>154</sup> The opportunity cost of implementing PWPs with limited sustained impact may be significant in terms of alternative interventions forgone.

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<sup>154</sup> The lower levels of cost efficiency of short-term, compared with longer-term, civil engineering PWPs holds true in terms of both social development, administrative and civil engineering perspectives, see for example Phillips et al., 1995, and McCord, 2002.

## Chapter 14: Conclusions

On the basis of the two case studies examined, PWP employment is unlikely to have a significant effect on reducing absolute levels of poverty or promoting employment, although PWP participation does reduce the poverty gap during the period of employment, and can have a significant impact on other dimensions of poverty if appropriately targeted and of sufficient duration. These effects can be maximised by targeting programmes on the poorest. Whether programmes have the potential to effect sustained poverty reduction is largely contingent on the duration of PWP employment, and their potential to improve labour market performance is contingent on complementary interventions, as PWP employment *per se* does not significantly improve labour market performance. While the Department of Public Works characterises post-PWP employment options as ‘graduating to employment under normal conditions’, the evidence from the survey suggests that workers may rather graduate to *unemployment* under normal conditions, returning to the *status quo ante* in terms of their labour market performance.

The research findings clearly indicate that, as currently conceptualised (for reasons of both design and scale), PWPs have no prospect of representing an adequate policy response to the social protection gap facing the working-age unemployed. This is linked to the most important conclusion of the study, namely, that current national PWP policy is based on a fundamental problem in terms of the conceptualisation of the South African labour market. National policy is based on the assumption that supply-side interventions can have a significant impact on poverty and unemployment, and consequently programmes are designed to address unemployment among the low-skilled and unskilled as a transitory rather than chronic problem, whereas the underlying problem is ongoing structural change in the South African economy, and the delinking of economic growth and employment. The analysis on which mainstream PWP thinking is based in South Africa represents a disjuncture with the realities of the labour market. The overall problem is lack of aggregate demand for labour, a reality recognised among the survey respondents who stated overwhelmingly that the reason PWP employment had not improved their labour market performance was nothing more complex than the lack of available jobs.

While PWPs, if appropriately designed, can offer a partial response to the problems of poverty and unemployment, the findings of this study indicate that the gap between policy expectation and programme reality is significant, and that PWPs cannot offer an adequate social protection response to the growing problem of the working-age poor. In the light of this there is an urgent need to open up the policy space and to seek alternative responses to this critical problem.



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## Annex 1: PWP worker education levels by sex, with modal public worker educational attainment shaded (%)

	Gundo Lashu		Zimbabwe	
	Male	Female	Male	Female
No education	3.7	8.6	41.4	30.3
Grades 1-4	8.7	1.8	17.3	28.7
Grade 5-7	15.4	23.6	24.1	22.4
Grade 8-10	38.3	33.4	13.8	15.4
Grade 11-12/ Diploma without matric	32.1	31.6	3.5	3.1
Greater than 12 NTC I/Diploma with matric	1.8	1.2	0	0

## Annex 2: Provincial rural modal education attainment

### Limpopo rural modal education attainment

	Male Non-urban	PWP Worker	Female Non-urban	PWP Worker
	Grade			
Age 20-29	12	12	12	12
Age 30-39	12	11	12	12
Age 40-49	0	8	0	8
Age 50-59	0	1 & 2	0	0
Age 60-69	0	-	0	0

Source: Own calculations and Stats SA, 2003a.

- denotes no data available.

### KwaZulu Natal rural modal education attainment

	Male Non-urban	PWP Worker	Female Non-urban	PWP Worker
	Grade			
Age 20-29	12	-	12	8
Age 30-39	12	7	12	0
Age 40-49	0	0	0	0
Age 50-59	0	0	0	0
Age 60-69	0	7	0	0

Source: Own calculations and Stats SA, 2003a.

- denotes no data available.

## Annex 3: Literacy among PWP workers disaggregated by age and sex (%)

Age	Gundo Lashu	Zibambele	Gundo Lashu	Zibambele
	Male	Male	Female	Female
<b>Under 20</b>	100	100 (n=1)	100 (n=1)	-
<b>20-29</b>	100	100	100	91
<b>30-39</b>	96	67	98	85
<b>40-49</b>	83	14	83	66
<b>50-59</b>	63	14	56	47
<b>60-69</b>	100 (n=1)	0 (n=2)	0 (n=2)	42

- denotes no data available.

## Annex 4: Main monthly worker income, rural Limpopo and KwaZulu Natal (PWP wage shaded)

Wage category	Rural Limpopo		Rural KwaZulu Natal	
	% of workers	Cum %	% of workers	Cum %
None	4	4	5	5
R1 - R200	13	17	8	13
<b>R201 - R500</b>	33	50	<b>30</b>	<b>44</b>
<b>R501 - R1,000</b>	18	68	28	71
R1,001 - R1,500	6	73	10	81
R1,501 - R2,500	8	82	8	89
R2,501 - R3,500	5	87	3	92
R3,501 - R4,500	4	91	3	95
R4,501 - R6,000	5	96	3	98
R6,001 - R8,000	3	99	1	99
R8,001 - R11,000	1	100	1	99
R11,001 - R16,000	0	100	1	100
R16,001 - R30,000	0	100	0	100
R30,001 +	0	100	0	100

Source: Stats SA (2003a)

