Is the EPWP off track?

A brief analysis of the first 10 years of South Africa's Expanded Public Works Programme (EPWP) (2004/05 to 2013/14) indicates that the intended benefits were not achieved.

By Professor Robert McCutcheon*

Historically, there are a number of motivating factors for South Africa's policy on labour-intensive construction. One was the need for a large public works programme outlined in the African National Congress's Reconstruction and Development Programme. Another was the fact that the use of modern labour-intensive methods could generate skills and a significant increase in employment per unit of construction. In South Africa, this had been thoroughly proven in relation to both rural and urban high-quality, high-standard infrastructure.

Since 1991, I have contributed to the formulation and implementation of public employment creation programmes in South Africa, the introduction being the Framework Agreement between Cosatu and the South African construction industry. In 1994, this agreement was incorporated into the National Public Works Programme. Then, in 2004, this morphed into the Expanded Public Works Programme (EPWP). An important result of the Framework Agreement was that the construction industry agreed to promote modern labour-intensive methods. In turn, under certain conditions, Cosatu accepted the concept of payment for set tasks or, in International Labour Organisation terms, 'output-based remuneration' for decent work (and the corollary: "no work, no pay").

Background to the EPWP

The EPWP remains a strategic component of the South African government's response to the triple challenge of poverty, unemployment and inequality during the provision of public goods and services. However, there was always meant to be an infrastructure component with a labour-intensive element.

It is important at the outset to emphasise that this article only deals with the infrastructure sector of the EPWP. Between 2004/05 and 2013/15, over R128 billion was spent in this area, which comprised nearly 80% of total EPWP, amounting to R163 billion (Figure 1).

The extent to which the infrastructure sector of the EPWP has failed to meet its own targets may be judged by the following: labour intensity has remained stubbornly around 10%, which is barely more than could be achieved using conventional equipment-intensive methods.

While my analysis concentrated upon labour intensity in the infrastructure sector, it also revealed that there was an enormous shortfall between the total allocations recorded in the EPWP quarterly reports and total expenditure.

The serious inability of the public sector authorities to spend the funds allocated to them has had a very negative impact upon employment and wages.

The first five-year phase of the EPWP commenced in April 2004 and the third phase in April 2014. Some have commented that the data recorded so far is unreliable and that double-counting exists. That may be the case, but this is the data officially available in the EPWP quarterly reports on its website: www.epwp.dpw.gov.za.

Summarised results of the first two phases

Total employment created in the infrastructure sector, as measured in full-time equivalents, amounted to 781 433; wages amounted to R13 007 million.

Table 1 contains further data regarding allocation, expenditure, employment and wages for the whole EPWP and for the infrastructure sector itself.

TABLE 1 EPWP 2004/05 to 2013/14. Allocation, expenditure, full-time equivalents and wages: total and infrastructure sector

	Phase 1 2004/05 to 2008/09	Phase 2 2009/10 to 2013/14	Total 2004/05 to 2013/14
Total allocation billion	99	657	756
Total expenditure billion	50	113	163
% expenditure/allocation	50	17	22
Infrastructure allocation billion	71	472	543
Infrastructure expenditure billion	42	87	129
% expenditure/allocation	60	18	24
% infrastructure expenditure/ total expenditure	84	77	79
Total FTEs	550 918	1 147 699	1 698 617
Total wages million	6 726	18 000.0	24 726
Infrastructure FTEs	312 227	469 206	781 433
Infrastructure wages million	4 507	8 500	13 007

