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1991

# **COSATU Workshop on public works programmes**

**22 - 23 August 1991**

PROCESSED



## **One Million Jobs by January 1991**

P 91/208 Box 58: Public Sector  
Job creation



<p align="center"><b>One million jobs by January 1991</b> <b>COSATU Workshop on public works programmes</b></p>
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***Thursday 22nd August 1991***

- |       |  |
|-------|--|
| 9h00  | Introduction   |
| 9h30  | Job creation schemes in the USA in the depression<br>Martin Nicol            |
| 10h15 | Tea  |
| 103h0 | International, contemporary experiences of public works<br>programmes - TURP |
| 11h15 | South African Employment Creation 1987 - Development<br>Bank of South Africa |
| 12h30 | Discussion   |
| 13h00 | Lunch  |
| 14h00 | Issues to consider when planning public works programme<br>Prof McCutcheon   |
| 16h00 | Tea  |
| 16h15 | Discussion   |

***Friday 23rd August 1991***

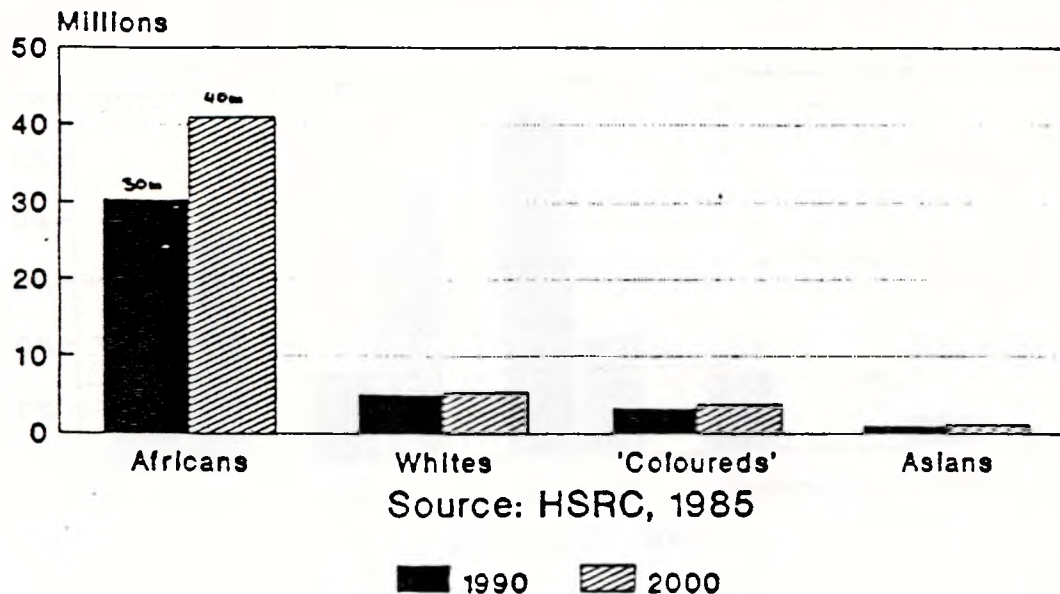
- |      |   |
|------|---|
| 9h00 | Developing guidelines for COSATU<br>We need to address the following questions: <ul style="list-style-type: none"><li>* Who pays?</li><li>* Who participates - selection criteria</li><li>* Wage levels</li><li>* Training</li><li>* What sort of work</li><li>* Local or national schemes</li><li>* The role of trade unions</li></ul> |
|------|---|

12h00	Conclusion
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*Programme of Action*

# SOUTH AFRICAN POPULATION

## Including TBVC, 1990 and 2000



Labour Research Service 6/90

Graph 1.1

TOTAL POPULATION:      1991      40 million  
    2000      50 million

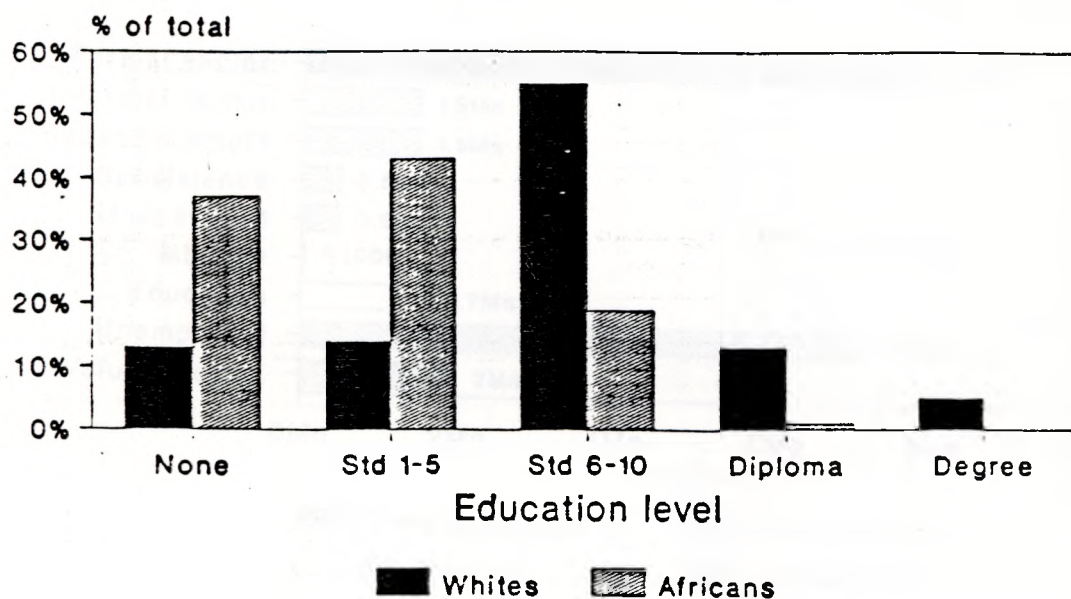
Our population will increase by 10 million in the next ten years.

We need to increase the number of houses, schools and hospital places by 25% - just to keep up with the increase. We still then have to cope with backlogs. And the population will keep growing after 2000.

We need to create 350 000 new jobs every year - just to keep up with the new work-seekers that come onto the job market. Last year, only 60 000 of these people found proper jobs. Many other workers were retrenched.

# EDUCATION PROFILE

## Africans & whites



Labour Research Service 3/91  
SA Labour Statistics

### Inequalities in Education

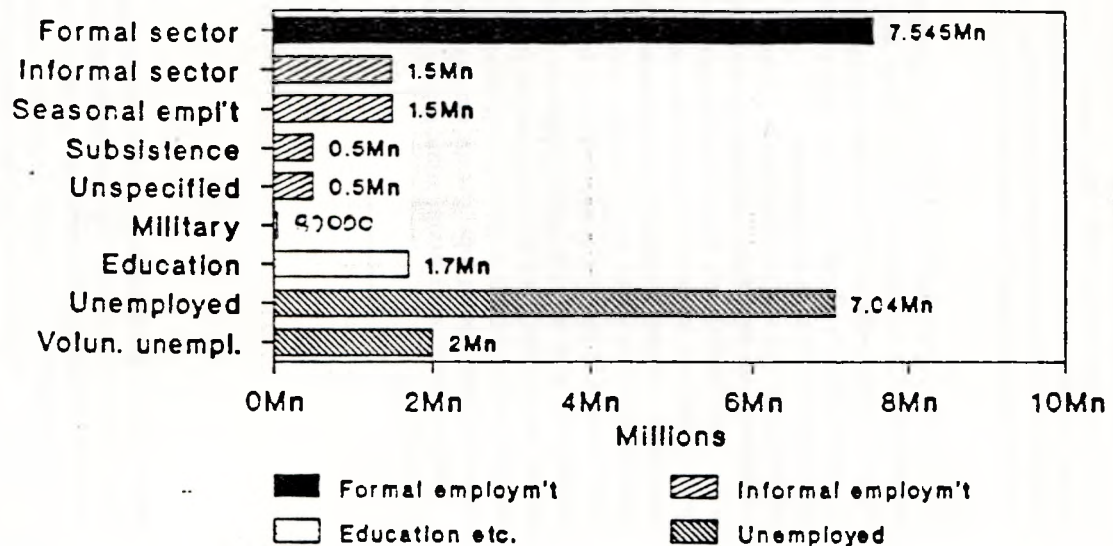
73% of Whites have Standard 6 or above  
90% of Africans have less than Standard 6

53% of Whites have matrics  
2,2% of Africans have matrics



## ECONOMICALLY ACTIVE

### Some guesswork



Labour Research Service 6/90

Graph 1.3

#### Seven million unemployed people need jobs!

The "economically active" population is people over 15 years and less than 65 years. The estimates cover the TBVC countries as well.