## Annex 5: Participation and unemployment rates

	Zimbabwe household workers		Gundo Lashu household workers			
	All workers	Excl. PWP	All workers	Excl. all PWP	Excl. current PWP	Former PWP
Potentially economically active	1500	1105	911	600	782	182
Unemployed & seeking work	413	411	304	181	304	123
Unemployed & not seeking work	26	26	5	3	5	2
Working	490	99	261	98	132	34
Participation rate	62%	49%	63%	47%	56%	87%
Unemployment rate						
- Narrow	46%	81%	54%	65%	70%	78%
- Broad	47%	82%	54%	65%	70%	79%
Work response rate	87%	83%	80%	74%	77%	89%



## Annex 6: Work forgone by gender

Category of work forgone	% of respondents reporting reduced activity in each category of work	
	Male	Female
<b>Gundo Lashu</b>		
Regular wage	4.4	7.1
Casual wage labour	27.4	5.9
Subsistence	6.7	13.1
Non-farm	8.0	17.2
Household domestic work	16.9	50.3

Zimbabwe	Male	Female
<b>Regular wage</b>	0	0
Casual wage labour	16.7	24.5
Subsistence	20.8	21.0
Non-farm	8.3	14.2
Household domestic work	12.5	25.9

Note: Numbers do not add up to 100% as more than one area of reduced activity was permitted.

## Annex 7: CSG take-up rate by number of eligible children

No. of eligible children	Number of Child Support Grants Received					No. of households
	None	One	Two	Three	Four	
<b>Gundo Lashu</b>	% of households					n=125
1	28	72	0	0	0	94
2	16	25	58	0	0	5
3	8	58	17	17	0	12
4	25	25	25	25	25	4

Zimbabwe						n=264
1	60	40	0	0	0	125
2	55	13	32	0	0	96
3	48	24	21	6	0	33
4	20	20	20	20	20	5
5	75	25	0	0	0	4
6	0	0	1	0	0	1

## Annex 8: 'Non-principal' use of PWP income

Other uses of income	Gundo Lashu	Zimbabwe
	% of households who answered yes	
<b>Clothing</b>	62	82
<b>Education</b>	37	83
<b>Agricultural inputs</b>	6	31
<b>Debts</b>	39	49
<b>Material assets</b>	28	24
<b>Transport</b>	44	54
<b>Job search</b>	24	21
<b>Invest in income-generation</b>	6	8
<b>Burial societies</b>	42	13
<b>Improve accommodation</b>	22	12
<b>Other</b>	2	4

## Annex 9: Impact of PWP income on nutrition

### Frequency of adults not eating for a day

% of households reporting this behaviour		Before	After
<b>Current Gundo Lashu</b>	<b>Most of the time</b>	9	8
	<b>Never</b>	57	79
<b>Former Gundo Lashu</b>	<b>Most of the time</b>	14	9
	<b>Never</b>	71	76
<b>Zimbabwe</b>	<b>Most of the time</b>	40	1
	<b>Never</b>	15	85

### Frequency of reducing size of children's meals

% of households reporting this behaviour		Before	After
<b>Current Gundo Lashu</b>	<b>Most of the time</b>	9	6
	<b>Never</b>	63	80
<b>Former Gundo Lashu</b>	<b>Most of the time</b>	15	8
	<b>Never</b>	72	78
<b>Zimbabwe</b>	<b>Most of the time</b>	34	1
	<b>Never</b>	13	77

## **Annex 10: Post-survey focus group participants**

### **Zimbabwe (April 2004)**

#### **Eshowe Region**

Tholiwe Zanal, Jabu Mbatha, Tholakele Ncube, Beslina Mtshali, Gumbu Nsele, Sbhongile Buthelezi, Hlengiwe Mhlongo, Thengwephi Zuma, Ntombikayise Gumede, Dudu Mthembu and Goodness Mkhwanazi.

#### **Mapumulo Region**

Janet Mthimkhulu, Thandeka Cele, Velaphi Mcanyana, Khombisile Mcanyana, Princess Dladla, Sbhongile Mcanyana, Lucky Mcanyana, Carol Ngobese, Phendukile Dladla and Khathazile Mathonsi.

### **Gundo Lashu (December 2003)**

#### **Moshate, Mankweng Cluster**

Johannes Ramalema, Theophilus Mphoka, Eliah Malahlela, Carol Madia, Louisa Phoshoka, Elizabeth Mamabolo, Suzan Mamabolo, Lydia Maredi, Piet Malebati, Maria Makwela, Regineth Malemela, Piet Malebati, Griefiths Mogoboya and Welminah Magoba.

#### **Thabakgone, Mankweng Cluster**

Solomon Mamabolo, Akila Thema, Suzan Thema, Johanna Mamabolo, Betty Matlakala, Louisa Mamabolo, Euphodia Mamabolo, Lazarus Rabodiba, Ollen Mamabolo, Johannes Mplope, Maria Mamabolo, Maria Sekgobela, Florinah Mamabolo, Marry Matlajoane, Grace Marokane, Rebene Seenabe, Magdeline Mogashwa, Rosinah Moagi and Piet Maila.

#### **Tshware, Mankweng Cluster**

Ephraim Zwane, Samuel Rasekgakga, Stephen Mafokwane, Jonas Bopape, William Malemela, Jeremia Kgopa, Sefura Mamabolo, Eliot Mathiba, Elias Maake, Akas Bopape, Timothy Mehlape, Francinah Thema, Regina Masetla, Johanna Sehlapelo, Sophie Masetla and Francinah Modiba

#### **Mashite and Malehlaghe, Sekhukhune Cluster**

Mphahlele J, Hlokwa R, Polae R, Mmowa O, Makgati M, Ntsoane G, Rachoene A, Ntsoane R, Mankoe M, Mathabatha T, Molaba M, Makgati E, Mathabatha R, Makgati J, Malapane S and Makgati M.