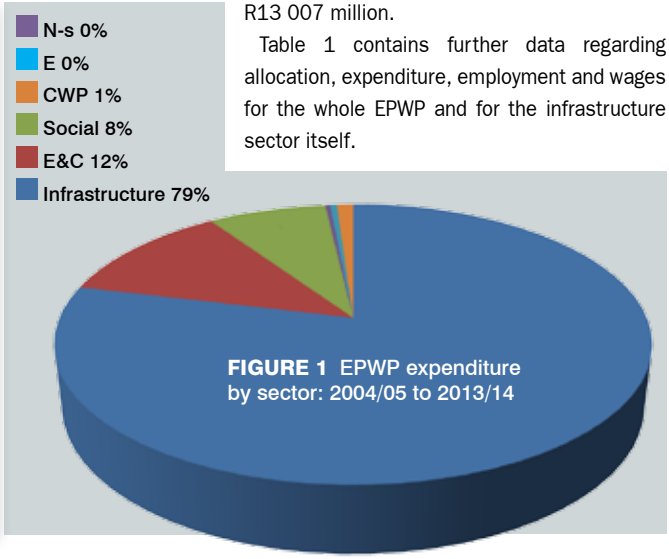

FIGURE 1 EPWP expenditure by sector: 2004/05 to 2013/14

Over a 10-year period (2004 to 2014), the whole of the EPWP was allocated R756 billion. However, only R163 billion was spent.

Labour intensity

Labour intensity actually fell from 10.8% during Phase 1 to 9.8% during Phase 2. These percentages are far below both the minimum of 30% that should have been achieved and the 26% mooted for Phase 3.

Opportunities foregone

Opportunities foregone: aggregated Phase 1 and Phase 2

The summary of the opportunities foregone during Phase 1 and 2 are seen in Table 2.

If a labour intensity of 30% had been achieved for actual expenditure, instead of 10.1%:

- Employment in FTEs: 2 321 888 {(781 433/10.1) x 30 = 2 321 888}.
- Wages: R38 634 million {13 007 million/10.1) x 30 = 38 634 million}.

If allocated expenditure had been spent at the existing low level of intensity:

- Actual employment, in FTEs, at the existing low level of labour intensity: 781 433
- Possible employment, at low level of labour intensity, if allocated expenditure had been achieved: 3 300 870 FTEs {781 433 x (542.8/128.5) = 3 300 870}.
- Wages: R54 943 million {13 007million x (542.8/128.5) = 54 943 million}.

Severe shortfalls

While the above analysis has revealed serious inadequacies with regard to labour intensity, it has also revealed something more important: the serious inability of the current authorities to spend the funds allocated to them.

The funds allocated for Phases 1 and 2 amounted to R543 billion. Expenditure amounted to R129 billion: 24%, or not quite a quarter of the total allocation.

Crudely speaking, four times more infrastructure could have been constructed and four times more training and employment opportunities generated even at the low levels of labour intensity recorded.

If allocated expenditure had been spent labour-intensively, the numbers would have been more along these lines:

- Possible employment: 9 807 944 FTEs {(542.8/128.5) x 2 321 888 = 9 807 944. Almost 10 million FTEs
- The infrastructure sector of the EPWP could have resulted in an average of almost one million FTEs per year, instead of less than 80 000
- Wages would have been R162 472.5 million ((542.8/128.5) x 38 463 million = 162 472.5 million}.

Lack of data on infrastructure constructed

It is extremely disturbing that no attempt has been made to obtain the total amounts of the different asset types produced during the expenditure of the R129 billion; especially given the amount of time and effort focused upon the recording of the details related to the number of work opportunities.

In itself, this indicates that the infrastructure component of the EPWP was viewed as relief or social welfare. It thus diverged from the original objective of serious engineering, which also addressed training, skills development, productive employment creation and development. Skills development is an essential, precursory and preparatory component of productive employment. [35]

TABLE 2 Infrastructure sector: Actual employment as measured in full-time equivalents and opportunities foregone

	Totals 2004/05 to 2013/14	Potential employment at existing low level of labour intensity	Potential employment: Allocation spent and 30% labour-intensity
Infrastructure allocation billion	543		543
Infrastructure expenditure billion	129	129	
% expenditure/allocation	23.7		
Actual labour-intensity	10.1		
Potential labour-intensity		30	30
Actual infrastructure wages million	13 007		
Potential infrastructure wages million		38 634	164 273
Actual infrastructure FTEs	781 433		
Potential infrastructure FTEs		2 321 888	9 807 944

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