7 million unemployed may be too high an estimate. But there are no accurate figures for unemployed. When you take the total population, subtract the numbers of old and young, and subtract the number of people who have jobs - you end up with a figure of about 7 million.

The "formal sector" - proper permanent jobs in mines, offices, farms and factories

The "informal sector" - people not earning a proper living - selling fruit by the roadside, dealing in stolen goods etc.

Seasonal employment - some farmworkers and factory workers who only work part of the year

Subsistence - farmers in the reserves

Education - people over 15 years of age who are studying

# UPROOTING POVERTY

## The South African Challenge

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Francis Wilson &  
Mamphela Ramphele

Report for the Second Carnegie Inquiry into Poverty and  
Development in Southern Africa



W. W. Norton & Company  
New York · London

Economic regression and impoverishment were universal. . . . In this situation Afrikanerdom needed compassion and help, but above all direction and guidance on the path to rehabilitation and self-reliance. . . . In official circles a sympathetic ear heard the warning signals and the State as a whole became conscious of the problem. Special regulations were introduced to encourage large-scale employment [of poor whites] on the Railways. These were highly successful. . . . A succession of legal measures followed one after the other to ensure, amongst other things, adequate wages, better and safer working conditions, and old-age provision. At the same time the needy farmer was helped by means of state subsidies and other means to counter the blows of nature and of the economic depressions that followed one after the other.

— D. F. Malan, 1950 (translated)

### *Job creation*

There are some who would argue that the state should play no meaningful role in the provision of jobs. Let the market do the work, they say, otherwise the jobs that are created will not be self-sustaining and will simply increase the burden on the state, and ultimately on the tax-payer, until one day it becomes too heavy to bear and everything collapses. Certainly, there is a danger of the state creating a bloated bureaucracy of people whose jobs are essentially unproductive and whose salary cheques from the government amount to little more than a welfare payment. The argument contains an important truth that should serve as a warning, a salutary reminder, that there are dangers inherent in any state-employment policy. Nevertheless, we would argue that, under the conditions now pertaining in South Africa, with the level of unemployment already high and projected to rise still further, the state has a major role to play in the creation of employment.

This is not a new idea in South Africa. During the early decades of this century, it was widely accepted amongst the ruling class that the state had a responsibility to do what it could to create jobs for the unemployed poor — at least those of them who were white. As Abedian, Schreier and Standish have noted:

The government effort in the reduction of white poverty consisted of three elements: a legislative package in the labour market designed to favour whites at the expense of blacks; a sustained effort at increasing government services to whites, particularly education, health and housing, again partly at the expense of blacks; and finally the government introduced an ambitious public works programme. . . . [This] consisted of three general types of employment creation: employment increases in the railways at the expense of the railways, employment increases in central government at the expense of the fiscus, and employment increases in the railways and, to a limited extent, the

private sector, financed by the fiscus. (PCS 10: 16, 18)

In 1932, a year which combined great drought with general economic depression, the number of whites employed in subsidised works increased by 99 per cent whilst those employed in unsubsidised relief schemes trebled. By 1933 a total of 59 000 poor whites were employed by various state relief measures. By 1939, well over half (59 per cent) of central government (white) employment of 98 000 consisted of relief work. The authors conclude that 'it was the introduction of a systematic and elaborate works creation programme which saw the rapid elimination of white poverty and not the extensive legislative assistance given to whites' (PCS 10: 22). In another paper, Abedian and Standish have outlined the sort of projects that the state initiated in order to relieve white unemployment. Irrigation schemes offering piece-work for the unskilled unemployed, and afforestation programmes providing jobs, houses, schools, medical services, and firewood for poor whites and their families, were successfully established. Anti-soil erosion works designed to alleviate rural poverty employed 5 000 men or more at the height of the Depression in the mid-1930s. Industrial jobs were created by the establishment of the parastatal iron and steel corporation, Iscor. The railways too provided work but not so much by the creation of new jobs as by the unedifying process of substituting white labourers for black (1985: 35-48).

It is also worth noting that the programme, highly effective as it seems to have been, was financed more by reallocation of funds within the public budget than by increasing the government's share in the economy as a whole, although during the war years – when virtually the last of the poor whites were absorbed (often as soldiers into the army) – government expenditure as a proportion of the gross domestic product leapt from approximately 15 per cent in the five years before 1939 to approximately 25 per cent during the next five years. In summary, write the researchers:

The poor white phenomenon was caused by a section of the white community being locked out of both the skilled and unskilled market. The introduction of government relief in a number of forms during the 1920s and 1930s plus a period of sustained economic growth, alleviated the poverty by the 1940s and eliminated it in the 1950s. In the short term, the most effective of these government measures was the introduction of an ambitious public works programme. Poor whites were drawn into this programme and physically rehabilitated while being taken into private sector employment or found positions in the public sector. At the same time, this programme generated valuable infrastructure in the form of railways, roads, irrigation schemes, afforestation and other more general public works.

Moreover, the programme 'had little effect on aggregate government expenditure, taxation or debt. The programme was largely funded through reallocation of government expenditure both in the revenue and the loan account.' (PCS 10: 27)

Public works programmes have been implemented in many different forms in various parts of the world (234: 3). One of the most interesting as a model that might be emulated in South Africa and other countries in the region is the



*The seven basic rules of  
an Employment Guarantee Scheme are:*

1. People who seek manual labour on public works, register for work at a suitable local office.

2. Government, operating through local government structures, guarantees to provide work within 30 days for a period of at least 40 days if 50 people register in one locality.

3. Labour is contracted to do the work on a piece-rate basis, which eases supervision, encourages group functioning and makes for greater efficiency. Wage rates are determined by piece-rate norms set by government, adjusted against a normative daily wage set below economic wages operative at the time in that locality: i.e. labour is not attracted away from on-going activities.

4. Labour is expected to complete 25 days of continuous work over five weeks, if training is also being provided.

5. When labour has to travel beyond a designated distance for that region to a work site, usually 6 to 8 kilometres, then the scheme must provide transport or a camp-site with latrine, potable water, a store selling necessities of food and fuel.

6. If the government fails to provide work within the 30-day limit, then it must provide applicants with unemployment relief [the dole] until, after another 30 days, they re-register again. And so on, until work is provided.

7. Government deducts 30% at the weekly wage payout. Ten per cent of this is deposited into a savings account in the name of the labourer and cannot be withdrawn for two years except as a loan issued by a Credit Union. The remaining 20% is held against completion of the work or of the 25 days contracted for, whichever occurs first. (Reynolds, 1981: 18-19; see also 234: 30; and personal communication, 1988)

employment guarantee scheme, developed over the past decade in the Indian state of Maharashtra. First proposed for southern Africa in 1981 by Norman Reynolds who had himself been involved in the establishment of the Maharashtra programme, an EGS is defined simply as 'a public works programme that responds to individual demands for work in the countryside within programme rules' (1981: 2). Later, during the course of the Carnegie Inquiry, Reynolds drove home the argument in favour of an employment guarantee scheme by looking first at their capacity to alleviate unemployment and poverty, and then at the relatively easy way of funding them.

The ability of public works programmes to absorb unemployment is significant, though each programme has to be judged in relation to the nature of unemployment in that country and to the resources committed to it. Earlier we referred to China. The Employment Guarantee Scheme started in Maharashtra State in India absorbed 75% of available man-days in the countryside in 1977; that is, three years after it was launched as a reformulation of the conventional relief programmes designed to mobilise rural labour in construction activities on a regular basis.

Maharashtra State finances the Employment Guarantee Scheme in two ways.

taken from the normal Capital Budget and half is raised from special taxes aimed at those most likely to benefit from less crowded cities, from thriving rural demand for manufactured goods and from a greater supply of agricultural surpluses. Items taxed include entertainment, professional registration, property and luxury goods. The total cost of the Scheme comes to 9% of the State's Capital Budget. The Scheme represents a socially and politically acceptable additional mobilisation of resources for investment. About one-third of the outlay is recouped in the form of loan repayments and betterment levies from identified beneficiaries of economic investment, such as irrigation and land levelling. A recent paper by the Indian Planning Commission calculates an all-India programme as costing 12%–13% of the combined Central and State Capital Budgets. (234: 7)

By estimating, very roughly of course, the distribution of families and of the income shortfall in urban areas, on white-owned farms and in the reserves, Reynolds and Simkins calculate (16: 17) that to bring families in the reserves (where most of the acute poverty is concentrated) up to the poverty datum line (as measured in 1980), an extra income of R185 million per month would be required. This shortfall, 'if provided through wages on a public works programme with wages at 60% of total cost, would require a programme expenditure of R3.7 billion in 1980. That equals 6% of GDP, or roughly 32% of the Gross Domestic Fixed Investment of public authorities and of public corporations in that year.' (234: 16).

This is not impossible but it puts a heavy strain on the public purse. Thus Reynolds suggests that in addition to providing piece-work, which enables different members of the extended family to earn some money and so increases the possibilities of mutual caring within a reinvigorated social system, other steps are needed which will help to stimulate jobs and income. One of the most cost-effective of these steps is, we believe, the unambiguous adoption of a policy which makes it easier for people to move from impoverished rural areas to the larger cities, where there is more scope for non-state job creation.

But, in terms of the employment guarantee scheme, what work should people do? The basic principle is that the work should be available within reasonable distance of the person's home, and that the beneficiaries of the project involved should also help pay for it. In other words, a project does not have to be a purely public work but can benefit specific households. But these households would then have to take out a loan to pay their share of the costs of this investment. Throughout many of the rural areas there are urgent needs, as we have seen, for clean drinking-water, for the protection of springs, for the building of dams (large and small), construction of rainwater reservoirs, irrigation pipes and ditches for vegetables, and of ventilated improved pit (VIP) toilets. Many areas need better roads, conservation works and woodlots. And bricks can be made for public use or for sale. Rural service centres containing a bank, a post-office, a clinic, a shop, and a market-place, all open at least once or twice a week, need to be built. All this is feasible, but it requires organisation. A wide range of structures is possible.

In Zimbabwe, for example, at least 600 rural service centres have been identified so far, with government commitment to invest in an initial 120. But



these centres alone reach relatively few people unless they can be used as bases from which the periodic delivery of services to many different places is organised. The process of developing the most effective use of these centres, including the holding of periodic markets is being organised by a national Rural Market Society. In South Africa these centres could be created by the upgrading of facilities and services at existing business centres on certain days in a cycle to coincide with periodic market days, and should include such features as mobile banks, libraries, bakeries, etc. It is envisaged that these centres would not only provide essential services to the rural periphery, but would stimulate viable economic activities of small entrepreneurs, trades persons and other individuals through the provision of markets for their goods and services, thus stemming the tide of desperate migration to urban areas (65: 15).

In South Africa it might be wise to set up regional structures with links either to an expanded Public Works Department or perhaps to a newly created Rural Works Department, charged specifically with organising projects and contracting (by means of piece-rates) with workers in response to the needs of people for jobs.

In their proposals for public works programmes to combat poverty, Abedian, Schneier and Standish wisely draw attention to the immense political difficulties of the scheme. Whilst it is too much to hope that the present government has the capacity to set up so ambitious a scheme in such a way that it will be 'perceived by the community to be extending democratic rights across a broad frontier [and not as] further oppression' (PCS 10: 29), the proposal to establish some sort of independent PWP body, protected as far as possible from the vagaries of day-to-day party politics, has much to commend it, not least in a democratic society. For in such a society, whether socialist or capitalist, the state itself is responsive to the needs and wishes of people and does not become an oppressive power structure of tyranny and control. Much thought has thus to be given to the structuring of the new society so that even within the state itself there is a decentralisation of power. The existence of independent organisations – such as the British Broadcasting Corporation, universities in many parts of the world, or (at an international level) Unicef, accountable (in their own way) to the wider society – indicates what is possible. A Public Works Authority could be just such a body. If imaginatively led and well run, such a body could cut bureaucratic red-tape to a minimum, it could ensure proper grassroots participation, and maintain civilian control. Despite temptations to the contrary, it would be a grave mistake for such a programme to be run by the military or indeed as simply one more government department, hiring a lot of government employees.

# **PUBLIC WORKS PROGRAMMES IN SOUTH AFRICA**

**Lolette Kritzinger-van Niekerk<sup>1</sup>**

**Paper delivered at a COSATU Workshop on**

**"ONE MILLION JOBS BY JANUARY 1991"**

**Johannesburg 22 August 1991**

## **1. INTRODUCTION**

The critical proportions of unemployment and the mainly structural nature of the problem necessitate a re-evaluation of policy measures in order to foster a pro-poor growth and development process in South Africa. The problem could be addressed by implementing an integrated and comprehensive policy package. The public sector expenditure programme is a potent policy measure for stimulating employment growth in the economy. It is argued that a restructuring rather than an expansion of the public sector expenditure programme can result in short-term, enduring employment effects. The restructured public sector expenditure programme should include characteristics of special employment programmes, focusing on the procurement and provision of more labour-intensive goods and services and a reorientation of expenditure programmes in favour of the unemployed and the poor.

In a recent countrywide survey (Whittle, 1990; p 7) to determine the most severe problem areas in the South African society, it was found that all four main population groups collectively identified unemployment (or the need for employment opportunities) as the foremost problem field. The need for employment opportunities was rated as a high priority especially due to the fact that losing a job or having no job leads to the prospect or reality of lapsing into extreme poverty.

The first part of the paper addresses the size, nature and causes of unemployment in South Africa. The second part suggests a comprehensive and integrated policy framework for unemployment. Public works programmes constitute only one policy measure within this framework and in the next

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<sup>1</sup> Senior Policy Analyst, Centre for Policy Analysis, Development Bank of Southern Africa.



part the features, unresolved issues and application of this policy measure in South Africa are addressed. Guidelines for the introduction of some of the appropriate features of public works programmes in South Africa are derived, having regard for the nature and size of unemployment in the country in relation to scarce financial and economic resources. Finally, aspects requiring consideration regarding so-called DBSA projects are broadly outlined, indicating the complexity of introducing labour- and local resource-based approaches to public sector expenditure programmes.

## **2. THE UNEMPLOYMENT PROBLEM**

Irrespective of the definition and measurement of unemployment, the **unemployment rate** in South Africa has shown a persistent upward trend since the 1960s:

- \* In the 1960s the percentage of the labour force without formal employment opportunities fluctuated within a narrow band of 30-33 per cent. The mid-1970s saw a change in this trend, with the estimated percentage of the labour force without formal jobs increasing from 34,4 per cent (about 3,6 million people) in 1975 to 51,3 per cent (about 8,4 million people) in 1990 as depicted in Table 1. These people have to eke out a living in the informal/subsistence economy or to remain unemployed.

Table 1: South Africa: De facto labour force and formal employment opportunities: 1960-1990

Year	De Facto Labour Force <sup>1)</sup>	Formal Employment Opportunities		People without Formal Employment Opportunities	
		Number	%	Number	%
1960	6 901 000	4 652 000	67.4	2 249 000	32.6
1961	7 086 000	4 852 000	68.5	2 234 000	31.5
1962	7 275 000	4 961 000	68.2	2 314 000	31.8
1963	7 470 000	5 012 000	67.1	2 458 000	32.9
1964	7 669 000	5 190 000	67.1	2 479 000	32.3
1965	7 875 000	5 440 000	69.1	2 435 000	30.9
1966	8 085 000	5 608 000	68.4	2 477 000	30.6
1967	8 302 000	5 724 000	68.9	2 578 000	31.0
1968	8 524 000	5 845 000	68.6	2 679 000	31.4
1969	8 752 000	6 023 000	68.8	2 729 000	31.2
1970	8 985 000	6 164 000	68.8	2 821 000	31.4
1971	9 283 000	6 269 000	67.5	3 014 000	32.5
1972	9 590 000	6 326 000	66.0	3 264 000	34.0
1973	9 908 000	6 597 000	66.6	3 311 000	33.4
1974	10 236 000	6 809 000	66.5	3 427 000	33.5
1975	10 576 000	6 942 000	65.6	3 634 000	34.4
1976	10 926 000	7 078 000	64.8	3 848 000	35.2
1977	11 288 000	7 145 000	63.3	4 143 000	36.7
1978	11 662 000	7 176 000	61.5	4 486 000	38.5
1979	12 049 000	7 298 000	60.6	4 751 000	39.4
1980	12 453 000	7 450 000	59.8	5 003 000	40.2
1981	12 830 000	7 649 000	59.6	5 181 000	40.4
1982	13 201 000	7 803 000	59.1	5 398 000	40.9
1983	13 582 000	7 757 000	57.1	5 825 000	42.9
1984	13 975 000	7 832 000	56.0	6 143 000	44.0
1985	14 377 000	7 788 000	54.2	6 589 000	45.8
1986	14 760 000	7 798 000	52.8	6 962 000	47.2
1987	15 140 000	7 858 000	51.9	7 282 000	48.1
1988	15 530 000	7 958 000	51.2	7 572 000	48.8
1989	15 930 000	7 987 000	50.1	7 943 000	49.9
1990	16 340 000	7 953 000	48.7	8 387 000	51.3

1) The de facto labour force is taken as 95 per cent of all the males in the 15-64 year age group and 55 per cent of the females in the same age group. This definition differs from the President's Council definition of 100 per cent of the males in the 19-64 year age group and 50 per cent of the females in the same age group.

Source: DESA. 1991. Unpublished data.



- \* Table 2 illustrates even more vividly the failure of the formal sector to absorb the labour force. The percentage of the annual net additions to the labour force drawn into the formal sector decreased from 80,9 per cent in the early 1960s to a paltry 8,4 per cent in the late 1980s. This implies that only 84 out of more than 1 000 new entrants per day to the labour market could be accommodated as full-term employees during the past five years. The labour force increased by 3,9 million people during the 1980s, while only an additional 503 000 employment opportunities have been created in the formal economy during this period.

**Table 2: Incremental changes in the workforce and formal employment opportunities, 1960-1990**

Year	Average Annual Increase in Workforce	Average Annual Increase in Formal Employment	Average Annual Absorption Capacity of Formal Employment (%)
1961 - 1965	194 800	157 600	80,9
1966 - 1970	222 000	144 800	65,2
1971 - 1975	318 200	155 600	48,9
1976 - 1980	375 400	101 600	27,1
1981 - 1985	384 800	67 600	17,6
1986 - 1990	392 600	33 000	8,4

Source: DBSA, 1991, Unpublished data.

- \* Structural unemployment is an endemic and growing feature of the economy. Although cyclical upturns in the economy slightly retarded the increase in people without formal employment opportunities for short periods, eg from 1980-1982, the underlying problem has continued to grow.

Some idea of the **nature** of unemployment can be gleaned from the following:

- \* There are major spatial differences in unemployment. The rate of unemployment in the metropolitan areas ranges from 10,8 per cent in the Cape Peninsula to 25,1 per cent in the PE/Uitenhage metropolitan area. The unemployment rate is 13,8 per cent for all metropolitan areas and 9,4 per cent in the rural areas, excluding the homelands. In the homelands the average unemployment rate is nearly 29 per cent and ranges between about 18 and 35 per cent.

- \* The unemployment rate for females and the young are almost twice as large as the rate for males and older workers. There is also a negative correlation between education and unemployment irrespective of age and gender (Roux, 1991: 3).
- \* Almost 85 per cent of the unemployed are among Africans, and taking into consideration that African unemployment displays only a mild sensitivity to the business cycle, *inter alia* because of relatively low skill levels, it confirms the predominantly structural nature of the unemployment problem (NMC, 1988: 6).

Although the **causes** of unemployment in South Africa are many and varied, it is now generally accepted that the post-1970 decline in the rate of economic growth is the most important single factor underlying the rising unemployment rate. The growth performance of the South African economy deteriorated from 5,8 per cent in the 1960s, to 2,9 per cent in the 1970s to 1,4 per cent in the 1980s. During the 1960s 2,5 per cent additional jobs were created per annum. This figure fell to 1,9 per cent in the 1970s and 0,6 per cent in the 1980s. Thus, one per cent annual economic growth was associated with 0,64 per cent and 0,46 per cent growth in employment during the periods 1971-1980 and 1981-1990, respectively (see Table 3). The deterioration in this percentage by more than a quarter during the past decade indicates the capital deepening in production processes that had taken place, and lends credence to statements that distortions to factor prices have played a role in reducing the capacity of the economy to absorb labour.

Table 3: Production (GDP) elasticity of employment: 1970 to 1990

Years	Annual Percentage Change In: (Weighted Averages)		Elasticity (i)/(ii)
	(i)	(ii)	
	Employment	GDP	
1971 - 80	1.85	2.89	0.64
1981 - 90	0.64	1.39	0.46
1986 - 90	0.42	1.39	0.30

**Source:** Adapted from Ligthelm and Kritzinger-van Niekerk, 1990: 633 and DBSA, 1991. Unpublished data.

A production elasticity of employment of 0,46 per cent implies that a 6 per cent annual economic growth rate would be required to keep pace with a projected annual labour force growth of 2,8 per cent, without allowing for a reduction in the employment backlog. Given the existing constraints on the economy, it seems highly improbable that the required growth rate would be achieved. Therefore,

efforts to significantly improve the labour absorption capacity of the economy will have to be directed at an increased rate of economic growth, a reversal of the capital-intensive structure/pattern of the growth path, and removal of constraints on the unemployed/poor to effectively participate in the economy.

### **3. POLICY FRAMEWORK TO IMPROVE THE EMPLOYMENT-CREATING CAPACITY OF THE ECONOMY**

The nature, size and tendencies of (un)employment in a country are the results of the interaction between all economic sectors and economic subjects as well as the combined effects of the various policies implemented by the public sector. Since the economy functions as an integrated whole, the impact of discretionary or *ad hoc* actions to stimulate employment creation is limited. Thus, a comprehensive and integrated set of policy measures is needed to significantly impact on the unemployment problem. In the quest for a more effective employment policy, hardly any new policy measures would be found than those that have already been introduced or considered in South Africa. However, the unemployment problem points to the inadequacy of the current policy measures or to the inadequate or inconsistent application of these policy measures. The solution lies therefore in renewed consideration of the nature and extent; complementarities; the stimulation of interaction; the efficient application of policy measures and supporting instruments; and close monitoring of consistent and adequate application of these policy measures.

The wide variety of policy options open to policy-makers include those aimed at the quantity and quality of labour supply; labour market efficiency; capital supply and efficiency; supply and efficiency of entrepreneurship; market efficiency and competition; small business and the informal sector; spatial development and labour absorption; sectoral development; economic growth and cyclical stabilisation; state employment, subsidisation and job creation; and alleviation and redistribution of the unemployment burden (see Thomas, 1990: 260-267 for an extensive exposition of policy measure to reduce unemployment).

Policy measures aimed at these target areas will, depending on their design and content, "..... yield different short-term versus long-term effects, temporary versus permanent effects and direct versus indirect effects" (Freedman, 1990: 183). If unemployment is of a cyclical nature there is a strong argument for introducing a package of policy measures that will have direct, short-term and temporary effects. In contrast, structural unemployment should be addressed by a package of policy measures that will have long-term, permanent as well as direct and indirect employment effects.

The critical proportions of the unemployment situation accompanied by the urgency of poverty alleviation in South Africa suggest the introduction of policy measures possessing an emergency character and supplementary to regular employment policy measures. However, in view of the fact that current fiscal and monetary policies are aimed at curbing inflation and protecting the balance of



payments, very limited scope exists for redesigning macroeconomic policy measures to revert to more stimulative demand management policies, without detracting from the efficiency of these policy measures. Moreover, the mainly structural nature of unemployment in South Africa calls for the introduction of policy measures that will have more long-term, enduring and both direct and indirect employment effects.

Many policy measure which could be included in a comprehensive policy framework for reducing unemployment emphasise micro interventions and the supply side, eg these focusing on labour-market efficiency, institutional barriers and price distortions which could be regarded as factors inhibiting employment and limiting entrepreneurship, economic growth and renewed job creation. Although the implementation of such policy measures would result in desirable economic and employment gains these might, however, be achieved more as a result of indirect or long-term processes. Furthermore, some of these measures could have significant budgetary implications, having limited regard for the financial and economic constraints experienced in the country. Other measures would, no doubt, militate against the endeavours of trade unions for acceptable living standards and working conditions.

From the above exposition it is clear that the critical unemployment situation in South Africa demands immediate actions. However, at this stage this could not involve an infusion of government funds in the economy. Furthermore, this should ideally not compromise the aspirations regarding the job security and conditions of those employed and for whom the loss of a job or reduced income would lead to hardship. Moreover, these actions should have short-term but enduring, direct and indirect employment effects in order to significantly impact on the structural unemployment experienced in South Africa. These conditions warrant urgent consideration of a restructuring of public sector expenditure programmes in favour of the unemployed and the poor.

#### **4. SPECIAL PUBLIC WORKS PROGRAMMES IN PERSPECTIVE**

Special employment programmes (SEPs) which would allow a more progressive fiscal intervention in the economy can include special public works programmes (SPWPs); government-funded programmes which provide direct employment opportunities but are not traditionally included in SPWPs such as artisan activity, community service, etc; programmes which subsidise private sector employers offering temporary jobs, often to a particular target group; programmes aimed at entrepreneurial development or the generation of self-employment; and programmes which are mainly welfare-oriented or of a mixed production-welfare oriented nature (Freedman, 1990: 171 and Ribe, et al, 1990.)

Since the mid-1970s an upsurge of SEPs has formed an important part of policy responses to increasing unemployment in both industrialised and developing countries. Many SPWPs which were launched as instruments of temporary macro-economic policy have acquired a semi-permanent

character with programmes lasting five to ten years and sometimes even longer (Freedman, 1990: 182). Moreover, the features of SPWPs have been amended to allow for the structural nature of unemployment in these countries and expanded to incorporate other elements of employment policy as well.

#### 4.1 *FEATURES OF TRADITIONAL SPWPs*

SPWPs have generally been conceived as a Keynesian-style fiscal instrument, constituting macro-economic policy or demand management. They are endeavoured to address cyclical and structural unemployment simultaneously with the emphasis on short-term direct employment, but which could result in long-term employment opportunities derived from the creation of productive assets. They are considered as transitional measures and intended to supplement regular employment policy measures. The four broad categories of public works usually included in such programmes and considered as offering long-term benefits to a wider population, are:

- roads (construction, repair and maintenance of access and feeder roads, bridges and similar structures within specific areas);
- soil conservation (including reforestation and other forest protection works);
- irrigation and water supply (small irrigation canals, small dams, flood control, etc.) and
- local social and economic facilities (eg low-cost housing, markets, schools, and health facilities).

A project-by-project approach is usually adopted, emphasising non-profit endeavours designed to be temporary and subject to immediate curtailment. Only small amounts are disbursed for capital expenditure with the emphasis on labour-intensive growth. Programmes have wage ceilings with participants generally paid a sub-minimum wage or allowance/subsidy (often slightly above welfare or unemployment compensation levels). Non-pecuniary benefits, eg food, sometimes supplement or even substitute wages/allowances. This leads critics to argue that such interventions only remove participants from the unemployment role at the cost of converting them into underemployed and sometimes exploited workers. Proponents argue that SPWPs are one of a few available means of generating short-term direct jobs in large numbers as well as vital incomes for the poorest segments of the population. In view of the fact that SPWPs are aimed at the creation of temporary employment opportunities, it is argued that remuneration levels should not lead to a displacement of permanent workers and a dependency after projects have been terminated.

A distinction between youth and adult programmes is often made as well as provision for special assistance to underdeveloped areas/communities or the "hard-to employ". Programmes usually allow for the incorporation of training and/or educational schemes to enable participants to find permanent

employment opportunities after the termination of projects and could, therefore, be regarded as "empowering measures". Programmes may be operated by the government only or responsibility could be shared with non-governmental organisations. A distinguishing feature of such programmes is that government itself, irrespective of governmental level, is highly involved in the organisation of the work, selection of the participants and the direction and overall control of overall activity.

#### 4.2 OPEN ISSUES REGARDING SPWPs

In view of the role that SPWPs has to play mainly in developing countries regarding deeply entrenched unemployment and poverty, many of their features and methods of implementation have been amended, based on past failures and in accordance with the conditions in particular countries. Some issues regarding SPWPs which remain open for debate and amendment include the following:

- SPWPs have seldom been scaled to the magnitude of national manpower needs, and often been introduced in an unsystematic and fragmentary style. Due to the size of the unemployment and poverty problem in developing countries, even the most generous programmes can, in the short-term, serve only a fraction of the low-income population looking for jobs. This implies that beneficiaries should be targeted, requiring precision in targeting and programming based on adequate information about beneficiary groups.
- What is the trade-off between the urgency of introducing SPWPs and the establishment or strengthening of appropriate institutional arrangements? Organisational infirmities and inappropriate administrative arrangements caused by the lack of adequate managerial, engineering and technical skills and competence are characteristic of developing countries. This, in turn, emphasises the need for the choice of an appropriate technology which would require the lowest possible reliance on skilled manpower.
- What is the trade-off between the urgency of SPWPs and proper planning? Many countries have embarked on these programmes on an *ad hoc* basis, ignoring its inherent implications for and linkages with overall development policy. Furthermore, SPWPs on its own without complementary policy actions would not necessarily lead to sustainable development. For example, new irrigation ditches may yield only limited benefits without complementary support for farmers such as access to credit, inputs and extension services.
- What is the optimal degree of (de)centralisation and effective involvement of institutional and popular bodies regarding crucial programme decisions, planning and implementation? Failure to allow for expression of community level needs and desires could lead to failure of a programme. Furthermore, SPWPs could be bedevilled by bureaucratic inertia and entrenched vested interest in centralised governmental bureaucracies.



- What is the optimal duration of an individual's participation in a particular programme versus the duration of such a programme?
- Inadequate post-project maintenance arrangements often undermine the efficacy of PWPs. What institutional and financial arrangements are required in this regard?
- The distribution of benefits from programmes needs consideration. Although there may be substantial transfer of resources to the poor in the short-term in the form of employment and raised income, the benefits accruing to higher-income groups from the productive utilisation of newly created or improved infrastructure could be significantly higher than for the target group. This also suggests that complementary policy measures are required to maximise the benefits accruing to the target group.
- What alternative revenue sources could be considered for programme financing? In general this would entail one or a combination of sources such as taxation; reallocation of public sector expenditure; privatisation income; borrowing; self-finance and/or foreign aid; depending on the financial and economic conditions within a country. Part of this debate also focuses on the implementation of measures to recover windfall benefits, including taxes on improved land values or cost-recovery arrangements, designed to siphon off at least a part of recurring benefits accruing to beneficiaries, particularly the relatively better-off.
- What should be the forms, levels and determinants of remuneration and non-pecuniary benefits? The value of the cost of labour could be determined by shadow pricing, but is often arbitrarily set at a level below minimum wages. It is argued that the low values of the cost of labour reflect the scarcity or unattractiveness of alternative productive opportunities. Other related issues which need careful consideration are eg the minimum age of workers, hours of work and safety of workers on work-sites.

## **5. SPWPs IN SOUTH AFRICA - PAST EXPERIENCE**

### **5.1 POOR WHITES AND PUBLIC WORKS PROGRAMMES**

At the turn of the century South Africa experienced a rising tide of white poverty, increasing in magnitude until 1932 when a concerted effort by government, and a period of sustained economic growth saw the poverty alleviated by the end of that decade and largely eradicated by the mid-1950s.

The gross domestic product fell from R605 million in 1928/29 to R473 million in 1931/32 at current prices while the number of whites in the labour force outside formal employment increased from about 210 000 in 1920 to 330 000 in 1933. Although many structural economic problems existed in the

country at that time in spite of the depression, the latter intensified the awareness and effects of the structural problems, helping to create a new sense of urgency to address them.

The state responded by providing both relief and remedies for unemployment. A legislative package in the labour market was designed and implemented to favour whites. At the same time the following remedies for unemployment were introduced: vocational training; assistance to gold mining; assistance to industrial expansion; provision of cheap transport and marketing facilities for agricultural produce; and drought relief, consisting mainly of loans to certain farmers to overcome their financial difficulties. Furthermore, government increased services to whites, particularly education, health and housing. Government also introduced an ambitious PWP, providing "pauper relief", ie temporary piecework employment on public works, embracing the Railways, ISCOR, Provincial Administrations, municipalities, irrigation, afforestation, soil-conservation, eradication of noxious weed and special army service, creating valuable infrastructure in the process. These efforts by the state brought relief, but only to a few. In 1933 a total of 59 000 of the poor whites were employed by various state relief measures. After the recovery of economic growth, there had been a considerable reduction in the number of poor whites employed on relief schemes. By 1945 most of these relief schemes were discontinued due to a lack of interest by the target groups. Thus, over a two-decade period, state employment and policy measures to address structural economic problems strengthened by sustained economic growth, alleviated and then eradicated the poor white problem. These state efforts had little impact on the government share of the economy, except for the year 1933, because they were mainly financed by a reallocation of government expenditure both in the revenue and loan accounts (Abadian and Standish, 1986: 180-198).

Some of the lessons learnt during the Great Depression include the following (Hobart Houghton, 1964):

- There may be times when the state has to offer assistance to alleviate momentary distress, but such measures must be accompanied by measures aimed at structural changes for future improvement.
- All measures must be based on the principle that social isolation/marginalisation has to be lessened, for instance, by providing training and education. This enables/empowers beneficiaries to effectively participate in the economy.
- Appropriate vocational guidance and advice regarding employment possibilities should receive due attention.
- The success of the programmes is to a large extent dependent on the efficiency and enthusiasm of the institutions and personnel involved.

Funds and other resources are too scarce to provide relief for all in need: priorities must therefore be set and participants must be carefully targeted.

## 5.2 SPECIAL EMPLOYMENT CREATION AND TRAINING PROGRAMME FOR THE UNEMPLOYED - SINCE 1985

This programme is aimed at cyclical unemployment and poverty resulting from structural unemployment. Although the programme, to a large extent, resembles a pure PSWP, training of the unemployed receives special attention (NMC, 1990: 31-33).

### (i) Training Scheme

The training scheme is aimed at enabling the unemployed individual to enter the formal labour market as well as to participate in the informal economy as an independent entrepreneur. Since the initiation of the scheme in 1985 up till the end of September 1990, an amount of R422,8 million had been spent on the training of 1 289 414 unemployed individuals of whom 30 per cent were placed in jobs via the programme itself, while the remainder became self-employed.

Training is privatised and training contracts are allocated by the Department of Manpower. A fixed amount of R22,00 per day for training fees is paid to training contractors while an allowance of R7,00 per day is paid to the unemployed individual. Training programmes include those for the formal sector - more than 200 courses are registered for this purpose; those for the informal sector - more than 150 courses are offered; training for construction workers - a 9 week on-the-job training course is offered after which the trainee has to work for three weeks on a PWP or for a private construction contractor; training for the disabled; elementary computer skills training; and training for entrepreneurs. Any person looking for a job within South Africa and who is at least 15 years old can participate in the scheme on the conditions that he/she is trainable, motivated to be trained and could benefit from the training offered. Training contractors are actively supporting trainees in finding employment opportunities.

### (ii) Special employment creation programme (SECP)

The purpose of the SECP is to provide *bona fide* unemployed persons with temporary employment opportunities linked to training. The unemployed receives an allowance of R7 per day when working on a project entailing the creation of fixed assets, while the contractor creating the employment opportunity receives R10,50 per day per employee for his overheads. No allowance is made for the cost of material. From April 1985 to 30 June 1990 an amount of R719 million had been spent on the SECP - more than a 100 million man days had been spent by unemployed persons on the SECP. An amount of R150 million had been budgeted for SECP for the the fiscal year 1990/91 and R50 million for 1991/92. Only unemployed people not receiving any UIF assistance are eligible for participation in the programme.



Since 1 July 1990 all projects regarding the SECP have to be labour-based; should create fixed assets; should be launched in underdeveloped areas; should serve the community; should incorporate training; should be completed within one fiscal year and should supplement budgeted projects. Various government departments and Provincial Administrations are participating institutions in the programme, coordinated by the Department of Manpower, and approve projects implemented by local authorities and private contractors. Since the 1986/87 fiscal year 4 290 houses and 13 training and work centres have been built.

(iii) *Results*

Both short-term temporary projects and longer term projects have been incorporated in the SECP since 1985. The results of the dual nature special employment programme correlate to a large extent with international experience. These results can be summarised as follows:

**Projects with short-term and temporary results:**

- no permanent employment opportunities were created;
- no physical and social infrastructural assets were created;
- projects were not fully integrated with development programmes;
- projects were inadequately planned, designed, coordinated and implemented;
- institutional capacities were inadequate to deal with short-term programmes in addition to normal activities; and
- in some instance permanent workers were replaced by temporary workers, due to spatially undifferentiated allowances.

**Projects with a long-term and permanent nature** contributed to the creation of permanent employment opportunities and physical and social infrastructure. An important lesson derived from this experience is that the scarce management and financial resources of the public sector could be inefficiently and ineffectively allocated if programmes were to be regarded as special, separate and in addition to normal public programmes.

The amounts allocated to the SECP together with that allocated for entrepreneurial development, are totally inadequate when compared with the magnitude of current poverty/ unemployment. A far greater financial effort is required to make a significant impact on unemployment/poverty. The training component of the programme should also be extended. Although most of the benefits of training

would accrue only if the formal economy begins to expand, provided that the quality of training indeed increases employment prospects, it is possible that appropriate training could open up opportunities for self-employment, especially if it promotes the incorporation of Africans into activities which have been the preserve of whites until now. Due to the financial and economic constraints facing the country, it seems as if increased efforts in this regard will, as in the years of the Great Depression, have to be funded by a restructuring of current public sector expenditure programmes.

## **6. GUIDELINES FOR RESTRUCTURING PUBLIC SECTOR EXPENDITURE PROGRAMMES**

From the above experience together with the policy measures to be included in a comprehensive policy package, the following guidelines for restructuring expenditure programmes of the public sector in South Africa can be derived. Programmes should inter alia:

- be aimed at addressing structural unemployment, poverty and a more equal distribution of wealth while increasing the growth capacity of the economy;
- not be regarded as a separate employment creation exercise in addition to existing expenditure programmes;
- incorporate appropriate technology. In South African circumstances this implies that capital-intensive technology should be applied only in cases where labour-intensive methods will not be cost-effective and efficient;
- use available local human and physical resources and institutions. Active participation of local communities should be encouraged in the planning and implementation of projects; and
- not only consider direct cost-effectiveness in the choice of projects but also potential indirect and long term effects on the financial and institutional capacities of relevant institutions.

Although the public sector is generally not regarded as the primary employment creator in South Africa, its expenditure programmes could be regarded as an important instrument to significantly influence employment. However, this instrument has to a large extent been neglected for this purpose in the past. The design and standards of expenditure programmes often display the use of capital-intensive techniques. In order to reverse this phenomenon the employment implications of all projects should be determined and certain ratios could even be adhered to. This will ensure that employment attains a central place in all public programmes (Bepa, 1980: 264).

It is important to mention that the use of labour-intensive methods in public sector expenditure programmes does not exclude the use of sophisticated, capital-intensive technology. It rather implies that all the labour-intensive parts of projects should be identified and utilised as such. Even on-going investment projects could be re-evaluated to determine their potential labour intensive parts while the procurement of goods and services could to a larger extent be directed to small businesses and businesses implementing more labour-intensive techniques.

If the above approach is accepted as a general point of departure in the planning of public expenditure programmes, the whole programme will display increased labour intensity. Following such an approach, the introduction of SPWPs in addition to the normal expenditure plan of the government is of lesser importance. The public sector can then rather increase the magnitude and momentum of its already planned expenditure programme during an increase in cyclical unemployment.

The restructuring of expenditure programmes should be undertaken by all public sector institutions, ranging from the different levels of government to semi-government institutions and development agencies. Due to the huge amounts available for public spending even a relatively small percentage of public sector spending allocated in this manner could significantly stimulate the creation of employment opportunities. However, lessons gained from experience in South Africa and internationally indicate that implementation of such programmes is dependent on high standards regarding planning, design, execution, monitoring and evaluation.

In addition to the deliberate efforts to involve un- and under-utilised resources by increasing the labour intensity of public sector expenditure programmes, attention should, furthermore, be focused on a reorientation of the composition of its programmes. A larger portion of expenditure should be allocated to projects that directly benefit less privileged groups. Examples of these programmes, aimed at both high labour intensity and the less-developed communities, are the construction and maintenance of rural roads, low-cost housing, irrigation projects, afforestation, social infrastructure such as schools and clinics and the support of small business and informal economic activities, appropriate training programmes and improved labour market information and recruitment programmes directed at the low-income groups and the unemployed. Such expenditure programmes would further stimulate pro-poor economic growth and development by contributing to increased access to and utilisation of public resources and productive resources and opportunities. Recently efforts to this effect have increasingly been reflected in the budget of the central government and by the off-budget funding of socio-economic development.

Although the productive interventions implied in the policy framework, including the deliberate restructuring of public sector expenditure programmes, could result in a significant reduction of unemployment, it would be impossible to involve all unemployed and poor people - even over a relatively long period of time. Moreover, significant numbers of the working poor might still not be able to achieve minimum living standards. This necessitates the design of appropriate social security or welfare-oriented programmes to address those peoples' basic needs.



## 7. AN OVERVIEW OF DBSA'S PROJECTS

I have been asked to give an overview of DBSA's projects. However, taking into account that on 31 March 1991 the Bank had 1 301 projects in the project cycle and had approved an accumulative 760 projects, you would appreciate it that this is rather a daunting task.

DBSA's project lending is directed at the following:

- financial and technical assistance for long-term public investment programmes benefiting less developed communities;

- support for the entrepreneurial poor to increase the capacity of individuals to exploit productive opportunities effectively and efficiently; and

- through its community support programmes, the Bank supports local initiatives and facilitates the development of local organisational skills and institutional capacities with a view to encourage collective action and the capacity of communities to initiate, implement and manage their own development on a sustained basis.

I will focus on long-term public investment projects, by broadly outlining aspects requiring consideration when such a project application progresses through two phases of the project cycle. This outline would allow, to a large extent, a reflection of DBSA's approach towards the alleviation of poverty; an indication of various similarities between this approach of the Bank and the guidelines for restructuring public expenditure programmes; and an illustration of the complexities which are faced by the public sector in the restructuring of expenditure programmes.

### 7.1 THE PREPARATION PHASE

After identification of a project and receipt of a project application by DBSA, a project enters the preparation phase of the project cycle. This phase is primarily an information gathering and initial decision-making phase which should culminate in a detailed situation analysis and broad project proposals. The phase is subdivided into a conceptual and project planning stage, respectively.

#### 7.1.1 *Conceptual Stage*

##### (i) *Analysing community needs*

The real needs to be satisfied and the context of the project are established by involving the communities concerned from the outset. In order for the poor to take a leading role in raising their own quality of life, they are encouraged to become involved not only in the decision-making

processes but also in the physical implementation of a project. However, community participation in a project depends on their willingness and ability to act as well as their aspirations, leading to varying degrees of participation ranging from information sharing; consultation; decision-making and implementation; to initiating and controlling action regarding a project.

From the outset specific development objectives of a project for the community are established, based on development principles such as:

- projects should be undertaken with and not for communities;
- local labour (individually and collectively), entrepreneurial and natural resources should be optimally utilised;
- projects should be affordable and acceptable and communities should have the opportunity to choose between different options; and
- cost recovery on projects should be acceptable and introduction depends on the willingness and ability of the community to pay affordable user charges.

(ii) *Analysing the supply of local resources*

All local resources are evaluated in terms of availability and acceptability to satisfy the need and achieve the stated objectives, with special emphasis on the mobilisation of human resources for the preparation and implementation of the project. Local resources are viewed as all the resources available in a specific area which could be employed to execute a task and include human, financial, natural and technological resources.

(iii) *Analysis of constraints*

The constraints hampering the mobilisation of local resources are identified and evaluated. These constraints are described as:

- Internal constraints, referring to those factors influencing efficiency and directly controlled by the community, eg lack of managerial/entrepreneurial competence and expertise. These constraints could be addressed by appropriate training and advisory services.
- External constraints, referring to those factors over which the community has no direct control, eg economic conditions and structural aspects of the socio-economic and bureaucratic system within which economic activities take place. These constraints could be addressed by financial support; creation of infrastructure; changes in policy; implementation of appropriate development strategies; changes in existing practices such as construction methods; etc.

### 7.1.2 *Project Planning Stage*

#### (i) *Integrated planning*

An integrated approach should be used for project planning, involving all parties concerned, to ensure that development programmes are effective and efficient. The following aspects of a project should be considered:

- technical aspects, including project design and planning, scope, locality, availability of local resources, training requirements, appropriate standards, alternative solutions; procurement and implementation processes; and maintainability;
- institutional aspects, including the local regulatory framework, land ownership; availability of local institutions, managerial and entrepreneurial capacities, etc;
- financial aspects, including the cost-effectiveness of alternatives; financial resources, systems and management; cost-recovery; subsidisation, etc.
- economic aspects, including the need for the project; comparative advantages, development impact and linkages; etc.
- environmental aspects, including the sustainable utilisation and management of natural resources, environmental impact; etc. and
- social aspects, including ways to involve the community; community commitment; etc.

These aspects of a project should be evaluated in terms of their potential impact in a wider socio-economic and spatial context.

#### (ii) *Project proposals*

Project proposals have to be developed which focus on the upliftment of the poor through job creation and that will satisfy the identified needs and objectives by considering various alternatives in participation with the community:

- physical alternatives (town planning and engineering)
- construction alternatives (construction methods using different material inputs)
- contractor alternatives (local, community or large contractors, etc.)
- supplier/manufacture alternatives
- institutional alternatives
- financial alternatives (user charges, sweat equity/ labour, etc.)



## 7.2 THE IMPLEMENTATION PHASE

After a project has been prepared and appraised, on approval it moves into the negotiation phase of the project cycle and then into the implementation phase. This is the final phase of decision-making and execution of work, including final documentation, detailed cost-estimates and completion of the project. The two stages to be addressed are the project design and construction stages.

### 7.2.1 Project Design Stage

#### (i) Detailed design

In participation with the community, select from the alternatives developed during the preparation phase, placing emphasis on efficiency and effectiveness so that the optimal use of resources will be ensured. The design of a project should take cognisance of the needs, specific objectives and local resources; should generate physical alternative and consider performance and maintenance standards; construction techniques; and selected procurement procedures. It should also acknowledge the ability of the contractor to perform the work. Where the size of the project is inhibiting emerging contractors, this could be addressed by dividing the work to be done either through vertical stacking (breakdown of work into various trades) or into separate units, adopting a more modular approach to design. A combination of these two approaches could also be applied.

#### (ii) Procurement procedures

Appropriate procurement procedures should be devised, eg

- calling for tenders should be done at a level to which the community can relate;
- contracts should be simplified and contract requirements modified or addressed by the provision of support services (eg performance guarantees, insurance and penalty clauses);
- documentation should be simplified - eg the degree of complexity of schedules/bills of quantities should match the size and complexity of projects; and
- adopt appropriate insurance strategies to meet different contractual arrangements.

#### (iii) Support services

The need for and scope of support services should be established and mobilised accordingly, including

- access to finance, eg short-term bridging finance and medium-term finance for working capital and equipment;
- access to reasonably priced building materials;
- technical and management counselling and training, enhancing the capacities of small contractors, communities and interested individuals; and
- management support by introducing procedures and activities to improve community involvement and cost-effective decision-making.

Support services can be provided by development agencies, training agencies, professional consultants or contractors in various ways to suit the requirements of the project.

(iv) *Control measures*

The control measures required (in addition to normal professional supervision) should be determined. Control measures are viewed as a safeguard to ensure the successful implementation, especially where a developmental approach has been followed. They must be considered at an early stage of implementation of the project. Areas normally requiring control include: quality, progress, finance, materials and management.

(v) *Management alternatives*

Various management solutions that can be used to enhance the socio-economic impact during the construction stage should be considered, eg: conventional management contract, when using an established contractor; training contract; project management contract; self-help projects; small contracts; demonstration projects; combination projects.

The primary difference between conventional and labour-based projects is the management structure. On larger projects this could be the responsibility of government departments, large contractors, project managers or consultants. The workforce could be in the employment of the management structure which would make it a labour-based project or the workforce could be self-employed entrepreneurs or small contractors working for the management structure on a labour only or sub-contracting basis.

## 7.2.2 *Construction Stage*

(i) *Execution*

Execute work as designed and mobilise local resources.

(ii) *Monitoring*

Monitor progress and modify or adapt approaches if necessary to achieve objectives.

(iii) *Feedback*

Collect development data and give feedback to development agency regarding successes and failures of approaches.

### 7.3 *EXAMPLES OF PROJECTS*

It is important to keep in mind that the Bank does not undertake development work in its own right, but supports development by extending finance and providing other services to intermediate agents for the execution of programmes and projects. In its efforts to address the needs of the poor, it works through various governments, their development agencies and non-governmental development organisations (NGOs). Therefore, to the extent that the above approaches are applied in so-called DBSA projects implemented by the public sector, this implies that the expenditure programmes of these public sector institutions are already being restructured. However, these projects supported by DBSA constitute only a small proportion of the total number of projects undertaken by the public sector and amount to nothing more than demonstration approaches, which should, hopefully, be extended by the public and private development agents to their other projects. A project, supported by DBSA, and which are designed to explore and develop labour-based construction practices are eg: the Xolo Valley labour-based experimental road in the Izingolweni District of KwaZulu. The road upgrading was identified by the local community as its highest priority. Construction of the road is now proceeding under the technical guidance of KwaZulu's Department of Works but with resources (including labour) being provided by the residents of the valley themselves and labour and pipes being paid for by means of a DBSA loan to KwaZulu. Besides the short-term benefits of basic wages being paid to the people building the road, permanent benefits will be gained through securing access from the valley to health, educational and other services, and to surrounding fresh produce markets where vegetables grown in the valley are sold. The local development committee will be responsible for financing and managing all aspects of maintenance and repair of the road with minimum assistance from the KwaZulu Government.

Without giving details about these, other projects include the

- KwaZulu Tribal Roads Maintenance Study;
- Macubeni Dam, Transkei;
- Transkei Rural Road Network;
- Illingi Upgrading Project;
- Mpumalanga: Rehabilitation of Surfaced Streets;
- Soweto Municipal Services; and



- RSA/KwaZulu Development Project.

Although these projects are essentially of a civil engineering nature, much scope exists for applying the approach to other projects. Such projects include the

- Upgrading of Primary Teacher Training College, Transkei;
- Folweni Community Learning Centre; and
- Gazankulu Fence-making project.

Some of the approaches and procedures have not been extensively tested, while considerable progress have already been made on other aspects. DBSA is also continuously involved in discussions with development-oriented institutions to facilitate increased interaction between these institutions and developing parts of the economy eg on the provision of training, as well as on adapting or refining approaches. There are many issues that still need consideration and outright ingenuity to be resolved at all.

## 8. CONCLUSION

Instant solutions to the unemployment problem in South Africa do not exist. The main determinant for a high rate of employment growth remains the rate of economic growth, and if the long-term prospects for economic growth remains poor, prospects for reducing unemployment are necessarily limited. Another decisive factor for employment growth is the kind or structure of economic growth. This paper has tried to demonstrate the important role of the public sector expenditure programme as an element of an integrated and comprehensive policy package in the fight against unemployment. Pro-poor growth and development could be fostered through a restructuring rather than an expansion of public sector expenditure programmes. This could be done by including characteristics of SEPs, and particularly SPWPs, in public sector expenditure programmes and thereby generating demand for labour, for example, by removing biases that favour capital-intensive production or other impediments to employment growth; and by reallocating public expenditures towards programmes that enable the unemployed and the poor to take advantage of existing and emerging productive opportunities, for example, by supporting the development of skills and provision of the necessary complementary infrastructure. The approaches followed in so-called Bank projects as well as in projects by other development agents, offer useful demonstrations on how public expenditure programmes could be restructured, in favour of the poor and the unemployed, on a much larger scale than at present.

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